

# Empowering insights

For generations to come



## Ensuring a sustainable business



Ian Kirk, Group CEO of Sanlam

**Sanlam can look back proudly on a century of achievements. The challenge, however, is to plan and execute in a way that'll safeguard our continued success for the next 100 years.**

Sanlam's centenary is a once-in-a-lifetime milestone that provides us with an opportunity to celebrate our past achievements. 'However, we need to focus on what we can do to ensure we endure and thrive for the next 100 years,' says Group CEO Ian Kirk. The bar has been set high and it will continue to be raised, he says. 'That's the reality for Sanlam as it is for every successful company. It doesn't stop, nor should it.'

'We have the ball in our hands - now we have to run with it and each of us has to make this business fundamentally better than the one we've inherited. We need to keep doing what we do well and take the company further. Yesterday's game is over. We're now playing in tomorrow's game. It's a team game - and a challenging one. Many others are trying to emulate Sanlam's success, so we need to be on top of our game.'

The world has changed beyond recognition over the past century. The pace of development is increasing exponentially, creating opportunities, presenting challenges and opening up ways to improve future prospects for all. At Sanlam, the essence of our purpose hasn't changed: to build a world of Wealthsmiths™ that supports people in living their best possible lives through financial resilience and prosperity at the individual, organisational and societal levels.

Sanlam is now one of the emerging markets' largest internationally active insurance groups and a very important financial institution in South Africa. As one of the largest financial services groups in Africa, we're a key pillar of the continent's infrastructure - and our performance has a significant impact on the economies in which we operate.

'We take our role and contribution to a stable financial system seriously and are committed to supporting financial resilience, well-being, prosperity and inclusion,' Ian says. 'We achieve this in a sustainable manner by creating shared value for our stakeholders.'

The profile, impact and influence of our different stakeholder groups has transformed over the 10 decades in line with the changing world. These changes in turn require new responses to changing economic, social and political environments. Over time, stakeholders' needs and value perceptions have also changed, with Sanlam often in a position where our strategic decisions have to balance the interests of diverse stakeholder groups.

'However, we remain true to our purpose of contributing to financial resilience and prosperity in all the markets where we're present. We create financial prosperity through enhancing people's ability to maintain financial independence beyond their income-generating capability.'

### Strategic intent

Sanlam's strategy has remained largely unchanged since 2003, with some refinements applied during the board's review process this year. Our strategic intent of creating sustainable value for all key stakeholders remains firmly in place, underpinned by Sanlam's vision to:

- 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 and Malaysia
- Play a niche role in wealth and investment management in specific developed markets.

'Whereas our strategy was previously focused on five pillars, we've changed the emphasis so we now have four separate pillars, with transformation as a theme across all of them. We also make more explicit reference to client-centricity, resilience and innovation,' Ian says.

These amendments don't imply new focus areas, but embed current practice and sustainability more firmly in the strategy statement:

- Create profitable top-line growth through a culture of client-centricity
- Enhance resilience and earnings growth through diversification, including geographical presence, products, market segments and distribution platforms
- Extract value through innovation and improved operating and cost efficiencies
- Manage and allocate capital responsibly.

'The ability to continuously transform so we remain relevant in a changing world is a key enabler that underpins all aspects of our strategy,' Ian says. 'We define transformation broadly to include:

- Economic transformation to reduce wealth inequality

### Four strategic pillars



- Transforming our employees to reflect the demographic profile of our client base and societies in which we operate
- Transforming our distribution channels and regulatory developments and operations in line with technological and regulatory developments
- Most importantly, we need to transform everything we do in line with the changing needs and preferences of our clients.'

Sanlam's strategy isn't unique - however, it's our ability to consistently execute on this strategy in a sustainable manner that has proven to be a key differentiator. It's been a driver of success in the past and forms the foundation for Sanlam's sustainable performance over the long term. This is a testament to the quality of our people and our staff's alignment with the Group's purpose.

'We know what we need to do in the company and how to do it - and we have the people to do it. If we retain our focus and continue to adapt to the changing market conditions across all our operations, we'll remain successful,' Ian says.

**'Yesterday's game is over. We're now playing in tomorrow's game. It's a team game - and a challenging one. Many others are trying to emulate Sanlam's success, so we need to be on top of our game.'**

- Ian Kirk



# awards

that confirm our competence

The following accolades serve as an acknowledgement of Sanlam's continued position as an industry leader:

- Batseta's Imbasa Yegolide Award for Risk Benefit Underwriter of the Year 2018.
- The Institute for Retirement Funds Africa Best Practices Award to the Sanlam Umbrella Fund for Fund Governance in 2017.
- The Institute for Retirement Funds Africa Best Practices Award to the Sanlam Umbrella Fund for Fund Investment Practices in 2017.
- The Institute for Retirement Funds Africa Gold Standard Award to the Sanlam Umbrella Fund for the AGM as a Communication project, as well as a Special Merit Award for the AGM as communication to stakeholders in 2017.
- The Financial Intermediaries Association Award for Employee Benefits Supplier of the Year 2017, 2015, 2014, 2012 and 2011.
- The Institute for Retirement Funds Gold Standard Award to the Sanlam Umbrella Fund for their Communication Strategy in 2016 and 2011.
- The Institute for Retirement Funds Gold Standard Award to the Sanlam Umbrella Fund for a member communication project in 2016.
- The PMR Silver Arrow Award for excellent retirement fund administration in 2015 and 2014.
- The Institute for Retirement Funds Best Practices Award to the Sanlam Umbrella Fund for Financial and Legal Compliance and Financial Annual Reporting in 2014.
- The Institute for Retirement Funds Gold Standard Award to the Sanlam Umbrella Fund for Communication Strategy and a Special Mention Award for a member communication project in 2014.
- The Principal Officers Association Imbasa Yegolide Award for Risk Benefit Underwriter of the Year 2013.
- The PMR Golden Arrow Award for excellent retirement fund administration in the Boland region in 2013 and 2012.
- The PMR Diamond Arrow Award for outstanding retirement fund administration and first place overall in this category in 2013.
- The PMR Golden Arrow Award for excellent retirement fund administration in the City of Cape Town and Cape Peninsula Survey in 2012.
- The Principal Officers Association Imbasa Yegolide Award for Actuarial Firm of the Year 2012 that was won by our consultation company, Simeka Consultants & Actuaries.
- The Principal Officers Association Imbasa Yegolide Award for the Umbrella Fund of the Year 2011 and 2010.

awards



# Sanlam acquires 100% of SAHAM Finances

Sanlam is set to strengthen its footprint in Africa to become the largest non-banking financial services group on the continent.

Sanlam and SAHAM have reached an agreement through which Sanlam will acquire 100% of SAHAM Finances by purchasing the remaining 53,37% shareholding it doesn't already own.

Once approved, the transaction will firm the Sanlam Group's position as the largest non-banking financial services group in Africa.

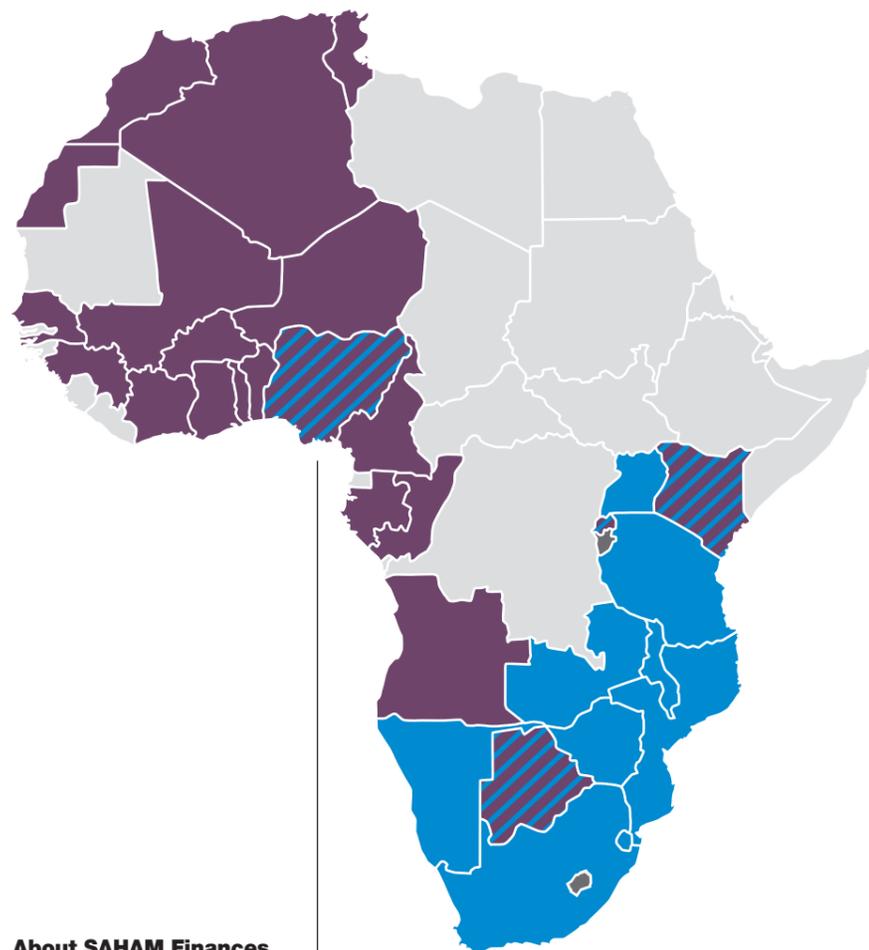
Sanlam and Santam first acquired a joint 30% stake in SAHAM Finances in 2016 and a further 16,6% in 2017.

This transaction is the next logical step for Sanlam and enables the Group to have an even more meaningful presence across sub-Saharan and North Africa, in line with its strategy, says Group CEO Ian Kirk.

'Since our partnership began in 2016, we've developed a number of projects to unlock synergies between SAHAM Finances and Sanlam,' he explains. 'Given our footprint, the transaction positions Sanlam as the go-to financial services provider for multinationals, brokers, banks and other distribution entities, as well as a preferred network of partners for international insurers with no African footprint.'

Junior Ngulube, CEO of Sanlam Emerging Markets, says SAHAM Finances has been one of the strongest-performing divisions within SEM. 'This transaction provides us with a unique positioning on the African continent as a truly pan-African insurance, investment and ancillary services provider,' he adds.

'With our combined strengths and capabilities we'll be able to focus on servicing multinational clients and their intermediaries much more effectively than any other group operating across the continent.'



## About SAHAM Finances

SAHAM Finances is an insurance group with operations in 26 countries across North, West and East Africa as well as in the Middle East. It's one of the largest insurers in Africa, and the market leader in most of the countries in which it operates.

The insurer writes mainly non-life business (exceeding 80% of its portfolio) through its 63 subsidiaries. It has a network of 700 branches with a staff complement of more than 3 000 people.

Commenting on the transaction, SAHAM CEO Moulay Mhamed Elalamy says: 'The SAHAM Group greatly values the partnership with Sanlam, a company that shares the same values and ambition for the continent. We wish to deepen and diversify this kind of alliance with other major players in order to fast-track our development.'

- Sanlam and SAHAM Finances presence
- SAHAM Finances presence
- SEM - indirect presence
- SEM - direct presence

## Benefits and opportunities of the SAHAM acquisition

- The Sanlam Group will be able to deepen its direct presence in North Africa as well as French-speaking West Africa and the Portuguese-speaking Southern African countries, giving it a unique positioning on the African continent.
- Sanlam will be positioned as the preferred network partner for international insurers with no African footprint, such as Japan-based Sompo.
- It will enable the life operations to continue to expand, with the support of the Sanlam Group.
- Potential synergies in the general insurance sector will be unleashed, including optimisation of reinsurance and enhancement of Sanlam's product line diversification.
- SAHAM Finances has a strong health and assistance business with a well-tested model in Africa that can be rolled out further.
- An improved line of business diversification will be enabled within the overall SEM operations, which in turn will improve earnings resilience.

# Sanlam's smooth commitment to transformation

**As part of its ongoing commitment to prioritising empowerment as a business goal and national economic necessity, Sanlam's Employee Benefits (SEB) has partnered with 27four Investment Managers to launch South Africa's first, black managed, smoothed bonus product. The Progressive Smooth Bonus Fund is managed by 27four Investment Managers and guaranteed by Sanlam.**

As South Africa's only smoothed bonus fund managed by black asset managers, the product was created for progressive clients that value the economic empowerment of black asset management firms and seek smoothing and guarantees in investment products.

Temba Mvusi, Acting Chief Executive Officer: Sanlam Corporate says the product has been developed in response to, "a lack of investment flows to black managed portfolios and the complete absence of any black managed smoothed bonus portfolios."

He says that as a good corporate citizen and as a leading financial services group, Sanlam is responsible for implementing products that will positively shape an inclusive future for the sector that is in line with the principles outlined in the Financial Sector Charter.

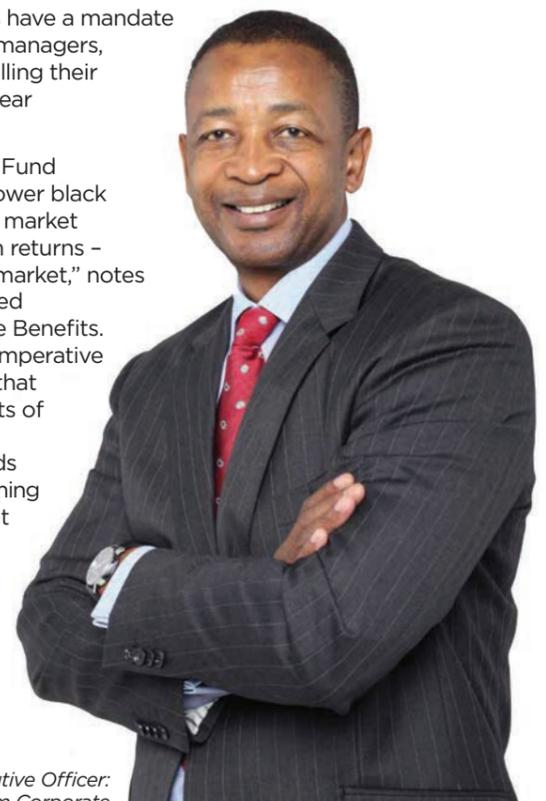
Managing Director of multi-manager 27four Investment Managers, Fatima Vawda says that currently black asset managers preside over less than 10% of private sector assets under management in South Africa. "The introduction of the Progressive Smooth Bonus Fund offers a financial vehicle for investors to play a tangible role in contributing to transformation of the financial services sector and the South African economy as a whole."

Mvusi says the Progressive Smooth Bonus Fund is the latest in multiple initiatives that have championed empowerment and transformation over the years, including the R2 billion Sanlam Development Fund that's funded more than 100 BEE deals since 1996; the Ubuntu-Botho B-BBEE partnership launched in 2003 which by 2013 created R17bn in value for black shareholders; the contribution of R278 million to the Umsobomvu Youth Fund to develop young, black female-owned enterprises; and the investment of R860 million in properties in developing areas, R400 million in black chip companies and R135 million in black financial service firms.

Although many retirement funds have a mandate to allocate assets to black asset managers, the difficulty trustees face in fulfilling their mandate is that their members' fear investment volatility.

"The Progressive Smooth Bonus Fund presents an opportunity to empower black asset managers whilst delivering market related performance and smooth returns - regardless of movements in the market," notes Danie van Zyl, Head of Guaranteed Investments of Sanlam Employee Benefits. "In uncertain financial times, it's imperative to develop responsive products that adapt to the shifting requirements of the market while still fostering long-term goals. Retirement funds have a key role to play in transforming South Africa's asset management industry. Now, funds can be invested across multiple black asset managers with the confidence provided by smoothing and investment guarantees. This is progressive empowerment made real," concluded Mvusi.

Temba Mvusi, Acting Chief Executive Officer: Sanlam Corporate





# Empowering growth and guaranteeing stability.

We've partnered with 27four Investment Managers, an established and credible multi-manager, to bring you the **Progressive Smooth Bonus Fund** which is the first and only empowered smoothed bonus portfolio in South Africa. The fund is managed by black asset managers and is guaranteed by Sanlam.

For more information, please email Siphokazi Mbelani on [siphokazi.mbelani@sanlam.co.za](mailto:siphokazi.mbelani@sanlam.co.za)

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

Sanlam is a Licensed Financial Services Provider.

 **Sanlam**  
Wealthsmiths™

Insurance | Financial Planning | Retirement | Investments | Wealth

# The impact of the FSC scorecard on retirement funds – how does your fund score?



Danie van Zyl,  
Head of Guaranteed Investments, Sanlam Employee Benefits



Fatima Vawda,  
27four Investment Managers

## The 2018 Sanlam Benchmark Survey for the first time included a section on the recently revised Financial Sector Code (FSC) to gauge both awareness of the Code and progress amongst South African retirement funds.

The FSC is the B-BBEE framework for the entire financial services industry in South Africa. It is an interventionist policy tool aimed at promoting transformation in the industry. Retirement funds, as the custodian of member's savings, play a critical role in driving change in the industry. For this reason the Revised FSC now includes a scorecard targeted specifically at retirement funds.

The FSC scorecard reinforces the need to consider B-BBEE in selecting service providers as set out in the revised Regulation 28 of the Pension Funds Act. Although voluntary for now, the top 100 retirement funds (including large umbrella funds) will be under pressure to complete the FSC scorecard as well as providing additional disclosures. Unsatisfactory progress may well result in the scorecard becoming compulsory.

In this year's survey we tested respondent's general awareness of the revised FSC, with 71% of Funds respondents indicating that they are aware of the revised FSC and the new scorecard for retirement funds. Awareness was particularly high among union based funds (90%).

### The scorecard

Many of the requirements of the FSC are not applicable to retirement funds as they are not for profit entities without shareholders. The scorecard for retirement funds therefore focusses on two elements only, Management Control and Preferential Procurement as set out below:

Element	Scorecard	Public disclosure
Ownership	N/A	Recommended
Management control	20	Recommended
Skills development / Trustee education	N/A	Recommended
Preferential procurement	80	Recommended
Empowerment financing, enterprise and supplier development	N/A	
Access to financial services		
Socio-economic development		
TOTAL	100	

### Management control

The FSC scorecard aims to increase the participation of black trustees (including black women) with voting rights. Increasing the number of black senior management, relating to control of a retirement fund is also targeted. The FSC scorecard target for black board members is 50%, with a target of 25% for black female board members.

Management Control Scorecard	Points	Target
Board and executive management participation	20	
Exercisable voting rights of black board members as a percentage of all board members	8	50%
Exercisable voting rights of black female board members as a percentage of all board members	4	25%
Principle Officer, executive and senior management if applicable	8	50%

Funds in this year's Survey indicated that on average 47% of board members are black, while 25% of board members are female.

### Preferential procurement

The FSC scorecard aims to increase the Rand value of procurement spent towards black owned enterprises in general, and specifically to black woman owned enterprises as well as Exempted Micro Enterprises (EMEs) and Qualifying Small Financial Institutions (QSFI's).

Trustees are responsible for the selection and appointment of service providers across the value chain. This includes the appointment of asset consultants, actuarial consultants, employee benefits consultants, risk benefits providers, asset managers etc.

Preferential Procurement Scorecard	Points	Target Y1-3	Target Y3+
	80		
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	35	75%	80%
B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	10	15%	25%
B-BBEE procurement spend from empowering suppliers that are at least 51% black owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	25	15%	25%
B-BBEE procurement spend from empowering suppliers that are at least 30% black women owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	10	7.5%	12.5%

To date, just under one in five retirement funds in the Benchmark Survey have attempted to measure their procurement spend towards black owned enterprises. Roughly half of the fund's surveyed were not sure if their procurement spend towards either investment management, group risk provider, fund administration, consulting or actuarial services are towards enterprises with at least 51% black ownership. Only 1% of funds indicated that they consider their consultant's B-BBEE statues as one of the determining factors when selecting a service provider.

Looking only at union based industry funds, these funds have been more proactive with half having measured their procurement spend. These funds estimate that around 60% of their total procurement is spend on firms that are at least 51% black owned.

### Impact of the FSC on the retirement industry

The concentrated structure of the South African financial sector continues to provide ammunition for those calling for the reformation of the industry with a view to making it mirror the demographic set up of post-independence South Africa. However, less than half the Fund's surveyed (47%) believe that the FSC will stimulate transformation in the retirement industry.

When prodded whether the definition of "black" in the FSC may be too broad, and that it should be limited to African Black management control and procurement spent, only 23% of all respondents agreed. When limited to African Black respondents, the result rose to 60%.

### Fund Disclosures

In addition to the BBBEE Scorecard, retirement funds are also recommended to provide the following set of annual disclosures:

- ① Report on the proportion of Fund liabilities attributable to black male members and black female members. This would require retirement funds to capture and carry a race indicator of their members, something few funds currently do.
- ① Provide details related to accredited SA Quality Authority (SAQA) approved training spent on trustees and executive managers such as principal officers and other staff. This should include the quantum, average spend per staff member, number of staff trained together with some examples of key training interventions.
- ① Member education initiatives (where applicable) should also be disclosed both in terms of number of members trained and amount spent relative to the size of membership.
- ① Finally, the B-BBEE annual report should include a narrative on the B-BBEE score achieved and plans for improving the score.

### Our response

At Sanlam we recognise that economic empowerment is a key national priority, for us, our clients and society at large. As part of its ongoing commitment to prioritising empowerment, Sanlam's Employee Benefits (SEB) has partnered with 27four Investment Managers, a leading black multi-manager, to launch South Africa's first, black managed, smoothed bonus product. The Progressive Smooth Bonus Fund is managed by 27four Investment Managers and guaranteed by Sanlam.

As South Africa's only smoothed bonus fund managed by black asset managers, the product was created for progressive clients that value the economic empowerment of black asset management firms and seek smoothing and guarantees in investment products.

The product has been developed in response to a lack of investment flows to black managed portfolios and the complete absence of any black managed smoothed bonus portfolios. As a good corporate citizen and as a leading financial services group, Sanlam is responsible for implementing products that will positively shape an inclusive future for the sector that is in line with the principles outlined in the Financial Sector Charter.

Although many retirement funds have a mandate to allocate assets to black asset managers, the difficulty trustees face in fulfilling their mandate is that their members' fear investment volatility. The Progressive Smooth Bonus Fund presents an opportunity to empower black asset managers whilst delivering market related performance and smooth returns - regardless of movements in the market.

All the assets underlying the Progressive Smooth Bonus Fund are managed by asset managers that are majority black owned, black managed and with majority black investment professionals.

# Make sure your employees are covered when it comes to critical illness



Michele Jennings,  
CEO of Sanlam  
Group Risk Benefits

## Tailored group cover offers remedy against increasing prevalence of cancer and cardiovascular illnesses

**S**tatistically, one in four South Africans will be affected by cancer or will have someone close to them diagnosed. For a company of 100 employees, that's 25 valued employees who could face such trauma.

Apart from the financial burden of dealing with a critical illness like cancer – the out-of-pocket medical costs, unforeseen non-medical expenses like in-home carers and additional childcare – can wreak havoc on an employee and their loved ones. For an employer this means possible loss of productivity, absenteeism and the potential loss of a valued employee.

According to Michele Jennings, CEO of Sanlam Group Risk Benefits, "Our statistics show a sharp rise in claims ratios related to cancer and other stress related cardiovascular illnesses such as heart-attacks and strokes."

Michele believes companies can do more to assist their employees to cope with the burden of critical illness, especially at a time when medical aid and gap cover benefits can fall short of covering the actual, and unexpected expenses incurred in such circumstances.

The new Impact Range of Severe Illness benefits recently launched by Sanlam Group Risk Benefits offers a Cancer-only option, which covers 50 cancer related claim events, a Cardiovascular-only option, which covers 45 cardiovascular claim events and a full Comprehensive Severe Illness option which covers the same claim events as the Cancer-only and Cardiovascular-only benefits combined, together with more than 100 additional claim events covering various serious as well as other milder conditions.

The Impact range is an affordable range of Severe Illness benefits designed to consider the true impact of an illness on the employee's life and finances. This approach is superior to the other tiered benefit products available in the group market, which generally pay a percentage of the benefit according to the severity level of the illness, e.g. 25% for the lowest severity. Take cancer for example, at Sanlam we recognise that not all cancers are the same. While it would generally be suitable to pay 25% for a stage I cancer (lowest severity), paying 25% for stage I pancreatic cancer will fall short of taking the true impact of the illness on the insured member into account. Pancreatic cancer, like other aggressive cancers, has a poor prognosis, resulting in aggressive, upfront treatment, with the resultant immediate change in lifestyle. The cancer cover provided by our Impact range will therefore pay 100% for 12 specified aggressive cancers from stage I, i.e. 100% lump sum benefit from the lowest severity level.

Michele says these impact-based Severe Illness products are the first of its kind in South Africa and can greatly assist in bridging the gap between what is covered by medical aids and the all too often substantial shortfall in medical and related expenses during or post such traumatic events.

"Severe illness cover can offer massive financial relief as it pays out an impact-based lump sum to cover unexpected expenses," says Michele.

Michele says that companies should consider providing their staff with group cover for severe illnesses, as it offers cost effective benefits that take the true impact of a severe illness into account on employees that might not normally have access to this type of benefit, while providing a basic level of cover without the need for any medical proof (i.e. a medical proof free limit applies). Furthermore, group cover offers

economies of scale in terms of the cost of premiums with the added benefit of peace of mind for employees and the overall corporate wellness of the business.

However, Michele cautions employers to choose the type of cover carefully with the assistance of their Group Risk intermediary due to the sheer number of illnesses that make-up various risk cover options.

"Around 85% of all critical illness claims are as a result of just four medical conditions, namely: heart attack, cancer, stroke and coronary artery bypass surgery, and they are all covered within the Cancer-only and Cardiovascular-only options. The four steps below offer a guideline for employers and intermediaries when contemplating or comparing these types of group risk products.

### Element 1. The incidence, or likelihood of getting the illness or condition

This is probably the most important consideration. How likely is it for an employee or employees within the organisation to actually get a certain condition?

Some products cover a very long list of conditions, while others have a shorter list, which can make them look like less comprehensive products. A product with a long list of claim events is not necessarily a better product if these four diseases are not comprehensively covered.

### Element 2. The definition of the claim event or illness for which an employee can claim

Claim events refers broadly to the medical conditions that are covered such as a heart attack, cancer, stroke or Alzheimer's. But looks can be deceiving and that is why it is important to keep in mind that critical illness products do NOT offer cover for every stage or severity level of every illness or condition. To keep the product affordable, each claim event has a detailed description of exactly how the medical condition must present itself, before a claim will be paid. Some definitions can be so strict that a claim will only be paid in the very late stages of the disease or only when unusual treatment has been administered. Under the guidance of a qualified broker, it's important for the employer to understand the definition of each claim event in order to

determine the most appropriate benefit available to his or her employees.

Digging a little deeper, it is vital to review the benefit pay-out at claim stage, i.e. what percentage of total cover will be paid out for a certain medical condition. For instance, one product may pay out only 50% of the cover for a defined heart attack, while another will pay out 100%. Or, one product will pay 25% for a stage I cancer, while another product will pay 100% for the same stage. One product may cover a claim event for a 5-15% benefit, while another product does not cover this claim event at all.

### Element 3. Product design

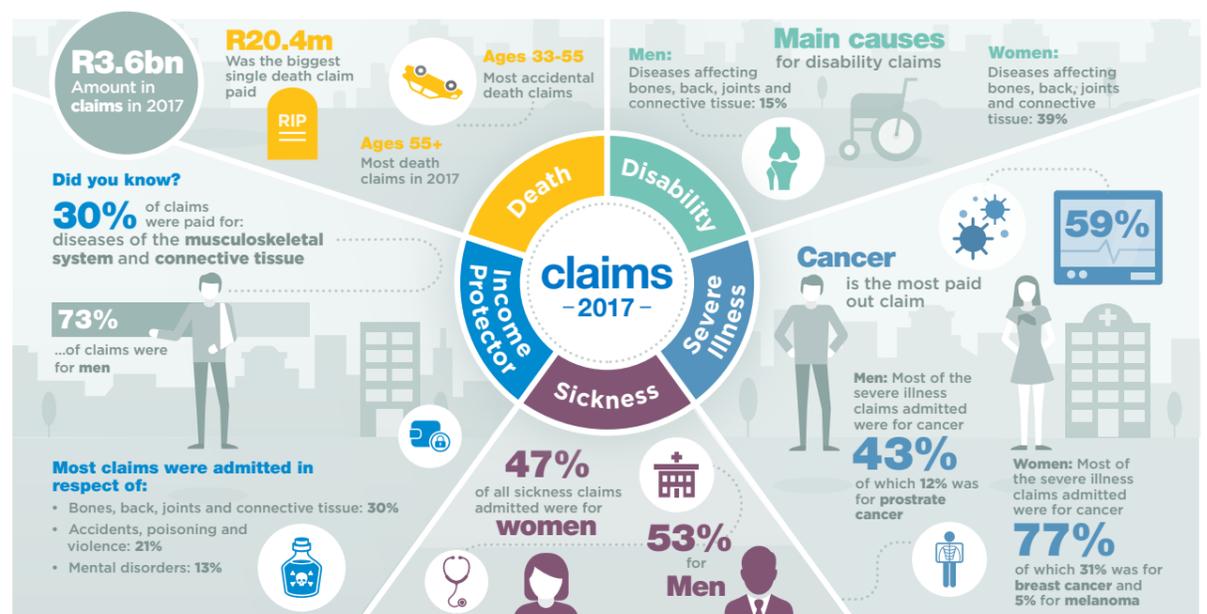
In addition to the claim event definitions, the following products features should also be considered, namely:

- ⌚ **Survival period:** This period starts from the date on the contractual claim event definition was met. Should the employee die before the end of the survival period, no severe illness benefit will be paid.
- ⌚ **Accelerated vs. stand-alone benefits:** Some critical illness products are offered on an accelerated basis, which means that if a critical illness claim is admitted, the employee's life cover will automatically be reduced by the amount of the critical illness claim. For stand-alone benefits, on the other hand, the admittance of a critical illness claim does not have any effect on the employee's life cover.
- ⌚ **Multiple claims:** Does the products allow the employees to claim more than once for related illnesses? Is there a limit on the number of claims for unrelated illnesses?

Michele states that Sanlam's innovative new Impact range of Severe Illness products are designed to accommodate tailored solutions. "Knowing that statistically, certain illnesses are far more common, our Severe Illness products allow employers to select the diseases they want covered."

Michele believes that offering employees additional impact-based severe illness cover under a group scheme, apart from being cost effective, has many advantages as an employee value-add and brings both the employer and the employee the security of knowing that they are financially covered when it comes to the rising risks of critical illness related diseases.

## Enabling people to live their best lives possible. For now and generations to come.



# Sanlam Lifestage Accumulation Portfolio excels in 2017

**The year 2017 presented a roller-coaster ride of investment experience – from downgrades to Trump to accounting irregularities to CR17. It was also the year that the revamped Sanlam Lifestage Accumulation Portfolio delivered exactly what it was designed to do – incremental and unbiased performance.**

Performance over 2017 of 15.43% ... better than the performance of the investment defaults of the other major commercial umbrella funds!

Product owner, Danie van Zyl, attributes this fantastic result to the changes that were made to the Sanlam Lifestage Accumulation Portfolio during 2016. "We were not satisfied with our performance to that point and undertook a serious review of our strategy, which resulted in major changes to the structure of the portfolio", say van Zyl. Such changes included utilising a core-satellite model to reduce costs by using passive building blocks where certain sectors were proven to be fairly efficient and by applying active management and structures to enhance yield from sectors where such strategies have been shown to be effective. He continued, "We diversified our strategy across investment styles and managers so that we don't take a bet towards any particular investment style or manager. Our view is that long term wealth creation should not be based on large bets but rather built upon disciplined risk management".

The approach of robustly managing risks is further reflected in the administrative design of the Sanlam Lifestage strategy where members are transitioned between the Accumulation Portfolio and their selected Preservation Phase portfolio by 60 monthly switches. "This staggered approach reduces members' risk exposure to large market moves. Most other providers perform chunky switches once a year, which presents the very real risk that losses are locked in when moving between portfolios. Our approach smooths the transition to mitigate this risk in a responsible manner" adds van Zyl. "Speaking of the Preservation Phase, we are one of the (if not the only) provider that allows for 3 Preservation Phase portfolios so that the member is able to select an end stage portfolio that best matches their likely choice of annuity. In doing so, we provide the platform to mitigate mismatch risk between one's retirement wealth and the eventual cost of an annuity."

In applying the Wealthsmith™ ethos of doing the right things in the right way, the trustees of the Sanlam Umbrella Fund commissioned the services of an independent investment consultant to review the revamped Sanlam Lifestage Accumulation Portfolio. The independent consultant agreed with the changes and provided their stamp of approval. This degree of independent oversight is rare in the commercial umbrella fund space and demonstrates the trustee's commitment to robust governance and decision making.

Dawie de Villiers, CEO of Sanlam Employee Benefits, concluded that, "I am proud of what my team has achieved here especially given the volatile circumstances that our economy faced in 2017. They applied their minds and crafted a portfolio that is truly special. To the extent that it won a Best in Class Trophy at the Institute of Retirement Funds Africa awards ceremony for investment practices.

Beating our peers over 2017 is the cherry on top!"



## Default legislation makes favourable case for in-fund umbrella annuity options



David Gluckman  
Head of Special  
Projects at SEB

**The recently enacted legislation concerning default options for retirement fund members is a welcome move that will encourage people to save more for their retirement years.**

The new regulations will drive competitive pricing in favour of members with regard to costs and fees for umbrella funds.

They also place greater responsibility on trustees and retirement fund boards to ensure their members' retirement savings are cost-effectively invested and protected, with better member outcomes prioritised. Prior to the introduction of this legislation, most pension and provident funds looked after members only up to the day of their actual retirement, leaving them to decide on how to manage their retirement affairs subsequently.

Under the revised reforms, pension and provident funds will be required to give members the option of keeping their investments in the fund should they leave employment or choose to retire. Under the previous scenario, members taking their money out of a retirement fund would either have to place their savings into a preservation fund or opt to purchase a retirement annuity that would pay out a monthly pension on retirement.

The Sanlam Umbrella Fund has already made changes to its offering in line with the legislation and ASISA's Effective Annual Cost Standard, providing members with transparency, simplicity and cost-effective options.

The fund currently provides its members with continuous membership as well as a choice of three in-fund default options:

- ① **An in-fund living annuity** where a member can draw from a monthly pension from the fund on retirement
- ② **An in-fund preservation** option where a member can retain their savings in the fund should they leave the service of their employer
- ③ **A phased retirement option** where a member can postpone the payment of retirement benefits until a later date.

The in-fund living annuity option offers benefits similar to those available through retail annuity platforms, but with the added advantage that these arrangements are invariably more cost-effective given the economies of scale within umbrella fund structures. Members can opt out of any or all the default strategies selected by the trustees of their funds, but they'll be offered counselling to assist in averting poor choices that could have a detrimental impact on their savings.

At Sanlam Employee Benefits, we want to ensure that our umbrella fund clients as well as our stand-alone clients will not only be able to comply with the new default regulations, but enhance the value of their fund membership through further assistance, choice and support in achieving good retirement outcomes.

# Sanlam Employee Benefits introduces an integrated digital platform to simplify administration and improve member retirement outcomes

## For the employer

### 1. Electronic submission of contributions



Employers can update member details online

Changes to member contributions can be updated immediately



Improved governance and compliance

Employee contributions are invested within 48 hours of receipt

### 2. Benefit Payments



Online submission of claims

Auto validation is undertaken prior to claim payment

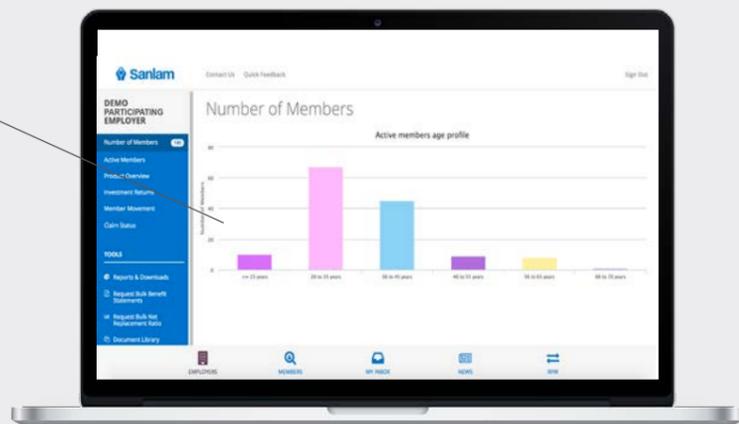
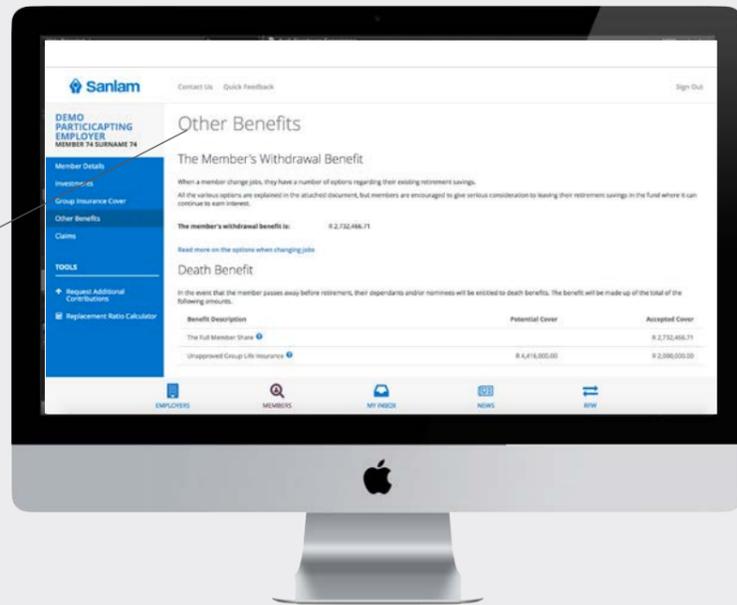
Track and trace functionality of claims payments

### 3. Fund Administration

Standardisation of benefit statements for accessing and viewing across multiple digital platforms



Pensioner payment details now accessible to clients with pensioner payrolls



## For the intermediary

Secure, centralised online access



Multi-functional digital platform for intermediaries with access to: Sanlam products, investment returns, member movements

Real-time report functionality



## For the member

### 1. The Sanlam My Retirement App



View your current retirement savings and group risk benefits

View where your money is being invested

Use our retirement calculator to evaluate and tailor your retirement plan

Update beneficiaries and make investment choices where applicable



### 2. Retirement Optimisation Services



Multi-tiered counselling solution available via online or telephonic support with the help of Retirement Benefit Counsellors

### 3. Member web access



Convenient access to web-based functionality for members

Access to member information and investments

Members have access to tools, videos, calculators and educational content to help improve retirement decision-making

Update beneficiaries and make investment choices where applicable

These digital capabilities are being delivered to our clients in a phased approach, and functionality. Upgrades and additions are being made on a constant basis to improve functionality and platform capabilities. Please contact your Client Relations Manager should you require any further information.

# Lending a hand at **Blue Ladder** schools

The Blue Ladder Schools Programme is gaining momentum, with members of the public joining Wealthsmiths™ to help ensure that everyone counts.



Improvements and upgrades undertaken by the Blue Ladder Schools Programme have already benefited 71 693 children from 75 schools across South Africa – and now Sanlam is casting its net even wider.

The Sanlam Foundation is celebrating the Group's centenary with this project to enhance the teaching and learning of maths at the 75 schools, while improving the lives of learners, parents and their immediate communities.

'The Sanlam Blue Ladder Schools Programme partners with schools, educators, education departments and communities countrywide to give children a head start on a brighter future by improving maths tuition,' says Francois Adriaan, Head: Sanlam Foundation.

## Wealthsmith™ buy-in

Francois is thrilled about Wealthsmiths™ joining the project. 'The Sanlam Sky Exco decided to partner with two Blue Ladder schools in Johannesburg for the next few years. They'll be supporting the schools' leadership in a practical way, as well as promoting career development and driving other initiatives.'

## A Day for Giving

A staff campaign, A Day for Giving, calls on Wealthsmiths™ to get involved by donating time to the schools and/or money through payroll giving on SAP.

The Sanlam Foundation has identified the individual schools' needs, which Wealthsmiths™ can help address. For example, staff can team up to raise funds for shoes, or simply donate shoes to hand over at the schools, and then report back on their involvement using photos of the occasion.

Business clusters' CSI champions and committees will help coordinate team efforts.

'The best gift we can give successive generations is an empowering start,' says Mariska Oosthuizen, Head of Brand. 'We believe the way to build a better tomorrow is to start investing in today.'

## Shop for Good

To further support Blue Ladder schools, Sanlam has launched Shop for Good – an easy way to help give schools the essentials they need for children to learn.

'That's why Sanlam is asking members of the public to join Wealthsmiths™ in shopping for good and

helping to create supportive learning spaces in Blue Ladder schools,' Mariska says.

Shop for Good lets you contribute towards school essentials by simply browsing a catalogue of school supplies – you don't buy the actual items – and donating towards a specific category of essentials using SnapScan or a credit card.

All donations go to meet the needs of Sanlam Blue Ladder schools.

To help contributors track where their money is going, they'll receive regular updates on how the schools are progressing, including pass rates and attendance levels. The information will also be published on Sanlam's website.

'We want to be able to say your investment has made a difference,' Francois says.

## Reaching out

Sanlam Emerging Markets, together with the Sanlam Foundation, will also be rolling out the Blue Ladder Schools concept to Sanlam-branded businesses in African countries including Kenya, Mozambique, Namibia, Tanzania, Uganda and Zambia, as well as Malaysia.

Staff will help identify local schools and determine how best to support them, demonstrating Sanlam's good corporate credentials and building the brand.

## Investing in the future

Wealthsmiths™ believe that everyone counts, Mariska says. 'Every child educated and every school changed is a success that will positively impact our country.'

'If we invest in their education today, imagine what more every child in South Africa could achieve – for themselves, for the economy and for generations to come.'

## Education aids prosperity

'Financial independence comes from educational upliftment,' Mariska says.

'By developing vital skills in our children, we put them on the path towards employment and good health. In changing the lives of our young people, we change our country's economic outlook. A nation that can't save will never prosper.'

**'The Sanlam Blue Ladder Schools Programme partners with schools, educators, education departments and communities countrywide to give children a head start on a brighter future by improving maths tuition.'**

- Francois Adriaan, Head: Sanlam Foundation.



The Blue Ladder Schools Programme has already benefited a total of

# 71 693

children from

# 75

schools



To shop for good online, visit [shopforgood.co.za](http://shopforgood.co.za).

# Partnering **for nature, for us**



Portia Bangerezako,  
Sanlam's Head of  
Sustainability

**Sanlam was at the forefront of responsible water stewardship long before the spectre of Day Zero made water-saving a buzzword. Its successful partnership with the WWF since 2007 is more relevant and urgent than ever in securing the future of this precious resource.**

**W**hile all eyes were on Cape Town as the city scrambled to avoid Day Zero, a report published by the National Disaster Management Centre reassessed the 'magnitude and severity' of the drought in the Eastern, Western and Northern Cape provinces. It was worse – a lot worse – than had previously been anticipated. On Tuesday 13 February, the drought in these provinces was declared a national disaster. When it comes to water, South Africa is in trouble.

And it's not just South Africa. According to the World Economic Forum, global demand for water is set to exceed supply by 40% by 2030. But the effects are immediate and very real. In 2015, the drought slowed South Africa's economic growth by 0,2% – a number we can scarce afford.

'Water is a primary input in all sectors of the economy and it is key to growth,' says Portia Bangerezako, Sanlam's Head of Sustainability. 'The crisis faced in the Western Cape shows its immense significance in our lives.'

## The business case for resilience

The World Wide Fund for Nature (WWF) has sketched four scenarios for the future of water in South Africa. In the first two scenarios, there is sufficient water but low economic growth causes infrastructure deterioration, or results in demand outstripping supply. In the third and fourth scenarios water scarcity hampers a burgeoning economy, or exacerbates the effects of a recession.

To avoid these scenarios, businesses, individuals and institutions will need to make concerted efforts to drive water consciousness and improve water governance.

'Governments cannot bear the sole responsibility of making these sweeping societal and environmental changes,' Portia says.

Sustainability has always been a core Sanlam principle – one that guides the company at all levels, from investments to daily operations. A healthy South African environment leads to a thriving economy in which its people and organisations can flourish. To this end, Sanlam has framed sustainability in more immediate and relevant terms as resilience.

'Sustainability means different things to different people. For us it's about stewardship.'

It also makes good business sense. Portia explains that if Sanlam engages in disaster management with municipalities, this reduces their own insurance burden. At the same time, it reduces the scope and extent of any potential problems, which in turn improves Sanlam's resilience to environmental risk.

## The Sanlam-WWF Partnership

While awareness of water scarcity is now a given in South Africa, Sanlam had the foresight to become involved in its conservation some years ago already.

In 2006, Sanlam and the WWF collaborated on an initiative to have Prince Edward Island declared a marine protected area (MPA). The initiative bore fruit in 2013, when the 180 000km<sup>2</sup> area was declared one of the largest MPAs in the world.

The following year, Sanlam and the WWF entered into a longer-term partnership, with a mandate to 'catalyse concerted action from government, the private sector and civil society around the wise management of our marine and freshwater resources'.

## Phase one

The first phase of the partnership achieved some huge milestones from 2007-11:

- ① Several large corporations committed to rehabilitating 1 500 hectares of wetlands, which would pour about 4 billion litres of freshwater back into the earth
- ① Business Day newspaper published 'The Business of Water' series of articles over a period of 11 months, based on the WWF's Water Blueprint
- ① Brand ambassadors were identified, creating more than 330 jobs across several sectors as a direct result of the partnership
- ① Significant improvements in sugar farming as set out in the Sustainable Sugarcane Farm Management System, reducing farmers' water usage, and growing into the Living Farms Reference framework in collaboration with Greenchoice.

In all, the partnership created R67 million of value in its first five years, off an initial investment of just R11,6 million.

## Phase two

Among the achievements in the second phase were:

- ① Sanlam-funded research mapped out all 21 of South Africa's water source areas, and bolstered the case for the National Water Resource Strategy to secure and protect these areas
- ① This was followed by the Journey of Water campaign, which documented a selected group of South Africans as they followed the journey of water from all 21 sources to our taps. The initiative won a Mail & Guardian Greening the Future Award
- ① The Journey of Water campaign also resulted in two more freshwater initiatives, launched in the second phase of the WWF Water Sources Area and Water Stewardship programmes
- ① The Living Waters Partnership went international, helping with research on the Zambezi basin, which traverses the borders of Zambia and Mozambique.

## Phase three

The third and final phase of the original Sanlam-WWF Partnership ended in December 2017. Some highlights of this period included:

- ① The Water Risk Filter was launched in South Africa to help businesses of all types and sizes assess the geographic water risks in their respective regions and industries. To date, 2 700 organisations from 32 sectors worldwide have used it
- ① Huge strides have been made in the Trustee Training Programme. Sanlam identifies individuals in companies, who are then trained to be conversant with environmental and social governance within business. These trustees are encouraged to ask questions about environmental issues, which is an important value-add for business practice
- ① The Water Balance Programme in George cleared 700 hectares of land of invasive alien plants, created 20 000 days of employment and released about 1 billion litres of water back into the ecosystems of the affected areas.

## The transformative partnership

The Sanlam-WWF Partnership was a great success, and is more urgent, relevant and useful now than ever before. Plans are already under way to extend it, with the next phase aimed at being a transformative partnership.

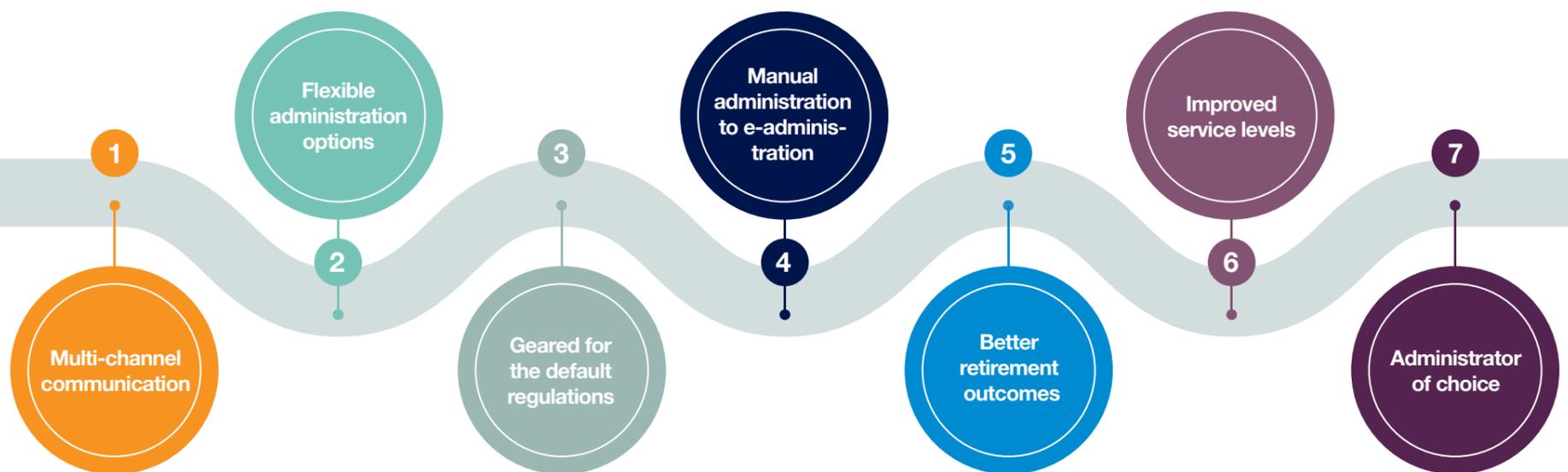
Such a partnership will be both inward and outward looking. On the one hand, Sanlam will continue to drive internal efforts in water saving and consciousness. On the other, the company will strive to lead by example, calling on other organisations to follow suit and collaborate.

'Other organisations are already taking Sanlam's lead and entering into partnerships with the WWF,' Portia says. 'Some of the other partners are our competitors, but in this area it's not about competition – it's about impact.'

'As a business, we're not used to thinking of it that way. But as much as we want to be a leading financial services company, we need to constantly ask, "How can we take this forward in all the other geographies that we are in?"'

The answer is one drop at a time.

# 7 things you need to know about Sanlam's Retirement Fund Administration Capability



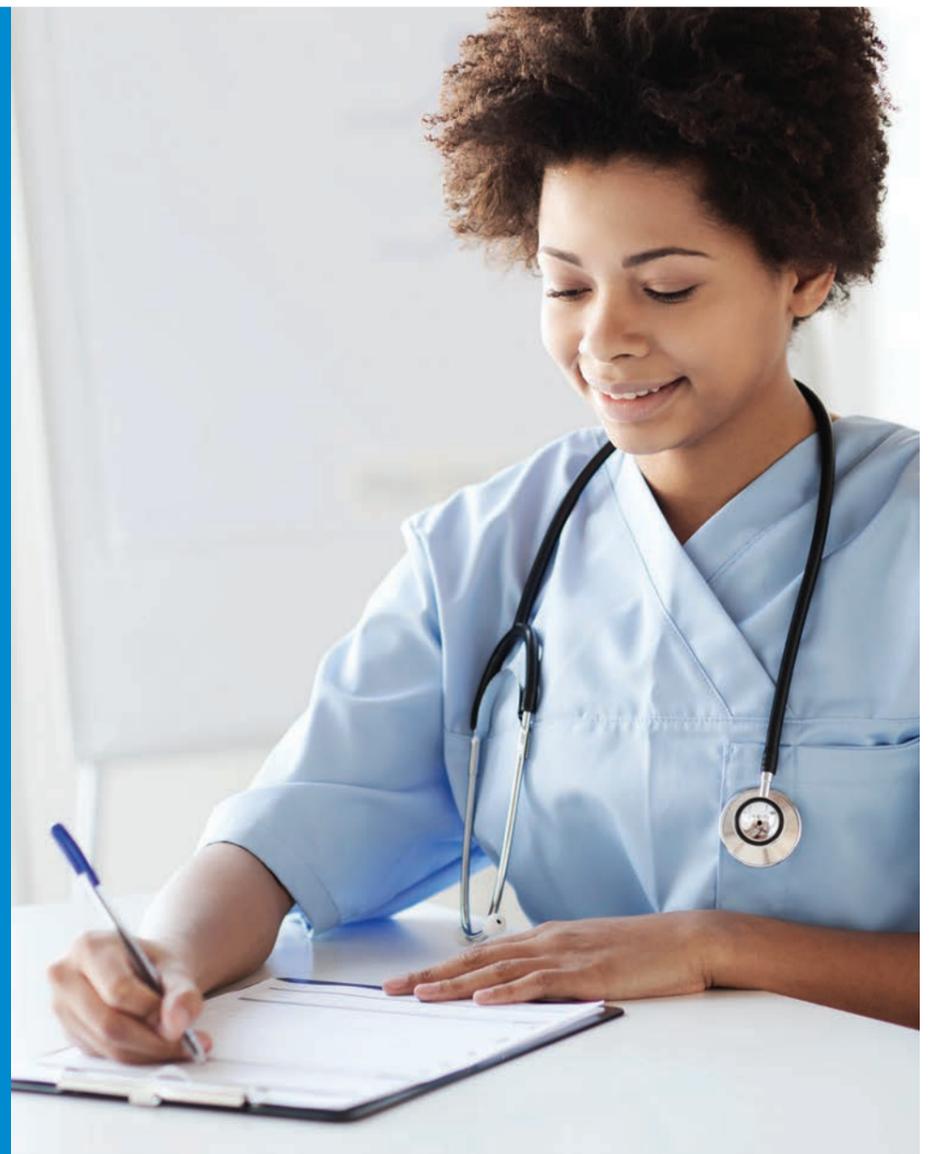
## Introducing Sanlam's Everyday Healthcare

Is there a need for solutions that address primary healthcare requirements within a South African context? Unequivocally yes. High quality primary healthcare is democratising healthcare in South Africa. Lack of resources, poor infrastructure and inadequate budget allocation through the Department of Health has rendered the implementation of a National Health Insurance (NHI) undeliverable in the short term. In light of this, the Council for Medical Schemes (CMS) has made provision for the formal design and delivery of health insurance products to address primary healthcare requirements.

South Africa carries one of the highest disease burdens globally and we are in dire need of ubiquitous quality healthcare services. Medical scheme cover is unaffordable for the majority of our working population. Less than 16% of South Africans have access to medical aid cover. For the rest, access to quality healthcare is a lottery. Due to the lack of affordability and the inability of government to deliver quality healthcare there is growing social pressure, and growing human rights expectations, for the delivery of affordable private healthcare. Sanlam Everyday Healthcare puts private health care in reach of millions of South Africans who under normal circumstances could not afford it. The offering has a choice of three plans that provide people with quality and affordable solutions that meet a range of specific needs.

Primary healthcare is the foundation of high quality healthcare service delivery. A primary healthcare product must be aligned to the legislative requirements, cover day-to-day requirements, chronic disease diagnoses and treatment, special investigations, psychosocial medicine and responsible hospitalisation for traumatic events. The General Practitioner (GP) is the gatekeeper to accessing the treatment value chain. Ease of access to GPs is crucial in producing the desired health outcomes. GPs should be located in the right areas, be a cashless engagement and dispense medication through their practice. Primary healthcare network providers must be responsible in how they treat and remunerate their GPs to ensure quality service delivery that is affordable for members. Sanlam Everyday Healthcare is designed to increase organisational performance through access to day-to-day healthcare.

For more information on the Sanlam Everyday Healthcare, contact Charl Marais 011 707 8869 or email [charl.marais@sanlamhealth.co.za](mailto:charl.marais@sanlamhealth.co.za)





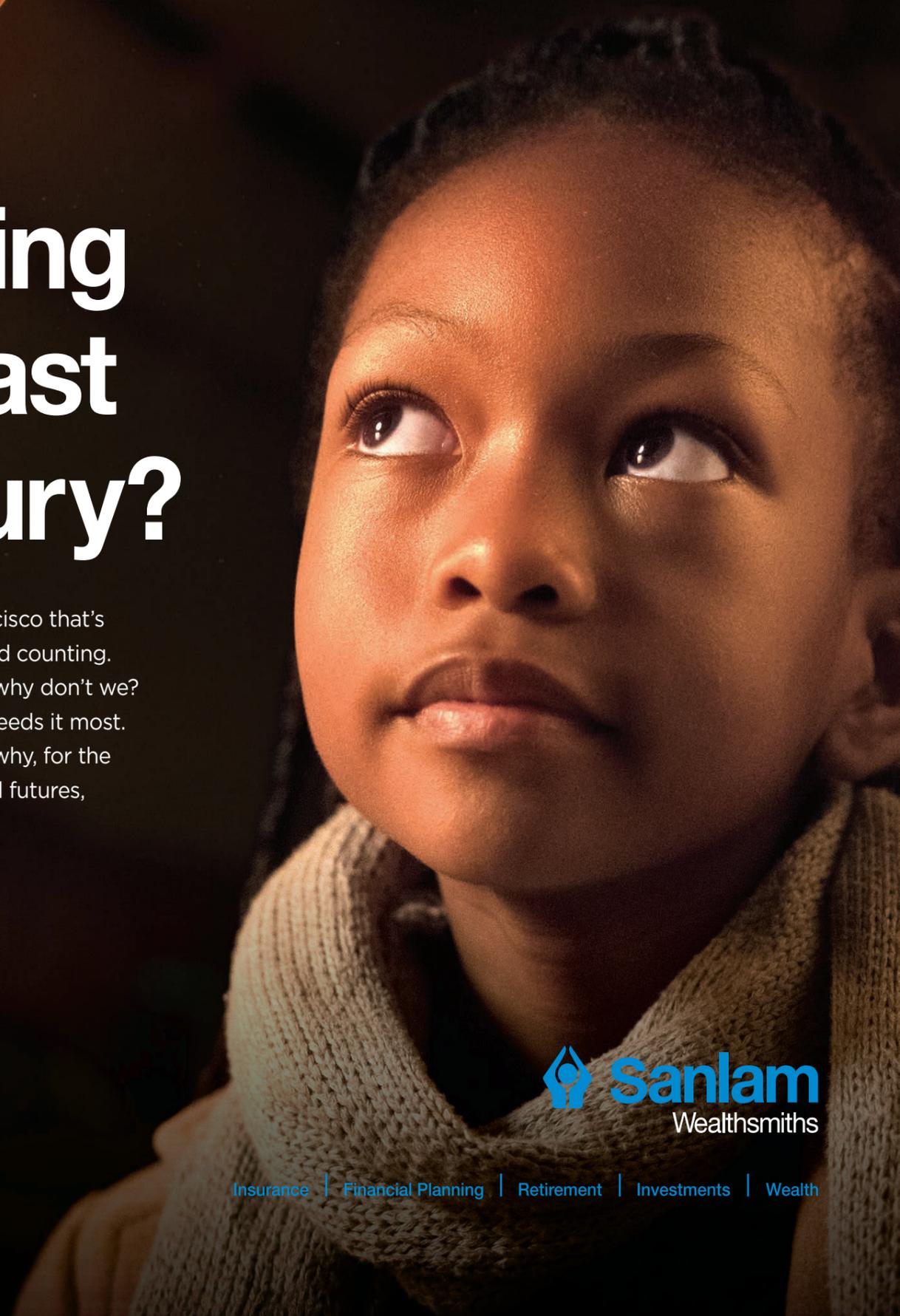
# Why is building things that last so last century?

There's a light bulb in a fire station just outside San Francisco that's been burning bright for 117 years, over a million hours and counting. Which makes you think, if we can make things that last, why don't we? And shouldn't we? Especially in a time when the world needs it most. At Sanlam, we still believe in this way of thinking. That's why, for the last 100 years, we've been hard at work building financial futures, lasting legacies and a world others will soon inherit.



For generations to come

Sanlam is a Licensed Financial Services Provider.



Insurance | Financial Planning | Retirement | Investments | Wealth