



INTRODUCTION TO THE SANLAM SUPPLEMENTARY SUSTAINABILITY REPORTS 2016



Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

Message from the Chairman of the Social, Ethics and Sustainability committee (SES committee) **1**

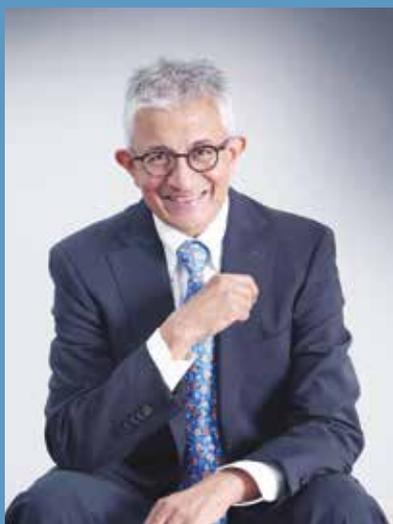
Resilience through sustainability	1
Looking ahead	1

About Sanlam **2**

Annual Reporting Suite and availability	3
Content development process for this supplementary report	4
Assurance	4
Feedback	4
Navigational icons	4

Sanlam's business strategy **5**

Sanlam's strategic pillars and sustainability themes	5
Introducing the 2016 reporting theme: Resilience in uncertain times	8
The six capital context for Sanlam	9
Material capitals	9
Other capitals	10



Message from the Chairman of the Social, Ethics and Sustainability committee (SES committee)

Sanlam's key objective is the creation of value for stakeholders over the long term. Therefore, the Group drives diversity and innovation to position itself as a leader in client-centric wealth creation, management and protection. This means that Sanlam must treat its clients fairly, while doing business in a profitable and sustainable way.

Successful execution of the above depends on the Group's ability to deliver on business promises and principles through sound practices and processes. The SES committee assists Sanlam with its sustainability and social and ethics responsibilities, and manages and monitors the Group's sustainability performance.

As a signatory to the United Nations Global Compact (UNGC), Sanlam has committed to align its operations and strategies with 10 globally accepted principles in the fields of human rights, labour, the environment and anti-corruption. We are required to submit a periodic 'Communication on Progress' (COP). Sanlam is also actively involved with the UNGC as part of its working group on combating corruption.

To ensure that we continue engaging with our stakeholders on what is particularly relevant to Sanlam's resilience, we have adapted our sustainability reporting approach. This year, as part of the online Sanlam Annual Reporting Suite, the material sustainability themes form five supplementary reports:

- ① Sound governance
- ① People development
- ① Responsible products and services
- ① Prosperous society
- ① Environmental impact

Resilience through sustainability

Client-centricity is achieved in part through our products, which create opportunities for people with vastly different incomes. This allows them to participate in wealth creation and preservation solutions that address their unique financial needs. Through the Sanlam Foundation, the Group provides focused contributions that build and support communities, business development and consumer financial education.



Read more in the supplementary reports on Responsible products and services, and Prosperous society online.

We also understand that we cannot create economic and social prosperity without safeguarding the natural resources on which businesses and people rely. In addition to greenhouse gas (GHG) emissions targets, Sanlam has sustainability targets linked to paper consumption, electricity, water, travel, waste and recycling. To this end, the Group is committed to recording and tracking at least 80% of its scope 3 emissions. Sanlam also has an ongoing partnership with the World Wide Fund for Nature South Africa (WWF-SA). The Group initiated various projects together with WWF-SA to conserve and to support the healthy functioning of South Africa's water systems.



Read more in the supplementary Environmental impact report online.

Embracing and accelerating transformation, including gender diversity, remains a priority and one of Sanlam's key strategic pillars. Overall, the number of black professionals in the Group has continued to increase at a steady pace – from 203 employees in 2014, to 270 in 2016. This is an increase of 33%. However, we need to increase the percentage of black middle and senior management in the Group. This has been flagged as a business priority for 2017.



Read more in the supplementary People development report online.

Looking ahead

South Africa continues to face economic and social pressures. The global environment has been tumultuous and faced its own challenges. These conditions impact the Group, our clients and the communities within which we operate. To maintain business resilience in these uncertain times, the Group recognises that it must take a long-term view. This has prompted Sanlam to re-examine what sustainability means to the business: looking back at almost 100 years of success, and the factors that will ensure the same resilience going forward. The result would be a common sustainability vision and message that will deliver on our strategic pillars, while creating long-term value for our stakeholders.

MV Moosa

SES committee Chairman

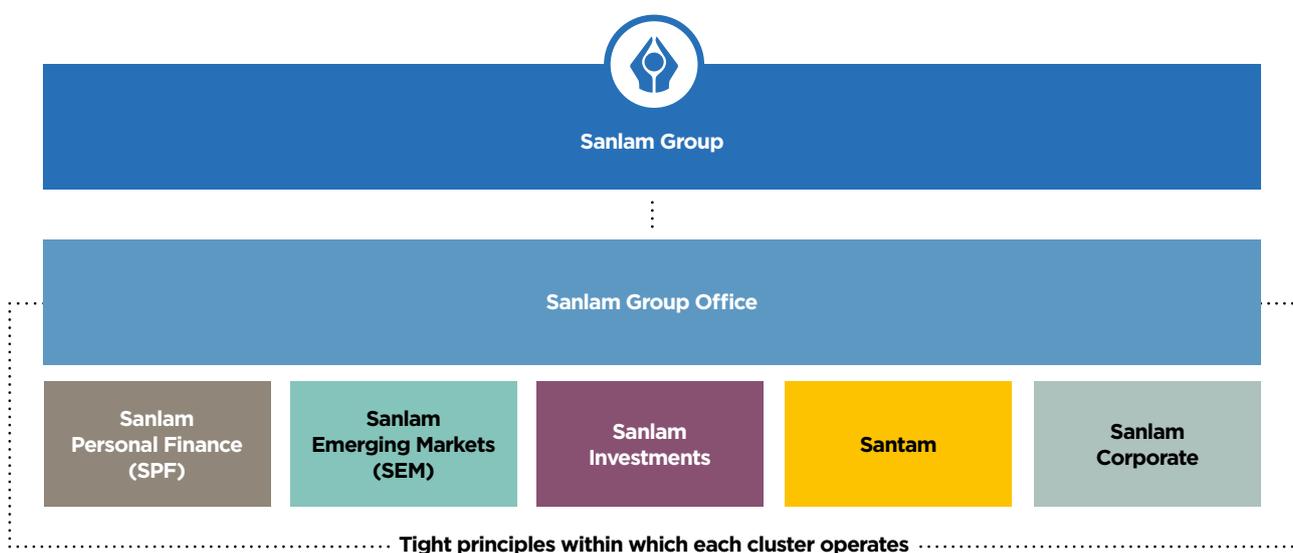
About Sanlam

Sanlam Limited (Sanlam) is the holding company of the Sanlam group of companies (or the Group). Sanlam is a South Africa-based, diversified financial services group, originally established as a life insurance company in 1918. Sanlam is listed on the Johannesburg Stock Exchange (JSE) with a secondary listing on the Namibian Stock Exchange (NSX) since 1998.

The Group operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life Insurance

Limited (Sanlam Life) is the largest operating subsidiary of Sanlam. Sanlam and all of its subsidiaries, associated companies and joint ventures are referred to as the Sanlam Group or the Group.

The Group's head office is in Bellville near Cape Town in South Africa. It is rated a broad-based black economic empowerment (BBBEE) level 2 contributor as determined by the Financial Sector Charter (FSC).



The Group comprises mutually interdependent or complementary business entities – ensuring that the value of the whole is larger than the sum of the parts – with the main aim being the creation of sustainable growth in shareholder value.



Read more about the Group's various clusters in Sanlam's Annual Reporting Suite, available online.



More information about Santam is available on the Company website: www.santam.co.za.

Annual Reporting Suite and availability

Element and focus	Target audience	Availability	
The Integrated Report provides a review of the Group and its financial, social and governance performance (including shareholders' information)	All stakeholders with emphasis on shareholders	Incorporated as a separate section in the Sanlam Annual Reporting Suite	
Corporate Governance Report	All stakeholders with emphasis on shareholders	available online at www.sanlam.com , with printed copies of the Integrated Report available on request from Sanlam Investor Relations	
Remuneration Report	All stakeholders with emphasis on shareholders		
Full audited annual financial statements for the Sanlam Group and Sanlam Limited Notice of annual general meeting	Shareholders		
Supplementary sustainability theme reports	All stakeholders	www.sanlam.com	
<ul style="list-style-type: none"> ② Sound Governance ② People development ② Responsible products and services ② Prosperous society ② Environmental impact 			
Sanlam results presentations	Shareholders	www.sanlam.com	
SENS announcements	Shareholders	www.sanlam.com	
Sanlam websites containing general and stakeholder-specific information with contact details	All stakeholders	www.sanlam.com	

> Content development process for the supplementary sustainability report

The supplementary sustainability reports were developed following a materiality determination process that included focus groups and individual interviews with a range of internal stakeholders and executives.

The five sustainability themes discussed on page 6 provide a framework to establish concrete links between non-financial and financial performance. For each sustainability theme, a set of enablers was identified according to the “core” reporting requirements of the Global Reporting Initiative’s (GRI) G4 guidelines. The G4 aspects were expanded to include matters that are unique and pertinent to Sanlam and South Africa at present.

 Read more about the full content development process from page 56 of the Sanlam Integrated Report.

 The GRI content index is available online.

> Assurance

Ernst & Young Inc. was engaged to conduct limited independent assurance on specific elements of the performance information in the Supplementary Sustainability reports.

 The Assurance report is available online.

> Feedback

Sanlam values the feedback of its stakeholders on the Group’s performance and sustainability reporting. Queries, concerns and comments can be sent to sustainabilitymanagement@sanlam.co.za, or addressed via +27 21 947 2548.

> Navigational icons

The following navigational icons are featured throughout this report to improve usability, and to indicate where additional information can be found within this report, within Sanlam’s 2016 Annual Reporting Suite or online.

Group strategy pillars

-  Earnings growth
 -  Operational efficiencies
 -  Optimal capital utilisation
 -  Diversification
 -  Transformation
-

Sustainability themes

-  Sound governance
 -  People development
 -  Responsible products and services
 -  Prosperous society
 -  Environmental impact
-

Supplementary information

-  This icon indicates where additional information can be found within this report.
 -  This icon indicates where additional information can be found in Sanlam’s 2016 Annual Reporting Suite online.
 -  This icon indicates where additional information can be found elsewhere online.
-

Sanlam's business strategy

Our purpose is to create a world worth living in and to enable people to live their best possible lives within it.

The Group's key objective is the creation of sustainable value for shareholders over the long term. This is achieved by optimising Return on Group Equity Value (RoGEV) through a continued focus on Sanlam's five strategic pillars. These strategic pillars are supported by five sustainability themes,

which are entrenched within the Group's operations and decision-making. This ensures that the Group's strategic pillars are tested against those key principles that will ensure long-term thinking and sustainability.

Sanlam's strategic pillars and sustainability themes

Strategic pillars		Sustainability themes	
	Earnings growth		Sound governance
	Operational efficiencies		People development
	Optimal capital utilisation		Responsible products and services
	Diversification		Prosperous society
	Transformation		Environmental impact

Sanlam is well-regarded in the investment community for the successful execution of its strategy. This success is dependent on the most effective management of the Group's resources and continued focus on five sustainability themes.

Sanlam's business strategy continued

-  More information about the five strategic pillars can be found on page 28 of the Integrated Report, available online.
-  More information about Sanlam's strategy can be found in the 'Strategic Review the Group Chief Executive' on page 97 of the Integrated Report, available online.

Under each of the five sustainability themes, the Group identified material enablers that collectively support its ability to create sustainable value for all stakeholders over the longer term. The Group's sustainability performance is overseen by the Sanlam Board's Social, Ethics and Sustainability (SES) committee.

Sustainability themes		Sustainability Enablers
 <p>Sound governance</p>	<p>Successful execution of Sanlam's strategy depends on the Group's ability to deliver on business promises and principles through sound practices and processes, as well as ethical leadership and behaviour. This includes effective risk management and the appropriate balancing of stakeholder interests to ensure sustainable value creation for stakeholders.</p>	<ul style="list-style-type: none"> ⌚ Business integrity and ethical leadership ⌚ Regulatory and legislative compliance ⌚ Risk management
 <p>People development</p>	<p>Sanlam operates within a complex, global environment that requires skilful response and management. Therefore, the Group must continue to find, engage and motivate the best people to ensure optimal delivery of each strategic pillar. Sanlam must also speed up transformation to reflect the demographics of its client base and the broader societies in which it operates, a prerequisite for long-term sustainable performance.</p>	<ul style="list-style-type: none"> ⌚ Attraction, recruitment and retention of key talent ⌚ Training and skills development ⌚ Transformation and employment equity ⌚ Organisational culture and employee commitment
 <p>Responsible products and services</p>	<p>Sanlam must provide appropriate and fairly-priced products and services that grow and preserve the wealth of its clients and broader society. This is a key driver of new business growth and client retention, which in turn support earnings growth and the sustainability of the Sanlam business model. Sanlam also has a responsibility to improve access to financial services, broaden wealth distribution, and promote a savings ethos through innovative product and service development.</p>	<ul style="list-style-type: none"> ⌚ Ensuring the fair treatment of customers ⌚ Ensuring that products meet the needs of identified customer groups ⌚ Ensuring access to clear information ⌚ Ensuring suitable advice ⌚ Ensuring access to products that perform ⌚ Ensuring that there are no unreasonable post-sale barriers



Prosperous society

Wealth creation requires a healthy, growing and equitable economy. Sanlam contributes to the achievement of this outcome by responsibly managing and protecting the retirement savings of millions of people, by providing protection for their assets, providing liquidity to the banking industry, investing in local businesses and communities through enterprise and supplier development, and by enhancing innovative product and service development.

- ① The Sanlam Foundation
- ① Consumer financial education
- ① Socio-economic development
- ① Enterprise and supplier development
- ① Sanlam's BBBEE contribution



Environmental impact

Sanlam recognises the increasing impact of climate change and its potential impact on future earnings growth, in particular for its general insurance businesses which are increasingly affected by severe weather patterns. Therefore, the Group is committed to incorporating environmental factors into investment decisions, and increasing its share of investments in environmentally responsible markets and entities. Sanlam also continuously works to minimise its environmental footprint to prepare for and support a low-carbon economy. Managing climate risk is a key focus area for Sanlam – the Group's largest general insurance business.

- ① Carbon footprint and electricity
- ① Environmental resource conservation
- ① Environmentally responsible investing

 A supplementary report for each sustainability theme is available in Sanlam's 2016 Annual Reporting Suite, online.

 More information about Sanlam's stakeholder network can be found on page 30 of the Integrated Report, available online.

➤ Introducing the 2016 reporting theme: Resilience in uncertain times

In the past decade, Sanlam has experienced the ways in which systemic shocks such as the financial crisis of 2008, climate disasters and war, can disrupt and destroy value. The Group has also come to appreciate how a stable and strong financial system can absorb and mute these shocks.

Where a well-established infrastructure of insurance companies, banks, investment groups and stock exchanges exist, individuals and businesses are to some extent protected, and thus better able as a society to manage risks. In these markets, members of society have a choice of life and asset insurance, safe payment systems, access to credit, the ability to trade in any currency and accumulate assets with a high level of trust.

South Africa is fortunate to have such a financial system: established and stable, well-governed and respected. South Africa is, for example, a forerunner in corporate governance with codes such as the King IV Report on Corporate Governance for South Africa™, 2016 (King IV™), which was released on 1 November 2016 and will be effective from 1 April 2017. In addition, the JSE has been rated as one of the top-ranking stock exchanges in the world.

As one of the largest financial services groups in Africa, Sanlam is a key pillar within the financial infrastructure and its resilience and sustainability is therefore of utmost importance to maintain stability – a responsibility that is unremittingly recognised by the Sanlam Board and which underpins the Group's prudent management and financial reporting approach.

Therefore, Sanlam's resilience is a priority beyond the financial results delivered to shareholders – it is a national and international imperative.

The 2016 financial year tested Sanlam's resilience in many ways. Sanlam's Integrated Report captures some of the events, challenges and opportunities that the Group continues to find, despite uncertain times.

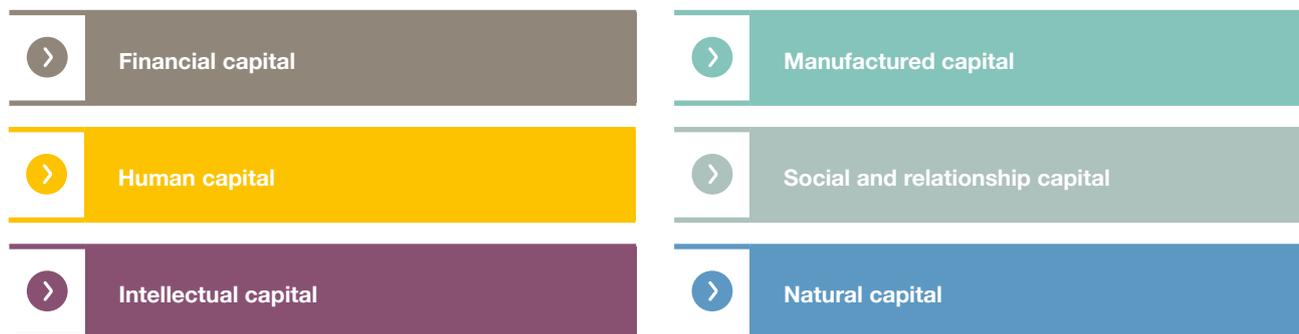


Read more about the events, challenges and opportunities faced by the Group in Sanlam's Integrated Report, available online.

④ The six capital context for Sanlam

The Group recognises that to maintain business resilience, it must take a long-term view. This includes understanding Sanlam's dependence on various resources and relationships that enable the Group to create value over time, as well as the Group's effect on these resources and relationships.

In 2015, Sanlam defined six capitals that are the dominant stores of value for the Group to be able to operate. These capitals are recommended by the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework. Within the context of social and relationship capital, specific emphasis is placed on the relationship with regulators given the importance of this stakeholder for Sanlam as a financial services group with a multinational footprint.



④ Material capitals

Financial capital	This capital includes revenue from products and services offered to clients and investment return earned on the shareholders' fund. Public listings on the JSE and NSX provide further access to share capital. Sanlam's financial strength enables it to issue subordinated debt as part of its capital structure.
Human capital	Sanlam depends on the individual and collective competencies, capabilities, talent and experience of its employees to manage the business efficiently, understand client needs, develop and distribute appropriate products and services and effectively manage the risks that the business is exposed to. Human capital also resides in the beneficiaries of the Sanlam Foundation's education and bursary programmes, who are potential future employees.
Intellectual capital	This capital includes the Group's intellectual assets, such as strong institutional knowledge, efficient operational processes and IT systems, as well as mature risk management practices. These intangible assets facilitate knowledge sharing and value creation between Sanlam's employees, operations and the markets where the Group and its subsidiaries operate.
Social and relationship capital	Sanlam relies on strong relationships with stakeholders to sustain its social licence to operate. The Wealthsmiths™ and The Sanlam Way directs the Group's relationships, client-centric culture and way of doing business. Sanlam is dependent on an efficient regulatory environment that promotes responsible products and services, fair treatment of clients and fair competition between participants in the industry. Co-operation with regulators is therefore a key relationship capital.

Sanlam's business strategy continued

Other capitals

Manufactured capital

Physical assets used by the Group to develop products and services, and deliver those products and services to market. These include the Sanlam, Santam and Sanlam Investments head offices in Cape Town, with additional offices and branches across the markets where the Group and its subsidiaries operate. Sanlam makes use of infrastructure that includes road and air travel, and communication technology. Communication technology is particularly relevant for delivery of the digital component of Sanlam's omnichannel distribution approach.

Natural capital

Sanlam's use of natural capitals relies predominantly on electricity and water. However, given the nature of financial services, the Group's direct impact on the environment is relatively low. The Group invests clients' and shareholders' funds in businesses that may have a significant impact on natural resources. As a signatory to the United Nations Principles for Responsible Investing, the Group favours companies that demonstrate sound environmental practices.

The six capitals described above provide the necessary inputs for Sanlam to develop and provide financial solutions.

Sanlam's use of the six capitals – with positive and negative impact on future availability and society – is described as input elements into the Group's business model. For example, financial capital is a key safeguard to protect clients' trust in the business and the ability of the business model to create value. The Group's business model is further based on various activities that are complex in nature and require specialised financial, actuarial, risk management, distribution and other skills. The availability of these skills – or human and intellectual capital – is fundamental to the Group's ability to offer its products and services, and is a key factor in its competitive advantage.



Read more about the six capitals and value creation through the Sanlam business model from page 36 of Sanlam's Integrated Report.

Given the nature of the Group's operations it has a relatively low impact on manufactured and natural capital. These two capitals are therefore referenced but not dealt with further in this report.

The sustainability themes provide a framework to establish concrete links between non-financial and financial performance. Sanlam has aligned its capitals of value creation per sustainability theme. The five supplementary sustainability reports provide stakeholders with an understanding of how the Group manages its use of human, intellectual, manufactured, social and relationship and natural capital to retain its financial resilience. Financial capital is discussed fully in Sanlam's Annual Reporting Suite.

Capital input	Sustainability theme
Financial capital	Responsible products and services Sound governance Prosperous society
Human capital	People development
Intellectual capital	Sound governance Responsible products and services
Social and relationship capital	Prosperous society Sound governance



More information about Sanlam's business model and the Group's use of the six capitals to generate value creation for stakeholders can be found from page 36 of Sanlam's Integrated Report.

Value creation through the Sanlam business model is further rooted in the shared-value approach which focuses on value creation for the business while generating measurable social, economic and environmental value. Integral to this approach is the need to target impacts and outcomes that offer social return on investment and increased shareholder value through the Group's various partnerships and programmes. The Sanlam Foundation spearheads Sanlam's corporate social and environmental investment activities.



www.sanlam.com