Upfront

If you owned one Sanlam share on 31 December 2007 you were a stakeholder in a financial services group that again delivered sterling annual financial results and a solid share price performance.

Your Sanlam share also entitled you to ownership in a group that forge ahead with a clear strategy to enhance returns and deliver on promises. Backed by sound management, an enviable workforce and strong distribution channels, Sanlam again led the industry last year by delivering innovative financial solutions like SanlamConnect, Sanlam Liquid and the Sanlam LifePower range.

We have been focused on enhancing shareholder value since our demutualisation and listing on the JSE and Namibian stock exchanges on 30 November 1998.

But your Sanlam share also gave you ownership of a Group driven by principles and ideals for transformation and empowerment over the past 90 years.

This quick read sets the tone of what you can expect in our comprehensive Sanlam Annual Report for 2007.
Our history and corporate citizenship

We will be turning 90 on 8 June 2008.

In nine decades we have grown from a modest life insurance company in 1918, *Die Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappij Beperk*, to a leading financial services group in South Africa, *Sanlam*, with business interests elsewhere in Africa, Europe and India.

Apart from our business successes over the decades, there is another golden thread that runs through our history. We have been at the forefront with empowerment and transformation for 90 years.

While Sanlam’s establishment in 1918 was mainly aimed at empowering impoverished Afrikaners after two wars and the Great Flu epidemic, Sanlam was also responsible for the first national Black Economic Empowerment (BEE) transaction as far back as in 1993 when Sanlam sold Metropolitan Life to a black-owned consortium that led to the establishment of NAIL.

In 1998 we completed the largest demutualisation programme in the country at that stage and listed on the JSE and Namibian stock exchanges on 30 November. In 2006 we again led the financial services industry in SA through our own groundbreaking BEE transaction with Ubuntu-Botho.

These are but just a few of the milestones in our history that epitomise what we stand for, and some highlights over the past 90 years are indicated on the timeline at the bottom of these pages.

To put this in a nutshell: Over the past 90 years we have been leading with empowerment and transformation in living our vision of being the leader in wealth creation and protection.

Details of our continuing Corporate Social Investment and BEE initiatives are included in our Sustainability and Corporate Citizenship Report on page 58.

What we do

We have grown from a life insurance company to a leading financial services group. We pride ourselves on giving our clients professional financial advice and delivering solutions tailored to meet their needs. We do that through a number of mutually dependent business entities focusing mainly, but not exclusively, on offering solutions for wealth creation and protection, investment management and ancillary financial services solutions for individuals and institutions.

These include life and risk solutions to all segments of the market, provision for retirement, investment management solutions for institutional and individual investors, administration of estates, home loans, personal loans, short-term insurance and individual savings mechanisms such as collective investments.

Our vision

Our vision is to be the leader in wealth creation and protection, and in this pursuit we remain primed to seize opportunities that come our way and to meet the challenges that confront us.
Our values
Our shared business philosophy has its roots in an entrepreneurial culture with its essence captured in traditional values of honesty, diligence, superior ethical behaviour, innovation, stakeholder values and strong ties with business partners. Our business model is focused on client-centricity and on being solution oriented.

Our strategy
In 2008 our strategy will be to continue our strong focus on effective capital utilisation, to pursue growth opportunities and to maintain our tight grip on cost structures, transformation and diversification through a broader range of solutions over a wider geographical area.

Our brand
The Sanlam brand has been part of the South African financial and economic landscape since 1918 and has evolved over time as the environment in which we operate has changed.

To communicate our differentiated offering to the retail market, we have four individual subbrands to identify unique portfolios of solutions tailored for relevant and specific retail segments: Sanlam Sky for the entry-level market, Sanlam Topaz for the middle market, Sanlam Cobalt for self-employed individuals and Glacier by Sanlam for the affluent market.

Our businesses in the investments and the institutional markets traditionally all provide customised solutions specifically designed to meet the needs of their clients and they strongly reinforce the overall corporate brand positioning.

How we performed in 2007
In his Chairman’s Report (page 16), Roy Andersen highlights the fact that in 2007 the Group’s core earnings exceeded R4 billion for the first time and that Sanlam shareholders were rewarded with a return of 29% for the year ended 31 December 2007, outperforming the ALSI by a margin of 10%.

Group Chief Executive Johan van Zyl refers in his Report (page 26) to the milestone in 2007 when new business volumes exceeded the R100 billion mark for the first time, an achievement accredited to all the businesses in the Group. He also highlights the fact that compared to 2003 when more than three quarters of all inflows were generated by Sanlam’s life insurance business, the latter accounted for only about one fifth in 2007 – a direct result of the Group’s successful diversification strategy.

Our main performance highlights for 2007 include:
- Net result from financial services increased by 20% to 133,3 cents per share;
- Core earnings per share increased by 27% to 182,4 cents per share;
- New business volumes of R102 billion are 26% higher than 2006;
- Value of new life business improved by 31% to R567 million;
- Return on Group Equity Value per share of 18,8%;
- Dividend per share increased by 21% to 93 cents per share.

These results are analysed comprehensively in our Financial Review (page 118).

September 1929 – Sanlam establishes pension scheme for municipalities.

1932 – Sanlam moves into its own head office at 28 Wale Street, Cape Town.

1936 – Premium income tops R1 million per annum for the first time.

May 1940 – The establishment of Federale Volksbeleggings, after Sanlam had taken the lead to pave the way for Afrikaner investment in business enterprises.
Thinking ahead

We believe that in 2008 we will continue to be operating in an environment marked by uncertainty. We have, however, developed a strong operational base through a solid strategy and have the building blocks in place from which our strong focus on diversification in recent years will stand us in good stead in such uncertain times.

Where to find or contact us

- Postal address: PO Box 1, Sanlamhof, 7532, South Africa
- Internet address: http://www.sanlam.co.za
- Physical address: 2 Strand Road, Bellville, Western Cape, South Africa
- Telephone: 021 947 9111
- Fax: 021 947 3670
- E-mail: webmaster@sanlam.co.za

Some corporate achievements in 2007

- Sanlam again received an A Rating against the Financial Sector Charter for our Broad-based Black Economic Empowerment initiatives. This is the highest rating financial services companies can achieve.
- We were ranked as the 19th (56th in 2006) most empowered company listed on the JSE by Empowerdex.
- For the fourth consecutive year we were listed on the JSE Socially Responsible Investment Index, which for the first time adopted international criteria.
- Sanlam received a positive corporate governance assessment by Deutsche Bank measured against an international best practice set of criteria last year.
- Sanlam Investment’s flagship fund, The Sanlam Global Best Ideas Fund, has been top 10 out of 600 global peers and the Sanlam Global Financial Fund was rated by Morningstar as number one over all reporting periods since its inception in 2004.
- African Life achieved accreditation from the international Investors In People Standards. Earlier, Sanlam Personal Finance became the first life company in South Africa to receive full accreditation.
- For the seventh time since its listing in 1998, the Investment Analysts Society of Southern Africa voted Sanlam as the best communicator to its shareholders in the Financial – Life Assurance and Insurance Sector of the JSE in 2007.
- For the second year running, Sanlam was rated first in the long-term insurance industry for client service in the independent Ask Africa Orange Index survey. In addition, the client contact centre of Sanlam Personal Finance won the best customer service award in the Western Cape and was the only financial institution among the top three of the National Business Processing Enabling South Africa awards. It was also voted one of the top 100 call and contact centres in the world.

1946 – Establishment of Bonuskor, for reinvestment of policyholders’ bonuses, allowing Sanlam to mobilise capital for the development of Afrikaner businesses.

1953 – Sanlam’s 800 or so staff members move into “Sanlamhof”, the current Head Office in Bellville.

1954 – Sanlam officially declared a mutual company.
Highlights

Earnings

- Net result from financial services up 16%
- Core earnings per share up 27%
- Normalised headline earnings per share decreased by 19%

Business volumes

- Total new business volumes up 26% to R102 billion
- Net fund inflows of R11,4 billion

Group equity value

- Group equity value per share of R23,50
- Return on Group equity value per share of 18,8%
- Value of new life insurance business up 31% to R567 million
- Life new business margin of 2,37%

Capital management

- 5,5% of issued shares bought back during 2007 for R2,9 billion
- Discretionary capital of R6,1 billion at 31 December 2007

Dividend

- Dividend increased by 21% to 93 cents per share
Results at a glance

New business volumes
up 26% –
R102 billion
(2006: R80,6 billion)

Net result from financial services
up 16% –
R3 billion
(2006: R2,6 billion)

Dividend per share
up 20,8% –
93 cents
(2006: 77 cents)

Core earnings per share
up 27% –
182,4 cents
(2006: 143,1 cents)

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<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td>New business volumes</td>
<td>R million</td>
<td>102 004</td>
</tr>
<tr>
<td>Net result from financial services</td>
<td>R million</td>
<td>3 029</td>
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<tr>
<td>Core earnings</td>
<td>cents per share</td>
<td>182,4</td>
</tr>
<tr>
<td>Normalised headline earnings</td>
<td>cents per share</td>
<td>228,7</td>
</tr>
<tr>
<td>Dividend</td>
<td>cents per share</td>
<td>93</td>
</tr>
<tr>
<td>Group Equity Value</td>
<td>cents per share</td>
<td>2 350</td>
</tr>
</tbody>
</table>

JUNE 1993 –
In SA’s first BEE transaction, Sanlam sells Metropolitan Life (MetLife) to Methold, a company with an 85% black shareholding consortium. The MetLife transaction resulted in the formation of New Africa Investments Limited (NAIL).

1996 –
Sanlam launches Community Builder Fund and establishes the Sanlam Development Fund with start-up capital of R100 million, to fund development projects.

1998 –
Sanlam demutualises, listing on the Johannesburg and Namibian Stock exchanges, giving over 2,2 million South Africans a stake in the Group’s future by way of free shares.
Financial performance

Sanlam Group Equity Value

- Covered business: 56%
- Other operations: 30%
- Discretionary capital: 12%
- Other capital: 2%

Contribution to new business volumes

- Life business: 17%
- Investment business: 63%
- Short-term insurance: 11%
- White label: 9%

Sanlam Personal Finance: 27%
Sanlam Developing Markets: 5%
Sanlam Investments: 55%
Sanlam Employee Benefits: 2%
Santam: 11%

Contribution to new business volumes

- Sanlam Personal Finance: 46%
- Sanlam Developing Markets: 7%
- Sanlam Investments: 28%
- Sanlam Capital Markets: 3%
- Sanlam Employee Benefits: 4%
- Santam: 12%

Sanlam Group Equity Value

- Covered business: 56%
- Other operations: 30%
- Discretionary capital: 12%
- Other capital: 2%

Contribution to net result from financial services

- Sanlam Personal Finance: 46%
- Sanlam Developing Markets: 7%
- Sanlam Investments: 28%
- Sanlam Capital Markets: 3%
- Sanlam Employee Benefits: 4%
- Santam: 12%

2000 – The start of Sanlam’s sponsorship of Takalani Sesame, a national educational children’s TV programme aimed at teaching literacy and numeracy through the edutainment medium.

2004 – Sanlam shareholders approve a major BEE transaction with the broad-based empowerment consortium Ubuntu-Botho, wherein the latter acquires a 10% equity stake in Sanlam.

2006 – Sanlam’s acquisition of African Life, Channel Life and Safrican boosts the provision of financial services to the previously underserviced market.

2007 – Business inflows exceed R100 billion for the first time in the company’s history.
## Sanlam, thinking ahead

The 2007 financial year has been another outstanding year for the Group with a number of performance highlights. The success of the Group’s strategy over the past few years is evident in the reported results over this period.

### Salient results

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td><strong>Sanlam Limited Group</strong></td>
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<tr>
<td><strong>Earnings:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Net result from financial services R million</td>
<td>3 029</td>
<td>2 605</td>
<td>16</td>
</tr>
<tr>
<td>Core earnings(^{(1)}) R million</td>
<td>4 146</td>
<td>3 365</td>
<td>23</td>
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<tr>
<td>Normalised headline earnings(^{(2)}) R million</td>
<td>5 199</td>
<td>6 633</td>
<td>(22)</td>
</tr>
<tr>
<td>Headline earnings R million</td>
<td>4 833</td>
<td>6 838</td>
<td>(29)</td>
</tr>
<tr>
<td>Net result from financial services per share cents</td>
<td>133,3</td>
<td>110,8</td>
<td>20</td>
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<tr>
<td>Core earnings per share(^{(1)}) cents</td>
<td>182,4</td>
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<td>27</td>
</tr>
<tr>
<td>Normalised headline earnings per share(^{(2)}) cents</td>
<td>228,7</td>
<td>282,0</td>
<td>(19)</td>
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<tr>
<td>Diluted headline earnings per share cents</td>
<td>220,8</td>
<td>304,9</td>
<td>(28)</td>
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<td>Group administration cost ratio(^{(3)}) %</td>
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<td>Group operating margin(^{(4)}) %</td>
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<td><strong>Gross business volumes:</strong></td>
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<tr>
<td>New business volumes R million</td>
<td>102 004</td>
<td>80 648</td>
<td>26</td>
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<tr>
<td>Net fund flows R million</td>
<td>11 363</td>
<td>(7 451)</td>
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<tr>
<td>Value of new life insurance business R million</td>
<td>567</td>
<td>434</td>
<td>31</td>
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<tr>
<td>Life insurance PVNBP(^{(5)}) R million</td>
<td>23 886</td>
<td>20 308</td>
<td>18</td>
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<tr>
<td>Life new business margin(^{(6)}) %</td>
<td>2,37</td>
<td>2,14</td>
<td></td>
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<tr>
<td>Value of new non-life linked and loan business R million</td>
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<td>64</td>
<td>8</td>
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<tr>
<td><strong>Group Equity Value:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group Equity Value R million</td>
<td>51 293</td>
<td>46 811</td>
<td>10</td>
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<tr>
<td>Group Equity Value per share cents</td>
<td>2 350</td>
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<td>15</td>
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<tr>
<td>Return on Group Equity Value per share(^{(7)}) %</td>
<td>18,8</td>
<td>31,0</td>
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<td><strong>Sanlam Life Insurance Limited</strong></td>
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<tr>
<td>Shareholders’ fund R million</td>
<td>37 933</td>
<td>34 197</td>
<td></td>
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<tr>
<td>Capital Adequacy Requirements (CAR) R million</td>
<td>7 525</td>
<td>5 800</td>
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<tr>
<td>CAR covered by prudential capital times</td>
<td>3,5</td>
<td>4,4</td>
<td></td>
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</tbody>
</table>

Notes

\(^{(1)}\) Core earnings = net result from financial services and net investment income (including dividends received from non-operating associates).

\(^{(2)}\) Normalised headline earnings = core earnings, net investment surpluses, secondary tax on companies and equity-accounted headline earnings less dividends received from non-operating associates, but excluding fund transfers.

\(^{(3)}\) Administration costs as a percentage of income after sales remuneration.

\(^{(4)}\) Result from financial services as a percentage of income after sales remuneration.

\(^{(5)}\) PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.

\(^{(6)}\) Life new business margin = value of new business as a percentage of life insurance PVNBP.

\(^{(7)}\) Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the period.
## Group ten-year review

### Extracts from financial statements

<table>
<thead>
<tr>
<th></th>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Result from financial services before tax</strong></td>
<td>4 539</td>
<td>4 098</td>
<td>3 455</td>
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<tr>
<td><strong>Core earnings</strong></td>
<td>4 146</td>
<td>3 365</td>
<td>3 280</td>
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<tr>
<td><strong>Headline earnings</strong></td>
<td>4 833</td>
<td>6 838</td>
<td>5 813</td>
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<tr>
<td><strong>Shareholders’ funds</strong></td>
<td>29 334</td>
<td>29 121</td>
<td>25 020</td>
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<tr>
<td><strong>Policy liabilities</strong></td>
<td>244 660</td>
<td>237 864</td>
<td>198 234</td>
</tr>
<tr>
<td><strong>Net asset value per share (cents)</strong></td>
<td>1 826</td>
<td>1 640</td>
<td>1 293</td>
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<tr>
<td><strong>Group Equity Value per share (cents)</strong></td>
<td>20 8</td>
<td>21 1</td>
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</table>

### New business

#### Long-term insurance business

<table>
<thead>
<tr>
<th></th>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual insurance</strong></td>
<td>16 216</td>
<td>11 824</td>
<td>8 391</td>
</tr>
<tr>
<td>Recurring premiums</td>
<td>3 222</td>
<td>1 969</td>
<td>946</td>
</tr>
<tr>
<td>Single premiums</td>
<td>10 770</td>
<td>8 187</td>
<td>5 803</td>
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<tr>
<td>Continuations</td>
<td>2 224</td>
<td>1 668</td>
<td>1 642</td>
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<tr>
<td><strong>Employee benefits</strong></td>
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<td>2 400</td>
<td>2 829</td>
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<tr>
<td>Recurring premiums</td>
<td>204</td>
<td>194</td>
<td>199</td>
</tr>
<tr>
<td>Single premiums – gross</td>
<td>2 190</td>
<td>2 206</td>
<td>2 630</td>
</tr>
<tr>
<td>Single premiums – intergroup switches</td>
<td>—</td>
<td>—</td>
<td>—</td>
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</tbody>
</table>

#### Total long-term insurance business

<table>
<thead>
<tr>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 610</td>
<td>14 224</td>
<td>11 220</td>
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</table>

#### Other business

<table>
<thead>
<tr>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
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<tbody>
<tr>
<td>83 394</td>
<td>66 424</td>
<td>51 004</td>
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<table>
<thead>
<tr>
<th></th>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
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</thead>
<tbody>
<tr>
<td>Linked products</td>
<td>10 901</td>
<td>8 653</td>
<td>7 340</td>
</tr>
<tr>
<td>Segregated funds – Sanlam Investment Management</td>
<td>19 219</td>
<td>15 706</td>
<td>12 602</td>
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<tr>
<td>Segregated funds – International</td>
<td>3 218</td>
<td>4 170</td>
<td>1 812</td>
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<tr>
<td>SIM Multi-Manager</td>
<td>5 238</td>
<td>2 131</td>
<td>3 094</td>
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<tr>
<td>Collective investments: Retail</td>
<td>17 377</td>
<td>10 546</td>
<td>8 937</td>
</tr>
<tr>
<td>Collective investments: Wholesale</td>
<td>8 240</td>
<td>7 368</td>
<td>2 510</td>
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<tr>
<td>Collective investments: White Label</td>
<td>7 794</td>
<td>7 647</td>
<td>5 838</td>
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<tr>
<td>Short-term insurance</td>
<td>11 407</td>
<td>10 203</td>
<td>8 871</td>
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#### Total new business

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<thead>
<tr>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
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</thead>
<tbody>
<tr>
<td>102 004</td>
<td>80 648</td>
<td>62 224</td>
</tr>
</tbody>
</table>

### Recurring premiums

#### Long-term insurance business

<table>
<thead>
<tr>
<th></th>
<th>2007 R million</th>
<th>2006 R million</th>
<th>2005 R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual insurance</td>
<td>11 340</td>
<td>10 860</td>
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<tr>
<td>Employee benefits</td>
<td>3 566</td>
<td>2 901</td>
<td>2 977</td>
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#### Total recurring premiums

<table>
<thead>
<tr>
<th>2007 R million</th>
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<th>2005 R million</th>
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<tbody>
<tr>
<td>14 906</td>
<td>13 761</td>
<td>11 815</td>
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</table>

### Staff

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office staff (excluding intermediaries) (number of persons)</td>
<td>9 393</td>
<td>9 037</td>
<td>8 945</td>
</tr>
</tbody>
</table>

(1) Restated for the adoption of IFRS in the 2005 financial year. Figures for years prior to 2004 have not been restated.
(2) Shareholders’ interest in subsidiaries adjusted from net asset value to fair value.
(3) Administration costs and result from financial services (excluding Sanlam Life restructuring cost) as a percentage of income earned by the shareholders’ funds less sales remuneration.
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<td>R million</td>
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<td>2004</td>
<td>3 115</td>
<td>2 405</td>
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<td>2 092</td>
<td>1 656</td>
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<td>2000</td>
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<td>145 248</td>
<td>133 952</td>
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The Retail cluster includes Sanlam Personal Finance and Sanlam Developing Markets.

**Sanlam Personal Finance** is a major provider of a wide range of individual life insurance and personal financial services and solutions, including estate planning and trusts, home loans, personal loans, linked products, money transfer and financial services in South Africa, Namibia and the UK.

**Sanlam Developing Markets** provides affordable financial services solutions primarily to the entry-level market in South Africa and to the wider financial services segments in other developing markets in which Sanlam operates (five other African countries as well as India).

The Institutional cluster includes Sanlam Investments, Sanlam Employee Benefits and Sanlam Capital Markets.

**Sanlam Investments** incorporates Sanlam's investment-related businesses in South Africa, USA, Europe and Rest of Africa. Sanlam Investments' areas of service and solutions include traditional asset management, alternative investment solutions, property asset management, collective investments (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration.

**Sanlam Employee Benefits** provides life insurance, investment and annuity solutions for group schemes and retirement funds and fund administration for retirement and umbrella funds.

**Sanlam Capital Markets** provides risk management, structured product solutions and associated capital market activities.

| Contribution to net Group operating result (R million) | 1 677 | 1 086 |
### Short-term Insurance cluster

The Short-term Insurance cluster is comprised of a 55.9% shareholding in **Santam**, the leading short-term insurer in South Africa. Santam focuses on the corporate, commercial and personal markets. It has a market share in excess of 20% and a countrywide infrastructure and broker network. Santam has related business interests in Africa and Europe.

### Corporate

The corporate head office is responsible for the Group’s centralised functions, which include strategic direction, financial and risk management, group marketing and communications, group human resources and information technology, corporate social investment and general group services.

**Sanlam Independent Financial Services** invests in independent customer-facing entities and intermediary businesses in the financial services industry that are generally not Sanlam branded.

| 372 | (106) |

**Sanlam is one of the largest financial services groups in South Africa.**

**The Group has business interests elsewhere in Africa, Europe and India.**
Sanlam annual report 2007

1962 . . .

– Anna Oliver, Sanlam employee since 1962

sanlam, a journey for life
Anna Oliver started her career at Sanlam in 1962 as a typist in the “Agentesake” department (Agent Affairs) and was promoted to a secretary in 1964, working for six different managers until 1977. From 1978 to 1983 she acted as a permanent stand-in secretary for Sanlam’s executive management after which she became involved with Board matters as personal assistant for the company secretary in 1983. In addition to this role, she is now the Group’s permanent Board Secretary, a position to which she was appointed in 1994.
Sanlam remains on a growth trajectory. Supported by a loyal and sizeable existing policyholder and investor base, diversification into other financial services opportunities continues to gain momentum.
I am pleased to be reporting on a financial year that saw the Sanlam group achieve significant growth for its shareholders.

Shareholders were rewarded with a return of 29% for the year ended 31 December 2007, which exceeded the performance of the JSE All Share Index by a margin of 10%. This return consists of a R4,45 increase in the Sanlam share price for the year and a dividend per share of 77 cents.

Last year’s performance was not an isolated event – the Sanlam share price also outperformed its peer group as measured by the South African Life Assurance Index over the five-year period ended 31 December 2007 by an average of 7% per annum. This bears testimony to the Group’s ability to adapt and perform in an environment where uncertainty prevails and challenges are the norm.

Sanlam remains on a growth trajectory. Supported by a loyal and sizeable existing policyholder and investor base, diversification into other financial services opportunities continues to gain momentum. The goal is to achieve a world-class South African financial services group that delivers wealth creation and protection for clients both in South Africa and beyond our borders across a range of different financial services solutions.

Therefore, each Sanlam share not only comes with the credentials of solid past performance, but also with a commitment from the Sanlam board and management to keep on delivering long-term value and growth.

Sanlam is well positioned to continue to maximise shareholder value. During 2007 the Group delivered improved performances in both new business margin and efficiency terms and enhanced its non-traditional distribution channels significantly within a very competitive operating environment. The effective management of the Group’s capital base remains a key component of our strategy to maximise shareholder value.

Performance review

The Sanlam group delivered a solid performance in 2007. A cause for celebration is the fact that we reached two important milestones during the 2007 financial year: new business volumes exceeded R100 billion for the first time and core earnings passed the R4 billion mark.

In 2007 we changed over from Embedded Value to Group Equity Value (GEV) as the preferred term for reporting on the aggregate value of the Group operations (refer financial review on page 118 for more information). Reporting on GEV is considered a more meaningful method of disclosing information for the combined Group given the transformation of Sanlam into a diversified financial services organisation.

At the end of 2007, the GEV per share amounted to R23,50 compared to R20,47 at the end of the previous financial year. A return on GEV per share of 18,8% was achieved during the year, again well in excess of the Group’s target.
There has also been an improvement in consumer confidence in the life insurance industry since hitting an all-time low around three years ago. A strong contributor to last year’s new business flows was our life business – life sales grew by 25%. Combined with 32% growth in new investment business, the Group’s total new business volumes increased by 26% to reach R102 billion in 2007. The value of new life business of R567 million is 31% up on the comparable 2006 period with an increase in the average margin from 2.14% in 2006 to 2.37% in 2007.

Core earnings for the year amounted to R4 146 million, up by 23% on 2006. When analysing the sources of this earnings growth, it becomes apparent that our strong diversification focus in recent years is continuing to pay off. An increase of 16% in the net result from financial services contributed towards the earnings growth, together with an increase in net investment income of 47%. All the major businesses performed satisfactorily within the context of a challenging business environment and volatile debt and equity markets in the latter part of 2007. In addition, we have managed to contain costs within inflationary limits, with a marginal increase of 0.7% in the Group administration cost ratio over 2006 – substantially due to new ventures and an increase in capacity.

A more subdued investment market performance in 2007, compared to the exceptional returns in 2006, largely contributed to a 22% decline in normalised headline earnings. Diluted headline earnings per share, including the IFRS impact of Sanlam shares held by the policyholders’ funds, are 29% lower than in 2006.

**Sustainability and transformation**

Our operating environment is not only influenced by market conditions and economic challenges (as outlined in the CEO Report), but also social and environmental factors.

In order to ensure sustained profits over the long term the Sanlam group needs to understand and manage sustainability and corporate citizenship issues that influence its operating environment. We therefore continue to aim for profitable growth on a sustainable basis measured not only by the financial bottom line, but also by the triple bottom line (economic, social and environmental performance).

Since we strongly believe that triple bottom line performance is relevant to delivering shareholder value, our mission is to ensure that Sanlam remains a sustainable socially responsible investment that delivers superior returns to our investors. In this regard it is noteworthy that Sanlam was again listed on the JSE Socially Responsible Investment Index for the fourth consecutive year in 2007. This achievement took on even more significance last year since the Index adopted the internationally rated FTSE criteria.

A dedicated Sanlam board subcommittee known as The Sustainability committee focuses on the governance of sustainability. Under the guidance of this committee, we once again received an A Rating against the Financial Sector Charter (FSC) for our Broad-based Black Economic Empowerment (BBBEE) initiatives. This is the highest rating financial sector companies can achieve for BBBEE. Sanlam remains an active participant in the FSC process and supports its continuation.
We continue to monitor the significant risk that HIV/AIDS poses to South Africa’s population and to the development of the country. As a life insurer we are more than adequately covered through specific provisions for HIV/AIDS-related claims. We are also pro-actively addressing the problem through innovative solutions, like the Sanlam LifePower range of solutions with life and disability for people living with HIV, that we launched in 2007.

**Embracing empowerment**

Sanlam was the first major financial institution in South Africa to translate black economic empowerment (BEE) into ownership. Our broad-based empowerment transaction resulted in the Ubuntu-Botho (UB) consortium buying a 10% share in Sanlam in 2004.

Over 800 individual broad-based UB shareholders, as well as the Sanlam Ubuntu-Botho Community Development Trust, benefitted from a R50 million dividend paid by UB during 2007.

As a majority shareholder, we also supported Santam’s R915 million broad-based black economic empowerment transaction last year. Together with all other Santam shareholders, Sanlam made 10% of its holding in Santam available at a discount.

**Corporate governance**

Sound governance principles remain one of the top priorities of the Sanlam board and Sanlam’s executive management. I am happy to report that Sanlam again completed the year under review compliant with all relevant corporate governance standards and practices.

Last year, Deutsche Bank conducted a survey on corporate governance practices in South Africa, covering a large number of JSE-listed companies. The report was released at the end of November last year and Sanlam was given a positive governance assessment score against an international best practice set of criteria.

**Board review**

As at the end of the 2007 financial year, the Sanlam board comprised 18 members: two were non-executives, 14 were independent non-executives (in accordance with King II’s “independence” standards), and two were executive directors.

Two independent non-executive directors, Eugene van As and Boetie van Zyl, who had served as directors of Sanlam Limited for four and nine years respectively, retired at the annual general meeting in 2007, thus reducing the total number of directors to 18. We would like to again express our gratitude to both for their valuable contributions over the years to the board and to Sanlam as a whole.
The value of the contribution by each director is measured annually by the Nominations committee. In addition, the effectiveness of the board, its subcommittees and the chairman of the board are assessed annually.

This assessment, which is performed in alternate years either by an external service provider or internally, is aimed at determining how the board’s effectiveness can be improved. At the end of the year under review the board-effectiveness review was conducted by Deloitte & Touche and the results were positive.

**An industry transforming**

Sanlam has been at the forefront of encouraging greater value for policyholders and the convergence of the financial services industry, as we believe that it is in the best interests of our clients. To enable us to deliver complete client-centric solutions aimed at creating and protecting wealth for both private as well as institutional investors, as is our strategy, the silo approach currently still prevalent in our industry must be phased out.

We will therefore also be supporting the amalgamation of different associations representing different aspects of our offerings to consumers.

Although still at a very early stage, we have begun to prepare for the Social Security and Retirement Reform process, which we are confident will gather momentum this year. In addition, we are also ready to implement the new commission dispensation applicable to the life industry’s savings solutions, once finalised.

**Looking ahead**

A number of significant challenges started emerging onto the South African investment horizon towards the end of last year and at the beginning of 2008.

Together with the intense volatility that started to plague international equity markets, the threat of continuing interest-rate hikes, increasing inflation and Eskom’s power supply dilemma have started impacting on investor confidence as measured by the Sanlam Investment Management (SIM) Investor Confidence Index, which surveys sentiment among financial planners and institutional investors every month.

Adding to the negative sentiment is the continued weakness in the US housing market and the potential of a US and European slowdown.

It would be naïve to think that Sanlam as a Group would not be impacted by the current challenges in the investment environment. But we are confident that our strong focus on diversification will make a difference and assist performance in what will be a challenging year.
Johan van Zyl in his CEO Report alludes to a number of diversification projects initiated over the past two years and the benefits to shareholders. Our most recent acquisition (subject to regulatory approval) in line with our internationalisation strategy is the purchase of a majority interest in Principal Investment Holdings, a UK-based private client investment business. Principal manages approximately £1 billion (R15.1 billion) worth of assets in the UK and complements the existing private client business of Sanlam Private Investments (SPI).

This year is of particular importance for us at Sanlam as we reflect on the past 90 years during which we have made every effort to grow into one of the foremost financial institutions in Africa. It is with pride that we look back on our history that has taken us from our humble beginnings as the Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappij Beperk (Sanlam) in 1918 to the Sanlam of today, a leader in wealth creation. We remain committed to continuing on our path of transforming into a diversified financial services organisation, with a clear focus on maximising return for our clients and shareholders.

**In closing**

As we approach our 90th birthday and 10th year of listing on the JSE and Namibian stock exchanges, I would like to thank my fellow board members, Johan van Zyl and his management team, each and every Sanlam staff member and our intermediary force for their role in setting Sanlam on a firm growth path into the future.

Despite the challenges lying ahead in 2008, I look forward to being able to report on another year of solid achievements a year from now.

Roy Andersen

*Chairman*
Sanlam board of directors and committee memberships

Independent non-executive directors

1. Roy Andersen (59) (Chairman)
   - Appointed in 2004
   - Qualifications: CA (SA), CPA (Texas)
   - Sanlam and Sanlam Life committee membership: Nominations (Chairman), Human Resources, Non-executive Directors (Chairman)

2. Manana Bakane-Tuoane (59)
   - Director since 2004
   - Qualifications: PhD (Economics) (University of Saskatchewan, Canada)
   - Major external positions, directorships or associations: Municipal Manager Emfuleni, African Rainbow Minerals
   - Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors, Retail Cluster

3. Anton Botha (54)
   - Director since 2006
   - Qualifications: BProc, BCom (Hons) Investment Management, Stanford Executive Program
   - Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Sanlam Capital Markets, Sanlam Investment Management, Imalivest
   - Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive Directors, Institutional Cluster

4. Attie du Plessis (63)
   - Director since 2001
   - Qualifications: BCom, CA (SA), AMP (Harvard), AEP (Unisa)
   - Major external positions, directorships or associations: Absa (retired 31/12/2007), KWV, Sanlam Investment Management
   - Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster
Fran du Plessis (53)
Director since 2004
Qualifications: BCom (Hons) Taxation, BCom LLB, CA (SA)
Major external positions, directorships or associations: KWV, Naspers, Keeromstraat 30 Beleggings, Heemstede Beleggings, South African Airways, IDC, Findevco, LDP Incorporated
Sanlam and Sanlam Life committee membership: Audit and Risk, Policyholders’ Interest (Chairperson), Non-executive Directors

Wilmot James (54)
Director since 2004
Qualifications: PhD (Wisconsin)
Major external positions, directorships or associations: Media 24, Cape Philharmonic Orchestra, African Genome Education Institute, Grape Company, The Fynbos Foundation, Fynbos
Sanlam and Sanlam Life committee membership: Policyholders’ Interest, Sustainability, Non-executive Directors

Valli Moosa (51)
Director since 2004
Qualifications: BSc (University of Durban-Westville)
Major external positions, directorships or associations: Leroko Investments, Eskom, Imperial, Sun International, Real Africa Holdings, Anglo Platinum, ANC (National Executive Council), Auditor General Advisory Board, IUCN (World Conservation Union)
Sanlam and Sanlam Life committee membership: Sustainability (Chairman), Non-executive Directors, Institutional Cluster

Raisibe Morathi (38)
Director since 2006
Qualifications: CA (SA)
Major external positions, directorships or associations: Afrism, Santam
Sanlam and Sanlam Life committee membership: Policyholders’ Interest, Non-executive Directors, Institutional Cluster

Sipho Nkosi (53)
Director since 2006
Qualifications: BCom (Hons) Economics, MBA
Major external positions, directorships or associations: Eyesizwe, Exxaro, Anooraq Resources
Sanlam and Sanlam Life committee membership: Non-executive Directors, Retail Cluster

Ian Plenderleith (64)
Director since 2006
Qualifications: MA (Oxon), MBA (Columbia), FCT, FSI, CBE
Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster
Sanlam board of directors and committee memberships continued

Maria Ramos (49)
Director since 2004
Qualifications: BCom (Hons), MSc Economics (London)
Major external positions, directorships or associations: Transnet, Remgro
Sanlam and Sanlam Life committee membership: Nominations, Non-executive Directors

George Rudman (64)
Director since 2001
Qualifications: BSc, FFA, FASSA, ISMP (Harvard)
Major external positions, directorships or associations: Santam
Sanlam and Sanlam Life committee membership: Audit and Risk (Chairman), Non-executive Directors, Retail Cluster, Short-term Insurance Cluster

Bernard Swanepoel (46)
Director since 2004
Qualifications: BCom (Hons), BSc (Mining Engineering)
Major external positions, directorships or associations: African Rainbow Minerals, Mintails, Wits Business School Advisory Board, Pretoria University Mining Engineering Advisory Board
Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail Cluster

Lazarus Zim (47)
Director since 2006
Qualifications: BCom (Hons), MCom, DCom (HSc)
Major external positions, directorships or associations: Anglo American SA, Chamber of Mines of SA, Kumba, Telkom, Afriflame, Northam Platinum, Mvelaphanda Resources, Transhex
Sanlam and Sanlam Life committee membership: Non-executive Directors
Non-executive directors

Patrice Motsepe (46) (Deputy Chairman)
Director since 2004
Qualifications: BA (Legal), LLB

Rejoice Simelane (55)
Director since 2004
Qualifications: PhD (Econ) (Connecticut)

Executive directors

Johan van Zyl (51)
Director since 2001 – Group Chief Executive since 2003
Qualifications: PhD, DSc (Agric)
Major external positions, directorships or associations: Sanlam Investment Management, Sanlam Netherlands Holding BV, Santam, African Life Assurance Company, University of Pretoria, Hans Merensky Foundation, Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster (Chairman), Retail Cluster (Chairman), Institutional Cluster (Chairman)

Kobus Möller (48)
Financial Director since 2006
Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)
Our results reflect a company that has started to reap the benefits of a focused business strategy, implemented four years ago.
2007 – How did we do?

I am extremely pleased to be reporting back on a financial year that reflects a company that has started to reap the benefits of a focused business strategy, implemented four years ago.

The essence of this ongoing strategy is to grow a trusted world-class South African financial services group that delivers complete client-centric solutions aimed at creating and protecting wealth for both private as well as institutional investors.

The fact that new business volumes exceeded the R100 billion mark during the 2007 financial year for the first time ever is a clear indication that we are on the right track with this strategy. Last year every single business cluster contributed to the strong performance, which makes this achievement even more significant.

Our strategy continues to centre around five pillars: capital efficiency, earnings, costs and efficiencies, transformation and diversification. However, two of these pillars attracted additional focus last year for strategic reasons, namely transformation with regard to people and diversification.

Only five years ago more than three quarters of all inflows were generated by our life insurance business. Last year only about a one fifth of our inflows came from the life side – a direct result of our successful diversification strategy.

We are also proud to boast the fastest growing private client business in the country. Sanlam Private Investments now boasts assets under management of more than R50 billion. Six years ago this operation was making a loss – in 2007 it generated pre-tax profits of more than R80 million.

Over the past two years most of our growth has emanated from new efforts such as:

- Focusing on the Gauteng market where we were under-represented;
- Venturing into the South African entry-level market with African Life, Channel Life and Safrican;
- Our diversification into Africa where we now have some 1 500 intermediaries selling our solutions;
- Expansion into India where some 16 400 people are representing us, and the UK market where we have more than 500 people on the ground; and
- Focusing on the institutional market where Sanlam Investment Management and Sanlam Capital Markets have grown their income base substantially by leveraging off the life platform.

In addition, we succeeded in freeing up capital of more than R3 billion last year. This has been added to our discretionary capital, which we will invest in new projects that will spearhead the growth of this business well into the future, apart from a portion that will be returned to shareholders through share buy-backs. Much of our focus this year will be on bedding down these initiatives.

R2.9 billion was utilised to buy back Sanlam shares in 2007. The aggregate amount of capital return through share buy-backs since the start of 2005 now amounts to R9 billion. This represents 588,8 million shares or 21,4% of Sanlam’s issued share capital as in the beginning of 2005.

One of the significant new initiatives launched last year is SanlamConnect, a revolutionary new distribution model that will help position Sanlam as a leader in our rapidly changing financial services industry.

We also introduced Sanlam Liquid, our transactional banking initiative, with the aim of increasing the choice of solutions available to our clients as part of our client retention strategy.

And towards the end of 2007, we became the first big South African financial services company to launch more affordable and flexible life and disability cover for people living with HIV, known as the Sanlam LifePower range.

In summary, the past year represents the fifth year of our long-term journey which is going to take us to our goal of being the world-class financial services provider that we have promised we will become. For us at Sanlam, 2007 was...
significant because it was our first real growth year after spending the previous years fixing the business and
developing a wider base.

Maximising Return on Group Equity Value (ROGEV) through improved capital efficiency and earnings growth remains
a central target of our strategy since this is the most relevant measure of value creation. In this regard, the Group has
set a target of outperforming the 10-year bond yield plus 3% to 4% on a sustainable basis. This was achieved in
2007, with a total return on GEV per share of 18.8%. All of the businesses contributed to the growth, with a particular
strong performance from the investment return earned on Santam.

Our shareholders will also have noticed that the Sanlam share price went up by more than 20% during 2007, from
R18.30 on 31 December 2006 to R22.75 a year later.

Overall, I firmly believe that we succeeded in creating value for our shareholders in 2007.

Performance highlights

We reached important milestones during 2007 with new business volumes and core earnings exceeding R100 billion
and R4 billion respectively for the first time. This performance epitomises an overall solid performance in 2007,
highlighted by the following achievements:

- Net result from financial services increased by 20% to 133.3 cents per share.
- Core earnings per share increased by 27% to 182.4 cents per share.
- New business volumes of R102 billion are 26% higher than 2006.
- Value of new life business improved by 31% to R567 million.
- Return on Group Equity Value per share of 18.8%.
- Dividend per share increased by 21% to 93 cents per share.

Operating environment

We expect that 2007 may well be remembered as a major inflection point, not only for the global economy, but also
for South Africa.

For the equity market, 2007 turned out to be a year of two halves. The first half of the year brought with it a steady
rise in equity prices. However, the second half of the year was characterised by increased volatility, largely as a result
of the crisis in the US subprime lending market. A sharp correction in equity prices in the third quarter of last year
was, however, followed by a vigorous recovery, allowing the market to end the year on a substantially higher level. The
JSE All Share Index managed to grow by 16% for the year ended December 2007, mainly off the back of resources.

Despite the volatility and uncertainty in the markets, the majority of our investment portfolios outperformed and even
earned accolades. It comes as no surprise then that the Sanlam Investments cluster reported performance fees of
just over R525 million for 2007, compared to R356 million in 2006.

Globally, our flagship fund, the Sanlam Global Best Ideas Fund, has consistently ranked in the top 10 out of 600
global peers since its inception in September 2004. And the Sanlam Global Financial Fund has been rated by
Morningstar as number one over all reporting periods since its inception in April 2004.

The recent Raging Bull Awards for 2007 also recognised a number of our local unit trust funds for their consistent
performance.

Real economic activity remained strong in 2007, but growth in real household disposable income nevertheless
slowed down as higher inflation, combined with rising interest rates, took its toll. The household debt burden
continued to rise to record levels, and debt-servicing costs increased to a level last seen in 1999. Household savings remained in negative territory and this is of concern to us.

Realising that in a low savings environment the majority of consumers consider the home they live in as their core savings, we expanded into the home loans arena a few years ago. Solid growth in this area backs our convergence strategy aimed at meeting clients’ financial needs, whatever they are.

The 2007 financial year will also be remembered by the financial services industry as a year during which a number of positive and pro-active steps were taken to better align the industry with changing consumer needs.

Sanlam, together with the rest of the life insurance industry, implemented the Statement of Intent and enhanced the values of thousands of retirement annuity funds and endowment policies during the first half of last year. The implementation of the Statement of Intent represented an important step for the life insurance industry towards regaining consumer confidence.

We also expect the Social Security and Retirement Reform process announced last year to gather momentum during 2008. This process represents an important step towards establishing a system that will encourage a wider spectrum of South Africans to save for their retirement and provide for risk events such as death and disability.

This year we will be embracing the new commission regulations that will be applicable to our industry’s long-term savings solutions. We are hopeful that this will culminate in a commission model that will offer a better balance between upfront and as-and-when commission.

Transforming Sanlam

In 2007, Sanlam once again received an A Rating against the Financial Sector Charter (FSC) for our Broad-based Black Economic Empowerment (BBBEE) initiatives. This is the highest rating financial sector companies can achieve for BBBEE. We were also ranked as the 19th most empowered company listed on the JSE by Empowerdex, up from 56th place in 2006.

We remain committed to transforming the Sanlam group into a business that is representative of our diversified client base. Significant effort has therefore been channelled into attracting and retaining black staff members across the organisation, but in particular at the senior level.

Combined with our efforts to become the employer of choice in the financial services industry, we have therefore managed to attract a black staff complement consisting of top industry talent. In 2007, 82% of all new appointments were black. At the end of January 2008 we had 45% black and 64% female staff members.

However, the financial services industry continues to experience a shortage of skilled staff and a high turnover of staff therefore continues to be of concern.

To counter this over the long term, focused development of internal staff members is encouraged with the aim of growing Sanlam’s own supply of talent. All our businesses have introduced specific initiatives to implement this approach with urgency.

We view the continued transformation of our organisation’s culture and diversity as key in terms of our competitiveness and long-term sustainability. A critical component to achieving this is the development and management of our human capital.

In this regard Sanlam has accepted the international Investors in People Standard as a standard by which training and development are closely linked to the performance development process. This standard sets out a level of good practice for the training and development of people to achieve business goals. We are proud of the fact that Sanlam Personal Finance became the first life company in South Africa to receive full accreditation. African Life also achieved accreditation in 2007.

During 2007, Sanlam spent approximately 3%, or R77 million, of its total payroll on training and development.
2008 – Delivering sustainable growth

We remain firmly on the right track and a fundamental shift in strategy would therefore not be appropriate. We have, however, set ourselves the firm goal for 2008 and beyond to lift the performance bar and to further strengthen our long-term strategic positions to:

- **Aggressively improve performance and attain a leadership position in wealth creation in South Africa beyond life insurance**
  - Improve the effectiveness of our traditional distribution models and introduce new initiatives such as SanlamConnect.
  - Release capital and investigate acquisitions that will deepen our presence.
  - Systematically build our bancassurance arrangements and transactional banking capability.

- **Improve capital efficiency even further**
  - Ensure effective management of our capital base by making strategic investments, building a balanced portfolio and applying capital in the most efficient manner.

- **Prioritise the international positioning**
  - Expand international operations’ share of Group operating profits.
  - We believe attractive opportunities are to be found in India.
  - Create a leading position in the financial services emerging markets.

- **Accelerate transformation**
  - Maintain a relevance to a changing market demographic and respond to the requirements of our key stakeholders in terms of BBBEE.

In 2008 we will also be focusing on achieving a sustainable superior rating of our Group by enhancing ROGEV through:

- Further optimisation of the Sanlam group capital structure;
- Delivering topline growth; and
- Improved operational efficiency.

Our big thrust in 2008 will be to retain clients by ensuring that our offering meets all their needs – from financial planning process to investing to banking. Every year billions of benefit payouts leave the Sanlam group – it is our aim to produce an offering that will convince clients to stay with us, even once their policies or investments have paid out.

The same is true for our investment management operation, where we have started structuring the business into a comprehensive wealth management cluster so that we no longer need to pass on client money to outside multi-managers or alternative investment managers.

Hence our strong focus on internationalisation. Not only does a strong offshore offering support our diversification strategy, but it also ensures that clients have more options within the Sanlam group. Our acquisition of Principal Investment Holdings, a UK-based private-client asset manager, at the beginning of 2008, forms part of this strategy.
Sanlam is now well represented in all market segments, from the entry-level market through to the high net worth market. Different opportunities continue to present themselves in each of the segments and different aspects of our overall strategy take priority in these segments.

During 2008 we will focus on growing our market share in the entry-level market, which represents a major growth area for us. Increasing our slice in the affluent market segment will be much tougher. In the affluent market segment we are looking at strategic acquisitions to expand our footing, and at the top end of the market improving our international offering is likely to attract a bigger client base.

In 2008, we will be operating in an environment marked by heightened uncertainty. In addition, we will also be grappling with the impact of the Social Security and Retirement Reform process. We believe that our strong focus on diversification in recent years will pay off handsomely in these times where uncertainty prevails.

**Special focus areas**

During 2007 the majority of our business clusters continued to perform well and in line with our strategy. There are, however, two business units requiring special focus this year.

Channel Life in the Sanlam Developing Markets cluster posted disappointing returns on the back of poor performance in the Channel Life call centre. New business controls were implemented towards the end of last year and a mainly new executive team was appointed. The focus this year will be on implementing the turnaround strategy for Channel Life.

Employee Benefits was incorporated into the Sanlam Investments cluster in January 2007 and underwent a significant restructuring during the first half of 2007. While this approach has already started yielding the desired results, this business is not yet where we would like it to be and will therefore enjoy increased attention during 2008.

We were also slower than anticipated in releasing surplus capital in 2007. But we will be making announcements in this regard during the course of this year.

On the growth and innovation front, we are partnering in an exciting new venture called MiWay, a direct sales business aimed at selling a range of financial service solutions directly to the South African middle market. This venture, launched in February 2008, promises to effectively compete in a space that is growing in importance at the expense of intermediated solutions.

**In closing**

I am proud of the achievements delivered in 2007 by the majority of the businesses that make up the Sanlam group. Our people hold the key to Sanlam’s ability to operate profitably and to transform successfully, and I would like to thank our staff and our intermediaries for taking the necessary ownership and for demonstrating the required responsibility that made 2007 such a successful year. My appreciation also goes to my management team and the board for their ongoing commitment, support and guidance.

Johan van Zyl

*Group Chief Executive*
Sanlam annual report 2007

Executive committee

1 Johan van Zyl (51)
Appointed: 2001 – Group Chief Executive
Qualifications: PhD, DSc (Agric)
Former Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

2 Kobus Möller (48)
Appointed: 2003 – Financial Director
Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)

3 Themba Gamedze (49)
Appointed: 2004 – Chief Executive: Marketing and Strategic Investments
Qualifications: BA (Hons), MSc, FIA, FASSA
Former empowerment executive at Liberty Life and associate director: Structured products at HSBC Securities.

4 Ian Kirk (50)
Appointed: 2006 – Chief Executive: Santam
(Formerly Chief Executive: Strategy and Special Projects at Sanlam)
Qualifications: FCA (Ireland), CA (SA), HDip BDP (Wits)
Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.
5 Lizé Lambrechts (44)

Appointed: 2002 – Chief Executive: Sanlam Personal Finance
Qualifications: BSc (Hons), FIA, EDP (Manchester)


Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group’s individual life business.

6 Temba Mvusi (52)

Appointed: 2004 – Chief Executive: Market Development
Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)


Council member of the Walter Sisulu University and Bishops Cape Town.

7 Johan van der Merwe (43)

Appointed: 2002 – Chief Executive Officer: Sanlam Investments
Qualifications: MCom, MPhil, CA (SA), AMP (Harvard)

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002. Executive director of Sanlam Investment Management and director of all the companies in Sanlam Investments and Chairman of Sanlam Capital Markets, Simeka Consultants & Actuaries, Sanlam Properties, Sanlam Multi-Manager International and Sanlam Asset Management (Ireland).

Former director of Investec Asset Management and head of corporate finance and tax at Billiton. A director of the Investment Managers Association of SA.

8 Heinie Werth (44)

Appointed: 2005 – Chief Executive: Sanlam Developing Markets
Qualifications: Hon’s B Accountancy, CA (SA), MBA (Stellenbosch), EDP (Manchester)

Appointed Chief Executive: Developing Markets in December 2005 after serving as Financial Director of Sanlam Life from April 2002. Chief Executive of African Life Assurance Company and a director of a number of African Life affiliate boards, non-executive director of Shriram Life Insurance (India) and Chairman of Channel Life.

Former Senior General Manager (IT) of Sanlam Life, Financial Director of Sanlam Employee Benefits and Manager: Corporate Finance of Gencor and Financial Director of Kelgran.

9 André Zeeman (47)

Appointed: 2005 – Chief Actuary
Qualifications: BCom, FIA, CFP, EDP (Manchester)


Non-executive director of Sanlam Customised Insurance.

Former Chief Actuary: Actuarial of Sanlam Life and held various managerial positions in the Actuarial department since appointment at Sanlam in 1982.
The board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.
Statement of commitment

The Sanlam board of directors is committed to and fully endorses the principles of the South African Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance (King II), and to the highest level of corporate governance and global best practice. We subscribe to a governance system whereby in particular ethics and integrity set the standards for compliance, and we constantly review and adapt our structures and processes to accommodate internal corporate developments and to reflect national and international best practice.

The directors of Sanlam believe that Sanlam complies with and has implemented the applicable requirements of King II in all significant respects, with regard to the year under review. Sanlam also takes due cognisance of international corporate governance standards and practices.

The board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders. The board also appreciates that corporate governance is a component of equity risk and acknowledges the relationship between governance and risk management practices, equity performance and corporate profitability. Sound governance principles remain one of the top priorities demonstrated by the board and Sanlam’s executive management.

Application of and approach to the Code

According to Sanlam’s decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of the Code of Corporate Practices and Conduct. All the business and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam’s overall philosophy, policy and governance on sustainability are set out in the Sustainability and Corporate Citizenship Report on page 58 of this annual report.

Governance developments entrenched

The revised corporate governance structure for the Sanlam group, appropriately entrenched during 2007, was as follows:

Board structures

The non-executive directors of Sanlam Limited (Sanlam) serve in the same capacity on the board of Sanlam Life Insurance Limited (Sanlam Life). The two boards function as an integrated unit in practice as far as possible. Both boards have the same independent director as chairman as well as the same executive director as CEO.

Board responsibilities and functioning

The Sanlam and Sanlam Life board meetings are combined meetings, thereby removing one layer in the decision-making process in an attempt to prevent duplication of effort and to improve the flow of information, as well as to increase the efficiency of the two boards.
The agenda of the Sanlam board focuses more on Group strategy, capital management, accounting policies, financial results and dividend policy, human resource development, as well as corporate governance and JSE requirements. It is also responsible for the relationship with shareholders and other stakeholders in the Group. The Sanlam board has the following board committees:

- Audit and Risk
- Nominations
- Human Resources
- Sustainability
- Non-executive Directors
- Policyholders’ Interest

The Sanlam Life board is responsible for statutory issues across all Sanlam businesses as well as monitoring operational efficiency and operational risk issues throughout the Group. The responsibility for managing all Sanlam’s direct subsidiaries has been formally delegated to the Sanlam Life board. The Sanlam Life board has the following board committees:

- Audit, Actuarial and Risk
- Human Resources
- Retail Cluster
- Institutional Cluster
- Short-term Insurance Cluster
- Policyholders’ Interest

Business clusters

The Group’s businesses and underlying business units consist of two macro-business clusters, Retail and Institutional, to improve management and operational focus. Santam is seen as a third macro-business cluster. The clusters are operationally autonomous with commercial, arm’s-length relationships between them where appropriate.

Each of the business clusters reports into a cluster board committee. These are board committees of the Sanlam Life board, appropriately authorised to direct and monitor all strategic and operational aspects of a particular business cluster. A majority of non-executive directors from the Sanlam Life board, the Group Chief Executive and Financial Director, as well as key cluster executives, are members of the cluster board committees. External experts/specialists were also appointed to each committee in an advisory capacity. The Group Chief Executive acts as chairman of each of the cluster board committees, which meet at least once per quarter. The committees consider proposals and receive reports regarding strategy implementation, operational performance, finance and actuarial issues as far as these affect business operations, risks, governance and human resources.

The cluster board committees perform no statutory functions. They escalate issues to the relevant Sanlam or Sanlam Life board committees when appropriate, and regularly provide summarised feedback on cluster activities to the Sanlam Life board. The cluster board committees function within the authority levels delegated to them by the Sanlam Life board.
Business divisions and divisional boards

The business divisions all fall within a cluster and include Sanlam Investments, Sanlam Capital Markets, Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Developing Markets. Each business division is managed by a chief executive, supported by Exco and support functions that are appropriate to their particular operational needs. The divisions function within the strategy approved by the relevant business cluster board committee and according to a set of management principles established by the Group Office for the Sanlam group.

Divisional boards were established for the five business divisions. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business division.

The divisional boards and committees mainly consist of executives as the majority of the operating business decisions are made by these boards and committees. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life board and business cluster committees. Each of the divisional boards has its own Audit and Risk as well as Human Resources (HR) forum/committee. The divisional boards and forums/committees are strengthened where appropriate by the appointment of “expert directors” or invitees who may be members of the Sanlam Life board or may be additional external appointments.

Business units and business boards

The business units include the underlying businesses within the business divisions such as Glacier, Sanlam Home Loans, Sanlam Trust and Merchant Investors. The business units and their boards with their executive committees structure their own activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary and associated companies.

Group Office

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); co-ordinating (synergy seeking); performance monitoring and the allocation of capital.
The Sanlam board and board committees (as at 31 December 2007)

**Board charter**

In accordance with the principles of sound corporate governance, the Sanlam board charter – modelled on the charter principles recommended by King II – incorporates the powers of the board, providing a clear and concise overview of the division of responsibilities and accountability of the board members, collectively and individually, to ensure a balance of power and authority. The annual evaluation process to review the effectiveness of the board, its committees and individual directors has been entrenched. The board charter (and the committee charters) can be viewed on Sanlam’s website [www.sanlam.co.za](http://www.sanlam.co.za).

**Committee charters**

The board committee charters, which describe the terms of reference of the committees as delegated and approved by the board, are reviewed at least annually.

**Board composition**

As at the 2007 financial year-end the Sanlam board comprised 18 members, two of whom were non-executive, 14 were independent non-executives (in accordance with King II’s “independence” standards), and two executive directors.

Particulars of the Sanlam board members and their capacities, categorised as executive, non-executive and independent, are set out on page 22. Two of the independent non-executive directors, Eugene van As and Boetie van Zyl, retired at the annual general meeting (AGM) in 2007, thus reducing the total number of directors to 18. The roles of Chairman and Group Chief Executive are separated, with Roy Andersen and Johan van Zyl holding these positions respectively. Senior management attend the board meetings on invitation. At least a third of all board members retire every year at Sanlam’s AGM.
### The Sanlam board of directors

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<thead>
<tr>
<th>Director</th>
<th>Executive (E)</th>
<th>Non-executive (N)</th>
<th>Independent (I)</th>
<th>Changes during 2007</th>
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<td>RC Andersen (Chairman)</td>
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<td>MMM Bakane-Tuouane</td>
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<td>RV Simelane</td>
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<td>E van As</td>
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<td>Retired on 6 June 2007</td>
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<td>JJM van Zyl</td>
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<td>J van Zyl</td>
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**Composition of the board as at 31 December 2007:** Three black female, five black male, two white female, eight white male.

**Independence of board members**

Through its Nominations committee the board annually considers and reconfirms the categorising of independent directors with reference to the guidelines in King II. Their independence in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration. The independent and non-executive directors on the Sanlam and Sanlam Life boards are highly respected and experienced, having the required integrity, knowledge and skills to make sound judgements on various key issues relevant to the business of Sanlam, independent of management. These include the key issues of strategy, performance, human resources, transformation, diversity, employment equity and corporate governance. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are taken into account, in accordance with Sanlam’s commitment to transformation.

The Nominations committee is of the view that all the Sanlam directors meet the criteria set for independence except for PT Motsepe and RV Simelane due to their involvement in Ubuntu-Botho, as well as J van Zyl and JP Möller being executive directors.
Appointment and re-election of directors

The board charter contains a policy detailing the formal and transparent procedures for appointment to the board. While the Nominations committee ensures that the board’s composition reflects demographic diversity, Sanlam’s Articles of Association also empower the board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Articles, directors are subject to retirement by rotation every three years and, if available, are considered for reappointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. Abridged biographical details of the nominated directors accompany the notice of the AGM. All directors are consequently appointed at an AGM by a shareholders’ resolution.

Board member orientation and training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each director, and approved by the board. The Company Secretary, in co-operation with the head of Group Human Resources, manages the induction programme. Ongoing training is provided to board members as applicable.

Board effectiveness evaluation

The Nominations committee annually assesses the contribution of each director standing for re-election, using an individual director evaluation process that is conducted by the board Chairman or an external service provider. These assessments are transparent and well documented. The board Chairman’s own performance is appraised by the board under the direction of the Deputy Chairman.

The Sanlam board as a whole considers the result of the evaluation processes. This culminates in a determination by the board as to whether the board will endorse a retiring director’s re-election. Where a director’s performance is not considered satisfactory, the board will not endorse the re-election.

The names of the directors standing for re-election at the AGM are contained in the explanatory notes to resolutions for the AGM (refer to page 308).

Every year, a collective board-effectiveness evaluation is conducted. This assessment, which is performed in alternate years by an external service provider, or by the Chairman, is aimed at determining how the board’s effectiveness can be improved. The Nominations committee considers the results of the evaluation process and makes recommendations to the board where deemed appropriate. At the end of the year under review the board-effectiveness review was conducted by Deloitte & Touche. The results were positive. The assessment included an effectiveness assessment of the board itself collectively, an assessment of five key board committees, as well as 360° peer reviews of the individual directors, including the Chairman.

Independent assessment of Sanlam’s corporate governance practices

In 2007, Deutsche Bank conducted a survey on corporate governance practices in South Africa, covering a large number of JSE-listed companies, based upon Deutsche Bank’s approach taken to corporate governance, which included that an “independent” non-executive director does not include a director who has held an executive position within the Sanlam group at any stage. In this report dated 30 November 2007 Sanlam was given a positive governance assessment score of 79% against an international best practice set of criteria. Its governance momentum was indicated as stable and it was rated 5th amongst 12 financial institutions in South Africa.

Board meetings

The board meets at least five times a year to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered.
Board committees

The board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the board, to assist the board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the board and, as such, it will not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the board at each board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder queries. For the period under review, all the committees are satisfied that they have fulfilled their responsibilities in terms of their respective charters.

– Audit and Risk committee

Members:
GE Rudman (Chairman), AS du Plessis, FA du Plessis (from 01/04/2007), E van As (until 06/06/2007) and I Plenderleith.

Composition:
Three white males, one white female. All independent directors.

Attendees:
RC Andersen (Board Chairman), J van Zyl (Group Chief Executive), JP Möller (Financial Director), D Ladds, P de V Rademeyer, CG Swanepoel, AP Zeeman (Statutory Actuary and Chief Risk Officer), JP Bester (Company Secretary) and M Lombard (Committee Secretary).

The role of the Audit and Risk committee is to assist the board in fulfilling its responsibility with regard to financial matters and risk management activities. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. Annually the committee reviews compliance of the external auditor with the non-audit services policy of the Group.

This committee’s charter is reviewed annually by the board to ensure that it is aligned with King II and international best practice. As part of Sanlam’s corporate governance practices, the interim financial results are reviewed by the external auditors. The committee is satisfied that the external auditor is independent of the company.

The committee comprises four financially experienced members, all of whom are independent directors. In view of this committee’s Group-wide relevance, members of senior management, the chief audit executive, the Chief Actuary and the external audit partners as well as other assurance providers also attend committee meetings. The committee meets four times per year.

– Human Resources committee

Members:
AD Botha (Chairman), RC Andersen, PT Motsepe, M Ramos (until 09/10/2007), JJM van Zyl (until 06/06/2007) and MMM Bakane-Tuoane (from 05/12/2007).

Composition:
One black female, one black male, two white males. All independent directors, except PT Motsepe (non-executive).

Attendees:
J van Zyl (Group Chief Executive), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).
This committee is responsible for monitoring and advising on the Group’s human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam group’s Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the board regarding directors’ remuneration (except for the HR committee). The committee meets four times a year.

– Nominations committee

Members:
RC Andersen (Chairman), MMM Bakane-Tuoane, PT Motsepe and M Ramos.

Composition:
One black female, one black male, one white female, one white male. All independent directors, except PT Motsepe (non-executive).

Attendees:
J van Zyl (Group Chief Executive), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).

The committee is responsible for making recommendations to the board on all new appointments to the board and its committees. A formal process of reviewing the balance and effectiveness of the board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the board and its committees remain effective and focused. This includes a regular review of the composition of the board committees. It also includes assisting the Chairman with the annual evaluation of board members’ performance. It is responsible for identifying appropriate board candidates and evaluating them against the specific disciplines and areas of expertise required. The board approves all interim appointments, with the final appointments being made by the shareholders at the AGM. The committee is chaired by the Chairman of the board and meets at least twice a year.

– Committee of non-executive directors

Members:
RC Andersen (Chairman), MMM Bakane-Tuoane, AD Botha, AS du Plessis, FA du Plessis, WG James, MV Moosa, PT Motsepe, RK Morathi, SA Nkosi, I Plenderleith, M Ramos, GE Rudman, RV Simelane, ZB Swanepoel, E van As (until 06/06/2007), JJ van Zyl (until 06/06/2007) and PL Zim.

Composition:
Three black females, five black males, two white females, six white males. All independent directors, except PT Motsepe and RV Simelane (both non-executive).

Attendees:
JP Bester (Company Secretary).

This committee is responsible for the governance and functioning of the board. The committee gives due regard to the general requirements of the JSE as well as the King Code, and ensures that there are appropriate and balanced corporate governance practices and processes in place within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.
The committee comprises all the non-executive and independent directors. The committee meets subsequent to board meetings.

– **Sustainability committee**

*Members:*
MV Moosa (Chairman), WG James, RV Simelane, ZB Swanepoel and PL Zim (until 05/06/2007).

*Composition:*
One black female, two black males, one white male. All independent directors, except RV Simelane (non-executive).

*Attendees:*
TI Mvusi (Chief Executive: Market Development), E van der Straaten (Group HR Executive) and M Lombard (Meeting Secretary).

This committee addresses transformational and safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental matters, the committee’s main responsibility is to recommend for approval, monitor and advise on matters pertaining to such matters throughout the Group. Suitably qualified persons are co-opted on to the committee when necessary to render specialist services. The committee meets four times per year.

– **Policyholders’ Interest committee**

*Members:*
FA du Plessis (Chairperson), WG James, J JM van Zyl (until 06/06/2007), CG Swanepoel and RK Morathi (from 01/04/2007).

*Composition:*
one black female, one black male, one white female, one white male. All independent directors except CG Swanepoel.

*Attendees:*
AP Zeeman (Statutory Actuary) and JP Bester (Company Secretary).

The main responsibility of the committee is to review and monitor all policyholder-related decisions and other related matters in the Sanlam group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the board on strategic issues relating to policyholders. The committee meets four times per year.

– **Ad hoc board committees**

The board has the right to appoint and authorise special ad hoc board committees from time to time to perform specific tasks. The appropriate board members make up these committees.

*In addition to the abovementioned board committees, there is also a*  

– **Sanlam Group Executive committee**

*Members:*
J van Zyl (Group Chief Executive and Chairman), T Gamedze, SC Gilbert (until 14/06/2007), M Jenks (until 30/04/2007), I Kirk, L Lambrechts, JP Möller, TI Mvusi, JHP van der Merwe, AP Zeeman and HC Werth.

*Composition:*
Two black males, one white female, six white males.

*Attendees:*
JP Bester (Company Secretary).
The Sanlam Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, co-ordination and monitoring performance. The committee comprises the Group Chief Executive, the Financial Director, heads of business divisions, the Chief Actuary and selected senior Group executives. The committee meets every fortnight.

### Attendance of meetings

During the period under review the board and committee members’ attendance was as follows:

#### Board and committee meetings 2007

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<tr>
<th>Name</th>
<th>Board Planned</th>
<th>Special</th>
<th>Audit and Risk</th>
<th>Nominations committee Planned</th>
<th>Nominations committee Special</th>
<th>Sustainability</th>
<th>Policyholders’ Interest</th>
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</tr>
</tbody>
</table>

(a) Appointed to the HR committee: 05/12/2007
(b) Appointed to Audit and Risk committee: 01/04/2007
(c) Appointed to Policyholders’ Interest committee: 01/04/2007
(d) Retired from HR committee: 09/10/2007
(e) Retired from Sustainability committee: 05/06/2007
(f) Retired from board and committees: 06/06/2007
(g) Only member of committee – not of board
Company secretary and professional advice

The board-appointed Company Secretary is JP Bester. He is also the Public Officer, Compliance Officer and the delegated Information Officer, and is responsible for the execution of all relevant and regulatory requirements applicable to those positions. Magda Lombard is the meeting secretary of the board.

All directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam’s expense.

Dealings in JSE securities

Sanlam complies with the JSE Limited (JSE) requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff are precluded from dealing in Sanlam securities from 1 January and 1 July, until the release of the Group’s final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive scheme and staff who may have access to price-sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed. Details of directors’ and the Company Secretary’s dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam’s investment management companies. The Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation, and advises them of closed periods.

Investor relations and communication with stakeholders

Sanlam strives to be a leader in transparent, open and clear communications with all of its relevant stakeholders. In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. The board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business. Reports and announcements to all audiences and meetings with investment analysts and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group. All board members are expected to attend Sanlam’s AGM, and shareholders are encouraged to attend the AGM and to use this opportunity to direct questions at a Sanlam spokesperson. A summary of the proceedings of all general meetings, and the outcome of voting on the items of business are posted on the website following the AGM.

Communication with institutional shareholders and the investment community is conducted by Sanlam’s Investor Relations (IR) department, and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts. An important component of this includes regular face-to-face meetings with various institutional investors on a global basis, through investor roadshows and investor conferences conducted by Sanlam’s executive management.
Sanlam’s remuneration philosophy and strategy

The Group Human Resources committee of the board is responsible for determining the remuneration strategy of the Group, approving mandates for bonus and all long-term incentive schemes and decisions about the Sanlam Exco remuneration packages relative to local and international industry benchmarks. The Group Human Resources committee retains the prerogative to make all remuneration decisions it deems appropriate and may amend any part of the Group’s remuneration policy as necessitated by changing circumstances. It also makes recommendations to the board regarding the remuneration of Sanlam directors, other than Human Resources committee members. The board is convinced that appropriate remuneration for executive directors is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group.

Employee remuneration

Sanlam is the sole or part owner of a number of businesses and joint ventures. The organisation recognises the difference between these entities and allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework.

Sanlam’s remuneration philosophy aims to:

- Inform stakeholders of Sanlam’s approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and long-term incentive and retention processes; and
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The company has adopted a Total Reward Strategy for its staff members. This offering comprises remuneration (which includes cash remuneration and short- and long-term incentives), benefits, learning and development, an attractive work environment and a range of lifestyle benefits.

The key criterion for the implementation of this strategy is that of differentiation based on performance.

Core remuneration principles

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit.

Consistent overall design with differentiation where appropriate: Consistent overall principles and design parameters are applied within the Group in support of a common Sanlam philosophy and to ensure good corporate governance. Where the nature of the job, its operating environment, or market realities dictate, differences within this framework are accommodated.

Pay for performance: Performance is the cornerstone of remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance.

Competitiveness: A key objective of the remuneration philosophy is that remuneration packages should enable the company and its businesses to attract and retain employees of the highest quality.
Quantum and structure of pay elements: The quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual’s performance, competence and potential.
- The short-term variable component of remuneration is based on a combination of individual and annual business performance.
- The long-term variable component is based on the individual’s performance, potential and the overall value to the business.

Leverage and alignment: The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:

- The interests of the shareholders;
- The performance of the company as a whole;
- The performance of any region, business unit or support function; and
- The employee’s own contribution.

Within this framework, however, rewards can be modified by performance against company values.

Consistency: The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skill groups or roles and performance is, however, imperative.

Unfair discrimination is unacceptable and equal opportunities in respect of service practices and benefits must be guaranteed.

Attraction and retention: Remuneration practices should be recognised as a key instrument in attracting and retaining talent.

Shared participation: Employee identification with the success of the Group is important due to the fact that it is directly linked to both company and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results.

Best practice: Reward packages and practices must reflect local and international best practice.

Communication: The remuneration philosophy and practices, as well as the processes to determine individual pay levels, must be transparent and communicated effectively to all employees.

Market information: Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

Areas requiring full motivation and approval

There are some areas where the dictates of good corporate governance, the protection of shareholder interests and that of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resource committees either at Group or business level.
Areas in which autonomy is granted to all businesses within Group-mandated parameters

In some instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance.

Sanlam shares and other long-term incentive mechanisms

The Sanlam group aims to make available a suite of long-term incentive plans in order to improve both performance and retention of key staff. These vary from broad-based participation schemes to very specialised plans with limited participation by key staff.

Executive directors

The packages for executive directors include a basic salary, a variable performance-linked short-term bonus and a variety of long-term incentive/retention plans. All of these are established in terms of the remuneration principles outlined.

In line with the Group’s remuneration philosophy, the remuneration of the executive directors, including that of the Group Chief Executive is reviewed annually. The Group Human Resources committee reviews each executive director’s performance and makes the necessary adjustments based on a number of market comparison surveys.

Short-term performance bonuses are calculated by the committee, based on predetermined performance targets in relation to the company’s actual performance for that period. Long-term incentives are managed in the same way but the predetermined performance hurdles stretch over longer periods and benefits are paid only on achievement of these performance targets.

Executive directors are employed on a permanent basis and all Sanlam’s human resources policies are applicable to their conditions of service. No special arrangements regarding severance or corporate actions have been put in place. The board is responsible for the appointment of the Sanlam executive directors as well as managing the exit arrangements that may be formulated.

Non-executive directors

Fee structures are recommended to the board by the Group Human Resources committee (other than for services as a Human Resources committee member) and reviewed annually with the assistance of external service providers.

The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new acts, regulations and corporate governance guidelines. The board recommends the fee structure for the next year to the company’s shareholders at the AGM for approval.

Non-executive directors receive an annual fee for their input. In addition, a fee is paid for attending board meetings. Sanlam pays for all travelling and accommodation expenses in respect of board meetings. The Chairman receives a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the Group.
Disclosure of individual directors’ emoluments, as required in terms of the JSE Listing Requirements, is detailed below.

**Directors’ emoluments**

**Non-executive directors**

**Directors’ emoluments for the year ended 31 December 2007 (R’000)**

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<thead>
<tr>
<th>Name</th>
<th>Directors’ fees</th>
<th>Attendance and committees</th>
<th>Allowance</th>
<th>Fees from Group</th>
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<td>—</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td><strong>Total non-executive directors</strong></td>
<td><strong>3 070</strong></td>
<td><strong>2 813</strong></td>
<td><strong>1 316</strong></td>
<td><strong>1 084</strong></td>
<td><strong>8 283</strong></td>
</tr>
</tbody>
</table>
### Directors’ emoluments for the year ended 31 December 2006 (R’000)

<table>
<thead>
<tr>
<th>Name</th>
<th>Directors’ fees</th>
<th>Attendance and committees</th>
<th>Allowance</th>
<th>Fees from Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-executive directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC Andersen (Chairman)</td>
<td>882</td>
<td>—</td>
<td>378</td>
<td>—</td>
<td>1 260</td>
</tr>
<tr>
<td>MMM Bakane-Tuoane</td>
<td>118</td>
<td>92</td>
<td>50</td>
<td>48</td>
<td>308</td>
</tr>
<tr>
<td>AD Botha (from March 2006)</td>
<td>99</td>
<td>128</td>
<td>42</td>
<td>210</td>
<td>479</td>
</tr>
<tr>
<td>DC Brink (resigned 30 June 2006)</td>
<td>56</td>
<td>53</td>
<td>24</td>
<td>—</td>
<td>133</td>
</tr>
<tr>
<td>AS du Plessis</td>
<td>118</td>
<td>168</td>
<td>50</td>
<td>224</td>
<td>560</td>
</tr>
<tr>
<td>FA du Plessis</td>
<td>118</td>
<td>162</td>
<td>50</td>
<td>144</td>
<td>474</td>
</tr>
<tr>
<td>WG James</td>
<td>118</td>
<td>132</td>
<td>50</td>
<td>48</td>
<td>348</td>
</tr>
<tr>
<td>MV Moosa</td>
<td>118</td>
<td>160</td>
<td>50</td>
<td>—</td>
<td>328</td>
</tr>
<tr>
<td>PT Motsepe</td>
<td>176</td>
<td>110</td>
<td>76</td>
<td>—</td>
<td>362</td>
</tr>
<tr>
<td>RK Morathi (from March 2006)</td>
<td>99</td>
<td>72</td>
<td>42</td>
<td>—</td>
<td>213</td>
</tr>
<tr>
<td>SA Nkosi (from March 2006)</td>
<td>99</td>
<td>71</td>
<td>42</td>
<td>—</td>
<td>212</td>
</tr>
<tr>
<td>I Plenderleith (from June 2006)</td>
<td>71</td>
<td>112</td>
<td>30</td>
<td>—</td>
<td>213</td>
</tr>
<tr>
<td>M Ramos</td>
<td>118</td>
<td>100</td>
<td>50</td>
<td>—</td>
<td>268</td>
</tr>
<tr>
<td>GE Rudman</td>
<td>118</td>
<td>227</td>
<td>50</td>
<td>334</td>
<td>729</td>
</tr>
<tr>
<td>RV Simelane</td>
<td>118</td>
<td>145</td>
<td>50</td>
<td>61</td>
<td>374</td>
</tr>
<tr>
<td>ZB Swanepoel</td>
<td>118</td>
<td>111</td>
<td>50</td>
<td>—</td>
<td>279</td>
</tr>
<tr>
<td>E van As</td>
<td>118</td>
<td>105</td>
<td>50</td>
<td>70</td>
<td>343</td>
</tr>
<tr>
<td>JJM van Zyl</td>
<td>118</td>
<td>173</td>
<td>50</td>
<td>46</td>
<td>387</td>
</tr>
<tr>
<td>PL Zim (from March 2006)</td>
<td>99</td>
<td>92</td>
<td>42</td>
<td>—</td>
<td>233</td>
</tr>
<tr>
<td>Travel and subsistence</td>
<td>—</td>
<td>362</td>
<td>—</td>
<td>—</td>
<td>362</td>
</tr>
<tr>
<td><strong>Total non-executive directors</strong></td>
<td><strong>2 879</strong></td>
<td><strong>2 575</strong></td>
<td><strong>1 226</strong></td>
<td><strong>1 185</strong></td>
<td><strong>7 865</strong></td>
</tr>
</tbody>
</table>
### Fees from Group companies for the year ended 31 December 2007 (R’000)

<table>
<thead>
<tr>
<th>Name</th>
<th>Directors’ fees</th>
<th>Attendance fees</th>
<th>Committee fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AD Botha</td>
<td>130</td>
<td>70</td>
<td>90</td>
<td>290</td>
</tr>
<tr>
<td>AS du Plessis</td>
<td>65</td>
<td>159</td>
<td>—</td>
<td>224</td>
</tr>
<tr>
<td>RK Morathi</td>
<td>135</td>
<td>72</td>
<td>48</td>
<td>255</td>
</tr>
<tr>
<td>GE Rudman</td>
<td>135</td>
<td>84</td>
<td>96</td>
<td>315</td>
</tr>
<tr>
<td><strong>Total fees from Group companies</strong></td>
<td><strong>465</strong></td>
<td><strong>385</strong></td>
<td><strong>234</strong></td>
<td><strong>1 084</strong></td>
</tr>
</tbody>
</table>

### Fees from Group companies for the year ended 31 December 2006 (R’000)

<table>
<thead>
<tr>
<th>Name</th>
<th>Directors’ fees</th>
<th>Attendance fees</th>
<th>Committee fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMM Bakane-Tuoane</td>
<td>20</td>
<td>28</td>
<td>—</td>
<td>48</td>
</tr>
<tr>
<td>AD Botha</td>
<td>96</td>
<td>83</td>
<td>31</td>
<td>210</td>
</tr>
<tr>
<td>AS du Plessis</td>
<td>65</td>
<td>159</td>
<td>—</td>
<td>224</td>
</tr>
<tr>
<td>FA du Plessis</td>
<td>53</td>
<td>74</td>
<td>17</td>
<td>144</td>
</tr>
<tr>
<td>WG James</td>
<td>20</td>
<td>28</td>
<td>—</td>
<td>48</td>
</tr>
<tr>
<td>GE Rudman</td>
<td>145</td>
<td>105</td>
<td>84</td>
<td>334</td>
</tr>
<tr>
<td>RV Simelane</td>
<td>33</td>
<td>28</td>
<td>—</td>
<td>61</td>
</tr>
<tr>
<td>E van As</td>
<td>42</td>
<td>28</td>
<td>—</td>
<td>70</td>
</tr>
<tr>
<td>JJM van Zyl</td>
<td>20</td>
<td>14</td>
<td>12</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total fees from Group companies</strong></td>
<td><strong>494</strong></td>
<td><strong>547</strong></td>
<td><strong>144</strong></td>
<td><strong>1 185</strong></td>
</tr>
</tbody>
</table>
Executive directors

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long-term incentive plans.

The Human Resources committee believes that participation in a short-term incentive scheme enhances the focus of the executive directors by providing a meaningful incentive to outperform. The form of the incentive is an annual bonus, which is granted only when certain criteria are met.

Short-term emoluments for the year ended 31 December 2007 (R’000)

<table>
<thead>
<tr>
<th>Name</th>
<th>Months in office</th>
<th>Salary/ Fees</th>
<th>Bonus</th>
<th>Company contributions</th>
<th>Other benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Möller</td>
<td>12</td>
<td>2 378</td>
<td>2 933</td>
<td>505</td>
<td>—</td>
<td>5 816</td>
</tr>
<tr>
<td>J van Zyl</td>
<td>12</td>
<td>4 154</td>
<td>9 214</td>
<td>387</td>
<td>—</td>
<td>13 755</td>
</tr>
<tr>
<td><strong>Total executive directors</strong></td>
<td><strong>6 532</strong></td>
<td><strong>12 147</strong></td>
<td><strong>892</strong></td>
<td><strong>—</strong></td>
<td><strong>—</strong></td>
<td><strong>19 571</strong></td>
</tr>
</tbody>
</table>

Bonuses reflected are payable in 2008, based on the 2007 results and the formulae applicable to the different businesses.

Short-term emoluments for the year ended 31 December 2006 (R’000)

<table>
<thead>
<tr>
<th>Name</th>
<th>Months in office</th>
<th>Salary/ Fees</th>
<th>Bonus</th>
<th>Company contributions</th>
<th>Other benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PdeV Rademeyer (until 31/10/2006)</td>
<td>10</td>
<td>1 880</td>
<td>—</td>
<td>251</td>
<td>1 000</td>
<td>3 131</td>
</tr>
<tr>
<td>JP Möller (from 01/11/2006)</td>
<td>2</td>
<td>390</td>
<td>2 000</td>
<td>77</td>
<td>—</td>
<td>2 667</td>
</tr>
<tr>
<td>J van Zyl</td>
<td>12</td>
<td>3 926</td>
<td>6 100</td>
<td>358</td>
<td>—</td>
<td>10 384</td>
</tr>
<tr>
<td><strong>Total executive directors</strong></td>
<td><strong>6 196</strong></td>
<td><strong>8 300</strong></td>
<td><strong>686</strong></td>
<td><strong>1 000</strong></td>
<td><strong>—</strong></td>
<td><strong>16 182</strong></td>
</tr>
</tbody>
</table>

Long-term emoluments for the year ended 31 December 2007

The extent of long-term incentives granted is based on a percentage of executive directors’ gross remuneration. The annual grant made depends on previous amounts granted, the performance of the director, and the need to retain the services of the director in future. Grants in excess of a certain percentage are also subject to specific predetermined performance hurdles that are aligned with the long-term strategic goals of the company.

Existing long-term incentives include share options, loans granted, restricted shares and deferred performance bonuses.
### Share options (000's)

<table>
<thead>
<tr>
<th>Name</th>
<th>31 Dec 2006</th>
<th>31 Dec 2007</th>
<th>Becoming unrestricted in:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of options</td>
<td>Strike price</td>
<td>Exercised</td>
</tr>
<tr>
<td><strong>JP Möller</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted 01/12/2000</td>
<td>26</td>
<td>R8,20</td>
<td>26</td>
</tr>
<tr>
<td>Granted 01/03/2002</td>
<td>28</td>
<td>R8,26</td>
<td>13</td>
</tr>
<tr>
<td>Granted 01/05/2003</td>
<td>224</td>
<td>R6,03</td>
<td>90</td>
</tr>
<tr>
<td>Granted 01/05/2004</td>
<td>247</td>
<td>R9,80</td>
<td>—</td>
</tr>
<tr>
<td>Granted 01/06/2004</td>
<td>308</td>
<td>R8,40</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>833</td>
<td>129</td>
<td>704</td>
</tr>
<tr>
<td><strong>J van Zyl</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted 01/02/2002</td>
<td>27</td>
<td>R6,03</td>
<td>27</td>
</tr>
<tr>
<td>Granted 01/02/2003</td>
<td>117</td>
<td>R6,03</td>
<td>59</td>
</tr>
<tr>
<td>Granted 01/05/2003</td>
<td>1 505</td>
<td>R6,03</td>
<td>—</td>
</tr>
<tr>
<td>Granted 01/05/2004</td>
<td>312</td>
<td>R9,80</td>
<td>—</td>
</tr>
<tr>
<td>Granted 01/06/2004</td>
<td>197</td>
<td>R8,40</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 158</td>
<td>86</td>
<td>2 072</td>
</tr>
<tr>
<td><strong>Total executive directors</strong></td>
<td>2 991</td>
<td>216</td>
<td>2 775</td>
</tr>
</tbody>
</table>

The following gains were made on the exercise of share options during the year. The gain is calculated as the difference between the market value on the date of exercise and the strike price. The date of exercise is the date that the director takes ownership of the shares and is entitled to dispose of them.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains on options exercised (R'000)</td>
<td>3 286</td>
<td>23 820</td>
</tr>
<tr>
<td>Weighted average strike price</td>
<td>R6,43</td>
<td>R6,42</td>
</tr>
<tr>
<td>Weighted average market price</td>
<td>R21,68</td>
<td>R16,47</td>
</tr>
</tbody>
</table>
**Share purchase plan**

Loans were granted to directors for the purpose of acquiring Sanlam shares. The loans are secured, bear interest at market-related rates, and will be repaid over four years. An annual bonus is payable to the directors, based on the number of Sanlam shares held by the director. Details of the loans granted are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Original loan (R’000)</th>
<th>Original no of shares purchased ’000</th>
<th>Purchase price (Rands)</th>
<th>Total loan balance at 31 Dec 2006 (R’000)</th>
<th>Interest accrued (R’000)</th>
<th>Repayments (R’000)</th>
<th>Balance at 31 Dec 2007 (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Möller</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/06/2006</td>
<td>2 808</td>
<td>188</td>
<td>14,21</td>
<td>2 808</td>
<td>277</td>
<td>286</td>
<td>2 799</td>
</tr>
<tr>
<td>J van Zyl</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14/06/2006</td>
<td>15 330</td>
<td>1 021</td>
<td>14,31</td>
<td>15 330</td>
<td>1 476</td>
<td>2 511</td>
<td>14 295</td>
</tr>
<tr>
<td>Total</td>
<td>18 138</td>
<td>1 209</td>
<td>18 138</td>
<td>1 753</td>
<td>2 797</td>
<td></td>
<td>17 094</td>
</tr>
</tbody>
</table>

**Restricted Share Plan**

Directors were granted fully paid-up Sanlam shares at no consideration entitling the director to all dividends in respect of such shares, subject to the director agreeing to retention and performance conditions as determined by the board at the time.

Details of the shares granted (000’s) are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares granted</th>
<th>Becoming unrestricted in*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>JP Möller</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– March 2007</td>
<td>306</td>
<td>—</td>
</tr>
<tr>
<td>J van Zyl</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– June 2006</td>
<td>300</td>
<td>120</td>
</tr>
<tr>
<td>– March 2007</td>
<td>1 094</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1 700</td>
<td>120</td>
</tr>
</tbody>
</table>

*Provided that the performance hurdles were met for the period since the date of grant.
Deferred Performance Bonus Plan

The company entered into agreements with the directors in terms of which cash bonuses linked to the performance of the Sanlam share price will be payable on predetermined future dates subject to the company meeting certain performance hurdles. On the assumption that all performance hurdles are met over the period and based on a Sanlam share price of R22.75, the following amounts will become payable in future:

<table>
<thead>
<tr>
<th>Name</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Number of shares exposed to (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Möller</td>
<td>1 030</td>
<td>773</td>
<td>773</td>
<td>113</td>
</tr>
<tr>
<td>J van Zyl</td>
<td>2 382</td>
<td>1 786</td>
<td>1 786</td>
<td>262</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 412</td>
<td>2 559</td>
<td>2 559</td>
<td>375</td>
</tr>
</tbody>
</table>

Total interest of directors in share capital and options exercised at the date of this Report

<table>
<thead>
<tr>
<th>Name</th>
<th>Beneficial</th>
<th>Non-beneficial</th>
<th>Share option scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive directors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JP Möller</td>
<td>692 838</td>
<td>—</td>
<td>703 790</td>
</tr>
<tr>
<td>J van Zyl</td>
<td>—</td>
<td>2 476 749</td>
<td>2 072 116</td>
</tr>
<tr>
<td><strong>Total executive directors</strong></td>
<td>692 838</td>
<td>2 476 749</td>
<td>2 775 906</td>
</tr>
<tr>
<td><strong>Non-executive directors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC Andersen</td>
<td>820</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>MMM Bakane-Tuoane</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>AD Botha</td>
<td>—</td>
<td>286 999</td>
<td>—</td>
</tr>
<tr>
<td>AS du Plessis</td>
<td>—</td>
<td>15 000</td>
<td>—</td>
</tr>
<tr>
<td>FA du Plessis</td>
<td>370</td>
<td>390</td>
<td>—</td>
</tr>
<tr>
<td>WG James</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>MV Moosa</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>PT Motsepe (refer below)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>RK Morathi</td>
<td>300</td>
<td>550</td>
<td>—</td>
</tr>
<tr>
<td>SA Nkosi</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>I Plenderleith</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>M Ramos</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>GE Rudman</td>
<td>63 887</td>
<td>65 700</td>
<td>—</td>
</tr>
<tr>
<td>RV Simelane</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>ZB Swanepoel</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>PL Zim</td>
<td>444</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total non-executive directors</strong></td>
<td>65 821</td>
<td>368 639</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>758 659</td>
<td>2 845 388</td>
<td>2 775 906</td>
</tr>
</tbody>
</table>
The majority shareholder of Ubuntu-Botho is Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), which holds 55% of the ordinary share capital of Ubuntu-Botho. The shares of Sizanani are beneficially owned by a company and trusts established for the benefit of PT Motsepe and that of his immediate family.

A number of directors have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: MMM Bakane-Tuoane, WG James, MV Moosa, M Ramos, RV Simelane, SA Nkosi, RK Morathi, PL Zim and ZB Swanepoel – 7 142 shares each. As a result they are the indirect beneficial shareholders of a part of the 226 000 000 Sanlam ordinary shares and a part of the 56 500 000 Sanlam “A” deferred shares held by Ubuntu-Botho.

Interest of directors in share capital and options exercised at the date of the previous Report

<table>
<thead>
<tr>
<th></th>
<th>Beneficial</th>
<th>Non-beneficial</th>
<th>Share option scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JP Möller</td>
<td>323 388</td>
<td>—</td>
<td>832 951</td>
</tr>
<tr>
<td>J van Zyl</td>
<td>—</td>
<td>1 321 325</td>
<td>2 158 447</td>
</tr>
<tr>
<td><strong>Total executives</strong></td>
<td>323 388</td>
<td>1 321 325</td>
<td>2 991 398</td>
</tr>
<tr>
<td><strong>Non-executives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC Andersen</td>
<td>820</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>MMM Bakane-Tuoane</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>AD Botha</td>
<td>—</td>
<td>286 999</td>
<td></td>
</tr>
<tr>
<td>AS du Plessis</td>
<td>—</td>
<td>15 000</td>
<td></td>
</tr>
<tr>
<td>FA du Plessis</td>
<td>370</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>WG James</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>MV Moosa</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>PT Motsepe (refer above)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>RK Morathi</td>
<td>300</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td>SA Nkosi</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>I Plenderleith</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>M Ramos</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>GE Rudman</td>
<td>122 095</td>
<td>107 428</td>
<td></td>
</tr>
<tr>
<td>RV Simelane</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>ZB Swanepoel</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>E van As</td>
<td>814</td>
<td>900</td>
<td></td>
</tr>
<tr>
<td>JJM van Zyl</td>
<td>8 603</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>PL Zim</td>
<td>444</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-executives</strong></td>
<td>133 446</td>
<td>411 267</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>456 834</td>
<td>1 732 592</td>
<td>2 991 398</td>
</tr>
</tbody>
</table>
Corporate code of ethical conduct

Business ethics and organisational integrity

The Sanlam group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at board and general management level by their endorsement of the code of ethics for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Actuary and is representative of the business clusters. The Group’s Ethics committee monitors compliance with the principles underlying the code of ethics and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. This hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000.

In terms of Sanlam’s code of ethics, no director or employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethics and to address any breaches of the code. The results of an independent ethical climate study conducted by KPMG at the end of 2007 were very positive. The study concluded that the integrity profile of the company was strong and that this provides an excellent base for further improvements in future. The Group’s Ethics committee is tasked with monitoring compliance, to the satisfaction of the board, in line with the recommendations of the King II Report on organisational integrity and ethical conduct.

Forensics

The Sanlam group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethics, and undermines the organisational integrity of the Group.

The financial crime combating policy for the Sanlam group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business division is responsible for the implementation of the policy in his or her respective business division and is accountable to the Group Chief Executive and the Sanlam board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Audit and Risk committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, and investigate and deal with such conduct.

Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof.
Sanlam strongly believes that triple bottom line performance is relevant to building shareholder value, as it contributes significantly to the intangible value of our business and brand. Our mission is therefore to position Sanlam as a socially responsible investment that delivers superior returns to our investors.
Vision and mission for sustainability

Sanlam’s core purpose is to be the leader in wealth creation.

Achieving sustained profits over the long term, however, requires that Sanlam understands and manages sustainability and corporate citizenship issues that influence its operating environment. Our vision therefore remains to achieve profitable growth on a sustainable basis measured not only by the financial bottom line, but also by the triple bottom line (economic, social and environmental performance).

Together with this abridged version of its Sustainability Report, Sanlam will also publish a more detailed report based on the Global Reporting Indicators (GRI) by 31 May 2008.

Introduction

Sustainable development has been an integral part of Sanlam’s business strategy for a number of years. The following issues are considered material to Sanlam’s business from a corporate citizenship perspective:

- **Broad-based Black Economic Empowerment (BBBEE)** – Sanlam is committed to the economic transformation of the SA economy and has a large presence in the South African market and it is thus imperative that the company maintains its relevance to a changing market demographic, whilst also responding to the requirements of its key clients in terms of BBBEE.

- **Responsible product stewardship** – The reputation of the long-term insurance industry has come under threat by consumers due to various issues relating mainly to the business model that has historically been deployed. Sanlam has responded to this on numerous levels across the client solutions life cycle.

- **The employer brand** – Financial services is largely about intellectual capital. It is therefore essential that Sanlam continues to attract and retain the right talent in accordance with the requirements of the markets in which we operate.

- **Economic impacts** – Sanlam is a major contributor to the South African economy and a significant investor in the South African market, and thus recognises the necessity to govern these impacts in a responsible manner.

It is through the management of primarily the above issues, based on a set of values and ethics that support our core purpose, that we believe Sanlam will achieve its mission to represent a socially responsible investment that delivers superior returns to our investors.

Governance of sustainability

A dedicated Sanlam board subcommittee, “The Sustainability committee”, is responsible on behalf of the Group board for the governance of sustainability. Where necessary, sustainability issues are also dealt with by other subcommittees of the Sanlam board, such as the Audit and Risk committee, the Human Resources committee, and the Policyholder Protection committee.

The Sustainability committee comprises four non-executive directors chaired by Valli Moosa, and an independent non-executive director. In 2007 the committee addressed *inter alia* the following:

- Progress with the implementation of sustainability and related corporate citizenship, transformation and corporate social investment strategies.

- Progress with BBBEE and related Financial Sector Charter (FSC) transformation initiatives including:
  - Ubuntu-Botho partnership updates;
  - Human Resource management;
  - Procurement and enterprise development;
  - Empowerment financing;
  - Access to financial services;
Corporate Social Investment; and
BBBEE ratings.
JSE Social Responsibility Index (SRI) results.
Environmental sustainability.
Ethics and ethical codes of conduct.
Infectious disease related issues including HIV/AIDS.
Issues relevant to occupational health and safety of Group employees.
Progress with the implementation of employment equity.

The chief executives of the various Group businesses were required to report to the committee on aspects relevant to their businesses. A dedicated sustainability management function which reports to the Group Financial Director also assisted the committee in carrying out its responsibilities.

Management process
Sanlam defines sustainability management as a discipline through which corporate citizenship is implemented. Sustainability management is fundamentally about understanding and managing the non-financial impact of our activities on all major stakeholder groups, both internal and external, including clients, shareholders, employees, suppliers, civil society, government, regulators, etc. Sustainability is measured in the context of the triple bottom line, i.e. environmental, social and economic impacts relevant to the following stakeholder groups:

Influencers
The main stakeholders are:
- Forums for the development of relevant regulations;
- Industry associations;
- Consumer groups and the “market” in generic context;
- The non-governmental organisation (NGO) community;
- “Opinion-shaping” stakeholders in other groups; and
- The media.

Authorisers
The main stakeholders are:
- Shareholders (capital providers);
- The Sanlam board;
- Government regulators (those managing established regulation); and
- The JSE and other non-governmental regulators.

Strategic intervention that is identified through interaction with the influencers above needs to be “filtered” through the above group of authorisers.

Business partners
The main stakeholders are:
- Employees;
- Distribution/Broker force;
Suppliers; and
Strategic equity partners (e.g. Ubuntu-Botho).

This stakeholder group implements transformation across the organisation.

Customers
The main stakeholders are:
- Traditional existing and prospective clients as categorised through the various brand segments;
- Prospective employees as envisaged by the concept of an employer brand; and
- Prospective shareholders as envisaged by the concept of an investor brand.

It is through the above stakeholder group that the value of corporate citizenship is realised.

Key achievements during 2007
- **JSE SRI Index**
  Sanlam was again listed on the JSE SRI Index for the fourth consecutive year. The Index criteria were internationalised significantly this year.

- **Empowerment**
  Sanlam remains an active participant in the Financial Sector Charter (FSC) process. We are confident of once again receiving an A Rating against the FSC for our BBBEE initiatives. This is the highest rating financial sector companies can achieve for BBBEE.

- **Products and solutions**
  The South African financial services industry is currently going through a period of tremendous change, driven by a fluctuating socio-economic environment, changing consumer needs and new regulatory requirements. Our additional business model, SanlamConnect, allows Sanlam to present all the mechanics of financial planning to clients in a simple and well-considered process, thereby empowering clients to determine their level of involvement in their own financial planning. This solution has greatly contributed to the responsible stewardship of our product, from sale to maturity, and is a world first.

- **Client service**
  For the second year running, Sanlam was rated first in the long-term insurance industry, for client service, in the independent Ask Africa Orange Index survey. This milestone represents testimony to the commitment of Sanlam Personal Finance to drive shareholder value through a strategy based on client centricity.

  In addition, the Sanlam Personal Finance Client Contact Centre won the Best in Customer Service Award for the Western Cape from National Business Processing Enabling South Africa. It was also voted one of the top 100 call and contact centres worldwide this year.

- **Progress on environmental issues**
  Sanlam has made further strides in the roll-out of sound environmental management principles, with the assistance of our partners, the WWF. We will for the first time disclose our carbon footprint in our detailed Sustainability Report this year, together with a number of other environmental metrics.
Key transformation initiatives

Empowerment

- The Ubuntu-Botho partnership

Sanlam was the first major financial institution in South Africa to do an empowerment transaction. The broad-based transaction resulted in Ubuntu-Botho (UB) paying a special dividend of R50 million to over 800 broad-based shareholders, as well as the Development Trust, during 2007. The trust is mandated to assist and empower the poorest of the poor. In this way, people in the rural areas will be assisted through the building of schools, clinics and personal development. This will be done via a structured rural development programme.

As part of its mandate, UB ensured that its appointed representatives made the UB structure a tool for transformation. In 2007, the focus was mainly on ensuring that there is integration with Sanlam and UB structures in every province. This objective was met and ensured the following:

- There was an understanding by shareholders about the kind of value add sought by Sanlam.
- That there was strategy co-creation and joint implementation by Sanlam and UB shareholders in every province. This was done in line with expectations from both parties.

Through regular engagement and education, UB shareholders have demonstrated understanding of the Sanlam business. The engagement with Sanlam has also assisted with the identification of market and product extensions.

- Entrenching employment equity

Sanlam is striving to establish a staff complement that is representative of our wide-spread client base. Significant effort has been channelled into the attraction and appointment of black staff members, especially at the senior levels in the organisation. This has resulted in steady progress over the last three years in increasing the black staff complement. In keeping with the industry trend, turnover of staff continues to be a challenge.

Targeted recruitment and selection are done in accordance with the numeric goals contained in the Three-Year Employment Equity Plan. Where the necessary skills are not available in the market, focused development is encouraged to create Sanlam’s own supply of talent. All the businesses have implemented specific initiatives to address this.
Promoting greater access to financial services amongst LSM 1-5 client groups

Sanlam, through its entry-level market business, Channel Life and African Life, has developed a number of products aimed at the LSM 1-5 market, that are compliant with the provisions of the FSC (Zimele standard). These standards require that insurance products are more accessible, affordable and understandable to this market from multiple perspectives.

In this context, the Channel Life Ubuntu programme, a joint effort with community leaders, has already placed more than 29 Ubuntu Point service centres in deep rural communities with plans to increase this number to 47 in 2008. These container service centres are a first for the life insurance industry and are fully equipped with CAT standard product and facilities required to help pensioners and policyholders in their dealings with Channel Life. State-of-the-art cellular technology helps to ensure the best service delivery and fast turnaround time on claims, right on the policyholder’s doorstep.

Funding transformation and BEE

Sanlam Private Equity (SPE) represents the primary area through which Sanlam’s FSC-compliant Investment programme is implemented. This programme is driven by a formal investment mandate. SPE also contributes on an ongoing basis to the development and monitoring of transformation of its Investee companies. It achieves this through active participation on the various boards and subcommittees of these investee companies. The following are more specific examples of SPE’s facilitation of BEE and transformation during the year ended 31 December 2007:

- SPE was the sole financier of and advised on the creation of the largest black-owned welding supplies business in South Africa.
- SPE facilitated the participation of BEE shareholders in the Consol Limited LBO through a sell-down of our equity to BEE parties.
- Funding of Destiny Corporation (Pty) Limited, a black-owned and controlled investment holding company, through acquisition of a 19,9% equity interest by SPE.
- Majority financier of the Shanduka Group’s participation in SEACOM, the project currently under way to construct the first submarine fibre-optic telecoms cable on the African East Coast (total transaction value of USD25,5 million);
- Invested R40 million in Sphere Fund I, a black-owned and managed private equity fund.
- Increased our shareholding in a number of BEE companies such as Thebe Investment Corporation and Sphere.
- Funded and participated in the acquisition of the third largest outdoor media company in South Africa, Outdoor Network Group, by a consortium led by Zungu Investment Company Limited (ZICO).
- Selling of a portion of Sanlam’s shares in a number of companies to increase the BEE shareholding.

SPE also contracted the African Centre for Investment Analysis at the University of Stellenbosch Business School (ACIA) to compile social impact reports for two of its major clients. These reports provide in-depth analyses of the company’s transformation progress and targets in all relevant areas.
Corporate Social Investment (CSI)

Sanlam CSI is driven by an investment philosophy that puts value at the forefront of what we do. Sanlam does well when the community we operate in does well.

Sanlam’s focus in 2007 in CSI was on ensuring that, where possible, Sanlam CSI partnerships with NGOs, community-based organisations, trade unions, etc. would have an effective, informed and active CSI programme. The programmes that are supported are identified because of our belief that if our interactions are not sustainable, then we should not participate.

All our flagship programmes are aimed at minimum three-year partnerships. They include aspects such as skills transformation and co-operation on internal transformation and change. Our programmes are based on partnerships that appeal to multiple stakeholders. In 2007, our big initiative was with the World Wildlife Fund (WWF) on the Living Waters programme.

Sanlam’s CSI focus areas are:

- Environment – Sanlam/WWF Living Waters Partnership;
- Early Childhood Development – Takalani Crèches;
- Education;
- HIV/Aids;
- The Sanlam Staff Community Involvement Programme; and
- Entrepreneurial Development Programme.

The focus going forward is about embedding CSI into the DNA of the organisation, communicating consistently and ensuring CSI initiatives find resonance with Sanlam’s stakeholders.
Targeted procurement

In 2007, Sanlam subsidiaries excluding Santam, purchased in excess of R640 million from BEE companies. When our enterprise development activity is included, this amount equates to approximately 50% of our overall procurement spend.

Solutions that address critical social needs

In 2007, Sanlam launched a comprehensive personal cover solution for people living with HIV/AIDS. The LifePower range is ideal for people living with HIV/AIDS and who want to provide for those who depend on them financially to give their families peace of mind and financial security in the event of their death or disability.

HIV/AIDS is currently treated through anti-retroviral therapy (ART) according to internationally accepted treatment guidelines. All solutions in the range have adherence requirements and are available only to individuals who have initiated appropriate anti-retroviral therapy (ART) or who will do so at the appropriate time.

Following the treatment guidelines of the LifePower solution range will mean that people with HIV will receive cover at an affordable rate. This definition of adherence is included with the application form, and applicants will need to accept this definition and commit to being adherent in terms of the definition.

Human intellectual capital

In support of Sanlam’s strategy to continue transforming to be the leading financial services group and its quest to become the employer of choice for all South Africans, Sanlam continues to view the development and management of its human capital as critical.

In terms of its strategic positioning Sanlam focused on embracing diversity through initiatives revolving around creating an environment and culture with which all employees could identify. Sanlam is aiming at changing the culture from exclusivity to diversity. An international survey was conducted during 2006 to gain a better understanding of the Employment Value Proposition. The results from this survey were used to guide the work done on the employment brand ensuring that Sanlam’s employment value proposition is relevant and attractive to key talent across all demographic groups.

The appropriate positioning and continued transformation of the organisation’s culture and diversity are viewed as key factors in terms of the organisation’s competitiveness and long-term sustainability.

Sanlam has accepted the Investors in People Standard as a standard by which training and development are closely linked to the performance development process. In this regard Sanlam Personal Finance, our largest employer, became the first life company to receive full accreditation. Within Sanlam, the businesses have launched a number of initiatives of which very specific ones address the development of black staff members, resulting in the increase of available skills for the company. These initiatives range from fast-tracking programmes for black staff members to specialised development programmes to increase skills in particular disciplines.
Key sustainability metrics

**Empowerment**

The FSC is currently being updated with the Department of Trade and Industry (DTI) codes of practice for BBBEE, and is thus subject to change. The table below is based on current FSC guidelines, and is currently subject to independent verification.

<table>
<thead>
<tr>
<th>Component</th>
<th>Notes</th>
<th>FSC target</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human resource development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior management</td>
<td>25%</td>
<td>13%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Senior management – Black female</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Middle management</td>
<td>30%</td>
<td>19%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Middle management – Black female</td>
<td>10%</td>
<td>7%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Junior management</td>
<td>50%</td>
<td>26%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Junior management – Black female</td>
<td>15%</td>
<td>12%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Skills development</td>
<td>1,5%</td>
<td>1,64%</td>
<td>2,6%</td>
<td></td>
</tr>
<tr>
<td>Learnerships</td>
<td>1,5%</td>
<td>0,17%</td>
<td>1,39%</td>
<td></td>
</tr>
<tr>
<td><strong>Procurement and enterprise development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement and enterprise development</td>
<td>15%</td>
<td>15%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td><strong>Access to financial services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliant products</td>
<td>75%</td>
<td>71,5%</td>
<td>75,5%</td>
<td></td>
</tr>
<tr>
<td><strong>Empowerment financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEE transactions</td>
<td>R3 024m</td>
<td>R3 488m</td>
<td>R1 056m</td>
<td>13</td>
</tr>
<tr>
<td>Targeted investments</td>
<td>R3 840m</td>
<td>R2 459m</td>
<td>R1 944m</td>
<td></td>
</tr>
<tr>
<td><strong>Direct empowerment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black ownership</td>
<td>25%</td>
<td>31,82%</td>
<td>28,75%</td>
<td></td>
</tr>
<tr>
<td>Black directors</td>
<td>33%</td>
<td>44%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Black female directors</td>
<td>11%</td>
<td>17%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Black executives</td>
<td>25%</td>
<td>30%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Black female executives</td>
<td>4%</td>
<td>8%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Social Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Social Investment</td>
<td>0,5%</td>
<td>0,6%</td>
<td>0,5%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating</td>
<td>1</td>
<td>A</td>
<td>A</td>
<td></td>
</tr>
</tbody>
</table>

| **Empowerment financing**                     |       |            |      |      |
| BEE transactions                              | R3 024m | R3 488m | R1 056m | 13 |
| Targeted investments                          | R3 840m | R2 459m | R1 944m |      |
| **Direct empowerment**                        |       |            |      |      |
| Black ownership                               | 25%   | 31,82%     | 28,75% |      |
| Black directors                               | 33%   | 44%        | 40%  |      |
| Black female directors                        | 11%   | 17%        | 15%  |      |
| Black executives                              | 25%   | 30%        | 28%  |      |
| Black female executives                       | 4%    | 8%         | 5%   |      |
| **Corporate Social Investment**               |       |            |      |      |
| Corporate Social Investment                   | 0,5%  | 0,6%       | 0,5% |      |
| **Total**                                     |       |            |      |      |
| Rating                                        | 1     | A          | A    |      |
Notes

1. An A rating against the Financial Sector Charter provides Sanlam with 100% recognition when tendering for contracts.

2. Sanlam’s BEE shareholding is calculated as follows:

<table>
<thead>
<tr>
<th>Share register</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of issued shares</td>
<td>2 303 608 000</td>
<td>2 303 608 000</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>242 788 621</td>
<td>120 393 444</td>
</tr>
<tr>
<td>Shares owned outside Group</td>
<td>2 060 819 379</td>
<td>2 183 214 556</td>
</tr>
<tr>
<td>Adjustment for foreign business operations</td>
<td>222 568 493</td>
<td>218 321 456</td>
</tr>
<tr>
<td>BEE baseline</td>
<td>1 838 250 886</td>
<td>1 964 893 100</td>
</tr>
<tr>
<td>Total number of shares held by black people</td>
<td>339 000 000</td>
<td>339 000 000</td>
</tr>
<tr>
<td>Vested number of shares held by black people</td>
<td>226 000 000</td>
<td>226 000 000</td>
</tr>
<tr>
<td>Non-vested number of shares held by black people</td>
<td>113 000 000</td>
<td>113 000 000</td>
</tr>
<tr>
<td>Total direct shareholding per FSC excluding effects of indirect shareholding and qualifying transactions</td>
<td>18.44%</td>
<td>17.25%</td>
</tr>
<tr>
<td>SANTAM TRANSACTION</td>
<td>1.08%</td>
<td>0%</td>
</tr>
<tr>
<td>Total direct black shareholding</td>
<td>19.52%</td>
<td>17.25%</td>
</tr>
<tr>
<td>Indirect shareholding excluded (limited to 40%*)</td>
<td>735 300 354</td>
<td>785 957 240</td>
</tr>
<tr>
<td>Total number of shares net of indirect shares held</td>
<td>1 102 950 532</td>
<td>1 178 935 860</td>
</tr>
</tbody>
</table>

TOTAL ECONOMIC INTEREST VESTED (DTI CODES) 21.21% 19.17%

* The 2006 BEE interest of 34.73% disclosed in the previous year’s annual report is restated due to a change in the application of the exclusion of indirect shareholding. The exclusion principle contained in the Codes of Good Practice on Broad-based Black Economic Empowerment gazetted on 9 February 2007, which limits exclusion of indirect shareholding to 40%, is applied in this year’s reporting.
JSE Socially Responsible Investment (SRI) Index

The following table presents more detail on Sanlam’s level of compliance with JSE sustainability criteria. As can be seen from the table, Sanlam complies with virtually all SRI governance criteria, both core and desirable. In 2008, we will investigate potential compliance with more of the social criteria contained in the index.

<table>
<thead>
<tr>
<th></th>
<th>Impact</th>
<th>Policy</th>
<th>Systems</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Low</td>
<td>Met criteria</td>
<td>Met criteria</td>
<td>Met criteria</td>
</tr>
<tr>
<td></td>
<td>Core indicators</td>
<td></td>
<td></td>
<td>Desirable indicators</td>
</tr>
<tr>
<td>Governance</td>
<td>Met 37 out of 40 indicators</td>
<td>Met 39 out of 44 indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>Met 32 out of 41 indicators</td>
<td>Met 37 out of 65 indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall – Met criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Client satisfaction

Differentiation between competitor products is becoming increasingly difficult, particularly in the financial services industry. For this reason our relationship with our clients, which is forged through exemplary client service, is constantly monitored.

The following benchmarks are reported for 2007 relating to our business with the largest client interface, Sanlam Personal Finance:

For the second year running, Sanlam was rated first in the long-term insurance industry, for client service, in the independent Ask Africa Orange Index survey. This milestone represents testimony to the commitment of Sanlam Personal Finance to drive shareholder value through a strategy based on client centricity.

In addition, the Sanlam Personal Finance Client Contact Centre won the Best in Customer Service Award for the Western Cape and, nationally, was the only financial institution among the top three in the National Business Processing Enabling South Africa annual awards in 2007.

It was also voted one of the top 100 call and contact centres worldwide this year.

These survey results were supported by the following:

- Approximately 90% rating for client and intermediary satisfaction.
- Total complaints reported down 26% from previous year.
- Complaints reported to Ombudsman for Long-term Insurance down 37% from 2006.
- Complaints reported to Pension Fund Administrator down 66% from 2006.
- Complaints dealt with by Sanlam Arbitrator up 23%.
**Employment equity**

The scorecards included below are published in line with the requirements of the Department of Labour, as at 30 June 2007.

<table>
<thead>
<tr>
<th>Occupational levels</th>
<th>Designated</th>
<th>Non-designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>C</td>
</tr>
<tr>
<td>Top management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Senior management</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Professionally qualified and experienced specialists and midmanagement</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents</td>
<td>373</td>
<td>208</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>510</td>
<td>222</td>
</tr>
<tr>
<td>Unskilled and defined decision-making</td>
<td>44</td>
<td>30</td>
</tr>
<tr>
<td>Total permanent</td>
<td>996</td>
<td>524</td>
</tr>
<tr>
<td>Non-permanent employees</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Grand total</td>
<td>1 001</td>
<td>543</td>
</tr>
</tbody>
</table>
Employment equity – employees with disabilities

<table>
<thead>
<tr>
<th>Occupational levels</th>
<th>Designated</th>
<th>Female</th>
<th>Non-designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td></td>
<td>Male</td>
</tr>
<tr>
<td>Top management</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Senior management</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Professionally qualified</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>skilled and experienced specialists and midmanagement</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Unskilled and defined decision-making</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total permanent</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Non-permanent employees</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grand total</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

Impact of South African energy supply constraints on Sanlam

Sanlam is actively monitoring the impact of the current energy crisis in South Africa on its business. These impacts can be summarised into three categories:

- **Operational**

  Operational impacts predominantly relate to our ability to provide continuous quality service to clients. Most of Sanlam’s operational footprint is supported by back-up generators. Sanlam does not believe that business volumes are likely to be affected significantly, and minor disruptions to client services such as the payment of claims are expected. Where disruption occurs Sanlam will endeavour to minimise the potential impacts on employee productivity.

  Sanlam has for some time now been implementing initiatives to conserve energy use. These initiatives have already resulted in reduced consumption.
**Investment**

The energy crisis is likely to have a negative impact on investor sentiment, which could precipitate some level of movement out of equities into cash with possible knock-on effects on specific stock prices. In addition, foreign investor sentiment and perceptions about the growth prospects for the South African economy are likely to impact negatively on South Africa as an investment destination.

**Sustainability**

As a signatory to UN Global Compact, the International Carbon Disclosure Accord, and the Energy Efficiency Accord, Sanlam is committed to both reduce per capita energy consumption, and actively manage its carbon footprint downward. When Eskom power is suspended, Sanlam consumes between 580 and 840 litres of diesel per hour, in order to maintain minimum levels of energy supply to our head office building, which represents approximately 50% of our national footprint. This has the effect of increasing our direct carbon footprint, which is partially offset by reduced indirect impacts that result from using less Eskom power. Full details of the effects on our carbon footprint will be provided in our detailed Sustainability Report.

**Key sustainability objectives for 2008**

- Towards the end of 2007, Sanlam embarked on a process of developing a revised sustainability strategy. One of the core aims of this strategy is to position Sanlam as a Socially Responsible Investment. This process will be completed in the early part of 2008. In line with the strategy, as well as Sanlam’s core values and our code of ethics, we aim to further entrench sustainable triple bottom-line business principles across the organisation based on the following four themes:
  - Strategic empowerment.
  - Responsible product stewardship.
  - Business relationship management.
  - Human intellectual capital.

- While Sanlam is on track or ahead of local requirements in terms of sustainability management and reporting, we will be embarking on an active drive to ensure we meet international criteria relevant to the markets in which we operate.

- Sanlam will continue to focus specifically on the requirements of BBBEE in the South African market. This will include adapting our programmes to the requirements of the revised FSC, where necessary, together with a specific focus on employment equity.
1989 …

– Frank Louw, Sanlam employee since 1998

sanlam,

a journey for life
Frank Louw matriculated in 1989 and worked for five years in a private hospitality business and for four years in postal services before he started his career at Sanlam Investments in 1998 as a driver and transport officer. He soon took charge of the fleet management and apart from doing an increasing amount of personal assistant work for some of the executives, Frank gradually moved into CSI-related functions at Sanlam Investments. In January 2005 he was appointed as a project manager in the Sanlam group’s CSI division.
Financial market trends in 2007 were positive overall, although choppy, and underlying business conditions were generally supportive. However, there are important questions with regard to the outlook for the future, and 2007 may yet turn out to have been a major inflection point for the global and SA economies.
Business conditions in the financial services industry in 2007 were dominated by two major developments. Internationally, financial markets were disrupted by the adjustment in the pricing of risk emanating from sharply rising debt delinquencies in the subprime mortgage market in the USA. Locally, inflation surprised negatively, causing the South African Reserve Bank to resume its policy-tightening cycle and to raise the repo rate by another 200 basis points, bringing the total increase since June 2006 to 400 basis points.

The subprime crisis spread throughout the global financial system as a result of the securitisation of subprime mortgages by the loan originators, and the presence of the resulting securities in the asset portfolios of a wide range of investors and financial institutions, ranging from mainstream banks to hedge funds. Central banks were caught off guard by the failure of the interbank money market and had to inject large amounts of liquidity into the system to keep it afloat. The dangers of systemic risk the crisis brought to the global financial system were well illustrated by the run-on and subsequent forced bail-out of Northern Rock, a top five mortgage lender in the UK, culminating in its nationalisation. Banks had to acquiesce in large writedowns and the need for the injection of new capital to repair balance sheets.

Financial markets responded negatively to these developments, spooked by the lack of transparency regarding the extent and spread of the problem, and volatility increased sharply. Central banks responded to the fall-out by loosening monetary policy, with the US Federal Reserve cutting the federal funds rate by 100 basis points in a quick response, plus another 125 basis points in January 2008.

It is evident that the subprime problem will take an extended period of time to be fully resolved, and the level of uncertainty remains high. Recent poor economic data has raised fears of a possible recession in the USA, and equity markets have responded negatively. The markets’ biggest concern is that the subprime crisis could develop into a fully fledged credit crunch that will cause an even sharper slowdown in global economic activity than what is already inevitable. To date emerging market economies, although not equity markets, have escaped largely unscathed, inter alia because commodity prices remain strong, but they remain vulnerable to a sharp global slowdown.

Locally, the markets and the South African Reserve Bank were surprised by an unexpected surge in inflation, caused mainly by sharply rising international oil and food prices. Although the Bank acknowledged the exogenous nature of these shocks, it felt compelled to contain a possible broadening in inflationary pressures and a deterioration in inflation expectations. The resulting increase in the repo rate was accompanied by rising bond yields. Government furthermore shifted to a more countercyclical fiscal policy to lessen the burden on monetary policy to ensure macroeconomic stability.
For the equity market, 2007 turned out to be a year of two halves in response to the changing environment described above. The first half of the year witnessed a steady rise in equity prices, apart from a minor market correction in late February/early March when the subprime problem first surfaced. However, the second half of the year was characterised by increased volatility. A sharp correction in equity prices in July/August was followed by a vigorous recovery, allowing the market to end the year on a substantially higher level. The JSE All Share Index, for example, increased by 16% for the calendar year. However, the early months of 2008 have witnessed a return to volatility within a falling market as fears of recession and a possible bear market grow, exacerbated by heightened political uncertainty and the economic disruption caused by extensive power cuts.

The rand remained fairly stable until September 2007, after which it appreciated abruptly in spite of a rising current account deficit that reached 8.1% of GDP in the third quarter, supported by rising interest rate differentials and a weak dollar. Recent weakness in the rand has been more pronounced than that of its peer group, pointing to factors specific to SA being the reason. Although the rand initially weakened in response to the further relaxation of exchange controls announced in the 2008 National Budget, the changes may well result in more two-way trade in the rand and therefore less volatility.

Real economic activity remained strong, with economic growth marginally in excess of 5%. A rebalancing from consumption expenditure to investment spending as the main driver of growth is well under way. Salary and wage increases accelerated, although the positive trend in employment in the past three years levelled off. Growth in real household disposable income nevertheless slowed down as higher inflation took its toll, as did household consumption expenditure. The household debt burden continued to rise to record levels, and the concomitant debt servicing costs increased to a level last seen in 1999. Household savings remained in negative territory.

In summary, therefore, financial market trends in 2007 were positive overall, although choppy, and underlying business conditions were generally supportive.
However, there are important questions with regard to the outlook for the future, and 2007 may yet turn out to have been a major inflection point for the global and SA economies.

Firstly, the subprime crisis and the related market failures have laid bare critical deficiencies in business and regulatory practices in financial systems that will require fundamental change. Secondly, the period of exceptionally strong global growth and low inflation that started in 2003 has reached a turning point and risks are primarily negative from here on. Thirdly, although emerging market countries have used the leeway provided by strong global economic conditions to enact structural improvements to their economies, the view that they can decouple from the developed world stands to be tested, along with the exuberant appetite for emerging market assets. Fourthly, South Africa finds itself in an already stretched position at a point in time when global conditions are changing for the worse, leaving it vulnerable to severe adjustment, in particular with regard to the exchange rate of the rand. Lastly, South Africa is faced by the prospect of lower growth together with high inflation, creating an extremely challenging environment for policymakers and businesses alike.

The business environment for financial services could therefore become much more challenging, requiring a more cautious approach.

Jac Laubscher
Group Economist
2000...

– Tina Shamu, Sanlam employee since 2005

sanlam,
a journey for life
Tina Shamu matriculated in 2000 and was selected for the Sanlam Investments Extended Curriculum Programme: Business Science at UCT in 2001. She completed the five-year course in four years and joined an asset management company as a trainee for part of 2005 and was appointed as a retail fund trainee at Sanlam Investment Management later that year. She was appointed as an institutional business development consultant at Sanlam Multi-Manager International in 2007.