

# Our strategy

In a fast-changing world, the ability to adapt has become a leading indicator of future success. Our strategy served us well over the past decade and provided a strong base. However, our changing landscape necessitated a quantum leap to unlock further value for our stakeholders in the current and future environment. We therefore undertook an in-depth strategy review during the year.

Our purpose, vision and values guide our strategy, which is shaped around four strategic objectives.



## Becoming an African champion



## Building a fortress position in South Africa



## Accelerating growth outside of South Africa



## Strengthening our position where we operate outside of Africa

We deliver on these objectives by pursuing goals.



### South Africa

- Deepening client relationships
- Digitalisation and data usage
- Increase direct distribution
- Empowerment as a competitive advantage in institutional markets



### Africa

- Optimise the portfolio
- Drive operational execution in the core markets
- Volatility of investment returns reduced to focus on return on capital
- Selective expansion on consistent delivery platform



### India

- Strong brand in India enables insurance to be sold outside current ecosystem
- Opportunity to enhance Sanlam involvement

### Data and digital transformation

Leverage data and digital transformation to increase the value offered to clients and improve efficiencies

### Continuous development of our culture

Empower people and evolve the culture to be competitive in a fast-changing world

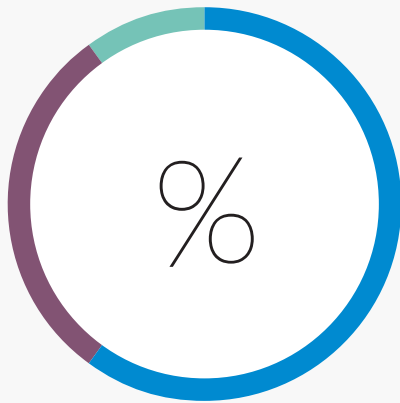
Enablers necessary to deliver on our strategy



Our commitment to Africa is the cornerstone of our strategic positioning with a vision of becoming the most admired financial services player in Africa. The continent's future growth prospects remain strong and we have an opportunity to use it as a base for inclusive wealth creation that will empower current and future generations to be financially confident, secure and prosperous. Key to this is humanising technology and designing our digitalisation journey around our clients. **This will be led by a new and expanded Exco.**

Examples of this are optimising the Pan-Africa portfolio and seeking to strengthen our Indian franchise.

Our strategy review identified significant opportunities for RoGEV outperformance:



- 60% of our effort will focus on South Africa
- 30% on Africa (excluding South Africa)
- 10% on India

South Africa is the bedrock of our business and we continue to enhance our position across various product lines. However, we expect to achieve superior growth in Africa (outside South Africa) and India over the long term.

Our ultimate strategic ambition is composed of three parts:

**Financial**

- Achieve consistently superior returns for shareholders relative to competitors in the Insurance Sector of the JSE
- Maintain leadership as the biggest insurer in Africa as measured by market capitalisation

**Client**

- Provide access to our products and services for more than 50 million clients across Africa by 2025
- Be rated as having the best client experience in each market in which we operate
- Be rated as the most trusted and secure insurer in each African market in which we operate

**Economic impact**

- Invest more than R1 trillion in the economies of Africa in a manner that is responsible and impactful for the development of those economies
- Diversify the benefits of ownership of the Company to local participants to the extent of a least 20%
- Create and participate in powerful ecosystems that utilise digital technology to stimulate economic growth throughout our markets in a manner that could not be achieved with purely physical infrastructure

**People**

- Attract the best people in the market, empower them to learn, lead and live our shared purpose
- Foster a high performance and agile culture that drives accountability and exceptional employee experience
- Harness the power of our diverse workforce to deliver innovative solutions for our clients

**Innovation**

Increase orchestration within the Group to implement our strategy across the clusters and drive innovation

**Partnerships**

Leverage our partnership model to introduce a broader spectrum of society to the benefits of financial resilience

## Key factors shaping our strategy

We place the client at the forefront of everything we do. This includes providing our clients with a superior experience and a simplified set of solutions that meet their needs in a cost-effective manner.

### Indie and MiWay: future-proofing financial services while designing for the long term

#### Indie

Indie is a digital-first business that sells a range of life and funeral cover products in South Africa. Indie builds capabilities to interact with our clients digitally – selling directly online and offering easy chat and telephonic assistance whenever the client wants it.

Indie was perfectly positioned for the digital migration triggered by the COVID-19 lockdowns and contributed a meaningful proportion of new policies for the year. Indie also remains well positioned for the future as trends towards digital enablement and focus on client experiences continue. The lessons learned, capabilities developed and insights gained within Indie will filter through to the rest of the Group – helping to ensure we are ready for the future.

#### MiWay

MiWay is Santam's direct insurance business in South Africa. MiWay uses data from its underwriting experience with existing and former clients to develop individualised scientific underwriting. MiWay offers an end-to-end online quoting, buying and policy management facility. This means MiWay services the entire value chain, from client acquisition, to ongoing service, to the end of the claims process.

MiWay's entrepreneurial nature and data-driven, end-to-end direct business model proved resilient during the year, enabling it to achieve a net underwriting margin of 16,5%. MiWay also introduced an innovative new product, MiWheels At Home, which discounted car insurance premiums for work-from-home clients. In an environment where certain of Santam's product lines are under pressure, MiWay provides diversification and contributes to value creation.

We need to be agile and efficient, and technology and engagement platforms will be key allies to reboot and reinvent our business. This includes utilising data analytics to better meet the needs of our clients. Partnerships and digital transformation of our client and intermediary engagements will be key components of our execution, and disruptive change in some areas of the business may be necessary to achieve a digital future.

### Sanlam Group Technology: providing technology and digital capabilities to enable disruptive innovation and new ventures

As part of the revised Group strategy, former business units – Group Technology and Information and Sanlam Personal Finance Information Technology – were combined into a new business unit known as Sanlam Group Technology. It will provide infrastructure for Sanlam's digital ecosystem and support standardisation. This will minimise duplication and lower the cost of execution while pooling and sharing scarce skills.

The various businesses will be equipped to develop customised and bespoke applications to support a better client and intermediary experience. This will include consolidating existing and developing new digital applications, tools and software that are seamless, intuitive and easy to use.

### **Strategic data collection, analytics and robotics: increasing the value offered to clients and improving efficiencies**

Sanlam is on a journey to become a more data and insights-driven organisation. Some initiatives to date include:

- A recent partnership with Datarobot, a leading enterprise AI technology company, that provides us with a cloud-based automated machine learning platform to streamline the predictive modelling process. We can now run algorithms in parallel and store relevant output, spending less time on coding and more time on insights, analysis, decision-making and model implementation.
- The establishment of a Digital and Data Academy, where we recruit promising graduates and provide the necessary skills development and training to equip Sanlam for its digital transformation journey.
- The introduction of robotics to improve the client and intermediary experience, increase value and reduce costs. Robotics will augment and strengthen Sanlam's workforce, free up people to do more meaningful work and automate standard processes.

We require a reimagined mindset in the workplace to ensure our employees are performance driven and innovative. This includes replacing our historically conservative approach with a more calculated risk-taking culture.

### **COVID-19 and new ways of working: increasing flexibility, promoting work-life balance and supporting business productivity**

We conducted two employee surveys to assess current and future ways of work given the COVID-19-induced shift to working from home. Over 8 000 employees were invited to participate and approximately 50% of employees responded to our questions around their work experience during lockdown.

Key insights:

- Almost 57% of employees would prefer to continue to work from home, with 35% preferring a hybrid work arrangement while less than 8% would prefer to work at the office.
- Employee preference on where, how and when to work will become a key differentiator to attracting and retaining talent.
- New ways of working provide an opportunity to instil and embed a new culture, fuelled by heightened accountability, high performance and greater employee experience.

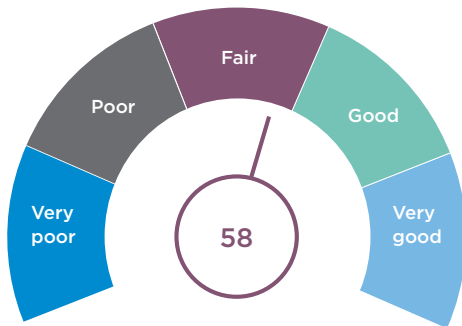
Based on the survey, we plan to evolve our ways of working towards a hybrid model: remote working coupled with some work spaces in the office. We believe this approach will allow for increased flexibility as a competitive advantage, promote employee wellbeing, work-life integration and enable an engaged workforce while sustaining employee and business productivity.

We started mapping roles and employee numbers to establish space planning requirements and identified policies that will have to be reviewed. The implementation of new ways of working commenced in the latter part of 2020. A significant reduction in our space utilisation will drive increased cost efficiencies as a secondary benefit.

## Key factors shaping our strategy continued

### A baseline culture score: evolving the culture to be competitive in a fast changing world

The culture journey assessment was launched across the Group in September. 71% of employees participated. Sanlam's overall culture score is 58, reflecting a satisfactory assessment of the health and strength of the culture. While this score is comforting when compared to global, regional and industry averages, we will continue focusing on improving our employee experience and enhancing the culture necessary to sustain our operations.



In comparison:

**Global average:** 49  
**Regional average:** 44  
**Industry average:** 49

The survey helped us to understand the collective culture imperatives and where we need to emphasise different cultural aspects. We aim to ensure better cultural alignment across the Group, while recognising the distinct differences in our various businesses.

Based on the culture score and detail metrics we are developing a Sanlam culture journey map that includes milestones such as reinforcing our purpose and values, defining the Group culture framework and articulating culture interventions.

We require closer collaboration across the Group to unlock value, increase product penetration and reduce our cost base. Our strategic journey will be more proactively supported from the centre. This includes the creation of a Group Strategy function that will support accelerated strategic execution and enhanced cohesiveness and cross-cluster synergy extraction.

### Cross-selling and collaboration: creating opportunities to do more business with existing clients and develop deeper client relationships

One of the main drivers behind forming the SLS cluster was to promote better integration of financial solutions across our South African retail clients and retirement fund and health scheme members. To encourage cross-selling and collaboration, we are focused on being advice led, offering intuitive client journeys and using data-driven insights to integrate our solutions to better service client needs. We believe these capabilities are crucial to establish Sanlam as our clients' preferred partner across the full basket of financial solutions. An example of cross-selling during the year was the launch of the Smooth Growth Series, which is the result of collaboration between Glacier in SLS and Sanlam Corporate. The Smooth Growth Series is available across living annuities, retirement annuity funds and retail preservation funds.



#### To note: changes to the Exco

Jurie Strydom (previously CEO of Sanlam Personal Finance) was appointed CEO of the newly established SLS cluster. Kanyisa Mkhize was appointed CEO of Sanlam Corporate. Bongani Madikiza (previously CEO of African Rainbow Life) was appointed CEO of South Africa: Retail Mass. Anton Gildenhuis (previously Chief Risk Officer and Chief Actuary) was appointed CEO of South Africa: Retail Affluent. Anton was replaced by Lotz Mahlangeni. Karl Socikwa (previously CEO of Sanlam Sky) was appointed Group Executive: Market Development. He replaces Temba Mvusi who retired December 2020. Wikus Olivier (previously acting Chief Financial Officer) was appointed Group Executive: Strategy. Abigail Mukhuba was appointed Group Financial Director.

We will accelerate growth outside of South Africa by improving the performance of our current operations, building scale through bolt-on acquisitions and expansion into new markets of the future.

### Delivering value from the Saham acquisition: priorities going forward

Sanlam acquired the remaining 53% stake in Saham in October 2018. Following this transition, SEM underwent a major transformation that included facilitating the transition to a new operating model and the ongoing onboarding of the Saham businesses. We are now focused on delivering value to improve and stabilise returns.

To date, good progress has been made rationalising the client base, repricing products, strengthening the focus on fraud and claims management, selling non-core assets and optimising reinsurance.

Management has reviewed the composition of the investment portfolio in Morocco in the context of long-term value creation, local capital requirements and its risk appetite. The revised asset allocation strategy will support an above hurdle return on capital at a lower level of expected volatility given a planned shift to less equity and property exposure. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as and when opportunities present themselves. Our target is to maintain a float margin range of between 6% and 9% of net earned premiums for SPA general insurance.

Other SEM priorities include focusing our efforts to better direct capital and capacity – we will prioritise businesses and markets where value can be extracted while ensuring that we have the best people in the right jobs to become a truly Pan-African business. We will also continue to improve underwriting. Our target is to maintain an underwriting margin of between 5% and 9% of net earned premiums for SPA general insurance.

These priorities will be pursued in collaboration with Santam, enforced by strong and rewarding in-country partnerships and businesses and a move towards digital ways of working. Looking forward, we believe that we are taking the right steps to create a platform that can be leveraged long into the future.

Growing the SPA life insurance operations is also an area of focus. We aim to build high-performance agency forces in-country and continue to build on our strategic distribution partnerships. Bancassurance is a key distribution channel and we have a number of bancassurance agreements across the continent.

### The potential of Africa: committed to the continent, our people and their potential

While the growth prospects are evident, short-term challenges in Africa include wide oscillations in commodity-driven currencies, social and political instability, volatile commodity prices, a lack of liquidity and nascent financial markets. Added to this, transparency and governance have presented challenges in sub-Saharan Africa.

However, the unrivalled ingenuity and long-term growth potential of Africa remains intact. The continent remains one of the fastest growing regions in the world and we believe it presents an attractive long-term investment destination. The growth opportunity is predicated on low insurance penetration and Africa's demographic dividend, underpinned by a growing labour force, rapid urbanisation and a burgeoning middle-class in many markets with increasing disposable incomes and demand for goods and services.

Positive trends in Africa<sup>(1)</sup> include:

- The African Continental Free Trade Area, (CFTA), which is accelerating intra-African trade and boosting Africa's trading position in the global market. The CFTA includes 44 countries and represents a combined GDP of more than US\$2 trillion and a population of approximately 1,2 billion.
- Four out of the top 10 fastest growing economies are African
- Africa is anticipated to have the largest and youngest labour force by 2030, made up of 1 billion people
- 3,4% of the world's foreign direct investment flows into Africa
- Rapid smartphone adoption is contributing to economic and social development across sub-Saharan Africa: mobile data traffic grew by a compound annual growth rate of 66% between 2016 and 2020

At Sanlam, we believe that investing in Africa will enable much needed growth and economic development across the continent. It also offers strong returns with significant diversification benefits. We are well-positioned to capitalise on Africa's economic, technological and infrastructural growth potential through SEM.

<sup>(1)</sup> Source: World Bank, African Development Bank