

CHAIR'S REPORT



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What do you believe enabled Sanlam to perform well on a relative basis?

Sanlam acquired the remaining stake in Saham in October 2018. What steps were taken during the year to embed this acquisition and ensure that the Group is properly positioned to extract value going forward?

As a 101-year old business, how does Sanlam ensure it remains ahead of digital disruption?

Investors, shareholders and other stakeholders are growing increasingly aware of the impact of climate change on businesses and society – accompanied by a strong call for action. How is Sanlam responding to environmental concerns and what role do you envision Sanlam playing in the future?

Comment on other aspects of governance at Sanlam that required the Board's leadership and guidance during the year.

Who would you like to thank when reflecting on the past year?

What are your expectations for 2020?

Sanlam's Chair, Johan van Zyl, shares his views on the highlights and challenges of the past year and summarises the main focus areas for the Board.

Q & A

? Sanlam generated 67% of its net result from financial services from South Africa in 2019 – this still represents the major portion despite diversification across Africa over the past decade. Comment on the trading environment and how this impacted Sanlam.

In South Africa, consumers remained under pressure and continued to become increasingly conservative with their money. At its core, Sanlam is an asset-gatherer that helps clients save for the future. With investment returns under pressure, the resilience of our stakeholders and consequently also that of our business is challenged. In addition, heightened economic policy uncertainty and difficulties in the operations of state-owned enterprises persisted as major obstacles to economic growth. Economic conditions in the other emerging markets where Sanlam operates were better, but also subject to volatility. The operating environment is elaborated on in some detail from page 37. In summary, we faced a difficult 12 months and it took concerted effort from Sanlam to safeguard our clients' financial well-being.

? What do you believe enabled Sanlam to perform well on a relative basis?

As a Board, we hold the executive and management teams accountable for Sanlam's performance. This means ensuring that objectives to deliver on the Group's vision and strategic intent translate into execution. I believe the business clusters, supported by our distribution partners, did exceptionally well to find new and innovative ways to extract value from Sanlam's operations. Testimony to this is the fact that Sanlam achieved double-digit growth in new business volumes in a difficult environment.

We continue to see the benefits of diversification, which has strengthened our overall position and made us even more competitive. This strategy worked well for us over the past 12 months.

Our partnership approach further differentiates us from our peers in strategic execution. In South Africa, our Capitec Bank relationship far exceeded our expectations, with AfroCentric, Easy Equities and others also continuing to deliver value. The Group's recently announced ventures with African Rainbow Life and MTN should create opportunities to gain market share in the competitive entry-level and middle-income market segments. Outside of South Africa, we continue to work with relevant and trusted partners on the ground, as we are not the experts in those regions. These partnerships are critical as we look to explore opportunities and cement our unique footprint across Africa.

Importantly, we have consistently demonstrated our ability to identify partnership opportunities that not only prove beneficial for the Group, but also for our partners and clients.

SPF's funeral life arrangement with Capitec Bank is a good example of this. The distribution partnership has delivered remarkable results over the past year and supports Sanlam's diversification strategy, thereby enhancing the Group's resilience and earnings growth. This is founded on a partnership that enabled Capitec Bank to deliver exceptional value to their clients by adding a flexible and affordable insurance offering to its growing range of financial services, thereby enabling more clients to benefit from access to world-class financial solutions.

This is particularly important for us at Sanlam. We believe that to drive sustained economic growth in South Africa, we must facilitate access to the economic ecosystem through new products and services. This reflects our purpose – to build an environment that supports people in living their best possible lives through financial resilience and prosperity.

? Sanlam acquired the remaining stake in Saham in October 2018. What steps were taken during the year to embed this acquisition and ensure that the Group is properly positioned to extract value going forward?

The Saham transaction is a strategic play that the Board and executive team worked on for several years. With the transaction now complete, the focus has shifted to integration and extracting synergies to ensure we meet the required returns on investment. Progress on extracting synergies has been slower than anticipated. However, we believe that we are taking the right steps to create a platform that can be leveraged long into the future.

This includes ensuring that we have the best people in the right jobs to become a truly Pan-African business. The Board supported several leadership changes within the Sanlam Emerging Markets (SEM) executive management team: Financial Director, Heinie Werth, took over as Chief Executive (CE) of SEM, with Junior Ngulube moving into the role of Sanlam Pan-Africa Vice-chair. As Junior approaches retirement, these changes support succession planning within this key cluster.

Beyond this, the combined presence and complementary efforts of Heinie and Junior will be a key operational strength, particularly in terms of stakeholder engagement. Our presence in Africa, through SEM, now extends to 33 countries. Managing the geographic spread, size and complexity of SEM is a challenge that we need to get right. This is particularly important as Saham looks to us for leadership, capital and risk management support. The SEM leadership therefore has to offer the right combination of skills and experience to execute our Pan-Africa and emerging markets strategy while developing strong and rewarding in-country partnerships.

CHAIR'S REPORT (continued)

This goes hand in hand with SEM's focus on upskilling and investing in local talent and enterprises and the countries we operate in as well as in Africa as a whole. Clearly, the focus initially must be on the more important countries and making sure we get things right there, before turning to the smaller entities.

To this end, the Board remains fully supportive of Sanlam's vision to become a truly Pan-African business. Short-term challenges such as wide oscillations in commodity-driven currencies, and social and political unrest, continue to persist in many jurisdictions. However, the unrivalled ingenuity and long-term growth potential of Africa and the other emerging markets we operate in, remain intact.

As a 101-year old business, how does Sanlam ensure it remains ahead of digital disruption?

With almost day-to-day disruption to businesses brought on by technology, Sanlam needs to evolve to keep up with changing times. Digital tools and solutions have fundamentally altered our clients' expectations – they require more information from us more quickly, demand transparency and want attractive and personalised products, services and advice. The Group-wide business intelligence and omni-channel co-ordination projects guide our approach to digital and technological transformation, and there are various examples within this Integrated Report that illustrate how these projects are helping us respond to clients and remain competitive. This includes making innovative alternative offerings such as MiWayLife, Sanlam Indie and BrightRock available to the market.

As we embrace digital opportunities, the Board continues to ensure increased vigilance around cyber-risk. We are particularly mindful of Sanlam's need to be agile and innovative, while monitoring the impact of digital and technological transformation on culture and risk management. During 2019, we conducted a review of how information technology is managed and governed in the Group. While no significant changes were required, we took this as an opportunity to re-emphasise roles and responsibilities and ensure a good understanding of these.



Investors, shareholders and other stakeholders are growing increasingly aware of the impact of climate change on businesses and society – accompanied by a strong call for action. How is Sanlam responding to environmental concerns and what role do you envision Sanlam playing in the future?

We witnessed significant and disruptive climate change events in the past year. These included Cyclone Idai, the wildfires in California and Australia, as well as several devastating weather-related catastrophes in South Africa. At Sanlam, the risks to our business and investments associated with these events are becoming tangible.

At Board level, we recognise the need to stay informed about, and test the Group's ability to respond to, climate change risks. Accordingly, climate-related issues are discussed at Group-level committee meetings and by climate-related management functions. Progress and feedback are then scheduled as agenda items at Board meetings.

Beyond Board oversight, severe weather/climate change has been recognised as one of the top 10 strategic Group risks for the past two years. The business is also undertaking a series of initiatives, such as the development of a Group climate position statement, to assess and articulate climate-related risks to Sanlam's owned assets. This includes investments in stocks, bonds and shares.

Sanlam has further demonstrated its committed to investing in long-term sustainable businesses, for example through the Climate Investor One Development and Construction Equity Funds. These funds finance renewable energy and public infrastructure projects in the green economy. Given the significant infrastructure investment needs across emerging economies, we believe these projects can have a long and lasting impact on vulnerable communities and play a vital role in enhancing resilience.

Within our own operations, we are committed to using natural resources and energy more efficiently to reduce emissions and waste. We have set specific targets to improve our environmental performance. This includes reducing electricity and paper usage, increasing water conservation and managing our waste stream responsibly.

I am particularly proud of our 14-year partnership with WWF-SA, the world's largest and most experienced independent conservation organisation. The partnership was initiated in 2006 to enable Sanlam to play a positive and leading role in safeguarding South Africa's water sources. With the ongoing severe droughts experienced across the country, this remains a significant and growing sustainability issue that will increasingly impact socio-economic development and the poorest sectors of our society over the next 20 years. Our partnership with WWF-SA creates opportunities for us to provide financial support to a body of experts with the knowledge and international reach to make a difference in addressing water-related challenges sustainably and responsibly.

Another leading example of how Sanlam is developing its long-term business strategy based on climate-related issues includes Santam's Partnerships for Risk and Resilience (P4RR) programme. Through P4RR we strengthen the capacity of local municipalities to manage incidents such as fire and flooding. We do this through risk-reducing interventions that benefit vulnerable communities. At the same time, these efforts mitigate the potential impact on Santam in terms of climate-related perils. The P4RR programme has supported 46 municipalities and is on track to support 53 municipalities by 2020.

As a business, we cannot distance ourselves from the real and acute environmental issues facing society today. I believe our efforts to respond to environmental concerns reflect Sanlam's commitment to tangible systemic change that stands to benefit present and future generations.



Comment on other aspects of governance at Sanlam that required the Board's leadership and guidance during the year.

One of the key areas requiring our attention in 2019 was the various leadership changes that occurred at Board and executive level.

In 2018, we communicated our intent to appoint new independent non-executive directors to the Board. The aim was to strengthen skills and diversity as well as address concerns among certain shareholders that board membership was not suitably independent. In 2019 the Board oversaw the appointments of Andrew Birrell, Elias Masilela and Kobus Möller as independent non-executive directors and Jeanett Modise as an executive director to the boards of Sanlam Limited and Sanlam Life Insurance Limited.

These changes come at a time when Sanlam is embarking on a new phase of Pan-African growth – requiring renewed energy and a fresh mix of knowledge and skills. I am certain that our new Board members possess the requisite skills, experience and credentials to complement and add value to Sanlam and support the Group's growth ambitions.

Within the executive team, Sydney Mbhele joined Sanlam in the position of CE: Brand and Jeanett Modise took up the position of CE: Human Resources. Thinus Alsworth-Elvey was originally appointed as CE: Special Projects, but was subsequently announced as CE of Sanlam Corporate in July 2019, allowing acting CE Temba Mvusi to again focus mainly on his executive responsibilities as CE: Market Development.

These appointments bring increased diversity to the Group and affirm our commitment to transformation at a business and executive level. They are also testimony to our ability to attract the top talent required for us to execute our strategy and meet the demands of the market opportunities and new initiatives the business is gearing up for across Africa.

To accommodate the leadership changes in the SEM executive team, Wikus Olivier was appointed to act in the position of interim Chief Financial Officer. The Board also spent time preparing for new appointments to the Chair and Group Chief Executive positions, which will occur in 2020. As communicated to the market, I will step down as Chair at the upcoming AGM but will remain on the Board as a non-executive director. As his contract comes to an end in 2020, Ian Kirk will step down as Group Chief Executive. Succession plans are in place to ensure a smooth transition and the retention of key competencies within the business. We anticipate that we will be able to announce the Group's new Chief Executive, Financial Director and Chair during the course of the second quarter of 2020.

On an industry level, we continue to actively participate in the development of the financial services industry in the markets where we operate. Nationally, we continue to play an active role in shaping the environment in which businesses operate, whether individually or through associations. We are active members of Business Leadership South Africa and ASISA where we play a leading role in driving solutions that will help create financial resilience and prosperity for all South Africans.



Who would you like to thank when reflecting on the past year?

This is my last report as Chair of Sanlam. Looking back on my 20-year journey with the Group, one of the highlights has been the high-quality people and the teams that I have worked with. Together we have transformed Sanlam from a South African-based, mainly life insurance, business two decades ago to Africa's largest non-banking financial services group. Within a local context, I am also immensely proud of Sanlam's transformation and empowerment journey through which the Group has evolved into one that is now trusted by millions of diverse South African and other emerging market clients. I will remain on the Board as a non-executive director and look forward to making a meaningful contribution in this role.

Overall, we continue to deliver on the things we set out to do – despite the growing complexity of the Group and the tough environment we find ourselves in. These achievements are the result of hard work and thanks must go to the executive and management teams for the many instances of leadership and support that they provided during a challenging and exciting year.

A special word of thanks to my fellow Board members who provided invaluable experience, commitment and guidance in helping steer Sanlam for the benefit of all stakeholders. Also to Ian Kirk, who has played a vital role over the last five years to accelerate Sanlam's growth into a global, diversified financial services group. I am confident that his leadership qualities and dedication to support the Group's continued growth and transformation will yield positive results for Sanlam in the upcoming year.

Last, but not least, I extend my thanks to our clients, Sanlam's employees and intermediaries, as well as our shareholders and other stakeholders for their support in 2019. Thank you for choosing Sanlam as your wealth creation, management and protection partner.



What are your expectations for 2020?

We anticipate that we are in for another tough year characterised by low economic growth, muted investment and equity markets, and global volatility. However, I believe that we are set to navigate these challenges from a position of strength.

Each year, we deliver stable and robust dividend growth combined with accelerated future growth prospects. This includes driving towards a leadership position and strengthening our market share in South Africa in areas where we lag compared to our peers. Diversification into higher-growth regions across the continent further enhances future earnings growth potential.

Leadership changes will bring in new blood and fresh ways of doing things within expanded networks of opportunity. Saying that, our people understand the strategy and what they need to do to stay ahead of our competitors. This will remain firmly in focus in 2020.

Sanlam's profile and future prospects are different today than they were just a few years ago. However, the fundamentals that have made Sanlam successful remain in place. I am confident that the Group is well-positioned for its new phase of growth and empowerment which will bring increased resilience and prosperity into the lives of our stakeholders.