Sanlam
Wealthsmiths™

Integrated Report 2018

ICON INDEX

Profitable top-line growth through a culture of client-centricity
Extracting value through innovation and improved efficiencies
Enhancing Sanlam's resilience and earnings growth through diversification
Responsible capital allocation and management

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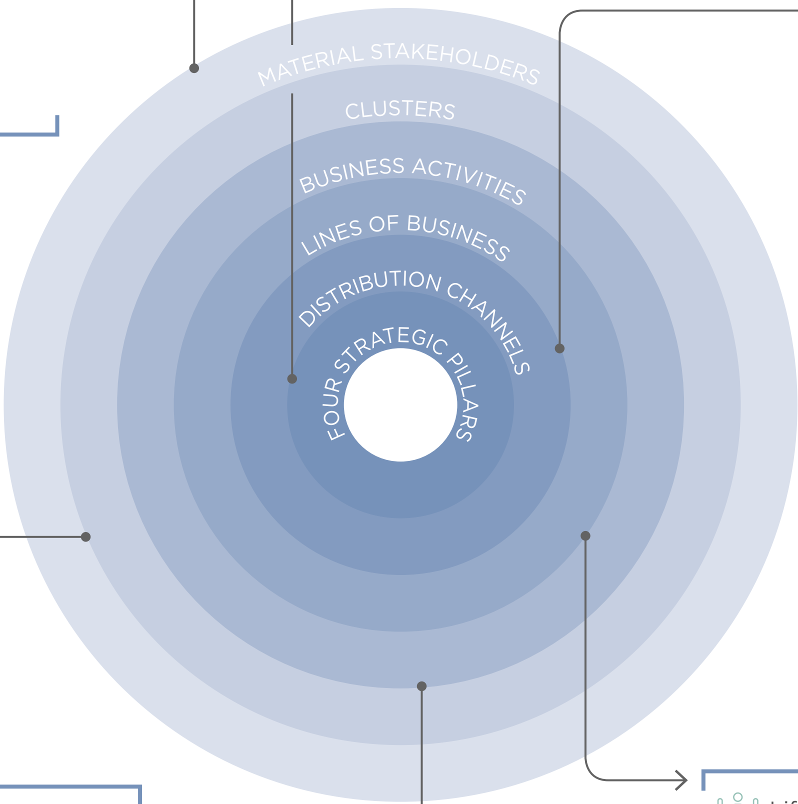

Advisers
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SPF Sanlam Personal Finance
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SIG Sanlam Investment Group
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SC Sanlam Corporate

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CREATING A WORLD WORTH LIVING IN

INTRODUCTION

Sanlam has spent the past 100 years building resilient financial futures and lasting financial prosperity. We are helping to build a world for generations to come – so they can live their best possible lives within empowered communities and a protected and supportive environment.

At Sanlam we have a legacy to be proud of and to build on:

- We develop trusted partnerships across networks, industries and countries.
- We consistently put the client first – and continue doing what is right for the client.
- We contribute to transformation and empowered individuals, businesses and communities.
- We evolve our client base to provide more people access to financial services and provide innovative solution offerings for different markets, segments and channels.
- We take responsibility as a corporate citizen and play a stabilising role in all economies where we operate.

Sanlam transformed from a small Cape-based insurance company established in 1918 into a leading, diversified financial services group with the biggest non-banking financial services footprint on the African continent.

Highlights of the last century reflect our innovative and transformational mindset:

- Sanlam launched the first disability cover and income protection product, with the first pay-out made in 1924 to a railway worker who lost his eyesight in an accident.
- We introduced the first computer-backed financial planning analysis for clients in 1977.
- We concluded the first major black economic empowerment deal in South Africa by selling control of Metropolitan Life to a black consortium in 1993.
- Sanlam became the first South African financial institution to enable offshore client investments in 1997.
- We turned two million policyholders into shareholders who became co-owners of Sanlam in 1998, thereby sharing in our success and profits.
- Sanlam Life Insurance Limited (Sanlam Life)'s advisers became the first to receive accreditation from the internationally recognised Financial Planning Institute (FPI) in 2003.
- Sanlam established one of the most successful broad-based black economic empowerment (BBBEE) partnerships when we sold a stake in the company to Ubuntu-Botho (UB), a group of black investors led by Patrice Motsepe in 2004.
- Sanlam was the first major South African insurer to offer standard life cover for people living with HIV/Aids.

At the end of 2018 Sanlam finds itself again transformed in two major ways: following the conclusion of the last phase of the Saham Finances acquisition we are now the largest non-banking financial services group on the African continent, and we initiated a BBBEE transaction valued at more than R10 billion that will bring further impetus to transformation in South Africa.

These achievements bring responsibility: Sanlam is a key pillar of the continent's financial infrastructure and South Africa's success. Any material instance of failure or impairment of Sanlam would have a significant impact on the economies in which we operate and the financial lives of the people that we protect.

We take our role and contribution to a stable financial system seriously and are committed to supporting financial resilience, well-being, prosperity and inclusion.

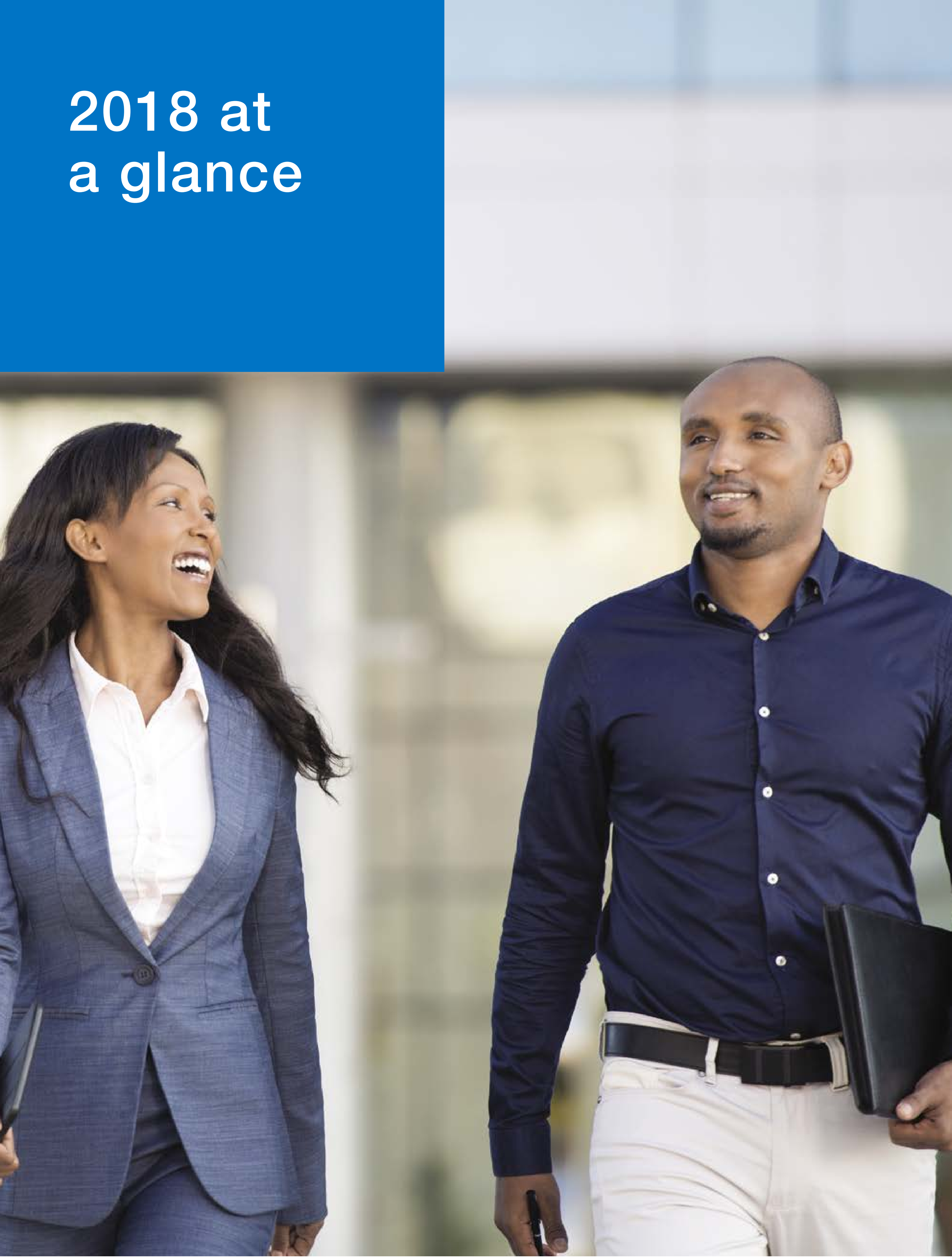
Many stakeholders rely on Sanlam's sustainability for a secure future. This means that we have to continually create new responses to changing economic, social and political environments in ways that balance different interests responsibly. We are also conscious that we have to be transparent in how we make these choices and allow stakeholders to shape our thinking in an integrated way.

We continue to celebrate 100 years in our integrated reporting, with an emphasis on our performance and progress in 2018, while also explaining how we remain true to our purpose: to build a world where people can live their best possible lives through financial resilience and prosperity. We contribute to our clients' financial resilience by protecting them against the adverse financial consequences of unforeseen events. Our role within the financial system also contributes to the resilience of society in general through responsible capital allocation and providing stability when the system experiences internal or external shocks. Financial prosperity encompasses realising people's financial goals over their lifetime, an important component of which is financial independence in retirement.

Our reporting retains a strong strategic focus. We recognise how current performance directs future prospects, and how governance structures and controls are essential in safeguarding the integrity of our leadership position.

We welcome your feedback. Please contact us and suggest how we can improve our reporting, disclosure and practices to the ultimate benefit of all our stakeholders.

2018 at a glance



PERFORMANCE HIGHLIGHTS

2018 TARGET	PERFORMANCE IN 2018	ACHIEVEMENT
STRATEGIC		
Acquire remaining 53% stake in Saham Finances to become a Pan-African player	Saham Finances acquisition concluded in October 2018	
Finalise proposals for BBBEE transactions to position Sanlam for future growth	Package of BBBEE transactions approved by shareholders on 12 December 2018	
Address areas of operational underperformance	Malaysia	
	East Africa	
SHAREHOLDERS		
RoGEV per share of **13%**	RoGEV per share **11,6%**	
	Adjusted RoGEV per share of **19,4%**	
Dividend per share **309 – 315 cents** Real growth of 2% – 4%	Dividend per share **312 cents** +7,6% (real growth of 3%)	
Net result from financial services **+4,3%** (in constant currency and allowing for growth initiatives)	Net result from financial services **+4%** R8 890 million (+4,5 in constant currency)	

Target achieved

Making progress towards achieving target

Target not achieved

2018 TARGET	PERFORMANCE IN 2018	ACHIEVEMENT
SHAREHOLDERS (continued)		
New business volumes Maintain volumes in difficult environment	**New business volumes** **+0,8%** R223 billion	
Net value of new covered business (VNB) **+12,5%** (on consistent economic basis)	**Net value of new covered business (VNB)** **+7,8%** R1 985 million (+14% on consistent economic basis)	
Net VNB margin **2,85%** (on consistent economic basis)	**Net VNB margin** **2,67%** (2,8% on consistent economic basis)	
OTHER STAKEHOLDERS		
Financial sector charter **Level 2**	**Financial sector charter** **Level 1**	
Total employment equity ratio **73,4%**	**Total employment equity ratio** **77%**	

2020 TARGET	PERFORMANCE IN 2018	ACHIEVEMENT
OTHER STAKEHOLDERS		
Total water usage (kl/m²) **0,57**	**Total water usage (kl/m²)** **0,99**	
Waste recycle: (% kilograms) **90,0%** by 2020	**Waste recycle: (% kilograms)** **68,0%**	

Read more about our performance in 2018 compared to targets in the Group Chief Executive's Strategic Review from page 72.

Target achieved | Making progress towards achieving target | Target not achieved

KEY 2018 EVENTS

January

- Board changes: Lazarus Zim retires and Yegs Ramiah resigns

March

- Board change: Mathukana Mokoka appointed as an independent non-executive director
- Announcement of satisfactory results for the 2017 financial year
- Share placement: capital of approximately R5,5 billion raised to partially finance the Saham Finances acquisition
- Santam celebrates 100 years on 28 March

April

- Board change: Valli Moosa retires
- Acquisition of Absa Consultants and Actuaries becomes effective
- Sanlam Limited lists on A2X

June

- Sanlam celebrates 100 years on 8 June

August

- Sanlam wins a number of categories in the annual Loeries media and communication awards

September

- Announcement of resilient operational performance for the first half of the 2018 financial year

October

- Acquisition of the remaining 53,7% shareholding in Saham Finances becomes effective
- Package of BBBEE transactions announced
- Sanlam awarded Top Employer for the fourth consecutive year

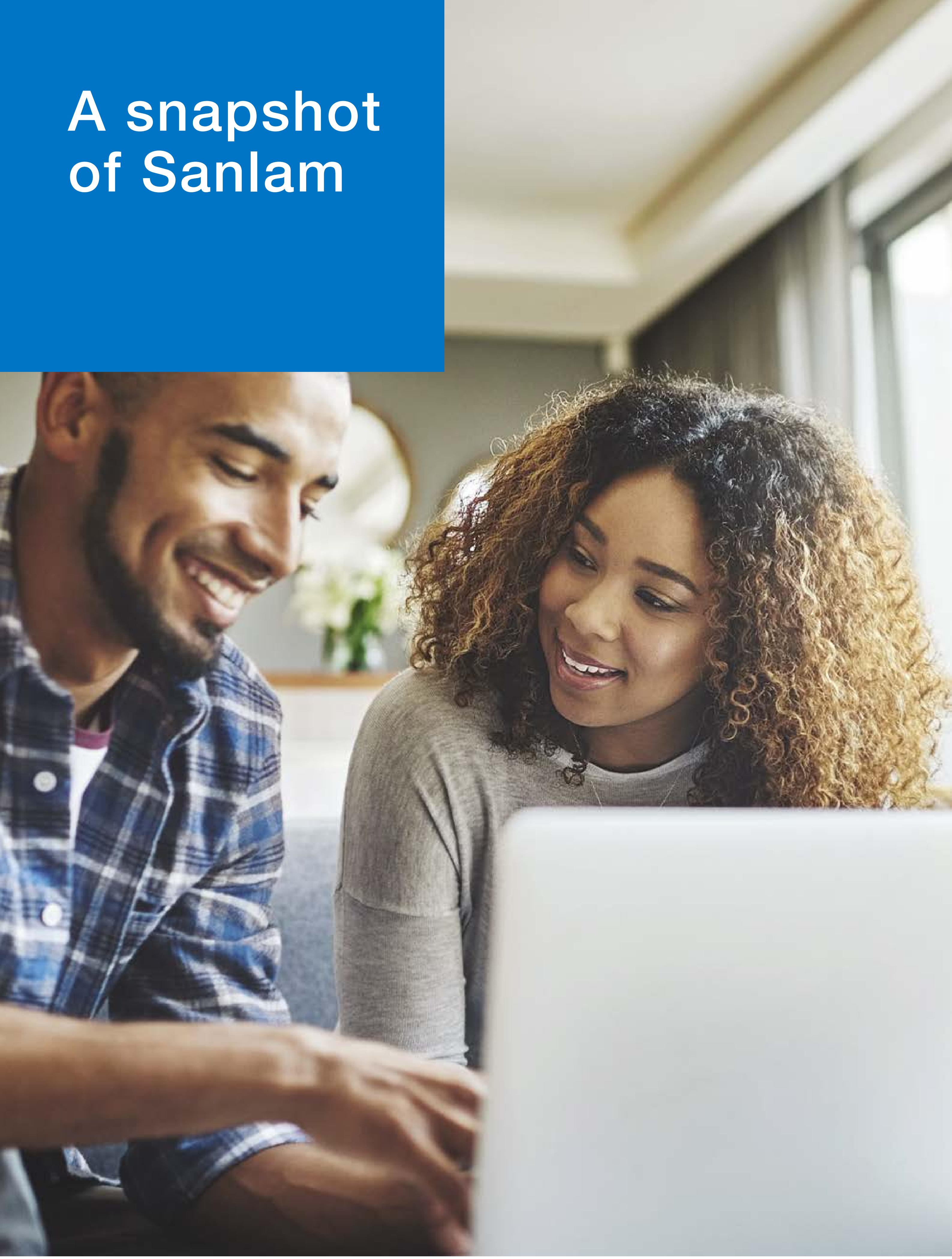
November

- Sanlam celebrates 20 years of listing on the JSE and Namibian stock exchanges

December

- Shareholders approve package of BBBEE transactions at the extraordinary general meeting on 12 December
- Acquisition of controlling stake in Catalyst Fund Managers becomes effective
- Board change: Shirley Zinn appointed as an independent non-executive director

A snapshot of Sanlam



ABOUT US

Sanlam was established as a life insurance company in South Africa but has since transformed into a diversified financial services group that operates across the African continent, India, Malaysia and selected developed markets, with listings on the Johannesburg, A2X and Namibian stock exchanges. In 2018 the Group celebrated its centenary as well as 20 years since demutualisation and listing in South Africa and Namibia.

Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 44 countries.

Our vision is to be the leader in client-centric wealth creation, management and protection in South Africa, to be a leading player in Pan-African financial services with a meaningful presence in India and Malaysia and to play a niche role in wealth and investment management in specific developed markets.

Sanlam operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets.

Sanlam has a decentralised management structure and conducts operations through five business clusters: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investment Group, Santam and Sanlam Corporate. The Group provides comprehensive and tailored financial solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth.

The Group also has stakes in operations based in Namibia, Botswana, Swaziland, Zimbabwe, Mozambique, Mauritius, Malawi, Zambia, Tanzania, Rwanda, Uganda, Kenya, Nigeria, Morocco, Angola, Algeria, Tunisia, Ghana, Niger, Mali, Senegal, Guinea, Burkina Faso, Côte d'Ivoire, Togo, Benin, Cameroon, Gabon, Republic of the Congo, Madagascar, Lebanon, Saudi Arabia, India, Malaysia and the United Kingdom and has interests in the USA, Australia, Burundi, Lesotho and the Philippines.

85,7% institutional shareholding	**40,4%** offshore shareholding	**13,1%** direct BBBEE shareholding	**Top 30** of the FTSE/JSE Responsible Investment Index
2 232 million issued shares on the JSE	**443 550** shareholders (JSE)	**JSE Top 20** based on market capitalisation (R178 billion on 31 December 2018)	**FTSE4Good** Index Series constituent

Why invest in Sanlam

We have been creating value and contributing to financial resilience and prosperity for more than 100 years – for all our stakeholders.

We are well diversified: our financial solutions meet the full individual or organisational life cycle needs for all financially active income groups in 44 countries.

Our large, stable South African base, which contributes 72% to net result from financial services, and mature book allows us to invest in other high-growth, but more volatile, territories through a partnership model.

We have a first-move advantage in the Rest of Africa and an unmatched Pan-African presence in 35 countries on the continent.

Our omni-channel distribution approach creates seamless interaction and comprehensive support to enhance the personal intermediary model – encompassing more than 15 000 brokers and advisers in the Life Business in South Africa – with a strong direct sales capability.

Our strategy has remained consistent since 2003. Our purpose and strategic pillars remain relevant and continue to create value over the short, medium and long term. This enabled us to outperform our RoGEV target since listing in 1998.

We have a skilled and experienced management team with more than 133 years' collective experience. They have appropriate accountabilities and incentives linked to financial and non-financial indicators to drive high performance.

We increase our dividends in real terms through a stable dividend policy.

Our main sources of earnings

We offer our clients a large and diversified range of solutions across life insurance; general insurance; investment management; credit and structuring; and administration, health and other lines of business. Our solutions span the broad spectrum of financial services, but specifically excludes transactional banking. Our strategy is to partner with banks in providing non-banking financial solutions rather than to compete directly with them across all lines of business. This ensures a mutually beneficial partnership through appropriate focus on the respective areas of expertise.

Our main sources of earnings are the net operating profit we earn from our different lines of business (net result from financial services) and the net income we earn from investing discretionary capital and the capital allocated to our operations in the financial markets (net investment return). Current and expected future growth in these sources of earnings is the main driver behind shareholder value creation as measured by RoGEV, our main financial performance indicator.

Read more about the drivers behind our main sources of earnings and RoGEV in the Understanding our business section from page 13.

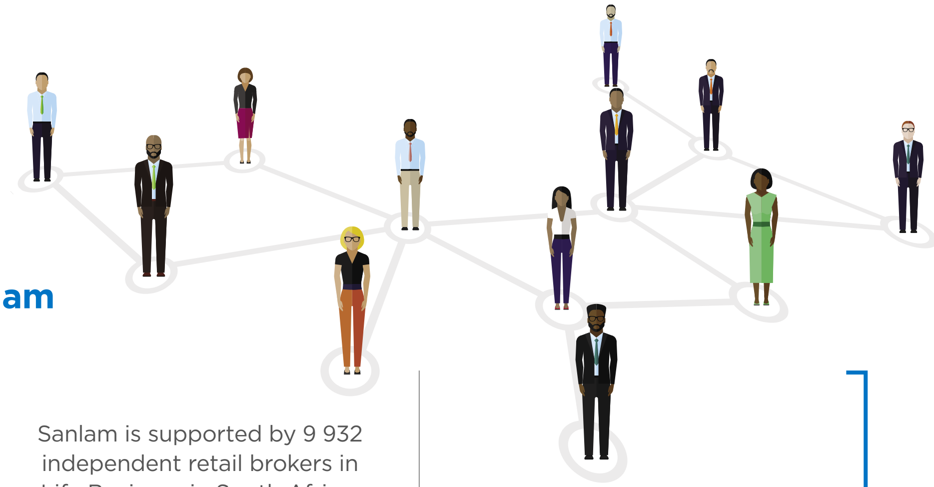
How we earn trust

Our long-term success is fundamentally built on trust. Clients entrust us with their money for the long term based on the belief that we will honour the financial outcomes promised by our solutions. This trust is founded on a culture of offering sound advice, fair treatment and a range of financial solutions that meet clients' needs and expectations.

Sanlam is also an integral part of the societies in which we operate through our role as accumulator and allocator of client and shareholder funds. We have a responsibility to allocate and invest these funds in a manner that optimises long term returns for our clients and shareholders, while also benefiting our wider stakeholder groups. In this regard, we play a particularly meaningful role in ensuring stability and liquidity in the financial sector. This creates an environment where our clients and their communities are more resilient and can plan for their financial futures with a higher degree of certainty.

Sanlam's contribution to society is also shaped by initiatives that support entrepreneurship, education, economic growth and environmental-related risk management.

Governance structures enable us to consider and balance the needs of all of our stakeholders. We believe that this creates sustainable value and trust.



Other key facts about Sanlam

Sanlam Life products are distributed through **5 368** financial advisers in South Africa.

Sanlam is supported by 9 932 independent retail brokers in Life Business in South Africa.

Sanlam is one of the top three market leaders in **11** African countries for life insurance.

Sanlam provides employment to **21 267** individuals.

Sanlam is one of the top three market leaders in **8** African countries for general insurance.

Sanlam has **R840** billion invested in financial markets through Sanlam Investment Group.

The acquisition of Saham Finances gives Sanlam direct presence in **33 countries** in Africa through its **65 subsidiaries**, a network of **700 branches** and **3 000 employees**.

> Sanlam has some very profitable businesses and prized assets, such as a 60% shareholding in Santam, and has grown non-SA earnings over the past few years. Concerns around Sanlam's investment case mainly relate to the execution/integration risk around the Saham acquisition.
>
> **JP Morgan Cazenove, October 2018**

> Single premiums are a strong driver of value in the affluent market –Sanlam has done best to capture this value.
>
> **Absa Equity Research, July 2018**

> Sanlam stands out in a tough environment, buying share in the affluent space and gaining share in the entry level through Capitec.
>
> **UBS, September 2018**

UNDERSTANDING OUR STRATEGY

Our strategy sets out the elements that guide our long-term direction and thinking. It gives life to our purpose and provide clarity when we determine priorities and consider trade-offs.

REGULATORY ENVIRONMENT

ECONOMIC ENVIRONMENT

Our purpose

Our purpose is to build a world that supports people in living their best possible lives through financial resilience and prosperity.

Our strategic intent

Our strategic intent is to create sustainable value for all stakeholders.

Our vision in South Africa	Our vision in Africa, India and Malaysia	Our vision in developed markets
Lead in client-centric wealth creation, management and protection in South Africa	Be a leading Pan-African financial services group with a meaningful presence in India, Lebanon and Malaysia	Play a niche role in wealth and investment management in specific developed markets

Our strategic pillars

- Profitable top-line growth through a culture of client-centricity
- Extracting value through innovation and improved efficiencies
- Enhancing Sanlam's resilience and earnings growth through diversification
- Responsible capital allocation and management

Transformation

Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

Executed through five clusters

SPF | SEM | SIG | SNT | SC

Clients

Employees

Shareholders

Regulators

Government

Society

Business partners

POLITICAL ENVIRONMENT

Read more about our strategic pillars from page 137.

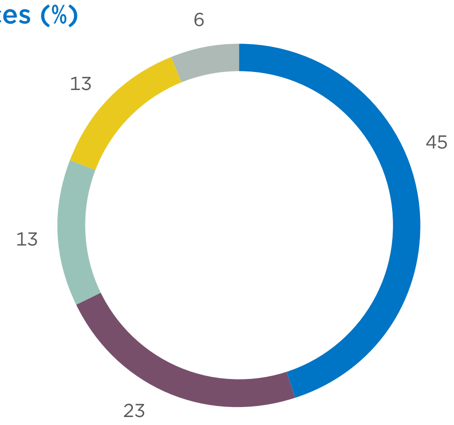
UNDERSTANDING OUR BUSINESS

Sanlam is a diversified financial services group operating across a number of selected global markets. We use a decentralised operating model, managed through tight principles set at a Group level. We operate our interdependent and complementary entities through five clusters that deliver client-centric financial solutions through a combination of five primary operational activities. We believe that this model, combined with our partnership approach, differentiates us from our peers in strategic execution.

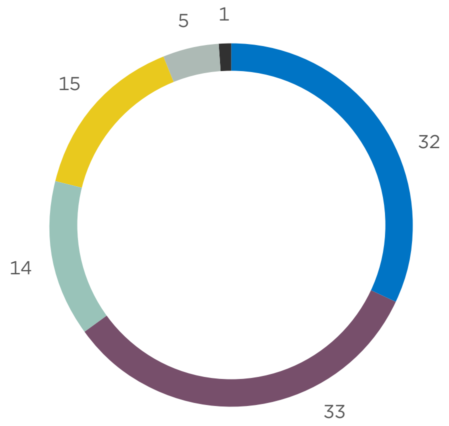
Our decentralised operating model

The five clusters are largely autonomous in managing their business units within a framework of tight principles. The culture is one of owner-manager, with the Group Office maintaining synergies and cooperation among the clusters as well as providing guidance on market and environment-related developments. Interdependence is clearly understood in the combined effort to maximise RoGEV.

Contribution to Group net results from financial services (%)



Contribution to Group Equity Value (%)



Legend

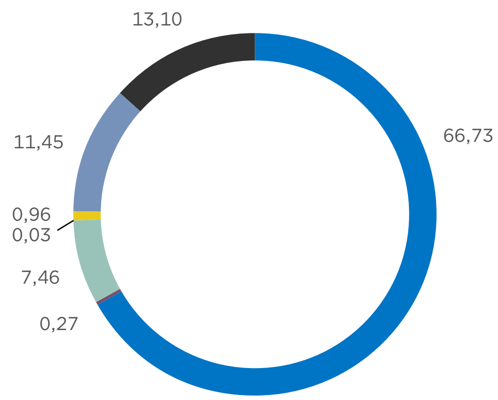
- SPF
- SEM
- SIG
- SNT
- SC
- Discretionary capital and other

Our key capabilities

We create competitive advantage by:

- employing some of the best-skilled and most experienced people in the industry;
- offering competitive and diversified financial solutions;
- having a track record of responsible and efficient capital allocation;
- having an unmatched footprint with scale and presence in 44 developed and emerging markets;
- having a strong and trusted brand; and
- having a presence in all forms of distribution channels.

Sanlam ownership profile (%)



Legend

- Public shareholders
- Directors' interest
- Held by subsidiaries
- Employee pension funds
- Sanlam Limited Share Incentive Trust
- Government Employees Pension Fund (PIC)
- Ubuntu-Botho Investments (Pty) Ltd

Our business model has a strong geographic approach based on the 44 countries where we operate.

We have a specific vision for each geographical region, with a portfolio of solutions, distribution channels and partnerships to execute on our strategic pillar aimed at enhancing resilience and earnings growth through diversification.

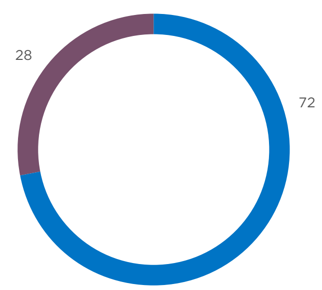
	Client-centric solutions and channels	
We want to lead in client-centric wealth creation, management and protection in South Africa	Investment management Life insurance Administration, health and other General insurance Credit and structuring	Advisers Independent brokers Direct Distribution partners
We want to be a leading Pan-African financial services group with a meaningful presence in India and Malaysia	General insurance Life insurance Credit and structuring	Advisers Independent brokers Direct Distribution partners
We want to play a niche role in wealth and investment management in specific developed markets	Investment management	Advisers Independent brokers

We have a partnership model to enable efficient value creation and transformation.

South Africa still dominates in terms of profit contribution, but we are gaining market share in Africa following the acquisition of Saham Finances. The net result from financial services contribution from the Rest of Africa is expected to grow considerably in the next five years.

Cluster operations

Net result from financial services (%)



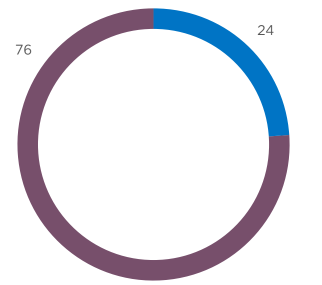
Legend

- South Africa
- Other

In South Africa our preferred model is to have wholly owned subsidiaries except where a partner can offer a complementary capability – then we take a smaller stake in the business or venture. Examples include BrightRock and EasyEquities.

SPF SIG SNT SC

Net result from financial services (%)



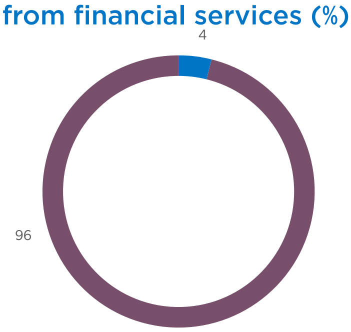
Legend

- Emerging markets (excluding South Africa)
- Other

In Africa our preferred model is majority ownership but with a meaningful shareholding by our in-country partner. We are prepared to take minority stakes where necessary to execute on our growth strategy.

SEM SNT SC

Net result from financial services (%)



Legend

- Developed markets
- Other

In the UK we have mostly wholly owned operations but will consider partners to scale the business.

SIG

Our partnership model provides us with a competitive advantage:

- Our distribution partnerships with banks, telecommunication companies, affinity groups, international brokers and other financial and non-financial players enable us to improve access to financial services in the entry-level market segments where we operate, introducing a broader spectrum of society to the benefits of financial resilience and prosperity. These partnerships also support market share gains in the other segments where our partners operate. Key new partnerships in 2018 include the Capitec credit life and funeral distribution agreements in South Africa and the package of BBBEE transactions approved by Sanlam shareholders in December 2018. These transactions will improve Sanlam's competitiveness and ability to gain market share in those areas where we do not have a leading position in South Africa, namely third-party asset management, employee benefits, health and the entry-level market segment. Read more about these transactions in the Group Chief Executive's strategic review from page 72.
- Our general preference in emerging markets outside of South Africa is to have local partners as equity investors in our businesses. These partners provide us with distribution capability, an understanding of the local market conditions and culture and in many instances existing relationships with regulators, independent brokers and institutional clients. Sanlam in turn has a wealth of experience in product development, financial and actuarial support, risk management and sound governance, thereby fulfilling the role of technical partner. Our decentralised operating model allows for flexibility in how we manage these partnerships, which proved to be a key differentiator for Sanlam's success in operating across our chosen emerging markets compared to other multinationals. This is a unique model, making Sanlam more competitive and better placed to extract the future opportunities emanating from the shifts in demographic profiles.

Sanlam has a unique Pan-African footprint following the conclusion of the final phase of the Saham Finances acquisition. Extracting the synergies embedded in the acquisition is a key priority, in particular using the combined footprint to provide holistic, 'one-stop' financial solutions to multinational companies operating across the African continent, wrapped around the local retail and institutional offering. This will be a compelling offering to improve ease of doing business not only for the multinational companies operating in Africa, but also for international insurance brokers and developed market insurers that need to provide their client base with insurance and employee benefits solutions in Africa.

Our key financial measure for success

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV), which reflects our success in growing the value of Sanlam's operations over the long term. Group Equity Value (GEV) provides an indication of the value of Sanlam's operations and is therefore a forward-looking metric. It includes: the value of Sanlam's in-force book of life insurance business, the value of non-life operations based on longer term assumptions and the fair value of discretionary and other capital not allocated to our operations. It does not represent an appraisal value of the Group as it does not place a value on future new life insurance business.

RoGEV is a more appropriate performance measure (compared to traditional return on capital and earnings metrics) for a business such as Sanlam where earnings from a particular client solution emerges over a number of years. It combines current year earnings compared to expectations (short term performance) and changes in future expected earnings (long term performance) in a single performance metric. RoGEV measured over time not only reflects shareholder value creation but also indirectly our success in creating value for all other material stakeholders due to the direct relationship between shareholder earnings and value creation for other stakeholders over the long term. This makes RoGEV a robust composite value measure for a diversified group such as Sanlam.

RoGEV measured against a minimum performance hurdle is the primary quantitative performance benchmark in evaluating the success of our strategic execution.

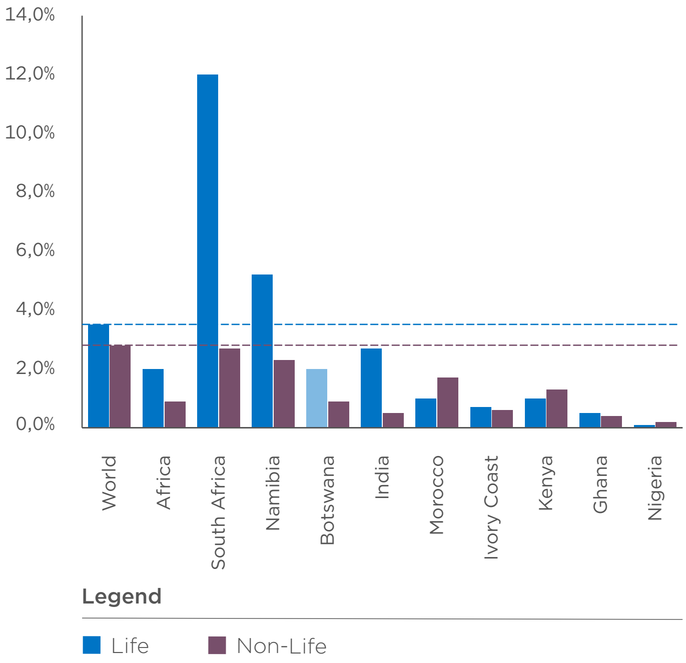
Read more about RoGEV performance in the Financial Review on page 85.

Our key non-financial measures for success

The intended outcome of our stakeholder value creation is to create financially resilient and prosperous individuals, organisations and societies. We measure our performance through a number of indicators per material stakeholder group that reflects our contribution to their financial resilience and prosperity.

Read more about our performance in 2018 per stakeholder group from page 26.

Insurance penetration as % of GDP



The key trade-offs that we manage

- Product profitability vs the value proposition for clients
- Profitability vs investment in employees
- Investing in innovation and new growth initiatives at the expense of short term profitability as these initiatives typically take a few years to become profitable
- Balancing the one-off cost of transformation initiatives with potential future gains in market share and long term profitability
- Potential impact of responsible investment practices on short term investment returns
- Optimising the level of retained shareholder capital vs sustained solvency

Creating future value

Our key enablers

- Mutually beneficial partnerships
- Diversification across geographies, market segments and lines of business
- Continuous transformation to adapt to a changing world
- Continuous mitigation of risk and pursuit of opportunities
- Continuous focus on ethical leadership, values and culture

Our key opportunities

Sanlam is an emerging market player with a unique footprint, spanning countries with high economic growth potential and low financial services penetration outside of South Africa, our home market. This provides us with a leveraged future growth opportunity as we are well positioned to meet the demands for financial solutions that follow when demographic profiles change and aspirational lifestyles develop due to economic growth, urbanisation and young people entering the formal economy.

Our material stakeholders

Our material stakeholder groups are shareholders, clients, employees, business partners, governments, regulators and the broader society in which Sanlam operates. Our business philosophy is built on optimising value creation for our material stakeholders. This includes understanding and managing the sometimes conflicting expectations and trade-offs between the various stakeholders through active engagement and stakeholder participation.

Factors shaping our economic context:

- Global GDP growth
- Availability of capital and liquidity
- Brexit
- Elections and political stability
- Good governance
- Market performance
- Country ratings
- Infrastructure investment levels
- Technological developments

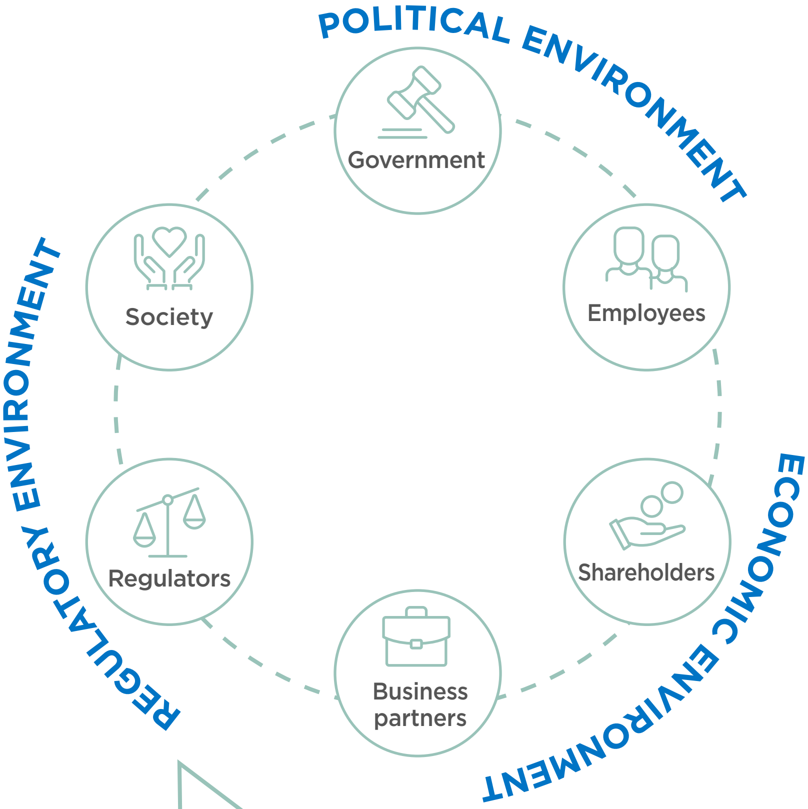
Read more about our economic and regulatory environments on page 48.

Strategic risks relate to our stakeholders and environment, and impact our ability to continue our business operations and create sustained value

- Poor economic growth
- Disruptive threats/Fourth Industrial Revolution
- Cyber-risk
- Human resource scarcity and stretched resources
- Simultaneous regulatory implementation
- Diversified growth initiatives
- Implementation of the Group's Pan-African strategy
- Transformation and diversity
- Political and social instability
- Severe weather/climate change

Read more about the ways we identify, manage and mitigate our key risks on page 147.

The Twin Peaks model is being implemented with the establishment of the new FSCA and PA. New subordinate legislation to follow will determine detail requirements. Read more on page 54.



The forces that shape our world reach us via our stakeholders, and are determined by the way they anticipate and respond to macro factors.

The material resources and relationships that we require as input into the business are derived from our stakeholder groups.

To source these, we ensure that our business model outcomes meet our stakeholder expectations. When stakeholders experience positive outcomes, they are willing to participate, invest in and engage with Sanlam as an employer, partner, capital provider, corporate citizen and financial solutions provider. Our RoGEV drivers encompass the majority of these stakeholder requirements and expectations, and therefore constitute the most appropriate way to measure whether we continue to create value.

Our business model relies on a well-functioning financial system and a set of key relationships and capabilities.

Our sources of and approach to financial capital

Financial capital allows us to operate our existing businesses and to acquire new businesses in pursuit of future growth. To maximise returns to shareholders, we optimise the level of capital taking due cognisance of solvency requirements to safeguard our clients, business partners and regulators. We have refined capital and risk management processes to achieve this and to deliver on our investment case of stable cash dividends combined with future growth prospects. We aim to increase cash generation from SEM operations over time. The availability of financial capital enables us to executive our strategic pillar related to responsible capital allocation and management.

- Shareholders
- Business partners

Innovation, systems and governance

Our investments in research, development and technology enables us to upgrade and enhance business processes through artificial intelligence and robotics while ensuring an omni-channel experience for clients – giving them access through their preferred channel.

Feedback from clients and business partners, combined with client-centric thinking from our employees result in new solutions and efficiency. This enables us to execute on our strategic pillar to extract value through innovation and improved efficiencies.

Our trusted brand attracts and retains clients, employees and business partners. Read more about our awards and stakeholder feedback on page 46.

Mature and efficient operational, financial and risk management processes ensure that we can do large transactions, mitigate risks and maintain an ethical culture. Read more in the online governance report.

- Clients
- Employees
- Business partners
- Government
- Regulators

People, networks, culture and relationships

21 267 employees and 5 368 advisers act as Sanlam Wealthsmiths, who are characterised by:

- never giving up
- being solid and sensible
- doing things very, very well
- doing it for good
- knowing the true definition of wealth

We rely on them to execute our pillar of profitable top-line growth through a culture of client-centricity. We ensure that they receive the appropriate leadership, skills development and remuneration in this regard.

We invested R344 million in training and development to upskill our employees to ensure that we maintain the level of specialist skills (financial, actuarial, investment and risk management) to remain competitive.

77% of employees received training this year of whom 73% in South Africa were black and 59% female.

We have relationships with brokers, banks and telecommunications companies throughout Africa through which we distribute to their client bases.

We achieved a level 1 BBBEE rating which compares well with our peers, most of whom have lower ratings.

Read more about the BBBEE transaction we are implementing on page 61 as input and enabler for our business model.

We actively lead and participate in industry associations as platforms to collaborate and optimise the safety and efficiency of the financial system. This ensures that our employees and business partners are geared towards compliance.

- Employees
- Business partners
- Society
- Government
- Regulators

How do independent financial advisers rate Sanlam?

SBG Securities conducted a survey in September 2018 with 52 short-term and 72 long-term insurance independent financial advisors (IFAs) in South Africa.

Sanlam was identified as the top long-term insurer. This was *inter alia* based on Sanlam having the best overall persistency experience. The Sanlam Group was ranked highly on all service and marketing metrics, but the sales process was identified as an area for improvement of user experience. Initiatives, including digital innovation, that will address the shortcomings are in various stages of development.

The survey also asked the IFAs to rate insurers according to which company they would opt to join if they were to become tied agents. Sanlam was the chosen company, likely based on its recent rating on broker support and sales volume growth.

A further insight from the survey was that all insurers appeared to be selling less than in 2017, which is a sign that the sales environment has not improved materially.

The results substantiated that Sanlam has seen superior sales performance through good broker support and administration practices.

According to SBG Securities, the results also give credence to some of the recent strategic decisions made by management – particularly the acquisition of BrightRock, which expands Sanlam's technology-enabled solutions.

In the short-term insurance survey, Santam ranked highest on nearly all fronts.

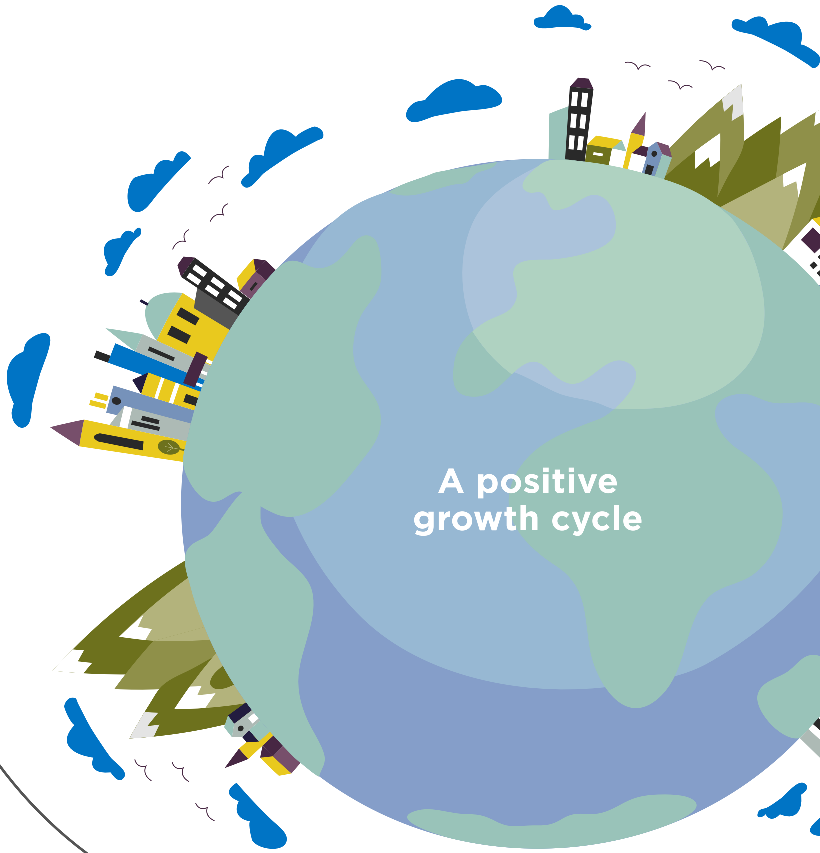
How we create value

Our five core business activities are all executed by the clusters and reflect a diverse presence in the financial services value chain.

- Product development
- Business support
- Distribution and client support
- Capital and risk management
- Product management

Clients

Through our business activities, we accumulate premiums and pools savings on behalf of clients. We provide ancillary financial services so that clients are able to create and protect their wealth.

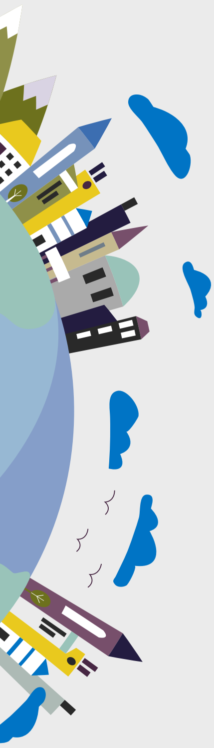


Shareholders

Clients

Business partners

We invest the funds we accumulate responsibly in a range of asset classes, enabling us to grow our clients wealth through investment returns and to protect wealth by being able to pay benefits if unforeseen events cause financial loss. We also grow our clients' wealth by accelerating their ability to accumulate assets through ancillary financial services such as lending. Our shareholders share equitably in the overall wealth we create through the fees and margins we earn from our financial solutions.



Our strategic pillars

- Profitable top-line growth through a culture of client-centricity
- Extracting value through innovation and improved efficiencies
- Enhancing Sanlam's resilience and earnings growth through diversification
- Responsible capital allocation and management

Transformation

Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

Our four pillar strategy keeps us focused on what we need to do to create value sustainably, thereby activating a positive growth cycle for Sanlam and our stakeholders.

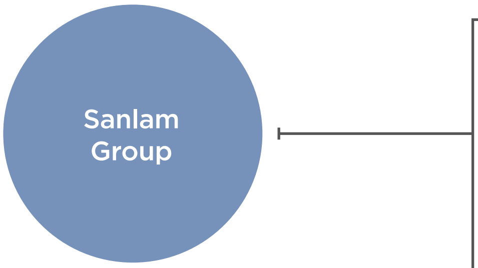
Through our business activities, we create a positive cycle of financial resilience and prosperity that enable individuals, organisations and communities to build a world where they can live their best possible lives – which is why Sanlam exists.

Society | **Government** | **Regulators** | **Employees**

Society benefits from the stability that we provide to the financial system. We also act as a funder of government and corporates, thereby contributing to economic growth and socio-economic development. By creating value for society we enhance the size of our client base and the talent pool from which we attract the skills we need to operate.

Read more about our specific value creation outcomes per stakeholder group on page 26.

Our offerings per cluster



Sanlam's financial and risk solutions support wealth creation and protection for individuals and organisational clients. The benefits of these solutions often has a positive impact beyond the client, as it supports systemic resilience for businesses, families and communities, such as in the case of death, disability or fires and floods.

Our key financial solutions

Life insurance

Risk solutions provide monetary benefits to compensate for the financial impact of unexpected events such as death, disability, trauma and retrenchment.

Investment solutions facilitate wealth accumulation and provide for income at retirement through a full range of investment options that offer varying levels of investment guarantees.

General insurance

Insurance solutions provide monetary benefit to compensate for the loss of physical property, loss of trading income or liability incurred. It includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer insurance.

Investment management

Retail client solutions offer savings options that create wealth through a range of collective investment schemes and wealth management solutions.

Institutional client solutions offer wealth creation through traditional and specialist asset management in South Africa and abroad.

Credit and structuring

Retail client solutions offer access to personal loans on both a secured and unsecured basis to create long-term financial prosperity.

Institutional client solutions provide asset-based financing, debt origination and structuring, asset-liability management, equity and interest rate derivatives, and collateralised lending in support of business activity and economic growth.

Administration, health and other

Long-term financial resilience and prosperity is created through individual and organisational financial needs analysis and advice (including estate planning, trusts, wills), health management and retirement fund administration.

Our business activities

We deliver our financial solutions to the market and create value for our stakeholders through the following primary business activities:

Product development

- Market research to understand the financial needs of our target market
- Analysing competitor offerings
- Develop innovative new solutions and adapt current solutions to address client needs
- Develop new distribution channels and adapt current channels in line with client preferences
- Corporate and product-specific branding campaigns

Distribution and client support

- Manage and support the various distribution channels
- Provide client support services, including client account administration, actuarial valuations, ongoing advice, claims management and management of client complaints

Business support

- Provide business support services including financial management, accounting, actuarial valuations, regulatory reporting, human resources support and information technology

Product management

- Investment of client and shareholder funds
- Matching the liabilities relating to solutions that offer clients guaranteed returns with appropriate assets to ensure that the guarantees can be funded from the returns on the assets
- Conduct analyses of the variances between actual and expected life insurance and general insurance claims as well as actual and expected policy surrenders and lapses to identify emerging trends as input to new product development, product repricing and claims management
- Governance of the bonuses declared in respect of participating products to ensure fair treatment between clients over time

Capital and risk management

- Deploy discretionary capital
- Optimise capital allocation to clusters
- Financial and actuarial risk management
- Regulatory compliance
- Implementation of effective governance structures

Our distribution channels

We follow an omni-channel distribution approach to ensure that clients are reached and serviced through their preferred channel. The distribution model is continuously adapted to changing client preferences, with increased focus being placed on developing Sanlam's digital capability. Sanlam's current distribution channels are classified into four categories:

Advisers

Advisers service our retail clients via two categories: those who are only accredited to sell Sanlam products, and those accredited to sell a wider product range. Where an adviser is accredited to sell a wider product range, limits apply to the proportion of business that can be placed at competitors.

Adviser channels are managed according to market segment (entry-level, middle income, affluent and professional/small business). This ensures appropriate focus on the needs of the various segments in line with our client-centric business philosophy.

Independent brokers

Brokers service retail and institutional clients across market segments and are supported by dedicated broker support units. In the South African affluent market the majority of new business is written through brokers. In the Rest of Africa most institutional general insurance business is placed by brokers. Given their independence to distribute all competitor products, establishing and maintaining superior support and relationships with this channel is a key focus area of the broker support units.

Direct

Direct units distribute Sanlam products directly to retail and institutional clients using technology-based channels such as outbound call centres, online platforms and mobile communication. Direct distribution contributes a major portion of Santam's general insurance premiums through MiWay, but the contribution to life and investment business volumes is still relatively small. However, this is expected to change over time as the use of technology to buy financial services becomes more prevalent. The development of our digital capability as part of the omni-channel approach is therefore receiving particular emphasis.

Affinity groups, bancassurance, telecommunications and other partners

Affinity groups focus on distribution through groupings of retail clients such as employer and church groups. The affinity group partner is responsible for administration at an individual member level, and Sanlam provides the products.

Sanlam has relationships with a number of banks, telecommunications companies and other distribution partners across Africa through which we distribute insurance and investment products to their client bases.

These distribution partnerships provide access to large client bases through single entry points. This is a benefit for start-up operations to gain economies of scale faster than through traditional retail intermediaries. It also forms a critical part of our omni-channel distribution approach and promotes financial access in emerging market segments due to the lower distribution cost.

Our business model outcomes per stakeholder group

Employees
- R11 billion paid in remuneration
- Number of employees increased by 4 639 to 21 267 (excluding advisers)
- Sanlam was certified as a Top Employer 2018
- Employees are part of a skilled and experienced workforce with appropriate incentives to drive high performance
- Employees have career mobility opportunities in a group with five clusters and a presence in 44 countries

Clients
- Long-term financial security: people can retire with dignity or absorb the impact of unforeseen events
- Sanlam finalises claims fairly with proportionately fewer disputes awarded against Sanlam
- Clients make decisions based on sound advice that meet their needs
- R87 billion paid out to clients
- Policy benefits paid and increase in value of policies: R91 billion
- Third-party funds outperforming over five years: 57%

Shareholders
- We consistently outperform our RoGEV hurdle rate
- We continue to increase our dividend in real terms through a stable dividend policy
- Dividend payments of R6 billion

Business partners
- Fees generated through the distribution of Sanlam products and services
- New business opportunities through our partnership model in Africa
- Reliability of products, service and solutions that are supported by a Sanlam governance framework and risk management capability

Society
- Trust in the financial sector as ethical and fully functional
- R62 million invested in social projects to empower communities
- R74 million support by the Sanlam Foundation for the Blue Ladder schools programme to date. Read more on page 41

Government

Regulators
- Execution on government's social agenda of job creation and empowerment
- R4 billion paid in taxes
- Participation in business and industry initiatives to stimulate economic growth and stability
- Compliance with all relevant regulations and standards
- Effective control and reporting through a combined assurance approach

The outcomes for the Group determine our competitive advantages:

- We have a first-mover advantage in the Rest of Africa and an unmatched Pan-African presence.
- We can offer multinationals a holistic financial services solution in Africa.
- Our omni-channel distribution approach creates seamless interaction and comprehensive support to enhance the personal intermediary model with a strong direct sales capability.
- Our large, stable South African base and mature book allow us to invest in other high-growth, but more volatile territories.
- Our employees are highly skilled, motivated and focused on delivery according to the four strategic pillars.
- We have a strong, stable capital position to support growth.

Understanding RoGEV

What is RoGEV?

RoGEV is a robust forward-looking financial performance indicator that primarily measures the value we add for our shareholders. Given the direct relationship over the long term between shareholder and other stakeholder value creation, RoGEV also indirectly reflects how successful we are in creating value for our other material stakeholders.

What is GEV?

GEV is the aggregate of:

- the value of Sanlam's in-force book of life insurance business;
- the value of non-life operations based on longer term assumptions; and
- the fair value of discretionary and other capital not allocated to Sanlam operations.

GEV is not an appraisal value of the Group as it does not place any value on future new life insurance business or prudence in our valuation bases.

GEV is a forward-looking measure that provides shareholders with a valuation for the major part of the Group's appraisal value. The Shareholders' information section provides sensitivities for the most important valuation assumptions as well as a full analysis of change in GEV. The disclosures separately identify the change in value due to differences between actual earnings for a particular period under review and those assumed in the valuation models at the end of the previous period, as well as the change in value attributable to changes in assumed future earnings. These disclosures provide shareholders with an indication of the accuracy of the assumptions used in determining GEV over time as well as sufficient information to enable shareholders to adjust GEV should they wish to use different assumptions.

How are GEV and RoGEV determined?

The following valuation methodologies are applied in determining GEV:

- Sanlam's stake in Santam and Nucleus is valued at its listed market value. This represents the market's valuation of Santam's future earnings (16% of GEV at 31 December 2018).
- Most of the other non-life operations and the in-force book of life insurance business are valued at the discounted value of the future earnings that we expect to earn from these operations. Allowances are made for the cost of capital allocated to these businesses (81% of GEV at 31 December 2018).
- Some small and/or newly acquired companies are valued at net asset value (2% of GEV at 31 December 2018).
- Discretionary and other capital not allocated to Group operations are valued at fair value (1% of GEV at 31 December 2018).

RoGEV is equal to:

- The change in GEV, after adding back dividends paid and movements in share capital, as a percentage of the total of GEV at the beginning of the period and the weighted value of movements in share capital during the period.
- RoGEV is therefore a composite measure of growth in the value of Sanlam, with RoGEV for a particular period including both the variance between current year actual earnings and the earnings assumed in the valuation models at the end of the previous year, as well as the change in present value of future expected earnings.

As GEV reflects the present value of future Group earnings, the key drivers of RoGEV are the same as those underlying the Group's main sources of earnings.

Sanlam's RoGEV target is to outperform its cost of capital of i+4%, with i being the South African nine-year risk-free rate. We have outperformed this hurdle on a cumulative basis since listing in 1998.

What drives future earnings and RoGEV?

Our main sources of earnings are the net operating profit we earn from our different lines of business (**Net result from financial services**) and the net income we earn from investing discretionary capital and the capital allocated to our operations in the financial markets (**Net investment return**).

Net result from financial services

[Financial services income] – [Sales remuneration] – [Underwriting policy benefits] – [Administration costs] – [Tax on financial services income and non-controlling interests] = **Net result from financial services**

Financial services income

- Premiums earned in respect of risk cover provided under life insurance and general insurance solutions;
- Margins earned from savings and retirement products where we provide guaranteed payments to clients;
- Net interest and other margins earned from credit and structuring solutions; and
- Fees charged for investment management, health, administration and other services.

Sales remuneration

- Comprises commission and other distribution costs paid to our distribution channels.

Underwriting policy benefits

- Includes all payments to clients in respect of risk cover provided under life insurance and general insurance solutions.

Administration costs

- Include all variable and fixed costs incurred in managing the full life cycle of client solutions, excluding sales remuneration.

Tax on financial services income and non-controlling interests

- A function of prevailing tax legislation and the interests held by minority shareholders respectively.

Key drivers of net result from financial services

Financial services income is driven by:

- the size of our client base, which depends on the level of new business written and the retention of existing clients;
- investment return earned on the underlying assets managed and administered for clients, which affects the size of the asset base on which we earn investment management and administration fees; and
- the level of fees and margins priced into our solutions.

The main drivers of sales remuneration are the level of new business written and the commission rates payable, which are regulated in most markets.

Net result from financial services income is also affected by:

- the level of claims experienced in respect of life insurance risk cover and general insurance solutions to protect clients from unforeseen events. Underwriting policy benefits are volatile in nature due to variances in the frequency and size of unforeseen events occurring; and
- the level of administration costs incurred in running our operating activities.

Net investment return on capital

[Investment income] + [Realised and unrealised investment surpluses] - [Tax on investment return] - [Non-controlling interests] = **Net investment return**

Key drivers of net investment return

- Investment market returns;
- Investment performance relative to market returns;
- The strategic asset allocation contained in the investment management mandates; and
- The level of capital held.

Strategic pillars to enhance RoGEV

To maximise RoGEV, we need to actively manage the drivers of earnings over the long term. This is achieved through a number of strategic pillars which are primarily aimed at optimising relative value creation between shareholders and other stakeholders.

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we increase new business volumes?		
Focus on client-centricity to build trust in the Sanlam brand		Clients, Society
Drive structural changes to enhance agility and responsiveness to changing client needs		Clients, Employees
Product innovation to enhance competitiveness		Clients, Employees
Expand distribution in all regions in which we operate to facilitate improved access to our financial solutions		Clients, Employees, Business partners
Introduce new distribution channels		Business partners
Employ the best distribution talent available in the market		Employees
Continuous transformation to reflect the demographic profile of the markets where we operate	Transformation	Employees, Society
Sanlam Brand associated with good corporate citizenship and sound governance	Transformation	Society
Participate in regulatory change to improve trust in the financial services industry	Transformation	Regulators, Government
Expand through acquisitions		Business partners

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we retain existing clients?		
Client-centricity – selling products and services that a client needs at an appropriate price		Clients
Remunerate distribution channels based on retention experience		Employees, Business partners
Continuously measure client engagement and satisfaction		Clients
Manage value outcomes of products and services in line with client expectations		Clients
Focus on quality of business – affordability and other measures are used as part of the sales process		Clients
Ensure product innovation to improve the value proposition of the client's product portfolio		Clients, Employees
Offer a superior client service experience by attracting, developing, motivating and retaining the best skills available in the market		Employees, Society
Continuous transformation to reflect the demographic profile of the markets where we operate	Transformation	Regulators, Government
Participate in regulatory change to improve trust in the financial services industry	Transformation	Regulators, Government
How do we optimise the fees and margins we earn from products and services?		
Set appropriate pricing		Clients
Optimise the business mix		Clients
Expand into under-penetrated regions that offer higher margins		Employees, Business partners
Optimise capital requirements through innovative product development and balance sheet management skills		Employees

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we manage the insurance claims experience?		
Ensure appropriate pricing of new business, taking cognisance of expected future claims experience		Clients
Limit exposure through product diversification		Employees
Use reinsurance to limit exposure		Business partners
Conduct regular claims experience analyses to identify trends		Employees
Appropriate risk management to prevent fraudulent claims		Employees
How do we reduce administration costs?		
Continuous focus on improving cost efficiencies		Employees
Reducing the complexity of product features through product innovation		Clients
How do we improve investment performance?		
Maintain consistent superior investment performance through a robust and competitive investment process		Employees
Attracting, developing, motivating and retaining the best investment management skills available in the market		Employees
How do we manage the amount of capital held?		
Appropriate mix of business to optimise overall capital requirements through diversification		Employees
Appropriate product pricing to ensure hurdle rates are achieved on required capital		Clients
Product development and innovation to optimise capital efficiency of new business		Employees

Read more about our operational responses to the RoGEV drivers in the cluster reports from page 108.

OUR BUSINESS CLUSTER PROFILES

Sanlam has a decentralised management structure and conducts operations through five business clusters. The clusters are focused on specific markets and/or market segments and are supported by a centre of excellence at Group level, which sets tight principles within which the clusters must operate. The clusters are interdependent and complementary in their offerings and approach, thereby ensuring that the value of the whole is larger than the sum of the parts.

SPF

Sanlam Personal Finance

SPF is responsible for the Group's retail life and investment business in South Africa. It provides clients with a comprehensive range of appropriate and competitive financial solutions, designed to facilitate long-term wealth creation and protection.

- Sanlam Sky Solutions (Sanlam Sky) is responsible for funeral cover business and related services.
- The Recurring premium sub-cluster provides risk underwriting products, excluding funeral cover business, and recurring premium savings solutions.
- Glacier is responsible for single premium life and linked investment savings plan (LISP) solutions.
- Strategic Business Development is an incubator for new initiatives and manages ancillary services businesses.

6 903 employees

SIG

Sanlam Investment Group

SIG provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.

Focus areas include:

- Investment management
- Wealth management
- International investments
- Corporate credit
- Debt and equity structuring

1 483 employees

SEM

Sanlam Emerging Markets

SEM constitutes Sanlam's financial services offering in emerging markets outside South Africa, with the aim of ensuring sustainable delivery and growth across its various businesses.

Focus areas include:

- Retail and Group life insurance and related business
- Credit: secured and unsecured
- General insurance
- Investment management

4 730 employees

SNT

Santam

Santam provides a diversified range of general insurance products and services in Southern Africa and internationally to clients, ranging from individuals to commercial and specialist business owners and institutions.

Santam's international diversification strategy focuses on reinsurance business, specialised insurance products, and its role as technical partner and co-investor in SEM's general insurance businesses in Africa, India and Malaysia.

Santam's business units include:

- Santam Commercial and Personal
- Santam Specialist
- MiWay
- Santam Re
- Santam Emerging Markets Investments

6 076 employees

SC

Sanlam Corporate

SC targets chosen corporate clients with financial solutions underpinned by:

- Employee benefits (providing risk and investment solutions and administration services to institutions and retirement funds)
- Health solutions
- Institutional offerings sourced from other clusters

1 494 employees

SG

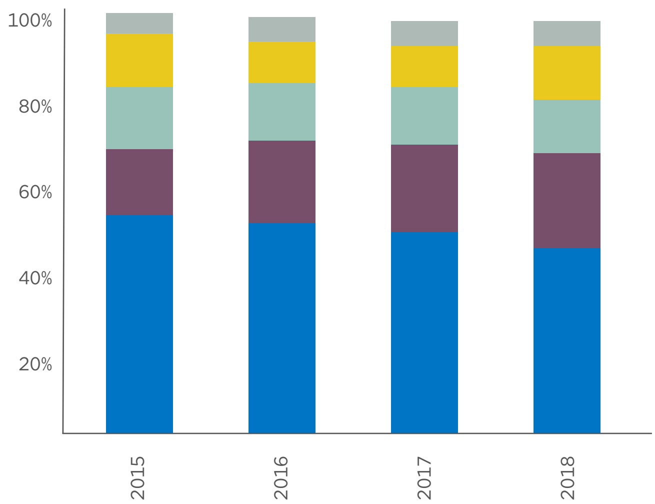
Sanlam Group Office

The Sanlam Group Office is responsible for Group strategy, capital and risk management, and capital allocation to clusters. The following functions provide Group-wide support and coordination:

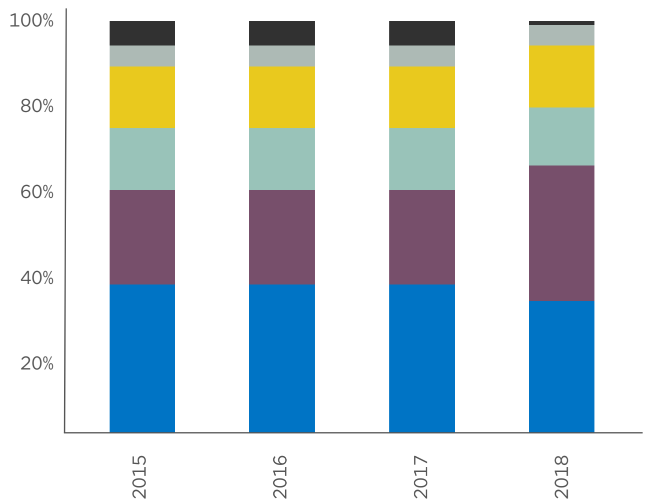
- Finance
- Actuarial and risk management
- Information technology
- Human resources
- Market development
- Brand services

581 employees

Contribution to Group net result from financial services



Contribution to Group Equity Value

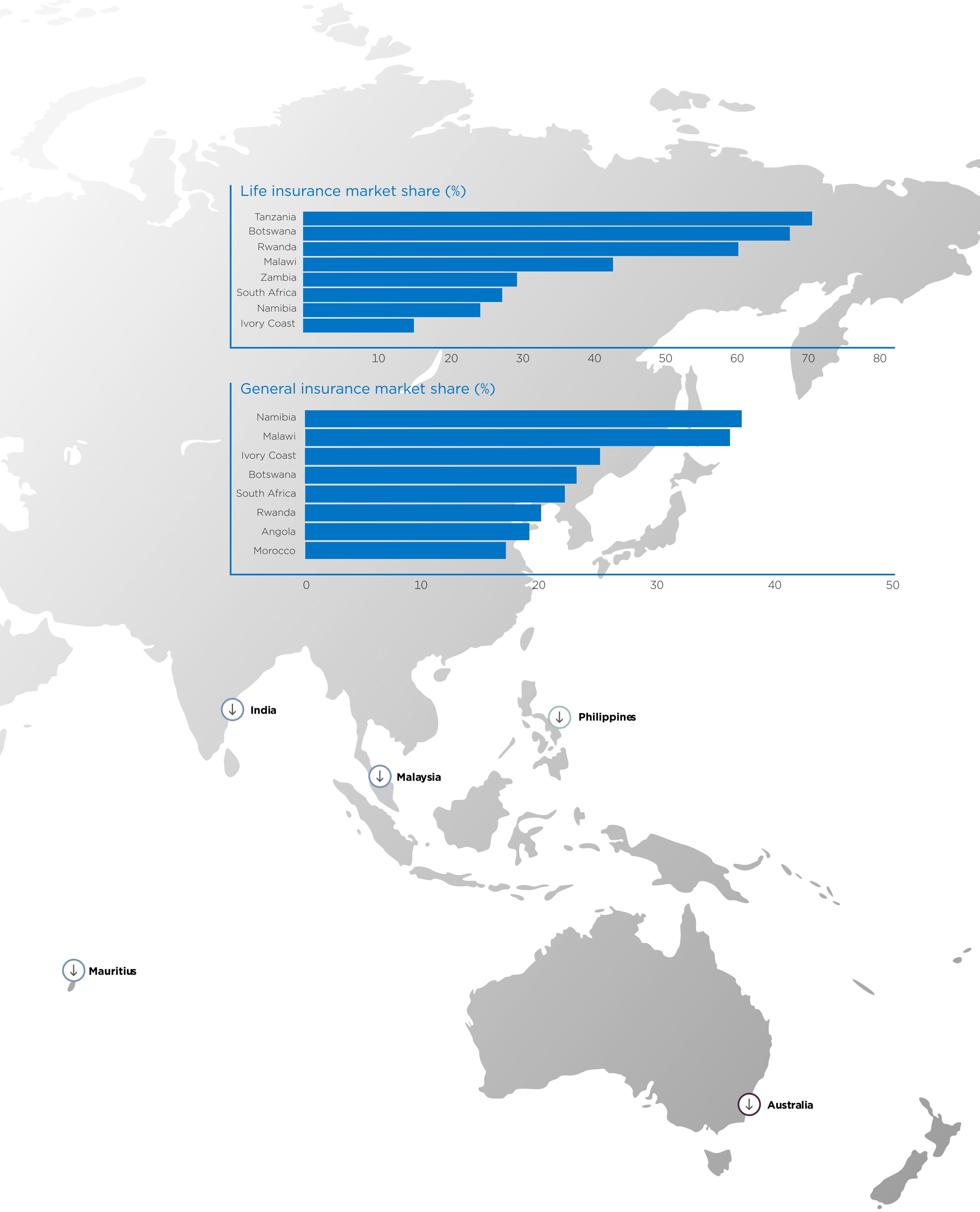


Legend

- SPF
- SEM
- SIG
- SNT
- SC
- Discretionary capital and other

OUR GLOBAL PRESENCE

Sanlam is one of the 50 largest internationally active insurance groups in the world with a direct and indirect presence in 44 countries. Through SEM, Sanlam has the most extensive insurance footprint on the African continent.


Life insurance market share (%)
Tanzania
Botswana
Rwanda
Malawi
Zambia
South Africa
Namibia
Ivory Coast
10 20 30 40 50 60 70 80
General insurance market share (%)
Namibia
Malawi
Ivory Coast
Botswana
South Africa
Rwanda
Angola
Morocco
0 10 20 30 40 50
India
Philippines
Malaysia
Mauritius
Australia

OUR STAKEHOLDER NETWORK

Sanlam's strategic intent is to create sustainable value for all stakeholders. While we operate in an extended universe of stakeholders, we identify and select material stakeholders on the basis of their impact on Sanlam's business and the successful execution of our strategy. Sanlam's ability to create mutually beneficial financial resilience and prosperity is reflected in RoGEV, our primary performance target for measuring shareholder value creation.

Stakeholder group	The basis of our relationship
Clients	Consumers of Sanlam's financial solutions to achieve their wealth creation, management and protection goals in support of financial resilience and prosperity
Employees	Providers of skills and expertise that support the activities underlying Sanlam's business model
Shareholders	Providers of financial capital at a Sanlam Group level
Business partners	Providers of products and services that enable Sanlam to conduct its business activities Co-investors in Sanlam businesses where appropriate
Society	The base from which demand for Sanlam's financial solutions is generated, and from which human resources are employed
Government	Partners to Sanlam's education, social and enterprise development programmes
Regulators	Providers of financial stability and a sustainable environment for financial services through prudential and market conduct regulation

Governance of stakeholder relationships

The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder-inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material stakeholders in the best interests of Sanlam over time. Read more about governance responsibilities to stakeholders in the online Governance Report.

Stakeholder relations

Sanlam's stakeholder strategy guides engagement with material stakeholders. An approved stakeholder communication policy is in place. Stakeholder engagement is continuous and depends on the needs of the various stakeholders and business clusters.

Each business cluster manages stakeholder engagement according to the specific focus in their operations. The clusters report to the Sanlam stakeholder hub on a quarterly basis on all stakeholder engagement activities and concerns raised.

The stakeholder hub is a centralised stakeholder database that serves as an issue log. The information in the stakeholder hub is collated and reported to the Social, Ethics and Sustainability (SES) committee on a quarterly basis. Group Market Development in the Group Office provides a support function for managing stakeholder relationships through face-to-face and client-centric engagement. This includes established relationships with multiple tertiary institutions in South Africa, trade unions, government departments, private sector institutions and affinity groups such as churches. Group Market Development further facilitates cross-selling and collaboration between clusters to execute on market opportunities.

Increasing broad-based financial literacy

More than 16 000 economically vulnerable employees in South Africa gained financial literacy skills over the past three-and-a-half years. This was because their employers deployed the Saver Waya Waya WageWise programme offered by the Association for Savings and Investment South Africa (ASISA) Foundation. Economically vulnerable employees are defined as those who earn less than R20 000 a month.

Sanlam partly funds the programme, which has grown to benefit an average of 1 200 employees a month across a variety of sectors. Programme outcomes include understanding payslips and retirement fund benefit statements. Innovative teaching methods such as educational videos are used to teach financial literacy. Post workshop support includes handouts such as budgeting templates and SMS reminders of key learnings.

Every project delivered by the Foundation is monitored and evaluated by an independent service provider to ensure that programmes achieve their objectives.

At Santam, consumer financial education is funded through the South African Insurance Association (SAIA) and by focusing on individual and commercial clients in Santam's emerging client market. Activations for the year included Money Smart week in Soweto, Alexandra, Tembisa, Mamelodi as well as retail learning hub partnerships with The Box Shops in Soweto.

Santam currently offers 24 insurance access products verified by the Financial Sector Transformation Council (FSTC).

No significant other issues were raised by stakeholders during 2018.

Read more about our other transformation initiatives for suppliers and communities in the online sustainability section.

The package of BBBEE transactions was the topic of most intense stakeholder engagement during 2018, as it involved investors, regulators and business partners. Sanlam conducted roadshows and distributed information through presentations, circulars and shareholder letters to address queries and concerns. The latter related mostly to the role of the Independent Committee of Non-Executive Directors in managing potential conflicts of interest, the review process followed in recommending the transaction to shareholders and the anticipated process to select the broad-based beneficiaries of the new share issuance.

Stakeholder group	Key touchpoints
Clients	Client engagement occurs at various touchpoints during the course of the client transaction process and all stages of the product life cycle. Client satisfaction is measured regularly.
Employees	Employment engagement is ongoing and supported by the connectivity pillar of Sanlam's Employee Value Proposition (EVP). Each year, Sanlam conducts employee engagement surveys in its largest operations. The results of these surveys inform Group-wide programmes that aim to enhance employee inter-connectivity and engagement.
Shareholders	Shareholders can access information on Sanlam's performance via its Annual Reporting Suite, website and SENS announcements. Information sharing with shareholders and investors is also facilitated through biannual results presentations, operational updates, the Sanlam investor conference, the Annual General Meeting, and through *ad hoc* meetings.
Business partners	Our business model, especially in SEM, relies on partnerships and collaboration. We rely on the local knowledge and infrastructure of our partners in the markets in which we operate and invest. Engagement with these stakeholders is supportive and not intrusive. Engagement is formalised through service level agreements, governance structures, reporting requirements and personal engagement. Business partners are essential in achieving our vision of becoming a leading Pan-African diversified financial services player.
Society	The Sanlam Foundation is Sanlam's primary corporate social investment (CSI) vehicle and is focused on shared-value initiatives that fulfil the needs of society and business. Various CSI initiatives that are aligned with the Group's priorities are also conducted in-country by SEM. In support of Sanlam's purpose, all business clusters pursue a set of outcomes that build financial resilience and prosperity for society. These outcomes include, among others, development of entrepreneurship, consumer financial education and skills development.
Government	Sanlam engages with government through industry associations and various business chambers. These include the Department of Basic Education (DBE) in South Africa through the Group's Blue Ladder Schools Programme, which are aligned with government's National Development Plan (NDP).
Regulators	The Group Office and cluster businesses engage on a regular basis with industry regulators to assist in creating a trusted financial services environment.

Sanlam actively engages all stakeholders and appreciates that being a responsible corporate citizen entails being responsive to stakeholders' needs and expectations. The Sanlam Board noted the matters raised by shareholders during the engagements around the package of BBBEE transactions. In line with the commitments made at the 12 December 2018 general meeting of shareholders, the Sanlam Board approved the following additional measures to strengthen independence:

- We provide more specific personal detail in the Board profiles in the online Governance report.
- We disclose more of our reasoning on why some members are regarded as independent despite long tenure.
- The rotation cycles of Board members are reduced, which means that more Board members will stand for re-election every year, enabling shareholders to have regular opportunities to vote on Board memberships.

Comprehensive information in respect of the process to be followed to identify the broad-based beneficiaries of the BBBEE share issuance is provided on page 64.

What is the omni-channel client approach?

At Sanlam, omni means that the client is at the centre of what we do. They are serviced through various channels that collaborate and are familiar with each other. Interaction with the client is managed in a coordinated way to provide a better and more comprehensive service according to the client's needs.

Based on research, clients continue to desire much of the value traditionally provided by a broker or adviser: information, explanation, insight, record keeping and transactional support. This means that the future is less about channels and more about enhancing the delivery using digital technology.

Creating an omni-channel capability is a key competitive priority and it is based on understanding client experience through different touchpoints and channels. This should be seamless and context appropriate. It has shifted the focus from transactional interaction to contextual engagement, with the intermediary remaining essential. We enable intermediaries with data and tools while sharing information and experiences between them, clients and Sanlam – all in full adherence to regulatory directives.

To drive Group-wide collaboration, we created an omni-channel board, which acts as a forum for communication and alignment on priorities.

Clients rate Sanlam Reality

According to the latest SAcsi South African Consumer Satisfaction Index, Sanlam's Reality rewards programme scored highest on the satisfaction index. The survey focused on rewards programmes offered by the country's top insurance providers namely Sanlam, Discovery and Momentum. According to the index, South African consumers scored Sanlam Reality a satisfaction average of 71,9, compared to an industry average of 69,6.

Sanlam Reality emerged highest for overall customer satisfaction and value for money. Although Sanlam Reality clients are the most satisfied, they also experienced the most service problems, and the rewards programme had the highest complaint incidence. Information from the survey informs further development of the service model.

According to SAcsi there are approximately 70 active loyalty programmes available in South Africa. The best performing ones are those that offer a positive overall service level and make earning points and redemption as efficient as possible. SAcsi is an independent national benchmark of customer satisfaction with international comparability. 1 400 loyalty programme members were surveyed.

Blue Ladder benefits for communities and schools

The Blue Ladder Schools (BLS) programme is Sanlam Foundation's flagship project. It has reached 71 170 learners in 75 South African schools, with the focus now on empowering school leaders. Improvements to 75 disadvantaged schools' infrastructure, maintenance and facilities, as well as customised maths programmes, have already made a huge difference to schools and communities. The school leaders programme focuses on four main themes:

- Complexities of schooling, including political, economic and social forces
- The essential role of school leaders in taking ownership of change
- Refocusing on the instructional core of school
- Technical and adaptive change management, including management skills

The Sanlam Foundation has invested R74 million in this programme since 2016.

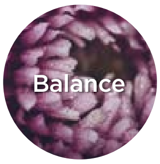



Our employee approach

Our employees are one of our key stakeholder groups as we are reliant on specialised skills to execute our strategy. At Sanlam our approach to employees is the same as our approach to clients: we want to enable them to live their best possible lives. We recognise that our employees are in different life stages and that we employ a multi-generational workforce in different business units and geographies.

Our employee value proposition is agile and fit for purpose, built on core values and an ethical culture. It consists of the following pillars:

Sanlam is committed to be as relevant today as it was almost 100 years ago. Over time we have built a reputation of a leading financial services company that can be trusted to act in the best interest of all stakeholders.



Balance is crucial to the well-being of Sanlam's employees. Sanlam attempts to make life a little easier by offering flexible working hours, access to convenience services and the Sanlam Be Well programme.

Sanlam takes leadership seriously. Through diverse initiatives, we invest in nurturing leaders who engage and empower, are open to new ideas, and are driven to create an environment in which Sanlam's employees can excel.

Sanlam's Wealthsmiths™ culture is rooted in sincerity, respect and consideration for one another and for our extended communities. We are focused on doing things right and doing them together.

Sanlam rewards exceptional performance and recognises excellence. To attract the best talent and secure continued high performance, we offer our employees more than just a market-related package.

There is always room for growth. In addition to contributing to South Africa's economic growth, we are committed to the growth of our employees through various training and development opportunities.

We pride ourselves in helping employees realise their worth and strive to provide challenging, stimulating work and development opportunities. Career mobility within the Group forms part of our talent management strategy. It ensures we appoint, retain and develop key talent.

In 2018 we focused on activation around the growth pillar by creating plans that are supplementary to each employee's growth strategy. The plans encourage employees to tap into the intranet where we provide a variety of tools and applications for development.

We are also increasing investment in wellness clinics on site. These have been piloted successfully at Santam and MiWay as a more affordable and time-saving alternative to meet their healthcare needs.

To provide the next-generation employee experience, enhance our engagement with employees and implement standardised and leading human resources (HR) practices across Sanlam, we started implementing a Group-wide fully integrated talent suite, SuccessFactors. This is a cloud-based, human capital management (HCM) solution designed to attract top-quality talent, develop talent, motivate people, and retain top talent.

Key employee facts

In South Africa:

Sanlam invested **R344,4 million*** (2017: R312,8 million*) in training and development initiatives	**77%** (2017: 84,9%) of employees received training	Of these employees, **73,4%** (2017: 71,4%) are black and **59,9%** (2017: 59,9%) are female
The percentage of black middle management increased to **49%** (2017: 46%)	The percentage of black senior management increased to **36%** (2017: 34%)	Total SA-based employees (including advisers): **20 120** (2017: 19 163)

** This figure includes all associated management expenses.*

Sanlam was recognised as a top employer in 2015, 2016, 2017 and again in 2018. The Top Employers Institute is a global certifier of excellence in people practices.

Read more about remuneration as an enabler for talent attraction and retention in the online Remuneration Report.

Paying attention to the gender pay gap

Sanlam has operations in the UK and therefore started measuring the Group gender pay gap in line with new disclosure developments in the UK.

We differentiate between the gender pay gap and equal pay: the former is the difference in average earnings between men and women employees (without distinguishing for level of seniority and job size), whereas equal pay (or 'Equal Pay for Work of Equal Value' as the legislation is known in South Africa) requires that men and women doing the same job are paid the same.

Sanlam and its underlying businesses adhere to 'Equal Pay for Work of Equal Value' principles and where shortcomings are recognised these are addressed to ensure pay equity.

Measures taken by Sanlam to advance women and address career growth and opportunities are:

- Talent mapping
- Leadership development courses/exposure
- Gender representative/equity recruitment practices
- Flexible work policies/practices accommodating families
- Leadership diversity targets measured with relevant accountability
- Ongoing review of gender-based policies to ensure they facilitate development and retention
- Increased positioning in key events/publications/platforms
- Refinement of unconscious bias programmes to ensure key focus on gender-related issues

Key human capital risks and how we manage these

Risks	Mitigating actions
Inadequate transformation of the demographic profile of Sanlam at top, middle and senior management levels in South Africa. This includes an insufficiently inclusive organisational culture, from a race and gender perspective.	• We have an accelerated transformation programme driven by the clusters, including targeted recruitment strategies. • The monitoring and reporting of progress against contracted targets have been improved and incentives have been linked to targets. • Senior appointments are approved by the Group Chief Executive or head of Group HR. • On-boarding activities and career planning processes have been reviewed and improved. • We have created greater flexibility with employment contracts, for example in work location.
Significant numbers of specialised and experienced employees are experiencing excessive working demands due to increased regulatory pressure, expansion demands, new role demands and scarcity of skilled and experienced resources.	• We are providing additional support through the upskilling of existing and approval of new resources and have increased the use of consultants. • We use the graduate and academy programmes to build a future supply of scarce skills and have developed an actuarial resourcing strategy. The Sanlam Information Technology Academy was launched at the end of 2018 to focus on the development of skills in new technologies. The academy augments similar programmes in the fields of finance, actuarial and investment management. • We have increased participation in industry bodies to share the regulatory burden. • We have a focused talent mobility strategy, especially within SEM as part of their transition strategy for the new operating model and resourcing approach.
Inadequate supply and quality of leaders, including an inability to attract, develop and retain leaders with the required capability.	• We have a Group-wide and business level succession planning process in place with increased ownership of top talent by the Group Exco. • An Executive Leadership programme through the Gordon Institute of Business Science started at the end of 2018. • The graduate recruitment programme serves as a leadership pipeline. We continue funding a range of other leadership development programmes. • We are developing a team-based approach to leadership to reduce dependency on individuals.

A legacy culture of client-centricity

At the annual general meeting in 1926, the Chair, Willie Hofmeyr, stated that Sanlam did not regard itself as a company whose main aim was to become rich, but as an institution that had a responsibility to serve the nation: "We fully subscribe to the view that the interests of policyholders should be the first consideration in a business of this nature. That is why we always try to be fair rather than technical towards policyholders."

This approach resulted in a large number of death and disability claims being approved because the Board's decision was based on empathy and humaneness rather than on technical correctness or the letter of the law.

This culture of client-centricity still exists in Sanlam today and is one of the key drivers of our success for the past 100 years.

In 2012, Sanlam expanded the mandate of the Policyholders' Interest committee of the Board and renamed it the Customer Interest committee. This preceded South African legislation aimed at protecting customers – evidence of Sanlam's inherent client-centricity.

The committee reviews and monitors all client-related decisions made by the Group. From a product and services governance perspective, the committee ensures that Sanlam's client-centricity standards are maintained across the Group. New products are subject to a pre-approval and sign-off process that includes a review from the Sanlam Customer Interest committee and an appointed statutory actuary.

Today, our client service and support capability is extensive, mature and sophisticated across most of the markets where we operate. For example, the SPF Client Care Centre (CCC) handles at least 16 000 client interactions daily through various channels. Apart from operations at Head Office, SPF has more than 100 CCC offices throughout South Africa.

Over the past seven years, we performed consistently in terms of complaints resolved by the office for the Ombudsman for Long-term Insurance. The Ombudsman mediates in disputes between members of the long-term insurance industry and policyholders regarding insurance contracts.

Sanlam Life Insurance Limited	2012	2013	2014	2015	2016	2017	2018*
Complaints received	331	328	197	198	273	248	193
% of total	3,45	3,27	3,96	3,95	5,2	4,56	4,6
Cases considered	132	107	132	121	153	196	137
Cases finalised	133	102	125	130	139	165	118
% resolved in favour of complainant	14,3	12,7	12,0	17,7	12,9	14,5	16,1
% resolved in favour of Sanlam	85,7	87,3	88,0	82,3	87,1	85,5	83,9

* *Data as at 30 September 2018.*

We continuously focus on innovation and efficiencies to improve client experience. Initiatives in this regard, for example, enables Sanlam Sky to pay some 80% of its claims within 24 hours. Similarly, Saham Assurance pays small vehicle claims within 90 minutes. This significantly reduces waiting time and the administration burden for clients. Saham Assurance's Check Auto Express centres were the first to be launched in Morocco in 2009. These centres are dedicated to the payment of small car damages (less than US$2 000), also known as 'fender benders'. Experts at the express centres evaluate the damage and can compensate a policyholder within 90 minutes via cash or cheque. A more recent enhancement of the service enables clients to have digital visibility of the claim's progress with the potential to reduce waiting time to only 20 minutes. Saham Assurance also offers clients on-site glass repair as an alternative to receiving a claim payment. 40% of damages are paid by the Check Auto Express centres, which recorded a 95% satisfaction rate from clients. These are just some of the many examples of how we achieve superior client service.

RECOGNITION AND AWARDS

- Sanlam received the Financial Intermediaries Association Award for Employee Benefits Supplier of the Year 2018, 2017, 2015, 2014, 2012 and 2011.
- Sanlam Employee Benefits received the Risk Benefit Underwriter of the Year award at the 2018 Imbasa Yegolide Awards, as voted for by the trustees and principal officers of retirement funds in South Africa.
- Sanlam received the African Company of the Year award at the Africa CEO Forum while Nadia Fettah, Saham Finances Chief Executive, received the CEO of the Year award.
- Akhila Srinivasan, Managing Director of Shriram Life Insurance Company in Chennai, received the Business Woman of the Year award from the Hindu Group of Publications.
- Shriram Life Insurance Company received the Golden Globe Tigers 2018 award for Excellence in Banking Finance, Services and Insurance.
- FBNInsurance in Nigeria received the Insurance Company of the Year 2018 award at the AfricaRe/African Insurance Organisation (AIO) conference.
- Shriram Life Insurance Company received the award for the Best Life Insurance Company from the Pride of Madhya Pradesh Awards for Corporate Excellence, organised by the World Human Resources Development (HRD) Congress in Indore.
- Santam was the top performer in the business category for short-term insurers in the 10th annual Sunday Times Top Brand Survey 2018.
- Sanlam received Top Employer certification in 2018 by The Top Employers Institute - for the fourth consecutive year.
- Sanlam Gap Cover was ranked as the leading provider of gap cover for people younger than 60 in the 2018 GTC survey.
- Sanlam portfolio managers have won awards for being top performers in their fund categories in the 2016, 2017 and 2018 Raging Bull Awards.
- Sanlam Sky Solutions' MyChoice Funeral Plans received the following recognition:
  - Two gold accolades at the Prism Awards 2018 for 'Best Use of Social Media as Primary Method of Communication' and 'Mobile Media for Public Relations'
  - A gold award for content strategy and a gold award for bots, messaging and dark social at the IAB South Africa 2018 Bookmarks Awards.
  - Winner (Best in Financial Services) and (Best use of WhatsApp) at the 2018 Shorty Awards for brands and organisations who use social and digital media in the most effective and creative ways.

Our 2018 performance

OUR OPERATING ENVIRONMENT

Sanlam's performance is shaped by external and internal factors that span many geographies. These factors include economic and regulatory changes, combined with social dynamics. Sanlam's four strategic pillars focus the Group on achieving specific transformation outcomes while being responsive to our environment. This is possible with the support of a robust governance system that ensures that we act ethically and responsibly.

The global economy in 2018

Although global economic expansion retained momentum, risks to the outlook continued to build. These include the shift towards less accommodative monetary policy in developed economies, increased US trade protectionism, the trade-off between addressing financial sector risk and maintaining firm GDP growth in China, and the peaking impact of US fiscal expansion. Even in the US, where real GDP growth exceeded potential, signs of a slowdown emerged in interest-sensitive sectors.

A notable feature of developed economies was the lack of significant core inflation pressure, despite firmer wage increases amid historically low unemployment rates. Accordingly, the shift towards monetary policy "normalisation" in developed markets remained pedestrian, but persistent, as the US Federal Open Market Committee (FOMC) increased the federal funds rate three times by 25bps.

The path of interest rate hikes in the US since late 2015 has been gradual, but relentless, amounting to a cumulative increase of 2,25%. This reflects concern over possible inflation pressure due to a tight labour market, and the risks posed by apparent financial imbalances. The US FOMC softened its stance late in 2018 against the backdrop of benign inflation, indicating that future interest rate decisions would be data dependent. However, it maps a gradual interest rate hiking path through 2019 and into 2020.

Elsewhere, the European Central Bank (ECB) left its key policy interest rates unchanged but indicated that the net purchases under its asset purchase programme (APP) ended in December 2018. Even so, the Bank indicated that principal payments from maturing securities purchased under the APP will be reinvested beyond the date at which the ECB (eventually) increases interest rates.

Uncertainty surrounding the United Kingdom (UK) exit from the European Union (EU) and its likely form continued. The Bank of England, after increasing its Bank rate in mid-2018, adopted a "wait and see" approach, leaving its policy interest rate unchanged for the remainder of the year.

Looking ahead, in a relatively benign scenario an amended UK-EU Withdrawal Agreement is negotiated, which wins the support required in the UK parliament. If so, the UK either enters into a transition phase as from 29 March 2019, or remains in the EU as the Article 50 negotiation period is extended. Failure by the UK parliament to conclude a deal with the EU would throw up the possibility of a second referendum, an early general election or, alternatively, a disorderly exit. The latter implies material downside risk to the UK economy, given a likely fall in business confidence and investment, as well as probable capital outflows.

Against the background of increasing risk-free interest rates in the US, renewed US dollar strength and concerns about the possible impact of escalating trade protectionism on future GDP and profits growth in emerging market (EM) economies, a dominant theme in 2018 was the re-pricing of risk assets. This was reflected in EM currency weakness and marked decreases in EM bond and equity prices.

The currencies of vulnerable EM economies, which depreciated sharply from mid-year, stabilised in the final quarter of 2018, partly in response to interest rate hikes in, for example, Turkey, Argentina and South Africa.

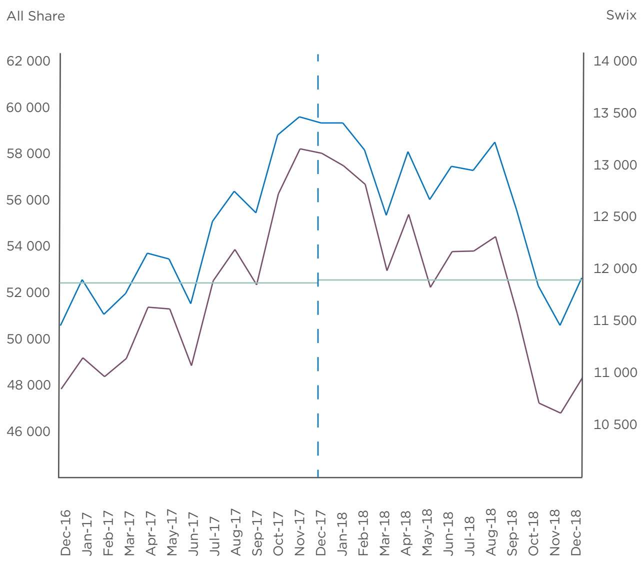
Also, the US and China agreed in December 2018 to negotiate on a number of trade-related issues, including tariff increases, which effectively amounted to a temporary ceasefire in the trade war. The risk of renewed trade hostility remained.

South Africa in 2018

The South African economy disappointed with real GDP growth estimated at less than 1%. Household income and consumption growth was soft, due to a marked slowdown in compensation growth, a structurally high unemployment rate and an increasing tax burden.

In contrast, the total gross operating surplus of corporations improved to an annual increase of 7,9% in 3Q18, from a trough of 4,7% in 1Q18. At the same time, earnings of listed companies on the JSE/FTSE All Share Index advanced 14,5% in the year to end-December 2018, supported by an increase of 29,1% for companies listed on the Industrial Index. However, the FTSE/All Share Index yielded a total return of negative 8,5% in domestic currency in the year to end-December 2018. Average equity market levels in 2018 were broadly in line with 2017, placing severe pressure on growth in the Group's assets under management and hence fund-based fee income.

SA equity markets



Legend

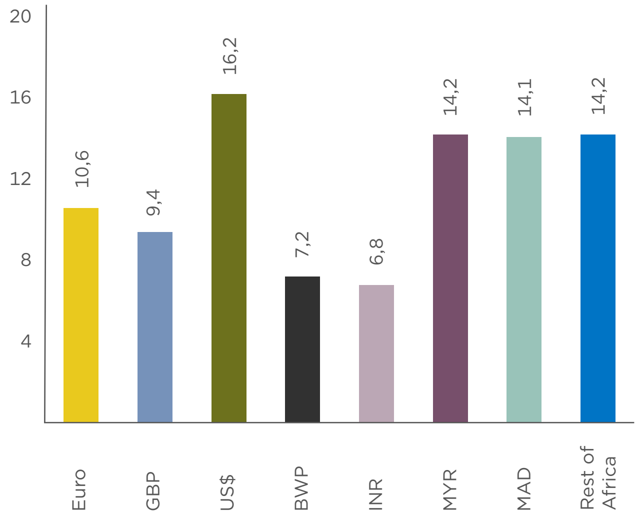
- All Share
- Swix
- Average Swix

Persistent weakness of the economy has its roots in structural economic deficiencies and the crowding-out effect of the government's deteriorating fiscal position. Despite years of fiscal consolidation, the state continues to absorb a large share of the available resources in the economy, reflected in a high level of government consumption spending, an increasing tax burden and high real interest rates.

The Medium Term Budget Policy Statement, released in October 2018, suggests National Treasury's intent to stabilise the debt ratio. However, the timeframe for fiscal consolidation was extended once again as National Treasury projected wider budget deficits over the medium term, while the level of the government's gross loan debt continues to increase relative to GDP. Encouragingly, though, the promise of economic reform under the leadership of President Ramaphosa helped South Africa avoid further sovereign debt-rating downgrades in 2018.

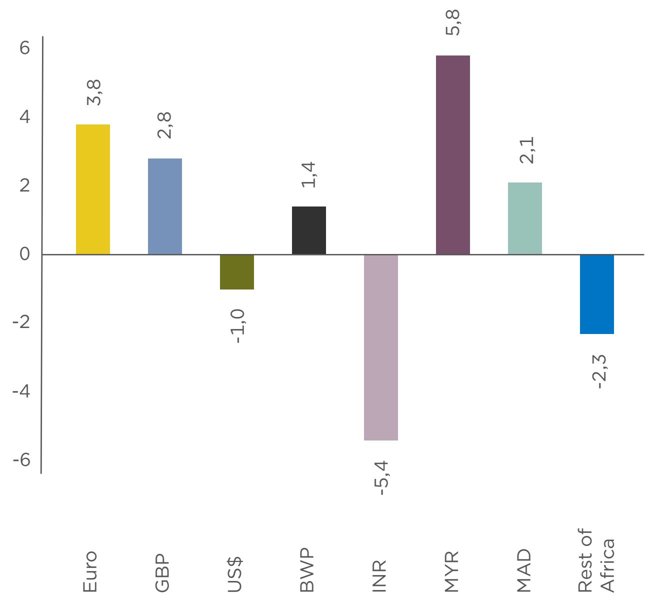
Still, given constrained real economic activity, unfavourable balance of payments ratios and a lack of progress in reducing the fiscal imbalance, the South African rand was not spared the EM sell-off in 2018. The currency recorded a double-digit decline of 16% relative to the US dollar in the year to December 2018. The weakening of the rand against major currencies where Sanlam operates is depicted in the following graph:

Actual exchange rates (% change year-on-year)



The weaker rand had a positive impact on the RoGEV of the non-South African operations. The rand, however, strengthened initially before weakening later in the year. Movements in the average rand exchange rate were more subdued with an insignificant overall impact on Sanlam's translated earnings.

Average exchange rates (% change year-on-year)



Nonetheless, the decline in the real trade-weighted rand should improve net exports, while the collapse in oil prices in late 2018 is expected to increase South Africa's terms of trade and support domestic purchasing power. President Ramaphosa's "investment drive" also holds some promise, given its emphasis on cooperation between government and the private sector. However, structural economic constraints will take time to address and although an economic recovery appears to be under way, it is fragile. Accordingly, real GDP growth of less than 2% is expected in 2019.

Despite sustained rand weakness, the spike in oil prices during the first three quarters of 2018 and the 1% hike in the VAT rate in April 2018, core inflation surprised on the low side relative to expectations. This suggests companies lacked pricing power against the background of weak domestic final demand.

Subdued inflation prompted the South African Reserve Bank to cut its repurchase rate by 25bps in March 2018. However, given an increase in the annual advance in headline inflation from a trough of 3,8% in March 2018 to 5,2% in November 2018, against the backdrop of US interest rate hikes and depreciation of the rand, the Reserve Bank's Monetary Policy Committee increased its repurchase rate by 25bps in November 2018. In an important development the Bank stressed its intention to guide inflation expectations and outcomes towards 4,5% – the middle of the inflation-target range – in the long run.

The lack of progress in fiscal consolidation maintained upward pressure on real interest rates. Domestic bond yields remained elevated, despite relatively well-behaved inflation. Concomitantly, the All Bond Index yielded a total return of 7,7% in local currency in the year to December 2018.

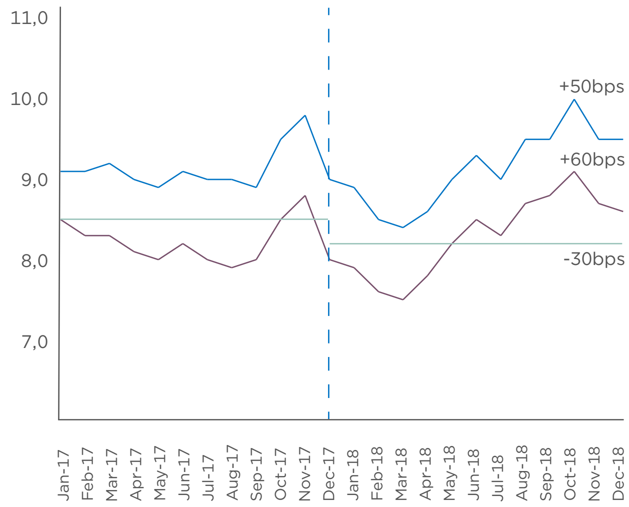
The increase in long-term interest rates impacted negatively on RoGEV and growth in VNB in 2018.

Rest of Africa in 2018

Real GDP growth in sub-Saharan Africa (SSA) was constrained by the under-performance of the region's largest economies: South Africa, Nigeria and Angola. Indeed, the estimated SSA regional growth rate of 2,8% for the year masks a wide divergence in growth outcomes between individual countries. Given an expected improvement in growth in the large economies, though, average growth for the region is forecast to lift to 3,25% in 2019.

The further tightening of global financial conditions or any unexpected slowdown in China would, however, imply downside risk in the region. Numerous countries on the African continent will need to limit the potential negative impact on exports should the UK leave the EU without agreeing to new trade deals. Those trade agreements with the UK which were previously negotiated through the EU will have to be renegotiated.

SA bond yields and short-term interest rates (%)



Legend

- 9 year
- 5 year
- Average ST

At least, after running expansive fiscal policies for a number of years following the Global Financial Crisis (GFC), general government budget balances in SSA, in aggregate, stopped expanding. Countries in the region are increasingly focused on fiscal consolidation, but deficits, nonetheless, remained large in, for example, South Africa, Zambia, Ghana, Namibia, Kenya and Uganda. At the same time, the gross government debt level for the region, in aggregate, continued to increase relative to GDP.

A number of the African economies that continue to deliver high economic growth rates are to be found in East Africa. Although lending was constrained in Kenya by the retention of interest rate caps, real GDP growth remained strong, partly supported by buoyant tourism-related receipts. Growth of around 6% is forecast for 2019, similar to the estimate for 2018. Kenya has continued to run large budget and current account deficits and the country's International Monetary Fund (IMF) stand-by credit facility, extended by six months in March 2018, was not renewed. Although a large share of Kenya's total public debt is external debt, concessional loans remain a significant source of funding for infrastructure projects.

Real GDP growth also remained strong in Rwanda, Tanzania and Uganda. The latter runs large twin deficits and government debt is expected to continue rising. However, a significant portion of the Ugandan government's spending reflects capital expenditure. The country is supported by multilateral organisations and it attracts a significant amount of concessional financing.

As experienced elsewhere in EM, global economic developments, including the shift towards greater US trade protectionism and US dollar strength, proved unfavourable for Africa's financial markets, including countries where economic growth is strong. In East Africa, total equity market returns in US dollar were negative in Kenya (-13,3%) and Tanzania (-14,1%), despite their relatively stable currencies.

Angola made progress in fiscal consolidation. However, the economy contracted in 2018 and lower oil prices are likely to renew pressure on the government's revenue receipts. Additional risk emanates from non-performing loans, which have accumulated in state-owned banks. After depreciating sharply, the Angolan kwanza remains vulnerable to fluctuating oil prices. However, access to IMF funding is supportive. Also, the nascent shift by the Banco Nacional de Angola towards a more flexible currency regime should assist the economy in adjusting to macroeconomic imbalances.

Among other oil producers on the continent, Nigeria remained lacking in structural economic reform. The country experienced persistent high inflation and soft real GDP growth. The latter was constrained by disappointing oil production. Against the backdrop of a lacklustre domestic environment, the Nigerian equity market recorded a negative total return in US dollar of 15,1% in 2018.

Following a marked improvement in response to foreign capital inflows early in 2018, Nigeria's foreign exchange reserves declined late in the year as the country's external accounts weakened. Nonetheless, the sovereign issued $2,86 billion in Eurobonds in November 2018, which helped to keep the Nigerian Autonomous Foreign Exchange Rate relatively stable.

On the fiscal front, Nigeria's total government debt is low, but reflects a moderate upward trajectory. Debt servicing cost is high. Encouragingly, the government's budget for 2019 reflects an intended fiscal consolidation. However, economic activity is undiversified and total GDP and fiscal outcomes are materially influenced by fluctuating oil prices and production levels.

In the Common Monetary Area, Namibia's GDP growth continued to disappoint and fiscal consolidation remained inadequate, partly reflecting an excessive government wage bill. Loss-making state-owned companies imply the balance sheet of the state is deteriorating. The level of public sector debt is moderate, but has increased rapidly in recent years. The pressure emanating from these developments was alleviated by access to African Development Bank financing and an improvement in the country's current account balance. Ultimately, though, Namibia is unlikely to endure ongoing fiscal consolidation if GDP growth does not lift, implying risk to the Namibian dollar peg to the South African rand over time. The country's equity market recorded a negative total return of 9,9% in US dollar given the weak economic environment and depreciation of the Namibian dollar.

In West Africa, amid low inflation outcomes, growth remained strong in Côte d'Ivoire. This was supported by a high level of public sector infrastructure investment. The government is focused on improving business conditions and pursuing fiscal consolidation, although progress may be constrained by revenue-underperformance. Real GDP growth of 7% is estimated for 2018, which is also the forecast for 2019.

> A number of the African economies that continue to deliver high economic growth rates are to be found in East Africa.

Among the non-oil commodity producers, Botswana experienced firm economic growth despite softer mining activity, notably diamonds. Benign inflation precluded the need for monetary policy tightening, while the government's Economic Stimulus Programme is expected to support economic activity. The country also runs a current account surplus and has a high level of foreign exchange reserves relative to imports. The large weight of the South African rand in the basket of currencies to which the pula is fixed, makes the country vulnerable to tighter global financial conditions. Looking ahead, solid real GDP growth of 4% is forecast for 2019, which follows estimated growth of more than 4% in 2018. Despite the economy's sound performance, Botswana's equity market recorded a negative total return of 14,1% in US dollar in 2018.

Elsewhere, Zimbabwe's economy remained stressed following the end of former President Robert Mugabe's rule, given severe foreign exchange shortages, liquidity constraints and inadequate economic infrastructure. Supply constraints led to a spike in inflation (an annual inflation rate of more than 40% was recorded in December 2018). A comprehensive economic reform strategy is needed, including a meaningful fiscal adjustment. In late 2018, the IMF discussed the potential for a staff-monitored programme with Zimbabwe, but this precludes an IMF financial programme, which would require the clearance of arrears with international lenders.

In Zambia an excessively loose fiscal policy prevented access to an IMF support package. Even though growth has remained relatively firm, it is insufficient to prevent a continued build-up in the country's already high debt level. Macroeconomic risk is elevated. Accordingly, Fitch Ratings and S&P each downgraded Zambia's long-term foreign currency debt rating by one notch to "B-" in late 2018. Assistance from the IMF is imperative, but not assured.

In North Africa, Morocco continues to address its fiscal and external imbalances, but structural economic impediments persist. A high level of imports, to a significant extent reflecting higher oil prices, placed pressure on the current account balance, while credit extension was constrained. Looking ahead, the fall in oil prices late last year, if sustained, should improve Morocco's terms of trade and its trade balance, while supporting domestic purchasing power against a low-inflation backdrop. Firm non-agricultural GDP growth is expected in 2019, but continued economic reform is needed.

Even though its foreign exchange reserves declined in 2018, Morocco appears unlikely to make use of its IMF Precautionary and Liquidity Line, although foreign debt issues seem probable. In any event, the exchange rate peg (against a basket consisting of the euro and US dollar) was maintained through last year. Early in 2018 the fluctuation band for the dirham was widened, while the country is expected to shift towards a more flexible exchange rate regime in the medium term. Amid modest depreciation of the dirham against the US dollar, the equity index fell 9,9% in US dollar in 2018.

India and Malaysia in 2018

In India, growth remained strong in 2018, estimated at more than 7%. Risks concentrated in the bank sector came to the fore with state banks particularly exposed to non-performing loans. The country, nonetheless, implemented a new solvency and bankruptcy code, while the central bank and government recapitalised public sector banks. Ultimately, softer credit extension is likely to dampen GDP growth in 2019, but lower oil prices should support domestic purchasing power. This, in tandem with firm fixed-investment spending is expected to maintain growth at a high level in 2019. However, given lower-than-expected revenue receipts, there is risk of fiscal slippage, which is likely to be accentuated if growth disappoints.

Meanwhile, India's equity market yielded a negative total return of 4,1% in US dollar in 2018. This, however, follows a sharp increase of 38,7% in 2017, while India's rupee depreciated by close to 10% over the year.

In Malaysia, the equity market recorded a negative total return of 4,7% in US dollar in 2018 as supply disruptions to key exports of liquefied natural gas and palm oil weighed on exports and real GDP growth. Further, government infrastructure projects were curtailed. Temporary tax breaks, however, boosted consumer spending and private sector investment proved durable. Looking ahead, the impact of supply disruptions on exports should also fade in 2019. On balance, growth is expected to remain firm in 2019.

Regulation as an enabler of resilience

Sanlam's ability to contribute to resilience and create value for stakeholders is linked to evolving regulation, as it creates the environment within which we operate and compete. Regulations aimed at the fair treatment of clients, fair competition between product providers and the prevention of large-scale corporate failures and financial instability contribute significantly to the trust clients have in the industry and therefore its long-term sustainability.

We support the regulatory developments currently being considered as these are largely in line with these resilience and sustainability objectives.

Markets that are well regulated attract local and international investors, resulting in increasing levels of available capital. These markets also contribute to economic efficiency, leading to better allocation of capital and thereby increasing the prospects for long-term economic growth. Well-functioning markets build trust and earn legitimacy.

The global regulatory reform agenda of the past decade continues evolving to prevent systemic market risk. In South Africa, the regulatory agenda has been dominated by the Twin Peaks model, social security, the role of the state in the provision of financial services and financial inclusion. Intensifying risk related to financial crime, data privacy and cybersecurity further shapes the regulatory landscape.

Sanlam is committed to regulatory reform that contributes to resilience and prosperity of stakeholders. We recognise that we operate in a highly regulated industry and share regulators' vision for efficient and effective financial services industries globally. We support regulators in developing tools and mechanisms that will ensure a more predictive response to the next potential crisis. We welcome the way in which this is evolving from being focused on client-centricity and capital and liquidity management, to also include increased sensitivity for the role of ethics, culture and related accountabilities.

A consequence of the increased regulatory burden is significantly higher barriers of entry. While this benefits large and established groups such as Sanlam, we believe that it is to the advantage of the industry to have strong competition. The current scale of regulatory reform also demands skilful, considered and responsible responses. This can affect management capacity, adding to real and opportunity cost in business.

Read more about the ways in which the Group approaches and mitigates these risks in the section on Understanding our key strategic risks.

The financial services industry is built on a business model that requires long-term valuations and assumptions. The uncertainty created by numerous and uncoordinated regulatory proposals therefore impacts strategic decisions, investment choices, innovation and product design.

We have a further concern that the number of concurrent initiatives create complexity and interdependencies that might result in unintended consequences not yet fully anticipated or mitigated.

South African regulatory developments with an impact on the financial sector, but not material for Sanlam:

- Financial Sector Regulation Act, 9 of 2017 (FSRA) covering the levies on financial institutions, the process of registration of conversions and the status of instruments issued including directives and notices
- Financial Sector Levies which provide for the funding of the Prudential Authority (PA), the Financial Sector Conduct Authority (FSCA), the Financial Services Tribunal, the Ombud Council, the Office of the Pension Funds Adjudicator and the Office of the Ombud for Financial Services Providers
- Draft Amendments to the Regulations: Long-term Insurance Act, 1998
- Draft changes to the revised Policyholder Protection Rules
- A FSCA status update on the Retail Distribution Review (RDR), confirming that reforms will promote the fair treatment of financial customers and will be implemented in a phased manner
- Proposed changes to the FAIS General Code of Conduct
- Draft TCF Documents for Retirement Funds and Section 13B Administrators
- Financial Conglomerate Supervisions Framework
- Pension Funds Act, 1956: Notice of Benefit Projections, 2018 and Guidance Notice 2 of 2018 on Directive 8
- National Credit Act, 2005: Free Guidelines
- FSCA's draft conduct standard on the criteria for living annuities in a default annuity strategy

Regulatory developments with a significant impact on Sanlam:

- The Insurance Act, 18 of 2017, took effect on 1 July 2018 with the significant implementation effort largely completed. The conversion of the Group's insurance licences as required by the legislation are in progress and will be finalised in 2019.
- Draft Taxation Laws Amendment Bill, 2018: the most significant change is the tax treatment of amounts received by or accrued to portfolios of collective investment schemes.

The Twin Peaks model of financial regulation aims to strengthen our financial markets through improved conduct regulation and to build a more resilient and stable financial system in South Africa.

TWIN PEAKS ESTABLISHED

The Financial Sector Regulation (FSR) Act was effective from 1 April 2018, thereby establishing the Twin Peak regulatory and supervisory model. Two new regulators have been established with a comprehensive set of powers that enhances accountability.

The new Financial Sector Conduct Authority (FSCA) replaces the FSB and is responsible for the supervision of the conduct of business of all financial institutions, and the integrity of the financial markets.

The new Prudential Authority (PA) is established in the South African Reserve Bank. It maintains and enhances the safety and soundness of financial institutions that provide financial products. It is mainly concerned with capital and liquidity requirements as defined by a risk-based regulatory regime for long and short-term insurers in South Africa, and implemented through the Solvency Assessment and Management (SAM) project. It awards licences based on conditions that include promoting developmental, financial inclusion and transformation objectives.

Outcome: Clarity on who regulates what

2018 was characterised by high levels of engagement between Sanlam and the new regulators, particularly the PA, as these familiarised themselves with the players in the financial services sector.

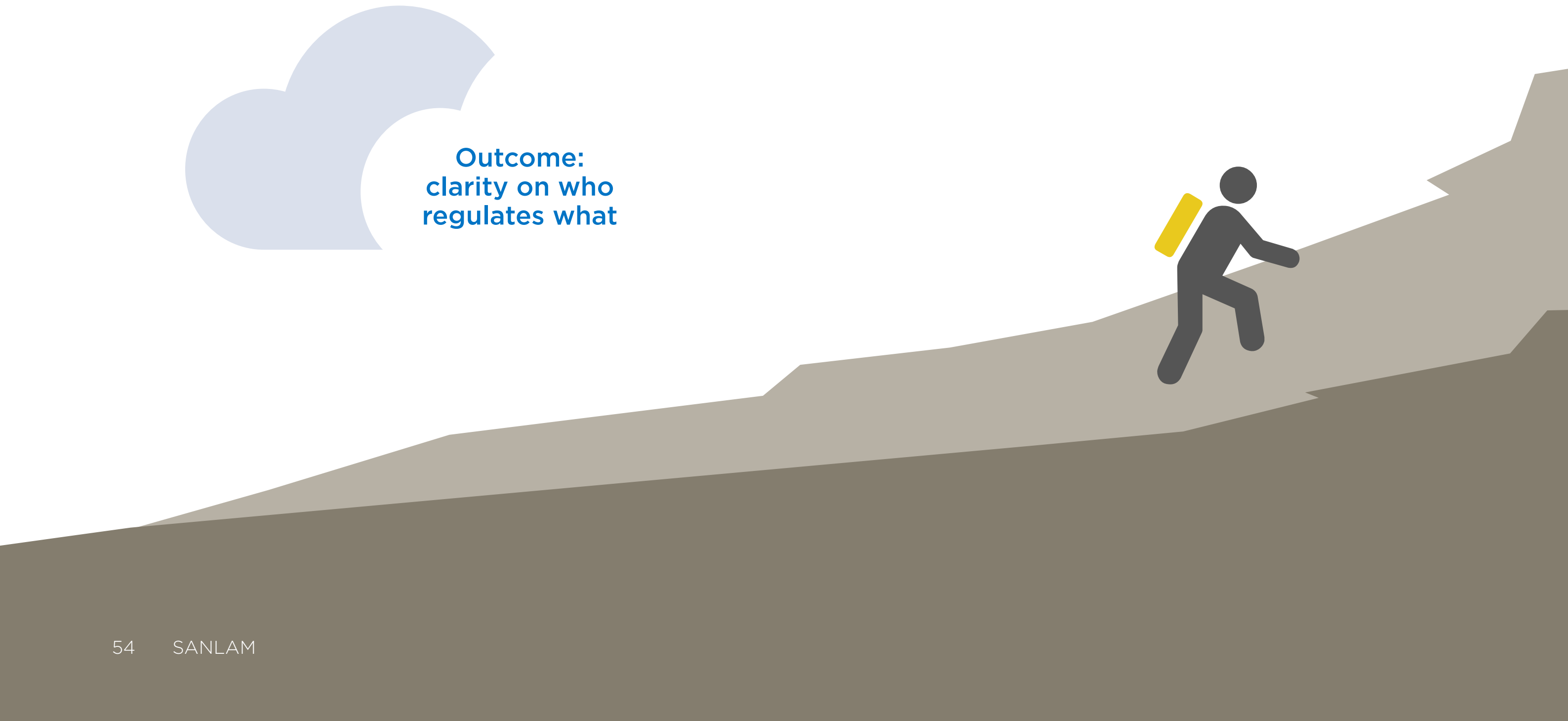
PHASE 1

New primary legislation will focus on revising, consolidating and harmonizing the legal framework for prudential and market conduct in the financial sector.

The new Conduct of Financial Institutions (CoFI) Bill will replace existing sectoral legislation to ensure a comprehensive, consistent and complete approach to governing the conduct of financial institutions across the financial sector.

The new Insurance Act took effect on 1 July 2018 and provides a consolidated legal framework for the prudential supervision of the insurance sector. The new prudential authority (PA) will convert the registration of all insurers to new licences within a period of two years.

Outcome:
clarity on how they regulate



PHASE 2

New subordinate legislation include standards to be published under the new acts to give effect to the detail requirements.

Conduct Standards under the CoFI Bill

The conduct of business reforms include the Retail Distribution Review (RDR), Treating Customers Fairly (TCF) and Retirement Reform matters. These will be addressed in the conduct standards, but is currently reflected in changes to existing legislation.

Prudential standards under the Insurance Act

The Prudential Standards covering Financial Soundness Standards (FS) and Governance and Operational Standards (GO) were published on 1 July 2018.

New regulatory strategies

The PA released its Regulatory Strategy for the period 2018–2021. It provides an overview of the PA's approach to regulation and supervision, the principles that will guide its regulatory and supervisory decisions, the PA's key priorities over the next three years, and the key outcomes that the PA intends to achieve to realise its objectives.

The PA's mandate is to:

- promote and enhance the safety and soundness of financial institutions that provide financial products and securities services;
- promote and enhance the safety and soundness of market infrastructures (MIs);
- protect financial customers against the risk of these financial institutions failing to meet their obligations; and
- assist in maintaining financial stability.

Following the establishment of the FSCA, a Regulatory Strategy of the Financial Sector Conduct Authority (October 2018 to September 2021) was published, detailing the following:

- regulatory and supervisory priorities for the next three years, including building a new organisation and an inclusive and transformed financial sector, creating a robust regulatory framework that promotes fair customer treatment, enabling informed financial customers, strengthening the efficiency and integrity of our financial markets and understanding new ways of doing business and disruptive technologies
- the intended key outcomes of the strategy, including, for example, being trusted by financial customers to promote their fair treatment by financial institutions and take visible, meaningful action against those that jeopardise their financial well-being or the integrity or efficiency of the financial markets, being respected by all stakeholders, having increasingly aligned and harmonised conduct standards under existing sectoral laws, working according to a holistic TCF-aligned supervisory approach, integration of financial education with regulatory functions and having access to improved data on consumer behaviour
- guiding principles and matters to consider when performing functions
- approach to administrative actions
- how effect will be given to requirements of openness to consultation, accountability, consistency with relevant international standards, and general performance of functions under the Financial Sector Regulation (FSR) Act

The FSCA mandate is to:

- enhance the efficiency and integrity of financial markets;
- promote fair customer treatment by financial institutions;
- provide financial education and promote financial literacy; and
- assist in maintaining financial stability.

The FSR Act extends the jurisdiction of the FSCA to include oversight of financial products and services not overseen by the FSB. These include banking, services related to credit and the buying and selling of foreign exchange. It also dictates a shift in approach from the traditional compliance-driven model to being proactive, pre-emptive, risk based and outcomes focused. Crucially, the FSR Act includes financial inclusion and transformation of the financial sector in its objects.

Other South African regulatory developments relevant to the industry

Protection of Personal Information Act (POPIA): It has been five years since the Act was signed into law and it has still not commenced. Revised draft regulations have been endorsed by the State Legal Advisory and have been submitted to parliament for approval. The regulator is in place and is empowered to investigate complaints and the measures organisations have put in place to protect and secure personal information. Appropriate and effective security safeguards as per condition 7 of POPIA remain the current key focus.

Supervision of financial conglomerates

Sanlam is regarded as a financial conglomerate: an institution in South Africa that operates across multiple industries, offering a myriad financial products and services across the continent and offshore. The Prudential Authority (PA) recognises that entities such as Sanlam are susceptible to contagion risk and are subject to higher levels of scrutiny through a new regulatory framework to be released. The PA intends to apply a multi-tiered supervisory framework which includes the supervision of individual stand-alone institutions, specialist group institutions and conglomerate groups which will focus on depositor, policyholder and member protection. Risks will be managed carefully due to the broad scope of the environment in which the financial conglomerates operate.
A number of Sanlam volunteers represent ASISA on the financial conglomerate supervision project structures.

National Health Insurance Bill, 2018: The bill proposes the establishment of the National Health Insurance (NHI) Fund and its associated governance and advisory structures. It indicates that for the next several years the Fund will focus on funding critically needed services for defined vulnerable groups. Sanlam Health Management submitted a response incorporating perspectives related to gap, primary health, distribution and health administration. Afrocentric also submitted a response. In our view, funding for NHI will remain constrained in the short term due to weak macro-economic conditions and other fiscal pressures.

Medical Schemes Amendment Bill, 2018: Sanlam welcomed the intent to accelerate the development of a new capital regulation scheme that will be more closely related to the actual risk profiles of schemes. However, there are some concerns about proposed changes in governance structures, authority levels and technical matters, such as changes to the underwriting rules of medical schemes and how scheme contributions should be calculated and disclosed.

Sanlam Health Management submitted a response, incorporating perspectives related to gap, primary health, distribution and health administration. Sanlam Corporate also submitted a response through Afrocentric.

The Health Market Inquiry's (HMI) Provisional Findings and Preliminary Recommendations Report, 2018: Sanlam and Medscheme commented on the report. This followed continuous engagement and discussion on market structure, tariffs processes as well as supplier induced demand since the initiation of the inquiry in 2014. The feedback supported HMI's position that the recommendations have clear interdependencies and that these recommendations must be implemented in a holistic manner. Points of difference related to market failure, procuring value, the value of managed care, claims experience, loyalty and wellness programmes as well as accountable, clean and transparent leadership.

SEM regulatory developments

- Increased capital requirements for insurance companies in the CIMA region.
- The Ugandan Insurance Regulator is reviewing asset admissibility criteria for solvency purposes and issued draft regulations relating to prudential oversight, governance, control functions, business continuity, payment of premiums, classes of business, reinsurance and conduct of business.
- Botswana issued an amendment bill revising its anti-money laundering (AML)/combating the financing of terrorism (CFT) regime.
- Kenya issued the Financial Markets Conduct Bill, 2018, to provide for *inter alia* establishing a Financial Markets Conduct Authority and Ombudsman and to define market conduct rules.
- Changes in the South African environment based on the Twin Peaks model may have implications for SEM over time.

Compliance breaches

Sanlam experienced only one notable compliance breach.

- Safrican Insurance was found non-compliant with the Long-term Insurance Act due to an unauthorised sinking fund policy on its life insurance licence. To prevent any reoccurrence, steps have been implemented to include sign-off by various functions in developing specifications for new products. This will confirm that all licensing requirements are met. A R5 million penalty was paid to the Prudential Authority.

Preparing for IFRS 17

The International Accounting Standards Board (IASB) published IFRS 17 in May 2018. It is designed to achieve consistent, principle-based accounting for insurance contracts. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.

Sanlam launched an IFRS 17 project in preparation for implementation by 1 January 2022. The gap analysis phase is complete, as well as the development of IFRS 17 compliant disclosures and an overall blueprint for Sanlam that will guide implementation efforts across the Group. Sanlam and Santam is coordinating closely on the implementation of IFRS 17 and participating via ASISA to influence industry interpretation of the standard.

The most significant internal risks relating to IFRS 17 implementation is the availability and capacity of Sanlam resources given concurrent transformational projects.

MAJOR TRANSACTIONS FOR 2018

A partnership for Africa

Sanlam's acquisition of Saham Finances became effective 9 October 2018, after regulators in various jurisdictions approved the deal. Sanlam Emerging Markets and Santam hold an effective interest in Saham Finances of 90% and 10% respectively.

Key facts about the transaction and parties:

- The transaction is the largest in Sanlam's history and makes us the largest insurer across the African continent.
- Sanlam is now among the top three market leaders for life insurance in 11 African countries and for general insurance in 8 African countries.
- Saham Finances is the largest insurance company in Morocco, which is the second-largest insurance market in Africa after South Africa.

Transaction rationale and strategic alignment

Vision: Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia	✓
Strategic pillar: Enhancing Sanlam's resilience and earnings growth through diversification	✓
Strategic pillar: Responsible capital management and allocation	✓

Acquisition rationale summary

- Creating the 'go-to' insurer for multinationals operating in Africa
- Becoming the preferred partner to brokers, banks and other distribution entities operating across Africa
- Establishing the preferred network partner to international insurers with no African footprint

Potential synergies between Sanlam, Saham Finances and Santam

Sanlam is now a truly Pan-African insurance, investment and ancillary services group	Saham Finances enables Sanlam to deepen its presence in North Africa, Francophone West Africa and Lusophone countries in Southern Africa. This creates a unique positioning on the African continent. We are able to service multi-national clients and their intermediaries more effectively than any other group operating across the continent. The line of business diversification within the overall SEM operations improves earnings resilience.
Growing the Saham Finances life insurance operations with Sanlam life expertise support	Life insurance currently contributes less than 20% of Saham Finances' operating profit. Sanlam's life insurance expertise elsewhere in Africa positions us very well to grow this line of business across the Saham Finances footprint. This spans several African markets with favourable demographic profiles, strong economic growth prospects and low insurance penetration.
Growing the other SEM general insurance businesses in Africa with Saham Finances' general insurance expertise support	General insurance penetration in Africa is low. However, markets are becoming receptive due to population growth, urbanisation, economic growth and rising consumer demand for and acquisition of assets. Support to the other SEM general insurance businesses will be implemented over time in line with Saham Finances' operational capacity.
Expanding the Saham Finances product offering in assistance and health insurance across other SEM markets	SEM's current health insurance offerings in Zambia and Uganda have already been transferred to Saham Finances, with feasibility studies in respect of the roll-out of assistance business in Southern Africa progressing well.
Optimising reinsurance across the SEM general insurance footprint while expanding the general insurance specialist classes of business offering in conjunction with Santam	Focus on these lines of business will be enhanced by amending Santam's participation in SEM's African general insurance businesses to focus largely on reinsurance and specialist lines.

About Saham Finances

Saham Finances is an insurance group with operations in 26 countries across North, West and East Africa, and the Middle East. It writes personal lines general insurance business which exceeds 80% of its portfolio. Saham Finances has 65 subsidiaries, a network of 700 branches and a staff complement of 3 000. Saham Finances has a leading market share in many of the markets in which it operates. Saham Finances owns *inter alia* 58,48% of Saham Assurance Morocco, which is listed on the Moroccan Stock Exchange.

A phased approach to Africa

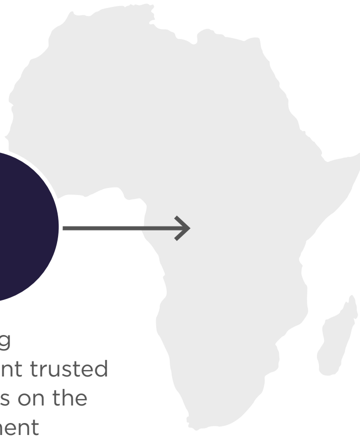
Sanlam started to grow its African footprint with the 2005 acquisition of African Life, and notable expansion activities since then include a partnership with Nigerian bank FBN and asset management in Kenya following the acquisition of PineBridge East Africa in 2017.

Sanlam and Saham Finances began their partnership in 2016, when Sanlam Emerging Markets acquired a 30% stake in Saham Finances. Sanlam increased its stake to 46,6% the following year.

Saham Finances will be branded as a 'member of Sanlam Group' over the short term across its existing businesses.

With the conclusion of the transaction, Sanlam's geographic footprint in Africa is almost complete. The next phase is to ensure that there are strong, leading businesses in every country and that our product offering is available across the continent. SEM remains interested in Egypt and Ethiopia, though regulations currently prevent investment access to the latter.

What it means to be a truly Pan-African player



1. Having a group of leading companies in Africa that benefit from being a part of a larger Group from which they leverage collaborative support
2. Being a company that has the ability to conduct business across all the four major language regions of the continent
3. Being a company whose business model is built on partnerships
4. Being a company that reflects the continent of Africa in the employee profile with employee mobility across boundaries
5. Having relevant trusted brands on the continent

> The conclusion of this transaction is an important milestone in achieving our vision of becoming a leading financial services group on the continent. The confluence of the combined footprint and respective expertise of Sanlam, Santam and Saham Finances provides the Sanlam Group with an opportunity to grow its life insurance businesses in Francophone markets as well as leverage the Group's expertise to grow the general insurance portfolio. We are uniquely positioned to be the 'go to' financial services partner for multinationals doing business on the continent.

Ian Kirk, Group Chief Executive

A partnership for empowerment

Transaction rationale and strategic alignment

Vision: Lead in client-centric wealth creation, management and protection in South Africa	✓
Strategic pillar: Enhancing Sanlam's resilience and earnings growth through diversification	✓
Strategic pillar: Responsible capital management and allocation	✓

Transaction rationale summary

- Sanlam's ongoing partnership with Ubuntu-Botho has been a key contributor to Sanlam's growth and success over the years. The proposed transactions will enable Sanlam to leverage this partnership further, including by maintaining and improving our empowerment status. A new empowerment partner would have involved substantial additional cost for Sanlam shareholders and would have put Sanlam's empowerment status at risk. The transaction makes commercial sense for Sanlam and Ubuntu-Botho.
- The transaction will enhance broad-based participation and extend 80% of the empowerment benefits to a broad range of participants in South Africa, in line with Sanlam's ownership intent as per the FSC.
- By enabling Ubuntu-Botho to acquire interests in existing Sanlam businesses through the creation of the UB facility, these businesses will become black-owned, which is an important consideration in awarding business within the institutional space in South Africa. This will not be achievable through the BBBEE transaction alone.

The potential strategic benefits of the transaction include:

- To assist in maintaining a Level 1 BBBEE status – a leading position among the major South African insurance companies;
- Enhancing Sanlam's positioning and competitiveness in strategic areas where empowerment credentials is an important consideration for institutional clients and where Sanlam lags from a market share perspective, namely third-party asset management, employee benefits, health and the entry-level market;
- Creating sustained economic growth through financial inclusion, participation and increased consumption, which in turn nurtures conditions for companies and communities to do well; and
- Driving enterprise and innovation to build an economy that is diverse, resilient and prosperous, thereby creating new business opportunities and clients for the future.

At the general meeting in December 2018, Sanlam shareholders approved a package of transactions aimed at strengthening the South African operations and positioning the Group for growth. The transactions will enhance Sanlam's economic empowerment credentials and build on a long-standing partnership with Ubuntu-Botho.

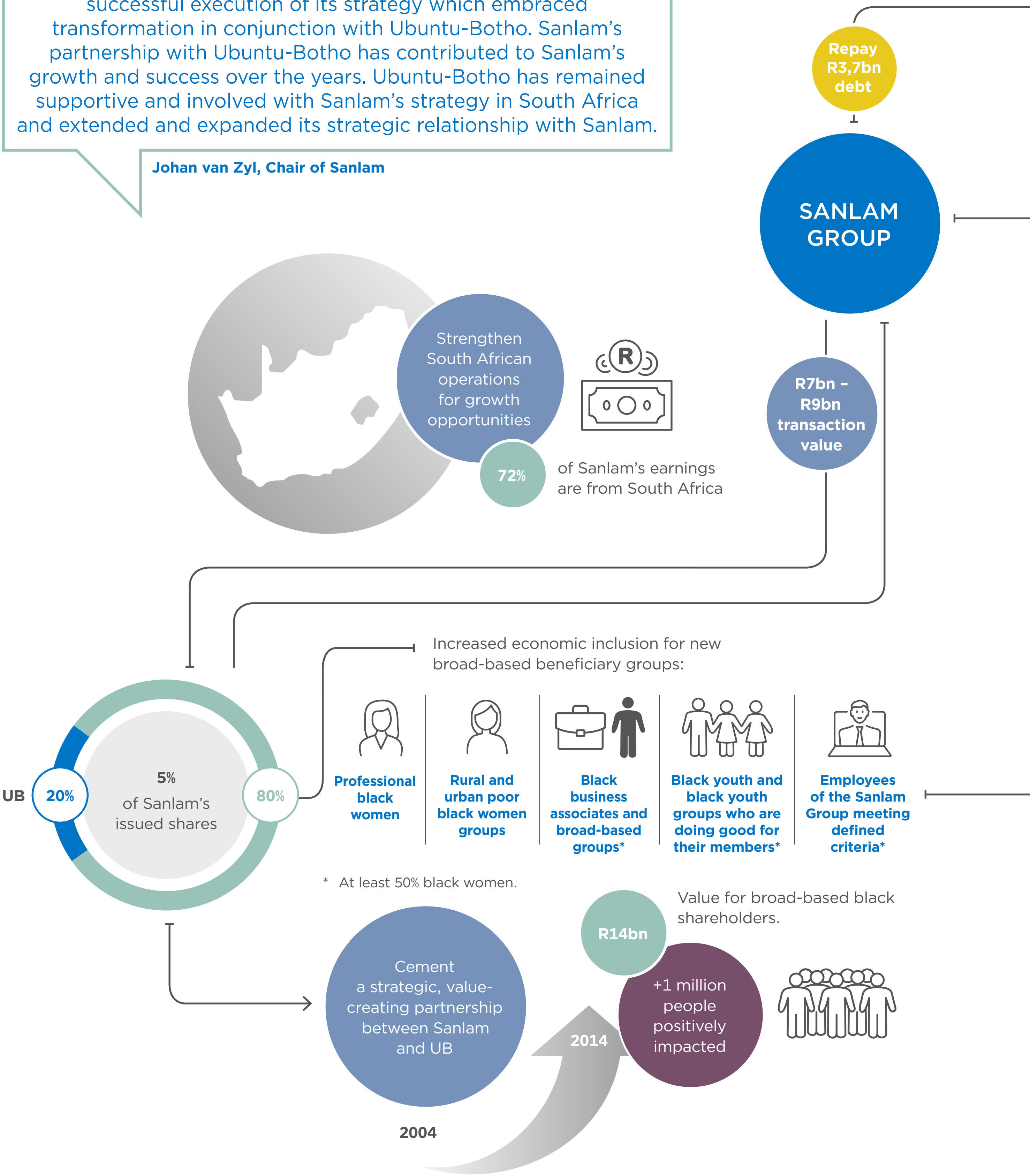
To launch the package of transactions, Sanlam will issue new shares to a new broad-based group of empowerment shareholders (80% of new shares) and Ubuntu-Botho (20% of new shares). This will increase black ownership in Sanlam and will strengthen Sanlam's balance sheet by redeeming the debt raised for the Saham Finances transaction.

As part of the package of transactions, the Group will also provide a R2 billion facility to Ubuntu-Botho to be utilised for the acquisition of strategic stakes in Sanlam businesses or investment in other businesses that are complementary to the Sanlam strategy. About half of the facility will be utilised to acquire a 25% share in one of Sanlam's operational subsidiaries, Sanlam Investment Holdings (SIH), and to establish a new black owned black managed insurance company, African Rainbow Life Insurance. SIH acts as Sanlam's South African third-party asset management business.

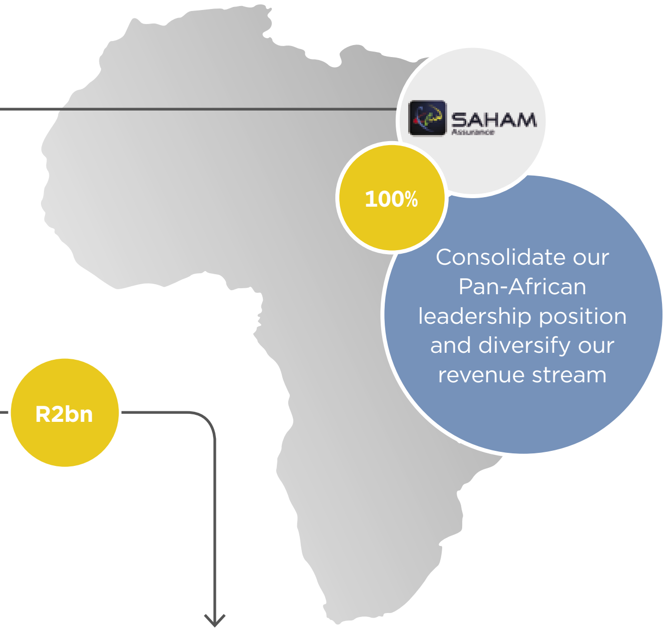
In turn, Sanlam may acquire a 25% stake in African Rainbow Capital Financial Services (ARC FS) from African Rainbow Capital (ARC) – a subsidiary of Ubuntu-Botho.

Detail about the funding and structuring of the transaction is available in the circular on the website.

> From April 2004, when the original empowerment transaction was signed to maturity in April 2014, 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.
>
> **Johan van Zyl, Chair of Sanlam**



Key decision drivers



Sanlam will provide a R2 billion facility to UB to enable it to acquire an interest in specific operating subsidiaries of the Sanlam Group and to invest in other businesses that are complementary to the Sanlam strategy.

Forged over 14 years, the partnership between Sanlam and UB is one of South Africa's most successful empowerment partnerships.

29% Increase in direct black ownership (calculated as per FSC)

44% Increase in black economic ownership (direct and indirect) (calculated as per FSC)

Level 1 Sanlam's BBBEE level

African Rainbow Capital Financial Services (ARCFS) will assist Sanlam in the execution of its South African strategy. Therefore, in addition to providing the UB facility, there is an in principle agreement that Sanlam or a wholly-owned subsidiary of Sanlam will, subject to definitive agreements, acquire a 25% stake in ARCFS from African Rainbow Capital (ARC).

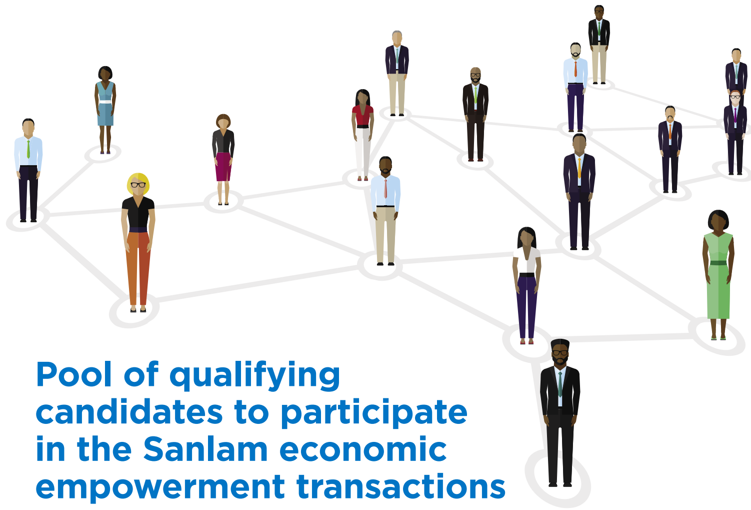
1. Getting ahead of the industry will be a game changer for Sanlam's growth prospects in South Africa.
2. The transactions will help Sanlam compete in selected growth markets where empowerment is a key priority for decision makers.
3. The transactions will further enhance Sanlam's leadership in empowerment in the financial sector in South Africa.
4. In line with Sanlam's prudent capital management policy, the transactions will allow Sanlam to strengthen its strategic position, while maintaining balance-sheet flexibility, ensuring consistent dividend pay outs and a stable credit rating.
5. The transactions balance commercial imperatives while enhancing economic inclusion.

Sanlam and Ubuntu-Botho have demonstrated that combining strategic relationships between black investors and established businesses with broad-based black economic empowerment and entrepreneurship can create long-term value as it delivers both commercial benefits and meaningful economic transformation.

Patrice Motsepe, Chair of Ubuntu-Botho

Guidance framework for the selection of new participants

New participants will receive 80% of the economic benefits that will flow from the Sanlam empowerment transaction. This requires a fair and transparent selection process. The Independent Committee of Non-executive Directors and Ubuntu-Botho formed a joint committee to select beneficiaries according to five distinct categories. These categories were selected to create meaningful value and for the highest potential impact.



Pool of qualifying candidates to participate in the Sanlam economic empowerment transactions through the trusts.

Reporting: Sanlam and Ubuntu-Botho will require the administrators of the Master Trusts and each of the Beneficiary Trust to keep proper records of all beneficiaries and the details of their participation and comply with all relevant statutory reporting obligations. In addition, the trusts will be subject to an annual audit.

New participant approval to be done by a joint committee:

Sanlam Independent Non-executive Directors' Committee and Ubuntu-Botho joint committee

UBUNTU BOTHO INVESTMENTS (PTY) LTD

Compliance

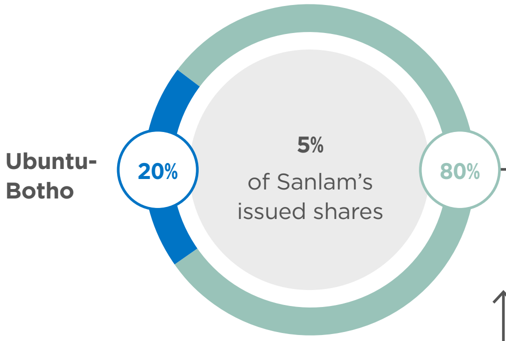
The Master Trust Deed and BBBEE legislation set the criteria on which participants will be selected. Criteria that will be considered are:

- Broad-base empowering/benefit reach or impact
- Demographics such as race, gender, nationality and age
- Geographic location in terms of urban/rural
- Individuals, groups or organisations doing good
- Other specific matters depending on each Beneficiary Trust

Beneficiaries of the previous BBBEE transaction will not qualify for a distribution. This will ensure that every beneficiary will be a new recipient of this initiative.

Relevance

Beneficiaries should be individuals and groups that are relevant to the aims of the category, empowerment intent and should contribute to positioning Sanlam as a responsible corporate citizen. Sanlam's intent is to enable economic transformation and inclusive growth and wealth creation for all stakeholders.



Professional black women | **Rural and urban poor black women groups** | **Black business associates and broad-based groups** | **Black youth and black youth groups who are doing good for their members** | **All employees of the Sanlam Group**

All participants will be beneficiaries of the Master Trust and five Beneficiary Trusts

5 categories of participants have been identified

The trusts will apply the principles of the Guidance Framework.

Independence: Those involved with the process will not be allowed to directly or indirectly benefit from any distribution. This principle will also apply to anyone connected to such individual.

Guidance Framework principles:

Principle	
Compliance	✓
Relevance	✓
Efficiency	✓
Governance	✓

Efficiency

Existing networks known to the Sanlam Group and Ubuntu-Botho will be leveraged to access the potential pool of groups and individual beneficiaries. This will strengthen the reach and impact of benefits. Existing relationships include those established by Sanlam through its Group Market Development division and with Ubuntu-Botho provincial boards and structures.

Governance

Sanlam made undertakings to shareholders to provide them with information from the start of the process. This includes being fair and transparent about the beneficiary selection process.

Fairness: Beneficiaries will be selected through a fair and transparent process with clear pre-determined criteria by the trustees of the Master Trust after approval by Sanlam and Ubuntu-Botho.

Transparency: Sanlam will report annually on the level of distributions, criteria applied and impact within each of the Beneficiary Trusts, without exposing the privacy of any individual beneficiary.

About Ubuntu-Botho

Ubuntu-Botho Investments (Pty) Ltd (Ubuntu-Botho) was established in 2003 as Sanlam's broad-based strategic empowerment partner. Its aim was to build black-controlled capital and to make a difference in the lives of ordinary South Africans by being the premier black-owned and controlled financial services entity. Its shareholders included women and youth groups, unions, church groups and trusts – all of whom received 1 000 shares as part of the original share allocation. Ten years later, at the maturity date of the Sanlam empowerment transaction, these shares were valued at more than R1 000 per share: the remaining 491 shareholders each had a shareholding with a minimum gross approximate value in excess of R1 million.

Many of these shareholders have used their shareholdings to further their individual businesses. Others are keeping their shareholding intact to transfer their wealth to the next generation. Some have decided to sell a portion of their holdings to meet personal financial needs. All benefited from the capital appreciation of the investment in Sanlam.

Ubuntu-Botho remained a Sanlam shareholder after the 10-year lock in period and the repayment of the original debt. The initial objective of accumulating capital had been achieved.

Governing the package of BBBEE transactions

Sanlam's corporate governance approach required the highest level of controls as the package of BBBEE transactions posed potential conflicts of interests and involved related party transactions.

The Board's Independent Committee of Non-executive Directors is mandated to evaluate matters between Sanlam and Ubuntu-Botho that could give rise to conflicts of interest. The committee is chaired by Sipho Nkosi, the lead independent director, and comprises all the non-executive directors who are independent of Sanlam and Ubuntu-Botho: Anton Botha, Chris Swanepoel, Paul Hanratty, Karabo Nondumo and Mathukana Mokoka. JP Morgan was appointed as an independent financial adviser to the committee. An independent fairness opinion was obtained from Deloitte in line with the JSE Listings Requirements.

The committee met eight times since August 2017 to consider how to strengthen Sanlam's relationship with Ubuntu-Botho, the development of Sanlam's empowerment strategy - given the opportunities presented by the Saham Finances transaction - and the current South African context.

They met prior to all Board meetings, where the transaction was discussed, and presented findings and recommendations to the Board. The committee's responsibilities included four submissions to the JSE and engagement with international investors seeking confirmation of the committee's independence status and commitment to good governance principles. Detail about the matters considered by the committee in terms of the transactions, beneficiaries, funding facility and costs are available in the shareholder letter on the website.

A summary of related parties

Currently, Ubuntu-Botho legally and beneficially owns 14% of the Sanlam shares (excluding treasury shares). Therefore, it is a material shareholder as contemplated in the JSE Listings Requirements and a major party in the transaction.

Patrice Motsepe, the deputy Chair of Sanlam, has a controlling stake in Ubuntu-Botho. He is also a director of Ubuntu-Botho and ARC. In addition to their positions on the Sanlam and Sanlam Life Boards and committees, Rejoice Simelane is a director of Africa Rainbow Capital and Johan van Zyl, Chair of Sanlam, is the Chief Executive Officer of Ubuntu-Botho and Co-chief Executive Officer of ARC respectively.

Approvals and controls

All aspects of the package of transactions were reviewed and approved by the committee before these were submitted to the Board for approval.

The transactions remain subject to the fulfilment or waiver of a number of suspensive conditions, in addition to the conclusion of definitive agreements, by no later than 30 June 2019.

Sanlam's empowerment timeline

1918	Sanlam was founded to assist in empowering impoverished and economically marginalised Afrikaans people. However, the organisation has since led corporate South Africa in ground-breaking empowerment transactions – this time to benefit previously disadvantaged black South Africans.
1993	Sanlam pioneered structured BEE in South Africa when it sold its controlling stake in Metropolitan Life to a black-controlled company, Methold, to shift some of the country's wealth to its black population. This transaction led to the establishment of New Africa Investments (NAIL), the first major black-controlled company to list on the JSE. This transaction excluded Sanlam from participation in the South African entry-level market for a period of 10 years.
2004	Sanlam made history again when it became the first major financial services company in South Africa to conclude its own ownership empowerment transaction with Ubuntu-Botho. This became one of the country's most successful BBBEE deals when it matured in 2014.
2018	Sanlam announced a package of BBBEE transactions to the value of more than R10 billion, building on its relationship with Ubuntu-Botho and an expanded group of empowerment beneficiaries.

Sanlam's BBBEE rating

The principle of continuous transformation includes our commitment to BBBEE as a national economic priority and evidence of good corporate citizenship. As at 31 December 2018, Sanlam achieved a level 1 BBBEE status. Details of the scorecard are available on our website.

Sanlam has successfully contributed to BBBEE through the following primary vehicles:

- The Ubuntu-Botho partnership and empowerment deal focusing on ownership
- Sanlam Sky Solutions, which is focused on creating access to financial services in the entry-level market
- Sanlam Foundation initiatives, including the Blue Ladder Schools project, focusing on maths education
- The Sanlam Enterprise Supplier Development Programme in partnership with ASISA to provide investment funding and business development support to small and medium-sized enterprises

CHAIR'S REPORT

Q&A

In 2018 Sanlam became the largest non-banking financial services group in Africa, and further transformed itself in the South African context. How do these two transactions contribute to Sanlam's long-term sustainability?

You are Chair of Sanlam and an executive director of Ubuntu-Botho. Please comment on the relationship between the two parties and how the market reacted to the deal.

If you think about Sanlam's world and performance in 2018, what factors in the external environment required a deliberate response from Sanlam?

Did Sanlam's performance for 2018 meet the Board's expectation?

Comment on other aspects of governance at Sanlam and provide a few examples of how the Board provides ethical leadership

Who would you like to thank when reflecting on the past year?

What are your expectations for 2019?

Sanlam's 100th year was characterised by two major corporate transactions and heightened focus on governance. Sanlam's Chair, Johan van Zyl, provided his perspective on a few key questions that summarise the main focus areas for the Board during the year.

In 2018 Sanlam became the largest non-banking financial services group in Africa, and obtained approval to further transform itself in the South African context. How do these two transactions contribute to Sanlam's long-term sustainability?

Sanlam transformed from a mainly life insurance business in Cape Town two decades ago to a sophisticated multinational in 2018. This is fully aligned to our vision to be leading in Africa, including South Africa. The two transactions in 2018 give us scale and scope – we now have a deep pool of Pan-African assets which we can allocate to create value for our clients and society.

The first major transaction for 2018 was effective 9 October and concluded the acquisition of a further 53,37% shareholding in Saham Finances. Sanlam first acquired a 30% stake in Saham Finances in February 2016 and subsequently acquired a further 16,63% stake in May 2017, bringing the total shareholding prior to the implementation of the transaction to 46,63%.

The Saham Finances transaction is a strategic move that we have been working on for a number of years as we built relationship and trust between the two entities. Some people believe that we have paid too much – however the Board is confident that we have weighed the price responsibly against the long-term value that we stand to create. It is now up to us and the executive management team to create that value by moving from a partnership where we had influence, to an extended group where we have control. Saham Finances will now look to us for leadership, capital and risk management support as we embark on a new phase of Pan-African growth.

The second major milestone entailed a package of strategic empowerment transactions focused on the South African market. Sanlam still generated 72% of its net result from financial services from South Africa in 2018 – a significant portion. We remain committed to and focused on this market and recognise that our ability to create financial resilience and prosperity relies on the well-being of our home country.

To grow, we have been exploring ways to strengthen our market share in South Africa in areas where we are underweight compared to peers. This includes the entry-level market where we need to facilitate access to economic activity through new products and services – and the ways in which these are delivered – to drive higher and sustained economic growth.

Growth in the institutional space of employee benefits and investments relies increasingly on BBBEE ownership. Clients are demanding higher levels of direct BBBEE ownership when awarding business mandates, selecting an asset manager or choosing a financial solution.

Given these potential barriers to growth, we developed a long-term and multifaceted strategic solution. We structured a package of BBBEE transactions with our partners, Ubuntu-Botho, to ensure long-term sustainability at Group and operational business unit levels.

A short-term outcome of the package of transactions – which received almost unanimous support from shareholders in December – will be the issue of 5% of Sanlam shares to a new broad-based group of empowerment shareholders and Ubuntu-Botho. Sanlam will also provide Ubuntu-Botho with a R2 billion facility to enable them to acquire an interest in specific operating subsidiaries of the Sanlam Group and to acquire businesses in support of the Sanlam strategy.

In addition to the facility, Sanlam may acquire up to 25% in African Rainbow Capital Financial Services from African Rainbow Capital.

The Saham Finances acquisition and the package of BBBEE transactions go hand in hand. From the beginning Sanlam had a dual objective: creating wealth but also making a difference. When our first major BBBEE deal was concluded in 2004, we led the way in the financial services sector because we wanted to make a difference and be innovative. This is a key part of what we are trying to achieve – and we have the same intent for Saham Finances.

Becoming a truly Pan-African business and a leading empowerment company with an anchor empowerment partner, means that we can drive inclusion across the continent and create true business sustainability.

You are Chair of Sanlam and an executive director of Ubuntu-Botho. Please comment on the relationship between the two parties and how the market reacted to the deal.

The partnership between Sanlam and Ubuntu-Botho has been one of the most successful empowerment partnerships in South Africa. It created value of over R14 billion for broad-based black shareholders when the first ten-year transaction matured in 2014. Over this time, we built a solid relationship of trust and knowledge of the industry and mutual opportunities. It is rare for empowerment partners to remain involved after a deal matured and value was unlocked. In this case, the relationship developed far beyond the initial Sanlam deal. My move from Sanlam to Ubuntu-Botho on an operational level was testimony to our intention to continue creating value on a broader scale.

The same applies to the 2018 Sanlam BBBEE transactions. With an existing partnership of trust, a commitment to a broad-based approach and a clear structure that addressed any potential conflicts, we received overwhelming support from shareholders and other stakeholders.

We established an independent committee that evaluated any matters that could potentially give rise to conflicts of interest. The committee was chaired by our lead independent director, Sipho Nkosi and reviewed and approved the transaction package before being submitted to the Board and shareholders for approval. Ubuntu-Botho refrained from voting on any of the proposed resolutions. More than 50% of our independent shareholders are international so we had to canvass them extensively to explain the rationale and context of the transactions. In the end, they overwhelmingly supported the deal, understanding that it will be defining for the business in the next 10 to 15 years. As with the Saham Finances transaction, the BBBEE transactions are only the first steps in creating a platform for growth – the hard work will have to follow through utilisation of this platform.

If you think about Sanlam's world and performance in 2018, what factors in the external environment required a deliberate response from Sanlam?

2018 was the toughest year I have experienced in business. There are major shifts in economic power internationally, consumers are under pressure and local unemployment is at the highest level ever. All of this means that savings are under threat from other financial priorities, including debt repayments. Savings are at the core of our business, which thus poses a challenge to the resilience of Sanlam and its stakeholders.

To add to this, South Africa's reputation as a beacon of good governance has evaporated with the result being a direct impact on trust and legitimacy of business and government. The upcoming elections in South Africa in 2019 predict a period of turmoil at home while having to compete with global companies who are often operating from a strong and stable base – and have a much lower tax burden. We also have two new regulatory bodies in South Africa who are in the process of finding their feet on the way to a regime set for more effective regulation.

The pressure is really on. However, Sanlam has managed these cycles for 100 years and we will continue to do so. We have the values, systems and people in place to do business well and to continue creating wealth and prosperity under almost any circumstances.

Did Sanlam's performance for 2018 meet the Board's expectation?

Despite the size and complexity of the transactions that we initiated this year, Sanlam kept all eyes on the ball: we achieved satisfactory results despite challenging operating conditions. In this context, we were particularly pleased by Sanlam Sky's performance following strong demand for its traditional products and the new Capitec funeral product. We were also encouraged by the recovery in Namibia and large new mandates secured by Sanlam Employee Benefits. Our strategy of diversifying has strengthened our overall position and we are becoming even more competitive in South Africa.

Comment on other aspects of governance at Sanlam and provide a few examples of how the Board provides ethical leadership?

Sanlam was not exempt from difficult decisions and situations: we also experienced the symptoms of our current economic environment in the form of theft and fraud. We recognise that we need to invigorate ethics in Sanlam and provide clear guidelines, so employees know what and how to do the right thing, while creating wealth.

The Group remains well governed with ample capital.

Risk management is a strong capability, but one that we need to mature in all subsidiaries, especially in SEM. The Board spent time to agree on the new operating model for SEM, which includes reporting and governance structures. Representatives of Saham Finances form part of operational management, whereas Sanlam and Santam have board positions and responsibilities.

There is often an assumption that a 100-year old business is at a disadvantage when facing digital disruption. This integrated report includes a range of examples that illustrate how the business remains nimble, competitive and innovative. Our Group business intelligence and omni-channel coordination projects are elements of wide-ranging initiatives to adapt and lead new client-centric choices in digital products and distribution.

As we embrace digital opportunities, the Board ensures increased vigilance around cyber-risk. The Group continuously enhances its cyber-risk intelligence to ensure that we understand the constantly morphing nature of threats. There is consensus that the Board needs to maintain a focus on being agile and innovative, with a concomitant impact on culture and risk management.

During the year we reviewed incentives to ensure that remuneration drives the right behaviour and decisions throughout the clusters. This will ensure that individuals take on the appropriate level of accountability, also for performance in other parts of Africa. We increased the scope of our remuneration disclosure in our Remuneration Report to show the alignment between strategy execution and short-term incentives for our executive team.

On an industry and national level, we continued to play our part, whether individually or through associations. We are active members of Business Leadership South Africa and ASISA where we play a leading role in driving towards solutions. We are only as good as the world we create.

On a Board level we noted criticism from certain shareholders that some of our Board membership is not suitably independent, particularly in the light of the BBBEE transactions with Ubuntu-Botho. The Board agrees that more can be done to address perceptions around independence while balancing the need for expertise and understanding of a complex business.

We conducted an external Board evaluation with excellent feedback in terms of positive and professional functioning, leadership and the Board's relationship with the Group Chief Executive. However, the evaluation highlighted the challenge of clear independence despite recognising that each member of the Board displayed independence of thought, behaviour and contribution to the work of the Board.

The Board therefore decided on additional measures to strengthen independence. In our Governance Report we provide more specific personal detail in the Board profiles, we disclose more of our reasoning on why some members are regarded as independent despite their long tenure and we announce a decision to shorten the rotation cycles of some Board members. This means that more Board members will stand for re-election every year at the AGM – shareholders will therefore have regular opportunities to vote on Board memberships.

We also plan to appoint new independent non-executive directors in 2019 to further strengthen the Board.

Q Who would you like to thank when reflecting on the past year?

Sanlam's executive team has done well – they deserve to be applauded. We are also welcoming the Saham Finances people into the Sanlam fold. They made a significant contribution, and we have high future expectations of the collaboration.

I also thank the Board: we are a well-functioning unit with strong leadership among committee chairs. This spreads accountability across the Board and lifts the quality of debates. They all invested a lot of time and energy into debates and decisions related to the two transactions, which is appreciated.

We took leave of three stalwart independent non-executive directors who retired: Manana Bakane Tuoane, Lazarus Zim and Valli Moosa. Their contribution and commitment to our purpose as a Group were highly valued. They were replaced by two new independent directors, whom we warmly welcomed: Mathukana Mokoka and Shirley Zinn.

Yegs Ramiah resigned as an executive director.

Last, but not least, I would like to extend my thanks to our clients, employees and brokers. We cannot create resilience and prosperity without your individual and collective contributions. Thank you to stakeholders for choosing Sanlam as your value creation partner.

Q What are your expectations for 2019?

Market conditions will remain tough. There is a risk that the period of low economic growth might be deeper and longer than anticipated. However, Sanlam starts the new year on a stronger platform and with expanded networks of opportunity. We need to leverage our advantages and bring in the best people in Africa. We now have two major business hubs in the north and the south of the continent: we have optionality and we can give people careers.

We remain vulnerable to South African vagaries that will be part and parcel of the 2019 elections – and the potential impact on our rating as a country.

Over the longer term things look optimistic: if we can limit the impact of current challenges, we can continue to create wealth and resilience on a wider scale than ever before. If we all step up and take responsibility for the generations to come, we can make the future work for us.

GROUP CHIEF EXECUTIVE'S STRATEGIC REVIEW

Highlights	Challenges
We concluded the largest transaction in Sanlam's history by finalising the acquisition of the remaining stake in Saham Finances for R13 billion.	Weak South African economic and investment market conditions muted new business and assets under management growth.
Overwhelming shareholder support for the package of BBBEE transactions that supports Sanlam's vision to obtain a leading position in all identified market segments in South Africa.	Weak investment markets suppressed Sanlam Personal Finance (SPF) and SIG net result from financial services.
The Catalyst Fund Managers (CFM) acquisition by Sanlam Investment Group (SIG) and Absa Consultants and Actuaries (ACA) by Sanlam Corporate (SC) were successfully concluded.	Underperformance in the East Africa and Letshego portfolios.
Solid operational results: continuation of track record of strong relative performance and positive covered business experience variances of more than R2 billion despite challenging conditions.	Adverse Group risk claims experience at SC.
Sanlam Sky's new business volumes increased by 71% and comparable VNB by 25% due to the successful launch of the Capitec products. Our partnership with Capitec reached a major milestone in February 2019, with funeral policy sales surpassing 500 000 within nine months after launch.	Saham Finances 2H18 results impacted by adverse claims experience and lower investment markets.
SC more than doubled new life business volumes following large new investment-related mandates.	
Santam (SNT) experienced a benign claims environment, with an underwriting margin for conventional business of 9,2%, well in excess of its 4% to 8% target range.	

2018 overview

Sanlam's 2018 centenary year again reflected the intrinsic resilience of the Group: shaping far-reaching future growth plans while delivering stakeholder value despite demanding market conditions. This is founded in our diversified portfolio and federal operating model that support a dual focus on operational and strategic delivery. Sanlam continues to do well on a relative basis despite tough times.

We remain a South African-based business committed to retaining clients and attracting new business despite a low growth environment in some large markets, including South Africa. We achieve this by developing appropriately priced solutions and distribution channels that meet clients' needs for certainty, security and protection. In the current environment we are spending even more time with our clients to assist them with the challenges they are facing.

This approach ensured that we again delivered solid financial results in relative terms. In absolute terms, we are not where we aimed to be in terms of a five to ten-year trajectory given the challenges experienced in South Africa, our largest market. However, we have several opportunities to strengthen our position over the medium term. In the past year, and for the immediate future, our Africa focus was on concluding the Saham Finances transaction, integration of the new Sanlam Emerging Markets (SEM) operating model and creating a Pan-African identity.

In South Africa, we launched initiatives to close the market gaps in health and employee benefits, the entry-level life market and in third-party asset management, and for Sanlam to lead in transformation in South Africa. We are confidently stepping forward into a new phase of empowerment partnerships that will support social and economic transformation.

Progress towards our vision

Lead in client-centric wealth creation, management and protection in South Africa

Where we have a leading position

Sanlam is one of the largest non-banking financial services groups in South Africa. Our aim is to occupy the top position in terms of profitable market share in all segments in which we compete. We defend our leading position by being client-centric and responsive to the need for stability and protection in volatile market conditions. Our distribution network, with increased omni-channel capabilities, provides an additional layer of security through sound advice and personal relationships.

We are a leader in risk products and life insurance in the middle income market. According to the 2017 Swiss Re Affluent Report, we have the largest market share by sum insured (BrightRock included) in South Africa. The traditional risk market in South Africa is not growing and therefore highly competitive. BrightRock's contribution has enabled us to retain a leadership position and grow market share.

Glacier, SPF's wealth and investment unit, is one of South Africa's leading investment platforms in the traditional and mature affluent market with a leading intermediated model. Glacier Invest is currently the largest Discretionary Fund Manager (DFM) in South Africa according to assets under management.

Sanlam's leadership position in retirement products will be challenged by new regulation anticipated through the phased implementation of the Retail Distribution Review (RDR) by the Financial Sector Conduct Authority (FSCA) and default annuity options in retirement funds. RDR will bring changes to the distribution of financial products and the provision of financial advice by financial institutions. We have, however, positioned our businesses to use the changes in regulation as an opportunity to gain market share in the retail and institutional space rather than a threat.

SIG has a leading position in private wealth management in South Africa. It pioneered index-tracking investment capabilities in South Africa with Satrix, which is the largest equity index-tracking provider in the country. SIG's Implemented Consulting is also a market-leading solution widely used by financial planners and consultants.

Santam is the leader in general insurance in South Africa with a market share of more than 22%. The Santam Specialist business units include Santam Marine, Santam Transport, Santam Agriculture and Corporate property, engineering and liability, all market leaders in their insurance classes in South Africa.

The 2018 adjusted Return on Group Equity Value (RoGEV) per share of 19,4% exceeded the target of 13% despite challenges in a number of markets. RoGEV remains the most appropriate indicator for Group performance as it incorporates the results of all the major value drivers in the business.

The Sanlam Board approved a 7,6% increase in the Sanlam dividend to 312 cents per share, in line with the objective of real dividend growth of 2% to 4% per annum.

Sanlam also leads by reputation: Sanlam was identified as the top long-term insurer by 52 short-term and 72 long-term insurance independent financial advisers (IFAs) in South Africa in a survey conducted by SBG Securities.

The proposed BBBEE transactions, combined with achieving a level 1 status in terms of the FSC scorecard, will place Sanlam in a strong, market-leading position in terms of empowerment and BBBEE credentials.

Where we lag in terms of our vision

Sanlam has a number two position in the entry-level market in South Africa despite good organic growth through Sanlam Sky. We are driving towards a leadership position in this market segment through continued accelerated organic growth in Sanlam Sky, our partnership with Capitec and the launch of African Rainbow Life in 2019.

The proposed BBBEE transactions will address our lagging position in third-party asset management, with African Rainbow Capital (ARC) potentially acquiring a share in this business. Sanlam's improved BBBEE credentials will also create further momentum for our healthcare and employee benefits offerings in the local corporate market.

SIG is working towards leading positions in absolute return and balanced funds by using the Sanlam distribution model. Alternative asset classes provide further opportunities to attract profitable new flows and clients. SIG made progress by acquiring a controlling stake in Catalyst Fund Managers, a specialist in managing listed real estate investments in South Africa and globally for retail and institutional investors. The acquisition diversifies and strengthens SIG's current asset management capabilities and expands its product offering.

Strategic pillars that support execution to address these gaps:

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

Progress towards our vision

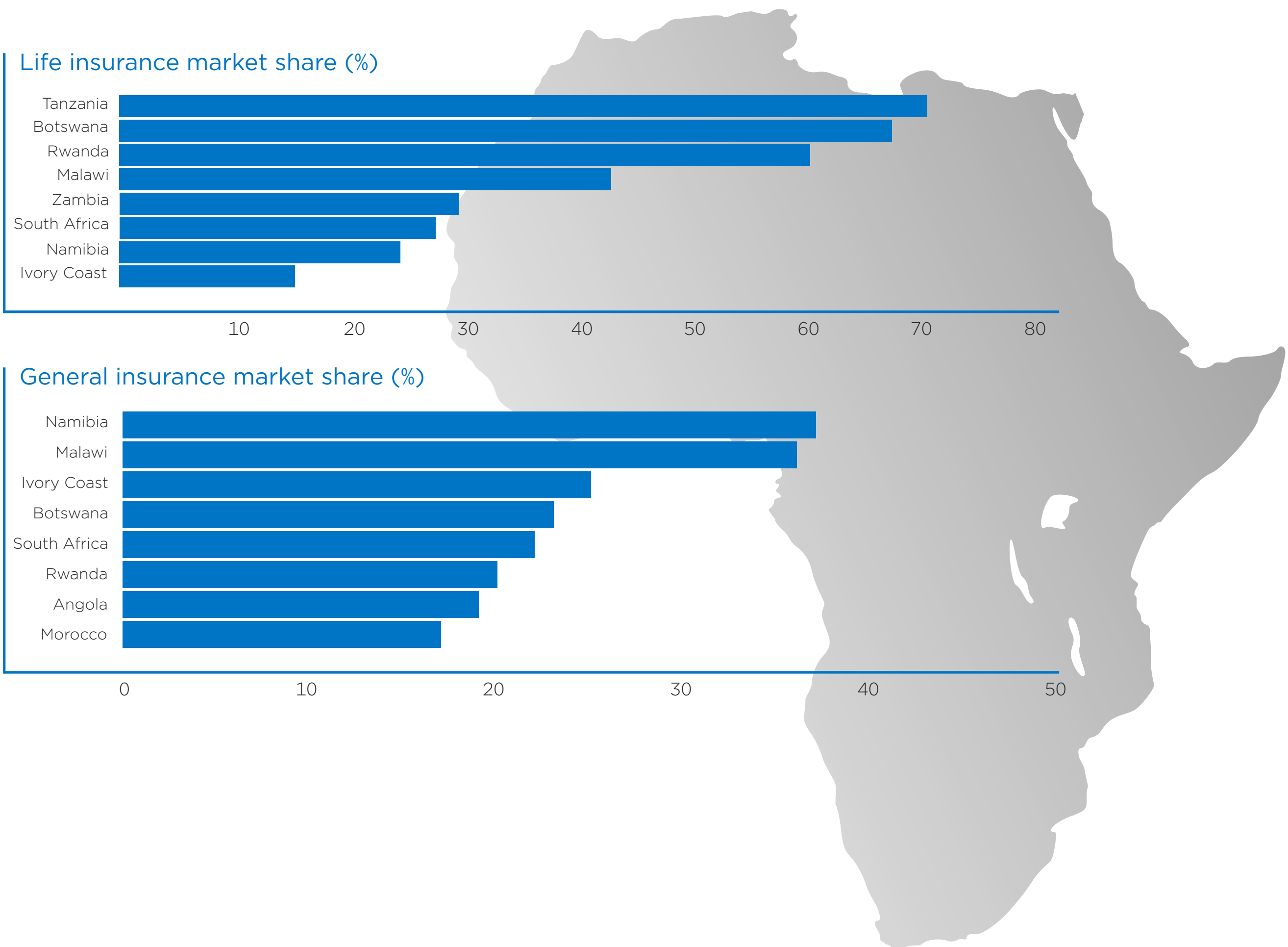
> Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia

We have a leading position in Africa

Sanlam historically had mature and market-leading positions in Namibia and Botswana. The dominance of these markets within SEM is shifting following the Saham Finances acquisition.

The acquisition positions Sanlam as the largest Pan-African financial services provider on the continent. Sanlam is among the top three market leaders in 11 African countries for life insurance, and 8 African countries for general insurance.

To achieve a meaningful presence, we have set ourselves a target to be in the first, second or third positions in key markets.



Being a leader in Pan-African financial solutions is built on a partnership model that relies on local partners to support and guide us. It also entails building networks across country borders to facilitate cross-selling and effective servicing of multinationals.

In India, Sanlam has a meaningful presence through its 26% share in Shriram Capital Limited (SCL). SCL is the holding company for the financial services and insurance entities of the Shriram Group, including Shriram Transport Finance Company, the largest non-bank asset financing company in India, and Shriram City Union Finance, a leader in retail finance across a wide range of products. On a consolidated basis, SCL has an overall client base of 7,5 million, 35 000 employees across 2 800 offices, and assets under management (AUM) of around US$11 billion. We also have direct stakes of 23% in Shriram Life Insurance (SLI) and Shriram General Insurance (SGI), with the remaining interest in these businesses held by SCL.

Growth in life insurance in India is ahead of industry growth levels. SLI and SGI have 768 683 and 2,1 million clients respectively.

Sanlam entered the Malaysian market in 2013 by acquiring a 49% stake in the general insurer Pacific and Orient Insurance Company Berhad. At the end of June 2014, Sanlam entered the life insurance sector by acquiring a 51% interest in MCIS Insurance Berhad. Economic growth in the region is strong, which provides the Group with a sustainable alternative income stream and new business growth opportunities. These businesses are receiving dedicated focus as they are not yet meeting our return hurdles.

Where we lag in terms of our vision

We are now entering a phase in which we need to build scale to consolidate and protect our leadership position in Africa, in particular those areas where individual businesses are not yet meeting their RoGEV hurdle rates. Our focus is to pursue organic growth by extending our product and service offerings or increasing shareholding where opportunities arise. This includes developing a comprehensive employee benefits and health offering.

Where we are lagging, we explore acquisitions of companies that can bolster our market share. An example of this was the acquisition of Lion Assurance Company Limited in 2017. The acquisition ensured a market-leading position for SEM in Uganda.

Kenya remains a work in progress as it has not achieved our targets. A new group Chief Executive and increased support from the SEM cluster team are aimed at improving performance.

To ensure dedicated focus on the Pan-African opportunity and to address the areas where we lag, operational responsibility for the SEM countries have been split between Pan Africa and other emerging markets (India, Malaysia and Lebanon). The current SEM management team will be responsible for Pan Africa, while the Group Financial Director will take responsibility for other emerging markets, including the evaluation of future strategies for these regions outside of Africa.

Strategic pillars that support execution to address these gaps:

- Profitable top-line growth through a culture of client-centricity
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

Progress towards our vision

> Play a niche role in wealth and investment management in specific developed markets

We have a niche position

In the UK we have seen a performance turnaround following a restructuring, a few acquisitions and further capacity building.

Most recently we acquired a financial planning business that brought £60 million of assets under management into the business. This strengthens our position as a specialist in providing holistic financial planning services for high net worth individuals and businesses. We have a competitive and award-winning set of products for our clients in this market. Specific focus will be placed on developing appropriate products to capitalise on the opportunities of our African client base.

Where we lag in terms of our vision

The UK business requires scale to entrench a niche position and to attract assets and skills. We continue to explore acquisitions and partnerships in this regard.

Strategic pillars that supports execution to address these gaps:

- Profitable top-line growth through a culture of client-centricity
- Responsible capital allocation and management

Progress against the four strategic pillars

We continued to execute on all our strategic pillars. Progress was impacted positively and negatively by factors in our economic and regulatory environment. These are set out in the section from page 137. Detailed information about each strategic pillar is provided in the strategy section on page 137, whereas the cluster reports from page 108 explain how each cluster supports and implements the pillars according to specific focus areas.

The execution of our strategy is supported by a remuneration approach to incentivise behaviour that meets targets. Short- and long-term strategic objectives are measured and rewarded within a framework that promotes fair, responsible and transparent remuneration. Our blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. Read more about our remuneration approach and implementation in the report from page 167.

Exco members have key performance indicators that correlate directly to the four strategic pillars. All are measured on growth measures appropriate for their businesses (read more in the remuneration section on page 167). Exco members also have employment equity targets where relevant and are expected to drive inclusivity and a "One Sanlam" culture.

Profitable top-line growth through a culture of client-centricity

Client-centricity is the bedrock of our success. This means that we continuously make adjustments for shifting client expectations, including seamless user experiences, lower costs and more transparency. Maintaining client trust is also becoming more difficult in business.

We deliver top-line growth through organic growth (writing new business and retaining our existing clients) and strategic acquisitions. Solid growth was achieved by all clusters apart from SIG, which remains affected by cautious investors and weak markets.

SPF achieved overall new business sales growth of 4% on the back of new initiatives such as BrightRock, MiWayLife and Capitec. The funeral and credit life underwriting arrangement with Capitec was the most significant contributor to exceptional growth of 71% at Sanlam Sky. The Capitec partnership is delivering ahead of the business case and achieved more than half a million funeral policy sales in the nine months since launch to February 2019.

SEM delivered mixed results, with Namibia showing strong growth in entry-level market risk business and Nigeria also doing exceptionally well despite currency weakness. Saham Finances showed good organic growth in local currency in Morocco and Angola. Lebanon did well under very challenging economic conditions. Côte d'Ivoire experienced some pressure on top-line growth. The East African region, however, disappointed with an overall weak new business performance. SEM has implemented mitigating actions through changes in senior management and increased central support.

SIG experienced strong inflows in Satrix index-tracking funds, with Satrix Managers consolidating its position as the leading business in the retail segment of this market. The international businesses also did well and attracted 57% higher new mandates.

SNT achieved commendable growth of 11% in gross written premiums in a competitive market.

SC excelled by more than doubling new life business volumes following large new investment-related mandates and strong recurring premium growth at SEB. The cluster also completed the acquisition of ACA with effect from 1 April 2018.

Diligent focus on client-centricity and the quality of new business written enhanced the resilience of the life insurance in-force book. Satisfactory persistency was maintained despite the economic pressures in the core South African and Namibian market.

We also measure client-centricity through the success of the Sanlam Reality loyalty programme. Sanlam Reality was voted number one for overall client satisfaction and value for money in the SAcsi 2018 survey and is the second biggest loyalty programme in the health and insurance sector, with over 265 000 members. A new app was launched this year, providing clients with access to exclusive benefits and real-time services.

Our commitment to client service is evident from the reports of the industry ombudsman in South Africa.

Sanlam's proportion of total claims awarded in favour of clients is much lower than our relative market share.

Sanlam's client-centricity is also evident in the number of claims and benefits paid to support client resilience and prosperity. SNT paid general insurance claims of R13,8 billion and Sanlam a total of R74,5 billion in the form of life insurance and investment fund benefits.

Sanlam's predominantly intermediated distribution model creates growth opportunities for a range of advisers and consultants. R8 billion was paid in sales remuneration for our advisers and independent distribution partners (excluding amounts paid by associated companies). This is an increase of 12% compared to 2017. The total number of advisors and supporting brokers in SPF increased to 12 068 (excluding BrightRock), which provided income opportunities for an additional 402 individuals and brokerages compared to the end of 2017.

We continue to support our more than 240 Sanlam BlueStar practices in South Africa by assisting them to achieve higher levels of positive client experience. We are particularly proud of our initiatives that enhance client experience through an online distribution capability, including Glacier's leading Investment Hub for intermediaries. This allows practices to adapt to the changing client needs for omni-channel delivery. It also positions Sanlam for the new regulatory environment to be rolled out as part of the RDR.

Enhancing Sanlam's resilience and earnings growth through diversification

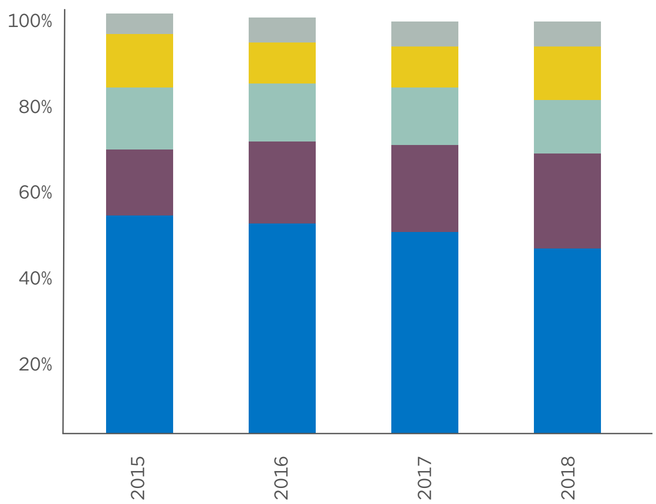
Two major transactions enable long-term execution of this strategic pillar. The Saham Finances acquisition serves as a game changer in diversification as it increases our exposure to the higher-growth Rest of Africa region, while enhancing the line of business profile with a shift towards general insurance. The package of BBBEE transactions approved by shareholders in December 2018 will introduce new empowerment groupings to the Group's shareholding base and will position us well to gain market share in the South African market segments where we do not have a fair market share, including third-party asset management, employee benefits, health and the entry-level market.

Diversification drives earnings growth through an increased variety of income streams, balances capital requirements and positions the Group for relevance throughout client life cycles.

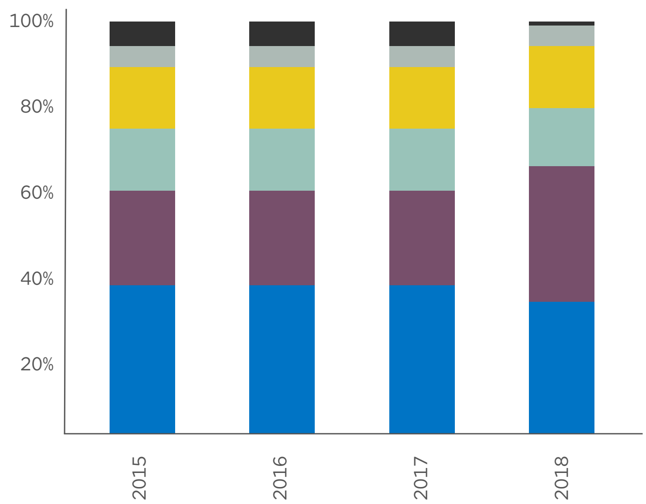
The benefits of diversification were reinforced during 2018 as the markets in which we operate experienced different levels of challenge and performance.

Geographic diversification achieved:

Contribution to Group net result from financial services



Contribution to Group Equity Value



Legend

- SPF
- SEM
- SIG
- SNT
- SC
- Discretionary capital and other

Diversification entails deliberate strategic choices. Sanlam has made the decision to not diversify by establishing or acquiring our own retail bank, but we partner with a number of banks. We continue to rather diversify our distribution channels through partnerships with banks to offer bancassurance, create new client value propositions, enhance their competitive positioning and provide us with access to new client pools.

Our diversification approach includes a strong emphasis on omni-channel initiatives as a way to reach, attract, retain and service clients while empowering intermediaries. We do this by providing enhanced business intelligence, which, in turn, strengthens our client-centric approach and competitiveness. Since non-traditional players compete in disruptive ways, we have to ensure that our offering and engagement with clients remain resilient and relevant. At the same time, we recognise that our physical branch infrastructure remains critical for financial inclusion and growth, particularly in the entry-level market in South Africa.

Extracting value through innovation and improved efficiencies

Operational efficiency is a focus area across all our operations, particularly during low market growth cycles. Low growth further inspires innovation as a way to attract and retain clients, while exploiting opportunities created by new legislation and technology.

Embedding new investments to exploit synergy and create efficiency was a key focus area. In SPF the working relationship with BrightRock is now well established, with the business exceeding new business targets. SPF will launch products in partnership with BrightRock under the Sanlam brand in 2019.

MiWayLife found good traction and made a welcome first-time contribution to VNB. While Indie digital sales had a lower pick-up than anticipated, it developed the digital client engagement capabilities on its platform significantly. The distribution and digital capabilities in these businesses make Sanlam well-placed to secure and establish affinity distribution partnerships with strong external brands. The first partnership of this nature was Capitec Bank in the funeral insurance market, and others are actively being explored.

Sanlam is still predominantly an intermediated business in South Africa, enhanced by omni-channel capabilities and supported by data analytics. In addition to innovation in business processes and products, we are working with advisers and consultants to use technology to adapt their client approach and engagements.

We continue building our digital insurer in Indie by focusing product innovation on client experience.

The business intelligence (BI) project, aimed at extracting value through big data and data analytics, is making good progress, with business demand for test cases exceeding our initial forecasts. The current focus is on using BI to improve underwriting accuracy, to have better and more targeted engagements with clients and to consolidate our data management. The latter is important in preparing for the extensive data requirements of the new International Financial Reporting Standard (IFRS) for insurance accounting (IFRS 17) that will apply from the 2022 financial year. Our BI initiative therefore creates a more explorative and interactive relationship with data, which will drive improved business performance in the longer term.

The BI project requires new skills, capabilities and a transformed culture. We explain how we are preparing for a next generation of employees in the section on our employee approach on page 42.

SEM is running a multi-year project to automate and standardise financial and actuarial reporting to improve efficiencies. Saham Finances is taking a leading role in using technology as an enabler for improved client experience through the establishment of a Digital Factory for Saham Assurance in Casablanca, Morocco. The team of 37 employees with skills ranging from marketing and sales to actuarial is responsible for the transformation of the company's processes. Their goal is to implement a client-centric vision. The digital factory puts the clients at the heart of Saham Assurance's processes, enabling the business to innovate quickly with short decision cycles and a culture of experimentation. There are many opportunities to cross-pollinate innovation between Saham Finances and Sanlam.

SIG's partnership with the Development Bank of the Netherlands, FMO, and South African infrastructure investment business, Phoenix InfraWorks, in the global clean energy asset manager, Climate Fund Manager (CFM), attracted a US$100 million commitment from the Green Climate Fund (GCF). The investment is spread across the Climate Investor One (CIO) Development Fund and Construction Equity Fund vehicles to enable the financing of renewable energy projects. With the support of GCF, CIO will be able to mobilise further commercial funds and build approximately 30 renewable energy projects over its lifetime, delivering an estimated 1 600 MW of additional capacity in 11 target countries.

CIO gives SIG's clients the opportunity to invest in a fund that has a positive impact on the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet the long-term cash-flow needs of our clients.

In turn, CFM made a US$50 million equity investment in Cleantech Solar, the leading Pan-Asian supplier of renewable energy to corporates.

Responsible capital allocation and management

We approach capital allocation responsibly, as Sanlam's long-term sustainability depends on having a resilient balance sheet that can support our growth initiatives as well as withstand adverse conditions. This is a safeguard to our clients, employees, suppliers and broader society, and has built stakeholder trust in Sanlam for more than 100 years. Therefore, prudence is inherent in the Sanlam culture and capital allocation methodology.

Capital management is controlled centrally from the Group Office, which means businesses must compete for capital. We allocate capital to those areas where we expect a higher return within acceptable risk estimates. To enhance RoGEV, Group businesses are allocated an optimal level of capital and are measured against appropriate return hurdles.

We continuously investigate opportunities to optimise the capital base as the Group and the operating environment develop. This includes more sophisticated balance sheet management, changes to strategic asset allocation, and the most appropriate capital structure.

A new capital investment strategy was approved and is being implemented by the internal Group Estate committee. This entails centralising the management of market liquidity and optimising asset allocation within the broader estate profile, all within the Sanlam Group risk appetite.

Discretionary capital of R2,5 billion was released through the excess cash dividend cover in respect of the 2017 financial year as well as a reduction in the capital allocation to SPF and SC. The latter is largely attributable to more effective balance sheet management. We also conducted an accelerated book build process at the end of March 2018 with the new shares issued and listed in April 2018 to raise R5,5 billion (net of dividends paid) as partial funding for the Saham Finances acquisition.

Our intention in concluding the third phase of the Saham Finances acquisition was to fully finance the transaction through shareholders' equity, in line with the Group's capital management philosophy. Given the level of discretionary capital available, this necessitated a new share issuance. This was the first equity raising since demutualisation in 1998 and presented us with a rare opportunity to introduce further empowerment partners to our shareholder base. As it takes some time to structure an empowerment issuance, the equity raising was split into two phases – an initial issuance to de-risk the transaction, and a second phase to introduce a broad-based empowerment component.

To de-risk the acquisition, we issued 3% new shares. This placed us in a position to temporarily finance the remainder of the transaction through debt while we finalise an empowerment issuance, without putting the Group's credit rating at risk. The second phase, constituting a further 5% issuance to a broad-based black empowerment vehicle, was approved by shareholders in December 2018. This equity raising will provide the remaining funding for the acquisition and will restore the discretionary capital portfolio to an appropriate level for future bolt-on acquisitions.

Following the Saham Finances acquisition, SEM launched an initiative to assess the cluster's risk appetite in terms of capital and solvency against minimum requirements for capital in each market. There is an opportunity to improve balance sheet management to extract discretionary capital.

Sustainability material matters addressed by Group office	
Driving transformation and empowerment	✓
Creating value through the Sanlam Foundation	✓
Doing more for our employees	✓
Reducing environmental-related risk	✓
A sound compliance culture	✓

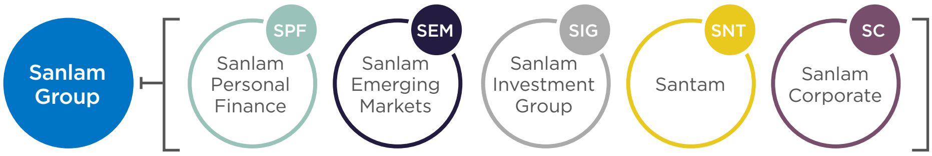
www.sanlam.com/investorrelations/sustainability/

Our transformation priority

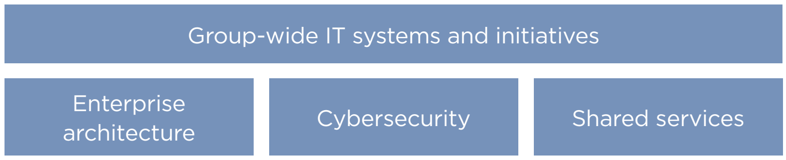
Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars. Transformation takes on different forms in the Group, but can currently be grouped into two main areas:

Digital and technological transformation	Digital transformation at Sanlam, through business intelligence, relates to the applications, infrastructure, tools and best practices that enable access to and analysis of information to improve and optimise decisions and performance. We continue driving the following: - adding depth to client profiles, interactions and operations by integrating external data, for example from advisers and intermediaries - tapping into behaviour patterns, trends and sentiments to drive better client experience, for example through Sanlam Reality - making use of predictive analytics to foster more effective cross-selling and upselling opportunities, reduce lapses and increase retention - using advanced analytics to spot fraudulent behaviours, forecast outcomes and guide actions - visualising data to enable better management reporting Examples of digital innovation are described in the SPF case study on page 112. New requirements, such as client-centricity, digital developments, regulatory changes and security concerns, are also driving the case for expanding Sanlam's IT philosophy. Due to digital technology advances, there is an increased focus on big data and cybersecurity threats, which creates new challenges and opportunities for businesses. We are currently facing IT risks grouped into the following themes: - Cyber and information security risks related to cyber-resilience, including crisis management capabilities, security measures and security capabilities. - Our aim to position the business for the future creates risks related to digital capabilities, the appropriateness of solutions, strategy alignment, architecture quality, cost sustainability and capability renewal. - Change ability concerns available skills, key resources, project delivery and the impact of change. - Sourcing risks relate to the terms of procurement strategies, vendor capabilities and sustainability, and the monitoring and control of ecosystems and their components. - Data and compliance risks relate to data ownership, management and quality, as well as regulatory and policy compliance. - Legacy renewal risk concerns modernisation and technical debt. - Operational stability defines risks in terms of system stability, service management and delivery, as well as disaster recovery planning. An IT Steering committee with cluster and Group representation was established under the Group Exco to drive a revised IT governance model based on a Group-wide technology strategy. A new function, Group Technology and Information, was formed to improve our digital technology capability, enterprise architecture, and technology and information governance across the Group.

Business IT systems and strategy



Group technology systems and strategy



The new Group technology strategy subscribes to the "One Sanlam" principle: to drive overall strategic business coordination, opportunities and potential synergies between businesses – within clusters and business units – and minimise any wasteful overlaps. It targets greater levels of collaboration across the Sanlam Group.

People transformation

With the increasingly diverse profile of the Group, the transformation of the workplace in terms of diversity and inclusion is critical. We have a diverse range of businesses and interests across the continent within countries with different levels of political, economic and social risk. We are present in all four language regions of the continent. Our working relationship with Saham Finances since 2016 continues to deepen our mutual understanding of how to address and manage potential cultural barriers.

Our partnership approach assists and guides us to navigate people risks, with a particular focus on the retention and transfer of skills to ensure resilience.

Therefore, most of our employee activities drive the attraction, motivation and retention of key talent in leadership and specialist roles.

At the annual senior and future leaders' conference held in June, over 700 delegates attended. The conference plays a key role in cementing Group identity around ethics, compliance, partnerships and delivery, while driving alignment and collaboration.

The Group HR conference in July brought together 130 Sanlam leaders and professionals from Malaysia, a range of African countries and the UK. A key focus for the conference was to foster relationship building that underpins improved talent mobility.

In South Africa, our transformation imperative relates to broad-based black economic empowerment and our role in supporting economic growth in the country. The package of BBBEE transactions approved by shareholders in December 2018 will bring strong impetus to these imperatives. We have also allocated a significant amount of funding to the Youth Employment Service (YES) initiative launched by the president. We are bringing youth into various Sanlam businesses and are also funding learners in targeted small and medium-sized enterprises under the guidance of the YES management team. For example, SPF will accommodate 172 learners with the intent of absorbing them into the mainstream business upon completion of a 12-month contract.

We have made significant progress over the last 10 years to transform in South Africa and achieved a level 1 status in terms of the FSC at the end of 2018, which positions us well within our peer group. We in particular made significant progress with regards to employment equity, with 77% of the South African staff complement being from designated groups. Transformation of the demographic profile of Sanlam at top, senior and middle-management levels in South Africa, however, remains a challenge. We continue to actively drive and measure progress in terms of employment equity in every cluster, with incentives linked to transformation targets.

Sanlam turned 100

In 2018 we celebrated the talent, commitment and perseverance of the people who have worked for Sanlam during its ten decades. We reflected on the value delivered by a solid strategy and the ability to execute, a strong brand, capital position and reputation.

Sanlam's 100-year milestone was celebrated by thousands of people across the globe through events, broadcasts and campaigns. #Sanlam100 was mentioned nearly two million times, becoming the best performing financial services brand on Facebook and outperforming our best ever engagement rate by 728% on Twitter. We opened a new museum in Bellville and used podcasts to transport people to 2218 to discover what the world will be like 200 years from now.

Partnering with stakeholders

Sanlam is committed to influence the Group's operating environment favourably. We are driven by a desire for ethical leadership and responsible practices. To be sustainable, we have a responsibility to assist government and ensure South Africa's success. Like Sanlam, government is also a commercial operation with which we can partner to invest and create value.

This year, Sanlam deployed R4 billion in capital to support expanded transformational infrastructure in South Africa. This includes targeted investments in affordable housing and agricultural development.

We are working closely with industry associations such as the Association for Savings and Investment South Africa (ASISA) and Business Leadership South Africa (BLSA), and have regular engagement with the presidency and national treasury. We entered into an agreement with the Gauteng Department of Basic Education to support the Member of the Executive Council (MEC's) fundraising efforts. Sanlam partnered with and sponsored several Women's Day events with the Department of Cooperative Governance, Social Development and Parliament.

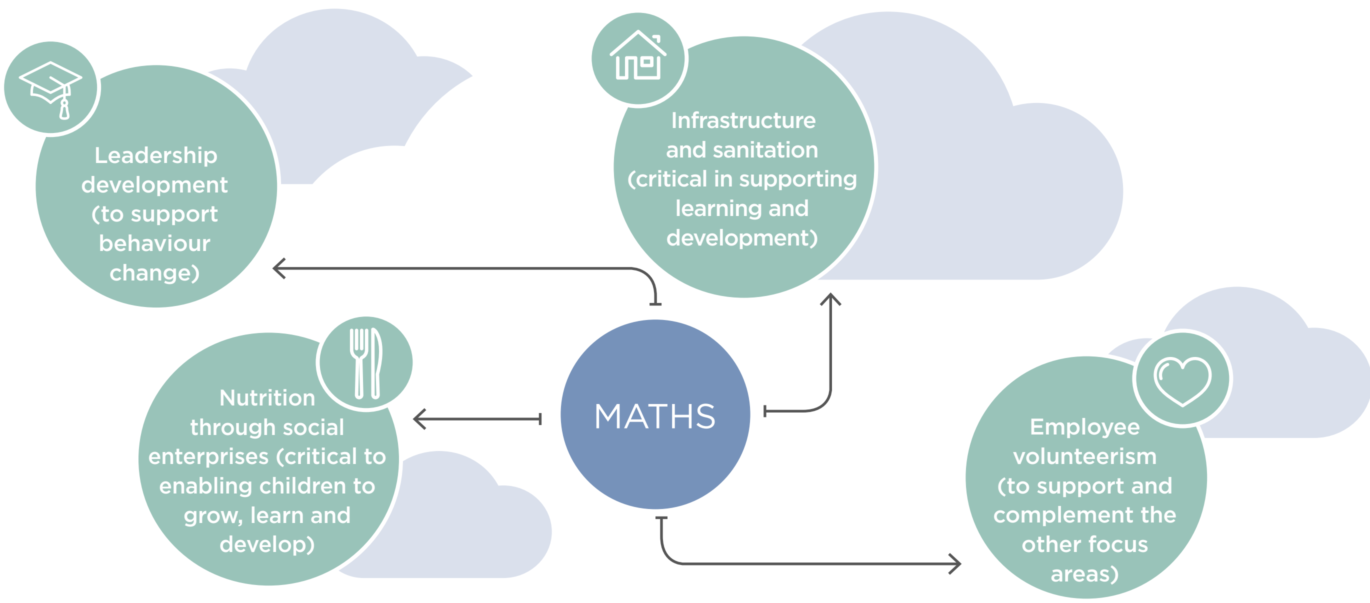
We are positive about our engagement with the new South African regulators and are encouraged by the fact that major pieces of legislation are now gaining traction.

Outside of South Africa, we follow a similar approach with active participation in industry representative groups and regular engagement with the local regulators. In many of these markets we play a critical role in developing the insurance market to increase insurance penetration to the benefit of the underinsured society.

We remain committed to supporting small and medium enterprises (SMEs) as the true catalysts to achieving economic growth and development. We believe in nurturing the entrepreneurial talents of individuals by creating and maintaining a network of competent suppliers to drive transformation within our supply chain.

Considering the critical role of skills development and education to drive economic growth, the Sanlam Foundation identified the Sanlam Blue Ladder Schools Programme as our flagship socio-economic development initiative. This project has already improved the lives of learners, parents and their immediate communities at schools across South Africa. Aligned with South Africa's National Development Plan, the Sanlam Blue Ladder Schools Programme was conceptualised as a holistic initiative to address the challenge of poor maths results.

The rationale behind identifying mathematics as the focus area was the link back to scarce skills in our industry, the link between numeracy and savings rates and the bigger correlation between numeracy levels and poverty, unemployment and inequality. Part of the holistic approach was to help address some of the barriers to effective teaching and learning.



Outlook for 2019

We expect the economic and operating environment to remain subdued in our largest markets over the short term with a resulting impact on the Group's key operational performance indicators. Low economic growth in our core South African market and political risk associated with the national election direct the persistent risk of a credit downgrade.

Regulatory changes in some markets support growth prospects but will add cost pressure compounded by increasing competition.

The Saham Finances acquisition and the package of BBBEE transactions have fundamentally changed Sanlam's profile and future opportunities. They support our belief in the African growth story over the medium to long term. We will continue to invest on the continent and provide support for our emerging market businesses and their clients. We are dedicated to extracting Saham Finances synergies together with Saham Finances' management and SNT, and will execute a turnaround in underperforming SEM businesses.

> We have a bright future and I've no doubt the fundamentals are in place to put us on the map in 100 years' time because the world will be very different then, business will be different, and Sanlam will be different – as it was 100 years ago.

> Our performance during our centenary year is pleasing. It reflects the diligence we have applied across our operations and our focus to deliver shareholder value under challenging conditions, while executing growth strategies. This is testimony to the benefits of our strategy that we embarked on more than a decade ago. We will continue with our strategic execution to ensure we realise further success for the business going forward.

The BBBEE transactions and achieving a level 1 status in terms of the FSC, positions us as a leading empowered business within our peer group and bodes well for market share gains in South Africa.

South Africa is in a somewhat better position than it was a year ago, but significant challenges remain. We are confident that Sanlam is also positioned for a new phase of growth and empowerment, thereby expanding its role in ensuring resilience and prosperity for stakeholders.

> Sanlam sees the unrivalled potential and endless possibility that Africa holds.

KEY FEATURES OF THE 2018 ANNUAL RESULTS

Earnings

- Net result from financial services increased by 4%
- Dividend per share of 312 cents, up 8%

Business volumes

- Net value of new covered business up 8% to R2 billion (up 14% on consistent economic basis)
- Net new covered business margin of 2,8% on consistent economic basis (2,94% in 2017)
- New business volumes increased by 1% to R223 billion
- Net fund inflows of R42 billion compared to R37 billion in 2017

Group Equity Value

- Group Equity Value per share of R63,41
- Return on Group Equity Value per share of 11,6%
- Adjusted Return on Group Equity Value per share of 19,4%; exceeding target of 13,0%

Capital management

- R7,9 billion of capital raised and released; R13,5 billion deployed in strategic investments
- Acquisition of remaining 53% stake in Saham Finances finalised
- Package of BBBEE transactions approved by shareholders; planned implementation 1H2019
- Sanlam Group SAM cover ratio of 215% (2017: 218%); Sanlam Life Insurance Limited SAM cover ratio for covered business of 221% (2017: 233%)

FINANCIAL REVIEW 2018 ANNUAL RESULTS

We celebrated 100 years of value creation for our stakeholders in 2018. We faced major headwinds in our centenary year, which makes the 11,6% RoGEV per share we achieved a fitting tribute to our resilience, diversification and ability to execute under adverse conditions.

We made major progress in executing on our strategic pillars during 2018, as elaborated on in the Group Chief Executive's report from page 72. Our federal model and diversified profile are major contributors, enabling a dual focus on growing our existing operations while also concluding new corporate transactions to drive enhanced future growth. This diligent focus on strategic execution enabled us to achieve solid growth in 2018 and double-digit average growth rates in most key performance indicators over the last 10 years. Growth of 14% in the value of new covered business (VNB) on a consistent economic basis and more than R2 billion in positive experience variances is testimony to Sanlam's resilience in difficult times

RoGEV
11,6%
10yr CAGR: 15,6%

Dividend
7,6%
10yr CAGR: 12,3%

Net result from financial services
4,0%
10yr CAGR: 12,2%

New business volumes
0,8%
10yr CAGR: 9,1%

Net VNB
7,8%
10yr CAGR: 12,5%

Net VNB margin
2,67%
2008: 2,50%

Read more about our strategy and long-term performance from page 137.

We entered 2018 with renewed optimism in South Africa. The election of Mr Cyril Ramaphosa as president of the African National Congress and South Africa boded well for an improved operating environment. Corporate and individual investor confidence soared, but it was unfortunately short-lived. It was soon realised that it will take longer than expected to transform the positive changes into enhanced economic growth. Investor confidence faded as a result, compounded by international developments including a steady rise in the US Federal Reserve policy interest rate, the uncertainties surrounding Brexit and an escalating trade war between the US and China. Operating conditions in South Africa remained challenging as a result, with pedestrian economic growth, negative returns on the local equity market and currency volatility.

The negative return of 9% for the JSE/FTSE All Share Index compared to a positive return of 21% in 2017 had a pronounced impact on RoGEV and earnings growth in 2018.

Economic growth in a number of the other key emerging markets where we operate was also constrained. In addition, equity markets across most of our markets recorded declines, placing severe pressure on our ability to grow earnings and create value for our clients. The currencies of oil-producing countries, Nigeria and Angola in particular, remained weak.

Read more about our operating environment from page 48.

Despite these challenges, the Group delivered robust overall growth in key performance indicators, supported by our diversification across geographies, market segments and lines of business.

The key highlights and challenges for the year are:

HIGHLIGHTS	CHALLENGES
Adjusted RoGEV of 19,4% per share exceeded the target of 13%	Underperformance in East Africa and at Letshego
Exceptional underwriting performance by Santam	Lower new business volumes, net inflows and profitability at SIG
Strong growth in VNB, with a sterling performance by Sanlam Sky and Sanlam Corporate	Adverse group risk claims experience continued in 2018
Continuation of track record of positive experience variances from covered business – exceeding R2 billion for the first time. Positive variances from all clusters and from various sources	SPF operating profit impacted by new initiatives and poor investment markets
Saham Finances acquisition concluded and consolidated from 1 October 2018	Saham Finances 2H18 results impacted by adverse claims experience and lower investment markets
Package of BBBEE transactions approved and successful book build of R5,5 billion in March 2018, increasing issued share capital by 3%	

This report provides an overview of the Group's performance, focusing on the key shareholder performance indicators. More detailed information is available in the Shareholders' information section from page 174, including balance sheet and income statement information for the shareholders' fund reconciled to the IFRS Statement of Financial Position and Statement of Comprehensive Income. Reconciliations between the IFRS net asset value and Group Equity Value (GEV) are also provided.

Basis of presentation and accounting policies

The Sanlam Group IFRS financial statements for the year ended 31 December 2018 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements are in all material respects consistent with those applied in the 2017 Integrated Report and Annual Financial Statements, apart from the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Read more about the impact of the adoption of these new accounting standards from page 136 in the Annual Financial Statements available on the www.sanlam.com website.

In addition to the IFRS Annual Financial Statements, Shareholders' Information is presented in the Integrated Report. The basis of presentation and accounting policies for the Shareholders' Information are in all material respects consistent with those applied in the 2017 Integrated Report, apart from the following:

- The Sanlam Investment Group (SIG) cluster was restructured with effect from 1 January 2018. Following the creation of the Central Credit Manager (CCM) within Sanlam Capital Markets (SCM), it was decided to further enhance focus on the management of Sanlam assets within the SIG cluster, while at the same time creating a third party asset manager that can more effectively compete with leading independent asset managers. The Sanlam Asset Management division and the part of Sanlam Structured Solutions responsible for the Sanlam assets were accordingly combined with SCM to form the new Sanlam Specialised Finance sub-cluster. Comparative Shareholders' Information has been restated accordingly, apart from GEV that has not been restated for Sanlam Asset Management. The valuation of Sanlam Asset Management as a separate business was only finalised during 2018. Comparative GEV valuations are not available with the business accordingly transferred to SanFin with effect from 1 January 2018 for GEV purposes. As it is an intra cluster transfer, it does not have an impact on GEV or RoGEV for the overall SIG cluster. As part of the restructuring, operational responsibility for the Group's term finance margin business was also transferred from the Group Office to Sanlam Specialised Finance. Comparative information was not restated for this change in operational responsibility based on materiality.

- Non-annuity assets and business flows at Sanlam Private Wealth have been reclassified from Assets under Management to Assets under Administration in line with industry practice. Business flows relating to these assets are commensurately excluded from new business volumes and net fund flows. Comparative 2017 information for SIG and the Group has been restated as follows:
  - New business volumes decreased by R9 016 million
  - Net fund flows increased by R2 568 million
  - Reclassification of assets amounting to R98 446 million from assets under management to assets under administration.
- Savings business written through the Sanlam Sky distribution channels are recognised within the SPF Savings business with effect from 2018. Comparative information has not been restated. The 2018 SPF Savings results include new business volumes of R118 million and VNB of negative R15 million relating to business formerly recognised in Sanlam Sky.

All growth percentages reflected in this review are relative to the 12 months ended 31 December 2017, unless otherwise indicated.

The 3% new shares issued through an accelerated book build in the first quarter (refer Capital management section) had a 2,3% dilutive effect on earnings per share metrics due to an increase in the weighted average number of shares in issue during the year. In addition, the acquisition of the remaining stake in Saham Finances, for which the capital was raised, only completed and started contributing to earnings from 1 October 2018.

Corporate activity during 2017 and 2018 impacts on the comparability of the Group's results. The following were the largest transactions:

- SPF acquired a 53% stake in BrightRock with effect from 1 September 2017. Shares acquired subsequent to the initial acquisition has increased Sanlam's stake to 55,1% at 31 December 2018.
- SPF started Indie as a new greenfields business in 2017, with initial losses recognised in earnings in both 2018 and 2017.
- SEM sold its stake in the Enterprise Group in Ghana with an effective date of 1 July 2017.
- Absa Consultants and Actuaries (renamed ACA Employee Benefits (ACA)) was acquired effective 1 April 2018.
- Saham Finances is consolidated with effect from 1 October 2018; before this date, the Group's investment in Saham Finances was recognised as an equity-accounted investment. The table below provides a summary of Sanlam's participation in Saham Finances' earnings, new business volumes, VNB and net fund flows based on the changes in shareholding:

Period	Sanlam Group	SEM	Santam
1/1/2017 – 30/4/2017	30%	22,5%	7,5%
1/5/2017 – 31/12/2017	46,6%	39,63%	6,97%
1/1/2018 – 30/9/2018	46,6%	39,63%	6,97%
1/10/2018 – 31/12/2018	100%	90%	10%

The impact of corporate activity is highlighted in the remainder of this report where relevant.

The structural information included in this results announcement has been presented to illustrate the impact of changes in the group structure and is the responsibility of the Group's board of directors ("Board"). It is presented for illustrative purposes only and because its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows.

Sanlam's external auditor. Ernst & Young Inc., issued a limited assurance report in respect of the structural information in terms of section 8 of the JSE Listings Requirements. The limited assurance report is available for inspection at Sanlam Limited's registered address.

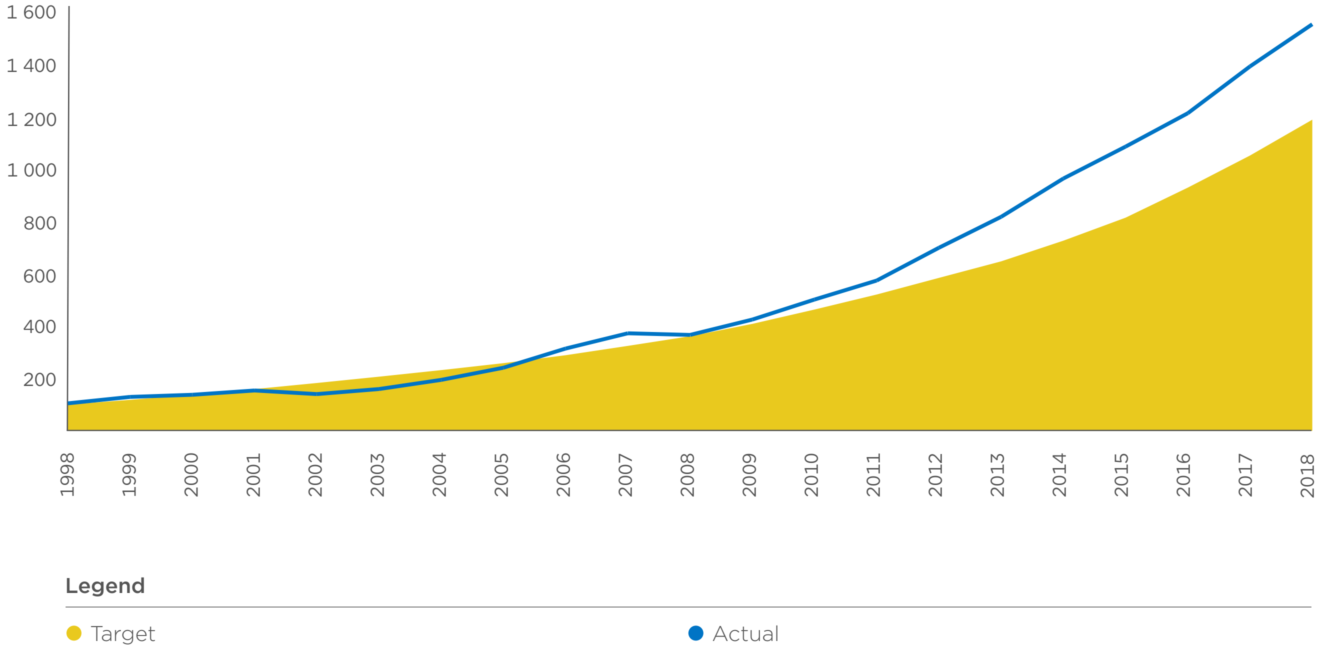
Financial performance measure

The Group has chosen RoGEV as its main measure of financial performance. GEV provides an indication of the value of the Group's operations, but only values the Group's in-force covered (life insurance) business and excludes the value of future new life insurance business to be written by the Group. GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, credit, general insurance and wealth management operations of the Group; and
- The fair value of discretionary and other capital.

Sustained growth in GEV is the combined result of delivery on a range of key performance drivers across a well-diversified Group. RoGEV measured against a set performance hurdle is therefore used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise shareholder value.

Read more about RoGEV and its key drivers from page 28.



The RoGEV target is to outperform the Group's cost of capital. The cost of capital is set at the risk free nine-year bond rate (RFR) plus 400bps. The compounded RoGEV of the Group since Sanlam demutualised and listed in 1998 comprehensively outperformed this target.

The RoGEV target for 2018 was set at 13% and for 2019 it is set at 13,5% based on the RFR of 9,5% as at the end of December 2018.

Group Equity Value

GEV amounted to R134 billion or 6 341 cents per share at 31 December 2018. Including the dividend of 290 cents per share paid during the year, a RoGEV per share of 11,6% was achieved. This was lower than the 13% target for the year. Strong growth in VNB, all-time high positive experience variances from covered business, good returns from the investment in Santam, the profit realised from the foreign exchange hedge implemented for the Saham Finances acquisition and the benefit of a weaker rand exchange rate on the valuation of non-South African operations provided support to returns in 2018. This was, however, not sufficient to compensate for the pronounced negative impact of weaker equity markets across most regions, higher risk discount rates (RDR) and the write-off of goodwill recognised in respect of the Saham Finances and other smaller acquisitions in terms of the EV methodology. The capital raising during 2018 (refer Capital management section below) occurred at a price of R87 per share, in excess of GEV per share at the time. This supported RoGEV per share by some 1% compared to the absolute RoGEV of 10,6% for 2018.

Adjusted RoGEV per share, which excludes the impact of lower investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 19,4% – well in excess of the target.

Group Equity Value at 31 December 2018

R million	GEV December 2018	GEV December 2017	RoGEV	RoGEV %
Group operations	**132 658**	113 829	13 526	11,6
Sanlam Personal Finance	**43 185**	43 401	4 832	11,4
Sanlam Emerging Markets	**44 659**	27 621	4 580	14,8
Sanlam Investment Group	**18 703**	18 331	682	3,7
Santam	**20 102**	18 108	2 658	14,7
Sanlam Corporate	**6 009**	6 368	774	12,8
Covered business	**56 234**	54 283	5 933	11,0
Value of in-force business	**41 456**	39 245	5 137	12,9
Adjusted net worth	**14 778**	15 038	796	5,8
Other operations	**76 424**	59 546	7 593	12,2
Group operations	**132 658**	113 829	13 526	11,6
Discretionary capital and other	**1 394**	7 934	(668)	(12,3)
Group Equity Value	**134 052**	121 763	12 858	10,6
Per share (cents)	**6 341**	5 940	691	11,6

Group operations yielded an overall return of 11,6% in 2018, the combination of 11% return on covered business and 12,2% on other Group operations. All clusters achieved satisfactory growth in GEV, apart from SIG, where valuations were severely suppressed by the negative equity market performance. Adjusted RoGEV for group operations amounted to 20,1% and 14,5% for SIG, which better reflects the underlying operational performance.

The covered business operations delivered a very strong operational performance. Adjusted RoGEV amounted to 19,9%, with all businesses exceeding the Group hurdle rate by a healthy margin, apart from the Sanlam Investment Group businesses. The latter is predominantly due to negative expense experience variances and assumption changes at Sanlam Investments and Pensions in the UK.

The main components contributing to the return on covered business are included in the table below:

Return on covered business for the year ended 31 December 2018

%	2018	2017
Expected return – unwinding of the RDR	**9,2**	9,0
Value of new covered business	**3,7**	3,6
Operating experience variances	**3,9**	3,0
Operating assumption changes	**0,6**	(0,8)
Economic assumption changes	**(1,4)**	0,5
Expected investment return on capital portfolio	**1,7**	2,0
Investment variances	**(5,1)**	1,2
Value of in-force	**(4,9)**	1,4
Capital portfolio	**(0,2)**	(0,2)
Foreign currency translation differences and other	**(1,6)**	0,3
Return on covered business	**11,0**	18,8

The main items contributing to the return from covered business are:

- Expected return on covered business increased in 2018 relative to 2017 based on the slightly higher RDR applied at the end of 2017 and the change in mix of the book to the higher-RDR SEM businesses.
- Value of new covered business: Despite the higher RDR in 2018, VNB still contributed 3,7% to the overall return. As highlighted in the Business volumes section, Sanlam Sky, Sanlam Corporate and SEM Namibia made particularly satisfactory progress in growing their VNB.
- Operating experience variances reached an all-time high, exceeding R2 billion for the first time (2017: R1,6 billion), up 35%.
  - Risk experience variances of R535 million increased by 20% on 2017, driven by favourable experience across most lines of business in SPF, including Sanlam Sky. SEM also achieved overall positive experience, albeit slightly lower than 2017. Claims experience weakened further at SEB, contributing to negative experience variances of R96 million compared to negative R43 million in 2017.
  - Our focus on client-centricity is a major factor in our success to maintain good persistency under challenging economic conditions.

    Positive persistency experience variances of R147 million in 2018 (up from R67 million in 2017) is a particularly satisfactory achievement. SPF's negative variance of R45 million is largely due to lower than expected continuations of single premium savings products. Persistency across risk products remained resilient. Dedicated focus on managing the in-force book contributed to an improvement in SEM's experience from negative R3 million in 2017 to positive R99 million in 2018.
  - Working capital experience variances include a one-off reserve release of R47 million. Excluding this, experience was in line with 2017, commensurate with short-term interest rate trends during the year.
  - Credit spread experience increased by 10% in line with growth in the corporate debt book managed by SanFin.
  - Other experience variances of R436 million include an amount of R272 million relating to a reduction in cost of capital following the release of R1,5 billion of allocated capital from Sanlam Life's covered business (refer Capital management section below), which should be regarded as one-off. The remainder comprises of a number of smaller variances.
- After strengthening the persistency and maintenance expense bases in 2017, no significant operating assumption changes were required in 2018. Modelling improvements and other result from the continuous refinement of actuarial models and are small relative to the size of the in-force book.
- RDRs increased across most of the portfolio in 2018 compared to a decline in the prior year. RoGEV from economic assumption changes were accordingly negative in 2018 compared to a positive contribution in 2017.
- Negative returns from equity markets in a number of countries in 2018 had a 5,1% negative impact on RoGEV in 2018 (1,2% positive in 2017). The hedging strategy applied in the Sanlam Life capital portfolio, the largest component of adjusted net worth, provided downside protection to returns on the overall capital portfolio.
- Foreign currency translation differences and other include forex gains from a weaker rand exchange rate (R393 million), which was more than offset by the write-off of goodwill acquired in terms of actuarial guidance (R1,2 billion). The goodwill write-off is net of R300 million of profit realised on the Saham Finances forex hedge that is attributable to covered business.

The main components contributing to the return on other Group operations are:

Return on other Group operations for the year ended 31 December 2018

%	2018	2017
Return on investments valued at net asset value	**(3,0)**	14,8
Return on investment in Santam	**14,7**	18,0
Return on investments valued at discounted cash flows	**11,7**	10,5
Expected return – unwinding of the RDR	**14,2**	14,1
Operating experience variances	**(0,3)**	1,0
Operating assumption changes	**(4,3)**	(0,6)
Economic assumption changes	**(3,7)**	(1,2)
Foreign currency translation differences and other	**5,8**	(2,8)
Weighted return on other Group operations	**12,2**	12,9

Other Group operations achieved a return of 12,2%:

- Sanlam Capital Markets within SanFin is valued at net asset value for GEV purposes, with profits earned in this business the main contributor to RoGEV from investments valued at net asset value. Losses recognised against equity-backed empowerment transactions and the non-recognition of income on the Mayfair collateralised loan (refer Earnings section below) are the main drivers behind the decline in RoGEV in 2018.
- The Group's investment in Santam is valued at its listed share price, which significantly outperformed the market with a return of more than 14% in 2018, compared to the 9% negative return of the JSE/FTSE All Share Index.
- The majority of the Group's other operations (excluding Santam and Nucleus) is valued on a discounted cash flow (DCF) basis. The benefits of the Group's diversified profile are evident in the overall 11,7% return earned from these businesses, with negative operating and economic assumption changes largely offset by foreign currency translation gains.

  The impact of lower equity markets is noticeable in the 4,3% negative operating assumption changes. More than half of this relates to SIG, where future fee income assumptions were reduced in line with lower than expected assets under management. A prudent valuation approach was also followed for Saham Finances and the Indian businesses. It is our usual approach to keep valuations at or close to transaction prices shortly after acquisitions, which was applied for Saham Finances' local currency valuation. Valuations of the Indian credit businesses were kept broadly unchanged in local currency given recent liquidity constraints in the Indian market. This is also in line with movements in the listed share prices.

  Economic assumption changes (-3,7%) reflect the higher RDR as referred to above.

  The valuation of the non-South African operations benefited from the weaker rand exchange rate. This was augmented by some R1 billion of profit realised on the Saham Finances forex hedge. The total hedge profit amounted to R1,3 billion after tax, of which R300 million is attributable to covered business (refer above). Overall, foreign currency translation gains contributed 5,8% to the RoGEV of businesses valued on a DCF basis.

The low return on discretionary and other capital is essentially the combined effect of the following:

- Net corporate expenses of R109 million recognised in net result from financial services.
- The low-yielding nature of liquid assets held in the discretionary capital portfolio.
- Funding cost in respect of the temporary debt incurred for the Saham Finances acquisition.
- An increase in the present value of future corporate expenses, with additional investment in capacity, including new appointments to the Executive committee.

Earnings

Normalised attributable earnings increased by 5% in 2018, the aggregate of an 8% decline in normalised headline earnings and a substantial increase in profit recognised on the (deemed and actual) disposal of subsidiaries and associates.

Shareholders' fund income statement for the year ended 31 December 2018

R million	2018	2017	Δ
Net result from financial services	**8 890**	8 549	4%
Sanlam Personal Finance	**4 033**	4 235	(5%)
Sanlam Emerging Markets	**2 038**	1 793	14%
Sanlam Investment Group	**1 152**	1 227	(6%)
Santam	**1 196**	851	41%
Sanlam Corporate	**580**	558	4%
Group Office and other	**(109)**	(115)	5%
Net investment return	**707**	1 663	(57%)
Net investment income	**644**	846	(24%)
Net investment surpluses	**63**	817	(92%)
Project costs and amortisation	**(536)**	(375)	(43%)
Equity participation costs	**(5)**	(2)	(150%)
Normalised headline earnings	**9 056**	9 835	(8%)
Profit on disposal of subsidiaries and associates	**2 773**	1 335	108%
Impairments	**(305)**	(303)	–
Net equity-accounted non-headline earnings	**(3)**	134	(102%)
Normalised attributable earnings	**11 521**	11 001	5%

Net result from financial services

Net result from financial services (net operating profit) of R9 billion increased by 4% on 2017, with substantial growth in Santam's contribution.

Corporate activity supported the results, as well as a benign claims environment at Santam in 2018 compared to abnormally large catastrophe events during June and October 2017 in the comparable period.

Normalising for these, net result from financial services were marginally up on 2017, as reflected in the following table:

Analysis of net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Personal Finance	**4 258**	4 280	(1%)
Sanlam Emerging Markets	**1 724**	1 720	–
Sanlam Investment Group	**1 152**	1 227	(6%)
Santam	**1 141**	1 006	13%
Sanlam Corporate	**541**	558	(3%)
Group Office and other	**(109)**	(115)	5%
Normalised net result from financial services	**8 707**	8 676	–
Santam abnormal catastrophe claims	**–**	(156)	
Corporate activity	**183**	29	
BrightRock, Indie, African Rainbow Life	**(225)**	(45)	
Enterprise Group Ghana	**–**	28	
ACA	**39**	–	
Saham Finances	**314**	45	
Saham Finances – Santam share	**55**	1	
Net result from financial services	**8 890**	8 549	4%

SPF net result from financial services declined by 5% (also down 5% on a gross basis). Excluding corporate activity and new growth initiatives, SPF's contribution was 1% down on 2017, due to the major impact that the weak equity market performance had on fund-based fee income at Glacier, the Closed Book and Savings business units.

SPF net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Sky and African Rainbow Life Insurance	**1 268**	1 228	3%
Recurring premium sub cluster	**2 780**	2 568	8%
Glacier	**1 190**	1 753	(32%)
Life investments	**651**	1 260	(48%)
LISP	**539**	493	9%
Strategic business development	**374**	351	7%
Sanlam Personal Loans	**422**	375	13%
Other	**(48)**	(24)	(100%)
Gross result from financial services	**5 612**	5 900	(5%)
Tax on gross result from financial services	**(1 636)**	(1 679)	3%
Non-controlling interest	**57**	14	>100%
Net result from financial services	**4 033**	4 235	(5%)

Sanlam Sky and African Rainbow Life Insurance's gross profit contribution increased by 3%, the combination of 5% growth at Sanlam Sky and initial expenses of R25 million incurred in 2018 to create the new African Rainbow Life Insurance business (planned launch date in the first half of 2019). Strong new business growth at Sanlam Sky (refer Business volumes section) contributed to higher new business strain being recognised in 2018 in terms of the Group's prudent accounting policies, which recognise upfront acquisition costs incurred in respect of insurance contracts in earnings as opposed to capitalising and spreading it over the duration of the policies. Excluding the additional new business strain, Sanlam Sky's gross result from financial services increased by 10%, reflecting the increase in the size of the in-force book. Mortality experience improved in 2018, but was more than offset by a slight weakening in persistency experience and negative investment and other variances.

The Recurring premium sub-cluster's gross result from financial services grew by 8%. Excluding BrightRock, gross result from financial services was 15% higher than 2017. BrightRock is experiencing very strong growth as a relatively young company, with new business strain exceeding profit releases from the in-force book. It therefore still contributes operating losses to the SPF earnings. Strong growth in risk profits (excluding BrightRock) was partially offset by 3% and 4% respective declines in the profit contributions of the Savings and Closed Book businesses. Risk profits benefited from the increased size of the in-force book, improved claims experience and flat new business strain following no growth in new business volumes from the traditional risk business channels (excluding BrightRock). Earnings from the Savings and Closed Book businesses were negatively affected by the weak investment market performance that depressed growth in assets under management, and declining units in the Closed Book.

Glacier's Life investments profit was severely impacted by the weak equity market performance as well as negative modelling and assumption changes. The Life investments portfolio includes products where Glacier participates in the absolute investment return earned on the underlying asset base. These products experienced marginal negative investment returns in 2018 compared to double digit positive returns in 2017, contributing to a R317 million decline in fee income. Weak investment returns and net outflows of guaranteed business also placed pressure on fee income from the other lines of savings business. The LISP business's profit increased by 9%. The weakening in the rand exchange rate and good demand for international products protected the overall assets under management of the LISP business from the weak South African equity market performance. Cost saving initiatives also had a positive effect.

Strategic Business Development (SBD) profits increased by 7%. Growth in the size of the Sanlam Personal Loans book supported 12% growth in the business's profit contribution. Bad debt provisioning increased in line with the requirements of IFRS 9, which was adopted with effect from 2018.

SEM grew its net result from financial services by 14%; up 21% excluding the increase in new business strain recognised in terms of the Group's prudent accounting policies. Excluding corporate activity, earnings were marginally up on 2017 (up 8% excluding increased new business strain). Gross of tax and non-controlling interest, result from financial services also increased by 14%. Changes in the rand exchange rate did not have a significant impact on the translated SEM earnings, apart from India as indicated below.

SEM SEM net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Namibia	**412**	535	(23%)
Botswana	**916**	872	5%
Rest of Africa	**1 166**	790	48%
Saham Finances (including Lebanon)	**1 055**	545	94%
Enterprise Group Ghana	**–**	30	(100%)
Other	**111**	215	(48%)
Pan-Africa portfolio	**2 494**	2 197	14%
Other emerging markets	**1 241**	1 192	4%
India	**1 169**	1 134	3%
Malaysia	**72**	58	24%
Corporate – South Africa	**38**	(78)	>100%
Gross result from financial services	**3 773**	3 311	14%
Tax on gross result from financial services	**(1 109)**	(936)	(18%)
Non-controlling interest	**(626)**	(582)	(8%)
Net result from financial services	**2 038**	1 793	14%

Gross result from financial services from the Pan-Africa portfolio increased by 14%:

- *Namibia's* gross result from financial services declined by 23%. Corporate activity resulted in Bank Windhoek changing from a subsidiary to an associated company of CIH in 2017. As a subsidiary, Bank Windhoek's gross earnings were included in the CIH gross result from financial services, with the Bank Windhoek non-controlling interest being recognised as a separate component in net result from financial services. As an associate, only CIH's effective stake in Bank Windhoek's earnings is recognised in gross result from financial services. Excluding this change in accounting treatment, as well as the additional new business strain in the life insurance business (refer below), gross result from financial services increased by 9%.

  Life insurance gross result from financial services declined by 22%, primarily due to a significant increase in new business strain emanating from the strong growth in entry-level market new business volumes. Excluding this, operating earnings increased by 24%. Group life claims experience improved in the second half of the year, with overall risk profit increasing on 2017. Fund withdrawals by the Government Institutions Pension Fund of R2 billion at the end of 2017 and a further R1 billion in 2018, combined with a weak equity market performance, depressed fee income and gross result from financial services of the asset management business, with the latter declining by 10%. Santam Namibia struggled to grow its premium base under challenging operating conditions, with gross written premiums declining by 5% and gross result from financial services declining by 17%. Earnings from credit business declined by 22% (up 7% excluding the impact of the change in accounting treatment of Bank Windhoek), with the relatively low growth reflecting the weak general operating environment in Namibia and liquidity constraints within the banking sector.

- The *Botswana* operations achieved mixed results with an overall increase of 5% in gross result from financial services. Life insurance profit increased by 14%. Annuities underperformed due to low new business volumes, but this was more than offset by good growth in the funeral, group credit life and term assurance lines. Letshego's gross earnings were in line with 2017, the combined effect of limited growth in the size of the loan book, additional bad debt provisions recognised in terms of IFRS 9 and some one-off expenses. A new business plan has been developed under the auspices of a new chief executive to address the underperformance. The decline in the Botswana equity market placed pressure on the asset base and fee income of the investment management business, which did well to increase its gross earnings by 1% despite the challenging conditions. Earnings contributions from the other Botswana businesses were also broadly in line with the prior year.

- The *Rest of Africa* gross result from financial services increased by 48%.

The Saham Finances contribution almost doubled, supported by corporate activity in 2018 and 2017. The table below provides an analysis of the Saham Finances earnings on a 100% basis for 2018 and 2017, which eliminates the distortion caused by changes in shareholding at a Sanlam level during the two years. The average exchange rates used for translation purposes were R/MAD 1,417 and R/MAD 1,388 for 2018 and 2017 respectively.

Saham Finances net result from financial services for the year ended 31 December 2018

R million	2018	**2017**	**Δ**
Gross written premiums	**16 569**	15 975	4%
Net earned premiums	**13 843**	12 723	9%
Net claims incurred	**(9 448)**	(8 537)	(11%)
Net commission	**(1 454)**	(1 289)	(13%)
Management expenses	**(2 645)**	(2 572)	(3%)
Underwriting result	**296**	325	(9%)
Investment return on insurance funds	**951**	1 734	(45%)
Other earnings	**52**	116	(55%)
Gross result from financial services	**1 299**	2 175	(40%)
Taxation and non-controlling interest	**(609)**	(1 078)	44%
Net result from financial services	**690**	1 097	(37%)

Key features for 2018:

- Gross written premiums increased by 4% (8% in local currency). Refer Business volumes section below for more information.
- Underwriting profit decreased by 9%, with life insurance earnings decreasing to a loss of R448 million (2017: loss of R419 million) due to investments in growth, and general insurance earnings being in line with 2017.
- The general insurance combined ratio amounted to 95,9% (2017: 94,4%). The following items impacted on the general insurance results:
  - One-off incentives of R28 million was paid to staff as part of the post-acquisition integration process.
  - General insurance claims experience weakened at Saham Maroc during the year, impacted by an increase in motor claims frequency and one-off fire claims in the fourth quarter of 2018, which is traditionally a strong quarter for the Moroccan business.
  - Angola's loss declined from R40 million in 2017 to R29 million in 2018. An improvement in claims experience was partially offset by a higher cost base. Exchange rate weakness contributed to higher expense inflation.
  - Lebanon also experienced a better claims environment, with a combined ratio of 88,2% in 2018 (2017: 91,2%). Underwriting profit increased by 107% as a result, despite the pressure on premium growth (refer Business volumes section below).
  - The other regions recorded lower earnings from direct insurance, primarily due to pressure on premium growth in Côte d'Ivoire.
  - Reinsurance profit increased by 11% from R232 million in 2017 to R257 million in 2018.
- Investment return earned on insurance funds declined by 45%. The underlying portfolios included legacy equity exposures, which benefited from positive investment market returns in 2017, while most markets declined in 2018. The difference in relative market performance contributed R725 million to the decline. The strategic asset allocation of these portfolios will be reassessed as part of the planned capital management activities following the acquisition and Saham Finances becoming a wholly-owned subsidiary.

Relative investment market returns and a number of one-off items impacted on the Saham Finances earnings for 2018. The table below provides an analysis of the Saham Finances attributable and normalised earnings in context of the purchase consideration:

Analysis of Saham Finances earnings

R million	2018	**2017**
Net result from financial services	**690**	1 097
Net investment return	**172**	110
Net finance cost	**(160)**	(76)
Attributable earnings	**702**	1 131
Foreign currency translation differences	**(124)**	151
Comprehensive income	**578**	1 282
Operational adjustments	**68**	–
Prior year tax adjustment	**49**	–
Post-acquisition incentives	**28**	–
Profit on disposal of subsidiary	**(80)**	–
Net reduction in funding cost post acquisition	**71**	–
Investment market volatility	**387**	(271)
Marked-to-market adjustments – return on insurance funds	**86**	(371)
Marked-to-market adjustments – net investment return	**123**	215
One-off currency gains and losses	**178**	(115)
Normalised comprehensive income	**1 033**	1 011
Purchase price at hedged rate – 100% holding	**25 914**	
Transaction Price/Earnings ratio	**25**	26

A number of synergies have been identified during the acquisition phases, as elaborated on in the Group Chief Executive's report from page 72. Good progress has already been made, with net synergies of US$1 million after tax and minorities realised in 2018, after allowing for integration costs. The key integration efforts for 2019 include:

- Growing our share of the Pan-African specialist market, in partnership with Santam specialist underwriting managers.
- Growing the life markets where Saham Finances is still underpenetrated.
- Focused capital management.
- Developing opportunities with the Sanlam Corporate cluster.

The other Rest of Africa operations had a disappointing year. Nigeria, Uganda and Zimbabwe achieved strong growth, with their combined gross earnings increasing by 66%. This was, however, more than offset by underperformance in other large regions and the impact of the Ghana disposal in 2017. Ghana contributed R30 million to the 2017 gross earnings.

- The Zambian health business experienced one-off losses of R32 million, which includes bad debt provisions in respect of amounts owing by the former outsourced partner. The health business was transferred to Saham Finances in the latter part of 2018, who has a strong track record of managing this line of business profitably in Africa. A turnaround in prospects is already evident. The Zambian life business also had a difficult year, with low new business production and one-off costs relating to a cost reduction initiative contributing to a break-even position. Corrective actions have been implemented, including the pending appointment of a new chief executive as well as increased distribution support from a SEM cluster level.
- Gross result from financial services of the Malawian life business exceeded the 2018 budget, but still declined by 23% from a high base in 2017. Profitability of the general insurance business was under pressure from high claims and expense experience.
- The Tanzanian life business had a good year and grew its earnings contribution by 15%. This was, however, not sufficient to compensate for underperformance in the general insurance business. Regulatory changes in the general insurance industry in Tanzania included a change to a 'no premium no cover' regime. This had a one-off

impact on both current year production and terminations within the in-force book. Combined with weaker claims experience, it reduced the 2018 general insurance earnings by R36 million compared to 2017.

- The Kenya operations recorded a 17% decrease to R25 million. The life insurance business gained traction and achieved strong growth. The asset management business exceeded expectations for the year and more than doubled its contribution, partly assisted by the acquisition of a controlling stake in the former Pinebridge investment management business during 2017. These good performances were, however, more than countered by one-off restructuring and administration costs of some R20 million. A new group chief executive with in depth insurance experience has been appointed, augmenting the appointment of the new life insurance chief executive in 2017. This substantially strengthens the management team and prospects of the business. Cluster level distribution support will also be provided in 2019 to accelerate new business production.

Other emerging markets delivered 4% growth in gross result from financial services.

- The *Indian* businesses had a solid year, increasing their gross result from financial services by 3% in rand terms (10% in local currency). Shriram Transport Finance delivered growth of 14% in local currency, supported by good growth in its loan book. The Shriram City Union Finance loan book also grew by double digits, but a decline in net interest margin limited its operating earnings growth to 9% in local currency. Liquidity constraints in the Indian markets increased funding costs for the business. Shriram General Insurance earnings grew by 13% in local currency, attributable to an improvement in underwriting margin. Expansion costs incurred by the life insurance business were recognised as project expenses in the initial two years of the initiative to take cognisance of the fact that the growing in-force book will take some time to reflect in higher earnings. Recognition of these costs within project expenses was discontinued on 30 June 2018 and reallocated to gross result from financial services with effect from 1 July 2018, limiting growth in life insurance operating earnings to 2% in local currency.
- The *Malaysian* operations achieved satisfactory growth in 2018. Life insurance profit increased by 23% (17% in local currency), benefiting from positive investment variances and lower administration costs. A more diversified book of business contributed to an improvement in the general insurance claims experience, with operating earnings from this line of business increasing by 12% (6% in local currency).

The 18% increase in tax on financial services income includes prior year tax adjustments in Botswana and Kenya.

SIG overall net result from financial services declined by 6%:

SIG SIG gross result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Investments (3rd party business)	**377**	396	(5%)
Wealth Management	**170**	203	(16%)
International	**515**	401	28%
Corporate services	**(16)**	(5)	>-100%
Investment management	**1 046**	995	5%
Sanlam Specialised Finance	**496**	582	(15%)
Sanlam Asset Management	**204**	196	4%
Central Credit Manager and other	**292**	386	(24%)
Gross result from financial services	**1 542**	1 577	(2%)
Tax on gross result from financial services	**(326)**	(336)	3%
Non-controlling interest	**(64)**	(14)	>-100%
Net result from financial services	**1 152**	1 227	(6%)

The third-party *Sanlam Investments* gross result from financial services declined by 5% on 2017, attributable to a R47 million decrease in performance fees from R58 million in 2017 to R11 million in 2018. This is due to a slight underperformance of some 0,3% in the larger portfolios, attributable to the severe devaluation of properties in the first quarter of 2018 and underperformance in the emerging markets fund. Excluding performance fees, gross operating earnings increased by 8%, a particularly satisfactory result given no growth in the average level of the South African equity market in 2018. Satrix achieved meaningful earnings growth, with the positive impact of net fund inflows more than offsetting fee pressures in a highly competitive market. The third party component of Sanlam Structured Solutions also had a good year, benefiting from a number of new structuring transactions. The other business units experienced a decline in earnings in line with generally no growth in assets under management, but with administration costs increasing in line with inflation.

Wealth Management gross result from financial services decreased by 16% (3% down excluding Summit Trust that was disposed during 2017 and one-off performance fees earned from a specific client arrangement in 2017). The 3% decline is substantially due to administration costs incurred in respect of operational system upgrades.

The *International* business' gross results were positively impacted by Nucleus being consolidated after its listing (compared to equity-accounting as an associate up to 30 June 2018), strong growth in assets under administration at the Ireland-based platform business due to third party inflows and increased international allocation in the South African portfolios, and property development profits earned by Artisan. Excluding the change in accounting treatment of Nucleus, gross results were up 12%.

Sanlam Specialised Finance did well to grow the profit contribution of the Sanlam Asset Manager and the related division of Sanlam Structured Solutions by 4% against the backdrop of weak equity markets. The Structured Solutions business earned higher structuring fee income and recognised its share in the margin earned on the Sanlam Life bond that matured in August 2018. The proceeds from the Sanlam Life bonds are invested in a portfolio of matching assets, with Structured Solutions sharing in the net margin earned over the period until maturity. The remainder of the operations were negatively impacted by losses of some R40 million relating to equity-backed empowerment transactions following a decline in the underlying share prices and some R70 million in respect of the non-recognition of income on the Mayfair collateralised loan. A prudent approach is followed in respect of the exposure during the winding up of Mayfair Holdings and Mayfair Speculators.

Following a year of major catastrophe events in 2017, **Santam** experienced a relatively benign claims environment in 2018. Combined with acceptable growth in net earned premiums, it contributed to a 37% increase in gross result from financial services (41% after tax and non-controlling interest). The conventional insurance book achieved an underwriting margin of 9% in 2018 (6% in 2017), well in excess of its 4% to 8% target range. Profit from the motor and property books, the largest lines of business, increased by 144%. This was driven by an absence of large catastrophe events and fewer large commercial fires. The aggregate profit contribution from other insurance classes declined by 32%. Engineering and accident and health did well due to limited claims activity. Liability business experienced a number of large claims, including the listeriosis outbreak early in 2018, while the Guarantee business experienced losses in the difficult economic environment.

The management expense ratio increased compared to 2017, mainly due to increased variable incentive costs in 2018, increased direct acquisition costs to support growth initiatives at MiWay, as well as additional underwriting risk management costs incurred to improve the loss ratio across all lines. A provision was also raised to account for the liquidity concerns at a third-party collection agency that went into voluntary curatorship. The 16% increase in gross result from financial services from the SEM investments reflect the benefit of the Saham Finances corporate activity. Excluding Saham Finances, gross earnings from the SEM investments were in line with 2017 due to the weaker general insurance performance in the SEM Rest of Africa portfolio and solid results from SGI in India (refer SEM section above).

Read more about Santam's performance in the Santam Integrated Report online at www.santam.co.za.

Sanlam Corporate's net result from financial services increased by 4% (3% on a gross basis), with the muted growth caused by ongoing high group risk claims experience. This conceals an overall good operational performance. SEB earnings declined by 3% due to a R66 million (39%) decline in risk profits. Mortality and disability claims experience weakened significantly in the second half of the year, which is likely to require further rerating of premiums in 2019. The administration units turned profitable in 2018, a major achievement after many years of operating losses. The healthcare businesses reported satisfactory double digit growth in gross earnings, while ACA made a first time contribution of R54 million, well in excess of the business plan. The new corporate solutions team established in 2018 contributed to an increase in cluster costs from R7 million in 2017 to R32 million in 2018.

Normalised headline earnings of R9,1 billion are 8% down on 2017. This is the combined effect of the 4% increase in net result from financial services, a 57% decline in net investment return earned on the capital portfolio, a 53% (R139 million) increase in amortisation of intangible assets as well as an increase in net project expenses from R114 million in 2017 to R136 million in 2018.

Net investment return was negatively impacted by:

- A decline in equity and fixed interest markets across most regions where the Group operates;
- Impairment of corporate credit exposures in Kenya of some R86 million; and
- Investment return lost on capital redeployed for strategic acquisitions in 2017 and 2018.

The amortisation of the value of business acquired intangible asset recognised upon the consolidation of Saham Finances contributed R117 million to the R139 million increase in the amortisation charge.

Net project expenses include R56 million one-off expenses incurred by SIG on new data capabilities and platforms (including big data and advanced analytics) (2017: R8 million), R22 million due diligence and related expenses in respect of the Saham Finances acquisition (2017: R8 million), Shriram Life Insurance expansion cost of R8 million up to 30 June 2018 (2017: R26 million) and R44 million of SEM cluster level project-related expenses (2017: R 42 million).

Normalised attributable earnings increased by 5% from R11 billion in 2017 to R11,5 billion in 2018. The biggest contributors to profit on disposal of subsidiaries and associates of R2,8 billion is the change in accounting treatment of Saham Finances (R1,8 billion) and Nucleus (R0,7 billion) from associated companies to subsidiaries. In terms of IFRS, when an associated company becomes a subsidiary, the former investment in the associated company must be derecognised as a deemed disposal at fair value, with the subsidiary being fully recognised as an acquisition at fair value. In essence, the profit on disposal of the associate is reflected in higher intangible assets being recognised on acquisition date of the subsidiary. The 2017 comparative profit on disposal of subsidiaries and associates comprised substantially of R1,2 billion realised on the disposal of the Enterprise Group in Ghana. Impairment charges largely relate to the impairment of the investments in Letshego (R105 million) and CIH (R96 million). Letshego's operational performance did not improve in 2018, requiring a further impairment of the investment. The CIH impairment follows the decline in the Bank Windhoek performance and share price due to pressure in the Namibian banking sector.

Business volumes

New business volumes increased by 1% amidst pressure on investor confidence in South Africa and a high comparative base in Botswana. Life insurance new business volumes increased by 21%, investment business inflows declined by 8% and general insurance earned premiums increased by 19%, with the latter in particular benefiting from corporate activity. Net fund flows increased by 12%, with all clusters apart from SIG achieving sterling growth.

Business volumes for the year ended 31 December 2018

	New business			Net inflows		
R million	2018	2017	Δ	2018	2017	Δ
Sanlam Personal Finance	**60 971**	58 615	4%	**10 294**	8 454	22%
Sanlam Emerging Markets	**26 224**	21 903	20%	**8 607**	2 140	302%
Sanlam Investment Group	**99 696**	114 391	(13%)	**7 214**	18 678	(61%)
Santam	**22 812**	21 435	6%	**8 986**	7 265	24%
Sanlam Corporate	**13 326**	4 828	176%	**6 438**	606	962%
Total	**223 029**	221 172	1%	**41 539**	37 143	12%
Life insurance business	**53 815**	44 615	21%	**16 814**	10 235	64%
Investment business	**136 529**	149 000	(8%)	**11 779**	17 491	(33%)
General insurance	**32 685**	27 557	19%	**12 946**	9 417	37%
Total	**223 029**	221 172	1%	**41 539**	37 143	12%

SPF's new business sales increased by 4%, an overall satisfactory result under challenging conditions.

SPF SPF new business volumes for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Sky	**2 494**	1 455	71%
Recurring premium sub-cluster and Strategic business Development	**3 412**	2 838	20%
BrightRock	**410**	64	>100%
Other	**3 002**	2 774	8%
Glacier	**55 065**	54 322	1%
Life investments	**10 082**	10 219	(1%)
LISP	**44 983**	44 103	2%
New business volumes	**60 971**	58 615	4%

Sanlam Sky's new business increased by an exceptional 71% (83% excluding the savings business transferred to the SPF Savings business). The annual R566 million Capitec credit life new business recognised in the first half of the year was augmented by strong demand for the new Capitec funeral product, which generated new business of R433 million. The traditional individual life intermediary channel continued on its growth path, growing new business sales by 13%. Safrican's performance improved in the second half of the year, achieving 9% growth for the full year.

New business volumes in the *Recurring premium sub-cluster and Strategic Business Development* increased by 20%. Risk business sales increased by 51%. Strong organic growth at BrightRock was augmented by the structural impact of the acquisition concluded during the course of 2017. Excluding BrightRock, new risk business sales were up 3%, with MiWayLife providing the growth. Savings and personal loans credit life sales increased by 10%, with strong demand for retirement annuities partially offset by lower traditional endowment sales.

Glacier new business grew marginally by 1%. Primary sales onto the LISP platform improved by 5%, an acceptable result given the pressure on investor confidence in the mass affluent market. Secondary sales into Glacier funds declined by 4% – wrap inflows were down 7% as conversions of platform assets slowed, but with good demand for global stock feeder funds and the artificial intelligence fund providing some relief. Life investments sales experienced an overall decline of 1% with a significant change in mix of business from endowments to guaranteed plans and life annuities.

The BrightRock contribution and good sales of single premium LISP business supported an overall 22% rise in SPF's net fund inflows.

SEM new business volumes increased by 20%.

SEM **SEM new business volumes for the year ended 31 December 2018**

R million	2018	2017	Δ
Namibia	6 802	5 593	22%
Botswana	5 833	7 137	(18%)
Rest of Africa	10 655	6 360	68%
Saham Finances (including Lebanon)	7 569	3 385	124%
Enterprise Group Ghana	–	130	(100%)
Other	3 086	2 845	8%
Pan-Africa portfolio	23 290	19 090	22%
Other emerging markets	2 934	2 813	4%
India	2 329	2 224	5%
Malaysia	605	589	3%
New business volumes	26 224	21 903	20%

Namibia did exceptionally well to increase new business volumes by 22% despite weak economic conditions. Both life and investment new business grew strongly. Within the life insurance segment, the mix of business changed to the more profitable entry-level market.

The main detractor from new business growth in the *Botswana* business was the investment line of business, which declined by 24%. This line of business is historically more volatile in nature. Life insurance new business volumes declined by 3%, with lower funeral and annuity sales offsetting good growth in group life business.

The 68% new business growth in the *Rest of Africa* portfolio is largely due to corporate activity relating to Saham Finances.

- The Saham Finances growth of 124% was supported by corporate activity. On a 100% basis, gross written premiums increased by 4% (8% in local currency) (life insurance up 8%, general insurance up 3% and reinsurance up 1%) and net earned premiums by 9%.
  - Morocco achieved 10% growth in gross written premiums, an acceptable performance in a competitive market. Renewals of contracts with national banks supported 11% growth in Saham Assistance gross written premiums.
  - Saham Angola gross written premiums decreased by 31%, entirely attributable to a weaker Kwanza exchange rate. In local currency, the business continued to deliver good growth. All lines of business achieved double digit growth rates.
  - The Lebanese insurance market contracted by 3% in 2018, reflective of the weak economic environment. The Saham Finances business did well to limit its decline to only 1,5%, half of the industry average. The motor class had a particularly difficult year as a slowdown in retail credit extension depressed vehicle sales.
  - The CIMA region experienced competitive pressures in the motor market and lower demand for fire insurance from exploration companies. This contributed to growth of only 4% in general insurance gross written premiums from the other Saham Finances regions. Life and health insurance provided some support, with overall growth of 7% across all lines of business.
  - Reinsurance premiums were broadly in line with 2017.
- The remainder of the Rest of Africa portfolio (excluding the Ghana disposal) increased by 8%. Kenya, Malawi and Rwanda underperformed, with strong growth in the other regions. The areas of underperformance are receiving attention, through a combination of management changes and cluster level distribution support.

The *Indian* insurance businesses continued to perform well, achieving double digit growth in both life and general insurance. Within the life insurance business, group single premiums from the credit businesses' client bases did particularly well.

The *Malaysian* businesses are finding some traction after a period of underperformance, increasing their overall new business contribution by 3%. New business production is not yet meeting expectations, but the mix of business improved at both businesses.

Net fund flows increased threefold, with most regions contributing to the strong growth.

Low investor confidence had a pronounced effect on **SIG**'s new business volumes, which declined by 13%. The international businesses attracted strong new inflows (up 57%), but this was more than offset by declines in South Africa across all business units. Institutional new inflows remained weak for the full year, while retail inflows also slowed down significantly after a more positive start to the year. A number of strategic initiatives aimed at gaining market share are being implemented, including closer cooperation with Glacier and the package of BBBEE transactions approved by shareholders in December 2018. Improved investor confidence will, however, remain a key determinant of future growth. Lower new business volumes, coupled with an R8,5 billion withdrawal of a low margin index tracking fund managed for an institutional client on an outsourced basis, contributed to a 61% reduction in net fund flows from R18,7 billion in 2017 to R7,2 billion in 2018.

Gross written premiums at **Santam** increased by 11% (9,5% excluding the impact of the Santam Structured Insurance acquisition in 2017); 6% on a net earned basis. Conventional insurance gross written premiums increased by a satisfactory 7%, while alternative risk transfer premiums grew by 40% (26% excluding corporate activity). Intermediated personal and commercial lines of business, MiWay and Namibia experienced pressure on growth amidst difficult economic conditions. The property class grew by 12% on the back of strong growth in the corporate property business following lower reassurance capacity available in the market. The motor class grew by 6%, with an 8% higher contribution from MiWay. Within the specialist classes, accident and health grew by 11% on the back of strong demand for travel insurance. Crop insurance premiums declined by 12% following lower take-up. The liability and transportation classes recorded growth of 2% and 1% respectively amidst a focus on profitability. Growth of 3% in engineering reflects the impact of fewer large construction contracts within an industry under pressure.

Sanlam Corporate had an exceptional year, more than doubling life insurance new business volumes. Single premiums grew by 109%, while recurring premiums increased by a particularly satisfactory 56%, supported by good inflows of guaranteed business premiums. Life licence business has been reclassified from SIG to Sanlam Corporate in 2018, which supported overall new business growth of 176%. The new business performance also reflects in a substantial improvement in net fund inflows.

Overall Group net fund inflows of R41,5 billion in 2018 is a particularly satisfactory performance given the challenging market conditions and large institutional withdrawal at SIG.

Value of new covered business

The discount rate used to determine VNB is directly linked to long-term interest rates. The 50bps and 60bps increase in the South African nine- and five-year benchmark rates respectively during 2018 resulted in a commensurate rise in the risk discount rate, with a 6% negative effect on overall VNB growth. VNB margins were also some 13 basis points lower due to the higher discount rate. The strong growth in Sanlam Sky and SEB new business volumes were the main contributors to particularly satisfactory growth of 14% in net VNB on a consistent economic basis (CEB) (8% based on the actual economic basis at the end of 2018). Overall net VNB margins declined from 2,94% in 2017 to 2,8% in 2018 (on a CEB), largely due to the underperformance in East Africa and a relatively larger contribution from the lower margin SEB business.

Value of new covered business for the year ended 31 December 2018

R million	2018	2017	Δ	CEB
Net value of new covered business	**1 985**	1 841	8%	14%
Sanlam Personal Finance	**1 504**	1 407	7%	14%
Sanlam Emerging Markets	**338**	347	(3%)	(1%)
Sanlam Investment Group	**–**	–	–	–
Sanlam Corporate	**143**	87	64%	71%
Gross of non-controlling interest	**2 187**	2 008	9%	14%
Net present value of new business premiums	**74 378**	62 604	19%	20%
Sanlam Personal Finance	**48 790**	43 940	11%	12%
Sanlam Emerging Markets	**8 366**	7 146	17%	17%
Sanlam Investment Group	**3 334**	3 259	2%	2%
Sanlam Corporate	**13 888**	8 259	68%	70%
Gross of non-controlling interest	**78 085**	65 377	19%	20%
Net new covered business margin	**2,67%**	2,94%		2,80%
Sanlam Personal Finance	**3,08%**	3,20%		3,26%
Sanlam Emerging Markets	**4,04%**	4,86%		4,11%
Sanlam Investment Group	**–**	–		–
Sanlam Corporate	**1,03%**	1,05%		1,06%
Gross of non-controlling interest	**2,80%**	3,07%		2,92%

SPF achieved overall growth of 7% (14% on a comparable basis). The strong growth in new business volumes at *Sanlam Sky* had a major positive effect on VNB, which increased by 16% (25% on a comparable basis). Capitec contributed R80 million. The Sanlam Sky VNB margin declined slightly from 8,88% in 2017 to 8,30% in 2018 due to a change in mix of business to lower margin group business. The *Recurring premium sub cluster and Strategic Business Development* achieved growth of 13% (23% on a CEB and 20% on a CEB and excluding BrightRock). MiWayLife made a welcome first contribution of R11 million, augmented by good growth at BrightRock, a change in mix to more profitable lines of business, positive modelling changes and lower acquisition costs. VNB margins improved commensurately. *Glacier* experienced an 8% decline in VNB (6% on a comparable basis) due to the change in mix from higher margin endowment business to guaranteed and annuity business.

Net VNB at **SEM** declined by 3% (up 6% on a CEB and excluding Ghana and Saham Finances). Namibia did exceptionally well pursuant to the strong growth in entry-level market sales, growing its net VNB by more than 20%. Most other businesses contributed satisfactory growth, apart from Botswana, Kenya, Uganda and Malawi that underperformed in line with their weak new business production and declining file sizes. Nigeria's contribution was broadly in line with 2017 despite strong new business growth, due to a one-off regulatory increase in capital requirements that resulted in a higher cost of capital charge. Saham Finances contributed R38 million compared to R20 million in 2017.

The good growth in **Sanlam Corporate** recurring and single premium business, combined with modelling improvements, supported a 64% (71% on a comparable basis) increase in the cluster's VNB contribution.

Capital management

The Group started the year with discretionary capital of R2 billion, after allowing for the ACA acquisition. A number of capital management actions during 2018 affected the balance of available discretionary capital, including the $1 billion (R13 billion) Saham Finances transaction. Discretionary capital at the end of 2018 was negative due to the approved BBBEE share issuance not being concluded before year-end as we are still awaiting regulatory approvals.

Sanlam shareholders approved a BBBEE equity raising at the extraordinary general meeting held on 12 December 2018, with the cash raised from this issuance earmarked to repay the internal (R1,7 billion) and external (R2 billion) debt incurred as partial funding for the Saham Finances acquisition and to restore the discretionary capital portfolio to an appropriate level. All regulatory approvals have been received, apart from Mauritius. Once these approvals are granted, we will proceed with the issuance, subject to the Sanlam share price being within the R74 – R86 range approved by shareholders.

Discretionary capital amounted to a negative R3,7 billion at 31 December 2018, equal to the combined internal and external debt. At the lower end of the share issuance range (R74) cash proceeds of R4,6 billion will be raised, which will restore the discretionary capital portfolio to some R1 billion.

Discretionary capital at 31 December 2018

R million	2018
Discretionary capital at 31 December 2017	**2 000**
Excess dividend cover	**693**
Capital released from Sanlam Life	**1 813**
Allocated capital	**1 500**
Excess investment return	**313**
Capital raised through accelerated book build	**5 455**
Investment return and other	**(104)**
Corporate activity	**(13 535)**
South Africa	**(267)**
Catalyst Fund Managers SA	**(168)**
Sanlam Private Wealth	**(96)**
Other	**(3)**
Other emerging markets	**(12 913)**
Saham Finances	**(12 983)**
Sanlam Investments East Africa	**101**
Sanlam General Insurance Uganda	**(19)**
Other	**(12)**
Developed markets	**(355)**
Catalyst Fund Managers Foreign	**(250)**
Phoenix Infraworks	**(102)**
Other	**(3)**
Discretionary capital at 31 December 2018*	**(3 678)**

* *Discretionary capital balance will be between R1 billion and R1,5 billion post the BBBEE share issuance.*

Movements in discretionary capital during 2018 included the following:

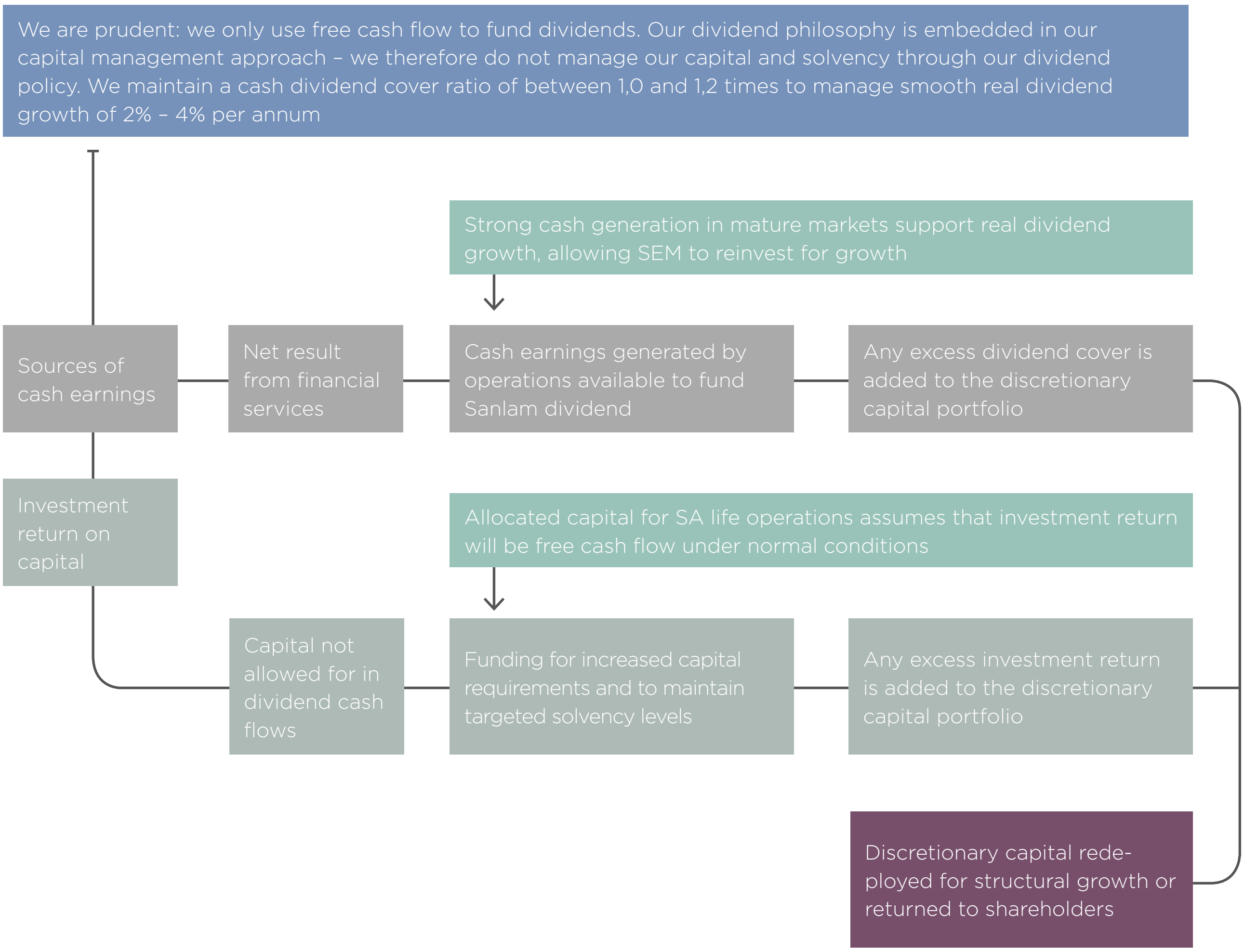
- The excess cash operating earnings cover in respect of the dividend paid in 2018.
- Capital of R1,8 billion released from the covered business operations in Sanlam Life. As communicated in the Group's 2017 annual results announcement, capital allocated to the covered business operations on the Sanlam Life balance sheet was reduced by R1,5 billion in the first half of 2018. Investment return earned on the Sanlam Life capital base in 2018 (R313 million) was also available for release.
- Capital of R5,5 billion was raised through an accelerated book build at the end of March 2018 as partial funding for the acquisition of the remaining stake in Saham Finances.
- Corporate activity during 2018 included:
  - The acquisition of the remaining 53% stake in Saham Finances for R12,9 billion at the hedged rate of R13,24 (after allowing for Santam's contribution to increase its effective stake in Saham Finances from 7% to 10%). The actual exchange rate on payment date was R14,77, with the forex hedges providing protection of some R1,5 billion on close-out.
  - SIG acquired a 69% stake in Catalyst Fund Management the South African listed property fund management business and 100% in the Irish based platform CIG Fund Management for a total consideration of R418 million. The acquisition significantly enhances SIG's property management offering in line with the strategic investment in alternative asset management capabilities. In line with this strategy, SIG also invested R102 million for a 60% stake in a specialised infrastructure investment business called Sanlam Infraworks which holds a 50% stake in Climate Fund Managers.
  - Sanlam Private Wealth acquired a wealth management book for R96 million.
  - SEM sold a stake in the Kenyan-based Sanlam Investments East Africa asset management business to its local partner, realising R101 million. This disposal compliments SEM's Pan-Africa partnership model.
- Investment return, taxation on the forex hedges and other small movements utilised R104 million.

Solvency

All of the major insurance businesses within the Group were sufficiently capitalised at the end of December 2018. The Sanlam Group SCR cover ratio of 215% remained in line with the 218% cover at 31 December 2017. As indicated in previous results announcements, a Solvency Capital Requirement (SCR) target cover range of between 170% and 210% has been set for Sanlam Life Insurance Limited's (Sanlam Life) covered business. The R8 billion of IFRS-based required capital allocated to these operations at the end of December 2018 translated into a SCR cover of 221%. The SCR cover ratio for the Sanlam Life entity as a whole at 264% exceeded the covered business ratio at the end of December 2018 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations (i.e. not included in the R8 billion allocated capital referred to above).

Dividend

Sanlam's dividend policy makes a clear distinction between operating earnings (net result from financial services), which is the key driver of dividends, and investment return earned on the capital portfolio. The level of capital allocated to the Group's operations is determined to ensure that regulatory solvency levels will be maintained within a set target range, taking into account potential volatility in investment market returns. Investment market volatility therefore does not have an impact on Sanlam's dividend paying capability, with the exception of extreme scenarios. The key features of Sanlam's dividend policy, and the interaction with discretionary capital, can be summarised as follows:

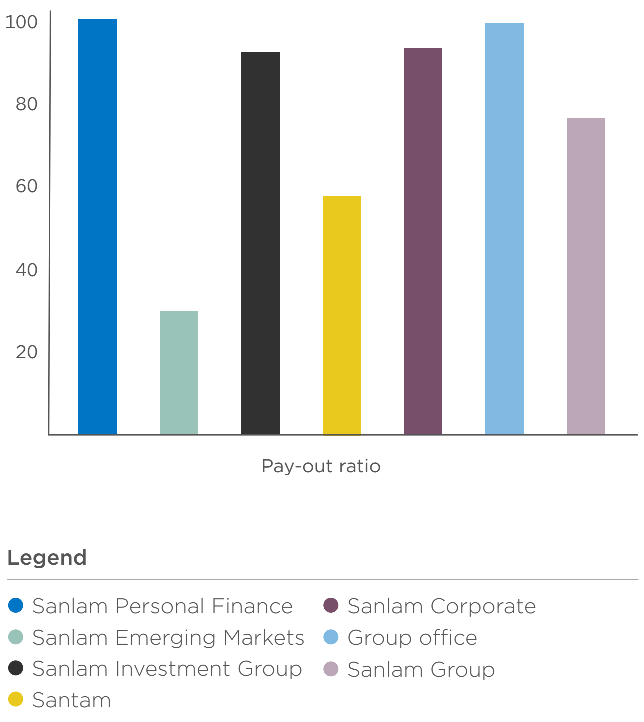


As highlighted above, the cash component of net result from financial services is the key driver of Sanlam's dividend potential. This is defined as: Net result from financial services less non-cash earnings included in net result from financial services less retained cash earnings.

Given the Group's prudent accounting policies (expensing of upfront acquisition costs), the non-cash earnings included in the reported net result from financial services is negligible. Wholly owned subsidiaries are not allowed to retain any earnings, unless required for solvency purposes or to fund future growth. Pre-approval by the Group Financial Director is required in these instances. Businesses with minority shareholders have their own dividend policies, but aligned with the Sanlam policy as far as possible. Most of the net result from financial services generated by the South African operations are available for dividends due to the mature nature of these businesses. The same applies for the developed markets earnings in SIG. The exception in South Africa is Santam, which has its own dividend policy as a separately listed entity. SEM's operations, however, retain a large part of their operational earnings for investment in future growth. As these operations mature over time, the cash generation will increase with a commensurate increase in cash available for Sanlam dividend payments. In addition, balance sheet efficiencies and enhancing the dividend payment capability of the SEM businesses have been identified as a strategic focus area for 2019.

The graph below provides an indication of cash earnings generation from the Sanlam clusters in 2018.

Cash operating earnings (%)



Applying the Group's dividend policy, the Board decided to increase the normal dividend per share by 7,6% to 312 cents. This is well within our target range of 2% to 4% real growth given the 2018 average inflation rate of 4,6%. It will maintain a cash operating earnings cover of approximately 1 times.

The South African dividend withholding tax regime applies in respect of this dividend. The dividend does not carry any STC credits and will in full be subject to the 20% withholding tax, where applicable.

Shareholders are advised that the final cash dividend of 312 cents for the year ended 31 December 2018 is payable on Monday, 15 April 2019 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 12 April 2019. The last date to trade to qualify for this dividend will be Tuesday, 9 April 2019, and Sanlam shares will trade ex-dividend from Wednesday, 10 April 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 10 April 2019 and Friday, 12 April 2019, both days included.

CLUSTER REPORT: SANLAM PERSONAL FINANCE

SPF

About SPF

SPF provides retail life and investment solutions in South Africa. The cluster consists of the following:

- Distribution, which provides access to and builds relationships with clients through an omni-channel capability
- Four product-focused businesses, encompassing single premium, recurring premium risk, recurring premium savings and funeral solutions
- A central shared services unit
- A closed-book business, managing products closed for new business
- Strategic Business Development, Human Resources, Actuarial and Finance

SPF is the largest cluster in the Group measured by operating profit, with a 45% contribution to net result from financial services. According to a 2017 Swiss Re report, SPF leads the South African risk business market in terms of sum assured (including BrightRock). In 2012, SPF was in 5th position.

Key facts and figures

R4 033 million
Net result from financial services (2017: R4 235 million)

45%
Contribution to Group net result from financial services (2017: 49%)

5,4%
Persistency (Risk, Savings, Life Investments and Closed Book) – % in-force lost (2017: 5,6%)

6 903
Number of employees (2017: 5 767)

7,33 out of 12
Employment Equity indicator as defined in FSC

Key strengths

- SPF has a well-established distribution network consisting of 6 469 advisers and 8 796 (including BrightRock) supporting brokers throughout South Africa. They receive dedicated support to market SPF products to all income groups.
- SPF has strong, competitive products in every product category – from single-premium investments to savings and funeral products. These are complemented by new, innovative offerings through MiWayLife, Indie and BrightRock.
- Distribution partnerships with a variety of organisations, including most recently Capitec.
- SPF is achieving efficiencies and transforming the business through business intelligence, robotics and omni-channel capabilities.

Strategic intent: to become a leader in all retail market segments in South Africa

SPF is focused on achieving profitable growth in each of its market segments through innovation and expanded distribution capabilities that enhance new business and deliver superior client retention. Specific focus is placed on those segments where Sanlam does not have a fair market share, namely the entry-level market (all products), higher middle income market single premium savings and, from a geographic perspective, the Gauteng province.

Innovation aims to harness digital and data analytics opportunities to produce simpler client journeys. Refinement of distribution channel models and further capital optimisation will continue in response to regulatory developments. Delivering value for money in a wider and differentiated product set is key for client acquisition. This requires agility and speed of execution.

Enhanced digital capability is also harnessed to drive client experience and retention, as well as back office cost efficiencies. Continued progress in transformation of employee and management demographics remains a priority and a competitive enabler.

SPF's five strategic focus areas

Product leadership	Simplicity, value for money and outcomes-driven
Customer experience	Creating intuitive customer journeys
Channel development	Omni-channel transformation and evolving intermediary models
Operational excellence through continuous improvement	Continuous improvement delivering value for money
Talent and transformation	Employer of choice drives diversity and dynamism

Creating and protecting wealth for clients

SPF accompanies clients through their financial lives and provides appropriate advice and solutions along the way. Our role is to help them stay the course over time, starting with building their asset base, saving and managing their risks – all towards the desired outcome of creating and protecting wealth. SPF assists in pooling capital from clients. By growing and managing the pool, we are able to provide capital at times when things go wrong.

We provide wealth protection through risk products to ensure that our clients are financially secure when a crisis should arise. This also means that we advise our clients as they move through life and into retirement to adapt from more aggressive wealth growth to protecting their wealth. Our advice process is geared to ensure that our advisers and brokers properly understand and meet clients' needs.

We have the widest range of risk products in the market. This has been SPF's core offering, which we have diversified to cater to different needs and timelines. Our portfolio now includes alternative options and channels through BrightRock, MiWayLife and Indie.

2018 operational performance overview

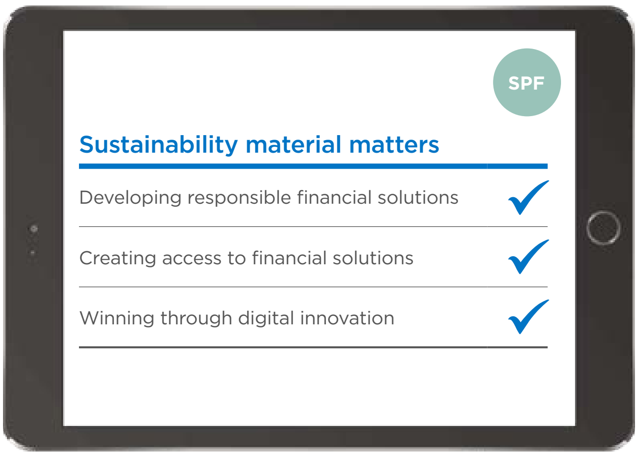
SPF delivered an acceptable performance in an environment of low economic growth and weak equity market performance. The cluster's most significant long-term challenge remains to attract new business volumes to replace its legacy closed book. The latter included policies that were written at much higher margins than what is currently being offered. SPF addressed this challenge over the past three years by making acquisitions such as BrightRock, which provides non-conventional risk-based options, investing in new ventures, Indie and MiWayLife, and entering into a joint venture with Capitec to provide funeral cover. African Rainbow Life has been under development in 2018 and will launch in the first half of 2019, providing further investment in the entry level market.

Therefore, SPF's performance relies on a continuous balance between investment in new business growth and maintaining continued operating profit growth, particularly in anticipation of the impact of RDR in the next few years. Digital transformation remains a critical growth capability.

2018 salient features

- Further improvement in new business performance:
  - Overall solid increase in volumes
  - Optimised intermediary sales tools and collateral
  - New ventures: Africa Rainbow Life, BrightRock, MiWayLife, Capitec and Indie
  - Strong VNB growth in line with double digit life new business growth
- Operating profit under pressure due to new business strain, investment in BrightRock and negative market movements

Read more about SPF's financial performance in the Financial Review from page 85.



www.sanlam.com/investorrelations/sustainability/

Sanlam Sky	***Sanlam Sky focuses on funeral insurance business*** In 2017, the business unit benefited from a number of large new schemes written by Safrican and the biennial renewal of the Zionist Christian Church (ZCC) scheme. This year, new business was driven by the traditional individual life intermediary channel and the new arrangements with Capitec Bank around credit life and funeral products. Funeral product sales exceeded targets and the average premium was higher than expected. This is due to the unique features of the product, which includes up to 21 beneficiaries and competes effectively on simplicity and price. Sales of Capitec funeral policies reached half a million since launch in February 2019. Sanlam Sky's sales and persistency were not negatively impacted by Capitec. African Rainbow Life is set to launch in the first half of 2019 with a worksite-based channel offering life, disability and dread disease benefits. This channel entails a permanent intermediary presence at employer worksites. African Rainbow Life will be an expansion of the Secure Life plan built onto Sanlam Sky's administrative platform.
Recurring premium sub-cluster	***The recurring premiums sub-cluster is responsible for all recurring premium risk and savings business. Included in the sub-cluster are: Sanlam Individual Life (traditional recurring premium risk business), Sanlam Savings (traditional recurring premium savings business), Closed Book, BrightRock, MiWayLife and Indie. Single premium sales to the recurring premium client base is also included in this sub-cluster.*** Sanlam now has two product offerings to suit any risk insurance need – Matrix and BrightRock. Supported by Sanlam's technical expertise and capital, BrightRock is showing accelerated growth. Several further initiatives are underway, including the development of an investment product line and the launch of a focused BrightRock tied agency force. Sanlam Now was launched towards the end of the year as a complete online acquisition process for three Matrix Express products. We also launched a cashback benefit on income protector and the Cumulus Echo Centenary Special in June to coincide with the Sanlam Centenary celebrations. MiWayLife made good progress in refining its model to ensure sustainable growth. Indie is now regarded as one of the best digital insurance platforms in the market. Our digital distribution allows a client to buy an Indie policy in under 10 minutes through multiple channels, including face-to-face, directly via our website or on partner websites and platforms. However, sales conversions are still lagging targets. Indie's core strength lies in its design capability and speed of execution. This increasingly positions Indie as a platform for digital engagement under the Sanlam brand. It has also become evident that a partnership approach is critical for success. We secured such a partnership with Bonitas, whereby SPF will be providing and enhancing the Indie value proposition to Bonitas clients through direct and intermediated channels.
Glacier	***Glacier incorporates single premium life investments and the Linked Investment Savings Plan platform (LISP)*** Glacier is one of the leading LISP platforms in the South African market and excels in its technology, service and leading investment solutions. It has a unique positioning in being able to blend a LISP offering with guaranteed-type capabilities. Glacier launched Glacier Invest in partnership with SIG to assist financial intermediaries in managing investment portfolios and creating efficiencies in their practices. It is currently the largest discretionary fund manager (DFM) in South Africa by assets under management. Glacier Invest's solutions, which include wrap funds, are managed by a team of investment professionals and help to reduce the intermediary's advice risk by creating solutions tailored to the investment needs of the intermediary's clients.
Strategic business development	***Strategic business development focuses on Sanlam Personal Loans and Sanlam Reality, and is an incubator for new initiatives*** Sanlam Personal Loans had a good year, growing its loan book by 5% while maintaining quality. Sanlam Reality performed in line with expectations. Good progress was made in measuring the value created by Reality for Sanlam, which included an analysis of the lifetime value created for members vs non-members. Reality plays an important role on rewarding many of Sanlam's loyal and valuable clients.

Strategic short- to medium-term priorities

- Increasing productivity through an improved worksite offering in the entry-level market
- Increasing market share in the middle income and affluent segments through product innovation and by leveraging the portfolio, including MiWayLife, Indie and BrightRock
- Offering best-in-class client value for savings products
- Further enhancing the full suite of integrated offerings at Glacier
- Continue to build our multi-channel, digitally-enabled distribution footprint across all segments
- Deepen our partnerships with Capitec and others
- Harness digital to improve client experience while achieving further operational efficiencies and productivity improvements, including through robotic process automation

Digital innovation at work

Sanlam is the first South African insurer to join Plug and Play, the world's largest global innovation platform, as a core insurtech partner. Plug and Play facilitates the acceleration and investment in start-ups, matchmakes start-ups and corporations, provides flexible co-working space in the heart of Silicon Valley and hosts major industry events that unlock great networking opportunities.

SPF aims to use Plug and Play to enhance the delivery of intermediary value-adds by using digital technology. This is based on clients' requirement to switch seamlessly between their intermediary and Sanlam according to their circumstances.

SPF employs a number of approaches on our digital journey:

- To scan the environment, and to learn and test new ideas and concepts, we leverage our relationship with Plug and Play
- In some cases, to build new solutions or create internal "start-ups" – examples include Indie, Go Cover and MiWayLife
- Ultimately, it is crucial that our core Sanlam businesses be digitally transformed

Examples of new solutions

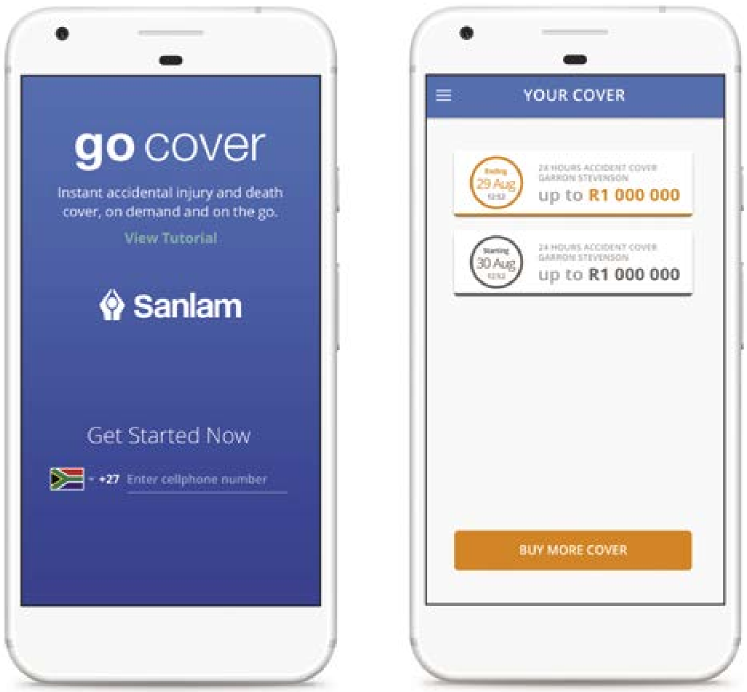
Indie

Indie is working to digitally transform the client experience of insurance. Indie's capabilities include:

- Digital onboarding and underwriting
- A digital product suite, including a built-in reward mechanism
- Sales tools for intermediaries (still in pilot phase)
- Sales support via chat and voice
- Partnership technology

Sanlam Go Cover

Sanlam Go Cover is a personal insurance platform that offers on-demand accidental injury and death cover. It was launched in December 2016 as the world's first on-demand personal cover platform, offering instant cover for up to 24 hours, from R10 for R100 000 to R30 for R1 million. This year a dynamic platform solution was launched, offering cover of more than 30 days, group purchases, and recurring and custom cover, accompanied by dynamic pricing, benefit and risk adjustment.



Glacier Investment Hub

The Glacier Investment Hub has set the benchmark for portfolio management in South Africa and gives Glacier and Sanlam a leading edge. The hub makes managing client information easy by enabling intermediaries to create and maintain details from one central place. A variety of client documents are imported from an external management system and stored on the hub.

Intermediaries can:

- use the search filter or advanced search to find clients, create model portfolios by selecting funds, allocating percentages and defining the risk levels and benchmarks, analyse and compare different portfolios and wrap funds, and create customisable reports to present to clients
- prepare a quick quote or customised proposal for a client's new or current investment – and complete the application form through an easy to use web-based front end that guides the intermediary through the steps; and
- submit investment proposals and applications with a straight-through, paperless process that allows clients to sign digitally. When filling in information, there's no need to recapture data such as client details.

Since inception, the hub has achieved a 70% adoption rate. Less than 30% of quotes are done by the call centre – previously this was above 60%. On average 15% of cases use the full segmentation, targeting and positioning process.

E-sign

E-sign capability has become part of the business process in SPF Distribution. It allows the client to sign documents electronically in a secure and authenticated way, removing the need for an intermediary to visit a client just to obtain a signature. E-sign offers convenience to clients, reduces paperwork and speeds up sales and other processes.

Sanlam Sky

Sanlam Sky's self-service kiosks offer an easy, seamless service to clients who can get access via a touchscreen interface using a one-time PIN authentication. Clients can print forms for claims as well as their portfolio or tax certificates.

Robotics

SPF introduced robotics in selected business areas to improve our client and intermediary experience, increase value and reduce costs. Robotics will augment and strengthen Sanlam's workforce and free up people to do more meaningful work. SPF has started implementing robotics in some back-end policy administration processes in the Client Care Centre, targeting high-volume simple, repetitive tasks such as data capturing. It will also be used in other selected areas of the business.

The targeted outcomes are:

- Significant improvement in service level agreements
- Improved quality at speed
- Reduced costs
- Enhanced experience by combining humans and bots
- Enablement of a broader digital strategy
- Enabling people to do more meaningful work

CLUSTER REPORT:
SANLAM EMERGING MARKETS

SEM

About SEM

SEM leverages its expertise and experience at a cluster level to provide a wide range of services and resources to support its in-country operations, which in turn provide clients with innovative financial solutions. Capacity and technical expertise are sourced from Santam, SPF and SIG as necessary. These support services and resources include the following:

Life and general insurance

- Management, operational and actuarial services
- Knowledge and best practice sharing
- New product development unique for each target market
- Technical and information technology services
- Omni-channel distribution capabilities
- Capital for growth

Investment management

- Domestic and global asset management
- Alternative assets like property asset management and equity funds
- Strategic management services
- Operational monitoring and support

Credit

- Cross-selling opportunities with insurance businesses
- Oversight by SEM retail credit committee
- Capital for growth

Strategic alliances

- Leveraging relationships with international and regional brokers
- Bancassurance:
  - Advice and support on strategic and operational management
  - Sharing of knowledge and best practices
  - New product development

SEM contributed 23% to the Group net result from financial services and 33% to GEV, making it the second largest cluster in the Group based on earnings and the largest based on GEV.

Strategic intent: to become a leading Pan-African player with a meaningful presence in India and Malaysia

SEM is placing increased emphasis on leveraging its expanded footprint through organic growth of our existing businesses with a particular focus on key markets. In addition, our unmatched Pan-African footprint provides us with a unique opportunity to service multinational corporate clients and intermediaries. This is augmented by an in-country retail and corporate focus. We provide in-country business partners with expanded central support capabilities to execute initiatives. We remain committed to structural growth opportunities through increasing stakes in existing businesses as these arise, expanding product lines, and entering selected new markets. The primary criteria for entering new markets are market potential in terms of size and growth prospects, low financial services penetration, and relative political stability. In this regard, Egypt and Ethiopia will be considered at an appropriate time.

An unmatched African footprint and opportunity

Key facts and figures

R2 038 million Net result from financial services (2017: R1 793 million)	**23%** Contribution to Group net result from financial services (2017: 21%)	**4 730** Number of employees (subsidiaries) (2017: 1 947)
33 Number of countries in Africa	**78** Number of subsidiaries/ businesses	**99** Number of supporting staff at cluster level

Governance commitments

We comply with all relevant local regulations and apply the following governance approach:

Minimum governance structures	• Board of directors • Audit and risk committee	• Human resources committee
Code of Conduct	• Acting with integrity • Growing shareholder value through innovation and superior performance	• Leading with courage • Serving with pride • Caring because there is respect for one another
Risk management and compliance	• Risk management policy • Risk appetite statement • Capital management policy	• Financial crime-combatting policy • Compliance policy
Other tight principles	• Branding • Communication • People management	• Financial and other reporting • Information and IT • Assurance providers

Creating resilience through diversification

SEM creates resilience by offering diversification for the Sanlam Group and through support for businesses within the markets where we operate. The spread of markets, products and product lines offered by the cluster is the single biggest contributor to resilience and risk mitigation.

By focusing on standard system implementation, regulatory compliance, financial management and actuarial expertise, we are able to strengthen the in-country SEM operations. Our ability to transfer skills to those markets and standardise offerings creates value for business units, staff, clients and broader society.

The SEM opportunity

GDP growth in most countries in Africa exceeded that of South Africa in the last five years. Many also outperform emerging markets in the rest of the world. Africa is experiencing solid economic growth, resulting in a burgeoning middle class with increasing disposable incomes in many markets. Insurance penetration lags income growth, creating an attractive opportunity for wealth creation and protection solutions. This is compounded by a young population becoming a large and aspirational future workforce with high technological adaptation. SEM is well positioned to address this gap.

We have developed an understanding of the needs of different markets, and the ability to design products and distribution channels that are effective and resilient. In Nigeria, we started a greenfield operation seven years ago; today we are one of the leading individual life insurers in the market.

> SEM does not want to be seen as a South African company doing business on the continent – we want to be seen as a Pan-African company.

We are also seeing a number of regulatory changes unfolding on the continent, including aspects of retirement, employee benefits and even specialist areas such as marine insurance becoming compulsory. This supports the insurance business proposition.

Following the Saham Finances acquisition, the SEM footprint is mostly complete. We now have an unmatched position in terms of competitors and have a significant multinational opportunity. SEM's growth plans included creating capacity in major business centres such as Paris and London to build relationship with multinationals active on the continent. We are now firmly positioned to be the go-to partner for such companies, with new mandates concluded generating present value of future earnings of US$13 million.

2018 operational performance overview

The Saham Finances transaction was a milestone for the cluster that was welcomed in the countries where Saham Finances operates. Sanlam representatives experienced positive feedback throughout the continent as employees and partners embraced the opportunity to be part of a leading non-banking financial services provider in Africa. It brings new impetus to the in-country business and to individual client relationships.

Performance was characterised by robust new business volumes in most of the SEM operations, with the exception of East Africa, which delivered disappointing results. Negative impacts included some corporate debt failures in Kenya and changing commission regulations in Tanzania. Ongoing challenges across the continent include significant fluctuations in local currencies and the ensuing liquidity problems due to foreign exchange shortages, notable in Angola. The impact of operational challenges in some markets were balanced by the geographic diversification of profit sources, which improved significantly following the Saham Finances acquisition. East Africa also disappointed from an operational earnings perspective, with most other regions making satisfactory contributions.

2018 salient features

- Strategic focus on organic growth across all lines of business and conclusion of the Saham Finances acquisition
- Extracting synergies from Saham Finances
- Improving performance and mix of business in Malaysia
- Growing the life portfolio – focus in most countries on increasing and optimising distribution and launching new products
- General insurance earnings growth supported by structural growth (Saham Finances)

Read more about SEM's financial performance in the Financial Review from page 85.

The new SEM operating model

The onboarding of the Saham Finances businesses is a critical success factor over the short term. With the onboarding, we have to manage the expanded scope and complexity of the cluster.

A new operating model was designed to optimise the relevant strengths of the respective teams and to achieve the strategic intent relating to the Saham Finances business, as highlighted above:

- SEM had a strong life footprint and expertise, while the general insurance portfolio is largely made up of licences and early start-ups.
- Saham Finances had strong general insurance expertise predominantly in North and Francophone Africa.
- Santam has strong general insurance expertise in South Africa, as well as specialist and reinsurance skills.

The confluence of these skills and the expanded footprint affords the Sanlam Group a number of opportunities by leveraging the respective skill sets. This is a key input into defining priority areas within the new operating model.

Growth opportunities following the acquisition:

- Growing the current Saham Finances life insurance portfolio with SEM life insurance products: Life insurance currently contributes less than 20% of Saham Finances. Sanlam's life insurance expertise elsewhere in Africa positions us well to grow this line of business across the Saham Finances footprint, which spans across a number of markets with favourable demographic profiles, strong economic growth prospects and low insurance penetration. Focus remains on further accelerating growth in this line of business.
- Using the Saham Finances general insurance expertise to grow the other SEM general insurance businesses in Africa: This will be implemented over time in line with Saham Finances' operational capacity.
- Expanding the Saham Finances product offering in assistance and health insurance across other SEM markets: SEM's current health insurance offering in Zambia and Uganda have already been transferred to Saham Finances, with feasibility studies in respect of the roll-out of assistance business in Southern Africa progressing well.
- Optimising reinsurance across the SEM general insurance footprint, while also expanding the general insurance specialist classes offering in conjunction with Santam. This will entail decreasing Santam's economic participation in the SEM Africa general insurance businesses to 10%, and Santam focusing on the development of specialist lines and reinsurance.
- Optimising capital management within the Saham Finances Group: Sanlam's extensive capital management expertise will be utilised to identify and extract any excess capital in the Saham Finances operations.
- Using the combined SEM and Saham Finances footprint to provide a compelling one-stop service offering to multinationals operating across the African continent.

The fundamental change to the operating model is to migrate from a SEM/Saham Finances structure with a regional approach to a line of business structure whereby Saham Finances will assume responsibility for the general insurance portfolio, including assistance and health. The newly created SEM life insurance business will assume responsibility for the life insurance portfolio, including asset management and retail credit.

The following design principles informed the new operating model:

- Facilitate a transition from a SEM/Saham Finances to a life/general insurance operating model and structure
- Prioritise synergies, with a focus on growth opportunities
- Minimise disruption to the businesses
- Protect and build on the strength in the two original businesses
- Provide more support and control from the centre
- Ensure strong governance and ethics

The new SEM Life Insurance will be responsible for 24 businesses in 24 countries and SEM General Insurance will be responsible for 26 businesses in 26 countries. SEM operates in 33 countries in Africa with a combined total of 50 businesses.

The SEM cluster Exco now comprises the SEM Group CEO, SEM general insurance CEO, SEM life insurance CEO, head of multinational and functional support executives, who will provide support from the centre.

Malaysia and India will continue to be reported as part of SEM, but operational responsibility has been transferred to the Sanlam Group Financial Director, Heinie Werth, to ensure dedicated focus by the SEM executive team on the Africa opportunity. Given Santam's increased financial participation, it will drive the reinsurance and specialist insurance strategy and businesses in close cooperation with SEM General Insurance, especially in the multinational space. SEM General Insurance and Santam have agreed on the business model for the reinsurance and specialist businesses.

SEM strategic focus areas

Drive profitable growth in existing businesses focusing on high potential markets, and ensure capacity to execute	***Key markets for life insurance*** Botswana, Namibia, Nigeria, Zambia, Kenya, Tanzania, Morocco and Côte d'Ivoire are immediate focus markets. A formal project was launched to onboard the Saham Finances life insurance businesses.	***Key markets for general insurance*** Morocco, Angola, Côte d'Ivoire, Burkina Faso and Mali are key markets where general insurance growth is a priority. This entails organic top-line growth as well as improved market positions. The transformation of business processes through digital initiatives and process reengineering are the immediate priorities.
Increase the delivery of the SEM footprint and pursue product growth through innovation and new product lines	SEM's most significant new business flow opportunity is in its multinational and specialist insurance offering. The target market is the top 500 international companies operating in Africa, including Pan-African companies, as well as large national companies that require property, onshore downstream energy, engineering, corporate liability and marine solutions. Reinsurance offers an opportunity to capture additional profit pools along the value chain by building a Pan-African reinsurance offering. Santam will lead the drive with key role players being Santam re, Saham re and Continental re.	
Unlock value through increased shareholding, in-country consolidations, cross-border collaboration with partners and strategic alliances	Where opportunities arise SEM will increase shareholding to reduce minority shareholding, enabling more control and influence while increasing its share of profits and dividends, but with partners maintaining a meaningful interest. Organic growth will remain the dominant approach. However, bolt-on acquisitions to gain in country scale remain an option in life and general insurance. Capital is managed as a strategic imperative at portfolio level. Through the optimisation of capital efficiency, RoGEV is enhanced.	

Entrench and build our brand, align culture and ensure strong values and ethics	The objective is to grow the Sanlam brand in a relevant way in the Sanlam branded countries. Rebranding of Saham Finances businesses will take the form of a phased brand transition. There have been several interventions aimed at building alignment and adherence to the Sanlam Group values and Code of Ethical Conduct with Sanlam branded subsidiaries. These activities will be supported by HR interventions to ensure alignment of HR practices and procedures. The HR focus for the onboarding of Saham Finances businesses will be on an assessment of organisational culture and employee engagement, as well as talent retention, attraction and employee development schemes.
Ensure strong governance and driving optimisation synergies	Governance, risk management and compliance are key aspects to ensure sound and prudent management of the business given the increased scope and complexity of the SEM cluster. The evolving regulatory landscape further requires strong compliance and risk management capability at the centre. SEM has appointed a Chief Risk Officer to oversee the compliance and risk management functions in response to the increase in regulatory monitoring. The governance approach to onboarding Saham Finances businesses will focus on board structures, board representation, the introduction of Sanlam Group governance and compliance policies and frameworks. Oversight will be provided by a number of existing Sanlam and SEM committees such as the Group actuarial forum and the SEM retail credit committee as well as the establishment of new oversight committees such as the general insurance risk forum, a reinsurance oversight committee and a specialist insurance business management committee. SEM has also recently established an estate and ALCO committee to oversee capital and asset management.

Strategic intent per Saham Finances line of business

General insurance	To become the go-to partner for international and Pan-African programmes as well as focus on strong retail in-country strategies. In terms of motor insurance, building an auto factory covering the full insurance value chain. This digital process automation is focused on the delivery of market-leading client-centric solutions.
Life insurance	To improve current local product offerings and launch new attractive and profitable products. Distribution models will be reassessed and optimised, leveraging Sanlam's experience in life insurance, while developing new partnerships at local and central level.
Health	Become the first profitable Pan-African healthcare insurer.
Assistance	Focus on the launch of an assistance platform in Southern Africa, the launch of a new claims management tool and optimising the cost of suppliers in the automotive ecosystem.

Digital factory drives innovation and change

A highlight was the establishment of a Digital Factory for Saham Assurance in Casablanca, Morocco. The team of 37 employees with skills ranging from data scientists, IT experts, marketing and sales to actuarial is responsible for the transformation of the company's processes. Their goal is to implement a client-centric vision.

The Digital Factory puts the clients at the heart of Saham Assurance's processes, enabling the business to innovate quickly with short decision cycles and a culture of experimentation. They delivered, for example, Arabic rather than French contracts within a few weeks.

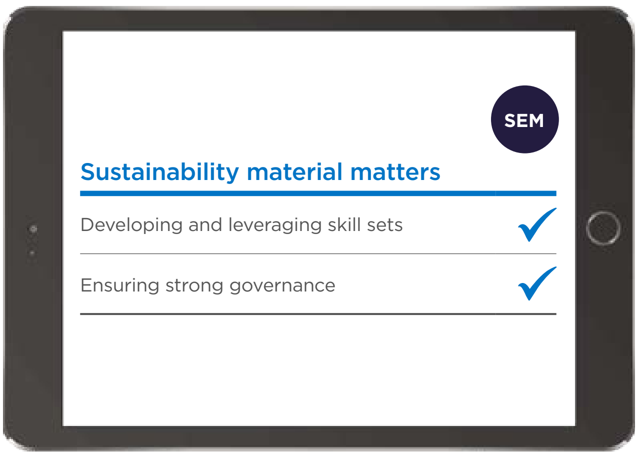
The creation of the Digital Factory represents a true innovation in the insurance sector in Morocco. The team co-creates in agile mode, delivering new products, processes and solutions that are dedicated to improving the client's journey. They are targeting opportunities throughout the value chain, including client acquisition, client management, claims management, and omni-channel client solutions.

Strategic focus areas in respect of the Saham Finances businesses

- Accelerating organic growth based on:
  - a unique and integrated network in which profitability must be accelerated;
  - a strong retail strategy to fully impact each local market; and
  - a multinational approach – the one-stop-shop strategy.
- Improving market positions in three to four countries
- Improving service via business transformation projects to create significant competitive advantages in main business lines of motor, health and life by:
  - digital initiatives and process reengineering; and
  - shared platforms for assistance and third-party administration.
- Increasing profitability

Strategic short- to medium-term priorities

- Continue with the shift in focus from acquisitive to accelerated organic growth through superior execution and enhanced strategic alliances
- Improved distribution
- Deliver on corporate opportunities in Africa in support of retail and commercial business growth
- Increase visibility of Sanlam brand as a partnership brand for markets and our employees
- Realigning Santam interests in SEM general insurance businesses with focus on reinsurance and specialist
- Increase collaboration on human resource development across the cluster
- Continue focus on governance, compliance and ethics
- Explore industry consolidation, increased shareholding or strategic partnerships where it makes sense



www.sanlam.com/investorrelations/sustainability/

CLUSTER REPORT: SANLAM INVESTMENT GROUP

SIG

About SIG

SIG is one of South Africa's largest investment management companies. We offer a comprehensive range of local and offshore investment products to end-investors, financial planners and institutions. Our investment options include passively and actively managed unit trusts, hedge funds and segregated and pooled retirement funds.

During the year, the cluster's organisational structure was adjusted to provide more clarity and create synergy. This included the consolidation and optimisation of the businesses that focus on managing the Sanlam Group's assets. Sanlam Investments became Sanlam Investment Group (SIG), with the following sub-clusters:

- The Sanlam Investments third-party asset manager;
- Sanlam Specialised Finance (SanFin), which is responsible for managing the Sanlam Group's assets and includes the former Sanlam Capital Markets business;
- Sanlam Private Wealth; and
- International.

SIG has a leading position in private wealth management in South Africa. It also pioneered index-tracking investment capabilities in South Africa with Satrix since 2000. Satrix launched Exchange Traded Funds (ETFs) in South Africa with its flagship Satrix Top 40 ETF. Since then we have launched a number of new and innovative index-tracking products to meet client needs.

SIG contributed 13% to the Group net result from financial services and 14% to GEV.

Key facts and figures

R1 152 million
Net result from financial services (2017: R1 227 million)

13%
Contribution to Group net result from financial services (2017: 14%)

R14,8 billion
invested in empowerment financing in South Africa

R7,9 billion
invested in renewable energy and climate-related funds

1 483
Number of employees (2017: 1 057)

6,01 out of 12
Employment Equity indicator as defined in the FSC

Key strengths

- SIG's longevity and innovation: We have been around for almost a century and have always successfully adapted to our investors' needs.
- People, teamwork and values: Our employees are driven by passion and actively strive to be transparent and innovative.
- A culture of diversity and commitment to growing our own timber: At SIG, transformation is imperative, and our internal programmes help develop tomorrow's black investment professionals and business leaders.
- Our robust, tested and proven pragmatic investment process and philosophy: Our performance history highlights the success we have achieved for our clients by committing to our investment philosophy.

SIG values

- Strength in collaboration
- Value experience and continuous learning
- Passionate in everything we do
- Candid and transparent
- Embrace diversity and change
- Entrepreneurial in our approach

Key factors impacting on growth potential

- Fee pressure, especially in an RDR environment
- Muted investment market performance
- Investor confidence
- Weak economic growth in South Africa
- Demand for non-traditional asset classes
- Importance of index tracking as part of core solution growth

> We nurture and grow our clients' wealth while making a meaningful contribution to the transformation, growth and development of our economy and society.

Strategic intent: growing third-party market share

Sanlam Investment Group is defending its leading position in private wealth while building on the success in attracting retail fund flows. The cluster focuses on growing corporate and third-party fund flows, where it does not have its fair market share. Improved cost efficiency is a priority. Transforming the employee profile to reflect South African and client demographics is a specific focus area, and supports the corporate and third-party growth initiatives, with specific emphasis on portfolio management. Digital innovation in the areas of product development, client experience and value proposition, and intermediary service levels are key drivers in support of these initiatives. The proposed BBBEE transactions will result in the third-party asset manager becoming black owned, which will position it well to attract new institutional mandates.

> As value investors, we make use of the opportunities created when prices differ from their fair value.

Our investment philosophy

We believe that financial markets are inefficient because the market participants are driven by emotions. These emotions cause asset prices to move away from their fair values, which creates investment opportunities for patient investors. Also, as various market participants have different investment time frames and liquidity requirements, assets can become mispriced over the short term. Generally, we invest in assets that are trading below our fair value estimate and disinvest from assets that are trading above our fair value estimate. We use a fair value framework based on the assumption that assets revert to their long-term average real returns.

All our investment decisions are rooted in this philosophy. What this means in practice is that our team of analysts conducts in-depth research to gain insights into what an asset is truly worth, as opposed to what investors are willing to pay because of greed or fear. These valuations inherently take into account ESG practices and the impact that these will have on the sustainability of an asset's returns. Based on this, our fund managers make decisions that take advantage of these market efficiencies, without being influenced by emotions. Since we are valuation-based investors, we are convinced that by sticking to our guns in the long-term and riding out volatile and uncertain periods, we will be able to deliver a consistent, compelling long-term investment performance for our clients.

2018 operational performance overview

The South African equity market reflected no growth on an average basis in 2018. Low investor confidence in an uncertain South African environment resulted in lower net fund flows, which combined with the weak equity market performance, placed significant pressure on the level of assets under management and profitability.

The main focus of SIG remains to build client facing business units and place a stronger focus on understanding and meeting clients' needs while collaborating with internal business divisions to leverage skills and resources in the business. An outward-looking client-facing model was introduced over the past few years. The cluster restructured its UK business and separated Sanlam-focused and third-party investments in South Africa. These changes delivered higher inflows and confirmed the need to provide greater autonomy to investment units, while aligning the goals of investment performance more closely to growing our assets under management.

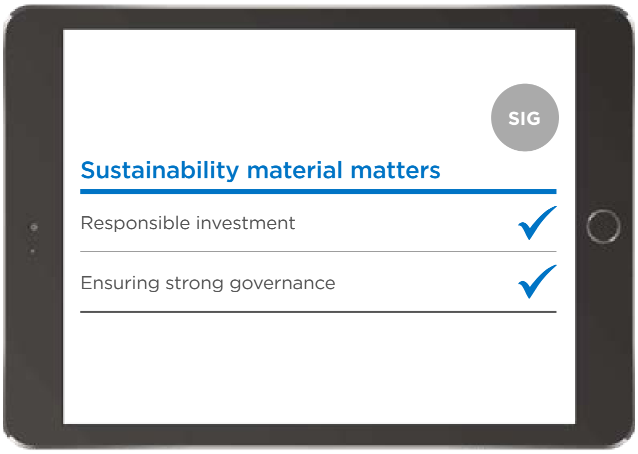
The main strategic changes and interventions by the business over the last 12 months centred on the consolidation and optimisation of the business which focuses on managing Sanlam Group assets. This led to the formation of Sanlam Specialised Finance (SanFin), which is responsible for the management of Sanlam Group assets. SanFin consists of the Sanlam Capital Markets (SCM) business, including the Central Credit Manager, Sanlam Structured Solutions and the Sanlam Portfolio Management/ALCO teams. The intention is to optimise the risk, return, capital and liquidity requirements of the broader Sanlam Group through the integrated business unit.

> Our philosophy is based on rational decisions and thorough research.

The South African investment management business continues to focus on third-party clients and build a more competitive business in the non-traditional space. With depressed expected investment returns from traditional asset classes, it will become key to provide solutions and services in the alternative asset classes. The business is developing capacity in infrastructure, private equity, unrated credit, unlisted property and African funds. We are also placing a high focus on entrenching the leading position of Satrix in the index-tracking segment of the market.

One of the most important opportunities to leverage between clusters is collaboration between SIG and Glacier regarding the multi-manager capabilities and distribution incentives to support Retail Implemented Consulting.

Read more about SIG's financial performance in the Financial Review from page 85.



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Investment market trends shaping SIG's future

Retailisation of retirement funds	The move from defined benefit to defined contribution funds over a number of years resulted in the latter becoming the dominating form of retirement savings worldwide and in South Africa. This moved the risk of retirement outcomes away from the employer to the employee. Whereas employers would have had to fund shortfalls in defined benefit schemes in the past, individuals now take significantly more interest in their pension plans. This interest at an individual member level is expected to intensify even further. This has wide-ranging implications for SIG in service delivery, intermediary interaction, product performance, digital platforms, design of solutions, speed of implementation and reaction to changes and requests. The end client and his adviser will continue to demand high levels of delivery on all of these elements of product and service.
Platforms and partnerships	In South Africa, the lower end of the market is gravitating towards umbrella schemes. An umbrella fund allows multiple employers to use a single pension or provident fund structure to help their employees save for retirement. The fund provides the structure and tax benefits, while the employees' investment return come from the underlying investment portfolios. SIG has an opportunity to closely align to the Sanlam Umbrella fund and build relationships with other funds. At the middle to higher end of the market, the use of intermediaries is more prevalent. For intermediaries, platform and solutions providers are critical components in the value chain. They gravitate towards investment firms that can provide competitive investment solutions and are aligned to a strong LISP platform. Glacier is well-positioned to provide these solutions.
More regulation, compliance and transparency	Regulators continue to be more intrusive and active in their objective to promote beneficial outcomes for clients. Full transparency of investment activity and products is a requirement at all levels as regulatory and tax reciprocal rights strengthen across the globe. Reporting requirements for investment firms continue to increase and this trend will not abate. RDR or similar regulation on free models will be introduced and applied also in South Africa. Investment firms such as SIG that have a predisposition towards high levels of compliance and ethical cultures, will benefit from this environment while other players find it more difficult to survive under the scrutiny of the regulators. While it does increase the cost of operations, SIG can use technology to improve processes and reduce cost of delivery. The increasing level of regulation and transparency also results in increased pressure on fees. The current low levels of investment return in the market amplifies this. The move from high-fee managers to lower-fee managers and products will be a continuing trend.

The low-return environment persists and the hunt for yield continues	Lower returns have become a market characteristic in many countries, but the recent experience in South Africa has been exceptional in its duration. South African equity markets are a good indicator of asset growth since it remains the highest component of most investment solutions for clients. The JSE All Share Index has delivered lacklustre and volatile returns over recent years, driven by increased long-term rates worldwide. The low-return environment results in a search for yield by investors and their intermediaries. With the listed and traditional space under pressure, asset classes with high-return characteristics, or alternatively which has asymmetric risk characteristics, are in demand. SIG will continue to develop and nurture competitive capabilities in the alternative space where higher yields can still be extracted from asset classes like unlisted credit, infrastructure and private equity. This can be challenging as the unlisted space often requires alternative and different operating models, structures, and have unique investment team requirements to be successful.
Technology brings change, benefits and solutions	The continued reduction in the cost of technology, including data storage, software and equipment cost, resulted in a proliferation of technologies and potential solutions, also in the investment industry. This brings improvement in investment processes: Investment managers are now using a myriad of technologies in their investment decision process, including Artificial Intelligence and other advanced analytical techniques. The transition to augmented investment processes is accelerating as the volume of available data rises exponentially. The increasing availability of technology solutions benefits client interactions and enables technology-inspired client experiences designed for the digital era. New solutions are also leading to advances in understanding client behaviour and preferences. The availability of significant data sets that are linked to external data sources – internal and in the wider Group – creates the potential to improve products for clients and improves sales activity. This is an area of accelerating change and many non-traditional players and competitors are active and entering this space. There is the real potential for significant disruption emanating from this area. SIG is investing in people and technology to prepare for these fundamental changes.
Index-tracking advantages	There has been a significant and accelerating use of index-tracking funds worldwide. The product addresses many of the challenges faced by clients and intermediaries, including inconsistent investment performance over long periods of time. The low cost of index-tracking solutions also assists clients and intermediaries in achieving better net investment return outcomes. Regulators also favour solutions with higher proportions of index-tracking components. The exponential growth in funds being diverted to index-tracking funds is expected to continue. SIG's Satrix index-tracking capability is a competitively branded and priced solution in this segment.

Transparency on proxy voting and engagement activity

Since 2010, the number of shareholder meetings Sanlam Investment Management (SIM) votes at varies seasonally between 40 and 90 per quarter. Of those, 75% are annual general meetings. Over the eight years, the number of resolutions per meeting increased due to unbundling, with an average of 1 200 resolutions per quarter. Over the period, SIM declined 10% of resolutions, of which 90% were approved by meetings. Of those not approved, some resolutions were withdrawn.

SIM's reasons for declining resolutions are mostly related to remuneration and limiting general access to capital. SIM voted more favourably on share repurchase requests but declined resolutions to limit share issuance on a general basis. Reasons for declining remuneration resolutions are mostly due to policy: we concentrate on remuneration inputs more than outputs and prefer that a significant proportion of hurdles in long-term incentive schemes measure returns that are higher than the cost of capital plus a margin. We prefer incentive to retention schemes.

Since 2011, SIM's reasons for engagement have mainly been on remuneration arrangements, followed by malpractice and performance.

SIM's proxy voting guidelines were first defined in 2006. At the time we chose to report on implementation directly to clients and investee companies. We have been showing aggregated voting data in the form of charts publicly on our website since 2012. In 2017, we placed the unabridged Responsible Investment Policy Document (which includes our voting guidelines) on our website, and in 2018, we have added a public disclosure of our voting activity per resolution. SIM's proxy voting, responsible investment approaches and Annual Responsible Investment Report are available on www.sanlaminvestments.com.

Our transformation priorities

Based on the South African reality, it is the responsibility of all businesses in the country to support economic transformation and to create equal opportunities for all in the workplace. At the heart of the business's transformation strategy must be authenticity and sustainability. Meeting scorecard and client requirements are important, while SIG's view is that transformation should be authentic and genuine in its intention to develop, nurture, mentor, empower and fast-track the black investment professionals who will be the future leaders of the investment management industry. We made significant progress in achieving this and will continue to make it a focus into 2019 and beyond.

Strategic short- to medium-term priorities

- Maintaining consistent superior investment performance
- Using business intelligence capability to apply data analytics in pursuit of product innovation, to enhance client and intermediary experience, and to support operational efficiencies
- Leveraging capabilities across businesses to provide holistic solutions for retail and institutional clients, including closer cooperation with SPF
- Seizing the passive and alternative opportunities
- Strengthening the turn-around of Sanlam UK, positioning the business for future growth and enhancing offerings for our African client base
- Dealing with fee income pressures through targeted cost-reduction initiatives
- Continued focus on transformation and people development
- Driving retail flows through outcomes-based fund management

CLUSTER REPORT: SANTAM

SNT

About Santam

Santam is the leading general insurance group in South Africa that writes insurance business in Africa, India, South-East Asia and other emerging markets through its business units:

- Santam Commercial and Personal
- Santam Specialist
- MiWay
- Santam re
- Santam Emerging Markets Investments

Santam contributed 13% to the Group net result from financial services and 15% to GEV. Santam has a market share of more than 22% in South Africa.

Key facts and figures

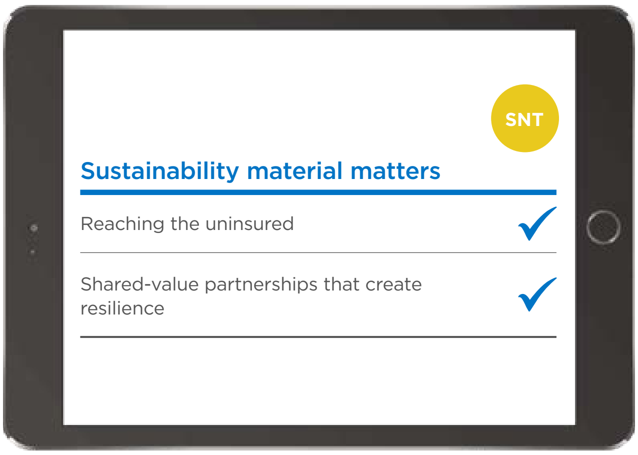
R1 196 million Net result from financial services (2017: R851 million)	**13%** Contribution to Group net result from financial services (2017: 10%)	**9,2%** Underwriting margin (2017: 6%)
R13,8 billion Client wealth protected (2017: R14,2 billion)	**6 076** Number of employees (2017: 5 990)	**6,78** out of 12 Employment Equity indicator as defined in the FSC

Key strengths

- Santam is a 100-year-old, leading South African general insurer with a presence in selected emerging markets, listed on the JSE since 1964.
- We provide products and services through a network of over 3 600 intermediaries and direct channels.
- The group's more than 1 million policyholders range from individuals to commercial and specialist business owners and institutions.

Strategic intent: entrenching leadership through value creation and growth

Santam is building a diversified business in emerging markets through its specialist risk and reinsurance offerings. In South Africa, efforts to transform from a largely intermediated distribution model to omni-channel capabilities continue. This includes protecting profitable growth through enduring focus on the quality of risks in the pool as well as making use of data and analytics to improve underwriting capability. Santam will continue to build its "Insurance good and proper" reputation by working with stakeholders to increase community resilience and through its sustainable business practices, as well as a relentless focus on client-centricity.



www.sanlam.com/investorrelations/sustainability/

Santam's five strategic focus areas

In 2015, Santam set an ambitious target – *Vision 2020: to be the leading general insurer in South Africa with a presence in selected emerging markets*. The cluster identified five strategic focus areas to facilitate value creation and achieve this target:

Insurance good and proper	Deliver on the promise to clients in a way that creates value for all stakeholders
Growth through innovation and diversification	Achieve responsible, profitable and sustainable growth in South Africa and internationally
Manage the risk pool	Ensure proactive sustainable risk management while promoting dialogue and collaboration on risk and resilience
Continually increase efficiency	Maintain high standards of operational efficiency, ultimately creating more robust and sustainable stakeholder outcomes
The right people	Influence and enable successful execution of the Santam strategy through engaged and competent people and partners

2018 operational performance overview

The 2018 financial year was characterised by fewer large commercial property and catastrophe claims events than experienced in 2017, which from a claims perspective was the worst in over 100 years.

A combination of tighter underwriting practices in commercial property and a relatively benign claims environment contributed to good underwriting margins, which increased from 6% in 2017 to 9,2%. Santam Commercial and Personal delivered strong results. Conversely, some of the Santam Specialist businesses saw higher claims ratios, which led to underperformance relative to historic results. The most notable of these are listeriosis claims in Stalker Hutchinson Admiral (SHA), Santam's liability business. Despite the tough economic conditions in South Africa, Santam achieved satisfactory growth.

The group currently generates 10% of its premiums from outside South Africa and has a strategic goal to grow this contribution significantly through the Santam Emerging Markets Investments, Santam re and Santam Specialist business units.

After the high volume of catastrophe events and commercial fires in 2017 increased Santam's reinsurance premium rates, risk survey and underwriting capacity was increased and the focus on risk selection tightened. The aim was to contain and manage exposures better and to improve risk management practices. This resulted in an immediate and significant saving on known avoided fire claims this year.

Santam continues to invest in ways to penetrate new and non-traditional markets. Consumer financial education was identified as one of the most effective ways in which Santam creates new market opportunities.

The cluster proactively addresses the social and empowerment challenges in South Africa by increasing procurement from black-owned suppliers.

The money that Santam has invested in the ASISA Enterprise and Supplier Development (ESD) fund creates access to loan funding for new and small BBBEE suppliers in the sector. Now in its fourth year, the programme runs over a 12-month period that includes business assessment and incubation and aims to prepare small black businesses for targeted procurement spend from the group.

2018 salient features

- Santam delivered strong underwriting performance in South Africa.
- We concluded increased participation by Santam in Saham Finances, in terms of which Santam's effective stake in Saham Finances increased from 7% to 10%.
- All transformation initiatives are running well, and Santam is confident of retaining an industry-leading level 2 BBBEE status for 2018.
- Santam maintained its leading position in the South African short-term insurance sector with various accolades that include recognition in the 2018 Sunday Times Top Brands Survey as a top business insurer. Other accolades include certification as Top Employer in South Africa for the third year running and inclusion in the JSE/FTSE Responsible Investment Top 30 Index, which recognises sustainability practices by corporates.

Read more about Santam's financial performance in the Financial Review from page 85.

Santam Commercial and Personal	***The business unit serves both retail and commercial markets by providing appropriate insurance solutions that suit the needs of entrepreneurs and businesses. For personal insurance, it offers a multiproduct and multichannel distribution portfolio covering eight classes of general insurance.*** 2018 has been a relatively benign year in terms of claims severity due partly to an absence of major catastrophe losses. The business unit performed well from an underwriting perspective, but growth in premium was tempered. Tough economic conditions impacted small businesses, resulting in negative growth in the lower annual premium segment. On the other hand, a consistent approach to rating and underwriting over time and continued access to reinsurance markets benefited the higher value segments. Santam Commercial and Personal established a dedicated business unit to service and manage commercial business in this segment. The business unit transferred a percentage of risk to medium to large commercial and corporate clients through more stringent requirements for smoke detection, sprinkler protection, pressurised water tanks and rational building design. A turnaround in the profitability of the property portfolio stemmed from an increase in new business rates in previously unprofitable property sections. Outsourced business channels exceeded profit targets for the third consecutive year. The investment in the use of big data and predictive analytics continued and forms the core of Santam Commercial and Personal's pricing approach. The personal lines part of Santam's move away from legacy systems to new software is almost complete. By the end of 2018, deployment was completed to all South African intermediaries in commercial lines and approximately 30% of all policies were migrated from legacy systems to the new system. The business unit plans to have the data migration process completed by the end of 2019.
Santam Specialist	***The Santam Specialist business focuses on the insurance of large and complex risks in niche market segments in South Africa, rest of Africa and Asia. Products are client-driven and supported by specialist underwriting. This demonstrates an understanding of the unique risk environment.*** Santam Specialist performed well in terms of overall growth, but underwriting performance was challenging. This is largely due to high claims activity in Stalker Hutchison Admiral (SHA) and strong competition from local and overseas markets. Reduced property capacity and higher costs were positive for the property market, since rates hardened throughout 2018 with increased focus on risk management improving the long-term sustainability of our property book. Over capacity in many specialist lines contributed to increased competition and lowered rates. Outside of South Africa, emerging markets enjoyed strong growth and infrastructure development. However, changes in insurance legislation towards increased localisation of insurance premiums across Africa have put pressure on premium revenue into South Africa. The weakening rand is positive for growth outside of South Africa, however, it can cause claims pressure in the aviation and travel sectors, where parts and medical claims are priced in US dollar. Similarly, while the increased oil price has a negative economic impact on our clients, it has a positive impact on oil-based economies in Africa such as Angola, creating growth opportunities. The opportunity that Santam's stake in Saham Finances presents in Africa is key to Santam Specialist's growth strategy on the continent.

MiWay	***MiWay is a direct insurer that underwrites predominantly personal lines general insurance business through direct acquisition. This is supported by a smaller intermediated personal lines business and a suite of direct business insurance products.*** MiWay's gross written premium growth was under pressure, impacted by competitive market conditions and the poor economic climate, which resulted in a decrease in premium collections. As a direct business, MiWay incurs all the cost of acquiring new business upfront, except for intermediary commission that is paid over the life of the policy. As a result, the increase in premium cancellations had a negative impact on MiWay's acquisition cost ratio. MiWay initiated the use of telematics technology to manage and mitigate the risk of theft and accidents. An emergency alert service was launched to all existing and new clients early in 2018. Telematics technology in the vehicle sends instant crash alerts to the MiHelp call centre, including severity estimates determined by artificial intelligence, allowing MiHelp agents to dispatch ambulance and assistance services to clients in distress without them having to call first. The 24/7 MiHelp contact centre for roadside emergencies now allows clients to communicate via WhatsApp after the initial interaction, making the identification of incident locations, service provider dispatches and follow-ups more efficient and improving the overall client experience. MiWay successfully refreshed its brand towards the end of 2018 and will continue to refine the process to unlock more efficiencies during 2019.
Santam re	***Santam re is a wholesale reinsurance service provider for the Sanlam Group general insurance businesses and independent general insurers in South Africa, Africa, the Middle East, India and Asia (including South-East South Korea). Santam re operates under the Santam general insurance licence, which enables it to optimise the size, quality and diversity of the overall risk pool relative to capital resources and risk appetite.*** Santam re continues to contribute to the Santam group's diversification strategy and its ability to create long-term value and remains an important vehicle for group reinsurance optimisation and services. Santam re's underwriting result deteriorated because of poor past run-off losses and a more conservative underwriting approach to reserving. Strategically, the business unit focused on developing junior underwriters by exposing them to their markets through visits, conferences and engagements with clients. It also initiated projects to improve processes. Santam re will continue to build partnerships with international reinsurers with portfolios of good standing to secure good new business flows from international partner cessions that cover the developed world geographies. This will provide further balance and diversity to the international portfolio.
Santam Emerging Markets Investments	Santam's increased effective interest in Saham Finances is underpinned by the opportunity, in conjunction with SEM and Saham Finances, to use its expertise to play a leading role in expanding and managing the general insurance specialist portfolio in Africa and to become the leading Pan-African specialist insurance provider. Saham Finance's expertise in motor assistance, through Saham Assistance, presents significant business growth opportunities. Further synergies exist across several technology initiatives.

Strategic short- to medium-term priorities

- Remaining focused on profitable growth in South Africa, and increasing international diversification through the Santam Specialist business and Santam re
- Realigning interests in SEM investments with focus on reinsurance and specialist
- Further focus on cost efficiencies and optimising the claims and procurement value chains
- Implementing omni-channel strategy across key businesses
- Focusing on underwriting management activity

Partnerships for Risk and Resilience (P4RR) builds capacity

Santam mitigates risk and builds resilience in the societies it operates in. To reduce the risk for the cluster and its clients, Santam engages with government, municipalities, universities and other stakeholders to initiate projects to better understand and manage these risks.

The objective of the P4RR project is to strengthen local municipalities. Municipalities are selected based on vulnerability levels related to government requirements as well as potential impacts on the business in terms of fire, flood and storm surge perils.

Since 2012, Santam has invested more than R15 million in municipalities to better respond to the risk of fires and floods. The P4RR programme currently supports 43 municipalities. In 2018, through P4RR initiatives, investments and interventions, the following impacts were achieved:

- Santam donated firefighting equipment to capacitate the Namakwa and Thabo Mofutsanyane district municipalities to deal with fire risks. The donations provide poorly equipped fire stations with the necessary equipment to reduce the loss of life and damage to property resulting from fires. Firefighting equipment provided includes fire hoses, communication radios, protective fire suits, breathing apparatus and smoke alarms.
- Santam made a donation towards firefighter training in the Sarah Baartman and Sedibeng district municipalities, as well as in metropolitan areas in Gauteng. The courses included fire officer, fire instructor, breathing apparatus, confined space entry and rescue and incident command training.
- Santam provided disaster decision support tools, associated smart devices, training and computer applications in the Sarah Baartman and Ehlanzeni district municipalities. These tools improve the management of important data related to municipal risks and assets and aid disaster management decisions, contributing to reduced loss of life and damage to property.
- A key imperative for municipalities is to conduct regular risk assessments to better understand their risk profiles and take the necessary steps to mitigate risks. Generally, local municipalities spend plenty of money obtaining risk assessments from consultants. In 2018, Santam donated R850 000 to build risk assessment capacity and map flood risks within 10 local municipalities.
- After the unprecedented wildfires in Knysna and surrounding areas in 2017, Santam initiated the National Fire Resilience Roundtable. The roundtable consists of 30 stakeholders, including national and provincial disaster management centres, Working on Fire, the Red Cross, private sector companies and non-governmental organisations (NGOs). Through the roundtable, Santam commissioned research by Stellenbosch University and the Council for Scientific and Industrial Research (CSIR) into the causes of the fires, the firefighting effort and post-fire recovery. The research report, published in February 2019, highlights potential fire hotspots in South Africa and includes recommendations to improve stakeholders' understanding of fire risk, as well as actions to mitigate the increasing risk of fires at the urban-wild interface.

CLUSTER REPORT: SANLAM CORPORATE

SC

About SC

Sanlam Corporate (SC) operates through the following:

- Sanlam Employee Benefits (SEB)
- Health solutions and products
- Institutional offerings sourced from other clusters

SEB provides a diversified range of employee benefits solutions to employers, funds, members and pensioners including group insurance, umbrella funds, standalone fund administration, guaranteed investments, annuities, preservation options and a suite of consulting capabilities.

SC holds a 28,7% stake in AfroCentric Healthcare Assets, a subsidiary of the listed AfroCentric Investment Corporation that owns the country's second-biggest medical aid administrator, Medscheme.

SC completed the acquisition of 100% of Absa Consultants and Actuaries in April 2018, now renamed ACA Employee Benefits (ACA). ACA housed the entire employee benefits offering of the Absa Group and provides consulting (investment, actuarial, health and benefit) and administration to retirement funds.

SC contributed 6% to the Group net result from financial services and 4% to GEV. SC's share of the corporate market in Employee Benefits and Health in certain categories is less than 20%, presenting an opportunity for growth.

Key facts and figures

R580 million Net result from financial services (2017: R558 million)	**6%** Contribution to Group net result from financial services (2017: 6%)	**1 494** Number of employees (2017: 1 327)
R8 227 million Claims paid and increase in policy liabilities (2017: R7 486 million)	**6,56 out of 12** Employment Equity indicator as defined in the FSC	**R6 million** invested in empowering trustees, advisers and employers through insights drawn from the Sanlam Benchmark.

Strategic intent: to become the partner of choice to corporates, funds and advisors to enable financial resilience

SC, comprising SEB and Sanlam Healthcare, focuses on delivering best of breed employee benefits and healthcare solutions to institutions ranging from SMME's to large corporate clients. In addition, cross-selling to existing corporate clients and bundling products to unlock value are being pursued on a selective basis. Sanlam's African footprint and structuring capability provide an avenue to engage multinationals based in South Africa on their continental employee benefits and health offerings. The Integrated Solutions team within SC targets a set of South Africa's top companies and multinationals (South African-based and other) with corporate solutions that follow a needs-based approach, incorporating products and services from the other Sanlam Clusters as necessary in building a holistic client solution.

SC's focus areas

To become the partner of choice to clients by enabling financial resilience through an integrated Sanlam experience underpinned by leading Employee Benefits and Health capabilities, we focus on the following:

Partnership	We focus our attention working with partners in order to deliver meaningful and sustainable solutions that enable clients to be financially resilient.
Clients	We serve clients through an omni-channel engagement model that allows for engagement with various stakeholders including employers, funds, advisors, unions, members and pensioners.
Financial Resilience	Our value add to clients is to deliver solutions and services that help them and their stakeholders to withstand the negative impacts of unexpected events while being able to take advantage of opportunities to grow their wealth.
Integrated Sanlam Experience	We provide clients experience of Sanlam by ensuring a single point of contact for selected clients and coordinating interactions across the clusters.
Solutions	We engage with each client to understand their specific needs and then develop bespoke solutions sourced from across the Sanlam Group to address them.
Leading Employee Benefits and Health	We consistently deliver best of breed employee benefits and health solutions to clients that are differentiated across multiple dimensions of value add.

2018 operational performance overview

SC delivered a strong performance in a year of tough operating conditions.

2018 was a challenging year where the industry has seen a general increase in the volatility of mortality claims experience. In light of this, SEB embarked on re-pricing certain clients, on-site intervention and enhanced filters and retraining.

The diversified nature of the business offerings within the cluster contributed to resilience, supported by efficiencies achieved through investments in digital technology and process redesign. ACA performed in line with expectations and the integration with Sanlam is progressing well.

SC aims to enhance the financial resilience of the society we serve, whether in health, life insurance or retirement, by influencing the behaviour of individuals through engagement. According to the 2018 Sanlam Benchmark research, while there has been significant progress in the structural evolution of the industry, South African retirement fund members are still at risk of poor retirement outcomes. When combined with the negative impact of financial stress on physical and mental well-being, we see the need to enable members to be more financially resilient in order to improve the quality of their lives building up to and through retirement. A key obstacle to wealth creation is the fact that the vast majority of fund members do not receive adequate information at critical junctures in their respective retirement funding journeys.

To address this challenge, SC launched a new offering that entails a free retirement benefits counselling service for members of qualifying retirement funds that Sanlam administers. The service allows funds to align with impending default regulations and has been crafted in a manner to optimise the impact of counselling on the critical decisions of fund members. This ensures that they are aware of their options and the impacts thereof at withdrawal or retirement stage. To date, this service has been taken up by approximately 20 funds as well as some stand-alone funds, the Sanlam Umbrella Fund and Sanlam Unity Fund. This number is expected to grow as we reach the go-live date of the default regulations. SC benefits by increasing preservation and annuitisation within SC product ranges or transitioning clients to other Sanlam products. The capability complements existing financial advice processes. The response from the market has been exceptional, with a much wider uptake than anticipated.

As financial advisers traditionally targeted high earners with retirement advice, a significant part of the market has been underserviced. By addressing this need in a cost-effective manner and using both tied and independent advisers, we are able to deliver financial inclusion and support the financial resilience of fund members and their communities.

We also experienced a strong uptake of the Progressive Smooth Bonus Fund launched in 2017. This was part of SC's ongoing commitment to prioritise empowerment as a business goal and national economic necessity. The Progressive Smooth Bonus Fund is South Africa's first

100% black managed, smoothed bonus product where all assets are managed by 3rd party black asset managers with risk management and the investment guarantee provided by Sanlam. The product addresses the needs of retirement funds that seek to drive transformation objectives within the asset management industry while retaining the financial resilience offered by the Sanlam guarantee and governance framework. This resulted in a significant investment of more than R2 billion from a mining provident fund.

A highlight was Sanlam's gap cover being selected as the leading product for people younger than 60 in a comprehensive, first-of-its-kind gap cover survey by GTC. The survey included 20 providers of gap cover solutions, offering 84 plans covering 18 different product types.

SEB was the recipient of the Financial Intermediaries Association of Southern Africa's (FIA) Employee Benefits Supplier of the Year Award for 2018. This is the 6th time in eight years that SEB has received this award and speaks to the consistency of the value proposition delivered to the market.

Sanlam Employee Benefits	***SEB is a leading provider of financial advice, insurance, retirement solutions and investment services to institutions across South Africa*** SEB created first mover advantages through the Progressive Smooth Bonus product, free retirement counselling services to qualifying retirement funds and the launch of the MSCI World Tracker Guaranteed Product. The latter followed the increase in offshore investment allowance for institutional investors from 25% to 30%. This enabled retirement funds to take a greater portion of their asset pool offshore, thereby further diversifying their investment portfolios. SEB continues to aim for profitable growth with a focus on pricing, margins, efficiencies and distribution. Benefits from the integration of ACA in terms of facilities and infrastructure are already evident and further synergies are in progress. No material clients were lost after the change in ownership and key employees were secured. A new business was established with a dedicated team to address the unique opportunity created by the new retirement fund default regulations. This requires a holistic approach and relies on collaboration between SEB, ACA and the wider Sanlam Group. Umbrella solutions remained a key focus area for SEB, with strong flows generated. This is a result of years of hard work and investment into crafting what independent intermediaries regard as the most advanced, differentiated and responsive umbrella fund in the country. Significant inflows were recorded in the standalone administration business, which remains a strategic priority for SEB and is important offset to the inevitable conversion of smaller funds into Umbrellas.
Health	***The health portfolio includes managed healthcare and administration services.*** AfroCentric continues to deliver the majority of the health portfolio profits – a relationship that remains key to the success of SC's overall health strategy. A Sanlam primary health insurance solution was launched in August 2018 and has seen good uptake from the market. This is complemented by an existing on-site clinic and wellness service. We continue to drive growth in Fedhealth and Bonitas through collaboration and packaged solutions for targeted employers. This is based on an integrated offering that provides a one stop service and reduces employer costs. It also includes the roll-out of Sanlam Reality to open and closed schemes. The health portfolio continues to focus on further acquisition and scheme merger opportunities.
Integrated Solutions	***Integrated Solutions provides financial solutions underpinned by Employee Benefits and Health products.*** The team has an active pipeline of opportunities and is driving internal cluster collaboration to increase potential clients' employee value propositions. Alignment of strategic objectives and balancing of cross cluster pricing is progressing as an enabler to win and retain business while maintaining adequate margins.

SEB was also recognised as the Imbasa Yegolide Group Risk Insurer of the Year for 2018.

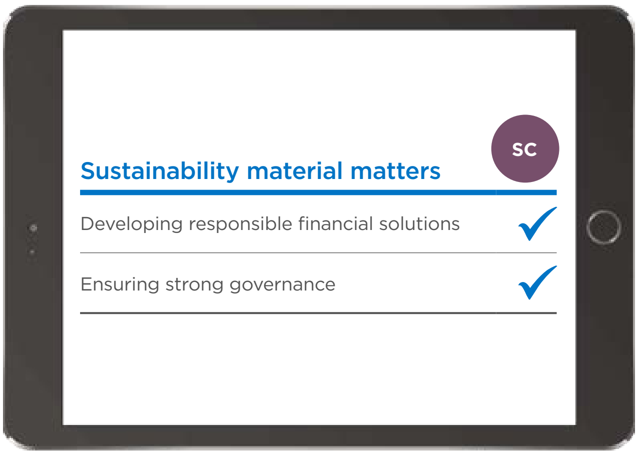
2018 salient features

- SC experienced strong new business flows across product lines
- Continued downward pressure on fees and administration cost was addressed by investments in technology and self-service tools that allow members to interact online
- Effective leveraging of the AfroCentric partnership model continued
- Pipeline of large South African-based corporates not currently Sanlam clients
- Good progress on conversions of stand-alone retirement funds into the Sanlam Umbrella Fund
- Progress with intra-group collaboration in South Africa

Read more about SC's financial performance in the Financial Review from page 85.

Strategic short- to medium-term priorities

- Progressively improving market positioning in Employee Benefits and Healthcare
- Leveraging Sanlam's enhanced empowerment credentials to engage clients
- Enabling profitable growth in SEB especially with respect to group risk
- Supporting SEM over the longer term with in-country support for targeted corporates
- Enhancing the customer experience through digitisation
- Adapting our engagement model to interact with individuals within funds and employers



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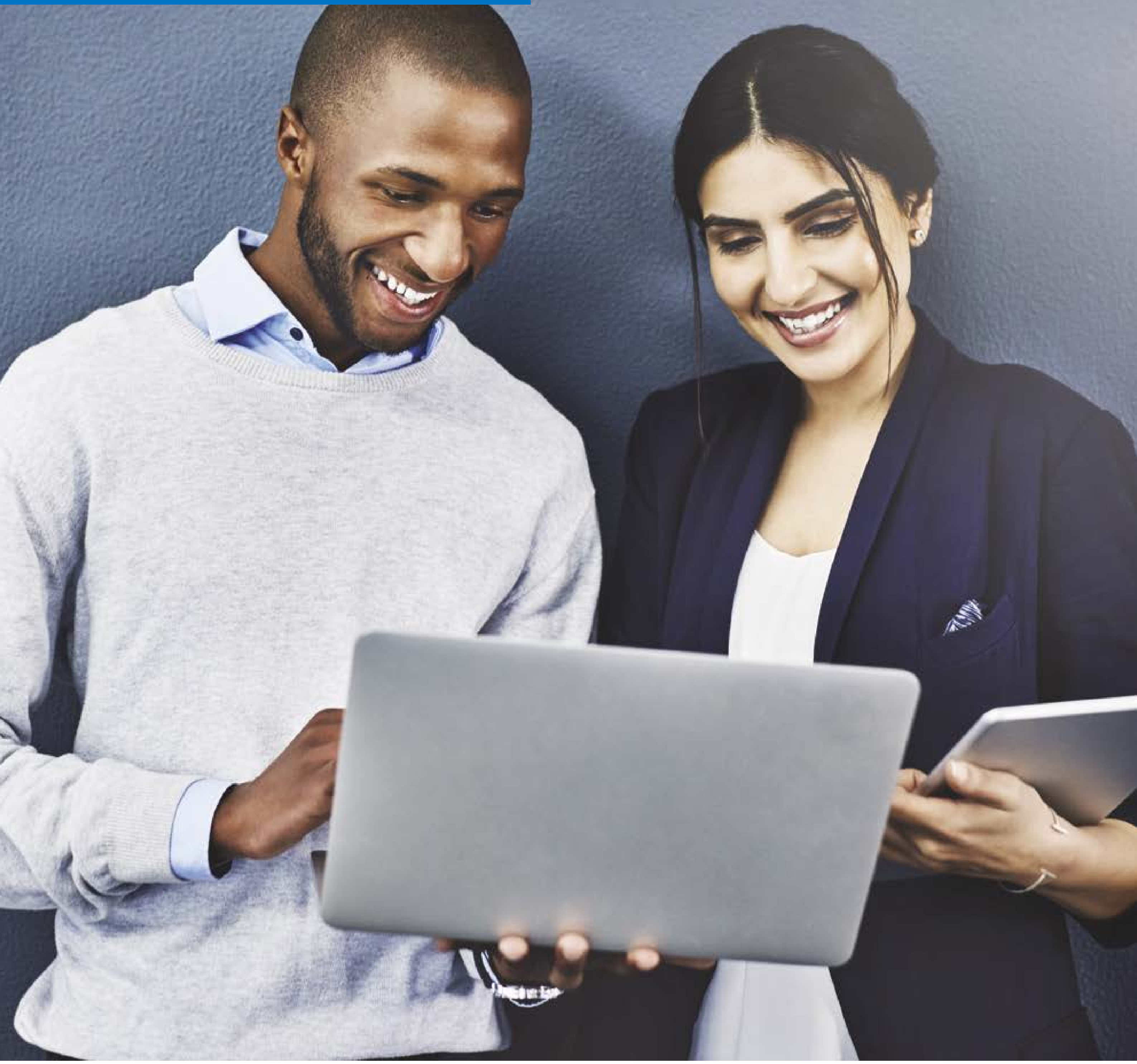
Umbrella fund insights for 2018

The 2018 Sanlam Benchmark Survey included a separate study on umbrella funds. Ten years' comparative data from 100 employers who participated in umbrella funds was analysed to obtain the following summary insights:

- While costs have reduced and contribution rates have remained stable, the key issue that impairs retirement outcomes is the withdrawal of funds at resignation.
- Transparency of fees remains problematic with investment fees being highlighted as a particular area of concern.
- Lifestage structures remain the most popular structure for default portfolios.
- Retirement benefits counselling was seen to be more relevant to millennials than financial advice at this particular stage of their retirement funding journeys.
- The Sanlam Umbrella Fund was identified as the most advanced, differentiated and flexible fund in the industry by independent EB consultants.

The Sanlam Umbrella Fund was launched in 2008 with the number of participating employers in the fund growing to 4 743 by the end of December 2018. This growth ensures economies of scale that ultimately benefits members. Combined membership (Sanlam Umbrella Fund and Sanlam Unity Fund) numbers exceeded 200 000 and the fund had combined assets under management of R32 billion by 31 December 2018.

Our strategic value creation



UNDERSTANDING THE FOUR STRATEGIC PILLARS

In this section we unpack the four strategic pillars in more detail. Find our Strategy at a Glance on page 12 and read the Group Chief Executive's report on page 72 for commentary on performance in terms of the four strategic pillars in 2018.

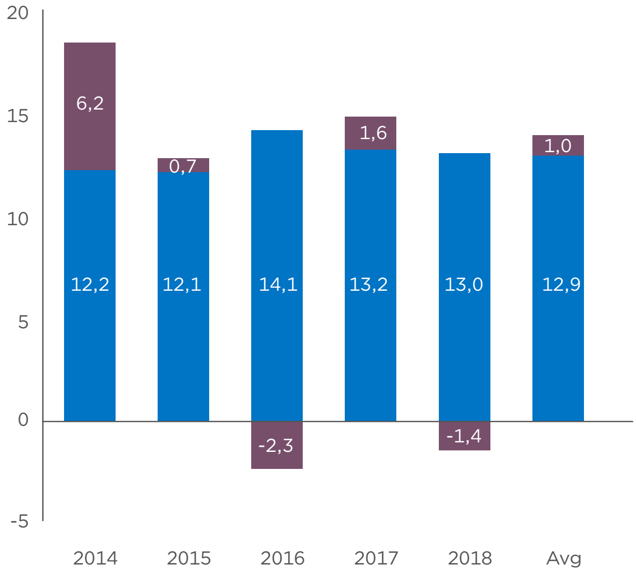
Sanlam's strategy has remained largely consistent since 2003. Some refinements are applied each year following a Board review. Our purpose statement explains why we exist, the vision statements direct what we want to achieve, and our strategic intent defines the desired outcome of our strategy. The four pillars focus on strategic execution and RoGEV serves as the overall measure of success.

Execution relies on Sanlam's ability to continuously transform. In combination with the continuous mitigation of risk, the pursuit of opportunities and focus on ethical leadership, values and culture, transformation ensures that we remain relevant in a changing world.

We define transformation broadly to include economic transformation to reduce wealth inequality, transforming employees to reflect the demographic profile of our client base and societies where we operate, transforming distribution channels and operations in line with technological and regulatory developments. Most importantly, we believe in transformation that is in line with the changing needs and preferences of clients.

Sanlam's strategy is not unique. Our ability to consistently execute on the strategy in a sustainable manner has proven to be a key differentiator. It has been a driver of success in the past and forms the foundation for Sanlam's sustainable performance over the long term. We continue to consistently outperform our RoGEV hurdle rate.

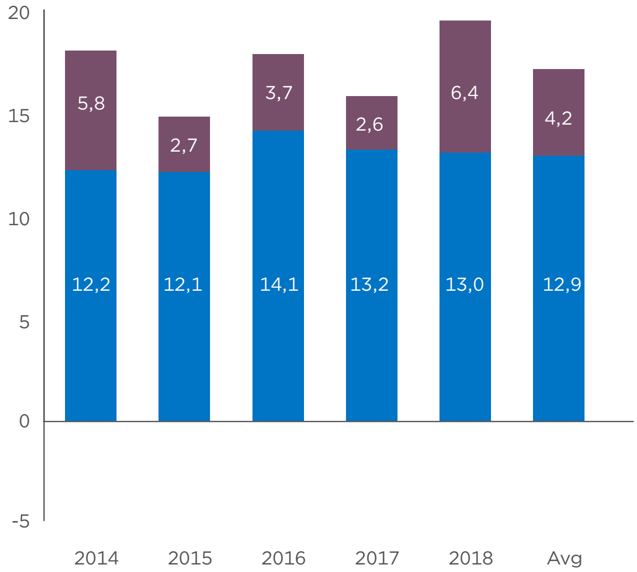
Actual RoGEV



Legend

■ Target ■ Out performance

Adjusted RoGEV



Legend

■ Target ■ Out performance

PROFITABLE TOP-LINE GROWTH THROUGH A CULTURE OF CLIENT-CENTRICITY

Top-line growth is a focus area as fund flows, fee income and investment returns are under pressure due to a persistent challenging operating environment.

Sanlam has differentiated itself from many global peers since listing in 1998 by emphasising the profitability of new business and not driving increased market share at any cost. This meant that at times, when competitors priced too aggressively, we decided to rather forsake some market share over the short term than adding unprofitable business to our base. This aligns with Sanlam's capital management approach of setting minimum hurdle rates for the Group clusters and linking these hurdles to remuneration arrangements. This ensures that clusters manage the internal rate of return of new business similar to any capital deployment decision.

Therefore, Sanlam's new business margin has improved from being one of the lowest in the market 15 years ago to be at the higher end of our peer group.

Client-centricity is at the core of our ability to grow top-line in a profitable manner. We meet our clients' needs and expectations for wealth creation, management and protection through appropriately priced solutions. These are supported by a strong and trusted brand and exceptional service delivery. We are thus able to maintain and grow our market share of profitable new business while improving the retention of our existing client base.

Sanlam's approach to client-centricity is driven by the following fairness outcomes:

1. Clients are confident that they are dealing with a Group where the fair treatment of clients is central to our culture and values.
2. Products and services marketed and sold are designed to meet the needs of the identified client groups and are targeted accordingly.
3. Clients are given clear information and are kept appropriately informed before, during and after the time of contracting.
4. Where clients receive advice, the advice is suitable and takes account of their circumstances.
5. Clients are provided with products that perform as the Group has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
6. Clients do not face unreasonable post-sale barriers to change a product, switch providers, submit a claim or make a complaint.

The Sanlam Customer Interest committee is mandated by the Board to review and monitor that all customer-related decisions adhere to these fairness outcomes. The committee tracks, for example, indicators relating to:

- Product design
- Information provided
- Advice
- Product performance
- Service
- Claims
- Complaints handling
- Product accessibility

This strategic pillar is one of the main contributors to shared value creation for Sanlam stakeholders:

- Sanlam's profitability is enhanced to the benefit of **shareholders**.
- **Advisers and other distribution partners** benefit from upfront and recurring commission and advice fees earned from new business written.
- Additional **employment** and career opportunities are created as the size of Sanlam's business grows.
- The wealth creation, management and protection benefits we provide to **clients** underpin their financial resilience and prosperity in the long term.
- A more profitable and successful Sanlam is better able to contribute to a resilient and prosperous **society** where we operate.

Pillar connections and dependencies

Volatility in top-line growth is strategically managed through our focus on diversification – a key feature of the second pillar: enhancing resilience and earnings growth through diversification. Read more on page 140.

To deliver client-centric solutions, we rely on our ability to innovate – a key feature of the third pillar: extracting value through innovation and improved efficiencies. Read more on page 142.

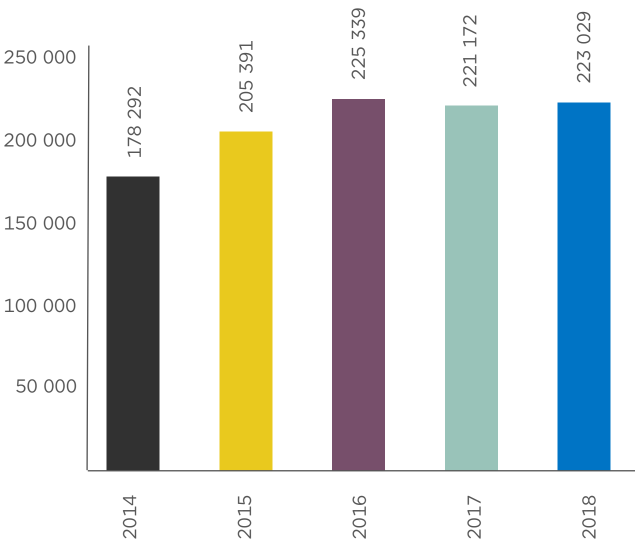
We achieve top-line growth through organic means and by investing discretionary capital in new growth opportunities – a key feature of the fourth pillar: responsible capital allocation and management. Read more on page 144.

Key strategic risks associated with this pillar

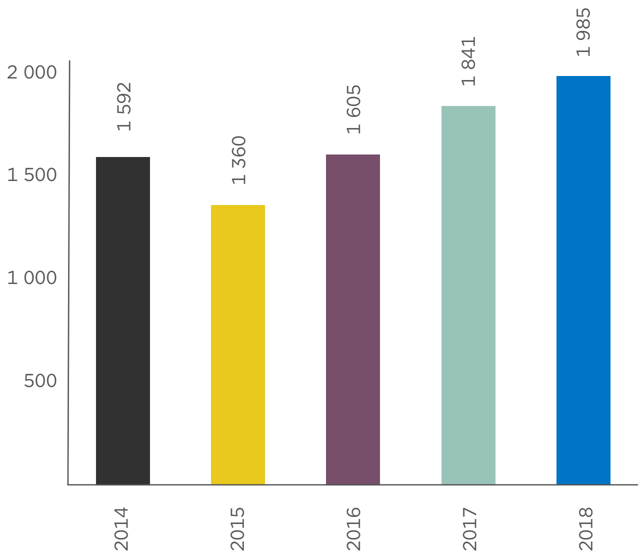
Poor economic growth	Political and social instability
Disruptive threats/Fourth Industrial Revolution	Severe weather/climate change
Transformation and diversity	

Key long-term measurements of progress and execution

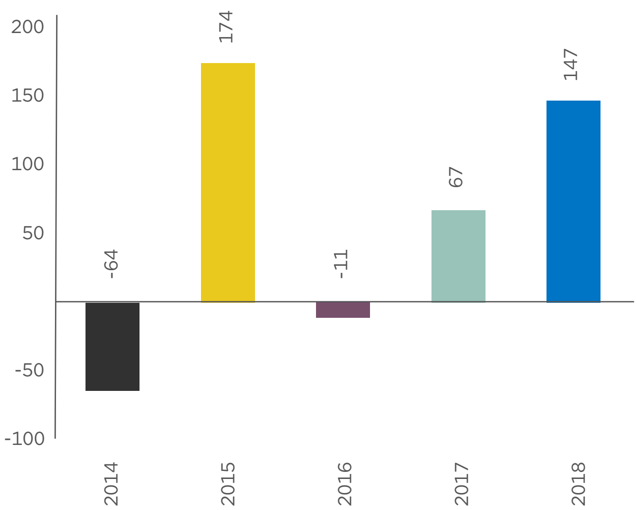
New business volumes (Rm)



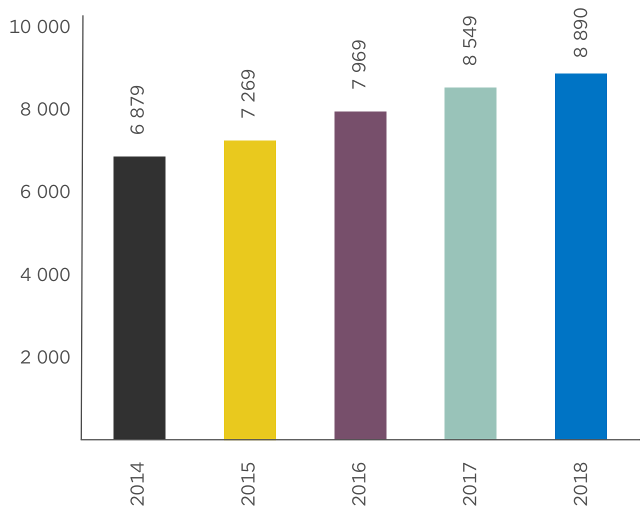
Net value of new covered business (Rm)



Client persistency – covered business experience variances (Rm)



Net result from financial services (Rm)



ENHANCING RESILIENCE AND EARNINGS GROWTH THROUGH DIVERSIFICATION

Our objective is to enhance Sanlam's international positioning and grow the relative importance and contribution of the international business to the Group, with a specific Pan-African focus.

Enhancing Sanlam's resilience has a positive outcome for clients, shareholders and the communities where we operate. It enhances the stability of our overall solvency, enabling us to protect our clients against the potential negative financial consequences of unexpected events through a range of insurance solutions and investment options. Our continued ability to pay claims enhances resilience for clients and their communities.

Diversification across geographies and lines of business enables us to manage the earnings and currency volatility that can emanate from the countries in which we operate. This provides more stability in overall earnings generation and dividend payment capability to our shareholders. Diversification through SEM is into higher-growth regions that enhance future earnings growth potential. This supports the main attraction of the Sanlam investment case: stable real dividend growth combined with accelerated future growth prospects.

Given our diversified business profile, the challenge for Sanlam is to maintain operational controls and governance oversight. The Sanlam Group Business Philosophy defines how the Group acts and behaves as 'one firm'. It applies to all Sanlam clusters and subsidiaries and includes a summary of Sanlam's culture, values and responsibilities, thereby encapsulating the way in which it does business and allocates resources.

Our geographic diversification is depicted per cluster on pages 14 to 15.

Pillar connections and dependencies

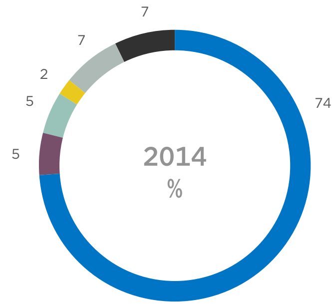
- Resilience for Sanlam depends on our ability to attract and retain clients through a client-centric culture – a key feature of the first pillar: profitable top-line growth through a culture of client-centricity. Read more on page 138.
- Earnings growth relies on our ability to innovate – a key feature of the third pillar: extracting value through innovation and improved efficiencies. Read more on page 142.
- We ensure resilience and generate earnings growth through responsible capital allocation and management – a key feature of the fourth pillar. Read more on page 144.

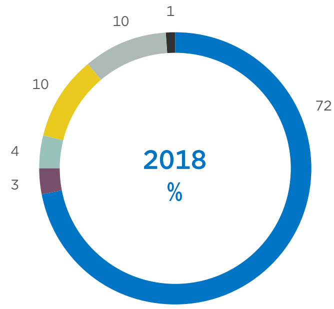
Key strategic risks associated with this pillar

- Poor economic growth
- Diversified growth initiatives
- Disruptive threats/Fourth Industrial Revolution
- Human resource scarcity and stretched resources
- Simultaneous regulatory implementation
- Implementation of the Group's Pan-African strategy
- Transformation and diversity
- Cyber-risk
- Political and social instability
- Severe weather/climate change

Key long-term measurements of progress and execution

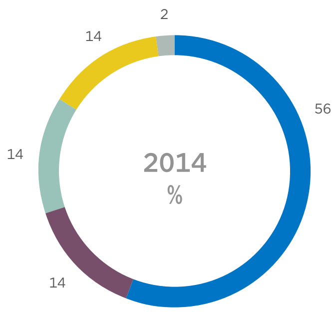
Net result from financial services

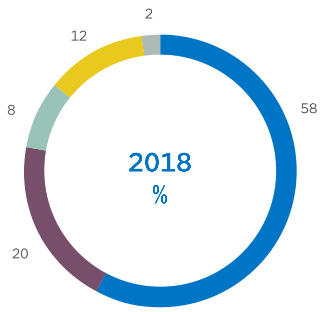




Legend

- South Africa
- Namibia
- Botswana
- Rest of Africa
- India/Malaysia
- Other international

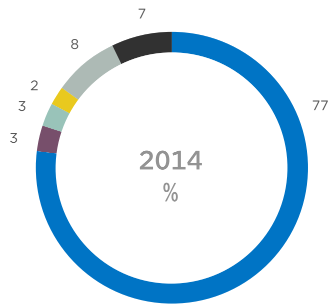


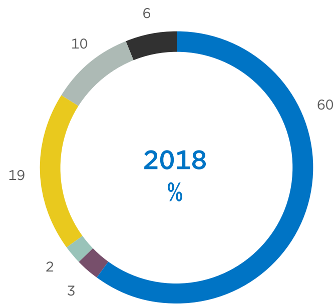


Legend

- Life insurance
- General insurance
- Investment management
- Credit and structuring
- Admin, health and other

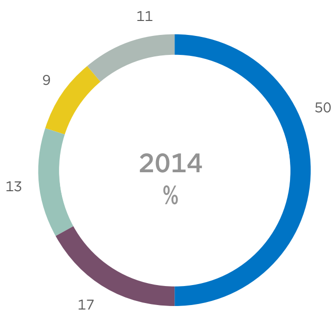
Group Equity Value

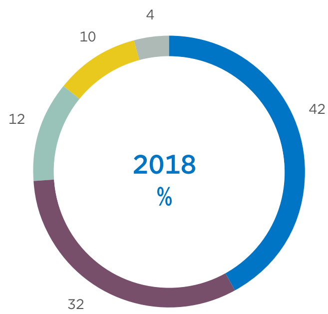




Legend

- South Africa
- Namibia
- Botswana
- Rest of Africa
- India/Malaysia
- Other international





Legend

- Life insurance
- General insurance
- Investment management
- Credit and structuring
- Admin, health and other

EXTRACTING VALUE THROUGH INNOVATION AND IMPROVED EFFICIENCIES

To attract and retain clients, Sanlam provides innovative financial solutions that are testimony to the diversity of our people and their creative thinking.

We execute on this pillar by enhancing and adapting financial solutions along the full extent of the wealth creation, management and protection value chain. We consider the full life cycle of our clients and the systems on which they rely for their personal or business protection and prosperity.

To develop these solutions, we invest in and value diversity in our employees, particularly for their contribution to innovative thinking. We invest in their training and development and focus on upskilling employees where digital solutions reduce the need for human intervention.

We focus on innovation across our products and services, distribution channels and back office processes to enhance Sanlam's attractiveness in the market and to ensure efficiency across the Sanlam business model. Digital innovation is a key focus area. Our approach is threefold:

1. Digital offerings and technology-enabled product solutions as part of the omni-channel distribution approach
2. Implementing a Group-wide business intelligence platform to assist product development, underwriting, client service and cost efficiencies through big data and enhanced data analytics
3. Investigating opportunities to enhance operational efficiencies through robotics

The Sanlam design studio was established in the SPF cluster to provide a working and accelerator space for cross-functional teams in Sanlam to achieve the following:

- Rapid prototype development
- Leverage current success stories
- Provide training through the accredited Sanlam Design Thinking course
- Expand the in-house fintech ability

Recent Sanlam digital and technology-based offerings include:

- Sanlam digital storefront – a comprehensive suite of financial products with online fulfilment capability
- Robo-advice – self-directed, simplified and automated unit trust investment platform
- Indie – internal start-up focused on future products with customised partner and territory requirements
- On demand – GoCover app with on-demand finserv platform featuring accidental injury and death cover
- Acquisition of stake in EasyEquities, an innovative low-cost investment platform
- Acquisition of a majority stake in BrightRock, enhancing our product offering with a unique, needs-matched life risk product solution
- Virtual advice platform – online service allowing users to screen, select, book and pay an adviser for needs-specific advice
- Paperless application submission of SPF's life new business

Sanlam has a track record of delivering operational efficiencies. This is evident in our ability to largely maintain new business margins on a per-product level, despite cost and fee pressures, as well as negligible expense experience variances recognised in life insurance RoGEV over the last 10 years. Operational efficiencies are about cost management and creating the ability to more effectively service the changing needs of clients, from a product and engagement perspective. As such, it is a core mechanism to ensure client satisfaction and persistency, which enhances top-line growth.

We are optimising operating and cost efficiencies through:

- investments in distribution and administration systems and processes;
- automation;
- restructuring to enhance focus;
- system integration; and
- implementation of business intelligence and data analytics solutions.

Pillar connections and dependencies

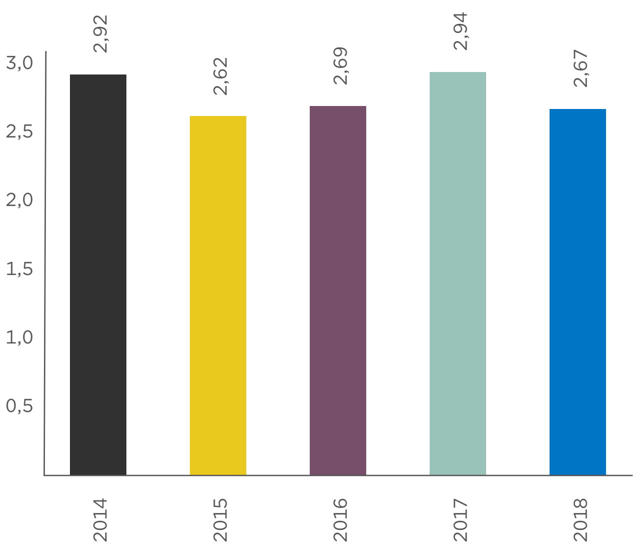
- Understanding clients' needs is at the core of value creation and innovation – a key feature of the first pillar: profitable top-line growth through a culture of client-centricity. Read more on page 138.
- Improved efficiency is a driver of earnings growth – a key feature of the second pillar: enhancing resilience and earnings growth through diversification. Diversification further relies on innovation in products, services and markets. Read more on page 140.
- By allocating capital to research and development initiatives, innovation can be tested and scaled. This relies on the fourth pillar: responsible capital allocation and management. Read more on page 144.

Key strategic risks associated with this pillar

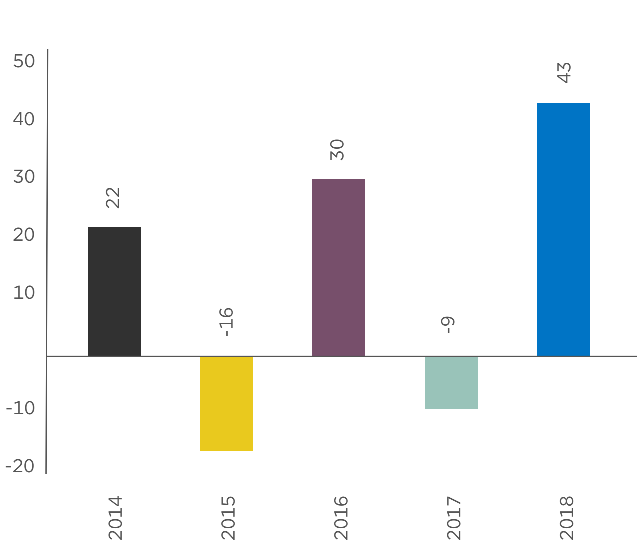
Disruptive threats/Fourth Industrial Revolution
Cyber-risk
Human resource scarcity and stretched resources
Transformation and diversity

Key long-term measurements of progress and execution

Net value of new covered business margin (%)



Expense experience variances – covered business (Rm)



RESPONSIBLE CAPITAL ALLOCATION AND MANAGEMENT

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

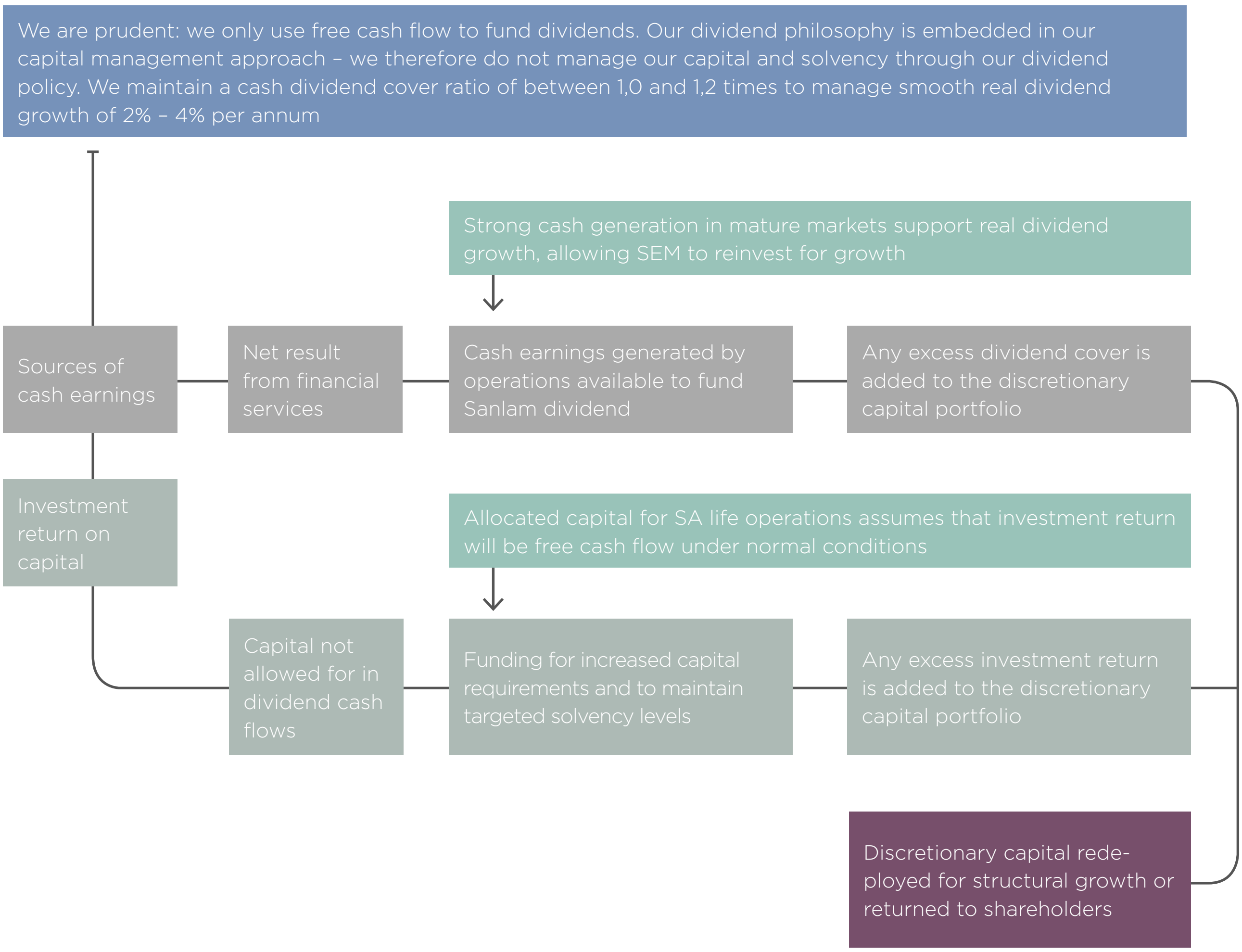
Our capital base is a primary safeguard to our clients and regulators that we will remain solvent to honour our value creation commitments. Therefore, Sanlam has to be proactive in understanding and managing the risks it is exposed to and managing the trade-off between the level of capital held by the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

The Group Estate committee, an internal management committee, is responsible for reviewing and overseeing the management of the Group's shareholder capital base in terms of the specific strategies approved by the Board. By their nature, the life and general insurance operations require the largest levels of allocated capital.

We manage capital allocation at the efficient frontier by balancing:

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

We have a dual focus in how we allocate capital: ensuring stable dividend growth while providing appropriate investment for future growth.



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

The Group is well capitalised and has solvency cover ratios in excess of the upper end of the target range. Read more about capital management in the Financial Review.

What shareholders need to know about dividends

- Investment return on capital is not considered when determining dividend cash flows.
- Our dividend is thus not impacted by short-term volatility caused by the net investment return component of earnings.
- Potential volatility in net investment return is taken into account in setting our required capital levels. We can withstand severe investment market volatility and remain within our target solvency range.

Responsible use of discretionary capital

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

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

No share buy-backs or special dividends are currently under consideration. Investments in the short to medium term will be focused on:

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

Efficient capital management has contributed largely to Sanlam's ability to deliver a cumulative RoGEV of 15,6% over the last 10 years.

Pillar connections and dependencies

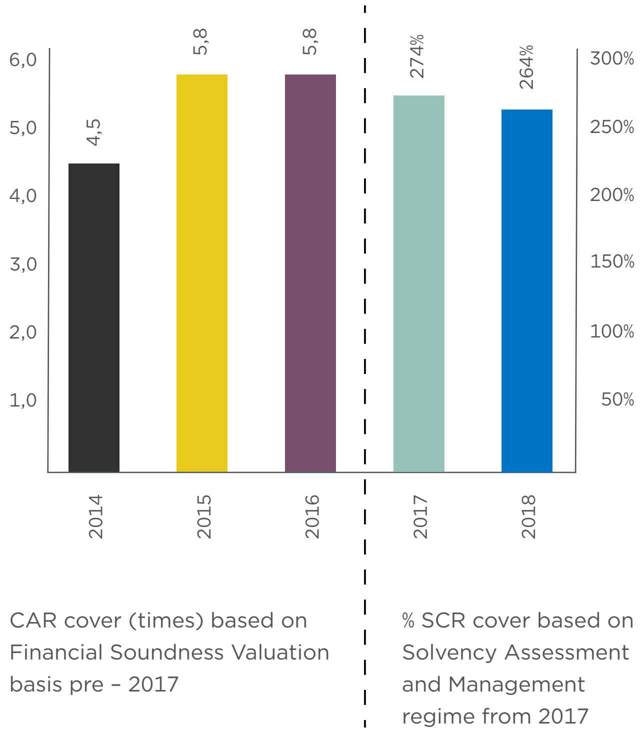
- The availability of cash for real dividend growth relies on execution of the first and third pillars: profitable top-line growth and improved efficiencies. Read more on pages 138 and 142.
- Our focus on resilience means that capital allocation has to take into account the Group profile – a key feature of the second pillar: Enhancing resilience and earnings growth through diversification. Read more on page 140.

Key strategic risks associated with this pillar

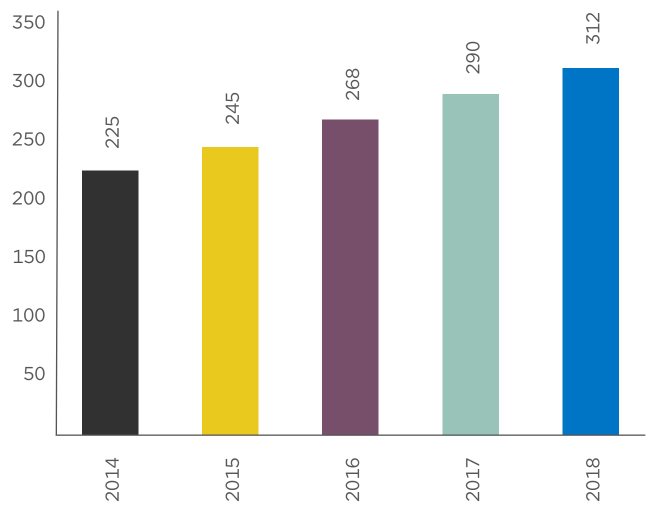
Poor economic growth
Simultaneous regulatory implementation
Diversified growth initiatives
Implementation of the Group's Pan-African strategy
Political and social instability
Severe weather/climate change

Key long-term measurements of progress and execution

Capital adequacy cover ratio – Sanlam Life Insurance Limited



Dividend per share (cents)



UNDERSTANDING OUR STRATEGIC RISKS AND OPPORTUNITIES

We recognise that the Group's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Sanlam is one of the biggest internationally active insurance groups and is classified as a domestic systemically important financial institution in South Africa. Due to our potential impact on the system and the inter-connected nature of financial services, the ability to effectively manage complex risks needs to be a key capability.

Risks are managed on a preventive basis as far as possible through various risk management activities. Should they materialise, Sanlam's financial capital is available to absorb the financial impact to ensure we remain solvent to honour the commitments to our clients. Sanlam's solvency ratio remains fairly stable and at 215% it is well above the 100% minimum regulatory requirement.

We distinguish between strategic and operational risks, which are mitigated through a mature risk management governance structure:

The top-down approach is undertaken at an executive and senior management level, and considers the key strategic risks affecting Sanlam in the medium to long term. We also do a quarterly scan of external risk reports.

The clusters and business units undertake a bottom-up approach with the assistance of their risk management functions to assess all categories of key risks from an operational perspective.

Strategic risks for 2018

Key descriptors	Trend	Internal/external
Poor economic growth	↑	External
Disruptive threats/Fourth Industrial Revolution	→	External
Cyber-risk	→	External
Human resource scarcity and stretched resources	→	Internal
Simultaneous regulatory implementation	↑	External
Diversified growth initiatives	↑	Internal
Implementation of the Group's Pan-African strategy	→	Internal
Transformation and diversity	→	Internal
Political and social instability	↓	External
Severe weather/climate change	→	External

The dominance of internal strategic risks and the upward movement in top risks were a result of the two major transactions for the year and is expected to remain significant in the short to medium term. The table below provides detailed descriptions of the strategic risks and opportunities with mitigating actions.

Risks and opportunities	Mitigating actions
Risks to the **global economic growth** outlook continue to build, including the ongoing shift towards less monetary policy accommodation in developed markets, uncertainty around Brexit, greater US trade protectionism, the pursuit of deleveraging in China and the peaking impact of US fiscal expansion. Developed economies are characterised by continued lack of material core inflation pressure despite a return to a negative output gap in 2018 and firmer wage increases against low unemployment rates. If upward pressure on wages persists and productivity growth remains constrained, the likely final outcome is higher core inflation and/or lower earnings growth. In South Africa lax fiscal policy, reflecting excessive government consumption, is crowding out private sector investment activity. President Ramaphosa's 2018 Investment Summit does hold some promise, given its emphasis on co-operation between the government and private sector. However, the announced projects require ongoing investment and will result in import leakages. GDP expansion is expected to continue, but potential growth remains below 2%. Private sector credit extension is palpably weak, given an increasing real prime overdraft rate. Read more in the section on operating context from page 48.	We can minimise exposure to unrewarded risk in estate portfolios through continuous balance sheet management. Sanlam is participating via ASISA/BASA in engaging with government to find sustainable funding solutions, including for state-owned entities. We are participating in national initiatives to stimulate job creation and economic growth. There is also significant focus across the Group on managing expense levels. SPF focuses on optimising distribution capabilities and strategic partnering to exploit growth opportunities and gain access to under-penetrated market segments. The diversification of the SEM portfolio provides some natural mitigation although the economic fortunes of the SEM countries are still correlated and often influenced by similar external factors such as the oil price. SIG is developing competitive capabilities in the alternative space, where higher yields can still be extracted from asset classes like unlisted credit, infrastructure, unlisted/private equity and other categories.
The ongoing technological revolution is altering the way people live, work and relate. The threat of disruption through a **Fourth Industrial Revolution** will affect Sanlam's current and future clients, employees, partners and other stakeholders. This coincides with longer-term changes in demographics and globalisation. Our ability to respond is hampered by slow and unwieldy legacy systems and the associated pressure on costs. New entrants are unfettered by these constraints and have the freedom to probe for openings and disrupt the most attractive parts of the value chain. There is thus a risk that the Group's competitive position could be compromised should we fail to properly manage and respond, as the nature of the disruption is evolving fast. The disruption also brings opportunities to boost innovation and differentiation.	Businesses across the Group embarked on initiatives to improve digital engagement with clients. This is premised on the new ways in which humans can interact with and through technology. Ownership of the engagement with clients is becoming paramount and highly valuable. The Group business intelligence (BI) project aims to provide the foundation blocks to respond to Fourth Industrial Revolution trends. The project focuses on value-adding use cases while considering scaling for renewal use cases. The first workloads have been implemented in SPF and SIG, with further workloads investigated in all three South African clusters. Sanlam Reality has the potential to play a key role in linking technology solutions to financial products. Various experimental initiatives are also pursued through IndieFin and EasyEquities. The omni-channel coordination project (OMNI) will assist in adapting to changing client engagement expectations. OMNI is looking at BI as an enabler for their retail client-centricity drive.

Risks and opportunities	Mitigating actions
	The planned coordination of IT initiatives across the Group also aims to improve the robustness of the Group's response to these changes. These include the renewal of existing administration platforms to suit the changing environment in terms of agility and cost. Ongoing market scanning and research into developments and opportunities for partnerships, acquisitions and investments in start-ups in the InsurTech space continue. Read more about SPF's initiatives in the case study on page 112. SIG is using new technologies in the investment decision process including artificial intelligence and other advanced analytical techniques. The use of these applications is accelerating as the volume of available data rises exponentially.
Cyber-risk includes various risks related to digitised information, the supporting information technology infrastructure and increasing digitisation of all channels. New threats such as 'cyber hurricanes', increasing reputational risk and tougher data regulation mean that the threat from direct cyberattacks is escalating. Protecting against attack demands more timely and effective risk intelligence, understanding the constantly morphing nature of the threats, the ability to detect anomalous behaviour of software on the network and improving understanding of the 'crown jewels' (data and systems) most at risk of any weaknesses in the infrastructure. Lasting damage is reputational and could be caused in a wide number of ways, the most prevalent being the theft or ransom of sensitive client data, the corruption of insurers' databases, fraud or the theft of intellectual property. The insurance industry is still unsure whether an insurer will be able to withstand a massive compromise of personal data. This is a critical dimension of this risk if seen against the fact that insurers' IT systems are considered to be part of the country's critical infrastructure.	Group Exco's IT Steering committee oversees the response to cyber-risk by executing the cyber-resilience strategy through a dedicated subcommittee. A cyber-resilience policy was completed and approved by all clusters. A cybercrisis management process and essential principles were also agreed across clusters. The Group Cyber Security Centre (GCSC) continues improving core cyber-resilience capabilities such as intelligence, monitoring, detection and response. The GCSC completed the implementation of end-point detection and response solutions to enable advanced attack identification and containment. Recent external assessment of detection and response capabilities showed a significant improvement. We are working with the Financial Services Information Sharing and Analysis Center (FS-ISAC), as well as the South African Banking Risk Information Centre (SABRIC) and ASISA to improve the level of threat intelligence that is available within the Europe, Middle East and Africa (EMEA) regions. We have a seat on the FS-ISAC EMEA strategic committee that enables us to influence initiative priorities in our region. FS-ISAC started a small workgroup to focus on improving the cyber-intelligence available in Africa. These measures, combined with a defined strategy and observed changes in threats and the technology landscape inform our additional focus on matters such as cloud computing, compliance with the Protection of Personal Information Act (POPIA), third-party risk management and secure application development.

Risks and opportunities	Mitigating actions
Employees in key talent segments are stretched due to relentless operational, regulatory and competitive challenges. Sourcing key – and particularly black – talent to address **human resource scarcity** remains challenging and this adds further strain to existing employees. The war for talent in the financial services industry is more competitive than ever given the significant change projects that need to be implemented. Numerous regulatory proposals are now entering their implementation phases, causing a direct regulatory burden, but also business model changes, for example responding to RDR. Given this mix of circumstances, the risk of losing talent is heightened.	Group Exco decided in principle to manage the top 100 talent pool in the Group centrally, ensuring better rotation and development of employees. We believe that the introduction of the SuccessFactors system will ensure improved talent attraction and management processes. Employee engagement, motivation and retention should be enhanced as the digital platform facilitates and drives better people practices and a significantly improved employee experience. In the shorter term, we have retention plans for key resources and additional roles added to structures where necessary. We have increased the use of consultants and focus on rigorous identification of essential work as opposed to work that is less urgent. The increased accommodation of flexible work practices is driving motivation and productivity. Over the long term, an increase in talent pipeline feeder programmes will build capacity. A recent addition to the graduate programmes and alternate investments academy is the development of the Sanlam Data Academy which will offer a two-year advanced and intensive training programme aimed at graduates from computer science, information science, engineering, mathematics and statistics. There is a continued focus on work practices, the enhanced Employee Value Proposition and improved opportunities for career development and mobility. We are building the capability of resources internally through development interventions and encourage a sharper focus on the succession planning process. We are also investing in automation and simplification of processes to free up capacity.

Risks and opportunities	Mitigating actions
Uncertainty and simultaneous regulatory implementation remain a risk, especially in relation to further phases under RDR, National Social Security Savings Scheme (NSSS) and NHI. The release of IFRS 17, with an implementation date of 1 January 2022, will require significant investment in building new valuation models and accounting systems, data management as well as process optimisation across the Group. The South African Reserve Bank (SARB) also announced a Financial Conglomerate Supervision project to develop Financial Conglomerate prudential standards to be introduced by mid-2019. The move to the Twin Peaks supervisory model under the new Insurance Act formally commenced on 1 July 2018. The PA issued several communications to the industry on matters relating to the implementation of the Insurance Act and Prudential Standards. These include specific transition processes and forms for prescribed notifications and applications to the regulator. The PA also released new templates and timelines for regulatory reporting from 1 July 2018. In each case the information requires considered and appropriate steps for the relevant entities. This continues to significantly hamper our ability to invest time and resources on other initiatives.	Regulatory risk is mitigated by taking a proactive approach in investigating and formulating views on regulatory proposals facing the financial services industry. The Group monitors and influences events by participation in direct discussion with regulators and through industry associations. All three South African based clusters are continuously re-evaluating their business models to align with and obtain a competitive advantage in a RDR environment. We use consultants to assist with regulatory requests where we do not have resources and internal capacity. This is supported by Group-wide coordination of implementation efforts to achieve economies of scale, and a consistent approach. The Group's IFRS 17 project is progressing well with works streams established and close cooperation with Santam. Sanlam is also participating via ASISA to influence industry interpretation of the standard. Several Sanlam volunteers are representing ASISA on the Financial Conglomerate Supervision project structures. The Group has continuously been engaging with the PA during the transition to the new supervisory model. PwC has completed the in-country compliance maturity assessment of the SEM subsidiaries. The outcomes confirmed deficits in the current compliance maturity. Given the heightened risk of non-compliance in-country and the increased requirement for group supervision, the shortfalls identified will be urgently addressed in a pragmatic manner. A pilot to address these has been launched in Namibia and a roll-out to Botswana and Tanzania is planned for early 2019.

Risks and opportunities	Mitigating actions
Diversified growth initiatives bring operational complexity and other strategic risks as the Group's footprint grows. This includes expansion into areas where the Group does not traditionally have expertise. As such, there is a risk that our operational capabilities are not geared or have not expanded enough or at an appropriate rate to provide necessary support to the acquired businesses or our business partners. The vast array of Group entities across Africa and Southeast Asia makes alignment with Sanlam Group governance standards challenging. The conclusion of the Saham Finances transaction will increase this risk significantly. With stretched resources there may be an increased risk of not realising returns on businesses, acquired at higher multiples than before, leading to impairments. Other risks related to the Group's merger and acquisition activities include ill-judged strategic partnerships or acquisitions and poor post-merger or acquisition integration.	The future SEM Target Operating Model (TOM) has been approved and implementation commenced. The establishment of a SEM Asset Management committee to oversee consistent governance and inform strategic investment across the continent will optimise returns for the SEM portfolio and shareholders. SEM has expanded capacity and breadth of skills in some areas to help cope with the increased support requirements. An example is the SEM business integration function, created to assist with the integration of new acquisitions into Sanlam. SEM also established a business integration methodology improving the handshake between the integration and merger teams. We are also recruiting experienced and skilled employees at senior level in-country. Some of our partners bring expertise that SEM can leverage for other businesses. SEM rolled out the Sanlam Code of Ethical Conduct during 2017. Acceptance of the code is done on an annual basis and reinforced through the risk appetite process. The current review of the SEM Approval Framework requires stricter approval triggers for brand and media communications, product development and pricing, as well as IT approvals. Standardisation of insurance platforms is a key management action. This enables central governance, standardised functionality and sharing of costs. We have set appropriate hurdle rates for capital invested across emerging markets, to compensate Sanlam for the associated political, economic and business risks. SEM performs balance sheet reviews and analysis across the portfolio to safeguard assets. This includes ensuring that appropriate assets are invested to support capital and identifying mismatching of liabilities.
Implementation of the Group's Pan-African strategy will be a test for Sanlam and requires a trade-off between risk and opportunity while ensuring effective control. The Saham Finances acquisition introduces significant size and complexity to the Group's existing Pan-African presence. The challenges of managing a multi-national financial services group will put significant pressure on the bandwidth of the SEM Group Exco and management team. Failure to properly integrate Saham Finances into Sanlam will be detrimental to stakeholders. The complexity increases the risk of corporate governance failures. The Saham Finances investment requires a 12% dollar return on investment to achieve the Sanlam hurdle. The high price-earnings multiple sets a high bar for Saham Finances earnings growth. Exceeding hurdle rate on the investment will require significant synergies between SEM, Santam and Saham Finances.	Saham Finance's actual performance to date has supported the SEM valuation model. In this Integrated Report we provide detailed reporting on Saham Finances to improve market insight into the value drivers of the Saham portfolio. A formal project has been constituted to manage the on-boarding of Saham Finances in the SEM cluster. The Saham Finances Steering committee includes various work streams covering communication, regulatory approvals, financial and actuarial reporting, health insurance and employee benefits, reinsurance, information technology and operations, human resources and footprint overlap. Additional financial, actuarial, risk and compliance engagements have commenced, and good progress has been made to align reporting and governance matters. SEM also performed detailed reviews of Saham Finances' balance sheets. The Saham Finances management team is committed to the success of the integration. Key management will be incentivised with lock-in periods to ensure the successful integration and business case delivery. The Saham Finances Steerco will continue to manage key risks and outcomes formally in each of the work streams. Strong governance and ethics have been set as a key guiding principal for the integration.

Risks and opportunities	Mitigating actions
Transformation and diversity challenges and changing demographics makes it increasingly difficult to remain relevant in the South African context. There are many challenges including amendments to the BBBEE codes in South Africa, which are more strenuous, with higher targets and penalties should certain minimum requirements not be met.	The BBBEE transactions will enhance the Group's empowerment credentials. New black Group Executive committee members were appointed and the clusters committed to recruitment targets to shift internal leadership demographics. Targeted recruitment strategies and participation in industry and societal initiatives such as the youth employment services (YES) network further support our commitment. Other examples include the implementation of a Group language policy and several diversity and inclusion initiatives across the Group. We established the Sanlam Data Academy to recruit and train young graduates in data science over a two-year period. The Sanlam/Santam Enterprise and Supplier Development Programme continues in partnership with ASISA.
Instability has become a staple feature of South Africa's socio-political and economic environment with the trend increasing on a year-on-year basis. The phenomenon is fuelled by income inequality, unemployment and poor service delivery. South African politics are going through a period of transition. This can give rise to unintended consequences and new sources of risk. With the upcoming 2019 elections, instability is expected to increase.	Sanlam participates on different levels in engagement between business, labour and government. The Sanlam clusters operate in line with the relevant regulations and contributes to initiatives such as the Youth Employment Scheme campaign.

Risks and opportunities	Mitigating actions
Over the course of the past decade a cluster of environment-related risks – notably extreme weather events, failure of climate change mitigation and adaption, as well as water crises – emerged as a central feature of the global risk landscape. Because of the combined effects of climate change and poor maintenance of infrastructure, risk insurance companies are expected to cover a wider range of risks. Insurance premiums are likely to increase as insurers and reinsurers carry the burden of claims arising from severe weather events. These trends can lead to some areas being uninsurable. This is driving greater engagement between insurers, policyholders, local authorities and intermediaries to mitigate risk proactively. Insurers can play a critical role in reducing the socio-economic impact of severe weather events. However, low insurance penetration, especially in developing markets, has seen the protection gap widening over time. This reduces the risk-bearing impact of insurance and increases the burden on governments and taxpayers. Insurers will have to look at ways of addressing penetration proactively, including raising awareness around the role they can play in risk transfer and risk management. Another area where insurers can play a bigger role is in resilient investing, e.g. infrastructure and green energy. However, this is often hampered by fragmented policy and regulatory frameworks. Stakeholders are also requiring more information from companies around how they are addressing increased weather-related risk.	Santam is partnering with municipalities across South Africa to manage fire and flood risks and to build understanding of the systemic risks inherent to the areas where we do business. Santam was the first African insurer to mobilise the short-term insurance industry in response to increasing climate and weather risk to address this need – a gap that can be termed 'the risk protection gap'. Santam and ICLEI Africa (the African secretariat of the world's leading network of more than 1 000 cities, towns and metropolises committed to building a sustainable future) initiated the so-called CIP AIRR pilot project in Dar-es-Salaam, which typifies a 'resilience investment'. Santam is working closely with the UN Environmental Programme Finance Initiative, Principles for Sustainable Insurance and ClimateWise – the global insurance industry's leadership group that drives action on climate change risk. The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects, such as renewable energy. Sanlam is looking at how to meet the new Task Force on Climate-related Financial Disclosures (TCFD) recommendations released in June 2017 in a pragmatic way.

Operational risks

The risks associated with the clusters' day-to-day operations inform the bottom-up approach to risk management. The maintenance of risk registers and reports in each area controls this process. Risk registers are aggregated and reviewed by each cluster's finance and risk committees or forums. Significant and emerging risks are escalated to Group level for consideration. The following are the key bottom-up risks facing the Group's business units and clusters:

Rank	Descriptors	Rating	Trend
1	Market risk arises from the level or volatility of market prices of financial instruments (including interest and exchange rate movements) having a negative impact on profitability. This includes the potential for poor investment performance on products.	High	↑
2	Lack of growth impacts volumes and earnings.	High	↑
3	Poor economic growth leads to challenging trading conditions making it difficult to maintain profit margins (particularly in light of ever increasing competition and upward pressures on the cost basis).	High	↑
4	Poor investment returns, relative to competitors and benchmarks impacts a large part of Sanlam's business flows and perceptions around Sanlam's investment performance.	High	↑
5	Credit risk relates to the failure of a big South African bank, the failure of government or a government-related institution.	Medium high	↑
6	The risk of Sanlam not being able to appropriately respond to a large volume of regulatory changes implemented simultaneously. This can result from a high volume of concurrent draft regulation being developed within a tight timeframe. This also applies in terms of SEM's capability to comply with existing laws and regulations.	High	↑
7	Strained resource capacity, particularly in management, key employees and specialist functionaries with specific Sanlam and industry knowledge and expertise. This is due to the implementation demands related to strategic change initiatives and support capabilities while maintaining operational efficiency.	Medium high	↑
8	Loss of accuracy, confidentiality, availability and integrity of critical information including exposure to cyber-risk.	Medium	→
9	The retention of key employees, leadership succession and alignment with employment equity targets are human capital risks.	Medium high	→

Emerging issues that are proactively monitored

- Social media exposure is increasing due to the behaviour of Sanlam employees in their personal and corporate capacities. This is due to a failure to understand the implications of being associated with Sanlam.
- Outsourcing risk relates to the Group's exposure to various external service providers who play a key role in the achievement of objectives. In many cases these outsourced services can impact material or control functions related to operations.
- The sustainability of financial support to government is premised on an improvement in operational efficiency and profitability at state owned companies (SOCs). SARB data shows that total expenditure of non-financial public enterprises continues to outpace the increase in total operating receipts. The trend is concerning, especially since the upward trajectory in spending does not reflect an increase in fixed investment expenditure. This implies continued deterioration of the balance sheets of state owned companies.

Our governance approach to manage risks

The Board is ultimately responsible for overseeing risk management. The Risk and Compliance committee is mandated by the Board to advise and assist with the design and implementation of Sanlam's Group risk assurance framework and responsibilities. Therefore, the Risk and Compliance committee takes responsibility for approving the risk appetite and level of risk tolerance for the Group for recommendation to the Board and monitoring the implementation of the Group risk assurance framework and supporting policies.

A comprehensive and mature enterprise risk management framework is in place, with appropriate risk escalation processes from a business unit to Group level. Sanlam's risk appetite statement is the key mechanism through which limits are set for material risk categories such as:

- strategic risks
- market and credit risks
- asset-liability mismatch risk
- funding liquidity risks
- insurance risks (life and general insurance businesses)
- insurance fraud risks
- operational risks
- reputational risks
- compliance risks
- legal and regulatory risks
- information systems and cyber-risks
- environment-related risks
- market conduct risks

Safe to say that the work that has gone into the revised Group ORSA as well as the establishment of cluster ORSAs will have a noticeable impact on the quality of the risk reporting to management and the Board. This initiative is a leading practice.

Sanlam Risk Management Effectiveness Review Follow Up, PwC, November 2018

Risk management through the ORSA process

The Insurance Act of 2017 and related Prudential Standards that became effective on 1 July 2018 require that we must conduct a forward-looking, risk-based Own Risk and Solvency Assessment (ORSA). This is an ongoing process of identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed. We also assess the capital necessary to ensure that the Group's solvency needs are met at all times.

There is also a regulatory requirement to produce documentary evidence of the process in the form of an ORSA report. The Group ORSA report combines the analysis performed by a number of risk and capital management processes, which are embedded across the Group, and provides quantitative and qualitative assessments of the Group's risk profile, risk management and solvency needs on a forward-looking basis. The scope of the report covers the full known risk universe of the Group.

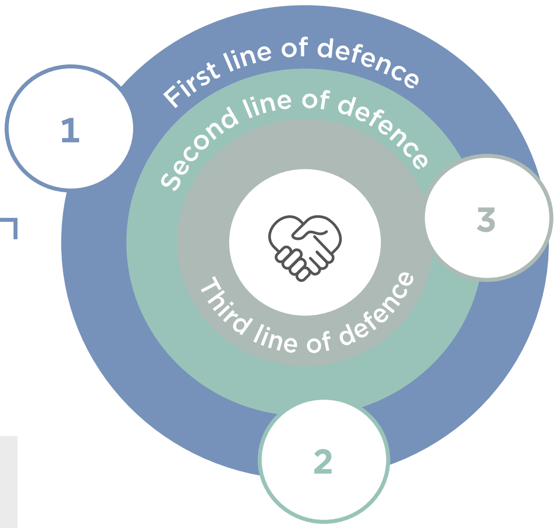
The ORSA process comprises static elements and dynamic parts. The former relates to policies, frameworks, procedures and methodologies which by their nature are unlikely to change much over the course of the year. The dynamic parts relate to information that requires regular monitoring as it is likely to change during the year, for example risk exposures and solvency position.

The dynamic parts are reported to executive management and the Board on a quarterly basis as part of the business-as-usual activities. The annual ORSA report is submitted to the Board and the regulator and contains a holistic view.

Sanlam prepared ORSA reports for 2015, 2016 and 2017. We expanded the Group ORSA process in 2018 to include a similar process per cluster. All clusters are now reporting top-down and bottom-up risks, their risk appetite and emerging issues as well as solvency, stress and scenario testing with forward-looking projections.

The Sanlam Board adopted the three lines of defence model for managing risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Group Exco that risks are managed effectively.

The Sanlam Board determines the risk strategy, risk appetite and policy



First line of defence:

- Group Chief Executive and the Group Exco
- Risk-taking business units within the clusters

Roles and responsibilities:
Doing and recording

Delegated board authority to:

- Develop and implement strategy
- Measure and manage performance
- Implement internal control and risk management framework within agreed risk appetite

Assurance:
management based

Second line of defence:

- Risk management and compliance functions within the clusters, with reporting to the Sanlam Group risk management function

Roles and responsibilities:
Internal verification

Objective oversight of risks. Key activities include:

- Designing and deploying the overall risk management framework
- Developing and monitoring policies and procedures
- Monitoring adherence to framework and strategy

Assurance:
risk and legal based

Third line of defence:

- The Sanlam Board's mandated committees:
  - Risk and Compliance
  - Audit, Actuarial and Finance
- Internal and external assurance

Roles and responsibilities:
Independent verification

Independent and objective assurance over the effectiveness of corporate standards and compliance:

- Assurance that the risk management process is functioning as designed
- Identifies improvement opportunities

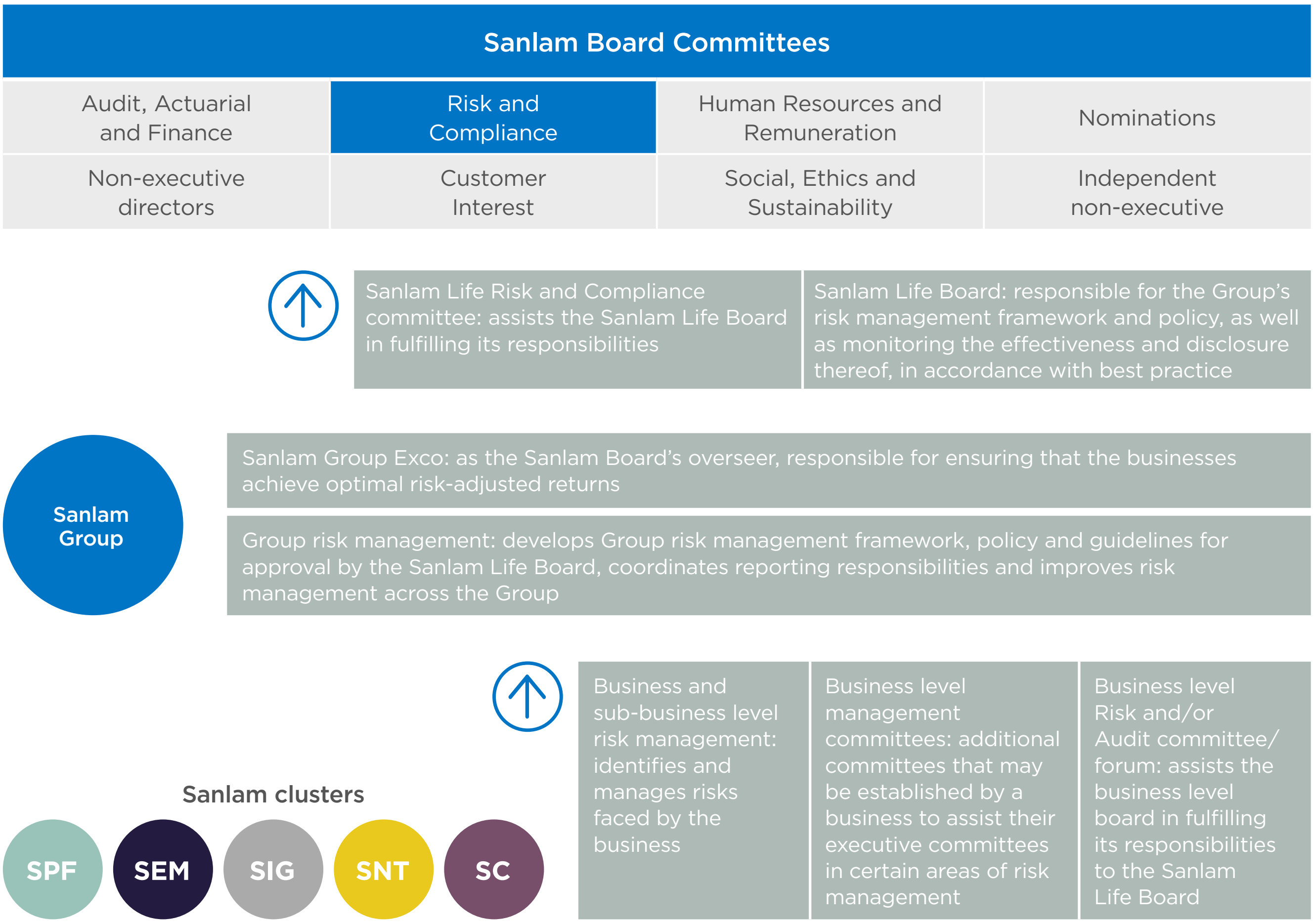
Assurance:
independent based

Risk categorisation and classification ensures that we have an effective and comprehensive risk management system.

The taxonomy is summarised as follows:

Level 1 risk categories	**Example:** operational, market, credit, conduct, strategic and other risks
Level 2 risk categories include a detailed breakdown of level 1 risks	**Example:** currency, property, settlement, brand and competition risk
For each level 2 risk, the relevant policies are listed	**Example:** investment, outsourcing, cyber and life underwriting risk policies
For each level 2 risk, the second level of defence oversight body is identified	**Example:** the compliance function, estate committees or actuarial forum
For each level 2 risk, the Group risk oversight responsibilities are set out in detail	**Example:** IT infrastructure and cyber-risks are monitored and reported by the Group Technology Infrastructure Audit and Risk committee. Oversight of IT Governance is performed by the Risk and Compliance committee (Sanlam Life and Limited) by following a risk-based approach.

The following diagram depicts the flow of risk management information from the individual business units to the Sanlam Life Board:



There were no material breaches of our risk appetite statement. Read more about the role and focus areas of the Risk and Compliance committee in the online Corporate Governance Report.

An enhanced target operating model for Group risk management

The Group Risk Management Function initiated a review of their current risk operating model in response to current and anticipated regulatory changes. The intent was also to ensure closer alignment to Sanlam's vision and strategy while positioning risk management to be future-fit and resilient.

Risk management is a 'tight' principle defined by the Sanlam Business Philosophy, which means that there are specific structures, roles and responsibilities allocated to the clusters, with a strong central control of risk management.

The critical success factor of the new target operating model is the formal agreement and contracting of independent second-line specialist risk centres of excellence. In turn, these require specialised risk skills and experience such as financial risk, actuarial, information technology, cyber, data and regulation expertise.

The operating model further relies on the roll-out of the Sanlam bWise system to standardise risk categories and processes and improve risk management discipline throughout the Group. The system also allows for the aggregation, consolidation and cascading of risk types across the Group to provide insights for decision-making and enabling Group supervision.

The Sanlam Board and committees are ultimately accountable for risk management within the Group

Control functions such as the actuarial and Group compliance forums form an integral part of the line 2 risk oversight model. Each of the control functions contributes to robust Group oversight.	The Group risk management function is at the core of line 2 risk management oversight.	Specialist risk committees and centres of excellence provide varying degrees of line 2 risk management oversight.

The cluster risk management teams provide the bottom-up risk management support to the Group risk management function, performing line 2 risk management.

SPF SEM SIG SNT SC

Focus areas for 2019 include:

- Optimising technology to deliver aggregated data for analysis and insight
- Enhancing risk monitoring and Group supervision using risk data analytics
- Enhancing aggregation of cluster risk information into the ORSA report
- Embedding a risk culture in Sanlam operations and decision-making

Governance, leadership and remuneration

OUR APPROACH TO GOVERNANCE

The Sanlam Board takes its leadership role and contribution to a stable financial system seriously and is committed to supporting financial resilience, well-being, prosperity and inclusion.

The Sanlam Board is overseeing a group of companies that has been in business for more than a century. Its role includes safeguarding this legacy and ensuring that the Group continues to create value for generations to come. The Board is the accountable custodian of corporate governance at Sanlam. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business. As a result, Sanlam's policies and procedures are controlled and executed according to a structured and formal system. This encompasses maintaining a balance between sometimes competing expectations of the Group's stakeholders.

Key governance milestones and focus areas

The Board held seven meetings during 2018, of which two were special Board meetings to, among other things, approve the following major transactions concluded during the year:

- The issue of new Sanlam ordinary shares to an entity held by new and existing broad-based black economic empowerment shareholders to substantially broaden the base of Sanlam's empowerment beneficiaries
- The granting of a R2 billion facility to Ubuntu-Botho to invest in certain Sanlam subsidiaries as part of Sanlam's South African strategy to enhance its empowerment at cluster level and to invest in financial services businesses that are complementary to Sanlam's strategy
- The acquisition of a further interest in Saham Finances via the indirect acquisition of the remaining 53,37% shareholding not already owned by Sanlam

Further focus areas during the year included:

- Ongoing compliance with and enhancement of the Sanlam Group corporate governance policy framework
- Implementing the Sanlam Group strategy
- Integrating Sanlam's resilience factors into the Annual Reporting Suite for 2018
- Presenting Sanlam's Remuneration Report to shareholders so that they could cast a non-binding advisory vote on the Company's remuneration policy
- Updating the disclosure in the 2018 Remuneration Report in line with developing best practice
- Evaluating the independent status of Sanlam's directors in accordance with King IV™ independent criteria and other indicators, and on a substance-over-form basis
- Proposing candidates for the Sanlam Audit, Actuarial and Finance committee to be elected by shareholders at the AGM held in June 2018; this process will be repeated in 2019 as members are elected annually at the AGM
- Reviewing and approving Sanlam's risk appetite statement
- Regularly refining combined assurance models (CAMs) for each significant business within the Group
- Ongoing adherence to the Group Information and Information Technology (IIT) governance framework and charter as well as the IIT policy framework

Our Sanlam Group Business Philosophy

The Board's approach to ethical and effective leadership is directed by the Sanlam Group Business Philosophy. It explains in detail how the Group acts and conducts its business as a single entity and at the same time, positions the Group as "One Brand". It includes a summary of Sanlam's culture, its values and responsibilities, thereby encapsulating the way in which it does business and allocates resources.

The Group Business Philosophy is underpinned by the Group's Code of Ethical Conduct which in turn, underpins Sanlam's core values.

Our governance structures enable us to consider and balance the needs of all of our stakeholders. We believe that this creates sustainable value and trust.

Group Business Philosophy summary

An entrepreneurial culture	We have an "owner-manager" culture, which is underwritten by key concepts such as entrepreneurship, empowerment and accountability. Sanlam attracts, recruits, supports and develops entrepreneurial and intrapreneurial self-starters that have a passion for what they do. We empower them, hold them accountable and reward them appropriately.
Traditional values	The essence of our culture is captured in traditional values such as honesty, hard-working and ethical behaviour, commitment, innovation, stakeholder value and strong ties with business partners.
Innovation	To attract and retain clients, Sanlam provides innovative financial solutions along the full extent of the wealth creation, management and protection value chain. To develop these solutions, we invest in and value diversity in our people, particularly for their contribution to innovative thinking.
Stakeholder value	We only seek win-win relationships with stakeholders, characterised by traditional values that follow the spirit and mutual intent rather than the letter of agreements.
Strong ties with business partners	We seek long-term, mutually beneficial relationships with business partners. When acquiring new businesses, Sanlam's general preference is for majority equity control.
Client-centricity	To generate revenue, a loyal and satisfied client base is of pivotal importance. This includes a value proposition that incorporates tailored financial product and service offerings, continuous appropriate advice delivery and an omni-channel presence. One of the fundamental underlying principles informing our approach to clients is based on the Treating Customers Fairly (TCF) regulatory framework.
Solution-oriented	We provide innovative financial solutions along the full extent of the wealth creation, management and protection value chain. Effective services, product development and pricing, distribution and branding can only occur if it serves the needs of the selected target market.
Business responsibility (federal model)	The five clusters are largely autonomous in their management of the business units within a framework of tight principles. Synergy and cooperation amongst the clusters are maintained and supported by the Group Office. Interdependence and collaboration are clearly understood in the effort to generate maximum sustainable value and return on capital employed.

Governance in emerging markets

To support and develop mature governance and ethics structures and processes in the emerging markets where Sanlam operates, all companies across the Group are expected to adhere to and confirm compliance with Sanlam's governance principles in their respective annual board representation letters. In addition, the Group continuously reviews and assesses the maturity of the risk management process. There also continues to be a strong focus on increasing the awareness, capacity and knowledge among subsidiary companies including Sanlam Emerging Markets (SEM) employees and management of the non-negotiable role ethical conduct plays in the success of Sanlam.

King IV™ status

The Board is satisfied that, during 2018, every effort was made to apply and explain all aspects of King IV™, as appropriate. The Risk and Compliance, Audit, Actuarial and Finance, Human Resources and Remuneration, and Social, Ethics and Sustainability committees are all satisfied that Sanlam has complied with the King IV™ principles during 2018 and is taking steps to ensure continued adherence to the obligations placed upon the Group in this regard. The Group regularly assesses its compliance levels to ensure that all areas requiring improvement have been appropriately identified and addressed.

A register with a summary of the principles and references to more information per principle is available on the Sanlam investor relations website.

THE BOARDS OF SANLAM AND SANLAM LIFE

Sanlam Limited (Sanlam) is the holding company with a primary listing on the JSE and secondary listings on the Namibian Stock Exchange as well as A2X. Sanlam Life Insurance Limited (Sanlam Life) is a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business. The directors of Sanlam also serve on the Board of Sanlam Life. The two boards function as an integrated unit, in practice, as far as possible. Both boards have the same directors, Chairs, executive directors and Group Chief Executive.

The Sanlam and Sanlam Life Board meetings are combined and held concurrently, thereby removing one layer of discussions in the decision-making process. This promotes the productivity and efficiency of the two Boards, reduces effort and optimises the flow of information.

The Sanlam Board

The Board's agenda centres largely on Group strategy, the execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE Listings Requirements and corporate governance throughout the Group. The Board is also responsible for overseeing the relationship with key stakeholders of the Group. The Board has the following committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Nominations
- Non-executive directors
- Customer Interest
- Social, Ethics and Sustainability
- Independent non-executive directors

The Sanlam Life Board

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, and ensuring compliance with the requirements set out in the Prudential Standards under the Insurance Act, 2017.

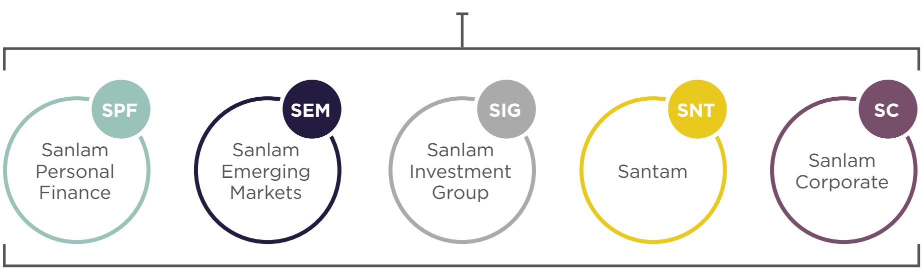
The responsibility for managing all Sanlam's direct subsidiaries was formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest

Sanlam Limited Board							
Audit, actuarial and finance	Risk and compliance	Human resources and remuneration	Nominations	Non-executive directors	Customer interest	Social, ethics and sustainability	Independent non-executive

Sanlam Group Executive Committee

Five business clusters supported by a Group Office



Cluster boards and committees

Delegation of authority

Sanlam's decentralised business approach requires that each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to endorse the spirit and principles of King IV™ by putting measures in place to ensure good corporate governance business practices. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed- upon business principles, which ensure a coherent and consistent application of the Group's governance approach across the businesses.

Board composition

The Nominations committee follows a formal process to review the balance, effectiveness and diversity of the Board and its committees. It identifies the skills required and those individuals that are seen to provide such skills in a fair and thorough manner. The committee also considers other commitments of directors and whether each director has sufficient time to fulfil his/her responsibilities as director. If the Nominations committee believes that a director is over-committed or has an unmanageable conflict, the Chair will meet with that director to discuss the resolution of the matter to the satisfaction of the committee. At the end of 2018, the Board comprised 13 members.

Changes to the Board in 2018

Directors resigned/retired:

- Y Ramiah (January 2018)
- PL Zim (January 2018)
- MM Bakane-Tuoane (March 2018)
- MV Moosa (June 2018)

Directors appointed:

- M Mokoka (March 2018)
- S Zinn (December 2018)

13 Board members	**7** Board committees	**6 years 6 months** average tenure as a Board member	**86,9** collective years of Board experience
58 average age of Board members	**4** female Board members	**9** male Board members	**4** black female Board members
3 black male Board members	**6** independent Board member	**3** executive Board members	**2** newly appointed Board members in 2018
3,6 average other Board memberships	**7** Board meetings in 2018	**100%** attendance at Board meetings	**3** Non-executive Board members (not-independent)

Board diversity

Sanlam recognises and embraces the benefits of a diverse Board. Targets to increase the number of female Board members are reviewed on an annual basis by the Nominations committee and recommended to the Board. The target that had been set for the 2018 financial year was 35% for female representation. Non-executive and executive directorships were included in the mentioned race and gender diversity targets.

The Board made progress in advancing diversity by appointing Mathukana Mokoka and Shirley Zinn.

For 2019 the Board aims to retain existing talent and continuously improve on the Group's transformation and diversity deliverables.

Board independence

The independence of each non-executive director is reviewed annually. Their independence in character and judgement, as well as the presence of any relationships or circumstances which are likely to affect, or could appear to affect, their objectivity, are taken into consideration. Each director has the opportunity to declare any interests that might occur at each Board meeting. This is documented, and the relevant director is recused from the meeting.

Based on the recommendation of the Nominations committee, the Board is comfortable that each of the non-executive directors met the requisite fit and proper requirements which include the criteria for independence. This assertion, however, excludes Patrice Motsepe, Rejoice V Simelane and Johan van Zyl owing to their involvement in Ubuntu-Botho. Ian Kirk, Heinie Werth and Temba Mvusi are executive directors. The Chair of the Board is therefore not independent. The Board considered the governance deviation in the appointment of the Board Chair but agreed that the Chair's long-term association with Sanlam combined with his industry experience and expertise, ensured that he would add value to the Board as well as the Group's future growth.

Consequently, in the spirit of promoting good governance and to continuously evaluate the Board's performance and effectiveness in executing its governance responsibility, the Board has appointed a lead independent director as well as an Independent Non-Executive Director committee.

The lead independent director serves as a sounding board for the Chair and acts as an intermediary between the Chair and other members of the Board, if and when necessary.

Board evaluation

Every year, a collective Board effectiveness evaluation is conducted under the auspices of the Chair. For 2018, this assessment was performed with the assistance of an external service provider. The Nominations committee considered the results of the evaluation process and made recommendations to the Board where deemed appropriate. These assessments are transparent and documented. The Board Chair's own performance is appraised by the Board under the direction of the lead independent director. The evaluation (which was a combination between a detailed questionnaire and interviews) confirmed that the Board and its committees were functioning effectively and that there were no material matters to report.

Sanlam and responsible investment

Following the release of King IV™, the SES committee charter was updated to align with the recommended practices, which include assisting the Board with responsible investment. This includes the promotion of good governance and value creation in all entities in which Sanlam invests.

The Board exercises its oversight responsibility, rights and obligations through elected representatives in the various companies in which it has invested. The Sanlam and Sanlam Life Board has the ultimate responsibility to ensure that Sanlam promotes good governance by investing responsibly. The Board achieves this through its Group executive committee and the respective governance structures within each of the cluster businesses. The cluster executive committees have the responsibility to ensure that Sanlam investments are managed in accordance with the policies and investment mandates. The Board requires that these governance practices promote responsible investment, achieve good governance, promote ethical culture, and enhance effective control, good performance and legitimacy.

Examples of responsible investment include investing in support of economic growth and financial stability, for example in funding provided to government and private enterprises, as well as liquidity provided to the banking system.

SIG subscribed to the Code for Responsible Investing in South Africa (CRISA) in 2011 and is committed to integrating its five principles into its investment approach.

In addition, SIG subscribes to the United Nations Principles for Responsible Investments (UNPRI), upon which CRISA is based. SIG annually assesses its policy framework and implementation against the CRISA principles to compare its progress with that of its international peers.

Read more about responsible investment in the sustainability portal of the Sanlam investor relations website.

OUR LEADERSHIP TEAM

The full profiles of our Board members, including their date of appointment, age, skills and expertise are available on the investor relations website. Below are the Board members as at 31 December 2018 with their independence status and membership of the respective Sanlam Board committees.

Johan van Zyl	H N
Patrice Motsepe	H N
Ian Kirk	
Heinie Werth	R
Anton Botha	A R H I
Paul Hanratty	A R S C I
Mathukana Mokoka	A R I
Temba Mvusi	S
Sipho Nkosi	H N I S
Karabo Nondumo	A R C I H N
Rejoice V Simelane	S
Chris Swanepoel	R C I
Shirley Zinn	H I

Key

A	Audit, Actuarial and Finance	S	Social, Ethics and Sustainability	N	Non-executive
R	Risk and Compliance	C	Customer Interest	E	Executive
H	Human Resources and Remuneration	I	Independent Non-executive Directors	I	Independent
N	Nominations				

OUR APPROACH TO REMUNERATION

Our approach to remuneration follows our strategic intent to create sustainable value for all stakeholders. The Board is responsible for the governance of remuneration while the Group (GHRRC) is mandated to ensure that the Group remunerates fairly, responsibly, and transparently. This supports the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Sanlam's remuneration philosophy and policy incentivises the behaviour required to meet and exceed predetermined strategic goals. Both short- and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. The remuneration philosophy is therefore an integral part of Sanlam's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Steps are also taken to ensure alignment with the applicable regulatory and governance requirements in each of the countries in which Sanlam operates. In South Africa, those specifically include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act) and King IV™, while also conforming to the remuneration principles contained in the Codes of Good Practice which support employment equity legislation.

Sanlam is the sole or part owner of a number of subsidiaries, joint ventures and associates. While compliance with the Sanlam Group remuneration strategy and policy is primarily targeted at operating subsidiaries, Sanlam will use its influence to encourage the application of sound remuneration practices in those businesses where it does not hold a controlling interest. In businesses outside South Africa, where the Group remuneration policy is in conflict with local statutes or regulations, the local standards will apply.

Key GHRRC matters for 2018

- Benchmarking remuneration levels and practices with local and international comparator groups, as appropriate.
- Benchmarking Sanlam executive directors and members of the Exco's remuneration against a suitable market.
- Benchmarking of Sanlam non-executive directors remuneration against a suitable market and recommending increases to be considered by shareholders at the 2019 AGM.
- Alignment of Sanlam's remuneration policy and practices in South Africa with prudential standards that provide a risk-based governance framework for the regulation of life and general insurers and with further updates from King IV™ governance principles and practices.
- Reviewed and approved the remuneration design of heads of control functions and persons whose actions may have a material impact on the organisation's risk exposure.
- Recruited the new Chief Executive: Sanlam Brand and ratified the appointment of other executive employees.
- Approved short- and long-term incentive awards to Exco members.
- The review and approval of short-term incentive measures achieved for accrual of bonus pool/s and achievement of performance conditions for the vesting of long-term incentives.
- Created the opportunity for certain portfolio and fund managers within Sanlam Investments to invest a portion of their long-term incentives in their own portfolios. This is done on terms and conditions (including the performance hurdles) similar to that of the existing long-term incentive schemes and ensures solid alignment to shareholders and clients.
- Internal review of gender pay equity across all levels of the Group.
- Defined measures to support existing strategies to correct the under-representation of black people at executive and senior management levels.
- Monitored the work and decisions of other Sanlam Group companies' HR and Remuneration committees and approved overall mandates on remuneration increases and variable remuneration (short and long term) per the delegation of authority framework.
- Reviewed Sanlam Malus and Clawback policy and principles and approval of enhancements.
- Reviewed and approved enhancements to the Group remuneration policy and improved disclosure of policy implementation as an outcome of engagement after the 2018 AGM with shareholders and proxy voting advisors.

Shareholder engagement on remuneration

The Group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the AGM. At the 2018 AGM, a total of 1 439 527 009 votes (2017: 1 576 758 190) were cast on the advisory vote for the Group's remuneration policy, while 1 418 376 569 votes were cast on the implementation of the policy.
The result of the voting was as follows:

	For	Against
2018 AGM on Remuneration Policy	94,67%	5,33%
2018 AGM on Implementation Report	71,52%	28,48%

The 2018 voting outcome and particularly the reasons for the lack of support for the Implementation Report was the focus of management's subsequent engagement with major shareholders and proxy voting advisors. Sanlam extended an invitation to all dissenting shareholders via SENS to submit their concerns to the Company Secretary as basis for consultation.

The online Remuneration Report contains a summary of the key areas discussed and Sanlam's proposed actions. The subsequent feedback received from shareholders and proxy voting advisors on the consultations, actions and increased disclosure has been positive. We acknowledge that this is an ongoing process and are committed to open and continuous dialogue in this regard.

For the 2019 AGM the remuneration policy and the implementation report of the Remuneration Report will again be tabled separately for non-binding advisory votes by shareholders. In the event that either the policy or implementation report or both are voted against by 25% or more of the voting rights exercised, the following measures will be taken:

- An engagement process will commence to ascertain the reasons for the dissenting votes.
- All legitimate and reasonable objections and concerns will be appropriately addressed with full disclosure of the process followed and will be included in the following year's Remuneration Report.

Our engagement approach:

- The Group Human Resources and Remuneration Committee ("the Committee" or "GHRRC") welcomes engagement with shareholders and encourages shareholders to put their ideas to the Committee.
- Once shareholders have had time to study the Remuneration Report we would appreciate feedback, preferably in writing. The Committee Chairman will then respond to queries and input from shareholders in writing and he will be available for a discussion in this regard.
- If shareholders would, at other times during the year like to make suggestions or provide input to the Committee, it will be appreciated and will be handled in the same manner as set out above.

Sanlam's remuneration design principles

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

Pay for performance	Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance hurdles and the Sanlam strategy.
Competitiveness	A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the sustainability of the Group.
Leverage and alignment	The reward consequences for individual employees are as far as possible aligned with, linked to and influenced by: • the interests of Sanlam shareholders (and, where applicable, minority shareholders in subsidiaries); • the interests of other stakeholders (e.g. employment equity; client service); • sustainable performance of Sanlam as a whole; • the performance of any region, business unit or support function; and • the employee's own contribution.
Consistency and fairness	The reward philosophy strives to provide a framework that encourages consistency, but allows for differentiation where it is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
Attraction and retention	Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet Sanlam's objectives and ensure its sustainability over the long term.
Shared participation	Employee identification with the success of Sanlam is important owing to the fact that it is directly linked to both Sanlam's and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to Sanlam, and, in particular, for achieving excellent performance and results, in relation to Sanlam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
Best practice	Reward packages and practices reflect local and international best practice, where appropriate and practical.
Communication and transparency	The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and Sanlam's strategic objectives is understood by all employees.
Market information	Accurate and up-to-date market information and information on best practice is a crucial factor in determining the quantum of the remuneration packages.
Malus and clawback	Where defined trigger events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Sanlam Group Malus and Clawback Policy, which is a related policy to this Group Remuneration Policy and these provisions will be incorporated in relevant remuneration governance documents/rules.

Sanlam's remuneration components

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (annual bonus)	Creates a high-performance culture through a cash bonus in relation to performance against predetermined outputs	Annual, based on 12-month (financial year) performance with the aim to remunerate outstanding performance in excess of market mean.	Based on different levels and predetermined performance hurdles for business and individual/strategic targets. Cash settlement generally capped at 200% of total guaranteed package
Long-term incentives	Alignment with shareholder interests	Annual awards vesting in tranches in years 3 (40%), 4 (30%) and 5 (30%). Some legacy awards may vest up to 6 years.	Upon satisfaction of performance hurdles and individual/strategic performance targets

Key 2018 remuneration facts

Sanlam delivered a solid performance during the 2018 financial year. Despite difficult operating conditions in certain markets, the overall Group performance mostly met targets. This resulted in a weighted average bonus achievement of 114,3% (2017: 134,9%) at a Group level.

For the year ended 31 December 2018 the following long-term incentive allocations were made:

- 3 978 478 shares (2017: 4 332 349) to 915 participants (2017: 885) under the Deferred Share Plan (DSP).
- 1 517 182 shares (2017: 1 622 117) to 237 participants (2017: 224) under the Performance Deferred Share Plan (PDSP).
- 390 433 shares (2017: 522 617) to 18 participants (2017: 11) under the Restricted Share Plan (RSP).

Sanlam Exco shareholding requirement

To encourage alignment between executive and stakeholder interests, Sanlam applies a minimum shareholding policy to all current and future members of the Sanlam Exco, including Sanlam executive directors. In terms of these arrangements, the following minimum shareholding levels, expressed as a percentage of annual total guaranteed package, must be reached by the later of 31 December 2021 or within six years from the date of appointment of a participating executive:

Group Chief Executive	175%
Financial director	125%
Business executives	100%
Support executives	50%

Participating executives are required to maintain the target shareholding throughout their tenure with the Group. Unvested shares under any long-term incentive arrangement will not be taken into account when assessing compliance with the MSR policy.

Sanlam's Remuneration Policy and Implementation Report is included in the online Remuneration Report.

Linking remuneration to strategy execution

Sanlam operates four long-term incentive plans. Measurements for all plans are linked to the four strategic pillars. The Exco members' scorecards contain strategic targets and outcomes to drive execution. Due to their roles and line of sight, the performance scorecards contain financial targets as well as other strategic targets. However, generally, financial targets comprise the majority of performance scorecard metrics.

The Group Exco members have the following financial and strategic metrics for vesting of long-term incentives.

Financial: Group and Business level		SG **Ian Kirk**	SG **Heinie Werth**	SG **Anton Gildenhuys**	SNT **Lizé Lambrechts**	SC **Temba Mvusi**	SIG **Robert Roux**	SPF **Jurie Strydom**	SEM **Junior Ngulube**
Value of new covered business	Weighting >65%*	✓	✓			✓		✓	
Net result from financial services	* Except for the Chief Actuary and Risk Officer due to the role	✓	✓			✓	✓	✓	✓
RoGEV		✓	✓		✓	✓	✓	✓	✓
Investment performance							✓		
Net fund flows							✓		
Optimisation of capital		✓	✓		✓				
Share price performance (relative and absolute)		✓	✓						
Net insurance revenue					✓				✓
Growth targets					✓	✓		✓	✓

Strategic measures supporting Group business strategy		**SG** **Ian Kirk**	**SG** **Heinie Werth**	**SG** **Anton Gildenhuys**	**SNT** **Lizé Lambrechts**	**SC** **Temba Mvusi**	**SIG** **Robert Roux**	**SPF** **Jurie Strydom**	**SEM** **Junior Ngulube**
Cost efficiencies/ optimisation	Weighting >20%–35%*	✓	✓		✓		✓	✓	✓
Growth and diversification	* Chief Actuary and Risk Officer has 100% weighting to strategic objectives due to the role	✓	✓		✓	✓	✓	✓	✓
Strategic partnerships		✓	✓					✓	✓
Trans-formation and sustainability factors		✓	✓	✓	✓	✓	✓	✓	✓
Leadership and collaboration		✓	✓	✓	✓	✓	✓	✓	✓
Governance and Risk management		✓	✓	✓					
Regulatory strategy				✓					
Balance sheet management[1]				✓					
Advanced analytics				✓					
New products and channels								✓	
Actuarial compliance				✓					
Treating customers fairly (TCF)					✓	✓	✓	✓	✓

[1] *Includes elements of optimisation of capital.*

Shareholders' information

INDEPENDENT AUDITOR'S REPORT ON THE SANLAM LIMITED SHAREHOLDERS' INFORMATION

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited Shareholders' Information ("Shareholders' Information") set out on pages 176 to 236 for the year ended 31 December 2018, comprising Group Equity Value, Change in Group Equity Value, Return on Group Equity Value, Analysis of GEV Earnings, Analysis of Shareholders' Fund at Net Asset Value, Shareholders' Fund Income Statement, Net Result from Financial Services, Notes to the Shareholders' Information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying Shareholders' Information of Sanlam Limited for the year ended 31 December 2018 is prepared, in all material respects, in accordance with the basis of accounting described on pages 176 to 183 of the Shareholders' Information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Shareholders' Information section of our report. We are independent of Sanlam Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), International Ethics Standards Board for Accountants Code of Ethics for Professional Accounts (Parts A and B) (IESBA Code) and other independence requirements applicable to performing the audit of Sanlam Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, the IESBA code, and in accordance with other ethical requirements applicable to performing the audit of Sanlam Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to pages 176 to 183 of the Shareholders' Information which describes the basis of accounting. The Shareholders' Information is prepared to provide additional information in respect of the Group Shareholders' Fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result, the Shareholders' Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of accounting described on pages 176 to 183, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that is free from material misstatement, whether due to fraud or error.

In preparing the Shareholders' Information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Shareholders' Information

Our objectives are to obtain reasonable assurance about whether the Shareholders' Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Shareholders' Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Shareholders' Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Shareholders' Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate Annual Financial Statements for the year ended 31 December 2018, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 6 March 2019.

ERNST & YOUNG INC.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town

6 March 2019

BASIS OF ACCOUNTING – SHAREHOLDERS' INFORMATION

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors` view GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 245.

Basis of Accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section.

Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2017 annual report apart from the following:

- The Sanlam Investment Group (SIG) cluster was restructured with effect from 1 January 2018. Following the creation of the Central Credit Manager (CCM) within Sanlam Capital Markets (SCM), it was decided to further enhance focus on the management of Sanlam assets within the SIG cluster, while at the same time creating a third party asset manager that can more effectively compete with leading independent asset managers. The Sanlam Asset Management division and the part of Sanlam Structured Solutions responsible for the Sanlam assets were accordingly combined with Sanlam Capital Markets (SCM) to form the new Sanlam Specialised Finance sub cluster.

  Comparative Shareholders' Information has been restated accordingly, apart from GEV. The valuation of Sanlam Asset Management as a separate business was only finalised during 2018. Comparative GEV valuations are not available with the business accordingly transferred to SanFin with effect from 1 January 2018 for GEV purposes. As it is an intra cluster transfer, it does not have an impact on GEV or RoGEV for the overall SIG segment. As part of the restructuring, operational responsibility for the Group's term finance margin business was also transferred from the Group Office to Sanlam Specialised Finance. Comparative information was not restated for this change in operational responsibility based on materiality.

  Non-annuity assets and business flows at Sanlam Private Wealth have been reclassified from Assets under Management to Assets under Administration in line with industry practice. Business flows relating to these assets are commensurately excluded from new business volumes and net fund flows. Comparative 2017 information for SIG and the Group has been restated as follows:

  - New business volumes decreased by R9 016 million.
  - Net fund flows increased by R2 568 million.
  - Reclassification of assets amounting to R98 446 million from assets under management to assets under administration.
  - Savings business written through the Sanlam Sky distribution channels are recognised within the SPF Savings business with effect from 2018. Comparative information has not been restated.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 184)
- Change in Group Equity Value (refer page 188)
- Return on Group Equity Value (refer page 192)
- Analysis of Group Equity Value earnings (refer page 194)
- Shareholders' fund financial statements consisting of the Shareholders fund at net asset value (refer page 198), Shareholders' fund income statement (refer page 200) and related notes, including embedded value of covered business related disclosures.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares
Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares
Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value
The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value
The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those contained in IFRS Financial Statements online, apart from the following:

Basis of consolidation
The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as non-controlling shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve
In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Target shares
Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds
Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings
Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in net result from financial services and net investment return respectively.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's share of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share
As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Fund flows
The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients
Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business
In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients
Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Basis of Accounting and presentation – embedded value of covered business
The Group's embedded value of covered business information is prepared in accordance with APN107 (version 7), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2017 financial statements.

- ***Covered business***
  Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits.
- ***Acquisitions, disposals and other movements***
  The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For insurance businesses regulated under SAM (or similar regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a SAM SCR ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 120% for Santam Limited, even after severe but plausible stress scenarios.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital
A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business
The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 6 on page 214.

Risk discount rates and allowance for risk
In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders
An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market

consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes
The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis
Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies
Changes in the embedded value of covered business, as well as the PVNBP, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions
Best estimate assumptions
The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions
The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long term gap relative to fixed-interest securities.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital
The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions
Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids
Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions
Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2018.

Project expenses
A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees
Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation
Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business
The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

Value of new business
The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

Net earnings from existing covered business
Expected return on value of covered business
The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances
The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes
Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

Expected investment return on adjusted net worth
The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

Economic assumption changes
The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

Investment variances
Investment variances – value of in-force
The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth
Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

GROUP EQUITY VALUE

at 31 December 2018

R million	Note	Group Equity Value 2018	2017
Sanlam Personal Finance		**43 185**	43 401
Covered business[1]	7.1	**39 209**	39 546
Sanlam Sky		**8 755**	7 956
Other		**30 454**	31 590
Other operations		**3 976**	3 855
Glacier		**2 359**	2 321
Sanlam Personal Loans		**1 224**	1 052
Other operations		**393**	482
Sanlam Emerging Markets		**44 659**	27 621
Covered business	7.2	**9 151**	6 686
Namibia		**1 867**	1 816
Botswana		**1 587**	1 333
Rest of Africa (excluding Saham Finances)		**1 274**	1 050
Saham Finances[2]		**2 968**	1 265
India		**854**	702
Malaysia		**601**	520
Other operations		**35 508**	20 935
Saham Finances		**20 309**	6 833
Shriram Capital		**10 632**	9 524
Letshego		**889**	991
Pacific & Orient		**433**	376
Capricorn Investment Holdings		**968**	1 022
Other operations		**2 277**	2 189
Sanlam Investment Group		**18 703**	18 331
Covered business	7.3	**2 797**	2 768
Sanlam UK		**1 268**	1 213
Central Credit Manager		**1 529**	1 555
Other operations		**15 906**	15 563
Investment Management SA[3]		**5 559**	6 882
Wealth Management		**2 709**	2 242
International		**6 138**	5 643
Sanlam Specialised Finance[3]		**1 500**	796
Santam		**20 102**	18 108
Sanlam Corporate		**6 009**	6 368
Covered business[1]	7.5	**5 077**	5 283
Other operations		**932**	1 085
Afrocentric		**892**	1 001
Other		**40**	84
Dividend pool		**6 464**	5 885
Discretionary capital[4]		**(3 678)**	2 000
Other capital		**691**	1 665
Present value of holding company expenses		**(2 083)**	(1 616)
Group Equity Value		**134 052**	121 763

Value of in-force/Fair value adjustment		*Adjusted net asset value*		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2018	**2017**	*2018*	***2017***	2018	**2017**	2018	**2017**
36 644	35 786	6 541	7 615	(1 145)	(1 145)	7 686	8 760
33 858	33 290	5 351	6 256	(1 145)	(1 145)	6 496	7 401
8 057	7 352	698	604	(437)	(467)	1 135	1 071
25 801	25 938	4 653	5 652	(708)	(678)	5 361	6 330
2 786	2 496	1 190	1 359	–	–	1 190	1 359
1 898	1 867	461	454	–	–	461	454
635	252	589	800	–	–	589	800
253	377	140	105	–	–	140	105
8 146	6 319	36 513	21 302	(3 610)	(1 606)	40 123	22 908
4 894	3 665	4 257	3 021	(3 610)	(1 606)	7 867	4 627
1 359	1 318	508	498	–	–	508	498
1 124	980	463	353	(25)	(66)	488	419
241	247	1 033	803	(12)	(10)	1 045	813
1 633	707	1 335	558	(2 881)	(878)	4 216	1 436
317	206	537	496	(313)	(293)	850	789
220	207	381	313	(379)	(359)	760	672
3 252	2 654	32 256	18 281	–	–	32 256	18 281
954	363	19 355	6 470	–	–	19 355	6 470
2 447	2 585	8 185	6 939	–	–	8 185	6 939
–	8	889	983	–	–	889	983
18	–	415	376	–	–	415	376
–	8	968	1 014	–	–	968	1 014
(167)	(310)	2 444	2 499	–	–	2 444	2 499
10 227	11 495	8 476	6 836	(356)	(356)	8 832	7 192
(6)	124	2 803	2 644	(356)	(356)	3 159	3 000
617	679	651	534	(356)	(356)	1 007	890
(623)	(555)	2 152	2 110	–	–	2 152	2 110
10 233	11 371	5 673	4 192	–	–	5 673	4 192
5 307	6 583	252	299	–	–	252	299
2 439	1 936	270	306	–	–	270	306
1 290	2 306	4 848	3 337	–	–	4 848	3 337
1 197	546	303	250	–	–	303	250
14 284	13 278	5 818	4 830	–	–	5 818	4 830
2 789	2 423	3 220	3 945	(227)	–	3 447	3 945
2 710	2 166	2 367	3 117	(227)	–	2 594	3 117
79	257	853	828	–	–	853	828
73	223	819	778	–	–	819	778
6	34	34	50	–	–	34	50
–	–	6 464	5 885	–	–	6 464	5 885
205	562	(3 883)	1 438	–	–	(3 883)	1 438
–	–	691	1 665	(1 197)	(1 197)	1 888	2 862
(2 083)	(1 616)	–	–	–	–	–	–
70 212	68 247	63 840	53 516	(6 535)	(4 304)	70 375	57 820

R million	Note	Group Equity Value 2018	2017
Covered business	2	**56 234**	54 283
Other operations	5	**76 424**	59 546
Group operations		**132 658**	113 829
Discretionary and other capital		**1 394**	7 934
Group Equity Value		**134 052**	121 763
Value per share	14	**63,41**	59,40

(1) *Excludes subordinated debt funding of Sanlam Life. At 1 January 2018, capital allocated to Sanlam Personal Finance and Sanlam Employee Benefits covered business was reduced by R969 million and R531 million respectively.*
(2) *The embedded value of Saham Finances is calculated using a risk discount rate inclusive of the cost of capital at 31 December 2017.*
(3) *Comparative information has been adjusted for the reallocation of businesses from Investment Management SA to Sanlam Specialised Finance.*
(4) *Fair value adjustments relate to the reversal of marked-to-market changes on hedging instruments, to be recognised in the financial year that the hedged transactions become effective. The balance at 31 December 2018 includes term finance of R2 billion raised for Saham Finances acquisition.*

Analysis of Group Equity Value per line of business

at 31 December 2018

R million	Total 2018	Total 2017	Life Insurance 2018	Life Insurance 2017
South Africa	**80 931**	86 537	**45 815**	46 384
Namibia	**4 213**	3 982	**1 867**	1 816
Botswana	**3 164**	3 033	**1 587**	1 333
Rest of Africa (excluding Saham Finances)	**2 331**	1 894	**1 274**	1 050
Saham Finances	**23 277**	8 098	**2 968**	1 265
India	**11 621**	10 361	**854**	702
Malaysia	**1 182**	1 032	**601**	520
Other international	**7 333**	6 826	**1 268**	1 213
Total	**134 052**	121 763	**56 234**	54 283

Value of in-force/Fair value adjustment		*Adjusted net asset value*		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2018	**2017**	*2018*	***2017***	2018	**2017**	2018	**2017**
41 456	39 245	***14 778***	*15 038*	**(5 338)**	(3 107)	**20 116**	18 145
30 634	30 056	***45 790***	*29 490*	**–**	–	**45 790**	29 490
72 090	69 301	***60 568***	*44 528*	**(5 338)**	(3 107)	**65 906**	47 635
(1 878)	(1 054)	***3 272***	*8 988*	**(1 197)**	(1 197)	**4 469**	10 185
70 212	68 247	***63 840***	*53 516*	**(6 535)**	(4 304)	**70 375**	57 820
						33,27	28,22

General Insurance		Investment Management		Credit & Structuring		Administration, Health & Other	
2018	**2017**	2018	**2017**	2018	**2017**	2018	**2017**
20 102	18 108	**8 993**	9 565	**1 860**	1 302	**4 161**	11 178
342	322	**186**	171	**968**	1 022	**850**	651
100	114	**421**	405	**889**	991	**167**	190
562	420	**360**	291	**84**	71	**51**	62
20 309	6 833	**–**	–	**–**	–	**–**	–
1 553	1 213	**135**	135	**9 079**	8 311	**–**	–
433	376	**–**	–	**–**	–	**148**	136
–	–	**6 065**	5 613	**–**	–	**–**	–
43 401	27 386	**16 160**	16 180	**12 880**	11 697	**5 377**	12 217

CHANGE IN GROUP EQUITY VALUE

for the year ended 31 December 2018

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	43 401	4 832	(1 032)	(4 016)	43 185
Covered business	39 546	4 372	(1 032)	(3 677)	39 209
Sanlam Sky	7 956	1 612	89	(902)	8 755
Other	31 590	2 760	(1 121)	(2 775)	30 454
Other operations	3 855	460	–	(339)	3 976
Glacier	2 321	245	–	(207)	2 359
Sanlam Personal Loans	1 052	342	–	(170)	1 224
Other operations	482	(127)	–	38	393
Sanlam Emerging Markets	27 621	4 580	13 891	(1 433)	44 659
Covered business	6 686	417	2 714	(666)	9 151
Namibia	1 816	233	(40)	(142)	1 867
Botswana	1 333	418	67	(231)	1 587
Rest of Africa (excluding Saham Finances)	1 050	292	80	(148)	1 274
Saham Finances	1 265	(770)	2 570	(97)	2 968
India	702	158	30	(36)	854
Malaysia	520	86	7	(12)	601
Other operations	20 935	4 163	11 177	(767)	35 508
Saham Finances	6 833	3 049	10 378	49	20 309
Shriram Capital	9 524	1 253	90	(235)	10 632
Letshego	991	(81)	–	(21)	889
Pacific & Orient	376	94	–	(37)	433
Capricorn Investment Holdings	1 022	(30)	–	(24)	968
Other operations	2 189	(122)	709	(499)	2 277
Sanlam Investment Group	18 331	682	845	(1 155)	18 703
Covered business	2 768	305	31	(307)	2 797
Sanlam UK	1 213	90	64	(99)	1 268
Central Credit Manager	1 555	215	(33)	(208)	1 529
Other operations	15 563	377	814	(848)	15 906
Investment Management SA	6 882	(920)	(234)	(169)	5 559
Wealth Management	2 242	483	117	(133)	2 709
International	5 643	594	289	(388)	6 138
Sanlam Specialised Finance	796	220	642	(158)	1 500
Santam	18 108	2 658	–	(664)	20 102
Sanlam Corporate	6 368	774	(595)	(538)	6 009
Covered business	5 283	839	(578)	(467)	5 077
Other operations	1 085	(65)	(17)	(71)	932
Afrocentric	1 001	(84)	–	(25)	892
Other	84	19	(17)	(46)	40

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Discretionary capital	2 000	95	(5 773)	–	(3 678)
Other capital	7 550	(296)	5 981	(6 080)	7 155
Present value of holding company expenses	(1 616)	(467)	–	–	(2 083)
Elimination of intergroup dividends	–	–	(7 806)	7 806	–
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052
Covered business	54 283	5 933	1 135	(5 117)	56 234
Other operations	59 546	7 593	11 974	(2 689)	76 424
Group operations	113 829	13 526	13 109	(7 806)	132 658
Discretionary and other capital	7 934	(668)	208	(6 080)	1 394
Elimination of intergroup dividends	–	–	(7 806)	7 806	–
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	41 878	7 070	(1 481)	(4 066)	43 401
Covered business	38 216	6 659	(1 481)	(3 848)	39 546
Sanlam Sky	7 237	2 087	(489)	(879)	7 956
Other	30 979	4 572	(992)	(2 969)	31 590
Other operations	3 662	411	–	(218)	3 855
Glacier	2 192	342	–	(213)	2 321
Sanlam Personal Loans	999	53	–	–	1 052
Other operations	471	16	–	(5)	482
Sanlam Emerging Markets	22 097	2 845	4 045	(1 366)	27 621
Covered business	6 370	1 476	(515)	(645)	6 686
Namibia	1 709	337	(53)	(177)	1 816
Botswana	1 261	247	13	(188)	1 333
Rest of Africa (excluding Saham Finances)	1 509	898	(1 173)	(184)	1 050
Saham Finances	672	(28)	669	(48)	1 265
India	677	21	42	(38)	702
Malaysia	542	1	(13)	(10)	520
Other operations	15 727	1 369	4 560	(721)	20 935
Saham Finances	3 197	(197)	3 909	(76)	6 833
Shriram Capital	7 963	1 659	–	(98)	9 524
Letshego	1 190	(168)	–	(31)	991
Pacific & Orient	476	(92)	–	(8)	376
Capricorn Investment Holdings	1 077	108	–	(163)	1 022
Other operations	1 824	59	651	(345)	2 189
Sanlam Investment Group	15 807	2 442	1 270	(1 188)	18 331
Covered business	1 137	403	1 451	(223)	2 768
Sanlam UK	1 137	76	85	(85)	1 213
Central Credit Manager	–	327	1 366	(138)	1 555
Other operations	14 670	2 039	(181)	(965)	15 563
Investment Management SA	6 581	603	84	(386)	6 882
Wealth Management	2 155	225	(44)	(94)	2 242
International	4 844	849	129	(179)	5 643
Sanlam Specialised Finance	1 090	362	(350)	(306)	796
Santam	15 868	2 854	–	(614)	18 108
Sanlam Corporate	6 385	1 284	(822)	(479)	6 368
Covered business	5 523	1 070	(867)	(443)	5 283
Other operations	862	214	45	(36)	1 085
Afrocentric	775	211	38	(23)	1 001
Other	87	3	7	(13)	84

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Discretionary capital	550	(129)	1 579	–	2 000
Other capital	9 916	86	2 985	(5 437)	7 550
Present value of holding company expenses	(1 784)	53	115	–	(1 616)
Elimination of intergroup dividends	–	–	(7 713)	7 713	–
Group Equity Value	110 717	16 505	(22)	(5 437)	121 763
Covered business	51 246	9 608	(1 412)	(5 159)	54 283
Other operations	50 789	6 887	4 424	(2 554)	59 546
Group operations	102 035	16 495	3 012	(7 713)	113 829
Discretionary and other capital	8 682	10	4 679	(5 437)	7 934
Elimination of intergroup dividends	–	–	(7 713)	7 713	–
Group Equity Value	110 717	16 505	(22)	(5 437)	121 763

RETURN ON GROUP EQUITY VALUE

for the year ended 31 December 2018

%	Audited December 2018	2017
Sanlam Personal Finance	**11,4**	17,5
Covered business	**11,3**	18,3
Sanlam Sky	**20,3**	28,8
Other	**9,0**	15,7
Other operations	**11,9**	11,2
Glacier	**10,6**	15,6
Sanlam Personal Loans	**32,5**	5,3
Other operations	**(26,3)**	3,4
Sanlam Emerging Markets	**14,8**	11,5
Covered business	**5,7**	23,2
Namibia	**12,8**	19,7
Botswana	**27,2**	19,6
Rest of Africa (excluding Saham Finances)	**33,1**	59,5
Saham Finances	**(39,5)**	(4,2)
India	**22,5**	3,1
Malaysia	**16,5**	0,2
Other operations	**17,7**	7,5
Saham Finances	**32,3**	(3,4)
Shriram Capital	**13,2**	20,8
Letshego	**(8,2)**	(14,1)
Pacific & Orient	**25,0**	(19,3)
Capricorn Investment Holdings	**(2,9)**	10,0
Other operations	**(5,6)**	3,2
Sanlam Investment Group	**3,7**	14,2
Covered business	**11,0**	14,9
Sanlam UK	**7,4**	6,7
Central Credit Manager	**13,8**	21,0
Other operations	**2,3**	14,1
Investment Management SA	**(14,6)**	10,1
Wealth Management	**20,8**	10,5
International	**10,4**	17,5
Sanlam Specialised Finance	**(12,5)**	58,1
Santam	**14,7**	18,0
Sanlam Corporate	**12,8**	21,0
Covered business	**16,8**	20,4
Other operations	**(6,0)**	24,5
Afrocentric	**(8,4)**	26,9
Other	**22,6**	3,4
Discretionary capital and other	**(12,3)**	0,2
Return on Group Equity Value	**10,6**	14,9

%	Audited December 2018	2017
Covered business	**11,0**	18,8
Other operations	**12,2**	12,9
Group operations	**11,6**	15,8
Discretionary and other capital	**(12,3)**	0,2
Group Equity Value	**10,6**	14,9
RoGEV per share	**11,6**	14,8
Sanlam Group hurdle rate	***13,0***	*13,2*

Cumulative return on Group Equity Value

	Audited		
	Cumulative average growth rate up to 31 December 2018		
%	**3 years**	**4 years**	**5 years**
Sanlam Personal Finance	**17,1**	**15,8**	**16,2**
Sanlam Emerging Markets	**7,7**	**12,9**	**15,8**
Sanlam Investment Group	**5,1**	**8,9**	**11,1**
Santam	**21,4**	**13,1**	**14,3**
Sanlam Corporate[1]	**14,5**	**N/A**	**N/A**
Sanlam Group	**12,4**	**12,5**	**13,7**

[1] *Sanlam Corporate was part of the Sanlam Investment Group cluster up to the 2015 financial year.*

ANALYSIS OF GEV EARNINGS

for the year ended 31 December 2018

Covered business[1]

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Adjusted net asset value 2018	Adjusted net asset value 2017
Operational earnings	**9 374**	7 612	**3 699**	2 568	**47**	132	**5 628**	4 912
Value of new life insurance business[2]	**1 985**	1 841	**4 758**	4 324	**(206)**	(195)	**(2 567)**	(2 288)
Unwinding of discount rate	**4 937**	4 620	**4 760**	4 427	**177**	193	**–**	–
Expected profit	**–**	–	**(6 831)**	(6 061)	**–**	–	**6 831**	6 061
Operating experience variances	**2 114**	1 558	**374**	77	**251**	187	**1 489**	1 294
Risk experience	**535**	447	**138**	(6)	**3**	7	**394**	446
Persistency	**147**	67	**202**	178	**–**	16	**(55)**	(127)
Maintenance expenses	**43**	(9)	**(6)**	(5)	**–**	1	**49**	(5)
Working capital management	**507**	452	**–**	5	**–**	–	**507**	447
Credit spread	**437**	396	**–**	–	**–**	–	**437**	396
Other	**445**	205	**40**	(95)	**248**	163	**157**	137
Operating assumption changes	**338**	(407)	**638**	(199)	**(175)**	(53)	**(125)**	(155)
Risk experience	**177**	183	**201**	147	**3**	(3)	**(27)**	39
Persistency	**66**	(115)	**140**	(86)	**4**	(3)	**(78)**	(26)
Maintenance expenses	**20**	(239)	**108**	(110)	**(1)**	(1)	**(87)**	(128)
Modelling changes and other	**75**	(236)	**189**	(150)	**(181)**	(46)	**67**	(40)
Net investment return	**796**	930	**–**	–	**–**	–	**796**	930
Expected return on adjusted net asset value	**921**	1 020	**–**	–	**–**	–	**921**	1 020
Investment variances on adjusted net asset value	**(125)**	(90)	**–**	–	**–**	–	**(125)**	(90)
Valuation and economic basis	**(2 965)**	762	**(2 587)**	489	**42**	26	**(420)**	247
Investment variances on in-force business	**(2 603)**	691	**(2 265)**	413	**89**	19	**(427)**	259
Economic assumption changes	**(755)**	234	**(773)**	253	**11**	(7)	**7**	(12)
Investment yields	**(717)**	260	**(743)**	253	**19**	19	**7**	(12)
Long-term asset mix assumptions and other	**(38)**	(26)	**(30)**	–	**(8)**	(26)	**–**	–
Foreign currency translation differences	**393**	(163)	**451**	(177)	**(58)**	14	**–**	–

Covered business[1] (continued)

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Adjusted net asset value 2018	Adjusted net asset value 2017
Change in tax basis	**(36)**	–	**(19)**	–	**(1)**	–	**(16)**	–
Profit on disposal of subsidiaries and associated companies	**–**	789	**–**	–	**–**	–	**–**	789
Net project expenses	**(13)**	–	**–**	–	**–**	–	**(13)**	–
Goodwill and VOBA from business combinations	**(1 223)**	(485)	**(1 212)**	(485)	**–**	–	**(11)**	–
GEV earnings: covered business	**5 933**	9 608	**(119)**	2 572	**88**	158	**5 964**	6 878
Acquired value of in-force	**3 124**	1 443	**2 243**	1 026	**(1)**	(8)	**882**	425
Disposal of businesses	**–**	(1 331)	**–**	(357)	**–**	9	**–**	(983)
Transfers from covered business	**(7 106)**	(6 683)	**–**	–	**–**	–	**(7 106)**	(6 683)
Embedded value of covered business at the beginning of the year	**54 283**	51 246	**42 620**	39 379	**(3 375)**	(3 534)	**15 038**	15 401
Embedded value of covered business at the end of the year	**56 234**	54 283	**44 744**	42 620	**(3 288)**	(3 375)	**14 778**	15 038

(1) *Refer to note 7 for an analysis per cluster.*
(2) *Refer to note 1 for further information.*

Covered business per cluster

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Adjusted net asset value 2018	Adjusted net asset value 2017
Sanlam Personal Finance	**39 209**	39 546	**35 086**	34 682	**(1 228)**	(1 392)	**5 351**	6 256
Sanlam Emerging Markets	**9 151**	6 686	**5 501**	4 045	**(607)**	(380)	**4 257**	3 021
Sanlam Investment Group	**2 797**	2 768	**781**	828	**(787)**	(704)	**2 803**	2 644
Sanlam Corporate	**5 077**	5 283	**3 376**	3 065	**(666)**	(899)	**2 367**	3 117
	56 234	54 283	**44 744**	42 620	**(3 288)**	(3 375)	**14 778**	15 038

Other operations

R million	Total 2018	Total 2017	Sanlam Personal Finance 2018	Sanlam Personal Finance 2017
Earnings from operations valued at listed share prices	**2 814**	2 854	**–**	–
Earnings from operations valued at net asset value	**(76)**	323	**–**	–
Earnings from operations valued based on discounted cash flows	**4 855**	3 710	**460**	411
Unwinding of discount rate	**5 821**	4 957	**681**	654
Operating experience variances	**135**	350	**(3)**	44
General insurance	**(32)**	32	**–**	–
Investment management	**(13)**	133	**–**	–
Credit and banking	**163**	231	**(9)**	22
Administration, health and other	**17**	(46)	**6**	22
Assumption changes	**(2 588)**	(210)	**(15)**	(376)
General insurance	**413**	(383)	**–**	–
Investment management	**(913)**	(257)	**–**	–
Credit and banking	**(1 218)**	698	**188**	(175)
Administration, health and other	**(870)**	(268)	**(203)**	(201)
Economic assumption changes	**(1 725)**	(409)	**(203)**	89
Foreign currency translation differences	**3 212**	(978)	**–**	–
GEV earnings: other operations	**7 593**	6 887	**460**	411

Discretionary and other capital

R million	Total 2018	Total 2017
Investment return	**(172)**	(129)
Corporate expenses	**(576)**	53
Net corporate expenses	**(109)**	(115)
Change in present value of holding company expenses	**(467)**	168
Share-based payment transactions	**80**	86
GEV earnings: discretionary and other capital	**(668)**	10

	Sanlam Emerging Markets		Sanlam Investment Group		Santam		Sanlam Corporate	
	2018	2017	2018	2017	2018	2017	2018	2017
	–	–	156	–	2 658	2 854	–	–
	(111)	(131)	35	454	–	–	–	–
	4 274	1 500	186	1 585	–	–	(65)	214
	3 125	2 310	1 829	1 842	–	–	186	151
	237	285	(67)	84	–	–	(32)	(63)
	(32)	32	–	–	–	–	–	–
	54	49	(67)	84	–	–	–	–
	172	209	–	–	–	–	–	–
	43	(5)	–	–	–	–	(32)	(63)
	(1 540)	295	(852)	(241)	–	–	(181)	112
	413	(383)	–	–	–	–	–	–
	(61)	(16)	(852)	(241)	–	–	–	–
	(1 406)	873	–	–	–	–	–	–
	(486)	(179)	–	–	–	–	(181)	112
	(109)	(677)	(1 375)	165	–	–	(38)	14
	2 561	(713)	651	(265)	–	–	–	–
	4 163	1 369	377	2 039	2 658	2 854	(65)	214

Reconciliation of Group Equity Value earnings

R million	Total 2018	Total 2017
IFRS earnings	13 186	9 411
Normalised attributable earnings	11 521	11 001
Earnings recognised directly in equity		
Foreign currency translation differences	1 726	(1 044)
Net cost of treasury shares delivered	(231)	(216)
Share-based payments	359	340
Change in ownership of subsidiaries	(103)	(63)
IFRS 9 transitional provisions	(429)	–
Other comprehensive income	343	(607)
Fair value adjustments	189	7 268
Change in fair value adjustments: non-life	220	4 538
Earnings from covered business: VIF	(31)	2 730
Adjustments to net worth	(517)	(174)
Present value of holding company expenses	(467)	168
Movement in book value of treasury shares: non-life subsidiaries	(56)	(47)
Change in goodwill/VOBA less VIF acquired	6	(295)
Group Equity Value earnings	**12 858**	16 505

ANALYSIS OF SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2018

R million	Note	Sanlam Life[1] 2018	Sanlam Life[1] 2017	Sanlam Emerging Markets[2] 2018	Sanlam Emerging Markets[2] 2017
Assets					
Equipment		**382**	302	**690**	135
Owner-occupied properties		**470**	470	**1 250**	224
Goodwill		**816**	714	**15 027**	323
Value of business acquired		**951**	845	**7 604**	658
Other intangible assets		**25**	60	**816**	212
Deferred acquisition costs		**2 631**	3 012	**142**	13
Investments	8.3	**12 135**	17 699	**39 492**	27 953
Properties		**–**	10	**7 122**	843
Associated companies		**904**	882	**14 960**	23 157
Joint ventures		**828**	870	**–**	–
Equities and similar securities		**376**	424	**2 926**	357
Interest-bearing investments		**2 217**	3 918	**4 252**	1 878
Structured transactions		**472**	316	**24**	22
Investment funds		**6 453**	9 390	**8 179**	424
Cash, deposits and similar securities		**885**	1 889	**2 029**	1 272
Deferred tax		**214**	394	**697**	196
Assets of disposal groups classified as held for sale		**–**	–	**138**	–
General insurance technical assets		**–**	–	**2 428**	152
Working capital assets		**8 389**	9 149	**16 156**	2 575
Trade and other receivables		**1 571**	2 565	**11 045**	1 809
Cash, deposits and similar securities		**6 818**	6 584	**5 111**	766
Total assets		**26 013**	32 645	**84 440**	32 441
Equity and liabilities					
Shareholders' fund		**9 580**	19 562	**40 612**	23 672
Non-controlling interest		**143**	233	**11 331**	5 072
Total equity		**9 723**	19 795	**51 943**	28 744
Term finance		**1 013**	2 167	**537**	111
Structured transactions liabilities		**24**	1 156	**–**	–
Cell owners' interest		**–**	–	**–**	–
Deferred tax		**895**	943	**4 001**	301
General insurance technical provisions		**–**	–	**16 846**	552
Working capital liabilities		**14 358**	8 584	**11 113**	2 733
Trade and other payables		**13 324**	7 489	**10 130**	2 733
Provisions		**46**	127	**130**	–
Taxation		**988**	968	**853**	–
Total equity and liabilities		**26 013**	32 645	**84 440**	32 441
Analysis of shareholders' fund					
Covered business		**9 090**	10 518	**7 867**	4 627
Other operations		**2 043**	2 187	**32 256**	18 281
Discretionary and other capital		**(1 553)**	6 857	**489**	764
Shareholders' fund at net asset value		**9 580**	19 562	**40 612**	23 672
Consolidation reserve		**1 010**	1 200	**–**	–
Shareholders' fund per Group statement of financial position on page 64		**10 590**	20 762	**40 612**	23 672

(1) *Includes the operations of Sanlam Personal Finance and Sanlam Corporate (which includes Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life.*

(2) *Includes discretionary capital held by Sanlam Emerging Markets.*

(3) *Group Office and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*

(4) *Elimination of intercompany balances, other investments and term finance between companies within the Group.*

	Sanlam Investment Group		Santam		Group Office(3)		Consolidation Entries(4)		Shareholders' fund at net asset value	
	2018	**2017**	2018	**2017**	2018	**2017**	2018	**2017**	2018	**2017**
	110	66	298	319	–	–	–	–	1 480	822
	117	113	25	19	–	–	–	–	1 862	826
	2 091	1 159	854	765	–	–	1 197	1 197	19 985	4 158
	987	427	–	–	–	–	–	–	9 542	1 930
	204	161	37	58	–	–	–	–	1 082	491
	43	–	–	–	–	–	–	–	2 816	3 025
	4 747	4 622	21 397	17 099	1 400	2 219	(4 524)	(3 039)	74 647	66 553
	–	–	–	–	–	–	–	–	7 122	853
	242	549	4 168	2 763	–	–	(3 953)	(2 691)	16 321	24 660
	2	–	53	66	–	–	–	–	883	936
	345	252	1 721	2 956	367	481	(547)	(430)	5 188	4 040
	644	341	10 829	8 315	1 033	1 736	(144)	(38)	18 831	16 150
	133	–	509	588	–	–	–	–	1 138	926
	2 890	2 968	3 202	1 351	–	–	120	120	20 844	14 253
	491	512	915	1 060	–	2	–	–	4 320	4 735
	176	129	154	157	–	–	(2)	7	1 239	883
	–	–	–	–	–	–	–	–	138	–
	–	–	7 112	6 248	–	–	–	–	9 540	6 400
	15 389	20 009	13 675	12 334	3 497	3 655	(1 609)	(5 108)	55 497	42 614
	12 163	13 827	6 327	5 415	3 153	3 319	(1 809)	(5 134)	32 450	21 801
	3 226	6 182	7 348	6 919	344	336	200	26	23 047	20 813
	23 864	26 686	43 552	36 999	4 897	5 874	(4 938)	(6 943)	177 828	127 702
	9 778	8 506	5 818	4 830	245	136	4 342	1 114	70 375	57 820
	241	42	3 882	3 281	–	–	(3 998)	(2 697)	11 599	5 931
	10 019	8 548	9 700	8 111	245	136	344	(1 583)	81 974	63 751
	974	17	2 072	2 056	2 704	1 917	–	–	7 300	6 268
	–	–	–	–	–	–	–	–	24	1 156
	–	–	3 305	3 217	–	–	–	–	3 305	3 217
	62	22	62	121	–	–	–	43	5 020	1 430
	–	–	21 104	18 116	–	–	–	–	37 950	18 668
	12 809	18 099	7 309	5 378	1 948	3 821	(5 282)	(5 403)	42 255	33 212
	12 418	17 874	6 793	5 116	1 918	3 791	(5 296)	(5 402)	39 287	31 601
	81	82	132	68	20	20	17	17	426	314
	310	143	384	194	10	10	(3)	(18)	2 542	1 297
	23 864	26 686	43 552	36 999	4 897	5 874	(4 938)	(6 943)	177 828	127 702
	3 159	3 000	–	–	–	–	–	–	20 116	18 145
	5 673	4 192	5 818	4 830	–	–	–	–	45 790	29 490
	946	1 314	–	–	245	136	4 342	1 114	4 469	10 185
	9 778	8 506	5 818	4 830	245	136	4 342	1 114	70 375	57 820
	–	–	–	–	–	–	(1 879)	(1 600)	(869)	(400)
	9 778	8 506	5 818	4 830	245	136	2 463	(486)	69 506	57 420

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2018

R million	Note	Sanlam Personal Finance 2018	Sanlam Personal Finance 2017	Sanlam Emerging Markets 2018	Sanlam Emerging Markets 2017
Financial services income	9	**19 136**	17 823	**11 526**	7 978
Sales remuneration	10	**(3 334)**	(3 332)	**(1 568)**	(1 118)
Income after sales remuneration		**15 802**	14 491	**9 958**	6 860
Underwriting policy benefits		**(4 542)**	(3 822)	**(3 230)**	(1 709)
Administration costs	11	**(5 648)**	(4 769)	**(2 955)**	(1 840)
Result from financial services before tax		**5 612**	5 900	**3 773**	3 311
Tax on result from financial services		**(1 636)**	(1 679)	**(1 109)**	(936)
Result from financial services after tax		**3 976**	4 221	**2 664**	2 375
Non-controlling interest		**57**	14	**(626)**	(582)
Net result from financial services		**4 033**	4 235	**2 038**	1 793
Net investment income		**234**	223	**207**	201
Investment income	12	**379**	293	**319**	383
Tax on investment income		**(139)**	(67)	**(119)**	(138)
Non-controlling interest		**(6)**	(3)	**7**	(44)
Project expenses		**–**	–	**(74)**	(99)
Net amortisation of value of business acquired and other intangibles		**(54)**	(45)	**(193)**	(44)
Equity participation costs		**–**	–	**–**	–
Net equity-accounted headline earnings		**–**	–	**–**	10
Equity-accounted headline earnings		**–**	–	**2**	18
Tax on equity-accounted headline earnings		**–**	–	**–**	(1)
Non-controlling interest		**–**	–	**(2)**	(7)
Net investment surpluses		**27**	267	**27**	127
Investment surpluses		**24**	370	**52**	283
Tax on investment surpluses		**3**	(103)	**(27)**	(89)
Non-controlling interest		**–**	–	**2**	(67)
Normalised headline earnings		**4 240**	4 680	**2 005**	1 988
Net profit on disposal of subsidiaries and associated companies		**–**	–	**1 808**	1 159
Profit on disposal of subsidiaries and associated companies		**–**	–	**2 190**	1 189
Tax on profit on disposal of subsidiaries and associated companies		**–**	–	**(118)**	(22)
Non-controlling interest		**–**	–	**(264)**	(8)
Impairments		**(22)**	–	**(252)**	(230)
Net equity-accounted non-headline earnings		**–**	–	**–**	140
Normalised attributable earnings		**4 218**	4 680	**3 561**	3 057
Fund transfers		**(190)**	(53)	**–**	–
Attributable earnings per Group statement of comprehensive income		**4 028**	4 627	**3 561**	3 057
Diluted earnings per share	13				
Weighted average number of shares for normalised earnings per share (million)					
Net result from financial services (cents)					

	Sanlam Investment Group		Santam		Sanlam Corporate		Group Office & Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	6 396	5 581	23 693	22 327	5 622	4 825	156	166	66 529	58 700
	(408)	(218)	(2 635)	(2 424)	(67)	(58)	–	–	(8 012)	(7 150)
	5 988	5 363	21 058	19 903	5 555	4 767	156	166	58 517	51 550
	–	–	(13 827)	(14 170)	(3 254)	(2 798)	–	–	(24 853)	(22 499)
	(4 446)	(3 786)	(4 253)	(3 560)	(1 497)	(1 190)	(321)	(348)	(19 120)	(15 493)
	1 542	1 577	2 978	2 173	804	779	(165)	(182)	14 544	13 558
	(326)	(336)	(877)	(621)	(224)	(221)	56	67	(4 116)	(3 726)
	1 216	1 241	2 101	1 552	580	558	(109)	(115)	10 428	9 832
	(64)	(14)	(905)	(701)	–	–	–	–	(1 538)	(1 283)
	1 152	1 227	1 196	851	580	558	(109)	(115)	8 890	8 549
	45	154	114	83	81	110	(43)	37	638	808
	52	167	220	173	93	124	(40)	58	1 023	1 198
	(7)	(13)	(26)	(31)	(12)	(14)	(3)	(21)	(306)	(284)
	–	–	(80)	(59)	–	–	–	–	(79)	(106)
	(56)	(8)	–	–	–	–	(6)	(7)	(136)	(114)
	(126)	(160)	(10)	(10)	(17)	(2)	–	–	(400)	(261)
	–	–	(5)	(2)	–	–	–	–	(5)	(2)
	–	10	11	25	(5)	(7)	–	–	6	38
	–	10	18	58	(5)	(7)	–	–	15	79
	–	–	–	(17)	–	–	–	–	–	(18)
	–	–	(7)	(16)	–	–	–	–	(9)	(23)
	(9)	178	68	72	(11)	192	(39)	(19)	63	817
	(6)	194	173	78	(11)	247	(39)	(19)	193	1 153
	(3)	(17)	(50)	62	–	(55)	–	–	(77)	(202)
	–	1	(55)	(68)	–	–	–	–	(53)	(134)
	1 006	1 401	1 374	1 019	628	851	(197)	(104)	9 056	9 835
	718	32	235	144	12	–	–	–	2 773	1 335
	718	32	450	180	16	–	(262)	–	3 112	1 401
	–	–	(39)	(2)	(4)	–	–	–	(161)	(24)
	–	–	(176)	(34)	–	–	262	–	(178)	(42)
	(31)	(32)	–	(41)	–	–	–	–	(305)	(303)
	–	–	–	–	(3)	(6)	–	–	(3)	134
	1 693	1 401	1 609	1 122	637	845	(197)	(104)	11 521	11 001
	–	–	–	–	–	–	296	(25)	106	(78)
	1 693	1 401	1 609	1 122	637	845	99	(129)	11 627	10 923
									2 098,8	2 049,1
									423,6	417,2

NET RESULT FROM FINANCIAL SERVICES
for the year ended 31 December 2018

Analysis per line of business

R million	Total 2018	Total 2017	Life Insurance 2018	Life Insurance 2017
South Africa	**6 361**	6 297	**4 362**	4 611
Entry level	**897**	875	**897**	875
Traditional	**5 464**	5 422	**3 465**	3 736
Namibia	**313**	358	**142**	177
Botswana	**339**	365	**231**	197
Rest of Africa	**618**	378	**245**	176
Saham Finances	**511**	223	**97**	45
Other	**107**	155	**148**	131
India	**827**	770	**36**	37
Malaysia	**37**	30	**12**	10
Other international	**395**	351	**89**	85
Total	**8 890**	8 549	**5 117**	5 293

General Insurance 2018	General Insurance 2017	Investment Management 2018	Investment Management 2017	Credit & Structuring 2018	Credit & Structuring 2017	Administration, Health Management & Other 2018	Administration, Health Management & Other 2017
1 129	791	**383**	396	**354**	337	**133**	162
–	–	**–**	–	**–**	–	**–**	–
1 129	791	**383**	396	**354**	337	**133**	162
51	61	**14**	18	**106**	102	**–**	–
–	1	**37**	39	**71**	128	**–**	–
390	153	**(1)**	3	**5**	(1)	**(21)**	47
414	178	**–**	–	**–**	–	**–**	–
(24)	(25)	**(1)**	3	**5**	(1)	**(21)**	47
222	203	**(1)**	(1)	**570**	531	**–**	–
25	20	**–**	–	**–**	–	**–**	–
–	–	**306**	266	**–**	–	**–**	–
1 817	1 229	**738**	721	**1 106**	1 097	**112**	209

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the year ended 31 December 2018

1. Value of new covered business (continued)

R million	Note	Total 2018	2017
Value of new covered business (at point of sale)			
Gross value of new covered business		**2 426**	2 217
Cost of capital		**(239)**	(209)
Value of new covered business		**2 187**	2 008
Value of new business attributable to			
Shareholders' fund	3	**1 985**	1 841
Non-controlling interest		**202**	167
Value of new covered business		**2 187**	2 008
Analysis of new business profitability			
Before non-controlling interest:			
Present value of new business premiums		**78 085**	65 377
New business margin		**2,80%**	3,07%
After non-controlling interest:			
Present value of new business premiums		**74 378**	62 604
New business margin		**2,67%**	2,94%
Capitalisation factor – recurring premiums		**4,1**	4,5

[1] *Excluding the new business from the Capitec credit life scheme and new funeral business, SPF's capitalisation factor would be 4,9.*

	Sanlam Personal Finance		Sanlam Emerging Markets		Sanlam Investment Group		Sanlam Corporate	
	2018	2017	2018	2017	2018	2017	2018	2017
	1 630	1 512	**592**	550	**7**	7	**197**	148
	(95)	(96)	**(83)**	(45)	**(7)**	(7)	**(54)**	(61)
	1 535	1 416	**509**	505	**–**	–	**143**	87
	1 504	1 407	**338**	347	**–**	–	**143**	87
	31	9	**171**	158	**–**	–	**–**	–
	1 535	1 416	**509**	505	**–**	–	**143**	87
	49 764	44 101	**11 099**	9 758	**3 334**	3 259	**13 888**	8 259
	3,08%	3,21%	**4,59%**	5,18%	**–**	–	**1,03%**	1,05%
	48 790	43 940	**8 366**	7 146	**3 334**	3 259	**13 888**	8 259
	3,08%	3,20%	**4,04%**	4,86%	**–**	–	**1,03%**	1,05%
	4,2[(1)]	4,9	**3,2**	3,1	**4,1**	4,5	**5,3**	7,0

1. Value of new covered business

Geographical analysis

R million	Value of new covered business 2018	Value of new covered business 2017	Present value of new business premiums 2018	Present value of new business premiums 2017	New business margin 2018	New business margin 2017
Before non-controlling interest						
South Africa	**1 678**	1 503	**63 652**	52 360	**2,64%**	2,87%
Sanlam Sky	**606**	521	**7 685**	5 867	**7,89%**	8,88%
Glacier	**451**	490	**28 216**	26 918	**1,60%**	1,82%
Sanlam Corporate	**143**	87	**13 888**	8 259	**1,03%**	1,05%
Other	**478**	405	**13 863**	11 316	**3,45%**	3,58%
Namibia	**146**	122	**2 381**	2 000	**6,13%**	6,10%
Botswana	**184**	187	**2 767**	2 895	**6,65%**	6,46%
Rest of Africa	**75**	115	**3 274**	2 518	**2,29%**	4,61%
Saham Finances	**41**	20	**1 119**	324	**3,66%**	6,17%
Other	**34**	95	**2 155**	2 194	**1,58%**	4,33%
India	**54**	38	**1 338**	1 178	**4,04%**	3,23%
Malaysia	**50**	43	**1 339**	1 167	**3,73%**	3,68%
Other international	**–**	–	**3 334**	3 259	**–**	–
Total	**2 187**	2 008	**78 085**	65 377	**2,80%**	3,07%
After non-controlling interest						
South Africa	**1 647**	1 494	**62 678**	52 199	**2,63%**	2,86%
Sanlam Sky	**606**	521	**7 685**	5 867	**7,89%**	8,88%
Glacier	**451**	490	**28 216**	26 918	**1,60%**	1,82%
Sanlam Corporate	**143**	87	**13 888**	8 259	**1,03%**	1,05%
Other	**447**	396	**12 889**	11 155	**3,47%**	3,55%
Namibia	**87**	75	**1 865**	1 507	**4,66%**	4,98%
Botswana	**108**	111	**1 672**	1 750	**6,46%**	6,34%
Rest of Africa	**67**	105	**2 808**	2 116	**2,39%**	4,96%
Saham Finances	**38**	20	**1 040**	324	**3,65%**	6,17%
Other	**29**	85	**1 768**	1 792	**1,64%**	4,74%
India	**54**	38	**1 338**	1 178	**4,04%**	3,23%
Malaysia	**22**	18	**683**	595	**3,22%**	3,03%
Other international	**–**	–	**3 334**	3 259	**–**	–
Total	**1 985**	1 841	**74 378**	62 604	**2,67%**	2,94%

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business 2018	Gross value of in-force business 2017	Cost of capital 2018	Cost of capital 2017	Net value of in-force business 2018	Net value of in-force business 2017	Change from base value % 2018	Change from base value % 2017
Base value	**44 744**	42 620	**(3 288)**	(3 375)	**41 456**	39 245		
Risk discount rate increase by 1%	**42 475**	40 330	**(3 708)**	(3 854)	**38 767**	36 476	**(6)**	(7)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**45 812**	43 737	**(3 342)**	(3 368)	**42 470**	40 369	**2**	3
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	**43 504**	41 273	**(3 231)**	(3 307)	**40 273**	37 966	**(3)**	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	**45 377**	43 207	**(2 981)**	(3 188)	**42 396**	40 019	**2**	2
Rand exchange rate depreciates by 10%	**45 227**	42 967	**(3 356)**	(3 474)	**41 871**	39 493	**1**	1
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**46 571**	44 122	**(3 316)**	(3 405)	**43 255**	40 717	**4**	4
Discontinuance rates decrease by 10%	**46 147**	43 914	**(3 364)**	(3 463)	**42 783**	40 451	**3**	3
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	**46 641**	44 374	**(3 287)**	(3 372)	**43 354**	41 002	**5**	4
Mortality and morbidity decrease by 5% for annuity business	**44 492**	42 324	**(3 285)**	(3 378)	**41 207**	38 946	**(1)**	(1)
Gross value of in-force business profile								
Year 1-5	**56%**	55%						
Year 1	**18%**	17%						
Year 2	**12%**	12%						
Year 3	**10%**	10%						
Year 4	**9%**	9%						
Year 5	**7%**	7%						
Year 6 – 10	**23%**	24%						
Year 11 – 20	**17%**	17%						
Year 20+	**4%**	4%						

3. Value of new covered business sensitivity analysis

R million	Gross value of new business 2018	Gross value of new business 2017	Cost of capital 2018	Cost of capital 2017	Net value of new business 2018	Net value of new business 2017	Change from base value % 2018	Change from base value % 2017
Base value	**2 191**	2 036	**(206)**	(195)	**1 985**	1 841		
Risk discount rate increase by 1%	**1 945**	1 803	**(235)**	(217)	**1 710**	1 586	**(14)**	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**2 316**	2 150	**(205)**	(193)	**2 111**	1 957	**6**	6
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**2 396**	2 224	**(208)**	(197)	**2 188**	2 027	**10**	10
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	**2 405**	2 227	**(208)**	(193)	**2 197**	2 034	**11**	10
Discontinuance rates decrease by 10%	**2 477**	2 303	**(219)**	(206)	**2 258**	2 097	**14**	14
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	**2 441**	2 220	**(207)**	(194)	**2 234**	2 026	**13**	10
Mortality and morbidity decrease by 5% for annuity business	**2 183**	2 022	**(208)**	(192)	**1 975**	1 830	**(1)**	(1)

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

	2018	2017
Sanlam Life[1]		
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**9,5%**	9,0%
Equities	**13,0%**	12,5%
Offshore investments	**12,0%**	12,5%
Hedged equity	**8,9%**	8,4%
Property	**10,5%**	10,0%
Cash	**8,5%**	8,0%
Inflation rate[1]	**7,5%**	7,0%
Risk discount rate	**12,0%**	11,5%

[1] *Expense inflation of 11,5% (Dec 2017: 11,0%) assumed for retail business administered on old platforms.*

	2018	2017
Sanlam Developing Markets[1]		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**8,6%**	8,0%
Equities and offshore investments	**12,1%**	11,5%
Hedged equities	**7,6%**	7,0%
Property	**9,6%**	9,0%
Cash	**7,6%**	7,0%
Inflation rate	**6,6%**	6,0%
Risk discount rate	**11,1%**	10,5%

[1] *Excludes the single premium products written on the SDM licence.*

	2018	2017
Botswana Life Insurance		
Point used on the relevant yield curve	**n/a**	n/a
Fixed-interest securities	**7,0%**	6,5%
Equities and offshore investments	**10,5%**	10,0%
Hedged equities	**n/a**	n/a
Property	**8,0%**	7,5%
Cash	**6,0%**	5,5%
Inflation rate	**4,0%**	3,5%
Risk discount rate	**10,5%**	10,0%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**1,6%**	1,6%
Equities and offshore investments	**4,8%**	4,8%
Hedged equities	**n/a**	n/a
Property	**4,8%**	4,8%
Cash	**1,6%**	1,6%
Inflation rate	**3,3%**	3,3%
Risk discount rate	**5,3%**	5,3%

4. Economic assumptions – covered business (continued)

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 70bps (2017: 25bps and 60bps) for non-participating annuities, between 25bps and 75bps (2017: 25bps to 75bps) for inflation-linked annuities and capped at 120bps (2017: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

Asset mix of the assets supporting adjusted net asset value – covered business

	R million		Fixed-interest securities		Equities	
%	2018	2017	2018	2017	2018	2017
Required capital						
South Africa[(1)]	9 861	11 375	–	–	3	2
Namibia	508	498	6	6	36	36
Botswana Life	463	353	–	–	–	–
Sanlam Life Insurance (Kenya)	134	108	35	35	40	40
Other Africa	1 219	760	59	59	6	6
Shriram Life Insurance (India)	255	192	35	30	60	66
MCIS (Malaysia)	356	285	73	73	19	19
Sanlam Investments and Pensions (UK)	533	428	–	–	–	–
Total required capital	13 329	13 999				
Free Surplus	1 449	1 039				
Adjusted net asset value	14 778	15 038				

(1) *The 31 December 2018 asset mix backing the Sanlam Life required capital is unchanged from 31 December 2017, which includes 80% hedged equities. However, the percentage hedged equities will be increased to 100% in 2019.*

Assumed long-term expected return on required capital

	Gross return on required capital		Net return on required capital	
%	2018	2017	2018	2017
Sanlam Life	9,1	8,7	7,4	7,0
Sanlam Developing Markets	8,5	7,9	6,6	6,1
Sanlam Life Namibia	10,3	9,9	9,2	8,8
Sanlam Namibia Holdings	9,0	8,5	7,9	7,4
Botswana Life	7,0	6,5	5,3	4,9
Sanlam Life Insurance (Kenya)	11,3	12,5	7,9	8,8
Shriram Life Insurance (India)	8,6	10,0	7,0	8,6
MCIS (Malaysia)	4,9	5,0	4,5	4,6
Sanlam Investments and Pensions (UK)	1,6	1,6	1,3	1,3

	Offshore		Hedged Equities		Property		Cash		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	–	7	91	78	–	–	6	13	100	100
	–	–	–	–	–	–	58	58	100	100
	–	–	–	–	50	50	50	50	100	100
	–	–	–	–	15	15	10	10	100	100
	–	–	–	–	6	6	29	29	100	100
	–	–	–	–	–	–	5	4	100	100
	–	–	–	–	–	–	8	8	100	100
	–	–	–	–	–	–	100	100	100	100

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

R million	Total 2018	Total 2017
Listed share price	**21 082**	18 108
Santam	**20 102**	18 108
Sanlam Investment Group: Nucleus	**980**	–
Discounted cash flows	**52 722**	39 130
Sanlam Personal Finance	**3 976**	3 855
Glacier	**2 359**	2 321
Sanlam Personal Loans	**1 224**	1 052
Other operations	**393**	482
Sanlam Emerging Markets	**34 248**	19 885
Shriram Capital	**10 632**	9 524
Saham Finances	**20 309**	6 833
Letshego	**889**	991
Pacific & Orient	**433**	376
Capricorn Investment Holdings	**968**	1 022
Other operations	**1 017**	1 139
Sanlam Investment Group[1]	**13 566**	14 305
Investment Management SA	**4 822**	6 067
Wealth Management	**2 709**	2 192
International	**4 925**	5 500
Sanlam Specialised Finance	**1 110**	546
Sanlam Corporate	**932**	1 085
Afrocentric	**892**	1 001
Other	**40**	84
Net asset value	**2 620**	2 308
Sanlam Investment Group[1]	**1 360**	1 258
Investment Management SA	**738**	815
Wealth Management	**–**	50
International	**232**	143
Sanlam Specialised Finance	**390**	250
Sanlam Emerging Markets	**1 260**	1 050
Total	**76 424**	59 546

(1) *Comparative information has been adjusted for the reallocation of businesses from Investment Management SA to Sanlam Specialised Finance.*

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value 2018	Base value 2017	Risk discount rate +1% 2018	Risk discount rate +1% 2017	Perpetuity growth rate +1% 2018	Perpetuity growth rate +1% 2017
Sanlam Personal Finance	**3 976**	3 855	**3 652**	3 529	**4 117**	4 003
Glacier	**2 359**	2 321	**2 151**	2 106	**2 457**	2 426
Sanlam Personal Loans	**1 224**	1 052	**1 138**	982	**1 256**	1 078
Other operations	**393**	482	**363**	441	**404**	499
Sanlam Emerging Markets	**34 248**	19 885	**30 188**	17 186	**37 778**	21 874
Shriram Capital	**10 632**	9 524	**9 071**	8 267	**11 990**	10 469
Saham Finances	**20 309**	6 833	**18 195**	5 696	**22 197**	7 655
Letshego	**889**	991	**791**	872	**946**	1 065
Pacific & Orient	**433**	376	**378**	342	**477**	406
Capricorn Investment Holdings	**968**	1 022	**891**	942	**1 025**	1 083
Other operations	**1 017**	1 139	**862**	1 067	**1 143**	1 196
Sanlam Investment Group	**13 566**	14 305	**12 024**	12 746	**14 382**	15 267
Investment Management SA	**4 822**	6 067	**4 365**	5 437	**5 057**	6 415
Wealth Management	**2 709**	2 192	**2 397**	1 974	**2 772**	2 309
International	**4 925**	5 500	**4 243**	4 836	**5 398**	5 975
Sanlam Specialised Finance	**1 110**	546	**1 019**	499	**1 155**	568
Sanlam Corporate	**932**	1 085	**863**	995	**962**	1 122
Afrocentric	**892**	1 001	**825**	923	**921**	1 036
Other	**40**	84	**38**	72	**41**	86
	52 722	39 130	**46 727**	34 456	**57 239**	42 266
Weighted average assumption			**14,5%**	14,9%	**2-5%**	2-5%

R million	Equities and properties -10% 2018	Equities and properties -10% 2017	Risk discount rate -1% 2018	Risk discount rate -1% 2017	Rand exchange rate depreciation +10% 2018	Rand exchange rate depreciation +10% 2017
Sanlam Personal Finance	**3 801**	3 683	**4 354**	4 235	**3 976**	3 855
Glacier	**2 184**	2 149	**2 606**	2 576	**2 359**	2 321
Sanlam Personal Loans	**1 224**	1 052	**1 321**	1 130	**1 224**	1 052
Other operations	**393**	482	**427**	529	**393**	482
Sanlam Emerging Markets	**34 216**	19 716	**40 050**	23 656	**37 628**	21 781
Shriram Capital	**10 632**	9 524	**12 774**	11 166	**11 695**	10 476
Saham Finances	**20 309**	6 833	**23 428**	8 558	**22 340**	7 516
Letshego	**889**	991	**1 010**	1 139	**978**	1 090
Pacific & Orient	**433**	376	**509**	419	**476**	414
Capricorn Investment Holdings	**936**	920	**1 068**	1 127	**968**	1 022
Other operations	**1 017**	1 072	**1 261**	1 247	**1 171**	1 263
Sanlam Investment Group	**12 758**	13 307	**15 367**	16 286	**14 073**	14 885
Investment Management SA	**4 422**	5 747	**5 373**	6 839	**4 822**	6 091
Wealth Management	**2 545**	1 911	**2 948**	2 457	**2 655**	2 198
International	**4 731**	5 117	**5 825**	6 389	**5 486**	6 050
Sanlam Specialised Finance	**1 060**	532	**1 221**	601	**1 110**	546
Sanlam Corporate	**932**	1 085	**1 015**	1 180	**932**	1 085
Afrocentric	**892**	1 001	**972**	1 092	**892**	1 001
Other	**40**	84	**43**	88	**40**	84
	51 707	37 791	**60 786**	45 357	**56 609**	41 606

6. Business volumes

6.1 Analysis of new business and total funds received

Analysed per business, reflecting the split between life insurance, general insurance and investment business

R million	Life insurance[1] 2018	Life insurance[1] 2017	General insurance 2018	General insurance 2017	Investment business[2] 2018	Investment business[2] 2017	Total 2018	Total 2017
Sanlam Personal Finance	34 112	31 182	–	–	26 859	27 433	60 971	58 615
Recurring premium sub cluster	3 282	2 592	–	–	130	246	3 412	2 838
Sky	2 494	1 455	–	–	–	–	2 494	1 455
Glacier	28 336	27 135	–	–	26 729	27 187	55 065	54 322
Sanlam Emerging Markets	6 410	5 468	9 873	6 122	9 941	10 313	26 224	21 903
Namibia	1 585	1 336	–	–	5 217	4 257	6 802	5 593
Recurring	213	179	–	–	–	–	213	179
Single	1 372	1 157	–	–	5 217	4 257	6 589	5 414
Botswana	1 710	1 770	172	158	3 951	5 209	5 833	7 137
Recurring	343	364	172	158	–	–	515	522
Single	1 367	1 406	–	–	3 951	5 209	5 318	6 615
Rest of Africa (excluding Saham Finances)	1 440	1 301	873	827	773	847	3 086	2 975
Recurring	698	765	873	827	–	–	1 571	1 592
Single	742	536	–	–	773	847	1 515	1 383
Saham Finances	637	87	6 932	3 298	–	–	7 569	3 385
Recurring	166	87	6 932	3 298	–	–	7 098	3 385
Single	471	–	–	–	–	–	471	–
India	704	659	1 625	1 565	–	–	2 329	2 224
Recurring	416	427	1 625	1 565	–	–	2 041	1 992
Single	288	232	–	–	–	–	288	232
Malaysia	334	315	271	274	–	–	605	589
Recurring	296	249	271	274	–	–	567	523
Single	38	66	–	–	–	–	38	66
Sanlam Investment Group	3 219	3 137	–	–	96 477	111 254	99 696	114 391
Investment Management SA	–	–	–	–	72 100	91 492	72 100	91 492
Wealth Management[3]	–	–	–	–	4 985	8 481	4 985	8 481
International[3]	3 219	3 137	–	–	19 392	11 281	22 611	14 418
Recurring	37	36	–	–	8	8	45	44
Single	3 182	3 101	–	–	19 384	11 273	22 566	14 374
Santam	–	–	22 812	21 435	–	–	22 812	21 435
Sanlam Corporate	10 074	4 828	–	–	3 252	–	13 326	4 828
Recurring	888	570	–	–	–	–	888	570
Single	9 186	4 258	–	–	3 252	–	12 438	4 258
Total new business	53 815	44 615	32 685	27 557	136 529	149 000	223 029	221 172

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

(3) *Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.*

R million	Life insurance[1] 2018	Life insurance[1] 2017	General insurance 2018	General insurance 2017	Investment business[2] 2018	Investment business[2] 2017	Total 2018	Total 2017
Recurring premiums on existing funds:								
Sanlam Personal Finance	**18 467**	17 627	**–**	–	**171**	194	**18 638**	17 821
Recurring premium sub cluster	**13 485**	12 579	**–**	–	**171**	194	**13 656**	12 773
Sky	**4 879**	4 998	**–**	–	**–**	–	**4 879**	4 998
Glacier	**103**	50	**–**	–	**–**	–	**103**	50
Sanlam Emerging Markets	**5 873**	5 295	**–**	–	**252**	–	**6 125**	5 295
Namibia	**1 115**	1 117	**–**	–	**–**	–	**1 115**	1 117
Botswana	**1 385**	1 247	**–**	–	**–**	–	**1 385**	1 247
Rest of Africa (excluding Saham Finances)	**979**	830	**–**	–	**252**	–	**1 231**	830
Saham Finances	**382**	261	**–**	–	**–**	–	**382**	261
India	**631**	494	**–**	–	**–**	–	**631**	494
Malaysia	**1 381**	1 346	**–**	–	**–**	–	**1 381**	1 346
Sanlam Investment Group	**361**	351	**–**	–	**49**	2 737	**410**	3 088
Investment Management SA	**–**	–	**–**	–	**–**	2 681	**–**	2 681
International	**361**	351	**–**	–	**49**	56	**410**	407
Sanlam Corporate	**5 492**	5 367	**–**	–	**3 862**	–	**9 354**	5 367
Total funds received	**84 008**	73 255	**32 685**	27 557	**140 863**	151 931	**257 556**	252 743

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

6. Business volumes (continued

6.2 Analysis of payments to clients

R million	Life insurance[1] 2018	Life insurance[1] 2017	General insurance 2018	General insurance 2017	Investment business[2] 2018	Investment business[2] 2017	Total 2018	Total 2017
Sanlam Personal Finance	43 860	41 969	–	–	25 455	26 013	69 315	67 982
Recurring premium sub cluster	18 936	19 048	–	–	487	637	19 423	19 685
Surrenders	2 366	2 573	–	–	–	–	2 366	2 573
Other	16 570	16 475	–	–	487	637	17 057	17 112
Sanlam Sky	3 748	2 830	–	–	–	–	3 748	2 830
Surrenders	455	448	–	–	–	–	455	448
Other	3 293	2 382	–	–	–	–	3 293	2 382
Glacier	21 176	20 091	–	–	24 968	25 376	46 144	45 467
Surrenders	3 426	3 479	–	–	–	–	3 426	3 479
Other	17 750	16 612	–	–	24 968	25 376	42 718	41 988
Sanlam Emerging Markets	8 057	7 617	5 913	3 970	9 772	13 471	23 742	25 058
Namibia	1 998	2 317	–	–	5 565	7 498	7 563	9 815
Surrenders	180	504	–	–	–	–	180	504
Other	1 818	1 813	–	–	5 565	7 498	7 383	9 311
Botswana	1 963	1 789	69	70	3 648	5 126	5 680	6 985
Surrenders	227	409	–	–	–	–	227	409
Other	1 736	1 380	69	70	3 648	5 126	5 453	6 576
Rest of Africa (excluding Saham Finances)	1 289	1 135	460	427	559	847	2 308	2 409
Surrenders	156	156	–	–	–	–	156	156
Other	1 133	979	460	427	559	847	2 152	2 253
Saham Finances	516	368	3 808	1 746	–	–	4 324	2 114
Surrenders	–	–	–	–	–	–	–	–
Other	516	368	3 808	1 746	–	–	4 324	2 114
India	444	476	1 450	1 578	–	–	1 894	2 054
Surrenders	170	243	–	–	–	–	170	243
Other	274	233	1 450	1 578	–	–	1 724	1 811
Malaysia	1 847	1 532	126	149	–	–	1 973	1 681
Surrenders	429	521	–	–	–	–	429	521
Other	1 418	1 011	126	149	–	–	1 544	1 160
Sanlam Investment Group	3 968	3 845	–	–	88 924	94 956	92 892	98 801
Investment Management SA	–	–	–	–	67 967	80 926	67 967	80 926
Wealth Management[3]	–	–	–	–	4 200	5 429	4 200	5 429
International[3]	3 968	3 845	–	–	16 757	8 601	20 725	12 446
Santam	–	–	13 826	14 170	–	–	13 826	14 170
Sanlam Corporate	11 309	9 589	–	–	4 933	–	16 242	9 589
Surrenders	1 899	1 817	–	–	1 036	–	2 935	1 817
Other	9 410	7 772	–	–	3 897	–	13 307	7 772
Total payments to clients	67 194	63 020	19 739	18 140	129 084	134 440	216 017	215 600

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

(3) *Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.*

6.3 Analysis of net inflow/(outflow) of funds

R million	Life Insurance[1] 2018	Life Insurance[1] 2017	General insurance 2018	General insurance 2017	Investment business[2] 2018	Investment business[2] 2017	Total 2018	Total 2017
Sanlam Personal Finance	**8 719**	6 840	**–**	–	**1 575**	1 614	**10 294**	8 454
Recurring premium sub cluster	**(2 169)**	(3 877)	**–**	–	**(186)**	(197)	**(2 355)**	(4 074)
Sky	**3 625**	3 623	**–**	–	**–**	–	**3 625**	3 623
Glacier	**7 263**	7 094	**–**	–	**1 761**	1 811	**9 024**	8 905
Sanlam Emerging Markets	**4 226**	3 146	**3 960**	2 152	**421**	(3 158)	**8 607**	2 140
Namibia	**702**	136	**–**	–	**(348)**	(3 241)	**354**	(3 105)
Botswana	**1 132**	1 228	**103**	88	**303**	83	**1 538**	1 399
Rest of Africa (excluding Saham Finances)	**1 130**	996	**413**	400	**466**	–	**2 009**	1 396
Saham Finances	**503**	(20)	**3 124**	1 552	**–**	–	**3 627**	1 532
India	**891**	677	**175**	(13)	**–**	–	**1 066**	664
Malaysia	**(132)**	129	**145**	125	**–**	–	**13**	254
Sanlam Investment Group	**(388)**	(357)	**–**	–	**7 602**	19 035	**7 214**	18 678
Investment Management SA	**–**	–	**–**	–	**4 133**	13 247	**4 133**	13 247
Wealth Management[3]	**–**	–	**–**	–	**785**	3 052	**785**	3 052
International[3]	**(388)**	(357)	**–**	–	**2 684**	2 736	**2 296**	2 379
Santam	**–**	–	**8 986**	7 265	**–**	–	**8 986**	7 265
Sanlam Corporate	**4 257**	606	**–**	–	**2 181**	–	**6 438**	606
Total net inflow	**16 814**	10 235	**12 946**	9 417	**11 779**	17 491	**41 539**	37 143

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

(3) *Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.*

7. Cluster Information

7.1 Sanlam Personal Finance

Analysis of earnings

R million	Life insurance 2018	Life insurance 2017	Non-life operations 2018	Non-life operations 2017	Total 2018	Total 2017
Net result from financial services	**3 677**	3 848	**356**	387	**4 033**	4 235
Recurring premium sub cluster	**2 042**	1 847	**(14)**	9	**2 028**	1 856
Sanlam Sky	**897**	875	**–**	–	**897**	875
Glacier	**658**	1 059	**196**	205	**854**	1 264
SBD and other	**80**	67	**174**	173	**254**	240
Net investment return	**162**	481	**99**	9	**261**	490
Operations	**162**	481	**99**	8	**261**	489
Discretionary capital and other	**–**	–	**–**	1	**–**	1
Net other earnings	**(36)**	(5)	**(40)**	(40)	**(76)**	(45)
Amortisation of value of business acquired and other intangibles	**(15)**	(5)	**(39)**	(40)	**(54)**	(45)
Impairments	**(21)**	–	**(1)**	–	**(22)**	–
Normalised attributable earnings	**3 803**	4 324	**415**	356	**4 218**	4 680

7. Cluster information (continued)

7.1 Sanlam Personal Finance (continued)

Analysis of change in GEV – covered business

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Net asset value 2018	Net asset value 2017
Operational earnings	**7 459**	5 984	**3 150**	2 172	**127**	92	**4 182**	3 720
Value of new life insurance business	**1 504**	1 407	**3 644**	3 360	**(95)**	(95)	**(2 045)**	(1 858)
Unwinding of discount rate	**3 895**	3 661	**3 816**	3 563	**79**	98	**–**	–
Expected profit	**–**	–	**(5 298)**	(4 804)	**–**	–	**5 298**	4 804
Operating experience variances	**1 499**	1 107	**376**	122	**171**	134	**952**	851
Risk experience	**575**	401	**139**	98	**–**	2	**436**	301
Persistency	**(45)**	(100)	**105**	37	**–**	3	**(150)**	(140)
Maintenance expenses	**38**	10	**(4)**	(2)	**–**	–	**42**	12
Working capital management	**405**	346	**–**	5	**–**	–	**405**	341
Credit spread	**137**	186	**–**	–	**–**	–	**137**	186
Other	**389**	264	**136**	(16)	**171**	129	**82**	151
Operating assumption changes	**561**	(191)	**612**	(69)	**(28)**	(45)	**(23)**	(77)
Risk experience	**262**	118	**260**	93	**1**	(5)	**1**	30
Persistency	**54**	(80)	**120**	(54)	**12**	(5)	**(78)**	(21)
Maintenance expenses	**150**	(182)	**148**	(84)	**–**	(1)	**2**	(97)
Modelling changes and other	**95**	(47)	**84**	(24)	**(41)**	(34)	**52**	11
Net investment return	**162**	481	**–**	–	**–**	–	**162**	481
Expected return on adjusted net asset value	**354**	432	**–**	–	**–**	–	**354**	432
Investment variances on adjusted net asset value	**(192)**	49	**–**	–	**–**	–	**(192)**	49
Valuation and economic basis	**(3 187)**	636	**(2 737)**	533	**38**	(26)	**(488)**	129
Investment variances on in-force business	**(2 456)**	375	**(2 037)**	267	**67**	(30)	**(486)**	138
Economic assumption changes	**(731)**	261	**(700)**	266	**(29)**	4	**(2)**	(9)
Investment yields	**(720)**	261	**(689)**	266	**(29)**	4	**(2)**	(9)
Long-term asset mix assumptions and other	**(11)**	–	**(11)**	–	**–**	–	**–**	–
Change in tax basis	**(37)**	–	**(20)**	–	**–**	–	**(17)**	–
Goodwill and VOBA from business combinations	**(25)**	(442)	**(14)**	(442)	**–**	–	**(11)**	–
GEV earnings: covered business	**4 372**	6 659	**379**	2 263	**165**	66	**3 828**	4 330
Acquired value of in-force	**26**	721	**25**	596	**(1)**	(7)	**2**	132
Transfers from/(to) other covered business Group operations	**177**	(1 158)	**–**	–	**–**	514	**177**	(1 672)
Transfers from covered business	**(4 912)**	(4 892)	**–**	–	**–**	–	**(4 912)**	(4 892)
Embedded value of covered business at the beginning of the year	**39 546**	38 216	**34 682**	31 823	**(1 392)**	(1 965)	**6 256**	8 358
Embedded value of covered business at the end of the year	**39 209**	39 546	**35 086**	34 682	**(1 228)**	(1 392)	**5 351**	6 256

Assets under management

R million	2018	2017
Sanlam Sky: Life insurance operations	**5 291**	5 562
Recurring premium sub cluster	**154 268**	171 820
Life insurance operations	**152 459**	169 737
Investment operations	**1 809**	2 083
Glacier	**312 769**	299 905
Life insurance operations	**181 986**	168 690
Investment operations	**130 783**	131 215
Total	**472 328**	477 287
Life insurance operations	**339 736**	343 989
Investment operations	**132 592**	133 298

Sanlam Personal Loans		
Gross size of loan book (R million)	**4 931**	4 690
Interest margin	**16,7%**	16,6%
Bad debt ratio	**5,6%**	4,3%
Administration cost as % of net interest	**28,5%**	31,1%

7. Cluster information (continued)

7.2 Sanlam Emerging Markets

Analysis of net result from financial services

R million	Life insurance 2018	Life insurance 2017	General Insurance 2018	General Insurance 2017	Investment Management 2018	Investment Management 2017
Namibia	**142**	177	**33**	37	**14**	18
Botswana	**231**	188	**–**	1	**37**	39
Rest of Africa (excluding Saham Finances)	**148**	184	**(24)**	(25)	**(1)**	3
Saham Finances	**97**	48	**414**	177	**–**	–
India	**36**	38	**165**	151	**(1)**	(1)
Malaysia	**12**	10	**17**	14	**–**	(1)
Corporate and other	**–**	–	**17**	24	**–**	–
Net result from financial services	**666**	645	**622**	379	**49**	58

R million	Credit and Banking 2018	Credit and Banking 2017	Other 2018	Other 2017	Total 2018	Total 2017
Namibia	**107**	103	**(2)**	9	**294**	344
Botswana	**71**	128	**(24)**	–	**315**	356
Rest of Africa (excluding Saham Finances)	**5**	(1)	**(44)**	(27)	**84**	134
Saham Finances	**–**	(1)	**–**	19	**511**	243
India	**569**	532	**24**	39	**793**	759
Malaysia	**–**	(1)	**–**	2	**29**	24
Corporate and other	**–**	–	**(5)**	(91)	**12**	(67)
Net result from financial services	**752**	760	**(51)**	(49)	**2 038**	1 793

Analysis of net investment return

R million	Life insurance 2018	Life insurance 2017	Non-life operations 2018	Non-life operations 2017	Total 2018	Total 2017
Namibia	**152**	50	**16**	64	**168**	114
Botswana	**5**	8	**(19)**	(3)	**(14)**	5
Rest of Africa (excluding Saham Finances)	**(25)**	93	**(81)**	20	**(106)**	113
Saham Finances	**59**	–	**97**	130	**156**	130
Malaysia	**11**	11	**3**	11	**14**	22
India	**(9)**	–	**21**	16	**12**	16
Corporate and other	**–**	–	**4**	(72)	**4**	(72)
Net investment return	**193**	162	**41**	166	**234**	328

Analysis of change in GEV – covered business

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Net asset value 2018	Net asset value 2017
Operational earnings	**918**	817	**382**	228	**(182)**	(10)	**718**	599
Value of new life insurance business	**338**	347	**776**	630	**(49)**	(32)	**(389)**	(251)
Unwinding of discount rate	**536**	494	**499**	481	**37**	13	**–**	–
Expected profit	**–**	–	**(924)**	(810)	**–**	–	**924**	810
Operating experience variances	**206**	25	**13**	(88)	**(2)**	18	**195**	95
Risk experience	**50**	83	**18**	(7)	**2**	5	**30**	85
Persistency	**99**	(3)	**8**	(16)	**(5)**	15	**96**	(2)
Maintenance expenses	**16**	(11)	**(2)**	(3)	**–**	1	**18**	(9)
Working capital management	**35**	48	**–**	–	**–**	–	**35**	48
Credit spread	**15**	–	**–**	–	**–**	–	**15**	–
Other	**(9)**	(92)	**(11)**	(62)	**1**	(3)	**1**	(27)
Operating assumption changes	**(162)**	(49)	**18**	15	**(168)**	(9)	**(12)**	(55)
Risk experience	**50**	42	**38**	56	**4**	1	**8**	(15)
Persistency	**7**	(35)	**9**	(32)	**(2)**	2	**–**	(5)
Maintenance expenses	**(66)**	(46)	**(59)**	(21)	**1**	–	**(8)**	(25)
Modelling changes and other	**(153)**	(10)	**30**	12	**(171)**	(12)	**(12)**	(10)
Net investment return	**437**	(29)	**–**	–	**–**	–	**437**	(29)
Expected return on adjusted net asset value	**240**	186	**–**	–	**–**	–	**240**	186
Investment variances on adjusted net asset value	**197**	(215)	**–**	–	**–**	–	**197**	(215)
Valuation and economic basis	**272**	(58)	**294**	(84)	**(44)**	(20)	**22**	46
Investment variances on in-force business	**(51)**	78	**(73)**	29	**(2)**	(2)	**24**	51
Economic assumption changes	**(11)**	19	**(11)**	55	**2**	(31)	**(2)**	(5)
Investment yields	**15**	45	**6**	55	**11**	(5)	**(2)**	(5)
Long-term asset mix assumptions and other	**(26)**	(26)	**(17)**	–	**(9)**	(26)	**–**	–
Foreign currency translation differences	**334**	(155)	**378**	(168)	**(44)**	13	**–**	–
Change in tax basis	**1**	–	**1**	–	**(1)**	–	**1**	–
Profit on disposal of subsidiaries and associated companies	**–**	789	**–**	–	**–**	–	**–**	789
Goodwill and VOBA from business combinations	**(1 198)**	(43)	**(1 198)**	(43)	**–**	–	**–**	–
Net project expenses	**(13)**	–	**–**	–	**–**	–	**(13)**	–
GEV earnings: covered business	**417**	1 476	**(521)**	101	**(227)**	(30)	**1 165**	1 405
Acquired value of in-force	**2 810**	722	**1 977**	430	**–**	(1)	**833**	293
Disposal of businesses	**–**	(1 331)	**–**	(357)	**–**	9	**–**	(983)
Transfers from covered business	**(762)**	(551)	**–**	–	**–**	–	**(762)**	(551)
Embedded value of covered business at the beginning of the year	**6 686**	6 370	**4 045**	3 871	**(380)**	(358)	**3 021**	2 857
Embedded value of covered business at the end of the year	**9 151**	6 686	**5 501**	4 045	**(607)**	(380)	**4 257**	3 021

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of Saham Finances

R million	2018	2017
	Saham Total (100%)	
Gross written premiums	16 569	15 975
Net earned premium	13 843	12 723
Net claims incurred	(9 448)	(8 537)
Net commission	(1 454)	(1 289)
Management expenses	(2 645)	(2 572)
Underwriting result	296	325
Other non-insurance activities	52	116
Investment return on insurance funds	951	1 734
Net insurance result	1 299	2 175
Tax and non-controlling interest	(609)	(1 078)
Net result from financial services	690	1 097
Net investment return	172	110
Net finance cost	(160)	(76)
Attributable earnings	702	1 131
Foreign currency translation differences	(124)	151
Comprehensive income	578	1 282

Analysis of net result from financial services

	Life insurance		General Insurance		Reinsurance		Other non-insurance companies		Total	
R million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Morocco	(34)	79	458	712	–	–	16	43	440	834
Lebanon	(52)	(16)	128	107	–	–	–	–	76	91
Mauritius	–	–		–	188	284	–	–	188	284
Ivory Coast	70	13	79	88	–	–	2	3	151	104
Angola	2	19	(6)	(5)	–	–	–	–	(4)	14
Other	(61)	(76)	(66)	(107)	(39)	(51)	5	4	(161)	(230)
Net result from financial services	(75)	19	593	795	149	233	23	50	690	1 097
Analysis of gross written premium										
Morocco	1 481	1 420	6 708	6 000	–	–			8 189	7 420
Lebanon	736	680	791	871	–	–			1 527	1 551
Mauritius	–	–	–	–	1 108	1 061			1 108	1 061
Ivory Coast	585	547	1 251	1 220	–	–			1 836	1 767
Angola	35	42	968	1 415	–	–			1 003	1 457
Other	462	363	2 335	2 246	1 305	1 267			4 102	3 876
Consolidation	(23)	(30)	(145)	(164)	(1 028)	(963)			(1 196)	(1 157)
Gross written premium	3 276	3 022	11 908	11 588	1 385	1 365			16 569	15 975

Analysis of underwriting result

R million	Life insurance 2018	Life insurance 2017	General Insurance 2018	General Insurance 2017	Reinsurance 2018	Reinsurance 2017	Other non-insurance companies 2018	Other non-insurance companies 2017	Total 2018	Total 2017
Morocco	**(135)**	(191)	**440**	488	**–**	–			**305**	297
Lebanon	**(117)**	(78)	**58**	28	**–**	–			**(59)**	(50)
Mauritius	**–**	–	**–**	–	**311**	289			**311**	289
Ivory Coast	**(111)**	(72)	**77**	100	**–**	–			**(34)**	28
Angola	**1**	18	**(29)**	(40)	**–**	–			**(28)**	(22)
Other	**(86)**	(96)	**(59)**	(64)	**(54)**	(57)			**(199)**	(217)
Underwriting result	**(448)**	(419)	**487**	512	**257**	232			**296**	325

Statement of Financial position of Saham Finances at 31 December 2018

R million	2018
Assets	**61 484**
Equipment	**521**
Owner-occupied properties	**1 011**
Goodwill	**16 156**
Value of business acquired	**7 004**
Other intangible assets	**629**
Deferred acquisition costs	**130**
Investments	**19 610**
Deferred tax	**628**
General insurance technical assets	**2 088**
Working capital assets	**13 707**
Liabilities	**28 399**
Term finance	**417**
Deferred tax	**3 746**
General insurance technical provisions	**16 038**
Working capital liabilities	**8 198**
Net asset value	**33 085**
Non-controlling interest	**4 924**
Shareholders' fund	**28 161**

Assets under management

R million	2018	2017
Life insurance operations	**61 953**	48 769
Investment operations	**73 949**	63 908
Namibia	**23 136**	23 190
Botswana	**13 180**	11 535
Rest of Africa	**37 633**	29 183
Assets under management	**135 902**	112 677

Size of loan book (Sanlam share)

R million	2018	2017
Shriram Transport Finance Company	**21 158**	16 194
Shriram City Union Finance	**5 426**	4 253
Capricorn Investment Holdings	**8 726**	7 912
Letshego	**2 063**	1 651

7. Cluster information (continued)

7.3 Sanlam Investment Group

Analysis of net result from financial services

R million	Life insurance 2018	Life insurance 2017	Non-life operations 2018	Non-life operations 2017	Total 2018	Total 2017
Sanlam Investments SA	–	–	258	256	258	256
Sanlam Specialised Finance	208	138	156	342	364	480
Wealth Management	–	–	125	140	125	140
International	99	85	306	266	405	351
Net result from financial services	307	223	845	1 004	1 152	1 227

Analysis of change in GEV – covered business

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Net asset value 2018	Net asset value 2017
Operational earnings	154	239	(60)	(21)	(82)	39	296	221
Value of new life insurance business	–	–	53	55	(7)	(7)	(46)	(48)
Unwinding of discount rate	86	89	52	47	34	42	–	–
Expected profit	–	–	(124)	(119)	–	–	124	119
Operating experience variances	141	136	(6)	(8)	(24)	3	171	141
Risk experience	6	6	(1)	–	–	–	7	6
Persistency	4	10	6	10	(2)	–	–	–
Maintenance expenses	(6)	(5)	–	–	–	–	(6)	(5)
Credit spread	201	138	–	–	–	–	201	138
Other	(64)	(13)	(11)	(18)	(22)	3	(31)	2
Operating assumption changes	(73)	14	(35)	4	(85)	1	47	9
Risk experience	46	23	(12)	(2)	2	1	56	24
Persistency	5	–	11	–	(6)	–	–	–
Maintenance expenses	(44)	(21)	(35)	(15)	–	–	(9)	(6)
Modelling changes and other	(80)	12	1	21	(81)	–	–	(9)
Net investment return	128	176	–	–	–	–	128	176
Expected return on adjusted net asset value	146	157	–	–	–	–	146	157
Investment variances on adjusted net asset value	(18)	19	–	–	–	–	(18)	19
Valuation and economic basis	23	(12)	13	21	(1)	(35)	11	2
Investment variances on in-force business	(70)	(8)	(69)	23	(1)	(31)	–	–
Economic assumption changes	34	4	9	7	14	(5)	11	2
Investment yields	34	4	9	7	14	(5)	11	2
Foreign currency translation differences	59	(8)	73	(9)	(14)	1	–	–
GEV earnings: covered business	305	403	(47)	–	(83)	4	435	399
Transfers from/(to) other covered business Group operations	42	1 559	–	–	–	(551)	42	2 110
Transfers from covered business	(318)	(331)	–	–	–	–	(318)	(331)
Embedded value of covered business at the beginning of the year	2 768	1 137	828	828	(704)	(157)	2 644	466
Embedded value of covered business at the end of the year	2 797	2 768	781	828	(787)	(704)	2 803	2 644

Assets under management

	Assets under management 2018 R million	Assets under management 2017 R million	Fee Income[4] 2018 %	Fee Income[4] 2017 %	Administration cost[4] 2018 %	Administration cost[4] 2017 %
Investment Management SA[1]	**595 616**	585 775	**0,30**	0,29	**0,22**	0,21
Wealth Management[2], [3]	**72 885**	72 060	**1,11**	1,20	**0,88**	0,94
International[2], [3]	**128 950**	113 369	**1,50**	1,16	**1,15**	0,87
Intra-cluster eliminations	**(38 646)**	(38 374)				
Asset management operations	**758 805**	732 830				
Covered business	**81 631**	76 224				
Sanlam UK	**47 283**	45 470				
Central Credit Manager	**34 348**	30 754				
Assets under management	**840 436**	809 054				
Non-annuity assets	**77 453**	98 446				
Wealth Management	**65 417**	85 781				
International	**12 036**	12 665				
Assets under management and administration	**917 889**	907 500				

Asset mix of assets under management

R million	Fixed Interest	Equities	Offshore	Properties	Cash	Total
2018						
Investment Management SA	**109 268**	**281 819**	**77 826**	**25 350**	**101 353**	**595 616**
Wealth Management	**–**	**41 604**	**27 288**	**–**	**3 993**	**72 885**
International	**–**	**–**	**128 950**	**–**	**–**	**128 950**
Intra-cluster consolidation						**(38 646)**
Assets under management – Asset management	**109 268**	**323 423**	**234 064**	**25 350**	**105 346**	**758 805**
2017						
Investment Management SA	108 966	291 056	67 211	23 301	95 241	585 775
Wealth Management	–	45 864	24 264	–	1 932	72 060
International	–	–	113 369	–	–	113 369
Intra-cluster consolidation						(38 374)
Assets under management – Asset management	108 966	336 920	204 844	23 301	97 173	732 830

(1) *Includes Sanlam assets of R194,4bn (2017: R201,2bn)*
(2) *Comparative information has been adjusted for the reallocation of businesses between Wealth Management and International sub-clusters.*
(3) *Non-annuity assets and business flows have been reclassified from Assets under Management to Assets under Administration in line with industry practice.*
(4) *Comparative information has been adjusted as certain asset management and distribution fees, together with items previously reported as intra-cluster eliminations, have been eliminated in the relevant sub-cluster.*

7. Cluster information (continued)

7.4 Santam

R million	2018	2017
Business volumes		
Gross written premiums	**33 109**	29 720
Net earned premiums	**22 812**	21 435
Net fund flows	**8 986**	7 265

Insurance activities

R million	Gross written premiums 2018	Gross written premiums 2017	Underwriting result 2018	Underwriting result 2017
Conventional insurance				
Motor	**12 801**	12 125	**1 176**	860
Property	**10 031**	9 000	**519**	(165)
Engineering	**1 335**	1 290	**296**	296
Liability	**1 250**	1 227	**(20)**	85
Transportation	**721**	714	**29**	28
Accident and health	**535**	435	**82**	60
Guarantee	**301**	227	**(69)**	(18)
Other	**737**	835	**53**	115
Alternative risk	**5 398**	3 867	**31**	20
Total	**33 109**	29 720	**2 097**	1 281

	2018	2017
Admin cost ratio[(1)]	**18,6%**	16,6%
Claims ratio[(1)]	**60,6%**	66,1%
Underwriting margin[(1)]	**9,2%**	6,0%
Investment return on insurance funds	**2,6%**	3,0%

[(1)] *Ratios are calculated as a percentage of net earned premiums.*

R million	Total 2018	Total 2017	Conventional insurance 2018	Conventional insurance 2017	Alternative risk 2018	Alternative risk 2017
Earnings						
Underwriting result	**2 097**	1 281	**2 065**	1 261	**32**	20
Net earned premiums	**22 812**	21 435	**22 370**	20 894	**442**	541
Net claims incurred	**(13 826)**	(14 170)	**(13 499)**	(13 753)	**(327)**	(417)
Net commission	**(2 636)**	(2 424)	**(2 764)**	(2 526)	**128**	102
Management expenses (excluding BEE costs)	**(4 253)**	(3 560)	**(4 042)**	(3 354)	**(211)**	(206)
Investment return on insurance funds	**597**	648	**532**	584	**65**	64
Net insurance result	**2 694**	1 929	**2 597**	1 845	**97**	84
Strategic participations	**284**	244				
Saham Finances	**157**	118				
SEM target shares	**127**	126				
Gross result from financial services	**2 978**	2 173				
Tax and Non-controlling interest	**(1 782)**	(1 322)				
Net result from financial services	**1 196**	851				

7.5 Sanlam Corporate

Business volumes

Sanlam Employee Benefits

R million	Total 2018	Total 2017	Life operations 2018	Life operations 2017	Investment business 2018	Investment business 2017
New business volumes	**13 326**	4 828	**10 074**	4 828	**3 252**	–
Recurring premiums	**888**	570	**888**	570	**–**	–
Guaranteed	**520**	234	**520**	234	**–**	–
Risk	**368**	336	**368**	336	**–**	–
Single premiums	**12 438**	4 258	**9 186**	4 258	**3 252**	–
Guaranteed	**3 559**	677	**3 559**	677	**–**	–
Risk	**11**	8	**11**	8	**–**	–
Retirement	**2 578**	1 272	**2 578**	1 272	**–**	–
Annuity	**219**	1 425	**219**	1 425	**–**	–
Special structures	**2 819**	876	**2 819**	876	**–**	–
Other	**3 252**	–	**–**	–	**3 252**	–

Analysis of earnings

R million	Life operations 2018	Life operations 2017	Non-life operations 2018	Non-life operations 2017	Total 2018	Total 2017
Net result from financial services	**467**	443	**113**	115	**580**	558
Sanlam Employee Benefits	**428**	443	**–**	–	**428**	443
ACA Employee Benefits	**39**	–	**–**	–	**39**	–
Healthcare and other	**–**	–	**113**	115	**113**	115
Net investment return	**70**	302	**(5)**	(7)	**65**	295
Net investment income	**81**	110	**–**	–	**81**	110
Net investment surpluses	**(11)**	192	**–**	–	**(11)**	192
Net equity-accounted headline earnings	**–**	–	**(5)**	(7)	**(5)**	(7)
Net other earnings	**(15)**	–	**7**	(8)	**(8)**	(8)
Normalised attributable earnings	**522**	745	**115**	100	**637**	845

7. Cluster information (continued)

7.5 Sanlam Corporate

Analysis of change in GEV – covered business

R million	Total 2018	Total 2017	Value of in-force 2018	Value of in-force 2017	Cost of capital 2018	Cost of capital 2017	Net asset value 2018	Net asset value 2017
Operational earnings	**843**	572	**227**	189	**184**	11	**432**	372
Value of new life insurance business	**143**	87	**285**	279	**(55)**	(61)	**(87)**	(131)
Unwinding of discount rate	**420**	376	**393**	336	**27**	40	**–**	–
Expected profit	**–**	–	**(485)**	(328)	**–**	–	**485**	328
Operating experience variances	**268**	290	**(9)**	51	**106**	32	**171**	207
Risk experience	**(96)**	(43)	**(18)**	(97)	**1**	–	**(79)**	54
Persistency	**89**	160	**83**	147	**7**	(2)	**(1)**	15
Maintenance expenses	**(5)**	(3)	**–**	–	**–**	–	**(5)**	(3)
Working capital management	**67**	58	**–**	–	**–**	–	**67**	58
Credit spread	**84**	72	**–**	–	**–**	–	**84**	72
Other	**129**	46	**(74)**	1	**98**	34	**105**	11
Operating assumption changes	**12**	(181)	**43**	(149)	**106**	–	**(137)**	(32)
Risk experience	**(181)**	–	**(85)**	–	**(4)**	–	**(92)**	–
Maintenance expenses	**(20)**	10	**54**	10	**(2)**	–	**(72)**	–
Modelling changes and other	**213**	(191)	**74**	(159)	**112**	–	**27**	(32)
Net investment return	**69**	302	**–**	–	**–**	–	**69**	302
Expected return on adjusted net asset value	**181**	245	**–**	–	**–**	–	**181**	245
Investment variances on adjusted net asset value	**(112)**	57	**–**	–	**–**	–	**(112)**	57
Valuation and economic basis	**(73)**	196	**(157)**	19	**49**	107	**35**	70
Investment variances on in-force business	**(26)**	246	**(86)**	94	**25**	82	**35**	70
Economic assumption changes	**(47)**	(50)	**(71)**	(75)	**24**	25	**–**	–
Investment yields	**(46)**	(50)	**(69)**	(75)	**23**	25	**–**	–
Long-term asset mix assumptions and other	**(1)**	–	**(2)**	–	**1**	–	**–**	–
GEV earnings: covered business	**839**	1 070	**70**	208	**233**	118	**536**	744
Acquired value of in-force	**288**	–	**241**	–	**–**	–	**47**	–
Transfers from/(to) other covered business Group operations	**(219)**	(401)	**–**	–	**–**	37	**(219)**	(438)
Transfers from covered business	**(1 114)**	(909)	**–**	–	**–**	–	**(1 114)**	(909)
Embedded value of covered business at the beginning of the year	**5 283**	5 523	**3 065**	2 857	**(899)**	(1 054)	**3 117**	3 720
Embedded value of covered business at the end of the year	**5 077**	5 283	**3 376**	3 065	**(666)**	(899)	**2 367**	3 117

8. Investments

8.1 Investment in associated companies

R million	2018	2017
Shriram Capital	7 132	6 056
Shriram Transport Finance Company – direct investment	1 422	1 245
Shriram General Insurance – direct investment	1 008	901
Shriram Life Insurance – direct investment	495	450
Saham Finances	–	9 544
Pacific & Orient	651	593
Capricorn Investment Holdings	1 123	1 159
Letshego	1 494	1 704
Afrocentric	931	868
Other associated companies	2 065	2 140
Total investment in associated companies	**16 321**	24 660

Details of the investments in the material associated companies are reflected in note 7.2.3 on page 77 of the Sanlam Group Annual Financial Statements online.

8.2 Investment in joint ventures

Sanlam Personal Loans	819	802
Other joint ventures	64	134
Total investment in joint ventures	**883**	936

Details of the investments in material joint ventures are reflected in note 7.2.4 on page 82 of the Sanlam Group Annual Financial Statements online.

8.3 Investments include the following offshore investments

Investment properties	7 121	844
Equities	4 875	385
Structured transactions	–	189
Interest-bearing investments	5 575	2 725
Investment funds	8 821	1 972
Cash, deposits and similar securities	2 959	2 957
Total offshore investments	**29 351**	9 072

9. Financial services income

Equity-accounted earnings included in financial services income

Sanlam Personal Finance	280	254
Sanlam Emerging Markets	2 784	2 692
Santam	284	244
Sanlam Investment Group	56	66
Sanlam Corporate	160	151
	3 564	3 407

10. Sales remuneration

R million	2018	2017
Life operations	**4 631**	4 544
Non-life operations	**3 381**	2 606
	8 012	7 150

11. Administration costs

	2018	2017
Life operations	**7 976**	6 572
Non-life operations	**11 144**	8 921
	19 120	15 493
Depreciation included in administration costs:		
Sanlam Personal Finance	**132**	125
Sanlam Emerging Markets	**86**	59
Santam	**103**	86
Sanlam Investment Group	**35**	25
Sanlam Corporate	**1**	1
	357	296

12. Investment income

	2018	2017
Equities and similar securities	**327**	782
Interest-bearing, preference shares and similar securities	**682**	353
Properties	**14**	63
Rental income	**23**	73
Rental-related expenses	**(9)**	(10)
Total investment income	**1 023**	1 198
Interest expense netted off against investment income	**949**	780

13. Normalised diluted earnings per share

Cents	2018	2017
Normalised diluted earnings per share:		
Net result from financial services	**423,6**	417,2
Headline earnings	**431,5**	480,0
Profit attributable to shareholders' fund	**548,9**	536,9
Analysis of normalised earnings (refer shareholders' fund income statement on page 200):		
Net result from financial services	**8 890**	8 549
Headline earnings	**9 056**	9 835
Profit attributable to shareholders' fund	**11 521**	11 001
Reconciliation of normalised headline earnings:		
Headline earnings per note 22 on page 112 of the Sanlam Annual Financial Statements online	**9 162**	9 757
(Less)/Add: Fund transfers	**(106)**	78
Normalised headline earnings	**9 056**	9 835

	Million	Million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 22 on page 112 of the Sanlam Annual Financial Statements online)	**2 077,3**	2 027,3
Add: Weighted average Sanlam shares held by policyholders	**21,5**	21,8
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 098,8**	2 049,1

14. Value per share

Net asset value per share is calculated on the Group shareholders' fund at net asset value of **R70 375 million** (2017: R57 820 million), divided by 2 115,3 million (2017: 2 049,9 million) shares.

Equity value per share is calculated based on the Group Equity Value of **R134 052 million** (2017: R121 763 million), divided by 2 115,4 million (2017: 2 049,9 million) shares.

	2018	2017
Number of shares for value per share		
Number of ordinary shares in issue	**2 232,0**	2 166,5
Shares held by subsidiaries in shareholders' fund	**(137,7)**	(137,4)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	**21,0**	20,8
Adjusted number of shares for value per share	**2 115,3**	2 049,9

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,9 (2017: 8,7) to the after tax recurring corporate expenses.

16. Shares issued

During 2018, Sanlam Limited issued 65 517 241 shares at a price of R87 per share. The shares issued represent approximately 3,0% of the Company's issued ordinary share capital of 2 166 471 806 prior to the issuance.

17. Share repurchases

Sanlam shareholders granted general authorities to the Group at the 2018 and 2017 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in 2018.

18. Reconciliations

18.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

	2018			
R million	**Total**	**Shareholder activities**	**Policyholder activities[1]**	**IFRS adjust-ments[2]**
Net income	**77 721**	**70 854**	**5 081**	**1 786**
Financial services income	73 619	66 529	–	7 090
Reinsurance premiums paid	(11 262)	–	–	(11 262)
Reinsurance commission received	2 166	–	–	2 166
Investment income	31 208	1 023	21 369	8 816
Investment surpluses	(16 447)	3 302	(16 288)	(3 461)
Finance cost – margin business	(164)	–	–	(164)
Change in fair value of external investors liability	(1 399)	–	–	(1 399)
Net insurance and investment contract benefits and claims	**(29 524)**	**(24 853)**	**(4 677)**	**6**
Long-term insurance contract benefits	(18 566)	(11 026)	(7 676)	136
Long-term investment contract benefits	2 999	–	2 999	–
General insurance claims	(20 662)	(13 827)	–	(6 835)
Reinsurance claims received	6 705	–	–	6 705
Expenses	**(31 701)**	**(27 273)**	**–**	**(4 428)**
Sales remuneration	(10 139)	(8 012)	–	(2 127)
Administration costs	(21 562)	(19 261)	–	(2 301)
Impairments	**(449)**	**(305)**	**–**	**(144)**
Amortisation of intangibles	**(659)**	**(400)**	**–**	**(259)**
Net operating result	**15 388**	**18 023**	**404**	**(3 039)**
Equity-accounted earnings	2 424	15	–	2 409
Finance cost – other	(846)	–	–	(846)
Profit before tax	**16 966**	**18 038**	**404**	**(1 476)**
Tax expense	(4 164)	(4 660)	(404)	900
Shareholders' fund	(3 510)	(4 660)	–	1 150
Policyholders' fund	(654)	–	(404)	(250)
Profit from continuing operations	**12 802**	**13 378**	**–**	**(576)**
Discontinued operations	**–**	**–**	**–**	**–**
Profit for the year	**12 802**	**13 378**	**–**	**(576)**
Attributable to:				
Shareholders' fund	11 627	11 521	–	106
Non-controlling interest	1 175	1 857	–	(682)
	12 802	13 378	–	(576)

[1] *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.*

[2] *IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

2017			
Total	**Shareholder activities**	**Policyholder activities**(1)	**IFRS adjust-ments**(2)
113 976	62 586	51 117	273
63 930	58 700	–	5 230
(9 546)	–	–	(9 546)
1 685	–	–	1 685
30 288	1 198	21 487	7 603
33 423	2 688	29 630	1 105
(134)	–	–	(134)
(5 670)	–	–	(5 670)
(72 576)	(22 499)	(50 090)	13
(26 863)	(8 329)	(17 502)	(1 032)
(32 588)	–	(32 588)	–
(21 036)	(14 170)	–	(6 866)
7 911	–	–	7 911
(26 279)	(22 759)	–	(3 520)
(8 832)	(7 150)	–	(1 682)
(17 447)	(15 609)	–	(1 838)
(395)	(303)	–	(92)
(350)	(261)	–	(89)
14 376	16 764	1 027	(3 415)
2 646	79	–	2 567
(690)	–	–	(690)
16 332	16 843	1 027	(1 538)
(4 342)	(4 254)	(1 027)	939
(3 087)	(4 254)	–	1 167
(1 255)	–	(1 027)	(228)
11 990	12 589	–	(599)
–	–	–	–
11 990	12 589	–	(599)
10 923	11 001	–	(78)
1 067	1 588	–	(521)
11 990	12 589	–	(599)

18. Reconciliations (continued)

18.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

	31 December 2018			
R million	**Total**	**Shareholder activities**	**Policyholder activities[1]**	**Consoli-dation reserve**
Assets				
Equipment	1 587	1 480	107	–
Owner-occupied properties	2 010	1 862	148	–
Goodwill	19 985	19 985	–	–
Other intangible assets	1 082	1 082	–	–
Value of business acquired	9 985	9 542	443	–
Deferred acquisition costs	3 446	2 816	630	–
Long-term reinsurance assets	1 971	–	1 971	–
Investments	690 744	74 647	617 976	(1 879)
Properties	21 349	7 122	14 227	–
Associated companies	16 321	16 321	–	–
Joint ventures	2 040	883	1 157	–
Equities and similar securities	184 787	5 188	181 478	(1 879)
Interest-bearing investments	211 770	18 831	192 939	–
Structured transactions	21 341	1 138	20 203	–
Investment funds	190 005	20 844	169 161	–
Cash, deposits and similar securities	43 131	4 320	38 811	–
Deferred tax	2 249	1 239	–	1 010
Assets of disposal groups classified as held for sale	139	138	1	–
General insurance technical assets	9 540	9 540	–	–
Working capital assets	72 863	55 497	17 366	–
Trade and other receivables	44 712	32 450	12 262	–
Cash, deposits and similar securities	28 151	23 047	5 104	–
Total assets	815 601	177 828	638 642	(869)
Equity and liabilities				
Shareholders' fund	69 506	70 375	–	(869)
Non-controlling interest	12 111	11 599	512	–
Long-term policy liabilities	543 785	–	543 785	–
Insurance contracts	188 448	–	188 448	–
Investment contracts	355 337	–	355 337	–
Term finance	7 413	7 300	113	–
External investors in consolidated funds	66 146	–	66 146	–
Cell owners' interest	3 305	3 305	–	–
Deferred tax	5 460	5 020	440	–
Structured transactions liabilities	15 629	24	15 605	
General insurance technical provisions	37 950	37 950	–	–
Working capital liabilities	54 296	42 255	12 041	–
Trade and other payables	50 761	39 287	11 474	–
Provisions	450	426	24	–
Taxation	3 085	2 542	543	–
Total equity and liabilities	815 601	177 828	638 642	(869)

(1) *Includes the impact of IFRS adjustments.*

31 December 2017			
Total	Shareholder activities	Policyholder activities[1]	Consoli-dation reserve
876	822	54	–
963	826	137	–
4 158	4 158	–	–
517	491	26	–
1 930	1 930	–	–
3 659	3 025	634	–
1 063	–	1 063	–
656 020	66 553	591 067	(1 600)
11 505	853	10 652	–
24 660	24 660	–	–
1 816	936	880	–
201 095	4 040	198 655	(1 600)
185 363	16 150	169 213	–
15 381	926	14 455	–
177 235	14 253	162 982	–
38 965	4 735	34 230	–
2 083	883	–	1 200
321	–	321	–
6 400	6 400	–	–
55 593	42 614	12 979	–
33 633	21 801	11 832	–
21 960	20 813	1 147	–
733 583	127 702	606 281	(400)
57 420	57 820	–	(400)
6 017	5 931	86	–
524 441	–	524 441	–
178 868	–	178 868	–
345 573	–	345 573	–
6 426	6 268	158	–
62 329	–	62 329	–
3 217	3 217	–	–
2 435	1 430	1 005	–
4 187	1 156	3 031	
18 668	18 668	–	–
48 443	33 212	15 231	–
46 507	31 601	14 906	–
333	314	19	–
1 603	1 297	306	–
733 583	127 702	606 281	(400)

19. Geographical analysis

R million	Per shareholders' fund income statement on page 200	IFRS adjustments (refer note 18.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2018	**66 529**	**7 090**	**73 619**
South Africa	**51 420**	**8 481**	**59 901**
Rest of Africa	**10 418**	**(505)**	**9 913**
Other international[(1)]	**4 691**	**(886)**	**3 805**
2017	58 700	5 230	63 930
South Africa	47 963	7 008	54 971
Rest of Africa	6 872	(900)	5 972
Other international[(1)]	3 865	(878)	2 987

R million	Per analysis of shareholders' fund on page 198	Policyholders' fund	Total
Non-current assets[(2)]			
2018	**36 905**	**1 329**	**38 234**
South Africa	**26 741**	**448**	**27 189**
Rest of Africa	**7 228**	**242**	**7 470**
Other international[(1)]	**2 936**	**639**	**3 575**
2017	11 253	1 171	12 424
South Africa	8 893	447	9 340
Rest of Africa	729	241	970
Other international[(1)]	1 631	483	2 114

R million	2018	2017
Attributable earnings (per shareholders' fund income statement on page 200)	**11 627**	10 923
South Africa	**8 319**	6 917
Rest of Africa	**2 158**	2 717
Other international[(1)]	**1 150**	1 289

(1) *Other international comprises of business in Europe, United Kingdom, Australia, India and Malaysia.*
(2) *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.*

FIVE-YEAR REVIEW

		2018	2017	2016	2015	2014	Average annual growth rate %
GROUP EQUITY VALUE							
Group Equity Value	R million	**134 052**	121 763	110 717	103 506	95 936	9%
Group Equity Value	cps	**6 341**	5 940	5 407	5 057	4 684	8%(1)
Return on Group Equity Value per share	%	**11,6**	14,8	11,8	12,8	18,5	
BUSINESS VOLUMES							
New business volumes	R million	**223 029**	221 172	225 339	205 391	178 292	6%
Life business		**53 815**	44 615	43 599	39 976	42 290	6%
Investment business		**136 529**	149 000	157 901	145 219	117 378	4%
General insurance		**32 685**	27 557	23 839	20 196	18 624	15%
Recurring premiums on existing business	R million	**34 527**	31 571	29 239	27 348	25 079	8%
Total inflows	R million	**257 556**	252 743	254 578	232 739	203 371	
Net fund flows	R million	**41 539**	37 143	42 535	21 753	47 528	-3%
SIM funds under management	R billion	**758**	733	711	711	684	–
New covered business							
Value of new covered business	R million	**2 187**	2 008	1 779	1 514	1 743	6%
Covered business PVNBP	R million	**78 085**	65 377	62 383	54 362	56 394	8%
New covered business margin	%	**2,80**	3,07	2,85	2,79	3,09	
EARNINGS							
Gross result from financial services	R million	**14 544**	13 558	12 678	11 595	10 774	8%
Net result from financial services	R million	**8 890**	8 549	7 969	7 269	6 879	7%
Normalised headline earnings	R million	**9 056**	9 835	8 360	8 851	8 340	2%
Headline earnings	R million	**9 162**	9 757	9 860	9 300	8 325	2%
Net result from financial services	cps	**423,6**	417,2	389,4	355,2	336,2	6%
Normalised headline earnings	cps	**431,5**	480,0	408,5	432,5	407,6	1%
Diluted headline earnings	cps	**441,1**	481,3	488,1	437,0	427,3	1%
Group operating margin	%	**24,9**	26,3	26,6	26,7	26,6	-2%
OTHER							
Sanlam share price	cps	**7 980**	8 700	6 290	6 054	7 000	3%
Normal dividend	cps	**312**	290	268	245	225	9%
Sanlam Life Insurance Limited							
Shareholders' fund	R million	**108 177**	93 376	83 866	77 970	68 156	12%
Capital adequacy requirements (CAR)	R million		8 375	8 150	8 250	8 325	
SAM cover ratio	%	**221**	233				
CAR covered by prudential capital(4)	times		5,8	5,8	5,8	4,5	

		2018	2017	2016	2015	2014	Average annual growth rate %
Foreign exchange rates							
Closing rate							
Euro		**16,44**	14,87	14,43	16,83	14,01	4%
British Pound		**18,32**	16,75	16,92	22,83	18,05	–
United States Dollar		**14,39**	12,38	13,68	15,48	11,57	6%
Moroccan Dirham		**1,51**	1,33	1,36	n/a	n/a	5%
Indian Rupee		**0,21**	0,19	0,20	0,24	0,18	4%
Average rate							
Euro		**15,57**	14,50	16,22	14,08	14,38	2%
British Pound		**17,60**	16,61	19,69	19,39	17,85	–
United States Dollar		**13,17**	13,09	14,65	12,69	10,84	5%
Moroccan Dirham		**1,42**	1,39	1,49	n/a	n/a	-2%
Indian Rupee		**0,19**	0,20	0,22	0,20	0,18	1%
NON-FINANCIAL(2)(3)							
BEE credentials	level	**1**	2	2	2	2	
Corporate Social Investment spend	R million	**62**	93	68	74	67	
Office staff turnover	%	**17,25**	14,10	13,90	12,38	11,68	
Carbon footprint	Tonnes CO_2/full time employee	**9,0**	8,3	8,6	9,5	9,7	

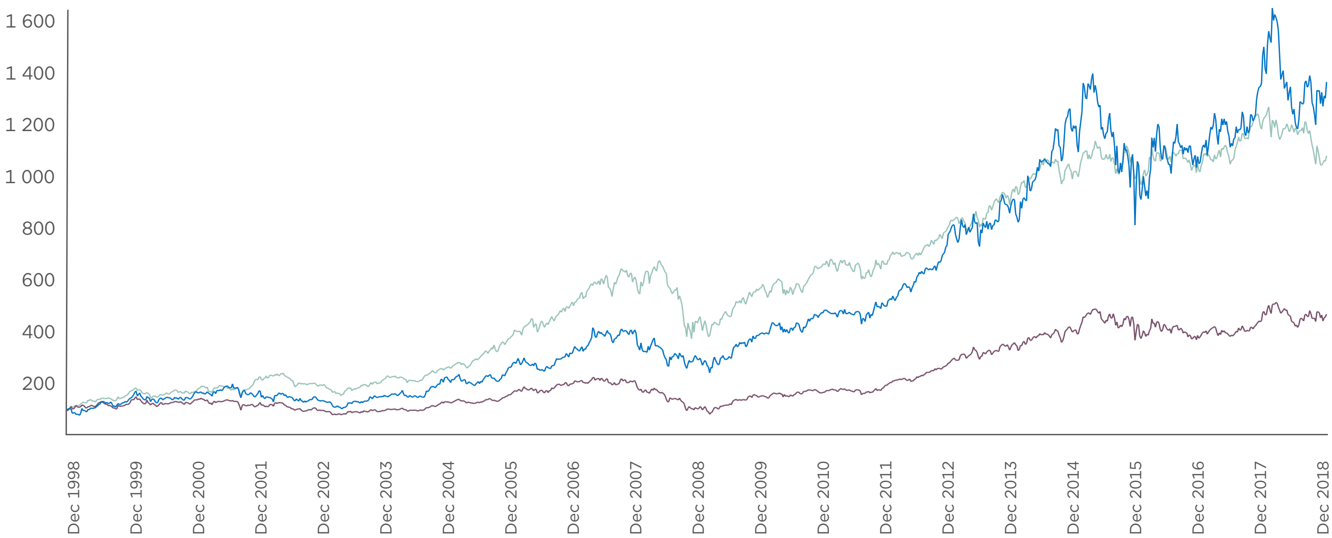
(1) *Excludes dividends paid.*
(2) *Comparative information presented with effect from year when measure was reported for the first time.*
(3) *South Africa only*
(4) *SCR is used for 2017 and 2018*

STOCK EXCHANGE PERFORMANCE

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of shares traded	million	**1 458**	1 340	1 437	1 363	1 086	1 247	1 160	1 082	1 059	1 259
Value of shares traded	R million	**115 756**	93 485	89 130	90 444	65 974	58 841	41 074	29 578	25 986	23 714
Percentage of issued shares traded	%	**65**	62	66	63	50	59	55	52	50	58
Price/earnings ratio	times	**17,2**	18,1	15,4	14,0	17,2	13,5	15,3	11,6	11,1	10,4
Return on Sanlam share price since listing[(1)]	%	**20**	20	18	19	21	20	20	17	17	17
Market price	cps										
– Year-end closing price		**7 980**	8 700	6 290	6 054	7 000	5 324	4 477	2 885	2 792	2 275
– Highest closing price		**9 849**	9 474	7 149	8 217	7 344	5 518	4 550	3 016	2 829	2 305
– Lowest closing price		**6 540**	6 100	5 116	4 405	4 495	4 051	2 831	2 414	2 200	1 351
Market capitalisation at year-end	R million	**178 113**	188 483	136 271	131 158	151 653	111 804	94 017	60 585	58 632	49 140

(1) *Annualised growth in the Sanlam share price since listing plus dividends paid.*

Sanlam vs ALSI vs Life Assurance Index



Legend

- SLM
- ALSI
- Life

Sanlam share price relative to FINI (indexed)

Legend

- FINI indexed

ANALYSIS OF SHAREHOLDERS

on 31 December 2018

Distribution of shareholding	Total Shareholders Number	%	Total Shares held Number	%
1 – 1 000	386 762	87,2	143 548 934	6,43
1 001 – 5 000	49 777	11,22	97 171 510	4,35
5 001 – 10 000	4 063	0,92	27 931 175	1,25
10 001 – 50 000	1 986	0,45	37 869 777	1,70
50 001 – 100 000	280	0,06	19 922 879	0,89
100 001 – 1 000 000	528	0,12	161 837 922	7,25
1 000 001 and over	154	0,03	1 743 706 850	78,12
Total	**443 550**	**100**	**2 231 989 047**	**100,00**

Public and non-public shareholders	% Shareholding
Public shareholders (417 114)	66,73
Non-public shareholders	
Directors' interest	0,27
Held by subsidiaries	7,46
Employee pension funds	0,03
Sanlam Limited Share Incentive Trust	0,96
Government Employees Pension Fund (PIC)	11,45
Ubuntu-Botho Investments (Pty) Ltd	13,10
Total	100,00

Shareholder structure	% Shareholding
Institutional and other shareholding	
Offshore	40,36
South Africa	45,34
Individuals	14,30
Total	100,00

Beneficial shareholding of 5% or more:	
Government Employees Pension Fund (PIC)	11,45%
Ubuntu-Botho Investments (Pty) Ltd	13,10%

About our report

ABOUT OUR REPORT

The 2018 Sanlam Integrated Report (the report) forms part of our Annual Reporting Suite – a combination of targeted elements made available to our stakeholders to enable them to make informed assessments about our performance and prospects.

The purpose of this report	This Integrated Report aims to provide readers with material information and insights about performance for the financial year from 1 January to 31 December 2018. In terms of external factors, risks and opportunities, we take a longer-term view to enable readers to effectively assess value creation abilities, sustainability and prospects. Although this Integrated Report is primarily aimed at our shareholders, we take a systemic and strategic reporting approach. This is part of our commitment to transparent and relevant stakeholder reporting, and is enhanced through personal interaction and feedback.
The availability of this report	We are transitioning to fully integrated online reporting. We launched a new investor centre on the Sanlam website that contains our Annual Reporting Suite, supplemented by additional information on sustainability, governance, shareholding and archived elements. This allows us to update some components of our reporting suite continuously and gives readers the ability to search for specific topics. Please visit **www.sanlam.com/investorrelations**.
What to note when comparing this report with previous years	The new ordinary shares issued in April 2018 in anticipation of the Saham Finances acquisition resulted in a 1,6% increase in the weighted average number of shares in issue, with a similar dilution in earnings per share. The dilution will decrease once the increased participation in Saham Finances' earnings is consolidated from the effective date of Sanlam's acquisition of the remaining 54% stake in Saham Finances. The content of this report is comparable to the 2017 report in terms of the entities covered, the measurement methods applied, and timeframes used for financial and non-financial data.
Material matters and new focus areas	We continue building on the last few years' efforts to integrate and improve our financial and non-financial reporting. In 2017 we explained the process we followed to identify financial resilience and prosperity as the theme encapsulating material sustainability matters. We continue applying this theme, with further refinement after a consultative process with the five clusters during 2018. These matters are specifically addressed in the cluster reports and in the online sustainability section of our investor relations site. In 2018 we focused on our business model to describe what we offer to which clients where, and how we reach them. We are more specific about the inputs we require – key relationships and capabilities rather than six capitals – and we quantify the outcomes to illustrate value creation. We recognise that Sanlam's scale and federal operating model presents a challenge when developing one simplified business model. Therefore, we continue to address detail aspects of our business model in different narrative sections of the report.
How we compiled the report	This report (within the context of the Annual Reporting Suite) adheres to the following regulatory requirements and reporting guidelines: • The International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework (<IR> Framework) • King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) • JSE Listings Requirements (JSE LR) • The Companies Act, 71 of 2008, as amended (the Companies Act) • IFRS

The reliability of information	We follow a combined assurance approach to support the integrity of information. This approach comprises internal management and audit functions, and external service providers. The financial data was subject to independent assurance by EY. EY provided an audit opinion on the Shareholders' information and on the Annual Financial Statements. The opinion states that these elements of the Annual Reporting Suite comply in all material respects with the basis of accounting described in each.
How to give us feedback	Feedback on this report and the Annual Reporting Suite is welcomed. Please contact Sanlam Investor Relations on **IR@sanlam.co.za**.

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THE SCOPE AND BOUNDARY OF THIS REPORT

Sanlam Limited (Sanlam) is the holding company of the Sanlam group of companies, which operates through several subsidiaries, associated companies and joint ventures. Sanlam Life Insurance Limited (Sanlam Life) is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets. Sanlam Limited and all of its subsidiaries, associated companies and joint ventures are referred to as Sanlam or the Group.

Sanlam Limited is listed on the Johannesburg Stock Exchange (JSE), with a secondary listing on the A2X and the Namibian Stock Exchange (NSX).

This report covers the activities of Sanlam in South Africa, the Rest of Africa, India, Malaysia and selected developed markets, with the emphasis on South African operations, which contribute 72% to net result from financial services.

All subsidiaries, joint ventures and associate companies recognised in the Annual Financial Statements are included, apart from investments in consolidated funds (collective investment schemes and similar investment funds). These are consolidated in terms of International Financial Reporting Standards (IFRS) by virtue of Sanlam's shareholding, but do not form part of the Group's strategic operations.

For some non-financial metrics, only the South African operations are included, based on their relative size. The metrics to which this limitation applies are indicated where relevant.

Santam is a separately listed entity. Therefore, its employee data is not included in Group numbers; however, it is included in Financial Sector Charter (FSC) Scorecard reporting and where Group-wide programmes are discussed.

FORWARD LOOKING INFORMATION

This report includes comprehensive forward looking information through the disclosure of Group Equity Value (GEV) information (refer to page 177 for a detailed description of GEV). Instead of only providing limited future growth and earnings information, GEV provides a valuation of future expected earnings from Sanlam's life and non-life operations. Detailed disclosure is provided in respect of the main valuation assumptions used, sensitivities to the main assumptions as well as an indication of the accuracy of assumptions used through the annual disclosure of variances between actual experience and the assumptions used in the calculation of GEV.

In this report, including the GEV disclosures, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to future prospects, developments and business strategies. These are forward looking statements as defined in the USA Private Securities Litigation Reform Act of 1995. Words such as 'believe', 'anticipate', 'intend', 'seek', 'will', 'plan', 'could', 'may', 'endeavour' and 'project' and similar expressions are intended to identify such forward looking statements, but are not the exclusive means of identifying such statements. Forward looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be different from those anticipated. Forward looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether due to new information, future events or otherwise. Any forward looking information contained in this report has not been reviewed and reported on by Sanlam's external auditor.

BOARD RESPONSIBILITY STATEMENT

The Board of directors acknowledges its responsibility to ensure the integrity of the Sanlam Integrated Report and evaluated its preparation and presentation. In the opinion of the Board, the Integrated Report was prepared according to the IIRC's <IR> Framework and addresses the material matters pertaining to the long-term sustainability of Sanlam, and presents fairly the integrated performance of the Group and the impacts thereof.

Johan van Zyl
Chair

Ian Kirk
Group Chief Executive

APPENDIX: GLOSSARY OF TERMS, DEFINITIONS AND MAJOR BUSINESSES

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility and other factors outside of management's control. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the relevant prudential standards. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net assets, plus the value of the in-force covered business less the cost of capital;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investment Group, Sanlam Employee Benefits and Sanlam Emerging Markets by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	VNB as a percentage of PVNBP;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;

Technical terms and definitions

"non-participating policy"	a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries and deferred tax assets raised in respect of assessed losses in policyholders' funds. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: • Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; • Impairment of investments, value of business acquired and goodwill; and • The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"PA"	the Prudential Authority, the regulator of insurance companies in South Africa;
"participating annuity"	a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"SCR"	the solvency capital requirement under SAM is a risk-based measure of capital required to maintain solvency subject to a confidence level of 99,5% over a one-year period (which is equivalent to a 1-in-200 year event);
"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;

Technical terms and definitions	
“surrender value”	the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
“value of in-force covered business” or “VIF”	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
“value of new business” or “VNB”	the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;

Major businesses and regions of the Group	
“Anglophone”	countries belonging to an English-speaking population especially in a country where two or more languages are spoken, e.g. Kenya and Zimbabwe;
“Channel Life”	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
“Francophone”	A population using French as its first or sometimes second language;
“Lusophone”	countries where Portuguese is the common language: Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, São-Tomé and Principe;
“Saham Finances”	Saham Finances refers to the Group’s 100% interest held by SAN JV, a wholly owned subsidiary of the Group (90% held by SEM and 10% held by Santam). Saham Finances operates predominantly across Africa with a presence in the Middle East;
“Sanlam Investments and Pensions”	Sanlam Life and Pensions Limited, a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
“Sanlam Life”	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
“Sanlam Limited”	the holding company listed on the JSE Limited, A2X and the Namibian Stock Exchange;
“Sanlam”, “Sanlam Group” or “the Group”	Sanlam Limited and its subsidiaries, associated companies and joint ventures;
“Sanlam Namibia”	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia.
“SDM Limited”	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
“SEM (Pty) Limited”	Sanlam Emerging Markets Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries and associated companies in Africa, India and South-East Asia.
“Shriram Capital”	Shriram Capital refers to the Group’s 36,85% holding in Shriram Financial Ventures (Chennai) Pvt Limited, an Indian based company that holds 70,56% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group’s direct holdings in Shriram Transport Finance Company, a listed business within the Shriram Capital group, Shriram General Insurance and Shriram Life Insurance.

SHAREHOLDERS' DIARY AND ADMIN

Shareholders' diary

Financial year-end	31 December 2018
Annual general meeting	5 June 2019

Reports

Interim report for 30 June 2019	September 2019
Announcement of the results for the year ended 31 December 2019	March 2020
Annual report for the year ended 31 December 2019	March 2020

Dividends

Dividend for 2018 declared	7 March 2019
Last date to trade for 2018 dividend	9 April 2019
Shares will trade ex-dividend from	10 April 2019
Record date for 2018 dividend	12 April 2019
Payment of dividend for 2018	15 April 2019
Declaration of dividend for 2019	March 2020
Payment of dividend for 2019	April 2020

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday 10 April 2019 and Friday 12 April 2019, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

Administration

Registered name
Sanlam Limited

(Registration number: 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
A2X share code: SLM
NSX share code: SLA

ISIN: ZAE000070660

Incorporated in South Africa

Group Company Secretary
Sana-Ullah Bray

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PO Box 1, Sanlamhof 7532, South Africa

Sponsor
The Standard Bank Group of South Africa Limited

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http://www.sanlam.com

Transfer secretaries
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