

in partnership with  
**UBI**  
UBUNTU-BOTHO INVESTMENTS



## OUR STORY: A PROUD JOURNEY OF EMPOWERMENT

The Sanlam Ubuntu-Botho partnership

[www.sanlam.co.za](http://www.sanlam.co.za)

[Financial Planning](#) | [Investments](#) | [Insurance](#) | [Health](#) | [Retirement](#) | [Wealth](#)

# table of contents

## Our proud journey of empowerment

Since the establishment of the Sanlam Ubuntu-Botho partnership in 2004, Sanlam and Ubuntu-Botho have grown the Sanlam business together, empowering a broad base of black shareholders and communities previously excluded from the mainstream economy.

This is the story of Sanlam's partnership with Ubuntu-Botho over the first two decades of the 21st century.

By providing context and background to the various transactions undertaken to date, this booklet illustrates the successes and impacts these transactions have had on enhancing economic empowerment in South Africa.

02

Highlights

03

Executive summary

06

Timeline of the Sanlam Ubuntu-Botho partnership

08

Sanlam Ubuntu-Botho partnership structure at a glance

12

The context of Sanlam and Ubuntu-Botho's partnership

16

Structuring of the Sanlam and Ubuntu-Botho partnership: 2004-2022

22

The impact of Sanlam and Ubuntu-Botho's landmark partnership

30

The Sanlam Foundation's role

#### Cover:

##### Top row: from left to right

1. Lynette Mahlangu, Ubuntu-Botho Investments (UBI) shareholder, Mpumalanga
2. David Matlou, UBI shareholder, Gauteng
3. Elda Matshediso Mendle, UBI shareholder, Northern Cape

##### Bottom row: from left to right

1. Don Jacobs, UBI shareholder, Northern Cape
2. Dr. Nozipho Jaxa, UBI shareholder, Eastern Cape
3. Theo Tlolo, UBI shareholder, North West

#### Inside cover:

##### Top row: from left to right

1. Josiah Thugwane, UBI shareholder, Mpumalanga
2. Lydia Mzoneli, UBI shareholder, KwaZulu-Natal
3. Cecilia Maanda, UBI shareholder, Gauteng

##### Middle row: from left to right

1. Nakedi Lekota, UBI shareholder, Limpopo
2. Ursula Skosana, UBI shareholder, Gauteng

##### Bottom row: from left to right

1. Nelson Mosiapo, UBI shareholder, Northern Cape
2. Mandisa Mbele, UBI shareholder, North West
3. Gabriel Mokgoko, UBI shareholder, North West

# Some highlights of the Sanlam and Ubuntu-Botho partnership

## Empowering South Africans

Through our 20-year partnership, 18,5% of Sanlam has been transferred to the Ubuntu-Botho broad-based consortium, led by Dr. Patrice Motsepe, creating value of R17 billion to date.

**Strategic black investors**  
across South Africa

**2 trade union investment companies**  
with > 500 000 members collectively

**4 community empowerment trusts**  
focusing on reaching and uplifting millions of black South Africans

**>700 Black millionaires**  
consisting of Sanlam managers, brokers, business women and traditional leaders. These shareholders have contributed to the growth of Sanlam's business.  
(Read more on p.4, 13 and 26)

**Assets > R600 million**  
The returns on these investments can be utilised annually to the benefit of members, who are key workers in the South African economy.  
(Read more on p. 22 and 26)

**R1,25 billion distributed**  
by these trusts to date, with an annual average disbursement of R180 million expected to continue into the future.  
(Read more on p.5, 9 and 25)

## Continued empowerment

2018 partnership renewal resulted in **further 5% stake in Sanlam that will benefit mostly new black shareholders**, comprising individuals and broad-based groups.  
(Read more on p.9 and 15)

As an implementing partner, the **Sanlam Foundation's** empowerment initiatives focus on socio-economic development, financial literacy and enterprise development.  
(Read more on p.30-31)

## Creating empowered companies

**2015 African Rainbow Capital**  
ARC is now an influential, black-owned, listed investment holdings company with a diversified investment portfolio. ARC has invested in 49 businesses including financial sector companies, such as TymeBank and Alexander Forbes.  
(Read more on p.15 and 28-29)

**2018**  
Sanlam Group achieves sustained B-BBEE level 1 status, with **49% black ownership, 77% black staff** (53% of executive and 49% of top management).  
(Read more on p.4-5 and 22-29)

**2020**  
Sanlam Investments becomes **first major asset manager in South Africa to be 51% black owned.**  
(Read more on p.21 and 28)

## Executive summary

In 2004, Sanlam and Ubuntu-Botho concluded a landmark broad-based black economic empowerment (B-BBEE) deal that would form the basis of one of the most successful business partnerships since 1994. The philosophy that underpinned the relationship agreement was one of 'doing good and well' whereby the outcomes would not only be good for business, but would benefit society as well.

Two decades on, this partnership has strengthened as it pursued several B-BBEE transactions and established companies that seek to further innovate and transform the financial services sector.

By cultivating an empowerment partnership that was based on sound business principles, Sanlam – unlike many of its competitors – has been able to substantially and consistently

grow its business since 2004 into what is now the leading life insurer and wealth creator in Africa.

Sanlam was formed in 1918 and, throughout its history, has strived to realise its philosophy of empowerment. In a pre-democratic South Africa, this benefitted the minority of Afrikaners, but Sanlam's empowerment heritage supported the role it needed to play in a new democracy to serve all South Africans.

*Sanlam's historical empowerment capability was utilised to work towards restitution, to enable redress, and to bring economically excluded South Africans into the mainstream.*

## Sanlam's empowerment journey to date

### 1993 - 2003: Sanlam as early mover

- Sanlam **implements South Africa's first major B-BBEE transaction** (New Africa Investments Limited – NAIL).
- Sanlam **demutualises and lists on the JSE**, allowing 2 million policyholders to become shareholders and share in future value created (16% of the total individual shareholders were black).
- Sanlam **establishes the R2 billion Sanlam Development Fund**, which has financed more than 100 empowerment transactions.
- Sanlam also **commits to the development of a financial sector black economic empowerment charter**.

### 2004 - 2013: Forming and growing lasting partnerships

- A **signature broad-based deal** launches the Sanlam and Ubuntu-Botho partnership.
- Sanlam delivers 12% annual compound growth over the period, to which the Ubuntu-Botho partnership actively contributes. **This growth' creates R15 billion net value for Ubuntu-Botho investors, placing it in the top five empowerment deals in terms of value created for black shareholders at the time.** The deal created 700 black millionaires, as well as an endowment of more than R3,5 billion for broad-based groups. The endowment has to date enabled socio-economic disbursements of R180 million per year on average. These have the potential to grow as the partnership continues.
- **Sanlam's benefit from the deal extends to its ability to diversify its client, leadership and employee base.** This supports Sanlam's overall empowerment journey (moving to B-BBEE level 2 status by 2013 and then to a sustained level 1 by 2018).

### 2014 - 2022: Reaping the rewards and moving into the future

- **Ubuntu-Botho, realising the value of the partnership, decides to retain its stake in Sanlam** after the original 2004 deal matured in 2013.
- In 2014 the Sanlam board announced the intention to enter into a **second ten-year partnership agreement** with Ubuntu-Botho to strengthen and deepen the relationship.
- **In 2018 Sanlam initiates a renewal of the partnership by way of a further 5% deal**, whereby Ubuntu-Botho facilitates onboarding of new black shareholders, comprising individuals and broad-based groups. Of the further 5% stake, Ubuntu-Botho will effectively hold only 1%.
- On the back of the success of the matured partnership, **Ubuntu-Botho sets up African Rainbow Capital (ARC)** to diversify its investment base. This diversification aims to empower Ubuntu-Botho shareholders and investors.
- Sanlam Investments becomes the **first major asset manager in South Africa to be more than 51% black-controlled**, after Ubuntu-Botho (through ARC) invests in Sanlam Investment Holdings.
- The second ten-year partnership agreement will run until 2024. During this time the partners will engage on the future of the partnership. If the parties so agree, a next formal agreement could be entered into.

**Note:** <sup>1</sup> On group equity value between 2002 and 2013.

## Sanlam's response to empowerment in post-1994 South Africa

Sanlam started its empowerment journey by being an early mover and innovator in 1993, ten years before the B-BBEE legislation was promulgated in 2003 (Period: 1993-2003). Sanlam then moved to building a sustainable business partnership that was broad-based, but led by a strong and anchor investor, Dr. Patrice Motsepe. At its core, this partnership enabled Sanlam's growth to the benefit of current and new investors (Period: 2004-2013). Following the success of Sanlam and Ubuntu-Botho's partnership, the parties agreed to extend the partnership through new ventures that would further transform the financial sector and support Sanlam's growth (Period: 2014 to date).

### How was it done?

Ubuntu-Botho, led by Dr. Motsepe, initially acquired 226 million Sanlam shares in 2004. The transaction was funded through R1,2 billion debt and a capital investment by Motsepe of R200 million. Of the capital investment, R62,5 million was used to enable the participation of the broad-based empowerment groupings<sup>1</sup>.

As part of the agreement, Ubuntu-Botho is entitled to elect three directors to the Sanlam board for as long as their shareholding remains at a certain threshold.

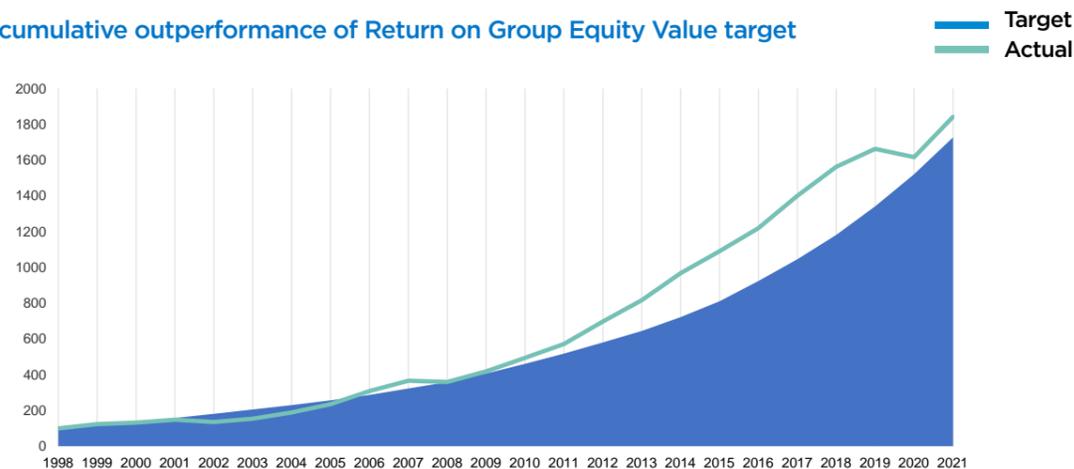
<sup>1</sup> (Sanlam Integrated Report 2014)

<sup>2</sup> Net of the ring-fenced shares held by the Sanlam Ubuntu-Botho Community Development Trust (SUBCDT)

*The Sanlam dividends received between 2004 and 2013 were enough to repay all of the debt, cover costs and in 2007 enable Ubuntu-Botho to pay a R50 million once-off dividend to its shareholders. By the start of 2014, Ubuntu-Botho held around 292 million Sanlam shares, worth R15,2 billion<sup>2</sup>. This placed the deal in the top five empowerment transactions by net value created at the time.*

In 2014, after the original deal had matured, Sanlam and Ubuntu-Botho entered into a second agreement, which initiated new complementary ventures. In addition, Ubuntu-Botho set up a financial services company, African Rainbow Capital (ARC), in order to diversify beyond its holding in Sanlam. ARC's investments in the South African financial sector are complementary to Sanlam (refer to p.15 for more detail). As part of the second agreement, Ubuntu-Botho increased its direct black shareholding in Sanlam by a further 5% in 2018. This deal was set up to empower mostly new black entrants, and not primarily existing Ubuntu-Botho shareholders. Ubuntu-Botho facilitates onboarding of the new black shareholders, comprising individuals and broad-based groups. Of the 5% stake Ubuntu-Botho will effectively hold only 1%. In 2021, through ARC, Ubuntu-Botho invested 25% in Sanlam Investment Holdings, making Sanlam the first large 51% black-owned and -controlled asset manager in South Africa.

### Consistent cumulative outperformance of Return on Group Equity Value target



## The partnership: a catalyst for empowerment

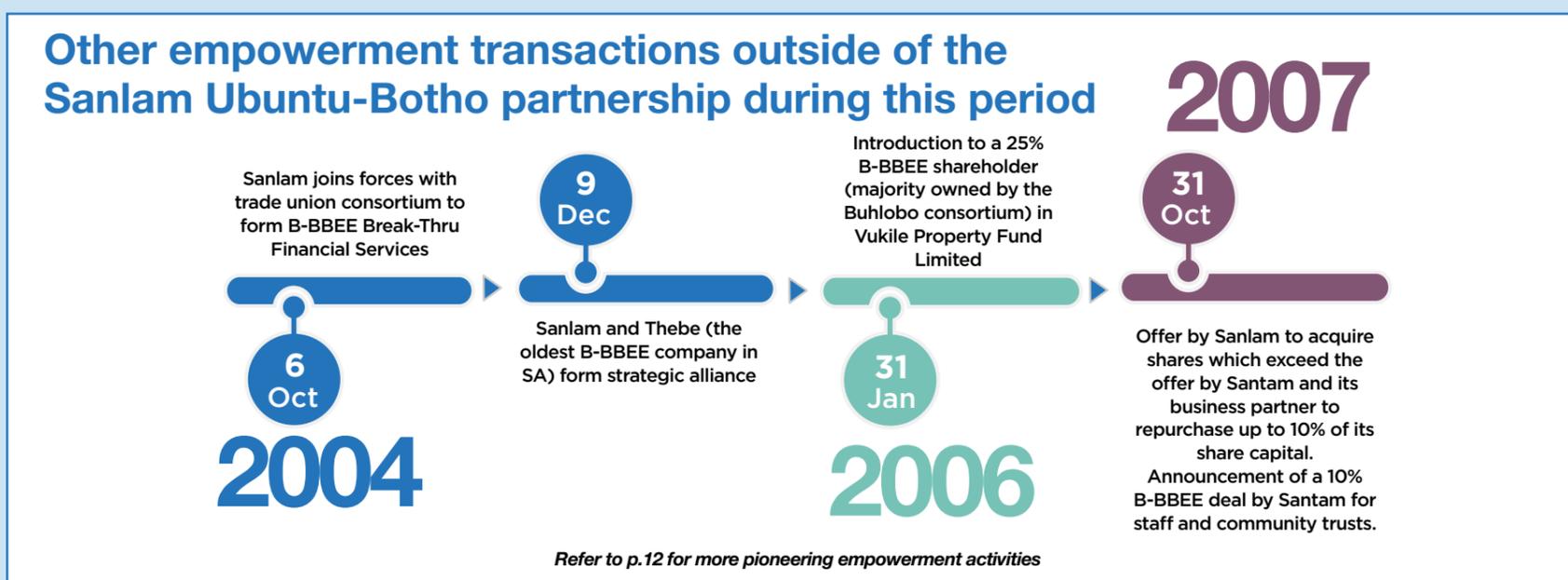
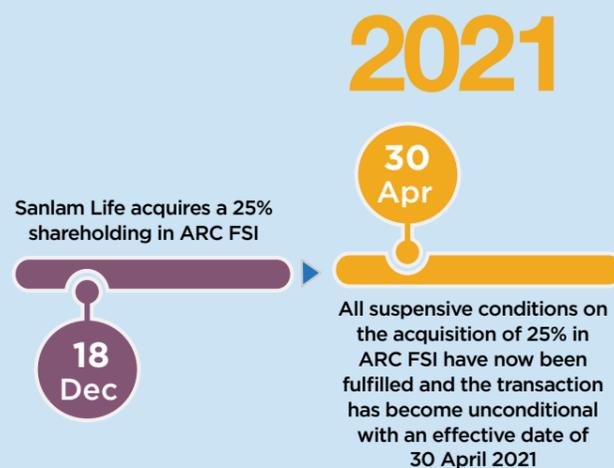
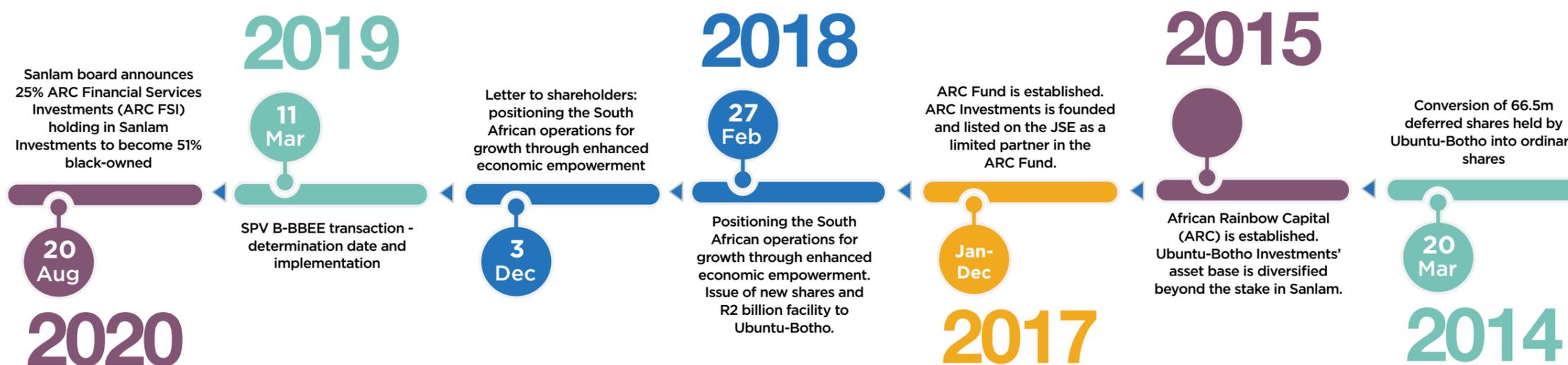
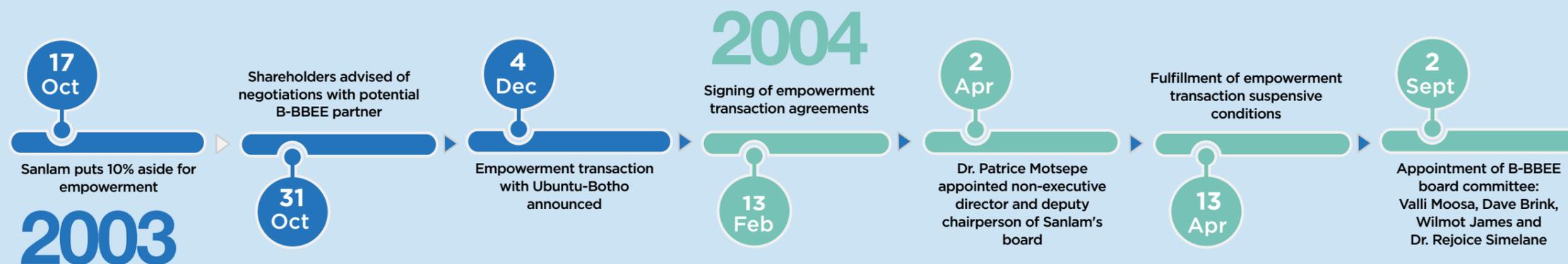
	2004 (commencement)	2013 (maturity)	(current)
Direct black ownership	8%	13.5%	17,8%
Net value created for direct black shareholders	-	R15 billion	R17 billion
Sanlam market capitalisation	R23 billion (R9/share)	R112 billion (R53/share)	R132 billion (R59/share)
Sanlam board (% black)	33%	50%	58%
Sanlam executive (% black)	0%	36%	53%
Employment structure (% black)	30%	67%	77%

## The impact of the partnership from different perspectives

The partnership in isolation		
Did it satisfy Ubuntu-Botho participants' expectations?	High impact	<ul style="list-style-type: none"> <li>Net value of R15 billion created for shareholders, resulting in more than 700 black millionaires.</li> <li>Ubuntu-Botho elected to remain invested after the maturation of the original deal in 2013, and participate in a further deal in 2018.</li> </ul>
Did it satisfy Sanlam's expectations?	High impact	<ul style="list-style-type: none"> <li>Sanlam delivers 12% annual compound growth on group equity value between 2002 and 2013.</li> <li>Diverse South African client base.</li> <li>Sanlam shareholders elected to approve a further 5% deal with Ubuntu-Botho in 2018.</li> </ul>
Did it drive further empowerment in Sanlam?	High impact	<ul style="list-style-type: none"> <li>B-BBEE levels improved from level 8 status to a sustained level 1 by 2018.</li> <li>Improved from negligible black shareholding to more than 49% black owned by 2021 (B-BBEE methodology without relying on continued recognition), including 17,8% being directly held by black people. (Sanlam does not rely on continued recognition, unlike competitors' B-BBEE deals.)</li> <li>77% of staff is black by 2022. This includes 53% of the Sanlam executive committee and 49% of top management.</li> </ul>
The partnership in its context		
Did the deal drive transformation in the financial and other sectors?	High impact	<ul style="list-style-type: none"> <li>The Ubuntu-Botho transaction of 2004 is one of the top 5 most successful deals by value created; the model of a long-term business partnership underpins its success.</li> <li>The achievement of black control for Sanlam Investments is likely a catalyst that will influence other large asset managers to increase black ownership.</li> <li>Creation of ARC as a catalyst to develop more black-controlled businesses to penetrate the mainstream economy through 49 investments made since establishment.</li> </ul>
Did it benefit society beyond Sanlam, and its direct beneficiaries?	High disbursement, but impact story is unknown. Impact is not shared in the public domain, resulting in perceptions that Ubuntu-Botho's benefits are concentrated within a small group of people, when these benefits are, in fact, broad-based.	<ul style="list-style-type: none"> <li>By 2013, net value of R3,6 billion had been created in trusts, of which the annual returns (dividends) could now be disbursed annually to the benefit of black South Africans. By 2021 these trusts collectively held investments valued at R3,5 billion.</li> <li><b>At the start of 2022, the trusts had distributed more than R1,25 billion to implementing partners who manage development programmes in accordance with the trusts' objectives. The annual disbursement of R180 million perpetually adds 2% to South Africa's annual corporate social investment (CSI) spend.*</b></li> </ul>
Did it satisfy other stakeholders' expectations?	The deal satisfies a broad range of stakeholders' expectations.	<ul style="list-style-type: none"> <li>Having a large, well-governed, black-controlled asset management business is welcomed by retirement funds and institutional investors.</li> <li>Larger peers that don't follow suit in terms of black control can be threatened and could react negatively.</li> <li>Smaller black-grown asset managers might be negatively affected by the transformation of larger, established asset managers.</li> <li>Some pressure groups on public platforms (e.g. news and conference) have reacted negatively to the continued partnership. These can be broadly grouped into two camps: <ol style="list-style-type: none"> <li>Opponents of narrow-based B-BBEE that wrongly see Dr. Motsepe as the sole beneficiary of the deals, and who are unaware of the several hundred other key individuals involved, as well more than a million economically marginalised South Africans who have benefitted financially through the trusts.</li> <li>Critics of previously white-owned businesses changing ownership, especially where there is still significant white leadership.</li> </ol> </li> </ul>

\*SA CSI spend was estimated to be R10,7 billion in 2020. The annual disbursement is thus a significant development from a single source. The Sanlam Foundation plays a key role in ensuring these disbursements create impact on the ground. (See p.30 for more on the Foundation.)

# Timeline of the Sanlam Ubuntu-Botho partnership



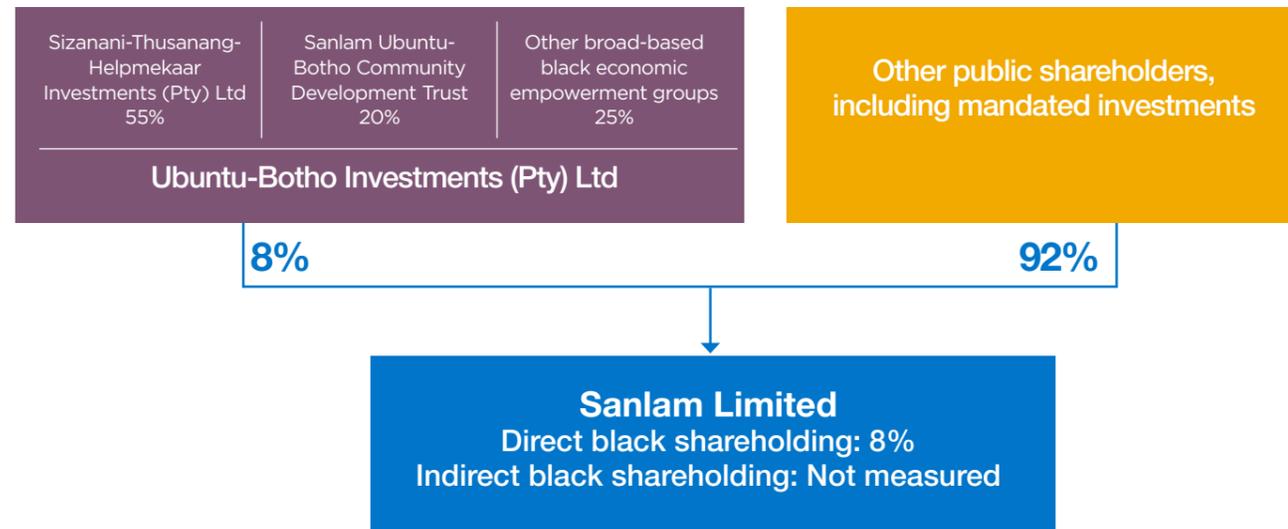
# Sanlam Ubuntu-Botho partnership structure at a glance

## 2004: Structure at inception

The landmark Sanlam and Ubuntu-Botho B-BBEE agreement commenced on 13 February 2004. Ubuntu-Botho acquired an 8% stake in Sanlam through Ubuntu-Botho representing a broad-based consortium, led by Dr. Patrice Motsepe (see table below).

### Two principles underscored the transaction.

1. The deal had to result in a meaningful holding by Ubuntu-Botho and the beneficiaries had to be broad based. This meant the deal had to provide for a definite mechanism for the benefits of the deal to flow through to a broad base of black shareholders.
2. The deal had to sustain black control and bring Sanlam an active business partner. The company had no interest in a high-profile transaction that would result in the disposal of the acquired shareholding as soon as possible. The new empowerment partners were expected to promote Sanlam and contribute to its growth. The transaction therefore formed an integral part of the Sanlam growth strategy.



Other broad-based black economic empowerment groups	Beneficiary %
Ubuntu-Botho provincial groups (including selected Sanlam managers and non-executive directors)	13,5%
The Ubuntu-Botho Women's Upliftment Trust	1%
Ubuntu-Botho Young Persons Development Trust	1%
The Ubuntu-Botho Churches Support Trust	2%
Abafazi-Basadi Ubuntu-Botho Investments (Pty) Ltd	1%
Metswale (Pty) Ltd	1%
Ubuntu-Botho (Nkosi/Kgoshi) Investments Ltd	1%
Before the Wind Investments 261 (Pty) Ltd	0,5%
Trade unions (SADTU and NEHAWU)	4%

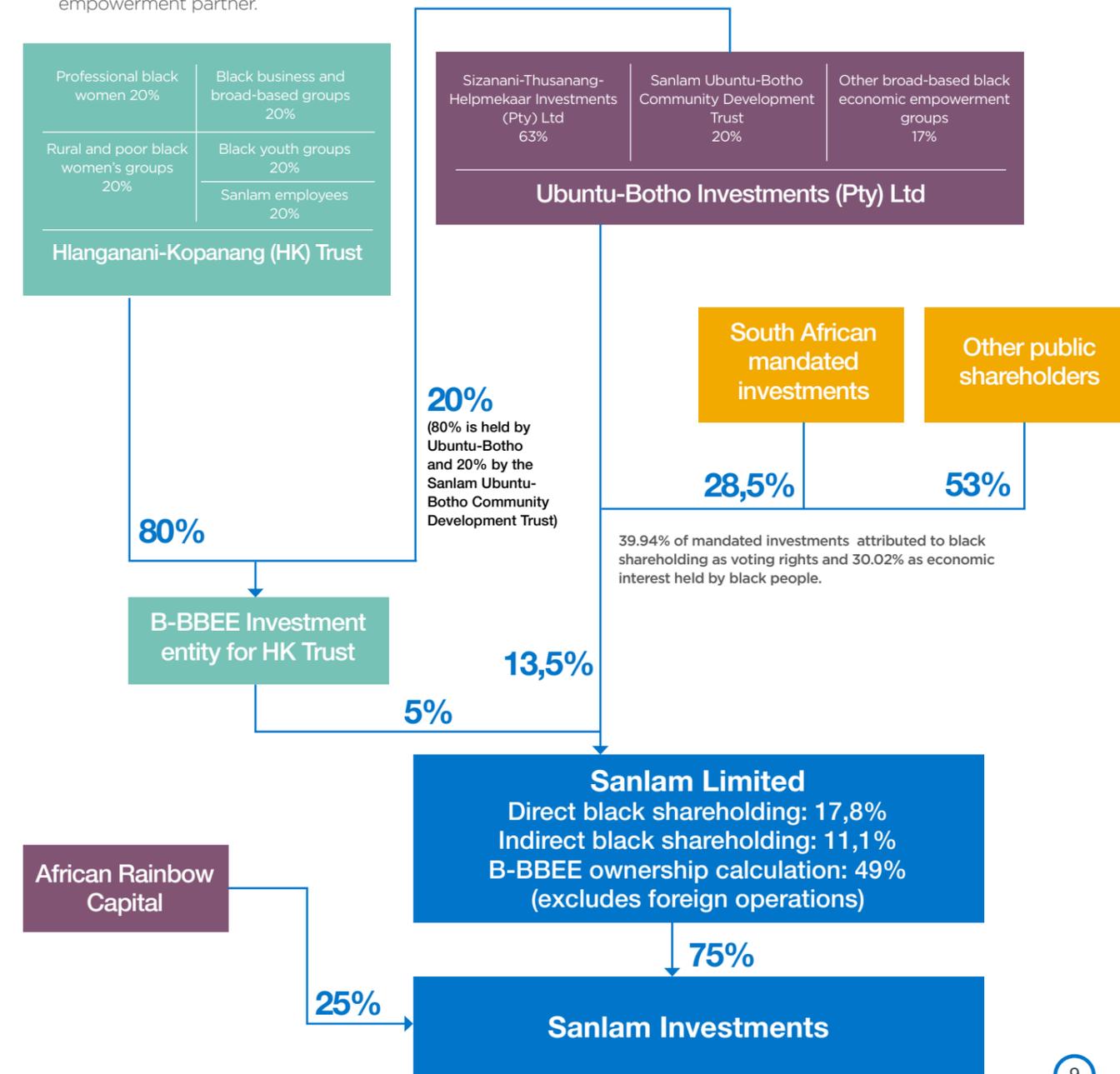
For a more detailed, technical breakdown of the Sanlam and Ubuntu-Botho partnership structure from 2004 to date, please see the **Structuring of the Sanlam Ubuntu-Botho partnership: 2004 - 2022** article on p.16-20

## Current structure: 13,5% Ubuntu-Botho stake – R17bn net value created at 31 Dec '21

The change in direct black shareholding is primarily the result of the renewal of the Sanlam Ubuntu-Botho B-BBEE transaction. In 2018, as part of this second agreement, 5% of Sanlam was placed with the newly formed Hlanganani-Kopanang Trust – a broad-based empowerment group that will benefit five groups of new black shareholders (as noted in the top-left block of the diagram below). Beneficiaries of this trust cannot be part of the new transaction. The trust will effectively hold 4% in Sanlam, while the remaining 1% will effectively be held by Ubuntu-Botho and the the Sanlam Ubuntu-Botho Community Development Trust.

### The aim of this transaction is to:

- substantially broaden the base of empowerment beneficiaries in areas that will have the most impact; and
- strengthen and expand the strategic, mutually beneficial relationship with Ubuntu-Botho – Sanlam's existing strategic empowerment partner.





## Dr. Patrice Motsepe

*Deputy Chairman of Sanlam and Deputy Chairperson of Ubuntu-Botho Investments, as well as the Sanlam Ubuntu-Botho Community Development Trust*

*“When we chose Sanlam as our empowerment partner in 2004, it was on the basis of Sanlam’s track record and commitment to develop and contribute to the upliftment of the living conditions of all our people. That track record was also strengthened by our partnership and, together, Sanlam and Ubuntu-Botho Investments are now contributing to improving the living conditions of the poor and marginalised.”*

## Paul Hanratty

*Chief Executive Officer of the Sanlam Group*

*“At Sanlam, empowerment has been at our heart for over 100 years. Our transformation drive has always been purpose-led, in line with our ongoing mission to create shared value for all our stakeholders, with an emphasis on creating growth and opportunities for all in our society.*

*While we hope and trust our journey to date has made an impact on many lives, we have never been more energised to drive transformation, economic growth and empowerment forward. We recently rebooted our own business to further our impact and focus on giving millions of Africans the chance to live life with financial confidence.”*



## Our proud history of empowerment

*We are very proud of some of the milestones in our transformation journey. We closed South Africa’s first major black empowerment deal in 1993, when we sold Metropolitan Life to Methold.*

*Since then, our continued drive to address economic inequality has included our Ubuntu-Botho economic empowerment deal, which created over R15 billion in value for black shareholders by 2013 when the deal matured. In 2020, Sanlam Investments became one of the largest black-owned asset managers in South Africa, when it sold a 25% stake to African Rainbow Capital (ARC) Financial Services in 2020.*

*More recently, in 2021, we reached an agreement with Absa to combine our investment management businesses to create the biggest black-owned asset management firm in the country – with assets under management, administration and advice in excess of R1 trillion.*



# The context of Sanlam and Ubuntu-Botho's partnership

In 2004, Sanlam and Ubuntu-Botho concluded a landmark broad-based black economic empowerment (B-BBEE) deal that would form the basis of one of the most successful business partnerships in post-1994 South Africa. In the nearly two decades since the deal was first cemented, this partnership has undertaken several transactions and established companies that seek to further innovate and transform the financial services sector. The philosophy that underpinned the partnership was one of 'doing good and well' whereby the outcomes would not only be good for business, but would benefit society as well.

Given Sanlam's history of empowerment, the advent of democracy provided it with the opportunity to fulfil its responsibility towards the majority of South Africans - many of whom were poor, with little education and experience of financial services products.

**"Sanlam is in itself an empowerment story. It started as an insurance company to uplift impoverished Afrikaners, but later on they realised they had to be more inclusive."**

- Temba Mvusi, former Executive Director and Chief Executive of Group Market Development at Sanlam

The challenge of empowerment that the financial sector faced in the 1990s was immense and multifaceted. It included starting to provide financial education to new markets that often did not have knowledge of or access to financial services. This market also required financial products that were relevant and responsibly sold. Furthermore, Sanlam needed to diversify its leadership, work- and sales force.

There was no blueprint for a more diverse and reflective South African society, or nationwide empowerment framework during this period. B-BBEE legislation only came into effect in 2003, the Financial Sector Code in 2004 and the B-BBEE Codes of Good Practice in 2008. However, Sanlam worked to promote empowerment long before B-BBEE legislation was promulgated, resulting in a rich history of financially empowering people.

As early as 1993, Sanlam pioneered black economic empowerment when it sold Metropolitan Life to a majority black consortium, Methold. This was followed by more transactions in 1996 and 1998 (see *timeline alongside*) and in 2004 Sanlam and Ubuntu-Botho concluded a landmark B-BBEE deal that would form the basis of one of the most successful business partnerships in a democratic South Africa.

## 1993

Sanlam implements **South Africa's first major B-BBEE deal** when it sells Metropolitan Life to a majority black consortium, Methold, which established New Africa Investments Limited (NAIL). Led by Dr. Nthato Motlana, it became the **first major black-controlled company to list on the JSE.**

## 1996

Sanlam and Real Africa form Real Africa Asset Management (RAAM). Soon afterwards, RAAM launches the Empowerment Equity Fund, the **first unit trust to focus on 'black-chip' investments.**

## 1998

Millions of South Africans benefit from Sanlam's demutualisation and listing on the JSE and Namibian Stock Exchange - the largest public offering in the history of South Africa at that time. More than two million policyholders became shareholders. At the time of listing, **28% of Sanlam's individual shareholders were black, holding 16% of the total individual shareholding.**



**Left:** As reported by Business Report, The Ubuntu-Botho partnership commenced in 2004. This first transaction was led by Dr. Patrice Motsepe and Dr. Johan van Zyl, who was Sanlam's Chief Executive Officer at the time. **The partnership between Sanlam and Ubuntu-Botho is still regarded as one of South Africa's most successful broad-based empowerment (B-BBEE) transactions. Right:** The original transaction matured in 2013, as captured in a similar iconic image ten years later.

## The Ubuntu-Botho transaction

Sanlam was the first major financial institution in South Africa to conclude its own ownership empowerment transaction in 2004 - a transaction that provided opportunities for previously disadvantaged groups to acquire equity shareholding in Sanlam. Along with this transaction, it also opened up the company's ownership opportunities to a broad base of new black shareholders who were, and still are, able to share in the economic success of the company. This partnership advances and supports broad-based black ownership in Sanlam and accommodates the strategic imperatives of growth and transformation, while ensuring a viable spread of value.

The B-BBEE deal was brokered with Ubuntu-Botho, led by Dr. Patrice Motsepe. Ubuntu-Botho participants invested R1,4 billion to attain an initial 8% stake in Sanlam. R1,2 billion was financed by Sanlam and Absa, while R200 million cash was invested by Dr. Motsepe. Later that year, Dr. Motsepe was appointed Deputy Chairman of Sanlam. Four years later, Ubuntu-Botho paid out its first dividend, worth R50 million, to over 700 broad-based shareholders, individuals and groups, including trade unions, faith-based organisations and women and youth groups, as well as the Sanlam Ubuntu-Botho Community Development Trust.

Ubuntu-Botho comprises shareholders who enjoy representation across all nine provinces. The shareholders include respected business owners, managers, traditional and community leaders, as well as church, women's, youth and trade union groups.

Two principles underscored the transaction: The deal had to result in a meaningful holding by the empowerment partner and the benefits had to be broad based. This meant the transaction had to provide for a definite mechanism for the benefits of the deal to flow through to a broad base of black shareholders.

In 2015, African Rainbow Capital (ARC) was established with the pool of capital that the original 2004 deal had

accumulated. At the time, only 4,4%<sup>1</sup> of the total South African investment and savings industry was managed by black firms. As a black-controlled financial services company, ARC was a progressive entrant into the sector.

- ▶ **Ubuntu-Botho was created in 2003** — with an initial main purpose of building black-controlled capital by being Sanlam's broad-based strategic empowerment partner.
- ▶ **Sanlam's growth story is tied to embracing empowerment** and the resulting partnership with Ubuntu-Botho since 2004. For example, through Ubuntu-Botho's nine provincial advisory companies, Sanlam was able to both grow and transform its client base.
- ▶ **Value of over R15 billion was created when the first ten-year transaction matured (2004 - 2013)** and has not only cemented a successful strategic and mutually beneficial business partnership between Sanlam and Ubuntu-Botho, but created value for the underlying beneficiaries.
- ▶ To date, **over 1 million people have benefited** from the disbursement of funds through Ubuntu-Botho and the Sanlam Ubuntu-Botho Community Development Trusts.
- ▶ Further transactions that were announced in 2018 are a continuation of the strategic, mutually beneficial **relationship between Sanlam and Ubuntu-Botho to implement Sanlam's South African strategy.**

<sup>1</sup> BEEconomics, *Transformation in South African asset management*, Annual Survey, September 2015. [Online] Available at: <https://tinyurl.com/d2ecxrht>

# Early empowerment pioneers

In addition to the Ubuntu-Botho partnership, Sanlam has also embarked on a range of other empowerment initiatives since 1993.

## 1993:

### New Africa Investments Limited (NAIL)

Sanlam implements **South Africa's first major black economic empowerment deal** when it sells Metropolitan Life to a majority black consortium, Methold, which established New Africa Investments Limited (NAIL). Led by Dr. Nthato Motlana, it became the **first major black-controlled company to list on the JSE.**

## 1996:

### Real Africa Asset Management (RAAM)

1. Sanlam and Real Africa Investments Limited (RAIL) formed Real Africa Asset Management (RAAM), which then launched an Empowerment Equity Fund – the first unit trust for 'black chip' investments.
2. Sanlam started the R2bn Sanlam Development Fund, which has capitalised over 100 B-BBEE deals.

## 1998:

### Demutualisation and listing

Two million policyholders became shareholders. Sanlam Private Equity also pioneered B-BBEE financing in South Africa by providing start-up capital of R100 million for a major black-controlled company to list on the JSE.

## 2002:

### First BEE charter

Sanlam was one of the first companies to commit to the development of a black economic empowerment charter for the financial sector.

## 2004:

### Ubuntu-Botho empowerment transaction

First major financial institution in South Africa to conclude an empowerment transaction. (As at 31 Dec 2013, once all funding loans for the transaction were repaid, Ubuntu-Botho had created R15bn for broad-based black shareholders. In 2014, Sanlam and Ubuntu-Botho renewed their partnership.)

## 2006:

### Vukile Property Fund

B-BBEE shareholding in large-cap property fund – Vukile Property Fund.

## 2015:

### African Rainbow Capital (ARC)

1. African Rainbow Capital created as premier black-owned financial services company.
2. Sanlam is a seed funder in the industry-wide ASISA ESD fund focusing on black-owned SMME development fund.

## 2017:

### Progressive Smooth Bonus Fund

First black-managed smoothed bonus product – Progressive Smooth Bonus Fund.

## 2018:

### New B-BBEE transaction

New B-BBEE transaction and issuance of a further 5% of share capital to empowerment shareholders, focusing on black women and youth.

## 2019:

### Black ownership increases to 18%

B-BBEE transaction increased direct black ownership from 13% to 18%.

## 2020:

### Sanlam Investments and ARC

Sanlam Investments became one of the largest black-owned asset managers in South Africa, when it sold a 25% stake to African Rainbow Capital (ARC) Financial Services. Sanlam is a level three B-BBEE contributor.

## 2021:

### Sanlam-Absa deal

Sanlam Investments and Absa Investments reached an agreement to combine these investment management businesses to create the biggest black-owned asset management firm in South Africa – with assets under management, administration and advice in excess of R1 trillion.

## Sanlam and ARC: complementary empowerment

B-BBEE legislation impacts the competitive landscape in a number of markets, such as institutional asset management and corporate benefits. Sanlam could not realistically achieve fully empowered status in these areas by itself, so ARC has invested in complementary businesses in order to strengthen Sanlam and ARC's competitive position. In 2021, for example, through ARC, Ubuntu-Botho invested 25% in Sanlam Investments, making Sanlam the first large 51% black-owned and controlled asset manager in South Africa.

Furthermore, ARC has separately invested in non-financial services to diversify the Ubuntu-Botho investment. The success of the original Sanlam and Ubuntu-Botho transaction has enabled this, allowing the initial beneficiaries to diversify the Ubuntu-Botho investment portfolio and grow the successful business, as well as create further value.

Sanlam has invested back into ARC Financial Services to cement the long-term relationship and ensure value is created for all Sanlam shareholders.

## 2015 - Success leads to Ubuntu-Botho establishing ARC

In 2015, Ubuntu-Botho established African Rainbow Capital (ARC), a black-owned and -controlled investment holding company focused on investments in both financial and non-financial services. In financial services its main investments are in TymeBank and Alexander Forbes. In non-financial services, its main investments are in the new telecommunication business rain, as well as Kropz, which is positioned as a globally competitive phosphate business.

ARC is a wholly-owned subsidiary of Ubuntu-Botho Investments (Pty) Ltd, which bought a 25% share in Sanlam Investments, Sanlam's asset management business, through its subsidiary, ARC Financial Services Investments.

Financial inclusivity and community upliftment are the fundamental principles that underpin the activities of Ubuntu-Botho. Profits generated and dividends declared have channelled significant financial flows to development trusts with various community groups as beneficiaries.

## 2018 - Sanlam and Ubuntu-Botho partnership renewal

In 2018 Sanlam built on its long-standing partnership with Ubuntu-Botho. Sanlam shareholders voted at an extraordinary general shareholders meeting for the company to conclude a series of transactions with Ubuntu-Botho that would significantly strengthen Sanlam's South African operations and position the company for future growth by enhancing its economic empowerment credentials.

The terms of these transactions entailed, *inter alia*, that Sanlam issued a further 5% of its ordinary share capital to existing and new B-BBEE shareholders.

This deal was set up to empower mostly new black entrants and not existing Ubuntu-Botho shareholders. Ubuntu-Botho facilitates onboarding of the new black shareholders, comprising individuals and broad-based groups. Of the 5% stake, Ubuntu-Botho will effectively hold only 1%.

# Into the future

The series of empowerment transactions entered into between Sanlam and Ubuntu-Botho over a period now spanning almost 20 years has resulted in significant business and empowerment benefits for direct participants.

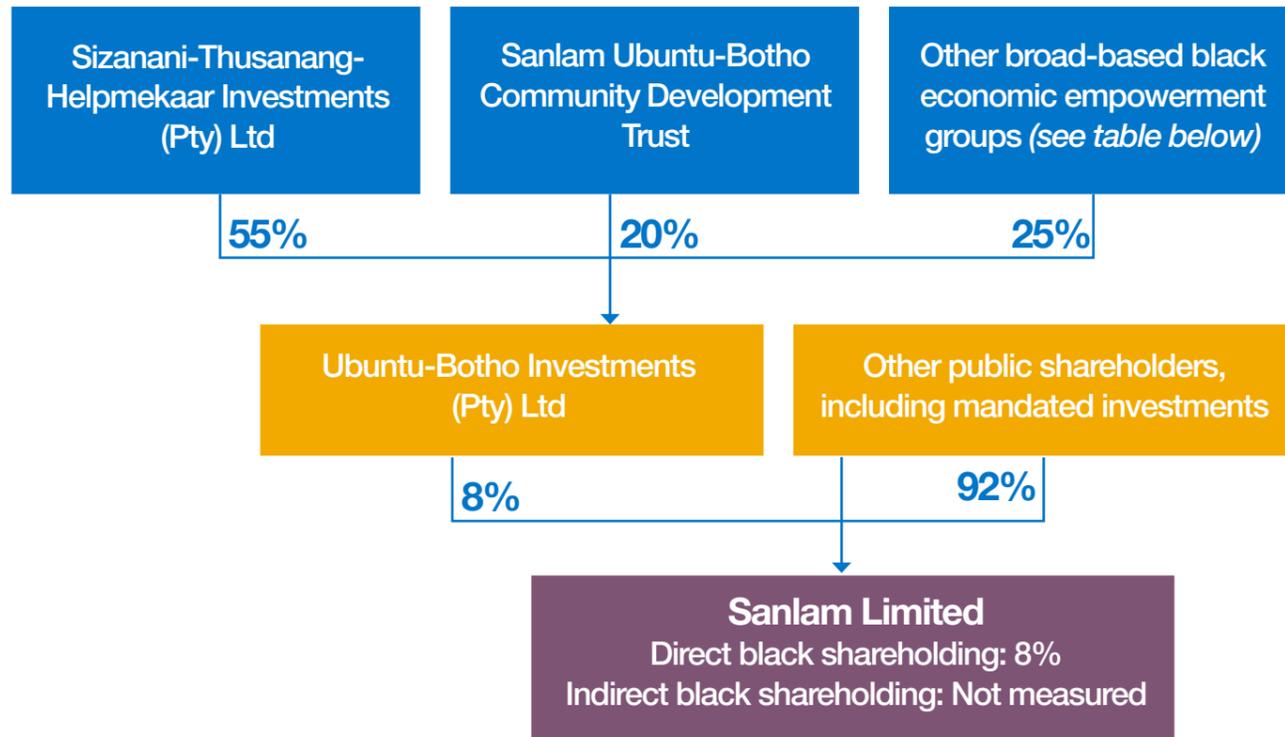
This is clear if the partnership is considered in isolation, as well as within the context in which it was undertaken. It has created immense value, which is spread between black individuals and community groups. It has enabled Sanlam to grow into a business for South Africans. It has also enabled Ubuntu-Botho to set up African Rainbow Capital (ARC), a black-controlled investment holding company. Importantly, ARC plays a leading role in establishing black-owned and controlled financial services businesses of significance.

Black economic empowerment, as legislated, remains a suitable mechanism for wealth transfer and creation – if done properly. However, commentators from across the spectrum continue to share concerns about the required impact in the financial services sector.

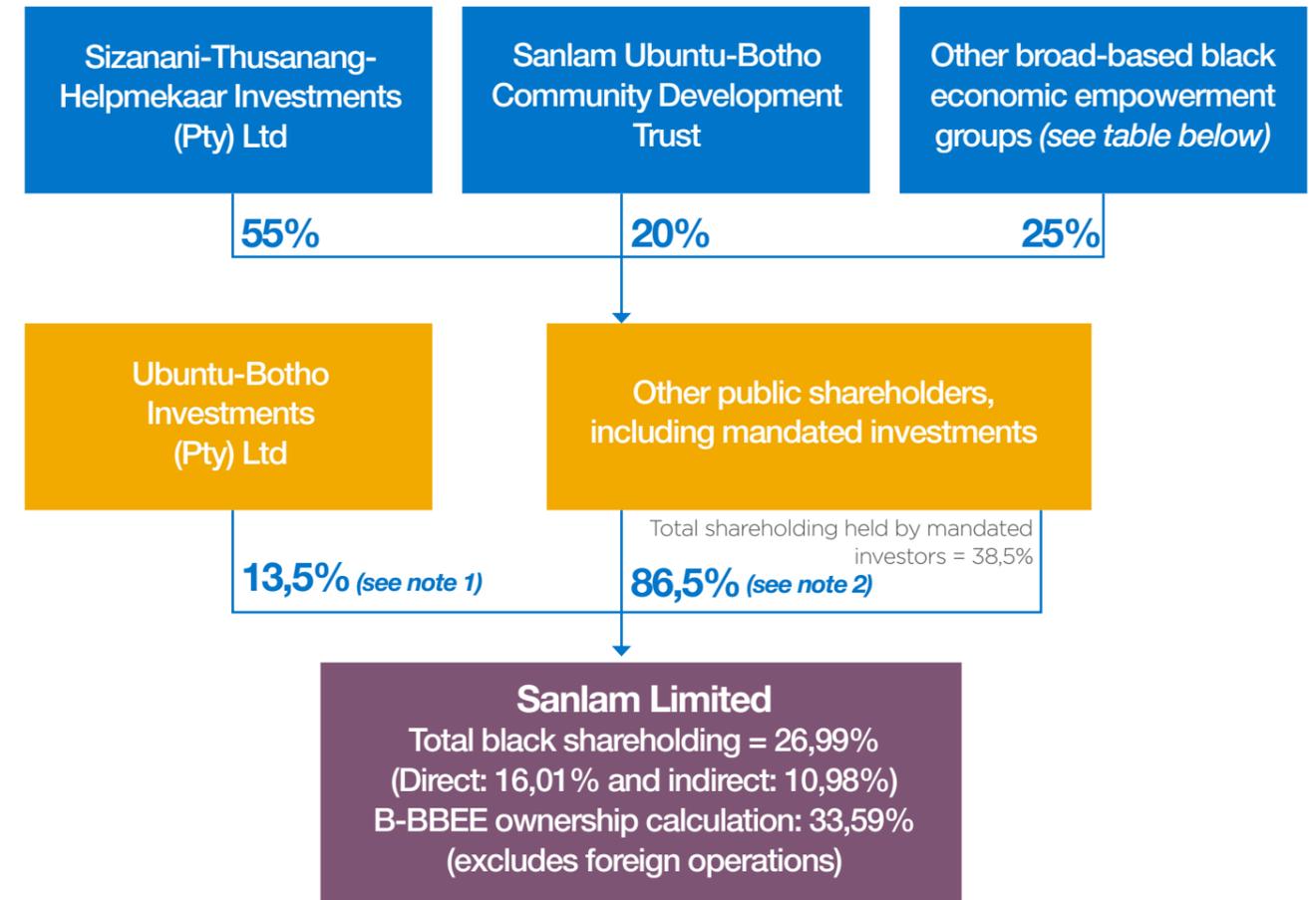
*For more on the impact delete this partnership has had – including measuring its transformation success – refer to p.22 of this booklet.*

# Structuring of the Sanlam and Ubuntu-Botho partnership: 2004-2022

**2004:** At inception 8% Ubuntu-Botho stake included shareholder debt of R1,14 billion



**2013:** At maturity Net value of 13,5% Ubuntu-Botho stake at maturity = R15 billion (all debt repaid)



In April 2004 Ubuntu-Botho – representing a broad-based consortium led by Dr. Patrice Motsepe – acquired an 8% stake in Sanlam (see table). Two principles underscored the transaction:

1. The deal had to result in a meaningful holding by Ubuntu-Botho and the benefits had to be broad-based i.e. the benefits of the deal had to flow through to a broad base of black shareholders.
2. The transaction had to sustain black control and bring Sanlam an active business partner. The new empowerment partners were expected to promote Sanlam and contribute to its growth. The transaction therefore formed an integral part of the Sanlam growth strategy. This set the transaction apart from other empowerment transactions announced in SA at the time. The result was an empowerment transaction that continues to create shared value.

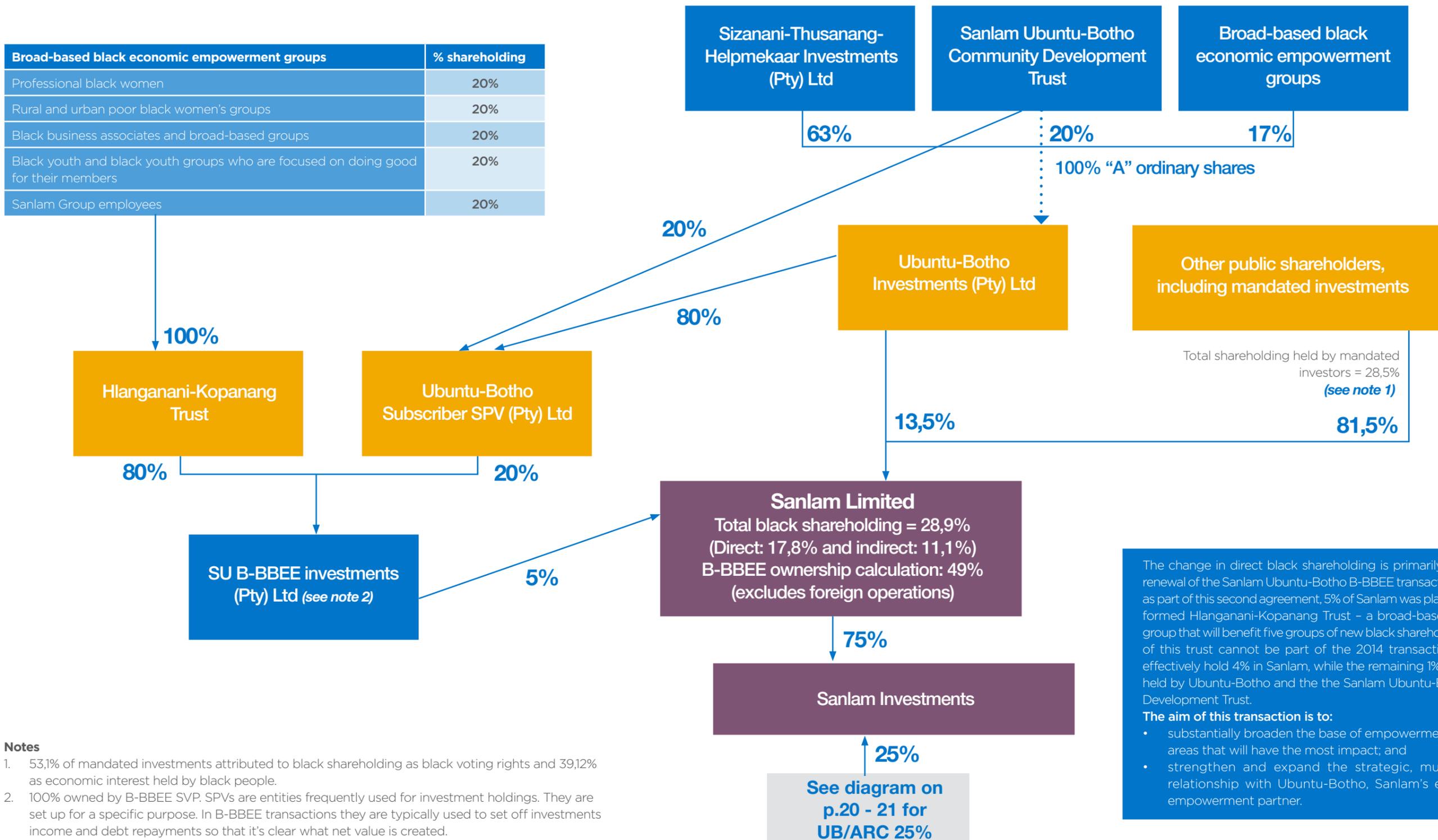
**Notes**

1. The increase in the Ubuntu-Botho holding from 8% in 2004 when the deal commenced was due to several buy-backs of issued shares by Sanlam, as well as the conversion of “A” and “B” deferred shares to ordinary shares.
2. 37,49% of mandated investments attributed to black shareholding as voting rights and 28,53% as economic interest held by black people.

Other Ubuntu-Botho broad-based black economic empowerment groups	Beneficiary %
Ubuntu-Botho provincial groups (including selected Sanlam managers and non-executive directors)	13,5%
Ubuntu-Botho Women's Upliftment Trust	1%
Ubuntu-Botho Young Persons Development Trust	1%
Ubuntu-Botho Churches Support Trust	2%
Abafazi-Basadi Ubuntu-Botho Investments (Pty) Ltd	1%
Metswale (Pty) Ltd	1%
Ubuntu-Botho (Nkosi/Kgoshi) Investments Ltd	1%
Before the Wind Investments 261 (Pty) Ltd	0,5%
Trade unions (SADTU and NEHAWU)	4%

# Structuring of the Sanlam and Ubuntu-Botho partnership: 2004-2022

**CURRENT:** Ubuntu-Botho holds 18,1% voting interest in Sanlam and 13,5% economic interest. The newly formed Hlanganani-Kopanang Trust holds the further 4% economic interest and 1% is held by the Ubuntu-Botho Community Development Trust and Ubuntu-Botho Investments



The change in direct black shareholding is primarily the result of the renewal of the Sanlam Ubuntu-Botho B-BBEE transaction (2014). In 2018, as part of this second agreement, 5% of Sanlam was placed with the newly formed Hlanganani-Kopanang Trust – a broad-based empowerment group that will benefit five groups of new black shareholders. Beneficiaries of this trust cannot be part of the 2014 transaction. The trust will effectively hold 4% in Sanlam, while the remaining 1% will effectively be held by Ubuntu-Botho and the the Sanlam Ubuntu-Botho Community Development Trust.

**The aim of this transaction is to:**

- substantially broaden the base of empowerment beneficiaries in areas that will have the most impact; and
- strengthen and expand the strategic, mutually beneficial relationship with Ubuntu-Botho, Sanlam’s existing strategic empowerment partner.

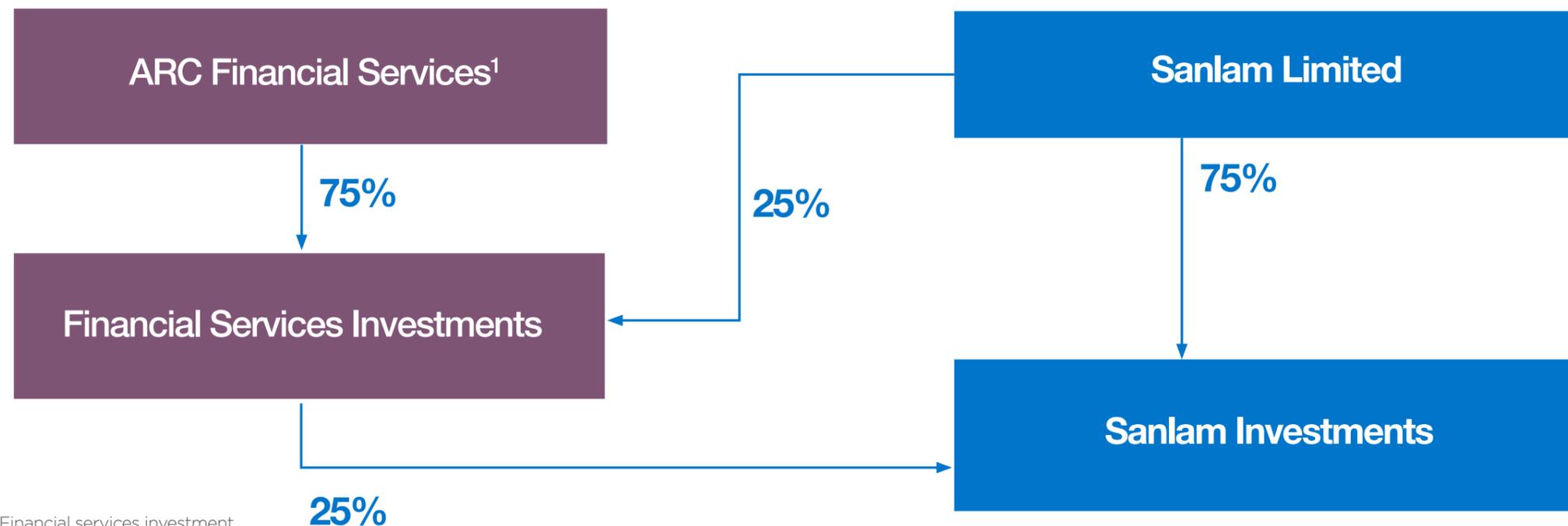
**Notes**

- 53,1% of mandated investments attributed to black shareholding as black voting rights and 39,12% as economic interest held by black people.
- 100% owned by B-BBEE SVP. SPVs are entities frequently used for investment holdings. They are set up for a specific purpose. In B-BBEE transactions they are typically used to set off investments income and debt repayments so that it’s clear what net value is created.

# Structuring of the Sanlam and Ubuntu-Botho partnership: 2004-2022

## CURRENT: Black-controlled shareholding in Sanlam Investments

In 2021, Sanlam Investments sold a 25% stake to African Rainbow Capital (ARC) Financial Services. As a result of this transaction, Sanlam Investments became one of the largest black-owned (51%) asset managers in South Africa.



**Notes**

1. ARC Financial Services: Financial services investment holding company majority-owned by Ubuntu-Botho Investments.

### Sanlam and ARC: complementary empowerment

B-BBEE legislation impacts the competitive landscape in a number of markets, such as institutional asset management and corporate benefits. Sanlam could not realistically achieve fully empowered status in these areas by itself, so ARC has invested in complementary businesses in order to strengthen Sanlam and ARC's competitive position. In 2021, for example, through ARC, Ubuntu-Botho invested 25% in Sanlam Investments, making Sanlam the first large 51% black-owned and controlled asset manager in South Africa.

Furthermore, ARC has separately invested in non-financial services to diversify the Ubuntu-Botho investment. The success of the original Sanlam and Ubuntu-Botho transaction has enabled this, allowing the initial beneficiaries to diversify the Ubuntu-Botho investment portfolio and grow the successful business, as well as create further value.

Sanlam has invested back into ARC Financial Services to cement the long-term relationship and ensure value is created for all Sanlam shareholders.

# The impact of Sanlam and Ubuntu-Botho's landmark partnership

This article considers the impact of Sanlam and Ubuntu-Botho's 2004 empowerment deal, and the resulting partnership to date. It is clear that the partnership has brought about significant and sustainable empowerment for participants, and has also contributed to the growth of Sanlam. Furthermore, the partnership has been, and continues to be, a catalyst for continued empowerment in the South African financial sector and for society as a whole.

## Background

The Sanlam and Ubuntu-Botho business partnership was ushered in by the landmark 2004 broad-based black economic empowerment (B-BBEE) deal. The deal transferred ownership of 8% of Sanlam to a broad-based black consortium, led by Dr. Patrice Motsepe's Sizanani-Thusanang-Helpmekaar Investments company. The philosophy that underpinned the partnership was one of 'doing good and well', whereby the outcomes would not only be good for business, but would benefit society as well.

### The consortium included both strategic black individual and community-group investors:

- **Strategic black investors:** In addition to Dr. Motsepe's Sizanani-Thusanang-Helpmekaar Investments company, the grouping included approximately 700 individual shareholders in 9 provincial companies, which included Sanlam managers, a company of black brokers, a women-owned company, a traditional-leader-owned company and two trade union investment companies. These shareholders would work with Sanlam to grow its business.
- **Community group investors:** Four discretionary trusts were set up to benefit the poor and vulnerable, including women, youth, religious organisations and poor communities.

The tables on p.24-27 explain how the value created was apportioned among strategic investor groups and community investor groups when the original transaction matured.

To assess the impact of the original 2004 empowerment deal, and the resulting partnership to date, two perspectives are useful:

- 1 The direct impact on the deal's contractual parties (The Ubuntu-Botho consortium and Sanlam)
- 2 The indirect impact on South African society and the country's financial sector

## 1. The direct impact of Sanlam and Ubuntu-Botho's partnership

### Did the partnership satisfy Ubuntu-Botho participants?

A key measure of success of any B-BBEE transaction is the value created for black participants after acquisition debt has been settled. In the case of the original 2004 Sanlam Ubuntu-Botho transaction, participants invested R1,4 billion to attain an initial 8% stake in Sanlam. The acquisition was financed through R1,2 billion in debt financing provided by Sanlam and a R200 million cash investment from the lead investor, Dr. Motsepe. Ubuntu-Botho's broad-based participants did not have to put up any cash or incur personal debt. After meeting a number of performance hurdles, which included Ubuntu-Botho's responsibility to introduce new clients to the Sanlam Group, Ubuntu-Botho earned a further set number of shares, increasing its stake in Sanlam to 13,5%.

**By 2013, when the transaction matured and the shares vested, Ubuntu-Botho owned 13,5% of Sanlam. All debt, capital and interest were repaid. Approximately R15 billion worth of net value had been created, placing it in the top five most successful empowerment transactions at the time.**

In addition to the net value created for strategic individuals (R10,8 billion) and trade unions (R0,6 billion), the four discretionary trusts set up to benefit the poor now effectively had an endowment worth R3,6 billion, which could be utilised towards socio-economic development. The regular dividends received by these trusts will ensure the sustainable funding of development into the future.

### Did the partnership satisfy Sanlam's own empowerment objectives?

As a result of the partnership, Sanlam's direct black ownership increased from being negligible in 1994 to 8% by 2004, and then to 13,5% by 2013 when the deal matured. At the start of 2022, total direct black ownership had increased to 17,8% on the back of the extension of the partnership. The extension includes an additional 5% stake held by Ubuntu-Botho and new black entrants and community

groups. When measuring black ownership, using the B-BBEE scorecard methodology (includes indirect black ownership and excludes foreign operations), Sanlam is deemed to be 49% black owned, making it a leader amongst its peers. This has placed Sanlam in a position to attract investment flows from key institutional clients.

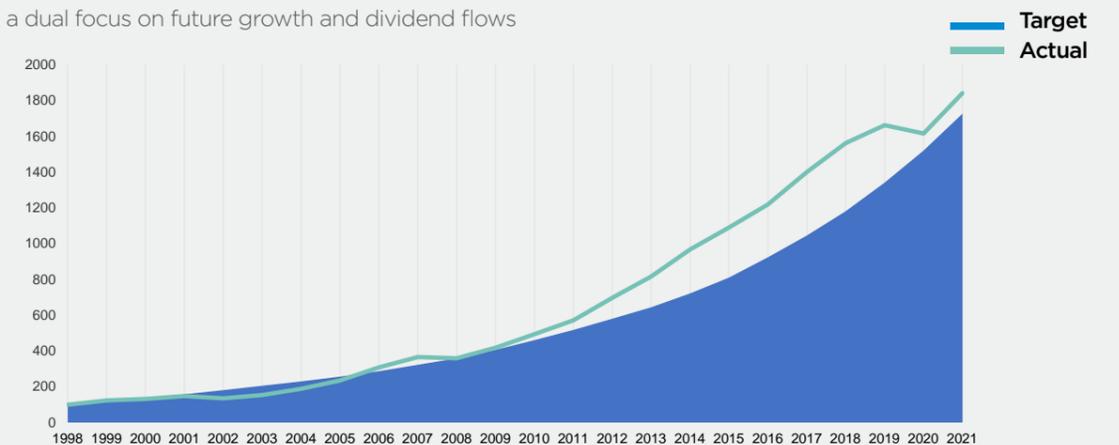
In addition to increasing black ownership, the 2004 deal enhanced Sanlam's standing as an employer of choice among senior black talent. This supported Sanlam's recruitment and retention efforts. The participation of more than 200 black managers in the 2004 deal has contributed to a pipeline that

is now manifesting in experienced senior and executive black managers.

Although Sanlam has not yet had a black group CEO, a number of its underlying businesses now do have black CEOs. At group level, the company does have a black financial director. As is the case with other financial sector players, Sanlam is continually working to employ more African and female senior managers and investment professionals. By 2018, Sanlam had moved from a level 8 to a level 1 B-BBEE status, which it has sustained to date.

## Consistent cumulative outperformance of Return on Group Equity Value target

Sanlam has a dual focus on future growth and dividend flows



### Did the partnership satisfy Sanlam's business objectives?

The partnership enabled Sanlam to do well in a democratic South Africa and play its role in providing quality insurance to all South Africans. Building the partnership contributed to the exceptional 12% annual compound growth on group equity value between 2002 and 2013. (See graph above.)

The nine provincial companies have Special Provincial Advisory Boards (SPABs), which have supported Sanlam's growth by guiding and supporting the group in providing financial services to South Africans.

The benefits of the business partnership are further evidenced by the December 2018 extraordinary shareholders meeting, where Sanlam shareholders voted for a continuation of the partnership through a second empowerment deal with Ubuntu-Botho. The extended deal will again allow for participation by Sanlam employees, black business partners and black professionals.

In summary, Sanlam's business has been transformed from consisting of and being operated to the benefit of primarily white South Africans before 2004 to a business run by and for all South Africans. You can watch an overview of Sanlam's empowerment story here: <https://tinyurl.com/mvbwswr3>

Sanlam improved overall direct black ownership to **17,8%** by 2022 (8% in 2004)

Sanlam was able to improve its overall B-BBEE compliance from a level **8 to 1** by 2018

Sanlam's black representation on its board improved to **58%** by 2022 (33% in 2004)

Sanlam's black representation on its executive committee improved to **53%** by 2022 (0% in 2004)  
Sanlam Group has not yet had a black CEO, but by 2022 a number of its underlying business do have black CEOs.

Sanlam's black representation on its overall staff improved to **77%** by 2022 (30% in 2004)

## 2. The impact of the partnership on South African society and its financial sector

### Did the partnership bring about wider societal impact?

#### Endowments

The partnership's impact on broader society is best reflected in the endowments created within the **four discretionary trusts** set up as part of the 2004 empowerment deal. These trusts were set up to uplift and contribute to the development of disadvantaged and marginalised communities and individuals.

#### Annual disbursements

By 2013, **net value of R3,6 billion** had been created in trusts, of which the annual returns (dividends) could now be disbursed annually to the benefit of black South Africans. By 2021, these trusts collectively held investments valued at **R3,5 billion**.

#### 2% of SA's CSI

By the start of 2022 the trusts had distributed **more than R1,25 billion** to implementing partners who manage development programmes in accordance with the trusts' objectives: An average annual disbursement of R180 million, which equates to 2% of the annual South African corporate social investment (CSI) spend.\*

#### Societal returns

A study conducted by the University of Stellenbosch Bureau for Economic Research (BER) for Nation Builder indicates that SA's CSI spend, if done efficiently, can lead to societal returns of R3,20 for each R1 spent. The **R1,25 billion distributions** by the trusts therefore have the potential to add **R4 billion** to the South African economy.

	Ubuntu-Botho community investors	% Holdings in Ubuntu-Botho (2004)	Participants	Net value created at maturation (2013)	Development focus	Implementing partners**	Disbursements from partnership trusts	Developmental focus	Examples
	Sanlam Ubuntu-Botho Community Development Trust	20%	The trusts were set up as part of the 2004 deal to reach broad groups of black South Africans. Each trust has a unique mandate and board of directors. Once debt was repaid, annual distributions from the trust could commence. Disbursements are made to experienced implementing partners in accordance with the requirements of each trust deed, and on approval from the directors of the trusts.	R3 billion	Black community upliftment and development of those in need in areas that include welfare, healthcare, education and development	Sanlam Foundation	R625 million	National footprint focusing on: <ul style="list-style-type: none"> <li>Socio-Economic Development (SED) Programme seeks to provide holistic education interventions that include academic, leadership development and physical wellness for educators and learners</li> <li>Promoting financial literacy amongst mostly black people</li> <li>Enterprise Supplier Development (ESD) Programme seeks to increase the growth and sustainability of black-owned enterprises</li> </ul>	In 2021, the <a href="#">Sanlam Foundation</a> reached: <ul style="list-style-type: none"> <li>120 411 beneficiaries across all programmes (90% of the beneficiaries are female and 80% youth)</li> <li>378 jobs were created</li> </ul>
	Ubuntu-Botho Women's Upliftment Trust	1%		R150 million	Black women, at large, in South Africa in areas that include welfare, healthcare, education and development	Ubuntu-Botho Community Development Trust (UBCDT)		R625 million	UBCDT works nationally with a range of development organisations to alleviate poverty and improve the living standards of unemployed and marginalised people. The work includes a focus on women, youth and vulnerable groups through: <ul style="list-style-type: none"> <li>Education and leadership development</li> <li>Rural upliftment</li> <li>Health (HIV/Aids)</li> <li>Gender equality, wellness and leadership</li> <li>Community development through schools and churches</li> <li>Sports, music and the arts</li> <li>Social cohesion</li> </ul>
	Ubuntu-Botho Young Person's Development Trust	1%		R150 million	Black youth, at large, in South Africa in areas that include welfare, healthcare, education and development				
	Ubuntu-Botho Churches Support Trust	2%		R300 million	Support of more than 85% black people through public benefit activities executed by designated religious and faith-based organisations				

**To efficiently disburse funds, experienced implementing partners – such as the Sanlam Foundation and the Ubuntu-Botho Community Development Trust – are used by the trusts.**

\*SA CSI spend was estimated to be R10,7 billion in 2020. The annual disbursement is thus a significant development from a single source. The Sanlam Foundation plays a key role in ensuring these disbursements create impact on the ground. (See p.30 for more on the Foundation.)

\*\*Sanlam Ubuntu-Botho Community Development Trust (SUBCDT) distributes development funding to the Sanlam Foundation and Ubuntu-Botho Community Development Trust (UBCDT) in equal proportions.

## Value created for strategic investors

	Ubuntu-Botho	% Holdings in Ubuntu-Botho (2004)	Participants	Net value created at maturation (2013)	Wealth created
	Lead black investor	55%	Dr. Motsepe's Sizanani-Thusanang-Helpmekeer Investments (Pty) Ltd acquired the controlling stake in Ubuntu-Botho as part of the 2004 deal. The acquisition included a R200 million cash payment towards the acquisition of the shares.	R8,25 billion	Contributes to Dr. Motsepe becoming the first black African US\$ billionaire in 2008. Enables him to play a significant role in further development of black businesses (e.g. African Rainbow Capital), as well as philanthropy (e.g. the Motsepe Foundation) and the South African response to COVID-19 ( <a href="https://www.ribn.co.za/2020/04/07/ribn-covid-pledge/">Ribn COVID pledge</a> ).  +700 millionaires created, many of whom have used the returns to grow businesses, including women-run small businesses. Examples of how participants have benefitted from the deal can be viewed here: <a href="https://tinyurl.com/33xmvuzw">https://tinyurl.com/33xmvuzw</a> .
	National strategic black investors (including Sanlam black managers and directors)	13,5%	Approximately 700 purposefully selected black investors spread across the 9 provinces of South Africa. These include approximately 200 black Sanlam managers and directors (7%). No cash payment for acquisition of shares was required.	R2,025 billion	
	Black women-only company	1%	Abafazi-Basadi Ubuntu-Botho (Pty) Ltd is a 100% black-women-owned investments company set up as part the deal, with 75 individual shareholders who mainly run small and micro-businesses.	R150 million	
	Black brokers	1%	Metswale (Pty) Ltd is an investment company consisting of selected, then mostly, African Life brokers. Metswale exited the Ubuntu-Botho structure after maturation of the deal.	R 150 million	
	Black traditional leaders	1%	Ubuntu-Botho Nkosi/Kgoshi Investments Ltd was set up with 34 traditional leaders.	R150 million	
	Trade union investment companies	4%	The investment arms of trade unions NEHAWU and SADTU each held 2% of Ubuntu-Botho. <i>See notes 2 and 3 below for more detail.</i>	R600 million	
	Warehoused shares	0,5%	Before the Wind Investments 261 (Pty) Ltd warehoused 0,5% of Ubuntu-Botho shares for future Ubuntu-Botho management.	R75 million	

**Notes:**

<sup>1</sup> <https://tinyurl.com/yc65u23u>

<sup>2</sup> The National Education Health & Allied Workers Union (NEHAWU) investment arm (NIH) is operated for the benefit of NEHAWU's 240 000 members, of whom at least 50% of NEHAWU's members are black females.

<sup>3</sup> The South African Democratic Teacher's Union (SADTU) investment arm is operated for the benefit of SADTU's more than 256 000 members, of whom more than two-thirds are women.



Left to right: 1. Nonhlanhla Mkhize, UBI shareholder, KwaZulu-Natal, in her shop in Cato Ridge 2. Nakedi Lekota, UBI shareholder, Limpopo, and family enjoying dinner 3. Nakedi Lekota, UBI shareholder, Limpopo, taking his kids to school 4. Siphon Mkhize, UBI shareholder, Western Cape

## 2. The indirect impact of Sanlam and Ubuntu-Botho's partnership

### Did the partnership drive empowerment in the financial sector and beyond?

The Sanlam Ubuntu-Botho empowerment deal was one of the earliest B-BBEE deals in post-1994 South Africa. When the 2004 deal was finalised, South Africa's B-BBEE codes had just been promulgated; the B-BBEE Codes of Good Practice and the Financial Sector Code were not yet in place. According to Intellidex, the net value created by Sanlam and Ubuntu-Botho's 2004 B-BBEE stood at R14,4 billion – making it the fourth most successful B-BBEE deal by net value in June 2015. At the time, Anglo American (R53,3 billion), FirstRand (R23,3 billion) and Exxaro (R16,8 billion) represented the largest such deals by net value.

By 2022, most of Sanlam's financial sector competitors had achieved level 1 or 2 B-BBEE compliance. This is partly due to the ability to improve scores on other elements in the Financial Sector Charter (FSC) once they have moved on black ownership control. **The B-BBEE levels of many of these companies are kept in place by continued recognition once the direct B-BBEE shareholders have exited. Sanlam, on the contrary, has been able to retain and grow its direct B-BBEE shareholding.** This illustrates that Sanlam has been able to develop a model that can be used to drive sustainable empowerment.

**The key difference is that the original Sanlam Ubuntu-Botho deal has resulted in a successful and sustainable partnership that has the ability to strengthen the South African financial markets. It can drive both business growth and empowerment in a symbiotic manner.**

**The catalytic role that the partnership is continuing to play among large integrated financial services providers can also not be overstated.** By continuing to push the empowerment envelope across various segments of the financial sector, the partnership is creating the impetus for competitors to also move towards black-controlled businesses. The following are two prominent examples where the partnership has led the sector in this vein:

- The formation of African Rainbow Capital (ARC) in 2015 – now an influential, black-owned, listed investment holdings company with a diversified investment portfolio. ARC has invested in 49 businesses including financial sector companies, such as TymeBank and Alexander Forbes.
- Sanlam Investments became 51% black-owned in 2021, the first large asset manager to do so. The move resulted in assets under management of black asset managers doubling. This move will be a catalyst for other large asset managers to consider their own black ownership.

*“From 2004, when the original empowerment transaction was signed, to maturity in 2013, Sanlam’s market capitalisation increased from R27 billion to R118 billion, partly due to the successful execution of its strategy, which embraced transformation in conjunction with Ubuntu-Botho. Sanlam’s partnership with Ubuntu-Botho has contributed to Sanlam’s growth and success over the years. Ubuntu-Botho has remained supportive and involved with Sanlam’s strategy in South Africa and extended and expanded its strategic relationship with Sanlam.”*

- Dr. Johan van Zyl, former CEO and Chairperson of Sanlam.



By 2013, at maturation of the original Sanlam and Ubuntu-Botho transaction, net value of

**R3,6 billion**

had been created in trusts, of which the annual returns (dividends) could now be disbursed annually to the benefit of black South Africans. **By the start of 2022, the trusts had distributed more than**

**R1,25 billion**

to implementing partners who manage development programmes in accordance with the trusts' objectives.



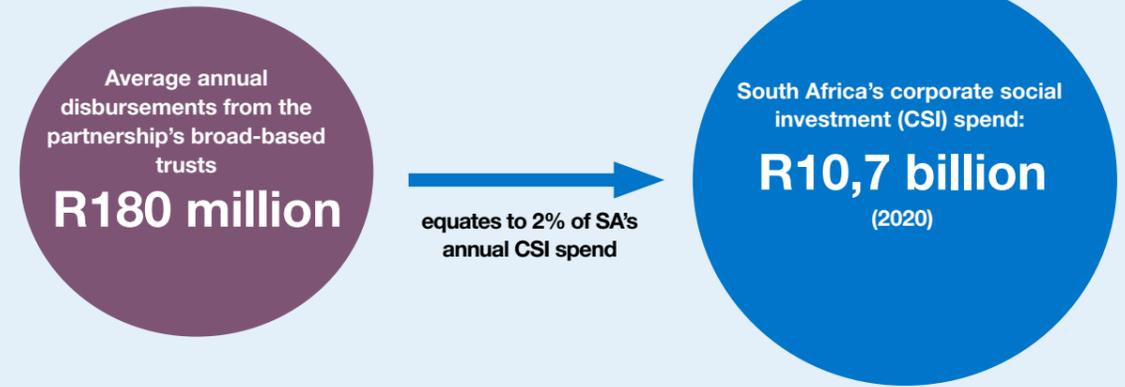
**The 2018 deal** replicates the broad-based nature of the 2004 deal and allowed for new entrants, including **five beneficiary groups that can drive empowerment** of black South Africans in rural and urban areas, including black women and youth.

### How did the partnership impact other stakeholders?

The partnership is generally regarded with respect and has been positively received by a wide range of stakeholders, due to its success and model of real partnership. However, no B-BBEE deal will satisfy all stakeholders and criticism has been levelled at the Sanlam Ubuntu-Botho partnership, including:

- Only enriching a black elite.
- Still being heavily influenced by white leadership at ARC and Sanlam; those who hold this view favour black control and want this to reflect at group CEO level.
- ARC's black-controlled asset management business is placing black-grown asset managers under pressure of losing investment mandates.

### Significant and ongoing societal impact



## Going forward...

**It is important to note that when the deal matured in 2013, the Ubuntu-Botho consortium had the option to sell its stake in Sanlam, but elected to remain invested. Ubuntu-Botho has instead elected to extend its partnership with Sanlam – a decision which is not often the case with empowerment partnerships in large financial sector deals.**

This indicates that participants view the 2004 deal, as well as the continuing Sanlam Ubuntu-Botho partnership, in a favourable light.

Furthermore, the value created from the 2004 deal enabled

Ubuntu-Botho to establish, set up and list African Rainbow Capital (ARC). As a partner to Sanlam, ARC has started to invest alongside Sanlam to strengthen empowerment in the financial sector. At 30 June 2021, ARC's value was greater than R12 billion based on Intrinsic Portfolio Value.

However, the impact of the Sanlam Ubuntu-Botho partnership has not yet been fully realised. Key outcomes that are still likely to materialise from the relationship include:

- Being a further catalyst for black economic empowerment in the financial sector, and in the asset management industry.
- The net value created in phase two of the empowerment deal will also create wealth for a new pool of shareholders, who are mostly new entrants and again broad based. Ubuntu-Botho's Chairperson is in the process of approving the beneficiary selection. The beneficiary pool will comprise new shareholders that include black professionals and community groups that can resource disadvantaged people in remote rural areas.
- By continuing to disburse R180 million on average annually, the partnership trusts will be adding to South Africa's economy, ultimately supporting employment, economic growth and social cohesion.

### Sanlam Ubuntu-Botho Community Development Trust and the future

The Sanlam Ubuntu-Botho Community Development Trust (SUBCDT) was established to make meaningful distributions to causes that would benefit disadvantaged and marginalised communities and individuals in South Africa – in support of the corporate social, community and individual upliftment, and development initiatives of the Sanlam Group and Ubuntu-Botho. This includes working together or partnering with other historically disadvantaged South Africans or philanthropic entities.

The SUBCDT holds 20% stake in Ubuntu-Botho Investments as part of the 2004 landmark empowerment transaction. This stake is valued at R3 billion. Since 2014, the dividends from the investment have been deployed annually for development.

The distributions are executed through experienced implementing partners, such as the Sanlam Foundation, with clear programmes, experienced staff and monitoring, evaluation and learning (MEL) systems in place. The distributions have reached more than a million South Africans – mostly vulnerable youth and women in both rural and urban areas.

The Trust will be able to continue making substantial annual socio-economic development contributions from its investment earnings. In addition, an added stake in the 2018 empowerment transaction between Sanlam and Ubuntu-Botho\* can further its reach substantially.

\*The Trust is a 20% shareholder in UBI Subscriber SPV. The UBI Subscriber SPV is an indirect shareholder in the SPV, which has acquired a 5% stake in Sanlam Limited as per the Sanlam circular published by Sanlam in 2018.



# The Sanlam Foundation's role

By the start of 2022, the Sanlam Ubuntu-Botho Community Development Trust (SUBCDT) had already distributed more than R625 million towards the Sanlam Foundation's empowerment initiatives. This article highlights the role the Foundation plays in ensuring that the wealth created through the Sanlam and Ubuntu-Botho partnership reaches a broad base of black South Africans. Furthermore, the Sanlam Foundation has approved a new strategy that focuses on deepening impact.

## About the Sanlam Foundation

The Sanlam Foundation's purpose is to bring about sustainable and meaningful change in the communities where Sanlam operates. Programmes that are run to achieve this focus on addressing inequality, stimulating job creation, driving financial inclusion, encouraging social development and protecting the environment.

The Sanlam Foundation is geared to supporting Sanlam's aim of helping Africans "live with confidence" through developing holistic financial literacy that aids financial decision-making. Through its community programmes the Sanlam Foundation has been able to provide numerous disadvantaged South Africans with the opportunity to take a step towards financial empowerment, security and prosperity.

*"The Sanlam Foundation is geared to supporting Sanlam's aim of helping Africans 'live with confidence' through developing holistic financial literacy."*

Established in 2011, The Sanlam Foundation was set up as a discretionary trust (with oversight from its board of trustees) and registered as a non-profit organisation (NPO) and public benefit organisation (PBO):

Its primary objectives are to:

- Invest meaningfully in the economies of the countries in which it operates;
- Contribute to the alleviation of poverty and development of Africa's marginalised and vulnerable communities; and
- Give expression to Sanlam's corporate social consciousness in ways that showcase its core values of being a responsible and caring corporate citizen.

## The Sanlam Foundation's programmes

The Sanlam Foundation focuses on three programmatic pillars: socio-economic development; financial literacy; and enterprise and supplier development. Financial literacy is the golden thread that runs through all the pillars. The cases highlighted in this article are examples of some of the initiatives run under these three pillars.

### 1 Socio-economic development

Financial literacy starts with a solid foundation in numeracy and reading for meaning. By instilling these skills, we give our children the best chance of realising a confident, prosperous financial future. The initiatives highlighted below are examples of how the Sanlam Foundation aims to stimulate and encourage holistic education to help develop these skills. At the same time, socio-economic development includes building a better world for the next generation to inherit. This is why the Foundation has also invested in safeguarding South Africa's fresh-water reserves in partnership with WWF-SA. **Over the past 20 years, Sanlam and the Sanlam Foundation (since 2011) have invested more than R450 million towards socio-economic development, reaching millions of people.**

#### Holistic education interventions:

- Academic support for educators and learners, including a nutrition programme, and leadership development interventions in the Quintile 1 to 3 schools supported through the Blue Ladder Schools (BLS) Programme were provided.
- For the past 20 years, Sanlam has supported *Takalani Sesame*, a wide-reaching early childhood development programme broadcast on SABC.

### 2 Financial literacy

**More than R77 million has been spent on consumer financial education (CFE) programmes**, aimed at multi-sector beneficiaries through the flagship programme, WageWise.

The CFE programme aims to promote basic knowledge and education on financial matters through facilitating training that focuses on money management, savings, debt

and credit, and insurance for targeted beneficiaries. This is achieved through implementing partners who run CFE training programmes throughout the country, including:

- The collaboration with the ASISA Foundation for the WageWise programme to implement worksite-based training.
- The collaboration with The Avocado Vision (on the Money Fo Sho) programme, which is implemented through community-based training.

### 3 Enterprise development

**More than R63 million has been invested** in enterprise and supplier development, with a core focus on SMEs – the backbone of a nation's economy. The Foundation also works alongside the government through the YES programme to create more employment opportunities for young people.

#### Examples of enterprise development projects:

- **Project Elevate** aims to increase the growth and sustainability of selected Sanlam-tied, black-owned enterprises – and the financial planners that operate them – in partnership with SanlamConnect. During 2021, 11 black-owned businesses, including some owned by women, were supported.
- **Project Accelerator** aims to develop and transform Sanlam's supply chain by providing business development support to incubate and grow SMEs within Sanlam's supply chain. Project Accelerator seeks to create a pipeline of black-owned enterprises through the Accelerator mentorship programme. During 2021, 26 businesses were supported in this 2-year programme, 13 of which are owned by black women.
- **Project Migrate** aims to develop and transform SA Retail Mass's franchise capability. This is done by providing specialist business development support to financial planning practices, using an intensive coaching-based methodology in combination with workshops to build a collegiate environment for programme beneficiaries. Beneficiary businesses benefit from targeted mentorship and access to specialist development tools and consulting advice. Project Migrate supports 4 black-owned businesses.

#### Continuing the empowerment journey

The Sanlam Foundation mandate and strategy, revised in 2021, are aligned with the empowerment objectives of the Sanlam Ubuntu-Botho partnership. Some of the most notable features of the new strategy include the overhauling of the grant management systems, the digitalisation of the operations of the Foundation, as well as the adoption of a rigorous monitoring and evaluation ethos and practice.

This new strategy is enabling the Sanlam Foundation to deliver a solid social return on investment (SROI) to all its stakeholders. It strengthens relationships with implementing partners and assists in getting closer to beneficiary communities so as to fulfil their needs, hopes and aspirations better. Finally, the strategy ensures the Foundation plays an integral role in executing the Sanlam Group's corporate responsibility.

# The bigger picture:

## The reach of the Sanlam Foundation and Sanlam over time



### Socio-economic development:

Over the past 20 years more than **R450 million** has been invested, reaching millions of people.

#### This includes:

- > **R137 million** benefitting nearly 560 000 children annually, via literacy and numeracy programmes.
- > **R209 million** invested in Takalani Sesame to reach millions of South African children.
- > Approximately **500 000** children reached, and R35 million in prize money awarded, via the Kap Motsepe cup.
- > **R75 million** contributed towards water security in partnership with WWF-SA.



### Consumer financial education (CFE):

**More than R77 million** in training to empower **61 000** people through CFE programmes.



### Job creation and enterprise development:

**More than R63 million** invested in enterprise and supplier development over the past years, creating **502** sustainable jobs and securing **2 964** existing jobs. On average, this has contributed 26% in revenue growth for participating SMEs.



Live with confidence

**2 Strand Road, Bellville 7530 | PO Box 1, Sanlamhof 7532, South Africa**

Sanlam Life Insurance Limited Reg no 1998/021121/06.  
Licensed Financial Services and Registered Credit Provider (NCRCP43).

**T +27 (0)21 947 9111**  
**F +27 (0)21 947 8066**

**[www.sanlam.co.za](http://www.sanlam.co.za)**

