


GROUP CHIEF EXECUTIVE'S STRATEGIC REVIEW

| Highlights | Challenges |
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| <p>Progress on strategic initiatives:</p> <ul style="list-style-type: none"> ➤ Integration of Saham largely complete; traction in realising synergies. ➤ 5% B-BBEE share issuance completed, strengthening Sanlam's capital base and simultaneously providing Sanlam with leading empowerment credentials in support of future growth. ➤ Significant value derived through our partnership with Capitec – with more than 1,4 million funeral business policies sold since launch (1,1 million up to 31 December 2019). ➤ African Rainbow Life, a greenfields black-owned insurance company, launched as complementary distribution channel in SA entry-level market. <p>Investment in digital and technological transformation is ongoing and supports client-centric growth.</p> <p>Quality of earnings remains solid: continuation of positive experience variances and strong cash flow generation.</p> <p>Growing shareholder value through 7,1% dividend growth (3% real).</p> | <p>Weak South African economy and low levels of investor confidence impacted negatively on new business growth.</p> <p>Pressure on general insurance claims experience in key African markets, the collapse of the Angolan currency and instability in Lebanon detracted from SEM results.</p>  |

2019 overview

Looking back on the past year we can again be proud of the Group's accomplishments amid major political and economic headwinds, particularly in South Africa. Our performance is testimony to Sanlam's resilience and the quality and scale of our business. Also central to our success is the calibre and commitment of our employees and their ability to execute and deliver value for our stakeholders.

The South African economy faced a difficult year and a much slower recovery process than predicted following the election of President Cyril Ramaphosa. Coupled with a volatile investment market, higher unemployment and low growth in household disposable income, market conditions severely limited new business growth potential. The weak economy also necessitated increased provisioning in respect of certain corporate credit exposures.

Beyond South Africa conditions also remained volatile, aggravated by Brexit and tensions in the trade war between the United States and China. However, we continue to see promising new business growth potential in key markets such as India, Morocco, Côte d'Ivoire, Nigeria, Namibia and Botswana.

Despite the tough environment we delivered solid financial results in relative terms, supported by strategic initiatives that enhanced our market share and business performance. We attribute our performance to the Group's sustained focus on executing our strategy diligently while striving to make a meaningful difference in the societies in which we operate. In doing so, we fulfil our purpose of building a world that supports people in living their best possible lives through financial resilience and prosperity. This will enable us to remain relevant and competitive, and achieve our performance objectives over the medium and long term. This despite challenging conditions expected in some of our key markets over the short term.

GROUP CHIEF EXECUTIVE'S STRATEGIC REVIEW (continued)

In pursuit of our vision to be a leading Pan-African player, we continued to invest in all the countries where we operate to assist clients with the challenges they are facing. This includes developing appropriately priced solutions and distribution channels that meet clients' needs for certainty, security and protection. We also undertook various initiatives in South Africa during the year to close the gap in health and employee benefits, the entry-level life market and in third-party asset management – thereby ensuring we are better positioned to lead in client-centric wealth creation and protection in the country.

We recognise that government cannot address South Africa's governance, operational and financial challenges alone; active support from business, labour and civil society is required to ensure that we work together to achieve the common purpose of putting South Africa back on track. Sanlam continued to play its role, primarily through the industry associations and business organisations in which we participate. Our strong B-BBEE credentials further ensure that we are able to implement meaningful empowerment partnerships that will continue to support social and economic transformation in South Africa.

We are focused on extracting the promised synergies from the Saham acquisition and delivering on the business case. We can be proud that as a Group we comprise more than 200 businesses in 44 countries worldwide – testimony to our commitment through the years to strengthen our legacy and create a leading Pan-African business.

Progress towards our vision

Lead in client-centric wealth creation, management and protection in South Africa

Where we have a leading position

Sanlam is one of the largest non-banking financial services groups in South Africa. Our aim is to occupy the top position in terms of profitable market share in all segments in which we compete. We defend our leading position by being client-centric and continually innovating to deliver solutions that meet our clients' and potential clients' need for wealth creation, stability and protection in an unpredictable environment.

We have a strong market presence in South Africa and are diversifying and expanding our distribution network through enhanced omni-channel capabilities and partnerships such as Capitec and MTN, and our new worksite model initiative through African Rainbow Life. The use of digital technology and data analytics enables us to implement agile and responsive solutions and sound advice that support client acquisition, engagement and retention.

We have leading positions in general insurance, and the middle-income, mass affluent and high net worth life insurance and investments segments.

- ① We are a leader in risk products and retirement annuities in the middle income market. Innovative alternative offerings that include MiWayLife, Sanlam Indie and BrightRock help us retain our market position and gain market share, as well as offset low growth and competitive dynamics in the traditional risk market.
- ② Glacier, SPF's wealth and investment unit, is one of South Africa's leading investment platforms in the mass affluent market with a leading intermediated model. Glacier Invest is currently the largest discretionary fund manager in South Africa based on assets under management.
- ③ SIG has a leading position in private wealth management in South Africa. It pioneered index-tracking investment capabilities with Satrix – the largest and market-leading equity index-tracking provider in South Africa. SIG's Implemented Consulting is also a market-leading solution widely used by financial planners and consultants.
- ④ Santam is the leading general insurance group in South Africa, with a market share of more than 23%. All of the Santam Specialist business units are market leaders in their insurance classes in South Africa. This includes Santam Marine, Santam Transport, Santam Agriculture and Corporate property, engineering and liability. Santam was recognised as the top short-term insurer in the business category of the 2019 Sunday Times Top Brands survey.

Our level 1 B-BBEE status positions us as a leading empowered business within our peer group and bodes well for market share gains in South Africa, with strategic partnerships being a key growth driver.

Where we lag in terms of our vision

We continue to make solid progress in the health, employee benefits, third-party asset management and entry-level markets and have plans in place to achieve a leading position in these segments.

Entry-level market

We have a strong number two position in the entry-level market in South Africa but are driving towards a leadership position through strong diversification of our distribution channels. We continue to see solid organic growth in the Sanlam Sky traditional intermediated channels, with accelerated market share gains being achieved through our partnership with Capitec. The newly established African Rainbow Life work-site based model is also expected to contribute to an enhanced market share in the entry-level market. The joint venture with MTN will enable SPF to make funeral cover and Sanlam Indie's range of life insurance products available to MTN customers in South Africa who prefer to transact digitally. We are confident that the building blocks are now in place to enable us to compete effectively in this market segment.

Third-party asset management

We made good progress during the year to build scale in third-party asset management. We saw a positive turnaround in the Glacier solution range offered by SIG. This is an important distribution channel for the cluster as it looks to focus its position as a third-party asset manager.

The Alternatives business attracted noteworthy new business inflows. This is encouraging as this asset class provides an opportunity to produce enhanced real returns for clients and gain market share. The Alternatives business enables SIG to use clients' demand for higher yields to make impact investments that contribute to measurable positive social, economic and environmental impact alongside financial returns. Worth noting is our involvement in a global climate fund, Climate Investor One, which was launched as a partnership between the Netherlands Development Finance Company (FMO) and Sanlam InfraWorks in 2017. Climate Investor One has mobilised commercial funds to reach \$US850 million and is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW Pan-Asian corporate and industrial rooftop solar platform; and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.

Good progress was made in introducing African Rainbow Capital Financial Services (ARCFS) as an empowerment shareholder in SIG's third-party asset manager. We anticipate to make an announcement in this regard in the near future. The transaction will result in SIG's third-party asset manager becoming black owned. Strong ownership credentials and broad asset class expertise (traditional, alternative and global) should see the business uniquely positioned within the market and well placed to attract increased institutional asset flows going forward.

Employee benefits

To grow our presence in the South African employee benefits market we are focusing on restructuring the underlying SEB businesses and bringing them closer together from a previously relatively federated model. This includes moving from single product lines to a holistic offering as well as generating a better understanding of clients' needs and building better client journeys. Sanlam's leading B-BBEE credentials will create further momentum for our employee benefits offerings in the local corporate market.

Health

Our stake in AfroCentric Health Limited (AfroCentric), South Africa's largest health administration and medical risk management solutions provider, remains key to the success of SC's overall health strategy.

Beyond member administration, AfroCentric concluded various bolt-on acquisitions that expanded its presence in the broader healthcare industry and diversified its product and service offerings. AfroCentric is also well positioned to facilitate the delivery of quality healthcare through several public-private partnerships. We believe this will be a strong competitive advantage considering government's move toward universal healthcare and the implementation of a National Healthcare Insurance (NHI) scheme.

To help us close the gap on being the number one player in this market segment, SC is focused on identifying opportunities to integrate healthcare and financial services to grow membership over time. SC will also look to increase its level of engagement with the South African public healthcare sector.

Strategic pillars that support execution to address these gaps



Profitable top-line growth through a culture of client-centricity



Enhancing Sanlam's resilience and earnings growth through diversification



Extracting value through innovation and improved efficiencies



Responsible capital allocation and management

Progress towards our vision

Be a leading Pan-African financial services group with a presence in India, Malaysia and Lebanon

We have a leading position in Africa

Following the Saham acquisition, Sanlam is now positioned as the largest Pan-African non-banking financial services provider on the continent. Sanlam is among the top three market leaders in 5 African countries for life insurance and 6 African countries for general insurance.

To achieve our vision of being a leading Pan-African financial services group, we have set ourselves a target to be in the first, second or third position in all the significant markets on the continent. To achieve this requires prioritisation, as we do not have the capacity to drive this simultaneously in all markets. During the year we identified the key markets to focus on first.

Being a leader in Pan-African financial solutions relies on our ability to utilise SEM's large network of countries and businesses to facilitate cross-selling and offer a one-stop service to multinational companies, brokers and insurers. In particular, strategic alliances with bancassurance partners and telecommunication companies provide strong distribution channels across the continent.

We have over 30 in-country bancassurance partners on the African continent. We have secured strategic alliances with People's Insurance Company of China and Sampo Holdings of Japan – both of which have significant multinational client bases across the African continent. Sanlam's footprint across the African continent is of value to bank and other partners.

Sanlam has a meaningful presence in India through its 26% share in Shriram Capital Limited (SCL). On a consolidated basis, SCL has an overall client base of 12 million, 84 000 employees across 3 950 offices, and assets under management of around US\$22 billion. We have direct stakes of 23% in Shriram Life Insurance (SLI) and Shriram General Insurance (SGI), with the remaining interest in these businesses held by SCL. Despite a slowdown in economic growth in 2019, the Indian businesses continue to perform well and we believe that the long-term potential of this region remains intact.

Sanlam entered the Malaysian market in 2013 by acquiring a 49% stake in the general insurer Pacific & Orient Insurance Company Berhad. At the end of June 2014, Sanlam entered the life insurance sector by acquiring a 51% interest in MCIS Insurance Berhad. The Malaysian economy remains strong and on track to achieve good growth going forward. Improved insurance penetration and initiatives to increase foreign direct investment provide the Group with new business growth opportunities.

LIA Insurance in Lebanon is a Saham subsidiary. Following the acquisition of Saham in 2018, LIA Insurance became part of the Group’s operations in other emerging markets outside Africa. Pressure on the Lebanese economy and the general operating environment intensified during the year following social unrest and political uncertainty. As this region is strategically important, we are collaborating with the business and providing the support it needs to achieve success in this market.

Where we lag in terms of our vision

In addition to extracting and delivering on the synergies embedded in the Saham acquisition, we need to build scale to consolidate and protect our leadership position in Africa and, in particular, those areas where individual businesses are not meeting their RoGEV hurdle rates. Importantly, we need to develop the leading life and general insurance businesses on the ground, in each key country across the continent.

Our focus is to pursue accelerated organic growth through superior execution, by extending our product and service offerings and by leveraging our strategic alliances where opportunities arise. Where we lag, we continue to explore industry consolidation, increased shareholding and strategic partnerships or acquisitions of companies that can bolster our market share where it makes sense.

SEM was divided into Sanlam Pan-Africa (SPA) and Sanlam Middle East and Asia (SMEA), with the latter comprising India, Malaysia and Lebanon. This will assist the cluster with managing the complexities of the African business and its widespread operating base. Importantly, it enables SEM to optimise capital allocation and enhance operational efficiency to address the areas where we lag. Other countries in Africa will be evaluated in terms of their long-term relevance and potential value-add to the Group. This includes Egypt and Ethiopia, where we have partner arrangements.

Strategic pillars that support execution to address these gaps

-  Profitable top-line growth through a culture of client-centricity
-  Extracting value through innovation and improved efficiencies
-  Responsible capital allocation and management

Progress towards our vision

Play a niche role in aspects of asset and wealth management in specific development markets

We have a niche position


We are seeing improved internal flows in the UK due to management’s ongoing efforts to restructure and streamline this business, bolstered by some acquisitions concluded during the year and further capacity building. Most notably, the Thesis Group was acquired in the second half of the year and will augment the scale of the Group’s private wealth, advice and asset management operations in the UK. The asset management businesses are doing well. However, the wealth and advice units are not delivering the returns that we expect, with 2019 being particularly disappointing from a profitability perspective. The restructuring in 2019 and the implementation of a new administration platform should position these businesses for improved performance.

We have a competitive and award-winning set of products for our clients in this market. Specific focus will be placed on developing appropriate products to capitalise on the opportunities of our African client base.

Where we lag in terms of our vision

To be profitable as a niche business, the UK operations require scale and the capability to attract assets and skills. We continue to explore opportunities in this regard.

Strategic pillars that support execution to address these gaps

-  Profitable top-line growth through a culture of client-centricity
-  Responsible capital allocation and management

Progress against the four strategic pillars

The Group's strategic intent of creating sustainable value for all key stakeholders remains firmly in place, pursued through a strategy focused on four pillars. Detailed information about each strategic pillar is provided in the section on page 121.

We continue to execute on all our strategic pillars, underpinned by our federal operating model and diversified profile that support a dual focus on growing our existing operations while concluding transactions to drive future growth. The cluster reports from page 88 explain how each cluster supports and implements the four pillars according to specific focus areas. Progress was impacted by external and internal factors in our economic and regulatory environment. These factors are set out in more detail in the sections from pages 37 and 130.

We have identified various sustainability "hot topics" that are important to our long-term resilience and that support diligent strategy execution and our transformation priority. These are referenced in the following pages with more detail available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

Our remuneration approach further incentivises behaviour that supports target-driven strategy execution. Short-term and long-term strategic objectives are measured and rewarded within a framework that promotes fair, responsible and transparent remuneration. This mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. Read more in the online Remuneration Report.

Executive committee members have key performance indicators that correlate directly to the four strategic pillars. These indicators are tracked according to appropriate growth measures (read more in the remuneration section on page 153). Executive committee members also have employment equity targets where relevant and are expected to drive inclusivity and a "One Sanlam" culture.



Profitable top-line growth through a culture of client-centricity

We deliver top-line growth through writing profitable new business and by retaining our existing clients through an ongoing focus on client-centricity.

New business volumes increased by 12%. The 15% rise in the net value of new covered business benefited from strong new business growth at Sanlam Sky in SPF and SC.

SPF

Sanlam Personal Finance

SPF achieved overall new business sales growth of 1%, a major improvement since the end of the first half of 2019. Performance was underpinned by solid contributions from Sanlam Sky, MiWayLife, Sanlam Indie and BrightRock. The funeral life arrangement with Capitec continued to exceed expectations - contributing some R1,1 billion in new business volumes. ARL began conducting business in the second half of 2019 and provides further reach into the entry-level market.

SEM

Sanlam Emerging Markets

SEM performed well on a relative basis, with life and general insurance new business sales exceeding overall expectations. Most markets delivered noteworthy performances. The exceptions were those markets impacted by weak currencies and/or pressure on economic growth (Angola, Lebanon and Zimbabwe) and Sanlam Kenya in East Africa that performed below expectations. SEM remains focused on implementing mitigating actions to address the operational challenges.

SIG

Sanlam Investment Group

SIG almost tripled its net fund inflows from R7,2 billion in 2018 to R21,2 billion in 2019. This is a commendable achievement in the current environment, supported by good traction in the South African third-party asset management business across traditional institutional, retail and alternative asset classes.

SNT

Santam

Santam grew its gross written premium for conventional business by 7%. This is a good result considering the competitive market and stagnant economic environment in South Africa.

Our commitment to client service is further evident from the reports of South Africa's industry ombudsman. Sanlam's proportion of total claims awarded in favour of clients is much lower than our relative market share.

SC

Sanlam Corporate

SC continued to execute on its strategies to gain market share in South Africa at an appropriate margin, growing its new business volumes by 14% and VNB by an exceptional 22%. The umbrella fund and non-life investment lines of business contributed strongly to this growth.

Sanlam's client-centricity is also evident in the number of claims and benefits paid to support client resilience and prosperity. Santam and Sanlam Pan Africa General Insurance paid general insurance claims of R15 billion and R8 billion respectively. Sanlam paid a total of R208 billion in the form of life insurance and investment fund benefits.

We continue to support our more than 280 Sanlam BlueStar practices in South Africa by assisting them to achieve higher levels of positive client experience. We are particularly proud of our initiatives that enhance client experience through the provision of an online distribution capability. Recent examples include Sanlam's Secure Services portal, Sanlam Now and Glacier Invest for intermediaries. This allows practices to adapt to the changing client needs for omni-channel delivery. It also positions Sanlam well for the new regulatory environment to be rolled out as part of the RDR.

Our predominantly intermediated distribution model creates growth opportunities for our many advisers, consultants and other distribution partners. In particular, our new business performance in 2019 created significant value of R11 billion in sales remuneration to these stakeholders (excluding amounts paid by associated companies). This is an increase of 34% compared to 2018 (including Saham's structural contribution). The total number of advisers and supporting brokers in SPF increased to 7 880 and 8 263 (including BrightRock) respectively, which provided income opportunities for an additional 878 individuals and brokerages compared to the end of 2018.

Our diligent focus on client-centricity supports top-line growth and we continuously make adjustments for shifting client expectations. We do this by creating seamless client experiences supported by an omni-channel presence, lower costs, tailored financial product and service offerings and appropriate advice.

We measure client-centricity inter alia through the success of the Sanlam Reality loyalty programme. Sanlam Reality is the second biggest loyalty programme in the health and insurance sector, with over 1,3 million members. To enhance its client value proposition and reward members for living financially responsible lives, Sanlam Reality launched the Sanlam Money Saver credit card as well as a new loyalty solution called Reality Access. Through Reality Access, members are provided with a range of value-added services as well as with information, articles, calculators and tools to empower them to make the most of their money.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Keeping ethics top of mind

Sanlam is committed to influencing the Group's operating environment favourably. We are driven by a desire for ethical leadership and responsible practices. This ensures that when we pursue profitable growth we do so with the highest levels of integrity. This promise underpins our core values as well as our professional and ethical behaviour.

Board composition and independence

To ensure the Board can objectively and effectively discharge its governance role and responsibilities, we need an appropriate balance of knowledge, skills, experience, diversity and independence in our governance structures. To improve diversity and independence in its composition, the Board undertook various actions in 2019. These included adding new independent non-executive directors to the Board, providing more information on the independence tests applied by the Board to each non-executive Board member, as well as making provision for shareholders to vote annually on the continued Board membership of all independent non-executive directors who have been on the Board for more than nine years, as well as in the case where a non-independent director is the Board Chair.



Enhancing Sanlam's resilience and earnings growth through diversification

Diversifying our business profile and growing the relative contribution and balance of the various countries across our footprint provides more stability for the Group and helps us manage volatility that can emanate from the countries in which we operate.

The acquisition of the remaining stake in Saham significantly enhanced the Group's footprint and earnings diversification across Africa from a geographic and line of business perspective. The benefits of this diversification were reinforced during 2019 as the markets in which we operate experienced different levels of challenge and performance.

Extracting the synergies embedded in the Saham acquisition remains key to achieve the SEM cluster hurdle rate. Progress was slower than anticipated as the focus was first on integrating the various businesses and ensuring that all human resources and governance processes are aligned with those of the Group. Satisfactory progress was made in respect of capital optimisation and rolling out the Target Operating Model. This includes identifying our 10 priority markets and good progress in confirming optimal strategic asset allocation and identifying potential areas of excess capital that can be extracted.

Changes to the SEM executive management team are part of succession planning and support our resolve to execute our Pan-Africa and emerging markets strategy for the success of the broader Group.

We also diversified our distribution channels in the South African entry-level market through the launch of ARL in conjunction with our empowerment partner, Ubuntu-Botho Investments (UB). UB will play a key role in growing ARL through its contribution to the business's empowerment credentials and relationships in ARL's target market.

Our diversification initiatives included a strong emphasis on omni-channel initiatives as a way to reach, attract, retain and service clients while empowering intermediaries. At the same time, we recognise that our physical branch infrastructure remains critical for financial inclusion and growth, particularly in the entry-level market in South Africa.

Through SIG, we are broadening and extending our investment horizons guided by our responsible investment policy. For example, Climate Investor One, which was launched in partnership between FMO and Sanlam InfraWorks in 2017, has a mandate to invest in clean energy projects in emerging markets.

This gives our clients the opportunity to invest in a fund that positively impacts the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet their long-term cash-flow needs. Read more about the Climate Investor One fund in the SIG cluster report on page 107.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Protecting all forms of human rights

We believe that business can only flourish in societies where human rights are protected and respected. We adhere to the International Bill of Human Rights and are committed to respecting all internationally recognised human rights as are relevant to our operations. We understand that not every country within which we have businesses adheres to the International Bill of Rights in all respects. In these countries, while we will always respect the rule of law, we will also, insofar as we are able, participate constructively in industry and other forums which seek to increase alignment to the International Bill of Human Rights.

Our response to climate change

We identified severe weather/climate change as one of the top 10 strategic Group risks in 2018 and 2019. We are 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, such as investments in stocks, bonds and shares. We are a member of ClimateWise, an international grouping of insurance companies, looking at how to effectively manage climate change, and have been a member of CDP (previously the Carbon Disclosure Project) since 2007.

Sanlam invests responsibly

SIG acts as asset manager for the Sanlam Group, including Santam. SIG believes that companies that manage their environmental, social and governance (ESG) issues well will outperform their peers. Accordingly, we embed sustainability into our core investment process in order to better understand the potential for companies to deliver their cash flows into the future. Read more about how we invest responsibly in the SIG cluster report from page 106.



Extracting value through innovation and improved efficiencies

To attract and retain clients we focus on innovation and enhancing and adapting our financial solutions along the full extent of the wealth creation, management and protection value chain. Delivering operational efficiencies enhances our ability to more effectively service clients' changing needs and manage costs.

Advanced analytics and digital transformation are receiving heightened emphasis from all clusters in the Group to drive innovation and client experience along the full client journey; focusing on product design, distribution and back office efficiencies but founded on changing client engagement needs. For example, Sanlam Indie is our digital insurer that bases product innovation on client experience. The product is therefore built to be digitally flexible and is co-developed in partnership with clients to ensure a meaningful value proposition.

In addition to innovation in business processes and products, we work with advisers and consultants to use technology to adapt their client approach and engagements. We explain more about how we support our intermediaries through digital innovation in the SPF cluster report from page 88.

Operational efficiency is a focus area across all our operations, particularly during low market growth cycles. Cost efficiencies were prioritised in the context of subdued economic growth in South Africa and all clusters implemented savings initiatives to partly offset market conditions and increasing regulatory compliance costs.

Embedding new investments and acquisitions to exploit synergies and create efficiency also remains a key focus area. Within SPF, MyWayLife made a meaningful contribution to VNB and BrightRock continues to scale up and grow. Indie sales escalated strongly following its rebrand to Sanlam Indie. The distribution and digital capabilities in these businesses help ensure Sanlam is well-placed to secure and establish affinity distribution partnerships with strong external brands. This includes the partnership with Capitec in the funeral insurance market, which continues to outperform expectations, as well as the recent joint venture with MTN that was announced in July 2019.

Our business intelligence (BI) project aims to extract value through big data and data analytics and contributes to innovation and operational efficiency. The current focus is on using BI to improve underwriting accuracy, to have better and more targeted engagements with clients and to consolidate our data management. The latter is important to prepare for the extensive data requirements of the International Financial Reporting Standard (IFRS) for insurance accounting (IFRS 17).

Sustainability “hot topic” that enhances our resilience and supports strategic execution of this pillar

Creating cyber-resilience

Individuals, business and society require a functioning, stable and secure financial system that they can trust. Cybercrime and security risks threaten the system and are becoming more sophisticated and targeted. We create cyber-resilience by developing, implementing and continuously refining a robust information governance framework. Preventative measures are determined by a range of IT policies. We are also finalising a policy on the quality of data in Sanlam and giving recognition to data and information as an asset. This will address the risk related to a significant amount of structured and unstructured data in multiple locations due to Sanlam's size and geographic footprint.



Responsible capital allocation and management

Enhanced capital efficiency ensures appropriate levels of capital allocation to our business and redeployment of discretionary capital for investment in future growth opportunities.

We approach capital allocation responsibly, as Sanlam's long-term sustainability depends on having a resilient balance sheet that can both support our growth initiatives and withstand adverse conditions. This is a safeguard to our clients, employees, suppliers and broader society, and has built stakeholder trust in Sanlam for more than 100 years. Prudence is therefore inherent in the Sanlam culture and capital allocation methodology.

Capital management is controlled centrally from the Group Office, which means businesses must compete for capital. We allocate capital to those areas where we expect a higher return within acceptable risk estimates. To enhance RoGEV, Group businesses are allocated an optimal level of capital and are measured against appropriate return hurdles.

We continuously investigate opportunities to optimise the capital base as the Group and the operating environment develop. This includes more sophisticated balance sheet management, changes to strategic asset allocation, and the most appropriate capital structure.

A package of B-BBEE transactions was approved by Sanlam shareholders in December 2018. As announced in March 2019, Sanlam's capital position was enhanced through the 5% share issuance to the new B-BBEE entity. In addition to the capital benefits, Sanlam is now positioned as the foremost empowered insurance and investment management group in South Africa, with direct black shareholding of 19%.

The first drawdowns against the R2 billion funding facility to UB occurred in 2019. Some R300 million of the facility was utilised by UB to increase its stake in Alexander Forbes. A further drawdown of some R58 million was utilised to fund UB's participation in the capitalisation of ARL.

In the short to medium term, utilisation of capital remains clearly defined. Our primary goal is to find investment opportunities in existing operations and/or new businesses that will complement the strategy and yield returns in excess of the Group's return hurdle.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Combating financial crime

We have a zero tolerance approach to unlawful conduct and financial crime. Financial crime is any activity, conduct, suspected activity or suspected conduct related to financial services or the financial services industry. Our financial crime combating policy and anti-money laundering and the countering of the financing of terrorism policy provide frameworks for the combating of financial crime.

Our approach to tax in multiple territories

Sanlam's aim is to manage the Group's tax affairs conservatively and responsibly and in line with our strategy and all aspects of good corporate governance, financial risk management and transparent reporting. We are committed to a principle-based tax approach that should be sustainable in the long term. As we have extended our footprint in emerging markets over recent years, we acknowledge that – with a rapidly changing global tax environment – we are obliged to continuously monitor and review tax governance practices in the geographical areas where we operate.

Our transformation priority

Continuous transformation is central to our ability to adapt to a changing world and underpins all of the strategic pillars.

We define transformation broadly to include economic transformation to reduce wealth inequality, transforming our employees to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments and, most importantly, in line with the changing needs and preferences of our clients. While transformation therefore takes on different forms in the Group, we currently focus on two main areas.

Digital and technological transformation

The ongoing technological revolution is altering the way people live, work and relate, and the threat of disruption through a Fourth Industrial Revolution will affect our current and future clients, employees, partners and other stakeholders.

Digital and technological transformation is therefore critical to transform our business for client-centric growth. Underpinned by our BI project, digital transformation at Sanlam relates to the applications, infrastructure, tools and best practice that enable access to and analysis of information to improve and optimise decisions and performance.

We continue to drive the following:

- adding depth to client profiles, interactions and operations by integrating external data, for example from advisers and intermediaries;
- tapping into behaviour patterns, trends and sentiments to drive better client experience, such as through Sanlam Reality and Sanlam Indie;
- making use of predictive analytics to foster more effective cross-selling and upselling opportunities, reduce lapses and increase retention;
- using advanced analytics to spot fraudulent behaviours, forecast outcomes and guide actions;
- visualising data to enable better management reporting;
- optimising legacy systems, products and operations; and
- addressing the internal consequences of and opportunities created by digitisation on our workforce.

Clients increasingly demand solutions that are simple, fast and effortless, yet personalised. Intermediaries should therefore be comfortable with serving clients through both physical and digital interactions. We also want to ensure that Sanlam consultants are equipped to operate in a digitally-enabled era in which they can connect via mass personalisation to many more brokers via mobile phone and or other technology platforms.

At SPF, digital innovation is increasingly focused on how the cluster can innovate and leverage technology to better equip intermediaries, enhance client interaction and facilitate ease of doing business to ensure a seamless, agile and responsive client experience. Initiatives undertaken by the cluster include:

- innovative acquisitions, such as BrightRock;
- using Plug and Play to create proofs of concept that use digital technology to enhance the delivery of intermediary value-adds; and
- product innovation through products offered by Sanlam Indie, GoCover and MiWayLife.

These are unpacked in more detail in the SPF cluster report on page 92.

Digital and technological transformation (continued)

Our Group-wide BI project assists with product development, underwriting, client service and cost efficiencies through big data and enhanced data analytics, and its success depends on our ability to develop new skills, capabilities and a transformed culture. However, like most financial services groups, Sanlam is faced with a shortage of IT skills. As part of the BI project, we therefore launched the Sanlam Data Academy (SDA) to train young graduates and current employees in data-processing and interpretation skills. The skills they acquire will enable Sanlam to work smarter with data and become an insight-driven group that can base strategic business decisions on accurate and complete data. Read more about the SDA on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

By growing our own IT talent pool we can fill gaps and create new career opportunities.

We are also investigating opportunities to enhance operational efficiencies through robotics and, in 2019, various clusters began implementing robotics into various business processes with plans to expand this going forward. Read more about robotics in the SPF cluster report on page 93.

New requirements, such as client-centricity, digital developments, regulatory changes and security concerns are also driving the case for expanding Sanlam's IT capability. Due to digital technology advances, there is an increased focus on big data and cybersecurity threats, which create new challenges and opportunities for businesses. We have identified disruptive threats and the Fourth Industrial Revolution as one of our strategic risks. We also recognise cyber-risk, which includes the various risks related to digitised information, the supporting IT infrastructure and increasing digitisation of all channels. Read more about how we are mitigating our strategic risks and leveraging opportunities from page 133. Our focus on cyber-resilience supports digital and technological transformation at Sanlam.

An IT Steering committee with cluster and Group representation was established under the Group Executive committee to drive our IT governance model, which is based on a Group-wide technology strategy. Our Group Technology and Information (GTI) function improves our digital technology capability, enterprise architecture, and technology and information governance across the Group.

Our Group technology strategy subscribes to the "One Sanlam" principle: to drive overall strategic business co-ordination, opportunities and potential synergies between businesses - within clusters and business units - and minimise any wasteful overlaps. It targets greater levels of collaboration across the Sanlam Group.

People transformation

We have a diverse range of businesses and interests across the continent and within countries with different levels of political, economic and social risk. Considering our increasingly diverse profile, workplace transformation in terms of diversity and inclusion is critical for the Group.

We are driving transformation, diversity and empowerment

This includes a focus on accelerating gender diversity and advancing women at Sanlam while driving fair and equitable remuneration practices. We comply with South Africa's Equal Pay for Work of Equal Value legislation by conducting detailed analysis and monitoring adherence at cluster level. Within our UK operations, we began measuring the Group gender pay gap in line with new disclosure requirements.

This year, SIG's line managers attended diversity and inclusion workshops facilitated by an external partner. "Power Hours" were also implemented for all employees to address various diversity and inclusion dimensions. Within SPF, initiatives to enable a friendly and inclusive environment are ongoing. These include diversity training, cross cultural conversations and emotional intelligence workshops predominantly focusing on line managers.

We also want to create opportunities for disabled people's skill sets to contribute to our Group and industry. Our learnership programme is a deliberate drive for Sanlam to be inclusive and to increase the number of people with disabilities in the business. Disability awareness is built into the learnership programme.

In South Africa the focus on diversity in terms of race is largely guided by B-BBEE legislation that aims to address the racial and economic discrimination of the past. Within this context, Sanlam is committed to creating sustained economic growth through financial inclusion, participation and increased consumption, which in turn nurtures conditions for companies and communities to do well.

More detail about our efforts to drive transformation, diversity and empowerment is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

We are doing more to support our employees

Our employees are one of our key stakeholder groups as we are reliant on specialised skills to execute our strategy. At Sanlam our approach to employees is the same as our approach to clients: we want to enable them to live their best possible lives. We recognise that our employees are in different life stages and that we employ a multi-generational workforce in different business units and geographies.

Our employee experience is shaped by:

- ⊙ A compelling and differentiated employee value proposition, which is agile and fit for purpose, built on core values and supportive of a high-performance and values-driven culture
- ⊙ A dedicated focus on diversity and inclusion
- ⊙ An environment where technology, analytics and digital advancement are prioritised
- ⊙ Opportunities for growth, development and mobility across the Group, with most of our employee activities driving the attraction, motivation and retention of key talent in leadership and specialist roles
- ⊙ A dedicated focus on promoting a healthy work-life balance and creating opportunities to increase our employees' financial literacy, reduce their financial stress and enhance their productivity

Ensuring that our employees are healthy and safe at Sanlam is one of our sustainability "hot topics". More detail is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

People transformation (continued)

The Sanlam Group's digital platform initiative, myWorkSpace, enables the management of all people-related matters in one place. In its current form, myWorkSpace is a business transformation programme that simplifies, standardises and automates our talent management processes across the Group. It enables improved decision-making on talent through relevant data and analytics while building improved engagement and Group identity and by supporting talent mobility.

More detail about our employee value proposition and the key activities related to our employees is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

We are making a leading contribution to B-BBEE

In South Africa, our transformation imperative relates to B-BBEE and our role in supporting economic growth in the country. We are working hard to meet the targets set out in the 2017 Financial Sector Code and support the principles enshrined in the Financial Sector Charter aimed at creating a B-BBEE model by:

- Creating opportunities for previously disadvantaged employees and graduates through accelerated skills development and employment opportunities
- Procuring goods and services from black-owned enterprises while working with them to develop these enterprises
- Investing in communities, in black entrepreneurs and in projects that support infrastructure development, low-cost housing and agriculture
- Ensuring that equity stakes are made available to black communities and financing those

We have made significant progress over the last 10 years to transform in South Africa through the Group's partnership with UB, numerous empowerment deals, Sanlam Sky Solutions – which is focused on creating access to financial services at the lower income end of the market – and the initiatives run by the Sanlam Foundation. In March 2019, we also achieved a level 1 B-BBEE status.

We continue to advance employment equity, with 75% of our South African employees being from designated groups. Transformation of the demographic profile of Sanlam at top, senior and middle-management levels in South Africa, however, remains a challenge. We continue to actively drive and measure progress in terms of employment equity in every cluster, with incentives linked to transformation targets.

Maintaining a focus on B-BBEE is one of our sustainability “hot topics”. More detail about our contribution to B-BBEE is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

Partnering with stakeholders

We believe that developing and maintaining healthy relationships with our stakeholders results in increased trust. It is therefore important that we identify and build stakeholder relationships that increase confidence across the Group and minimise uncertainty as well as ensure that we deal with challenges before they become problems.

A new stakeholder management policy, which is based on a set of key principles, was approved by the Board during the year. Our objective was to ensure that stakeholder management is treated as one of the tight principles as defined by the Sanlam Group Business Philosophy.

To be sustainable, we have a responsibility to assist government and ensure South Africa's success. Like Sanlam, government is also a commercial operation with which we can partner to invest and create value. This year, Sanlam deployed R7,1 billion in capital to support expanded transformational infrastructure in South Africa. This includes targeted investments in affordable housing and agricultural development.

We work closely with industry associations such as ASISA and Business Leadership South Africa (BLSA) and have regular engagement with the presidency and national treasury. We are also positive about our engagement with the new South African regulators and are encouraged by the fact that major pieces of legislation are now gaining traction.

Outside of South Africa, we follow a similar approach with active participation in industry representative groups and regular engagement with the local regulators. In many of these markets we play a critical role in developing the insurance market to increase insurance penetration to the benefit of the underinsured society.

Within SEM, there was specific focus from management to build and maintain relationships at a Group and country level. A formalised SEM stakeholder management strategy and stakeholder management plan ensures regular and proactive engagement with the various primary stakeholders of the SEM group office. The strategy and plan define the primary and secondary responsibilities for each of the stakeholders listed in the cluster's stakeholder management matrix.

We remain committed to supporting small and medium enterprises (SMEs) as the true catalysts to achieving economic growth and development. We believe in nurturing the entrepreneurial talents of individuals by creating and maintaining a network of competent suppliers to drive transformation within our supply chain.

The Sanlam Foundation remains our primary corporate social responsibility vehicle and provides a co-ordinated approach to community investment across the Group. The Sanlam Blue Ladder Schools programme continues as our flagship socio-economic development initiative. Through this programme, Sanlam partners with schools, educators and communities across South Africa to improve maths tuition, nutrition and upgrade key facilities. A new partnership with the Click Foundation will expand the reach of the programme to include Mpumalanga and the Eastern Cape. In the next year we plan to launch the Sanlam employee volunteerism platform and the SPA corporate social investment (CSI) projects. In 2019, the Sanlam Foundation supported SPA's CSI initiatives in Mozambique and Zambia.

Outlook for 2020

We expect the economic and operating environment to remain subdued in a number of our largest markets in the short term, as highlighted from page 69. Investment market volatility will likely continue as Brexit unfolds and the phase 2 trade deal between the United States and China is negotiated. The outbreak of the corona-virus is another threat to global growth that emerged in 2020. New business growth potential will therefore remain under pressure.

Within South Africa, new business performance is largely dependent on developments in the political and economic environment. Importantly, favourable change in corporate investment confidence and foreign direct investment flows, key drivers of economic activity and employment, depend on confidence in the future policy direction of the South African government and realistic proposals to resolve the governance, operational and financial challenges faced by state-owned enterprises, particularly Eskom. We firmly believe that if South Africa does not succeed, neither can Sanlam. We are therefore committed to assisting government to help drive progress on these critical matters and continue to work alongside corporate South Africa and our industry associates to ensure the country's success. This is particularly important in light of the persistent risk of a credit rating downgrade.

Outside of South Africa, overall new business growth in other emerging markets is expected to remain strong. However, currency volatility in Angola and the weakening operating environment in Lebanon are particular risk factors that we will monitor carefully during the course of 2020. Despite the challenges, we are confident that we have an unrivalled opportunity to grow the business, bolstered by SEM's renewed focus on key markets and the energy and experience of the new leadership team.

Our goal is to build quality businesses and ensure we have the capability to be the insurer of choice for corporates operating in Africa. This will take time, but we believe we are on the right track to fully realise the potential of the Saham acquisition. One of the reasons for our success in Africa is that we have formed independent strategic partnerships with local institutions in every country in which we have a presence, and we will continue to provide support for our emerging market businesses and their clients.

Sanlam has stood firm for the past 101 years and, as we look towards 2020, the Group's fundamentals remain in place. This means that we can continue to implement our strategy and gear ourselves to be stronger and better positioned for future growth – now and for the next 100 years.