Strategic pillar

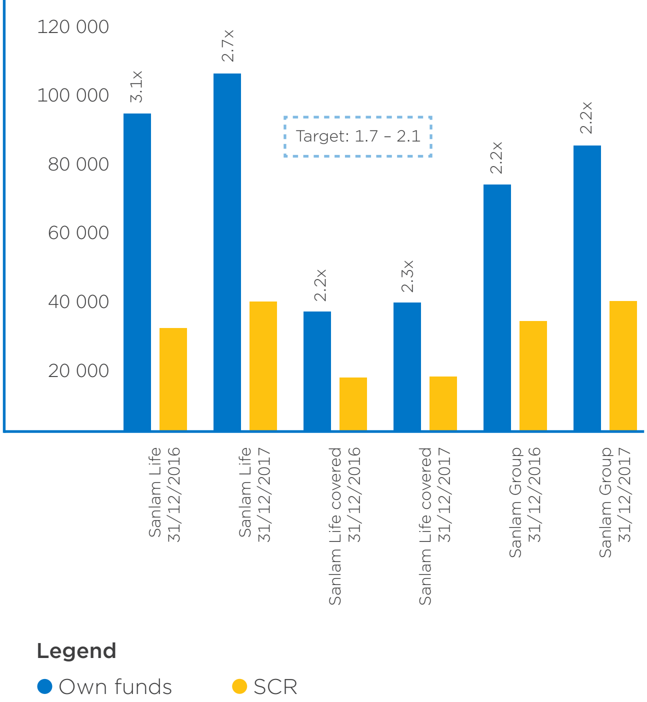
Responsible capital allocation and management

We aim to enhance capital efficiency on an ongoing basis by ensuring appropriate levels of capital allocation to our businesses and redeploying discretionary capital for investment in future growth opportunities. This optimises RoGEV over the long term.

Our capital base is a primary safeguard to our clients and regulators that we will remain solvent to honour our value creation commitments to our clients. Sanlam therefore has to be proactive in understanding and managing the risks it is exposed to and managing the trade-off between the level of capital held by the Group and clients' and regulators' trust in our future solvency.

The Group Estate committee, an internal management committee, is responsible for reviewing and overseeing the management of the Group's shareholder capital base in terms of the specific strategies approved by the Board.

SAM solvency cover



By their nature, the life and general insurance operations require the largest levels of allocated capital. We manage capital allocation at the efficient frontier by balancing:

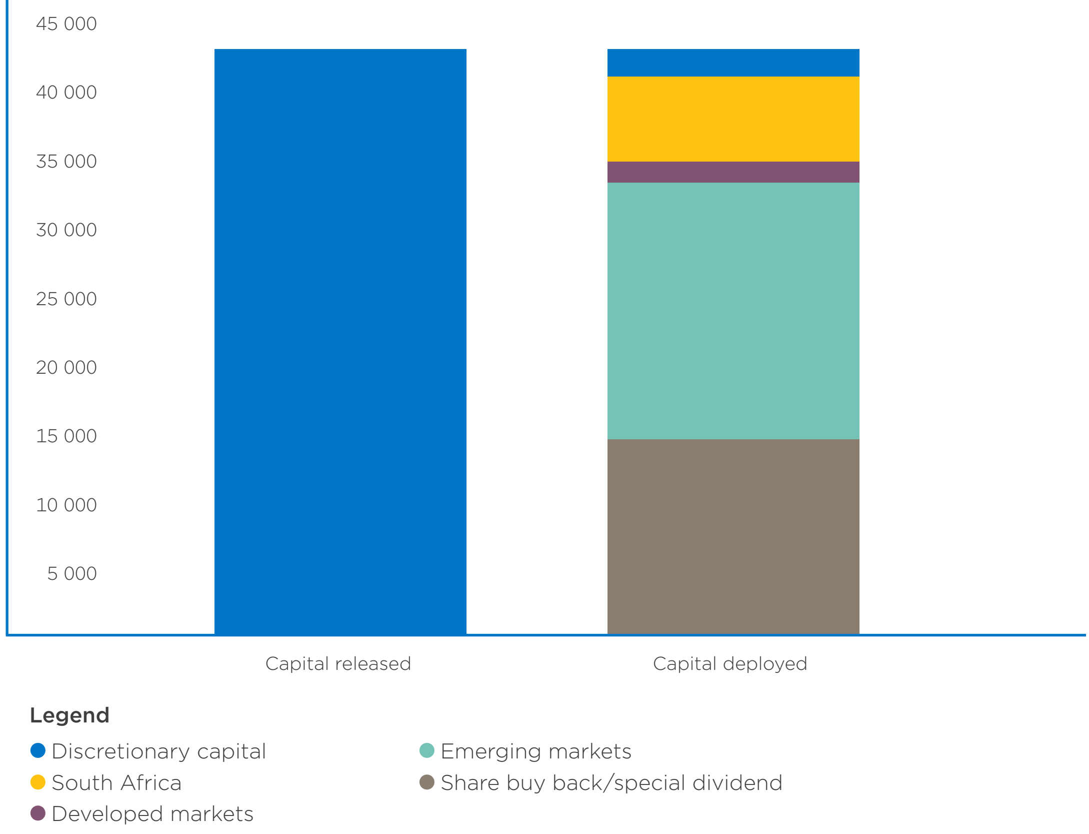
- → The level of capital required to meet target solvency cover ratios over the long-term (the higher the target solvency cover ratios, the higher the amount of capital held);
- → The strategic asset allocation of the allocated capital (the more conservative the portfolio is invested, the lower the amount of capital held); and
- → Expected net investment return to be earned on the allocated capital (the more conservative the portfolio is invested, the lower the expected investment return will be)

to optimise RoGEV over the long term.

Any capital in excess of requirements is allocated to the discretionary capital portfolio in pursuit of structural growth initiatives.

The Group is well capitalised, and has solvency cover ratios at the upper end of the target range.

Capital redeployed since 2005



Strategic pillar (continued)

Responsible capital allocation and management

What shareholders need to know:

1. Our dividend is not impacted by short-term volatility caused by the net investment return component of our earnings.

2. Potential volatility in net investment return is taken into account in setting our required capital levels. We can withstand severe investment market volatility and still remain within our target solvency range.

Dual focus on stable dividend growth and investment for future growth

We follow a prudent approach: we only use free cash flow to fund dividends
Our dividend philosophy is embedded in our capital management approach – we therefore do not manage our capital and solvency through our dividend policy.

Strong cash generation in mature markets support real dividend growth, allowing SEM to reinvest for growth

Sources of cash earnings

Net result from financial services

Cash earnings generated by operations available to fund Sanlam dividend

Any excess dividend cover is added to the discretionary capital portfolio

Investment return on capital

Allocated capital for SA life operations assumes that investment return will be free cash flow under normal conditions

Not allowed for in dividend cash flows

Funding for increased capital requirements and to maintain targeted solvency levels

Any excess investment return is added to the discretionary capital portfolio

We maintain a cash dividend cover ratio of between 1,0 and 1,2 times to manage smooth real dividend growth of 2% – 4% per annum

Discretionary capital redeployed for structural growth or returned to shareholders

Responsible utilisation of discretionary capital

Our priority is to use available discretionary capital for investment opportunities that will enhance RoGEV and overall earnings growth. If discretionary capital cannot be used for investment in the foreseeable future, it is returned to shareholders through:

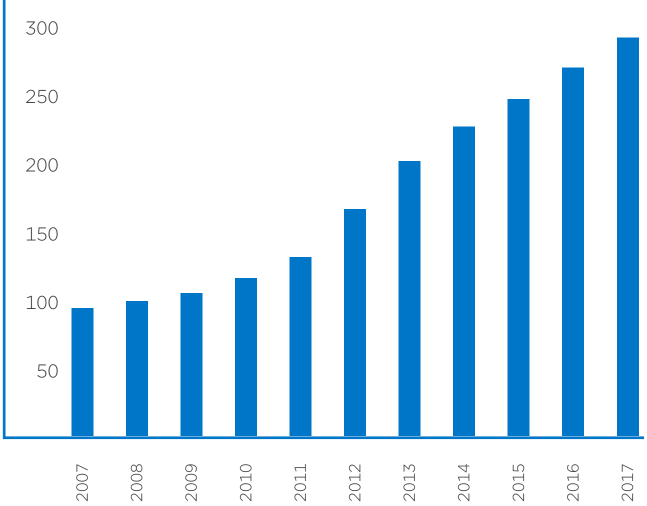
1. Share buy-backs as a preference. We use GEV per share as an approximate ceiling for buy-backs – not as an indicator of the value of a Sanlam share, but because buying Sanlam shares at this level will be undisputedly value-accretive to shareholders.
2. Special dividends if share buy backs are not feasible.

The current pipeline of investment opportunities exceeds the level of available discretionary capital. Investments in the short to medium term will be focused on:

- Increasing our shareholding in current SEM operations where possible and within our partnership model
- Consolidation opportunities in fragmented markets in Africa
- Adding Egypt and Ethiopia to the footprint at an appropriate time. Egypt will likely be pursued through Saham Finances. Ethiopia is dependent on changes to the country's foreign direct investment regulations
- Expanding and better balancing the line of business exposure in the Rest of Africa
- Niche opportunities in South Africa and the United Kingdom

Dividend per share (cents)

12% average growth in Sanlam dividend since 2007



Efficient capital management has contributed largely to Sanlam's ability to deliver an average RoGEV of 14,2% over the last 10 years, compared to a target of 12,4%.