

CLUSTER REPORT: SANLAM CORPORATE

About SC

SC operates through the following:

- > Group Risk Insurance
- > Corporate Investments
- > Annuities
- > Retirement Fund Administration (Stand-alone and Umbrella Funds)
- > Consulting
- > Health

SC holds a 27,8% stake in AfroCentric Healthcare Assets, a subsidiary of the listed AfroCentric Investment Corporation that owns the country's second-biggest medical aid administrator, Medscheme.

The business previously known as Absa Consultants and Actuaries (acquired in April 2018 and now renamed ACA Employee Benefits (ACA)) is in the process of being integrated into SC's administration and consulting businesses.

SC contributed 6% to the Group net result from financial services and 4% to GEV. SC's share of the corporate market in employee benefits and health is under represented, presenting an opportunity for growth.

Strategic intent: to be the preferred partner to corporates and the public sector, by providing an awesome client experience and comprehensive solutions that enable the financial resilience and prosperity of those entities and their employees.

To support our business strategy to build one unified business, our leadership structure was reviewed and the previously separate executive committees within SEB and Health were combined into a single leadership team. This will ensure that appropriate capacity is available across the cluster to support effective strategy implementation. It will also facilitate greater collaboration between our various distribution, consulting and product houses to improve performance.

Thinus Alsworth-Elvey was appointed as Chief Executive of SC in July 2019, replacing acting Chief Executive Temba Mvusi.

We reviewed and updated our strategy in 2019. In addition to minor refinements, the review resulted in an enhanced focus on client centricity and developing deep insights into clients' needs to enable us to respond with appropriate and integrated solutions. A further outcome was restating our strategic intent.



R590 million

Net result from
financial services
(2018: R580 million)

6%

Contribution to Group net
result from financial services
(2018: 6%)

1 509

Number of employees
(2018: 1 494)

R8 951 million

Claims paid and increase
in policy liabilities
(2018: R8 227 million)

R6,4 million

Invested in empowering
trustees, advisers and
employers through insights
drawn from the 2019
Sanlam Benchmark Survey
(2018: R6 million)

6,80 out of 12

Employment Equity
indicator as defined
in the FSC
(2018: 6,56)

CLUSTER REPORT: SANLAM CORPORATE (continued)

SC's strategic imperatives

The Sanlam Corporate Way	Create a unified culture and leadership team, become an employer of choice and promote inclusivity.
Client-focused strategy	Prioritise client-focused research, client understanding and a strong client value proposition rather than being product or distribution-led.
Well-diversified distribution channels and partnerships	Distribution channels should include intermediated, direct, digital and retail as well as strategic partnerships.
Awesome client experience	Client services should be digitally enabled and cater for omni-channel engagement .
Comprehensive solutions	These include leading employee benefits and health solutions as well as other Sanlam Group solutions.
Strong brand and trusted leadership	Focused on value add for clients, intermediaries and the workplace.
Deliver superior shareholder returns	Drive earnings, VNB and RoGEV through revenue growth and efficiencies.

2019 operational performance overview

Despite the tough operating conditions and pressure on employers, we grew new business volumes by 14%. Solid growth in the Sanlam Umbrella Fund in turn benefited Investment and Group Risk business.

The high Group Risk claim volumes continued into 2019. To mitigate the effects of this, we focused on effective claims management and ensuring that schemes are appropriately priced in relation to claims experience. The combined effect of these actions contributed to a recovery in Group Risk Insurance profitability in the second half of 2019.

To enhance pricing decisions, we established a dedicated data analytics team that will work alongside the Sanlam Group BI project to leverage the tools and skills being implemented by the project. We are also investing in better digital claims management tools, workflow processes and automation.

We launched various digitally-enabled solutions to address the opportunities created by the new retirement fund default regulations, which came into effect on 1 March 2019:

Impact	SC's response
On withdrawal from a fund, SC is required to obtain member consent in writing prior to paying out any exit. This could potentially disrupt the cluster's ability to pay exits timeously and adds an extra administrative burden.	We designed and implemented an innovative solution that enables members to access various channels via which they can provide consent. This includes SMS, email, web and manual submission.
All funds are required to provide their members with counselling upon withdrawal or retirement.	This has been met in two ways: a financial information portal was developed on the member web/app and the Individual Member Support services team was implemented to provide a free counselling service to members of funds who are resigning or retiring and require such a service.

The establishment of the Individual Member Support services team further supports our retailisation strategy. The unit is making good progress in signing up funds. By the end of 2019, 52 funds had taken up the basic free counselling service. This creates additional opportunities to engage directly with members to inform them of retirement options, generate leads for advice and guide clients to appropriate Sanlam annuity and investment products.

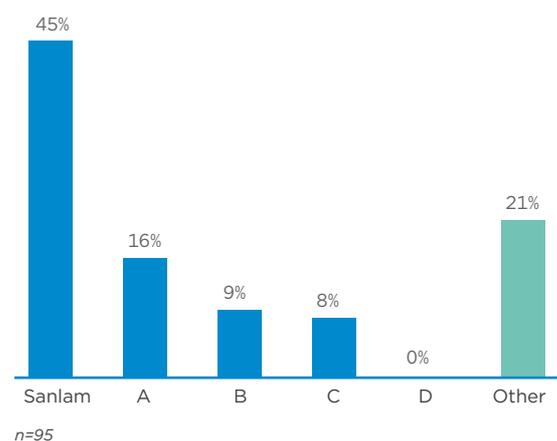
Employee Benefits

Following continued interest in Smooth Bonus Fund within SC, SC established a centre of excellence to increase Sanlam’s share of retail market flows into this product.

ACA delivered a pleasing performance and SC continues to see the benefits following the integration of ACA in terms of facilities and infrastructure. Further integration will focus on aligning the business’s administrative platform with that of SC to enhance efficiency and continuity and support client and employee retention.

The Sanlam umbrella fund remains one of the most well-regarded by intermediaries and is recognised as one of the most advanced, differentiated and responsive umbrella funds in the country.

Which of the Big 5 commercial umbrella funds are most capable of enabling financial resilience for members?



A key component of SC’s business strategy is to build one unified business and experience for its clients. This includes moving from single product lines to an integrated, holistic suite of solutions and services as well as generating a better understanding of clients’ needs and building better client journeys.

In light of this, management is focusing on growing Sanlam’s presence in the South African employee benefits market by leveraging the Sanlam brand and bringing the underlying SC businesses closer together.

Health

The health portfolio includes our investment in AfroCentric as well as a suite of health insurance products sold under the Sanlam brand

AfroCentric delivered 4% growth and continues to contribute the majority of the health portfolio’s profits. This strategic investment remains key to the success of SC’s overall health strategy. Beyond member administration, AfroCentric concluded various bolt-on acquisitions that enable it to play in other areas of the healthcare value chain, including within the public healthcare sector. AfroCentric is therefore well placed to respond to regulatory uncertainty related to NHI.

Read more about SC’s financial performance in the Financial Review from page 80.

The Sanlam Financial Resilience Index

The Sanlam Benchmark research is South Africa’s most comprehensive and respected retirement industry study. The study has been conducted since 1981 and this year 100 funds, 100 employers and 100 employee benefits (EB) consultants were surveyed via a combination of face-to-face interviews and online studies.

The 2017 Sanlam Benchmark introduced the Sanlam Financial Resilience Index (SFRI). The intention of SFRI was to offer a diagnostic tool that could be used to determine what obstacles exist that prevent retirement fund members from improving financial resilience. Since 2017, we have engaged with numerous fund members and have received over 5 000 responses.

This year SFRI research was also done among Sanlam employees. The results confirmed that regardless of the sector and the functional roles individuals have, people are finding it hard to cope financially across the board. Through this process a number of strategic deliverables were identified, which Sanlam is exploring to make a difference and empower employees along their financial journeys.

The SFRI assigns a score that can be used as a benchmark to measure the financial resilience of any given fund against the industry in general, across the following six categories:

1. Income and package composition
2. Financial wellness
3. Level of indebtedness
4. Budgeting
5. Provision for retirement
6. Advice and financial planning

The focus of the research is on understanding what members’ specific needs are for any given fund. This engagement is vital to improve members’ retirement outcomes. This includes the frequency, timing, method and simplification of complex topics.

Strategic short- to medium-term priorities

- Progressively improve market positioning by following a holistic approach and providing leading employee benefits and health solutions as well as other Sanlam Group solutions.
- Continue to identify opportunities for intra-group collaboration with the other clusters – particularly SIG (through the Sanlam Umbrella Fund), SPF (through SC’s retailisation strategy) and SEM (by identifying opportunities to provide corporate solutions to multinationals).
- Strengthen direct distribution, key account capability and the cluster’s consulting businesses by adapting the cluster’s engagement model to allow for more direct interaction with individuals within funds as well as employers.
- Identify opportunities to further enhance the client experience and develop a strong client value proposition, underpinned by digitisation of engagement platforms and the use of data and analytics.
- Continue to build on strong corporate partnerships and identify opportunities to grow market share within the public sector and among organised labour, which will be supported by identifying organic and acquisitive growth opportunities.

- Build on the refined leadership structure to create a unified SC culture that supports the revised strategy as well as empowerment and transformation more broadly. To support this, the cluster will ensure that rewards/ incentives are in place to drive the right strengths and capabilities within the business – particularly for key roles. This will be underpinned by a strong focus on people development and training.

Resilience focus areas



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