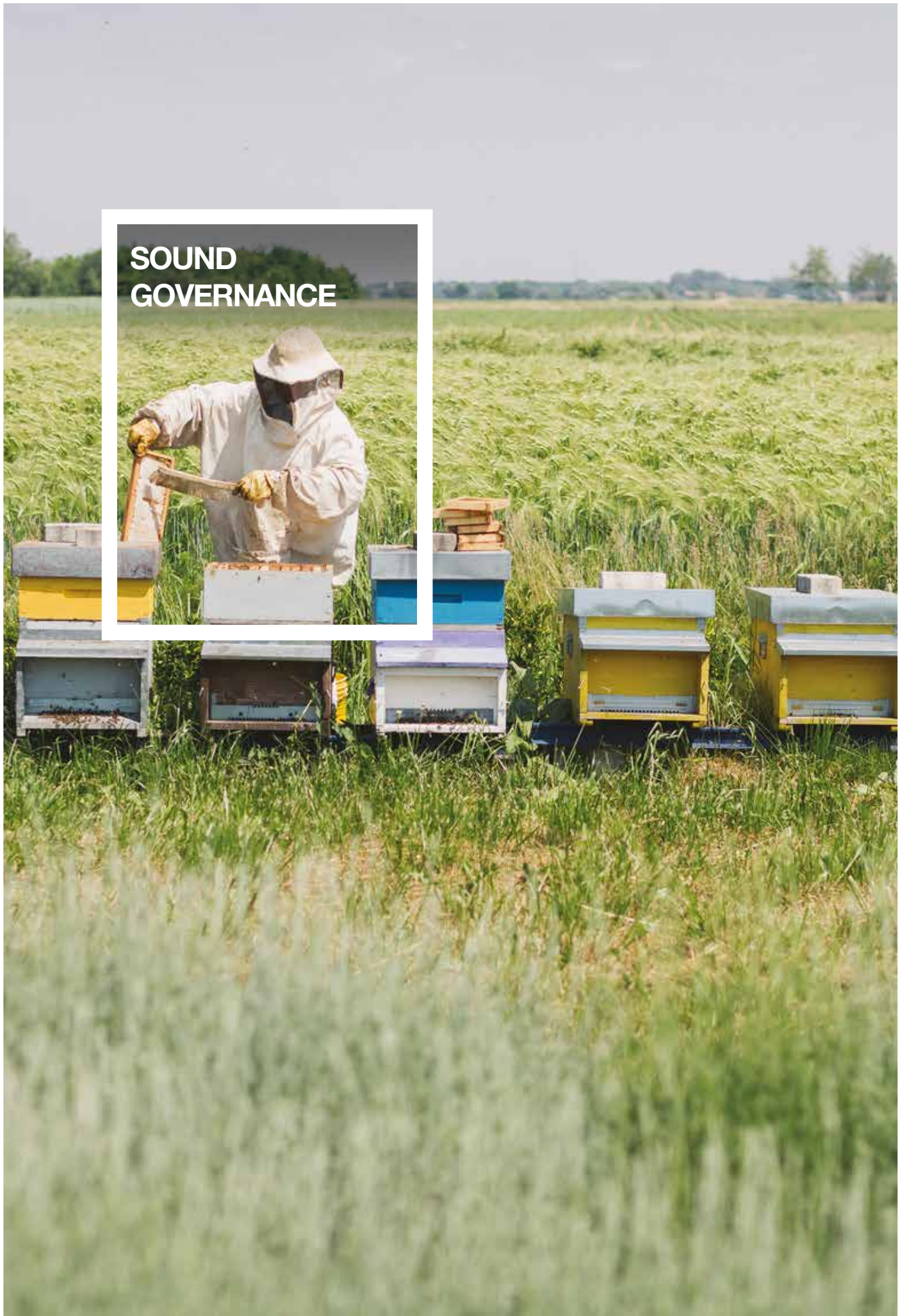


**SOUND
GOVERNANCE**



Sound governance contents

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This supplementary report and discussion per material enabler provides stakeholders with insight into how Sanlam managed sound governance for the financial year from 1 January to 31 December 2016.

Sound governance

Successful execution of Sanlam's strategy depends on the Group's ability to deliver on business promises and principles through sound practices and processes. This includes effective risk management and the appropriate balancing of stakeholder interests to ensure sustainable value creation.

Managing Sanlam's commitment to sound governance

Sanlam's Board takes ultimate accountability for the long-term sustainability of the business. The Group has a comprehensive and entrenched governance approach that enables sustainable value creation for stakeholders.



Read more about the Group's governance structure and approach in Sanlam's Annual Reporting Suite, available online.

The Group's key governance principles, based on the King Code of Governance Principles (King III), are facilitated and integrated throughout the business by Sanlam's Board and its various board committees, including the SES committee. This ensures company-wide compliance.

In November 2016, the Institute of Directors in Southern Africa released the King IV™ Code on Corporate Governance™ (King IV™). King IV™ replaces King III in its entirety. While the Group has not yet implemented King IV™ (King IV™ is effective in respect of financial years starting on or after 1 April 2017), Sanlam is committed to supporting its principles and practices in the next reporting cycle.

Principle four of King IV™ states that "the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process."

King IV™ advocates integrated thinking, which takes account of the connectivity and interdependencies between the factors that affect an organisation's ability to create value over time.

Integrated thinking underpins all of the following:

- ⊙ Seeing the organisation as an integral part of society and thus as a corporate citizen;
- ⊙ Stakeholder inclusivity;
- ⊙ Sustainable development; and
- ⊙ Integrated reporting.

King IV™: An outcomes-based corporate governance code fit for a changing world, PricewaterhouseCoopers (PwC)

Sanlam views sustainability as a long-term economic imperative and as a social and moral duty. Therefore, environmental, social and corporate governance issues remain high on the Group's agenda. The SES committee assists the Board with its sustainability as well as its social and ethical responsibilities. The SES committee further manages and monitors the Group's sustainability performance. The SES committee reports the progress of Sanlam's sustainability journey through quarterly feedback to the Board, and to stakeholders through the yearly production of Sanlam's Annual Reporting Suite.



To communicate this performance to stakeholders, Sanlam has produced five supplementary sustainability reports, available online.

➤ The SES committee charter

Effective governance is ensured by clear roles and mandates for the Board, the committees and the executives. These are encapsulated in the Board and committee charters and are updated annually. The SES committee was established in terms of Section 72 and Regulation 43 of the Companies Act, 71 of 2008, as amended (the Act). The committee's statutory functions are set out in the above-mentioned regulation and are supplemented as set out in the committee charter.

Activities








The SES committee undertakes a quarterly review of all sustainability-related material. This includes reports on legal, regulatory and ethical compliance, transformation, environmental management, sustainability risks, activities of the Sanlam Foundation, and stakeholder engagement.

Three mandated criteria form the basis of the SES committee's fiduciary duties, as described in the Companies Act and King III.

These criteria provide a measure against which the effectiveness of the SES committee is tested. To this end, the SES committee:

- ⊙ Monitors whether Sanlam complies with the relevant social, ethical and legal requirements and best practice codes;
- ⊙ Brings to the attention of Sanlam's Board any relevant matters within the scope of its mandate. This includes monitoring Sanlam's performance against the Ten Principles of the United Nations Global Compact (UNGC), the Sustainable Development Goals (SDG) and the National Development Plan 2030; and
- ⊙ Reports to Sanlam's shareholders on matters that fall within the scope of the SES committee's mandate.

Sanlam subscribed to the Ten Principles of the UNGC in February 2008 and has since addressed particular goals through its activities. The infographic below illustrates how the six capitals are applied to these goals, and sets out specific achievements from 2016:

Capital input	Relevant sustainable development goal	Sanlam's contribution in 2016
Financial capital	Goal 8: Decent work and economic growth	 Read more in the value added statement in Sanlam's Annual Reporting Suite.
Human capital	Goal 4: Quality education	 Read more about the Sanlam Foundation's investments in education in the Prosperous society report, available online.
Natural capital	Goal 11: Sustainable cities and communities Goal 13: Climate action	 Read more in the Environmental impact report, available online.
Social and relationship capital	Goal 3: Good health and well-being, gender equality	 Read more in the People development report, available online.
Regulatory capital	Goal 12: Responsible consumption and production Goal 16: Peace and justice strong institutions	 Read more in the Responsible products and services report, available online.  Read more in the governance section from page 68 of Sanlam's Annual Reporting Suite.
Manufactured capital	Goal 9: Industry innovation and infrastructure	 Read more in the Environmental impact report, available online.

Business integrity

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

The Group's long-term performance depends on sound governance and a solid foundation of behaviour that is professional and ethical. This is linked to Sanlam's reputation and the trust established between the Group and its clients, employees as well as the broader society in which Sanlam operates. Therefore, the Group is committed to ensuring that its business relationships reflect personal integrity, respect for human dignity, honesty and a commitment to do what is right, fair, reasonable and lawful.

The Group has five clusters, each of which is responsible for the management of its various operations. These clusters are managed on a federal basis and have delegated authority levels

and governance standards set by the Sanlam Limited Board (the Board) and the respective industries in which they operate.

The clusters have their own boards of directors governing the execution of these principles and standards.



Read more about the Group's composition and structure from page 71 of the Sanlam Integrated Report.

The Group is held together by a shared business philosophy that creates a 'One Firm' firm.

Business integrity continued

Business philosophy

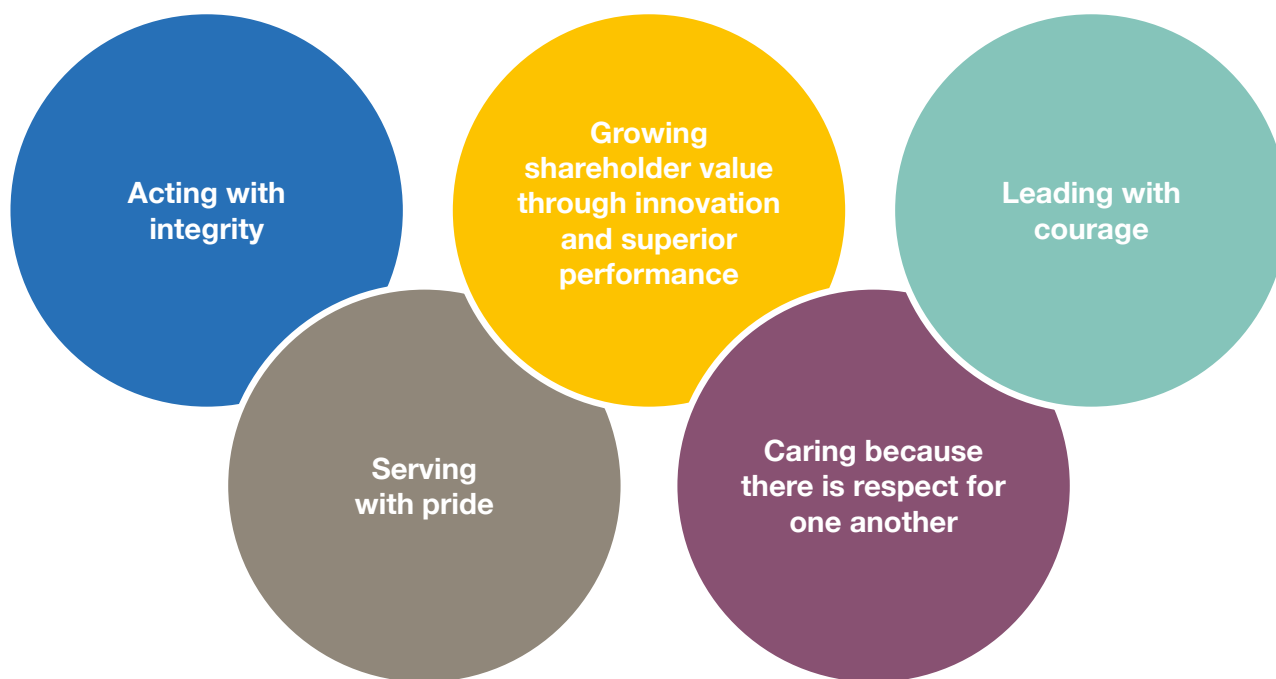
The shared business philosophy encapsulates the following characteristics:

- ⊙ An entrepreneurial culture
- ⊙ Traditional values
- ⊙ Innovation
- ⊙ Stakeholder value
- ⊙ Strong ties with business partners
- ⊙ Client-centricity
- ⊙ Solution oriented
- ⊙ Business responsibility (federal model)

Sanlam's shared business philosophy aims to achieve the following outcomes:

- ⊙ Optimised shareholder value
- ⊙ Capital efficiency
- ⊙ Operational excellence
- ⊙ Client-centricity

This shared business philosophy is underpinned by the Group's Code of Ethical Conduct (the Code), which, in turn, embodies Sanlam's core values:



Ethical leadership is paramount as it forms the basis on which clients' and stakeholders' trust in the Group is founded.

The key principles of the Code that govern behaviour are:

- ⊙ Conform to the Sanlam core values;
- ⊙ Comply with all applicable legislation and regulations;
- ⊙ Ensure equitable and sustainable employer-employee relationships;
- ⊙ Protect the property and information of Sanlam, its employees and its clients;
- ⊙ Manage and mitigate all conflicts of interest; and
- ⊙ Protect persons who report violations of the Code.

The Code applies to all Sanlam businesses and employees and serves as a guide to ensure that the highest level of integrity and ethical conduct is upheld at all times. The Sanlam Way defines the values and behaviours of the Group, whereas the Group Business Philosophy sets out the most appropriate approach for how the Board, executives and other employees should conduct themselves in the implementation of the Group strategy.

These guidelines set the standard for effective, ethical leadership and compliance.



Read more about how Sanlam supports business integrity in its emerging markets from page 7 of this report.

➤ Governance and accountability structures

Sanlam's Group Ethics committee functions as a sub-committee of the Sanlam Group Executive committee, under the chairmanship of the Group Chief Risk Officer and Chief Actuary, and includes representatives from all the business clusters and divisions. The Ethics committee monitors compliance with the principles underlying the Code and investigates all matters brought to its attention, when necessary.

Reporting ethical breaches

The following reporting channels are set out by the Code. All stakeholders can report perceived incidents of misconduct or breaches of the Code to Sanlam.

All instances of undesirable conduct or ethical breaches reported to Sanlam are investigated and processes are in place to track, report and finalise all reports received. The Head of Group Compliance and Forensics in the Group Compliance Office (GCO) serves as the entry point for all reports received via the Fraud and Ethics Hotline. The GCO then assigns reports made via the Fraud and Ethics Hotline to the appropriate business unit or department in Sanlam for investigation and remedial action, while tracking the report to its resolution.

Reporting channel	Focus area
Business unit, human resource (HR) departments and line management	Primarily handle employer/employee concerns. Management regularly reviews internal reports concerning ethics and fraud-related concerns
Business unit and Group-level compliance and legal departments	Manages Sanlam's compliance-related matters and occasionally receives reports of potential ethical breaches. This channel also receives reports related to any form of non-adherence to compliance requirements
Sanlam's internal ombudsman and complaints departments	Deals with clients' service-related complaints, including reports on potential ethical issues and allegations of fraud impacting or involving clients
Forensic departments	Receives reports on fraud-related matters linked to both clients and employees from both internal and external reporters
Sanlam's Fraud and Ethics Hotline	Managed through KPMG's ethics line, Sanlam's Fraud and Ethics Hotline enables individuals to report potential ethical breaches and fraud anonymously

Since the introduction of the Fraud and Ethics Hotline in 2001, less than 10% of callers have felt the need to remain anonymous. Sanlam regards this as an indication of the Group's ability to create a transparent and fair reporting environment, which is free of victimisation.

Group HR monitors the numbers and types of disciplinary measures, hearings, dismissals, and Commission for Conciliation, Mediation and Arbitration (CCMA) cases.

This provides Sanlam with a measure of the Group's ability to instil a values-based culture among employees, with strong adherence to Sanlam's ethical and operating standards.

The Ethics Institute of South Africa (EthicsSA) conducted Sanlam's biennial ethical climate survey in the Group in 2015. More than 3 000 employees participated and EthicsSA found that Sanlam managed to create a strong ethical organisational culture. The findings also concluded that Sanlam has had success with embedding its ethical standards.

Financial crimes and forensics

Sanlam's Group Forensic Services unit oversees the implementation of Sanlam's strategy for the prevention, detection and investigation of incidents of financial crime and unlawful conduct.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance as well as the SES committee on which trends, if any, were observed in the incidences of financial crime and unlawful conduct in the Group, and on the measures taken to prevent, detect, investigate and deal with such conduct. The reports also keep the Risk and Compliance as well as the SES committee informed of regulatory or other developments in respect of financial crimes that may impact Sanlam.

Ethics in emerging markets

Diversification is a key component of the Group's strategy and is, among others, aimed at creating a balanced risk profile for the Group so that the variability of returns to shareholders is reduced. The entry-level markets in South Africa, Rest of Africa, India and South-East Asia have been identified as growth opportunities for the Group. The preference for entry into emerging markets outside of South Africa is to form partnerships either through joint ventures, or by expanding and leveraging existing ventures through the Sanlam Emerging Markets (SEM) cluster.

Organic and structural growth in these markets requires extensive coordination and, as such, carries a degree of risk. Primarily, the risk of poor governance and unethical conduct is at the forefront of SEM's concerns, and ensuring social and ethics compliance in the emerging market businesses is a priority for the cluster. SEM conducts extensive due diligence before entering into long-term agreements with diversification partners to ensure that the core values and goals of both parties align. Compliance with Sanlam's governance framework is compulsory for all SEM subsidiaries and is actively promoted by SEM to associates.



Read more about SEM from page 115 of the Sanlam Integrated Report.

A multinational governance framework

Sanlam's governance framework aligns all business units and geographies with the following:

- ⊙ Achieve strategic goals and targets;
- ⊙ Safeguard the Group's assets;
- ⊙ Secure the Group's information and data;
- ⊙ Support business sustainability;
- ⊙ Protect the Group's reputation;
- ⊙ Align the Group's interests with common values;
- ⊙ Unlock synergies ("Sanlam for Sanlam");
- ⊙ Ensure the quality of financial results;
- ⊙ Implement to the benefit of all stakeholders; and
- ⊙ Ensure compliance with laws and regulations.

All subsidiaries are expected to adopt the Group's Code of Ethical Conduct, as well as to establish appropriate channels to raise concerns and report misconduct or a breach of ethics. Where an in-house whistle-blowing facility is not available, the KPMG whistle-blowing facility used by Sanlam in South Africa is made available to subsidiaries for implementation.

SEM's oversight function further enables the cluster to assess the ethics and compliance standard of subsidiaries and identify where risk management, and ethics and compliance skills gaps exist. SEM then assists where appropriate with support from the centre in developing skills, policies and frameworks to strengthen the governance controls of Sanlam's network of emerging market subsidiaries.

To further support ethics in emerging markets, all companies are expected to confirm compliance with Sanlam's governance principles in their annual board representation letters. In addition, the Group conducts rolling risk management maturity assessments. There is also a strong focus on increasing awareness and knowledge of the non-negotiable role ethical conduct plays in the success of Sanlam among SEM employees and management, as well as subsidiary companies. Interventions in subsidiaries included the following:

- ⊙ Ethical conduct: a climate survey was conducted in 2016, which focused on the following perceptions among SEM employees:
 - ⊙ Openness of communications;
 - ⊙ Comfort of speaking up;
 - ⊙ Organisational justice;
 - ⊙ Ethical climate of the Company;
 - ⊙ Management as role models; and
 - ⊙ Clarity on information and guidance received from management.
- ⊙ Sanlam's Code of Ethical Conduct was signed off by employees and management;
- ⊙ Sanlam hosted Values and Culture workshops with subsidiary company employees; and
- ⊙ Sanlam developed an e-learning ethics module that will be rolled out in 2017.



Governance of the Sanlam brand

The Sanlam Wealthsmiths™ brand is the Group's most valuable intangible asset. The logo was updated in 2014 and a new positioning and brand architecture was developed. The first rebranding of Sanlam partner businesses in Mozambique, Uganda and Tanzania was initiated in 2015, with the roll-out extending to Zambia and Kenya in 2016.

As the brand is rolled out, Sanlam is faced with increased reputational risk. One of the challenges is that of ensuring consistency of application and execution, while recognising that marketing resources differ between territories and market development is at varying levels of maturity.

The brand office adopted the concept of a virtual marketing team and was the first corporate body in South Africa to introduce software that forms a globally recognised, society- and content-leading marketing management system. The system creates a governance structure for all brand-related activities and material. It facilitates complete visibility, centralises sign-off and makes available a virtual library of collateral.

The new system will ensure consistency in all jurisdictions, drive innovation and implement best practice. It will ensure that all Sanlam brand operations are true to the brand and The Sanlam Way, and that all reflect the essence of what the business is, what Sanlam does and what it believes in.

Regulatory and legislative compliance

The Group operates in a highly regulated environment due to the nature of its financial services operations. Long-term sustainability and resilience are inextricably linked to compliance with all applicable laws and regulations and maintaining a productive relationship with regulators who grant operating licences to the Group's businesses. Therefore, regulatory compliance is a particularly important operational governance focus area.

➤ Compliance with new policies and regulations

Volatile global and local market conditions continue to spur regulators towards the development of tools and mechanisms that will enable a more predictive response to the next potential crisis.

The Group supports regulatory initiatives that benefit clients and strengthen its ability to create value for stakeholders as this strengthens resilience and ensures the long-term sustainability of the business. However, while the Group is committed to the implementation of new regulations, it also recognises the potential of new regulations to create a range of risks that may enforce or increase barriers to entry. The Group's approach is to seek out opportunity and thus improve its offering by proactively working with regulators to implement appropriate regulations.

The Group actively participates in the development of the financial services industry in the markets where it operates. In South Africa:

- ⊙ Sanlam is a founding member of the Association for Savings and Investment South Africa (ASISA);
- ⊙ The Group Chief Executive, Ian Kirk, is a board member of ASISA;
- ⊙ Lizé Lambrechts, Chief Executive of Santam, chairs the South African Insurance Association (SAIA);

- ⊙ The Group is actively involved in all ASISA and SAIA activities, including participating in the development of regulatory frameworks;
- ⊙ The Group continuously engages the Financial Services Board (FSB), the South African Reserve Bank and the National Treasury on matters affecting the insurance, savings and investment industry in South Africa;
- ⊙ Group employees serve a number of FSB working groups and forums responsible for the development of regulatory frameworks; and
- ⊙ Group employees contribute to the development of financial reporting and actuarial standards and guidelines through participation in forums established by the South African Institute of Chartered Accountants (SAICA) and the Actuarial Society of South Africa (ASSA).

Similarly, outside of South Africa, the Group participates in the development of local regulatory frameworks by leveraging off the South African experience.

The Group's participation adds value by:

- ⊙ providing an industry perspective on global and local regulatory developments;
- ⊙ imparting practical insight into customer needs and behaviour; and
- ⊙ lending credibility to industry associations such as ASISA and SAIA.

Regulatory and legislative compliance continued

Multinational regulatory capability

Regulatory changes are tracked continuously through SEM with the most significant reforms emerging in Botswana, Namibia, Malaysia, Malawi, Kenya and Ghana.

The regulators across Africa maintain a good working relationship with the South African FSB, especially in light of the Group supervision being introduced as part of Solvency Assessment and Management (SAM). The benefit of this approach for the Group is that most of the developments in the rest of Africa follow South African legislation, which makes implementation much more efficient from a Group perspective. The main current as well as anticipated developments in the countries where the Group currently operates relate to Treating Customers Fairly (TCF) and risk-based solvency requirements (which are equivalent to SAM).



Read more about current, new and upcoming regulatory developments that could have an impact on the Group from page 82 of the Sanlam Integrated Report.

Projects underway to manage potential and pending legislation

The shift from rule-based to principle- or outcome-based regulations provides businesses with greater freedom to implement suitable and relevant controls to achieve the intended outcomes. This is beneficial in the financial services industry, which is built on a business model that requires long-term valuations and assumptions. However, the uncertainty created by numerous and uncoordinated regulatory proposals affects strategic decisions, investment choices, innovation and product design. To manage this risk, the Group has implemented various projects in anticipation of pending legislation. This enhances the Group's ability to comply with new regulations efficiently, once legislation or policy is finalised. Furthermore, it will ensure that Sanlam is positioned to capitalise on new market opportunities as well as manage and mitigate any risks that may arise. This protects the Group's ability to create wealth for itself, its customers and the broader society in which Sanlam operates.

Party due diligence

Sanlam embarked on its group-wide party due diligence (PDD) project to address the challenges posed by international legislation and standards aimed at combating financial crimes such as corruption, bribery, money laundering, the financing of terrorism and tax evasion. Although such legislation and standards may originate from jurisdictions outside of South Africa, the extra-territorial application of these measures requires compliance from internationally active financial institutions such as Sanlam.

Examples of international legislation and standards relevant to Sanlam include the United Kingdom's Anti-Bribery Act (UKBA), the United States of America's Foreign Account Tax Compliance Act (FATCA), the OECD's common reporting standards (CRS) for the automatic exchange of tax information and the Financial Action Task Force's (FATF) international standards on anti-money laundering (AML) and countering the financing of terrorism (CFT).

To date, Sanlam has made good progress with its PDD project.

Privacy protection

Sanlam's privacy protection project is aimed at ensuring Sanlam's compliance with data protection regulations, specifically the Protection of Personal Information (POPI) Act, 4 of 2013 (the Act). Although POPI was enacted in 2014, no indication has yet been given as to when the legislation will come into effect. Sanlam's final response to POPI is dependent on the regulations to be issued in terms of the Act and the industry codes of conduct provided for in POPI. The delay in the promulgation of an effective date for POPI continues to frustrate Sanlam's efforts to implement measures to ensure compliance with the Act. Sanlam businesses have revisited all initial gap analyses performed previously to identify measures that can be implemented as part of business-as usual initiatives free from any dependencies on POPI Regulations or codes of conduct.

➤ Incidences of non-compliance

The Group was implicated in the following incidences of legislative and regulatory non-compliance:

- ① Sanlam Namibia (Sanlam) and PPS Namibia (PPS) were investigated by the Namibian Competition Commission (NCC) for a potential contravention of Section 23(1) of the Competition Act, 2 of 2003 (the Act). In August 2016, Sanlam and PPS entered into a consent agreement with the NCC. Subsequently, an amicable resolution to the matter was reached, and Sanlam initiated the process to lodge an application for exemption from Section 23(1) of the Act. In the interim, the NCC has confirmed that Sanlam may continue to write new Risk Provider Series policies until the NCC has reached a decision regarding its application. Despite the investigation, Sanlam remains adequately capitalised, with no impact on the policyholders of these specific policies (those arising from the relationship with Sanlam and PPS).
- ① Sanlam Collective Investments was fined R10 000 for a contravention of the Collective Investment Schemes Act, 45 of 2002 (the Act). The Registrar of Collective Investment Schemes (the Registrar) referred a case against Sanlam Collective Investments to the Enforcement Committee of the FSB. The referral related to a contravention of Section 4 (4) (a) of the Act. The Registrar established that from March 2005, Sanlam Collective Investments was a manager of the Lynx Sanlam Collective Investments Balanced Funds and the Lynx Sanlam Collective Investments Cautious Fund of Funds. While managing these portfolios, Sanlam Collective Investments failed to organise and control the portfolios in accordance with the Supplemental Deeds approved by the Registrar. A penalty of R10 000 was imposed by the Chairperson of the Enforcement Committee based on the decision that the contravention was as a result of a *bona fide* oversight and that Sanlam Collective Investments had performed an audit of all its existing Supplemental Deeds to ensure compliance with applicable legislation.

The aforementioned contraventions and fines are neither materially nor monetarily significant. However, the Group takes seriously any contravention of regulations or legislation as it subscribes fully to the principles of good governance and complies with applicable industry regulations and legislation in and beyond South Africa. To mitigate this risk, Sanlam embeds a culture of compliance training in all its operations.

Culture of compliance training

Individual business operations are responsible for ethics training, supported by the Group Compliance Office (GCO). Periodic (usually annual) and mandatory electronic ethics and compliance training programmes are facilitated through Sanlam's SAP HR system. This process is also used as a platform to ensure that employees are familiarised with the most relevant regulatory developments.

Sanlam also participated in a number of external ethics initiatives during the year:

- ① **EthicsSA:** Sanlam joined EthicsSA as a corporate member in 2015 and upheld its membership in 2016. EthicsSA offers a number of ethics-related training courses, seminars and tools to its members. Members also have access to online material, presentations and articles on ethics.
- ① **University of Pretoria's Gordon Institute of Business Science (GIBS) Ethics and Governance Think Tank:** In April 2016, GIBS established an Ethics and Governance Think Tank – a project that is first of its kind in South Africa – to facilitate a national conversation about business ethics. The objective of these conversations is to continue on to practical measures and to make a contribution to the understanding, awareness and practice of business ethics in South Africa, and ultimately to the moral regeneration of the country. Sanlam, through a number of individual employees, have participated in both the public and the working group sessions during the course of 2016 and will continue to do so.

A number of initiatives by Sanlam businesses to promote ethical conduct were also reported in 2016:

- ① During 2016, Sanlam focused on ethics training and fraud awareness. Sanlam engaged the services of EthicsSA and Ethics Evolution to conduct ethics training in several businesses with a focus on the ethical conduct in the different working environments.
- ① All new employees are exposed to and orientated by the Company's Code of Ethical Conduct when they join. Ongoing training and awareness is also done via e-learning, especially for office employees.
- ① To instil ethical behaviour, workshops on the values of Sanlam were also held with line managers. These workshops will continue in 2017.



Anti-corruption – a statement on Sanlam’s performance

To foster an ethical society, the Group engages in external initiatives that endorse ethical behaviour and business practices.

Sanlam is a member of the UNGC and subscribes to the ten UNGC Principles that deal with human rights, labour, the environment and anti-corruption measures. Sanlam is represented on and currently chairs the UNGC’s Working Group on the 10th Principle, which is focused on fighting corruption.

Internally, the Sanlam Board promotes the highest standards of corporate governance. The Group endorses the principles of King III and will transition to compliance with King IV™ in the next reporting cycle. Sanlam also complies with the requirements of good corporate governance as stipulated in the FTSE/JSE Responsible Investment Index. The Group’s PDD project aims to improve Sanlam’s ability to combat money laundering, the financing of terrorism, corruption and bribery, and tax evasion.

To minimise the risk of internal corruption and unethical business practices, Sanlam ensures that:

- ① A facility for the reporting of unethical conduct (discussed in more detail on page 5 of this report) is in operation.
- ① While Sanlam supports the development of democratic institutions and social initiatives across party lines, it does not provide support to any individual political party, financially or otherwise.
- ① The Sanlam Group Financial Crime Combating Policy (FCCP) is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The FCCP and the Zero Tolerance Approach promotes Sanlam’s commitment to comply with all applicable legislation. South Africa’s Prevention and Combating of Corrupt Activities (PRECCA) does not provide for any exception in respect of facilitation payments. All ‘facilitation payments’ will therefore be in contravention of PRECCA and Sanlam’s commitment to comply with all legislation.
- ① Sanlam initiated a number of training and awareness campaigns to sensitise employees to the existence of financial crime and its impact on the Group’s exposure to reputational and financial risk.

- ③ During International Fraud Awareness Week, Sanlam Forensics launched an awareness campaign on the Sanlam intranet in an effort to minimise the impact of fraud by promoting anti-fraud awareness and education. The campaign focused on awareness, detection and prevention of financial crime with the emphasis placed on every staff member's ethical duty to help prevent and uncover fraud. This message ties in with the promotion of a strong and robust ethical culture within Sanlam, which is fundamental to the prevention of financial crime and minimises the risk of financial loss and adverse reputational impact.
- ③ During November 2016, Sanlam Forensics launched a training initiative on fraud awareness aimed at all Sanlam Life employees. The training comprises a virtual training programme, which creates awareness in respect of the Sanlam Group Financial Crime Combating Policy, and the associated Zero Tolerance Approach and the Schedule of Offences. The objective of the training is to:
 - ③ Equip employees with sufficient knowledge and understanding of how to recognise incidents or potential incidents of fraud;
 - ③ Advise employees of how to report unlawful conduct;
 - ③ Advise employees on the consequences of unlawful conduct; and
 - ③ Inform the consequences of not reporting unlawful conduct.
- ③ Corruption risk assessments for Company operations
- ③ Procedures to assess corruption in 'high risk' areas of the business, including bribery

Risk management

In terms of the Group's overall governance structure, the meetings of the Sanlam Board and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group.

In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices.

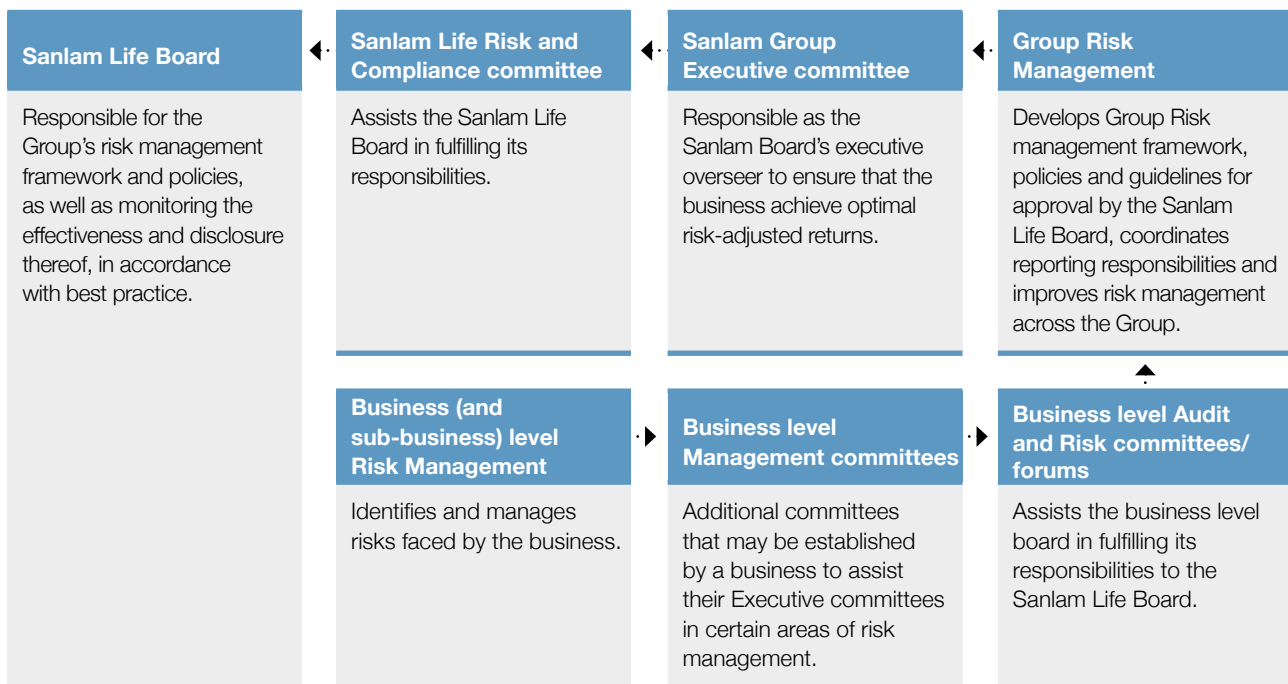
The role of Group Risk Management is to set Group standards and guidelines, coordinate and monitor risk management practices and ultimately report to the Sanlam and Sanlam Life Boards.

The Group is proactive in understanding and managing the risks it is exposed to and ensures that capital is allocated where most value can be added for the risks assured.



Read more in Sanlam's capital and risk management report on pages 13 to 63 of the Annual Financial Statements online.

The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.





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