

## Message from the Chairman of the Social, Ethics and Sustainability committee



**Valli Moosa**

*Chairman of the Social, Ethics and Sustainability committee*

Sanlam is deeply committed to the principles of sustainable business. This is embodied in our Wealthsmiths™ philosophy and our vision to be the leader in client-centric wealth creation, management and protection. It is also manifested in our products, our approach to responsible investment, and our internal response to operational sustainability.

We are currently facing challenging market and socio-economic conditions. Economic growth has stalled and business confidence is low. There are social pressures in the form of inequality, unemployment and poverty, and mass calls for change, from unions to students. There is growing concern throughout society about the prevalence of inequality.

At the 2015 year-end in particular, we were encouraged by our interaction with government around our shared responsibility for the South African economy. The fruitful engagements we had about turning around a slipping economy and exchange rate were well received and resulted in positive action on the side of government.

In these circumstances, the financial wellbeing of individuals is a growing concern. Our research shows that too few South Africans retire with sufficient funds to maintain their lifestyle and the gap between the insurance need and premium cover is growing unsustainably. The challenge is partly in affordability and partly the lack of financial education.

Government's response has been to lead the reform of the retirement fund industry. Sanlam is particularly encouraged by and supportive of legislative amendments which better enable South Africans to save for their retirement. We are also encouraged by the fact that clients have a choice between active

investments and passive investments with low-cost structures, a model that Sanlam has anticipated as a key component of our Treating Customers Fairly (TCF) strategy. We are also applying TCF principles to ensure our clients have a better understanding of financial planning, are offered appropriate wealth creation or preservation products, and make informed decisions that suit their needs.

Part of this focus has been to support South Africans in the way they prepare for a comfortable retirement through their ongoing savings in pension and provident funds. The clarion call has been to address financial insecurity and build trust between custodians of retirement funds.

Treating customers fairly is not only morally correct, but critical to ensuring low lapse rates and thus supporting consistent and sustained earnings growth. This is in line with the business strategy we have adopted over the past 10 years and which is set to continue with the new Group Chief Executive, Ian Kirk, at the helm. This strategy to build long-term shared value has not only served the business well in maintaining sound financial performance, but through the pillars of diversification and transformation, it ensures we take cognisance of new market trends and adapt to changes in our business environment.

Sanlam's business strategy is reinforced by our oversight and management of non-financial issues material to the long-term prosperity of the business. Strategy and sustainability of the business are therefore integral to one another.

Sustainability is overseen by the Social, Ethics and Sustainability (SES) committee. The committee consists of both executive and non-executive directors, and is responsible for overseeing the sustainability performance of the business. Feedback to the committee is structured in line with the Sustainability Management Framework. This framework has been informed by a process of identifying issues material to the business. The committee reviews the Group's performance in response to these material issues, debates targets and reports back to the business as to where the focus of effort should be directed.

Crucial to Sanlam's continued prosperity is our engagement with stakeholders and their concerns. Issues raised through this engagement are presented from across the Group to the SES committee for consideration.

I have been pleased by how the business is increasingly integrating sustainability into its operational thinking. At a governance level, we are making good progress to ensuring standards and processes applied in our South African businesses are built into our emerging market businesses.

### A challenging economic environment

Growth in the South African economy has continued to slow and this is putting substantial pressure on the disposable income of our clients. Our economy is experiencing a number of challenges:

- ① A significant drop in the gross domestic product (GDP) rate – from an average of 5% in 2012 to the current 1,3% (Statistics South Africa, 2014)
- ① Worsening household debt ratio to disposable income (now at 74,5%)
- ① Interest on debt edging higher to 7,9% of income (South African Reserve Bank, 2014) making it more difficult for households to repay their debt
- ① Economic pressure from the deteriorating rand exchange rate and rising costs may increase the risk of higher lapse rates and reduce the affordability for financial services.

In the area of transformation, we are now at level 2 in terms of the FSC scorecard. And in the environmental sphere, where we are at the end of our five-year target cycle, we have met or exceeded targets in all areas aside from waste management. New environmental efficiency targets are now being developed for the next five-year period. Sanlam has made a significant contribution to socio-economic and enterprise development. These activities are aligned to our business, with specific attention paid to boosting financial literacy and to supporting businesses that will in turn add value within our supply chain.

It may be a cliché that sustainability is a journey, but the statement is very true for Sanlam. Sanlam is a diverse business and it is at times complex to record progress consistently on material issues across divisions that are fundamentally different. For example, while the TCF framework is now being universally applied and good progress made, high-level reporting of progress across the business requires additional consideration.

Sanlam has a long-standing relationship with the World Wide Fund for Nature (WWF) which has worked with us as a partner to advance our thinking and our response to environmental challenges. As a financial services business, our direct impacts may not be fundamentally material. However, as a company with controlling interests in leading general insurer Santam, and significant investments in JSE-listed enterprises, our indirect influence on the environment remains relevant.

## Message from the Chairman of the Social, Ethics and Sustainability committee *continued*

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By refining our approach to underwriting, initiating interventions within municipalities where risk to life and property resulting from floods and droughts is high, and allocating capital in our investment businesses, we exert our influence for the benefit of society. Given our responsibility as providers of capital, we are continuously striving towards improving our operational efficiencies and thus our direct environmental impact.

By striving for continued improvement, we will anticipate challenges and gain from opportunities to lead the development of the financial services industry, for the benefit of our stakeholders as well as society.

**Valli Moosa**

*Chairman of the Social, Ethics and Sustainability committee*

## Statement from the Board of directors of the Sanlam Group

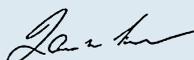
The Board acknowledges its responsibility to ensure the integrity of Sanlam’s annual reporting, including this Sustainability Report.

The Board is confident that this report provides a fair and balanced account of the Group’s performance across all dimensions and believes it has a material bearing on its capacity to create value over the short, medium and long term. The report has been prepared in line with internationally recognised best practice. The Board is satisfied the Companies Act and King III principles are well entrenched in the Group’s internal controls, policies and procedures governing corporate conduct within all the major operations and at a Group level. Details of the Group’s application of each King III principle are available on its website ([www.sanlam.com/investorrelations](http://www.sanlam.com/investorrelations)).

This report was approved by the Sanlam Board of directors on 9 March 2016 and signed on its behalf by:



**Desmond Smith**  
*Chairman of the Board*



**Ian Kirk**  
*Group Chief Executive*



**Valli Moosa**  
*Chairman of the Social, Ethics and Sustainability committee*