ANNUAL REPORT
2015

Sanlam
Wealthsmiths™

Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

About this report

This Annual Report comprises our comprehensive annual reporting to our stakeholders. It is addressed primarily to our shareholders, but includes relevant information for our other material stakeholders, including our clients, employees, agents and brokers and the broader society in which we do business.

Scope and boundary

Reporting practices continue to evolve globally, in particular with regards to the format and content of integrated reports. The publication of the International Integrated Reporting Council's (IIRC) International <IR> Framework at the end of 2013 provided valuable direction to ensure consistency in approach towards integrated reporting. As expected, varied approaches are still followed insofar as the publishing of a separate Integrated Report or the inclusion thereof in a single document together with the annual financial statements. In line with our philosophy of transparent and relevant stakeholder reporting, the content and format of the Sanlam Annual Report is informed by feedback received through our engagement with key users of our reports. These users in general prefer inclusion of the Group's Integrated Report, annual financial statements and other relevant information in a single document as opposed to separate publications to ease cross referencing.

The Sanlam Annual Report is therefore an omnibus of the following distinct components:

- The Sanlam Integrated Report that provides a review of the Group and its financial, social, environmental and governance performance;
- Shareholders' information that provides additional detailed analysis of the key financial performance metrics reported on in the Integrated Report;
- Corporate Governance Report, that provides detailed information on the Group's governance practices and the functioning of its Board and Board committees; and
- Annual financial statements for the Sanlam Group and Sanlam Limited.

Financial highlights

RoGEV per share

12,8%

Exceeding target of **12,1%**

Net result from financial services

R7,3 billion

▲ **6%**

Dividend per share

245c

▲ **9%**

New business volumes

R211 billion

▲ **16%**

Net value of new covered business

R1,4 billion

▽ **15%**

Net VNB margin of

2,62%

اعتماد
MUQADDAS HOTEL

Introduction

We're in the business of helping people make the most of their money while delivering on sustainable and enduring value for our stakeholders. We believe diversification is key to our success because only when we embrace our differences and draw on our collective strengths, can we transform people's lives in a meaningful way. What drives us is we do it for good. What unites us is our job is never done. This is what makes us Wealthsmiths™.

Calendar of 2015 events

First quarter

January

- **Ian Kirk** appointed as Deputy Group Chief Executive of Sanlam.
- **Clement Booth** appointed as independent non-executive director.
- **Hubert Brody** appointed to the Group Executive committee, responsible for strategy.
- **Lizé Lambrecht**s appointed as Chief Executive Officer of Santam.

February

- Sanlam Emerging Markets (SEM) announces the acquisition of a **51% interest in NICO Vida**, a life insurance business in Mozambique.
- **Philisiwe Mthethwa** resigns as an independent non-executive director effective 13 February.

March

- Sanlam and the Association for Savings and Investment South Africa announce that the first phase of their enterprise and supplier development project has concluded with **65 new jobs** created.
- Launch of the **Employee Value Proposition** to Sanlam staff.
- Sanlam announces **strong growth** in all key performance indicators for the year ended 31 December 2014.

Second quarter

April

- Dividend of 225 cents per share paid in respect of 2014 financial year, **up 13%** on prior year.

May

- SEM enters the Zimbabwean financial services market through the acquisition of a **40% interest in Masawara Investments**.

June

- **17th Annual General Meeting** of Sanlam shareholders held on 3 June, with all resolutions approved.
- **Arun Duggal** retires from the Board on 3 June.
- **Johan van Zyl** steps down as Group Chief Executive and retires from the Board effective 30 June.
- **André Zeeman** retires from the Group Executive Committee and is succeeded by **Anton Gildenhuys**.

Third quarter

July

- **Ian Kirk** appointed as Group Chief Executive and executive director of Sanlam effective 1 July.
- **Hubert Brody** appointed as Chief Executive: Sanlam Personal Finance effective 1 July.

August

- Mozambican life assurer NICO Vida rebrands to **Sanlam Mozambique Vida**.

September

- Sanlam announces **overall satisfactory results** for the six months to 30 June, given a persistently challenging business environment in key markets.
- Sanlam indicates that it will acquire an **additional 23%** interest in Shriram Life Insurance and Shriram General Insurance.
- Ugandan general insurer NIKO rebrands to **Sanlam General Insurance Uganda**.

Fourth quarter

October

- **Annual investor conference** hosted at Sanlam Head Office.

November

- **Johan van der Merwe** steps down as Chief Executive Officer of Sanlam Investments and is succeeded by **Robert Roux**, previous Chief Operating Officer of Sanlam Investments from 1 November.
- SEM and Santam announces the acquisition of an effective **30% interest in Saham Finances**, the insurance arm of the Saham Group.
- NIKO Insurance (Tanzania) Limited rebrands to **Sanlam General Insurance Tanzania.**

December

- **Karabo Nondumo** appointed as an independent non-executive director from 3 December.
- **Bernard Swanepoel** resigns from the Board effective 4 December.
- **Themba Gamedze** retires from the Group Executive committee.
- Sanlam's acquisition of a **29% interest in ACT Healthcare Assets**, the holding company of Medscheme, is concluded.

Sanlam's value creation map

1 Read about products and services on page 46

2 Read about stakeholders on page 32

3 Read about material themes on page 12

4 Read about value creation outcomes on page 41

5 Read about key performance indicators on page 45

6 Read about the business model on page 34

Sanlam's reporting approach

In this section

- The regulatory and best practice frameworks that apply to this report
- How content is developed and what is included/excluded in this report
- What the elements of the reporting suite are and who they are aimed at
- How content is assured
- How to assess forward looking information
- How to give feedback or find more information

Scope and boundary

Sanlam Limited (Sanlam) is the holding company of the Sanlam group of companies. It has been listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSE) since 1998. It operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life Insurance Limited (Sanlam Life) is the largest operating subsidiary of Sanlam and the holding company of most of the Group's operations in emerging markets. Sanlam and all of its subsidiaries, associated companies and joint ventures are referred to as the Sanlam Group or the Group.

The report relates to the financial year from 1 January 2015 to 31 December 2015. It covers the activities of the Group in South Africa, the Rest of Africa, India, South-East Asia and selected developed markets, with the emphasis on South African operations, which contribute 78% to net result from financial services.

Refer to page 28 for the individual countries within these regions that are included in the scope of the report.

All subsidiaries, joint ventures and associated companies recognised in the annual financial statements are included in the report, apart from investments in consolidated funds (collective investment schemes and similar investment funds). These are consolidated in terms of the International Financial Reporting Standards (IFRS) by virtue of the Group's shareholding, but do not form part of the Group's strategic operations.

For some non-financial metrics only the South African operations are included, based on their relative size. The metrics to which this limitation applies are specifically indicated where relevant.

The content and format of the report is informed by feedback received through engagement with key users. Some changes in the structure of this report compared to 2014, and a stronger emphasis on value creation, did not affect comparability in terms of the entities covered, the measurement methods applied and time frames used for financial and non-financial data.

The information provided covers all material matters relating to business strategy, risks and areas of critical importance to stakeholders. Materiality was determined taking quantitative and qualitative aspects into account:

- For financial information, materiality is based on whether the item is of such significance that it could affect financial decisions made by shareholders of the Group (current and potential). The amount and nature of an item is considered. In general, materiality for financial information is set equal to that of the Shareholders' information and annual financial statements.
- For all other information, materiality is based on whether an item, resource or stakeholder is of such significance that it can prevent the Group from achieving its Return on Group Equity Value (RoGEV) target over the short, medium and long term.

The determination of materiality requires judgement to be exercised. The Group's external communication philosophy is based on achieving alignment between internal and external financial reporting in content and format of reporting. This philosophy ensures that all items regarded as material from an internal management perspective, are included in this report.

The Group identified those material issues that will affect its ability to create sustainable value for all stakeholders over the longer term. These material issues were identified under the supervision of the Sanlam Board's Social, Ethics and Sustainability committee (refer to the online Sanlam Sustainability Report for further information on the process). The material sustainability issues, grouped under material themes for the purpose of the Integrated Report, are the outcome of this process and form the basis of the Group's Sustainability Management Framework.

Refer to the Sustainability Management Framework diagram on page 12.

These material themes and issues have been embedded in the Group's business model and operations, and are covered throughout the report, with the exception of environmental impact. Managing the Group's impact on the environment is an important part of being a responsible corporate citizen. However, it does not materially affect the Group's ability to create value for its shareholders given the financial services industry's relatively lighter environmental impact. The online Sanlam Sustainability Report provides detailed information on this aspect of the Group's Sustainability Management Framework.

Refer to the annexure on page 386 for a glossary of terms, definitions and major businesses referenced in the report.

Sustainability Management Framework

Material themes	Material issues
Sound governance Deliver on business promises and principles through sound practices and processes.	Stakeholder engagement Business ethics Consumer protection and data privacy Executive leadership selection and training Executive remuneration, incentives and benefits Risk management
People development Find, engage and motivate the best talent, as the Group's most important resource.	Attraction and retention of key skills Training and skills development Employment equity and diversity Organisational culture and employee commitment
Responsible products and services Grow and preserve the wealth of the Group's clients and broader society. Engender a long-term focus that drives and promotes a savings ethos.	Client-centricity, satisfaction and retention Product development Distribution network Providing access to financial services Embracing technology Responsible investment Empowerment financing and infrastructure development
Prosperous society Build a healthy, growing and equitable economy.	Impact of products and services Transformation and empowerment Financial literacy and education
Environmental impact Bring environmental factors into investment decisions and commit to responsible environmental stewardship.	Carbon footprint and energy Environmental resource consumption

Reporting elements and guiding frameworks

Element and focus	Target audience	Guiding frameworks, legislation and standards	Distribution/ availability
The Integrated Report provides a review of the Group and its financial, social and governance performance (including summarised financial information and a remuneration report)	All stakeholders, with emphasis on shareholders	The International Integrated Reporting Council's (IIRC) International <IR> Framework King Code of Governance Principles for South Africa (King III) JSE Listings Requirements The Companies Act, 71 of 2008, as amended in South Africa International Financial Reporting Standards (IFRS)	Incorporated as a separate section in the Sanlam Annual Report available online at www.sanlam.com, with printed copies of the Annual Report available on request from Sanlam Investor Relations.
Shareholders' information	Shareholders	JSE Listings Requirements The Companies Act, 71 of 2008, as amended in South Africa Adjusted IFRS	
Corporate Governance Report	All stakeholders with emphasis on shareholders	King III JSE Listings Requirements The Companies Act, 71 of 2008, as amended in South Africa Board notice 158 of 2014 issued by the Financial Services Board	
Full audited annual financial statements for the Sanlam Group and Sanlam Limited. Notice of annual general meeting	Shareholders	IFRS JSE Listings Requirements The Companies Act, 71 of 2008, as amended in South Africa	
SENS announcements	Shareholders	JSE Listings Requirements	www.sanlam.com
Sanlam Sustainability Report	All stakeholders	The IIRC's International <IR> Framework Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines Financial Sector Code (FSC) FTSE Russell	www.sanlam.com
Sanlam results presentations	Shareholders	IFRS JSE Listings Requirements	www.sanlam.com
Sanlam websites containing general and stakeholder-specific information with contact details	All stakeholders	N/A	www.sanlam.com/investorrelations (links to Group company websites)

Readers of the report are encouraged to provide Sanlam with feedback at www.sanlam.com/investorrelations.

Sanlam's reporting approach continued

Independent assurance

Ernst & Young Inc. provided independent assurance on the following aspects of the reports listed in the previous section:

- Audit opinion on the Shareholders' information;
- Audit opinion on the annual financial statements; and
- Limited independent assurance on key elements of the performance information in the Sanlam Sustainability Report.

Information relating to the Financial Sector Charter (FSC) scorecard was subject to independent assurance by AQRate.

Forward looking statement

In this report, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to future prospects, developments and business strategies. These are forward looking statements as defined in the USA Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward looking statements, but are not the exclusive means of identifying such statements. Forward looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Board responsibility statement

The Board of directors acknowledges its responsibility to ensure the integrity of the Integrated Report and evaluated its preparation and presentation. In the opinion of the Board the Integrated Report, incorporated in the Annual Report, was prepared in accordance with the IIRC's International <IR> Framework and addresses the material matters pertaining to the long-term sustainability of the Group and presents fairly the integrated performance of the Group and the impacts thereof.

Desmond Smith
Chairman

Ian Kirk
Group Chief Executive

Navigational icons

The following icons are applied throughout the report to improve usability and show the integration between the relevant elements of the report.

Strategic pillars

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

Material themes

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

Financial solutions

- Life Insurance
- General Insurance
- Investment Management
- Credit and structuring
- Administration, Health and Other

Supplementary information

- Sanlam Group
- Page reference
- www.sanlam.com (unless otherwise specified)

Chairman's letter of introduction

Desmond Smith

Chairman

"This report is a comprehensive and concise communication to you about the Sanlam Group's long-term goals and short-term performance towards achieving these. Our focus remains on how the Group creates value."

Over the decades the Group has reinvented itself: the Cape-based life insurance company that was founded in 1918 is now an international financial services group with a presence in more than 30 countries. The strong strategic drive towards diversification in the last decade contributed to the ability to ride out tough times – which is where the Group finds itself this year.

The Group's aim is the creation of sustainable growth in shareholder value. The Group creates primary value for stakeholders by pooling risk and investment funds to provide long-term financial security and stability, augmented by the provision of credit facilities and ancillary financial services. Secondary value is created through the Group's role in providing stability to the financial system and being a provider of financial capital to other businesses. Our investment in financial education, employment and corporate social investment (CSI), among others, further benefits individuals and society.

Salient features of 2015

The Group performed in line with Board expectations and continued creating value despite economic and social challenges in most of the countries in which we operate. The highlight was the announcement of the Saham Finances transaction, with Sanlam Emerging Markets (SEM) and Santam set to acquire a 30% interest in the largest insurer in Africa, excluding South Africa. The transaction will expand the Group's footprint beyond predominantly Anglophone into the Francophone and Lusophone countries of Africa, consolidating our position as a leading Pan-African financial services company.

Since 2008 there has been major global progress to improve regulation of the financial services industry to ensure stability and to enhance all forms of risk management, ultimately to avoid the destruction of value. Unfortunately, the unexpected change in Ministers of Finance late in 2015 adversely affected local and international investor confidence in South Africa, resulting in a significant weakening in equity, bond and currency markets, and a consequential impact on the real economy. This affected the Group's ability to create value for its shareholders and clients by negatively impacting investment market returns earned on the Group's capital and client funds under management. The rise in long-term interest rates subsequent to the announcement had an additional and significant adverse impact on the valuation of the Group's operations as indicated in the Financial Review on page 96. The share price lost some 30% of its value in US dollar terms after the announcement.

Sanlam joined its financial services peers and other business partners in calling for a clear and stable economic policy framework for the effective deployment of private sector capital. We remain committed to partnering with government in building a resilient economy through the National Development Plan. A pleasing development since then is the renewed spirit of engagement and cooperation between the private sector and government to jointly solve the country's structural issues and restore confidence in the economy's growth potential.

Creating value through good governance

Sanlam's Board is the custodian of value creation and enables this through a firmly entrenched governance structure that supports value creation and manages the associated risks. In my view, these governance structures are a major contributor to the Group's success.

The Group's Business Philosophy sets out the approach and behaviours that guide the implementation of Group strategy – all according to a set of values that has proven to be universal and which over the years have become embedded in the Group.

More about Sanlam's Business Philosophy

This document defines the shared culture, behaviours and principles that unite the Group. It recognises that the Group consists of several mutually interdependent or complementary business entities and therefore aims to ensure that the value created by the whole is larger than the sum of the parts – with the main aim being the creation of sustainable growth in shareholder value. The philosophy has its roots in an entrepreneurial culture and strong ties with business partners.

The Board directs the Group strategy, which is reviewed and refined on an annual basis. Even though the Group's strategy has not changed significantly over the past 13 years, we continually test our assumptions, consider trends in the markets in which we operate, identify risks and opportunities, and decide on how to respond appropriately.

Chairman's letter of introduction
continued

Effective governance is ensured by clear roles and mandates for the Board, the committees and executives. These are encapsulated in the Board and committee charters and updated annually – this year, for example, to align with Board notice 158 titled *"Governance and Risk Management Framework for Insurers"*, issued by the Financial Services Board (FSB). This relates, *inter alia,* to the fit and proper requirements for directors and auditors.

Governance and diversification

The optimal functioning of the Group's governance structures relies on the integrity, expertise and experience of the people who have been elected and appointed in these roles. We regularly evaluate the performance and composition of the Board in terms of diversity, balance, independence and skills, with recognition of the expanding nature and diversity of the geographic markets in which the Group operates.

At the end of the year, the Sanlam Board had 17 members: 11 were regarded as independent, 13 as non-executives, and four were executive directors. The average length of service was seven years and five months.

The board composition on page 22 illustrates the increasing diversity and independence in the combined expertise of our Board members – one of the most valuable assets of the Group as it ensures appropriate skills and experience and the ability to debate and challenge those matters that determine the optimal governance of an international group. We use independent service providers to assist in evaluating the performance and independence of the Board. We recognise that the nine-year tenure is an important benchmark for some of our stakeholders. These service providers further assist in recruiting new Board members, for example, to provide expertise and insight into business in Africa.

One of the Group's biggest challenges in the medium term will be the establishment and development of governance structures in new and emerging markets, particularly in the case of entities where the Group does not have a controlling shareholding. Priority areas are ethics and risk management: we want our Sanlam Wealthsmiths™ brand across Africa to deliver according to the same high standards and values as applied in South Africa.

We also recognise the diverse nature of stakeholders in different markets, with different priorities and perceptions of value creation. A primary stakeholder in all the Group's markets is the regulators. We continue to engage on a strategic and operational level with them as regulatory change is one of the Group's – and the global financial industry's – top risks.

As set out in the Group's Business Philosophy, we accept that we function in a highly regulated industry. Our approach is to exceed regulators' expectations in terms of prudential and market conduct in all the territories in which we operate and to find opportunities and value beyond compliance.

Balancing stakeholder interests

As a Board, we take a long-term view of the Group's business activities and impacts, which is essential when considering stakeholder expectations. The Board ensures that these interests are addressed in an integrated way through Board members serving on multiple committees. I attend the majority of committee meetings to ensure that all relevant matters are raised and addressed in the appropriate areas in a coordinated and consistent manner.

Read more about the various committees on page 221.

The Group is a pioneer in incorporating the customer view into governance structures. The Sanlam Customer Interest committee was initiated in 1998, and has now broadened its mandate in terms of Treating Customers Fairly (TCF) regulation. Its scope as an advisory body covers the entire Group, providing guidance to the Board on strategic issues relating to customers.

The interests of Sanlam's shareholders are directly linked to the value created for our clients. This interdependency is at the core of the Group's business model and will always create a healthy tension. The Sanlam Customer Interest committee has an important role to ensure that this interdependency is appropriately managed.

More about the Sanlam Customer Interest committee

The Sanlam Customer Interest committee is mandated by the Board to review and monitor all customer-related decisions. It acts as an advisory body and provides guidance to the Board on strategic issues relating to customers. These are closely aligned with the six fairness outcomes as defined by the FSB, namely:

- Customers are confident that they are dealing with a Group where the fair treatment of customers is central to the firm's culture.
- Products and services marketed and sold in the retail market are designed to meet the needs of the identified customer groups and are targeted accordingly.
- Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
- Where customers receive advice, the advice is suitable and takes account of their circumstances.
- Customers are provided with products that perform as the Group has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
- Customers do not face unreasonable post-sale barriers to change a product, switch provider, submit a claim or make a complaint.

Read more about the committee and its members in the Corporate Governance Report on page 225.

Chairman's letter of introduction
continued

"Appreciation goes to all the Sanlam Board members who consistently shared their wisdom and expertise. **I would also like to extend a sincere thank you to our clients, our staff and intermediaries, our shareholders and other stakeholders for their support in 2015."**

Employees remain a major asset for the Group and we ensure that their interests are well looked after. Our efforts were confirmed when Sanlam was awarded Top Employers South Africa certification. This is awarded to the best employers around the world – those companies that demonstrate the highest standards of employee offerings within a forward thinking human capital environment. A key responsibility of the Board in managing human capital is to continually consider succession planning. The well-managed transition this year between Johan van Zyl and Ian Kirk bears testimony to a deliberate and responsible approach.

Our stakeholders' interest in transformation will also remain a priority. Much was achieved if I compare the Group to the organisation that I joined in 1968. However, like other financial services groups we still face challenges in reflecting the South African demographics in our staff complement, particularly in our senior and executive teams' composition.

Focus areas for 2016

The annual Board evaluations confirm that we operate effectively; however, there are always areas for improvement. We are not complacent about performance and continually strengthen our governance structures. An example of this is the recent establishment of the Actuarial Forum to assist the Audit, Actuarial and Finance committee in executing its duties. Further strengthening of governance structures will be a particular priority where we have partnerships and made acquisitions in emerging markets.

As a diversified group, we have the resilience to continue delivering healthy results. Our challenge will be to transition the Group from having a range of investments internationally to an international group that creates value through synergies, values and governance structures.

Read more about the Group's expectations and focus areas for 2016 in the Strategic review by the Group Chief Executive on page 93.

Appreciation

Three directors resigned during the year: Philisiwe Mthethwa, Arun Duggal and Bernard Swanepoel. These directors have stepped down to pursue other interests. They all made unique and dedicated contributions to the Board and we wish them all the best. Karabo Nondumo was appointed as an independent non-executive director on 3 December 2015 – a welcome addition to the Board. We look forward to her contribution.

Johan van Zyl stepped down as Group Chief Executive and retired from the Board as executive director at the end of June 2015. I would like to thank Johan for his unwavering commitment since his appointment in 2003 to transforming the Group from primarily a South African life insurer to a diversified financial services group. He made a lasting contribution to a sustainable group as Chief Executive.

We also had the pleasure of welcoming Johan back to the Board as a non-executive director on 18 January 2016 as a nominee of Ubuntu-Botho, our main empowerment shareholder and partner. In his new role the Group will continue to benefit from Johan's in-depth insight into Sanlam, the wider financial services industry and business in general.

We also congratulate Johan for being named Business Leader of the Year in Southern Africa at the regional All Africa Business Leaders Awards in September 2015.

Appreciation goes to all the Sanlam Board members who consistently shared their wisdom and expertise and particularly to Patrice Motsepe, our Deputy Chairman. I would also like to extend a sincere thank you to our clients, our staff and intermediaries, our shareholders and other stakeholders for their support in 2015.

Thank you for choosing the Group to help create your wealth.

Desmond Smith

Chairman's letter of introduction
continued

Sanlam Board of directors
at 31 December 2015

Desmond Smith (68)
Gender: Male
Tenure: 6 years, 7 months
Committee membership:
Nominations (Chairman), Sanlam Customer, Interest, Human Resources and Remuneration, Non-executive directors (Chairman)
Expertise:
Financial Markets and Investments, Actuarial, General and International Business, Marketing, Risk Management

Independent Chairman

Patrice Motsepe (54)
Gender: Male
Tenure: 11 years, 9 months
Committee membership:
Human Resources and Remuneration, Nominations, Non-executive directors
Expertise:
General and International Business, Legal

Non-executive Deputy Chairman

Rejoice Simelane (64)
Gender: Female
Tenure: 11 years, 9 months
Committee membership:
Social, Ethics and Sustainability, Non-executive directors
Expertise:
General Business, Sustainability, Governance, Legal

Non-executive

Executive

Ian Kirk (58)
Gender: Male
Tenure: 6 months
Expertise:
Financial Markets and Investments, General and International Business

Kobus Möller (56)
Gender: Male
Tenure: 9 years, 2 months
Committee membership:
Risk and Compliance
Expertise:
Accounting, Financial Markets and Investments, General and International Business, Risk Management

Yegs Ramiah (48)
Gender: Female
Tenure: 3 years, 1 month
Expertise:
General Business, Marketing, Legal, Sustainability, Brand Communications, Transformation

Temba Mvusi (60)
Gender: Male
Tenure: 6 years, 1 month
Expertise:
Financial Markets and Investments, General Business, Human Resources, Legal

Manana Bakane-Tuoane (67)

Gender: Female

Tenure: 12 years

Committee membership: Human Resources and Remuneration, Nominations, Sanlam Customer Interest, Non-executive directors

Expertise: Financial Markets and Investments, General Business, Human Resources

Clement Booth (61) *(British)*

Gender: Male

Tenure: 1 year

Committee membership: Audit, Actuarial and Finance, Risk and Compliance

Expertise: General and International Business, Human Resources, Sustainability, Risk Management, Marketing

Anton Botha (62)

Gender: Male

Tenure: 9 years, 9 months

Committee membership: Human Resources and Remuneration (Chairman), Non-executive directors

Expertise: Financial Markets and Investments, General and International Business, Human Resources, Marketing

Paul Bradshaw (66)

Gender: Male

Tenure: 2 years, 4 months

Committee membership: Sanlam Customer Interest, Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors

Expertise: Actuarial, Financial Markets and Investments, International Business, Risk Management

Valli Moosa (59)

Gender: Male

Tenure: 11 years, 7 months

Committee membership: Social, Ethics and Sustainability (Chairman), Non-executive directors

Expertise: General Business, Sustainability, Governance

Independent in terms of King III

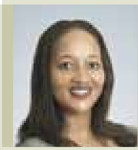
Sipho Nkosi (61)

Gender: Male

Tenure: 9 years, 10 months

Committee membership: Non-executive directors

Expertise: General and International Business



Karabo Nondumo (37)

Gender: Female

Tenure: 1 month

Committee membership: Non-executive directors

Expertise: Accounting, Financial Markets and Investments, General Business

Flip Rademeyer (68)

Gender: Male

Tenure: 4 years, 9 months

Committee membership: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors

Expertise: Accounting, Financial Markets and Investments, General Business, Risk Management

Chris Swanepoel (65)

Gender: Male

Tenure: 4 years, 9 months

Committee membership: Risk and Compliance (Chairman), Sanlam Customer Interest (Chairman), Non-executive directors

Expertise: Actuarial, Risk Management, Financial Markets and Investments

Lazarus Zim (55)

Gender: Male

Tenure: 9 years, 9 months

Committee membership: Social, Ethics and Sustainability, Non-executive directors

Expertise: General and International Business, Sustainability

Group at a glance

In this section

- Group activities, markets, channels and geographical presence
- Management structure and focus areas
- Key facts per cluster

The Group is one of the largest financial services groups in South Africa. It provides financial solutions to individuals and institutional clients through a network of channels and partnerships in 25 countries. These solutions include:

Life Insurance
Life insurance

General Insurance
General insurance

Investment Management
Investment management (including retail savings, asset management and wealth management)

Credit and structuring
Credit and structuring

Administration, Health and Other
Administration, health and other (such as estate planning, trusts, wills, unsecured lending and health management)

The Group follows a multi-channel distribution approach to ensure that clients are reached and serviced through their preferred channel. The distribution model is continually adapted to changing client preferences, with increased focus being placed on further developing the Group's digital capability. The Group's current distribution channels are broadly classified into four categories:

1. **Advisers or tied agents**
2. **Brokers or independent intermediaries**
3. **Direct**
4. **Affinity groups and bancassurance partners**

1

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

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

Number of agents

South Africa: 5 200
Rest of Africa: 7 516
India: 52 026
Malaysia: 2 887

2

Independent brokers service retail and institutional clients across market segments and are supported by dedicated broker support units.

Independent brokers are an important distribution channel, especially in the South African affluent market, where the majority of new business is written through this channel. Given their independence to distribute all competitor products, establishing and maintaining superior support and relationships with this channel is a key focus area of the broker support units.

Number of supporting brokers

South Africa: 4 533

3

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

4

Affinity groups focus on distribution through groupings of retail clients, for example, employer and church groups. The affinity group partner is typically responsible for administration at an individual member level, while the Group provides the relevant products.

The Group has bancassurance relationships with a number of banks across Africa through which it distributes insurance and investment products to the bank's client base.

Affinity groups and bancassurance relationships offer the Group access to large client bases through single entry points. This is a key benefit for start-up operations to gain economies of scale significantly faster than through traditional retail intermediaries. It also forms a critical part of the Group's multi-channel distribution approach and promotes financial access in underserviced low income segments due to the lower distribution cost.

Group at a glance continued

The Group has a decentralised management structure with all operations conducted through four clusters focused on specific markets and/or market segments. The clusters are supported by a centre of excellence at the Group level, which sets tight standards within which the clusters must operate.

The Sanlam Group is a leading financial services group, originally established as a life insurance company in 1918. The Group demutualised and listed on the JSE and NSE in 1998. The Group's head office is in Bellville near Cape Town in South Africa. It employs 14 711 people and is rated a BBBEE level 2 contributor as determined by the FSC.

Net result from financial services R7 269 million ▲
(2014: R6 879 million)

Sanlam Group Office

Responsible for Group strategy, capital management and capital allocation to clusters. The following functions provide Group-wide support and coordination:
Finance || Actuarial and Risk Management || Information Technology || Human Resources || Market Development || Brand Services

Net result from financial services – **R109** million ▽ (2014: -R107 million)

Clusters

Sanlam Personal Finance

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

- **Sanlam Sky Solutions** (Sanlam Sky) is responsible for the entry-level market.
- **Sanlam Individual Life and Segment Solutions** (Individual Life) services the middle income, self-employed and professional markets.
- **Glacier by Sanlam** (Glacier) focuses on the affluent market.

Net result from financial services
R3 831 million ▲
(2014: R3 476 million)

Contribution to Group net result from financial services
53% (2014: 51%)

Number of employees
6 322

Sanlam Emerging Markets

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

Focus areas include: Retail and group life insurance and related business || Credit and structuring || General insurance || Investment management

Net result from financial services
R1 197 million ▽
(2014: R1 241 million)

Contribution to Group net result from financial services
16% (2014: 18%)

Number of employees
1 754

Sanlam Investments

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

Focus areas include: Investment management || Wealth management || Capital management || Employee benefits (providing risk and investment solutions and administration services to institutions and retirement funds) || International investments

Net result from financial services
R1 417 million ▽
(2014: R1 468 million)

Contribution to Group net result from financial services
19% (2014: 21%)

Number of employees
1 322

Santam

Provides a diversified range of general insurance products and services in southern Africa and internationally to customers ranging from individuals to commercial and specialist business owners and institutions.

Santam's international diversification strategy focuses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in SEM's expansion into Africa, India and South-East Asia.

Santam's business units include: Santam Commercial and Personal || Santam Specialist || MiWay || Santam Re || Santam Emerging Markets Investments

Net result from financial services
R933 million ▲
(2014: R801 million)

Contribution to Group net result from financial services
13% (2014: 12%)

Number of employees
5 313

Business units at 31 December 2015

(100% unless otherwise indicated)

- Sanlam Sky Solutions
- Sanlam Individual Life
- Glacier
- Sanlam Trust
- Multi-Data
- Sanlam Healthcare Management
- Sanlam Personal Loans (70%)
- Anglo African Finance (55%)
- Reality
- Afrocentric (29%)

Investment Management:
- Sanlam Investment Management
- Sanlam Africa Investments
- Sanlam Properties
- Sanlam Structured Solutions
- Satrix
- Sanlam Multi Manager International
- Sanlam Collective Investments
- Blue Ink
- Graviton Wealth
- Graviton Financial Partners

Wealth Management:
- Sanlam Private Wealth
- Sanlam Private Wealth Australia (50,1%)
- Sanlam Private Wealth UK (97%)
- Summit Trust (65%), an international independent trust services group in Switzerland
- Investment Advisory Service and Fiduciary and Tax Services

Capital Management and credit structuring:
- Sanlam Capital markets
- Sanlam Private Equity

Sanlam Employee Benefits:
- Sanlam Group Risk
- SEB Investments
- Sanlam Umbrella Solutions
- Sanlam Retirement Fund Administration
- Simeka Consultants and Actuaries

International Investments:
- Sanlam International Investment Partners manages established partnerships with specialist investment management firms abroad as outlined below:
  - Centre (69,6%), an American and global asset management company based on Wall Street
  - Artisan (33,3%), a European property management company based on Isle of Man
  - SEA, a Bangalore-based equity research hub
- SIM Global, manages long-only specialist international equity funds
- Sanlam Asset Management Ireland
- Sanlam UK, comprising Sanlam Investments and Pensions, Sanlam Distribution, Sanlam Private Wealth and Four Capital (89,7%)
- Sanlam Global Investment Solutions, providing specialist investment services and international mutual fund administration

- Santam Commercial and Personal
- Santam Specialist
- Santam Re
- MiWay
- Santam Emerging Markets (indirect stake in SEM general insurance businesses)

Read more about the Santam operations in the Santam Integrated Report at www.santam.co.za

Retail and Group life insurance and related business:
- Botswana Life, Botswana (59%) via Botswana Insurance Holdings Limited (BIHL[1])
- Sanlam Life, Namibia
- Sanlam Namibia Holdings, Namibia (direct 54% and 5% indirect via Capricorn Investment Holdings)
- NICO Life, Malawi (direct 49% and 8% indirect via NICO Holdings[1])
- Pan Africa Life, Kenya (56%) via Pan Africa Insurance Holdings (PAIH[1])
- African Life, Tanzania (64%)
- African Life, Zambia (70%)
- Enterprise Life Assurance, Ghana (49%)
- Sanlam Life, Uganda
- FBN Life, Nigeria (35%)
- Shriram Life Insurance, India (20%) via Shriram Capital
- MCIS Insurance, Malaysia (51%)
- Soras VIE, Rwanda (63%) via Soras Group
- Sanlam Mozambique Vida, Mozambique (51% direct and 5% indirect via NICO Holdings)
- Zimnat Life, Zimbabwe (40% indirect)

Credit and structuring:
- Bank Windhoek, Namibia[1] (13%) via Capricorn Investment Holdings
- Letshego[1] (14%) operating in a number of African countries via BIHL[1]
- NBS Bank, Malawi[1] (7%) via NICO Holdings[1]
- Shriram Transport Finance Company (STFC), India (3% direct and 7% via Shriram Capital)
- Shriram City Union Finance (SCUF), India (9%) via Shriram Capital

Investment management:
- Pan Africa Asset Management (56%) via PAIH[1]
- SIM Namibia (86%)
- Botswana Insurance Fund Management (59%) via BIHL[1]

General insurance (including Santam's participation):
- NICO Malawi (direct 49% and 8% indirect via NICO Holdings[1])
- Sanlam General Insurance – Tanzania, Tanzania (direct 47% and 3% indirect via NICO Holdings[1])
- Sanlam General Insurance – Uganda, Uganda (direct 79% and 3% indirect via NICO Holdings[1])
- NICO Zambia, Zambia (direct 49% and 8% indirect via NICO Holdings[1])
- Shriram General Insurance, India via Shriram Capital (20%)
- Pacific & Orient, Malaysia (49%)
- Legal Guard, Botswana (59%) via BIHL[1]
- FBN General Insurance, Nigeria (35%) via FBN Life
- Soras Assurance General, Rwanda (63%) via Soras Group
- Santam Namibia, Namibia (excluding Santam's direct share) (37%)
- Enterprise Insurance Company, Ghana (40%)
- Gateway, Kenya (32% indirect through PAIH)

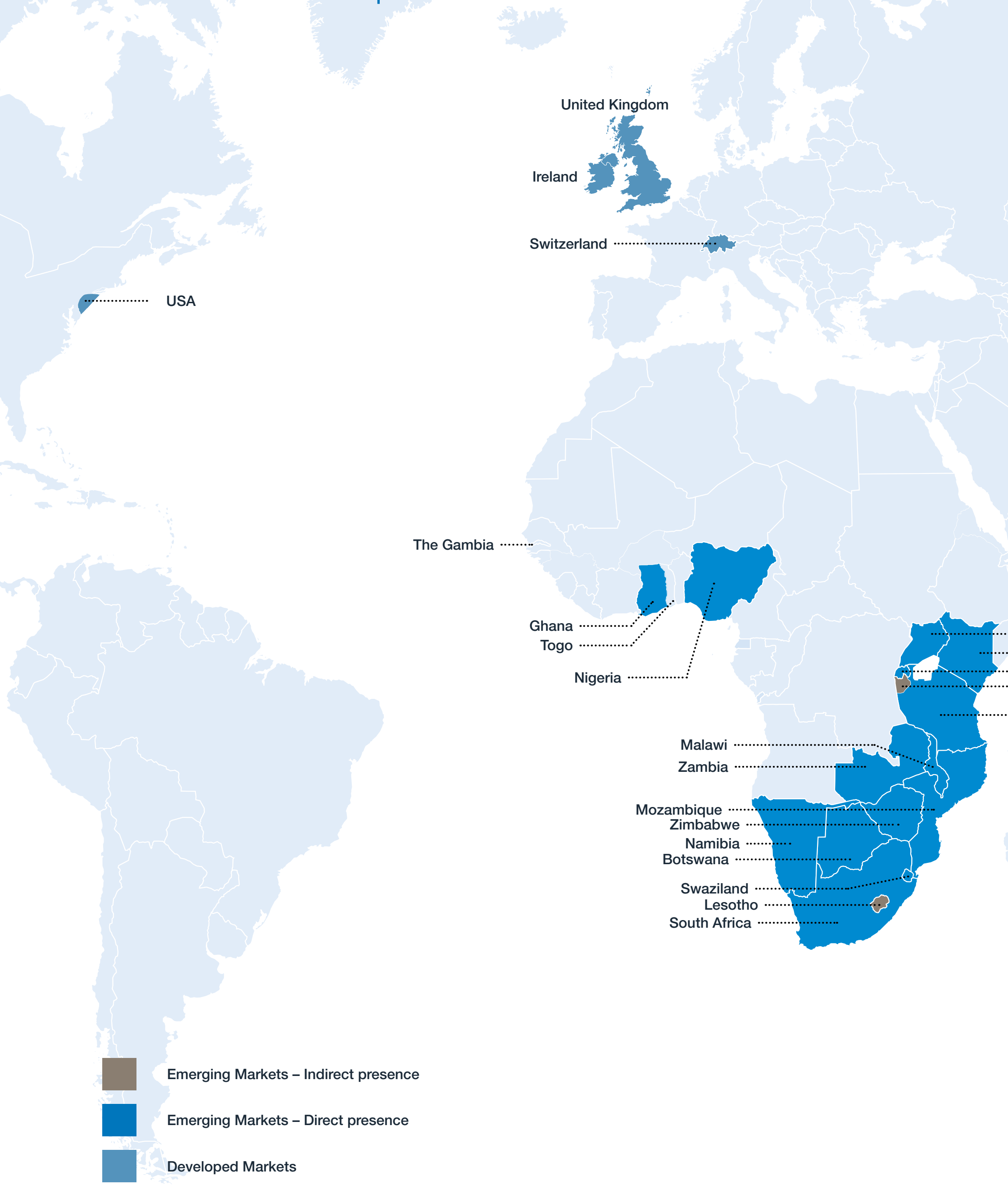
[1] *Listed entities. Refer to the relevant company websites for information available in the public domain:*

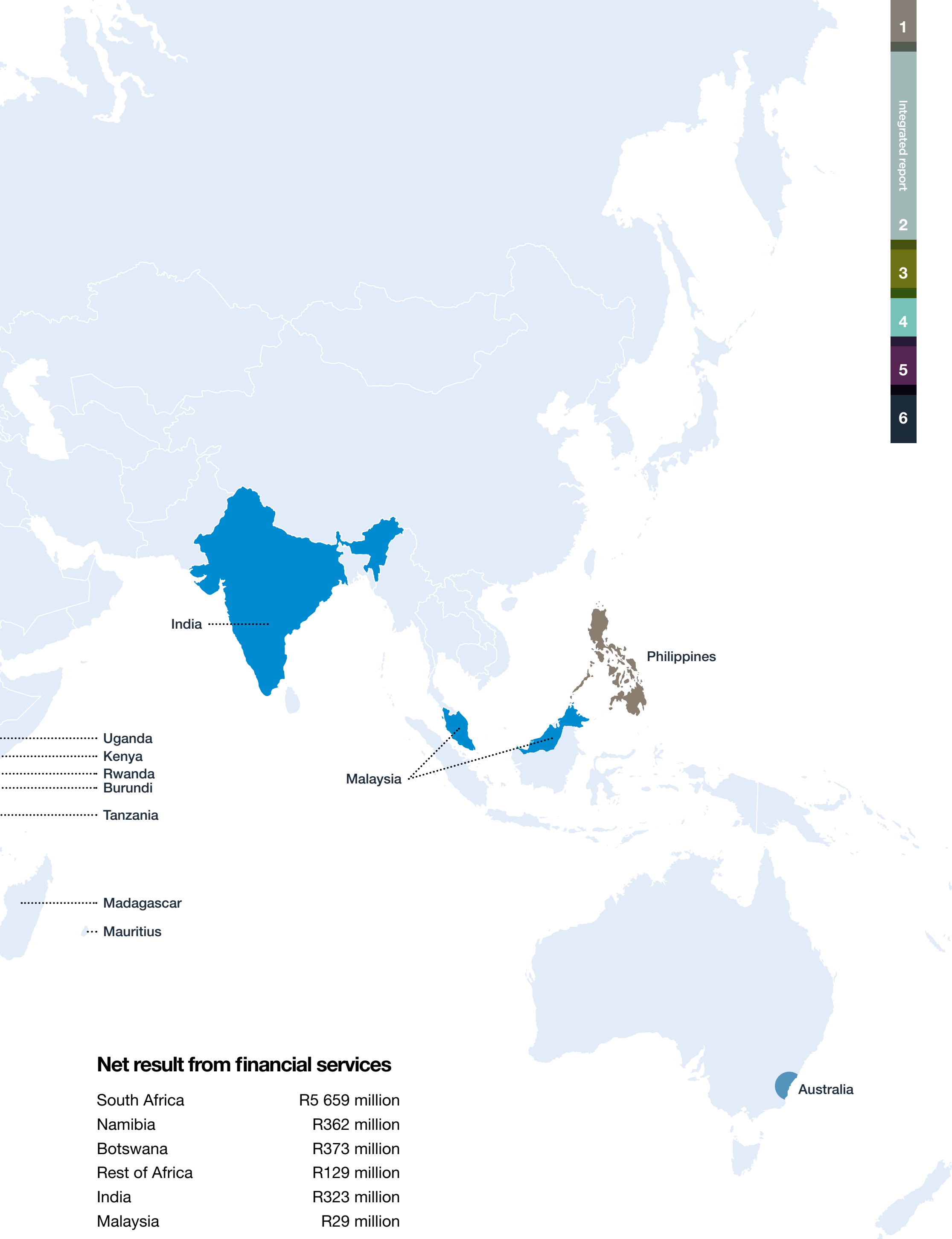
BIHL: *www.bihl.co.bw*
PAIHL: *www.pan-africa.com*
Letshego: *www.letshego.com*
Bank Windhoek: *www.bwholdings.com.na*
NICO Holdings: *www.nicomw.com*
NBS Bank: *www.nbsmw.com*
STFC: *www.stfc.in*
SCUF: *www.shriramcity.in*

Read more about the new Sanlam Corporate Cluster to be added to the Group structure in 2016 in the Strategic review by the Group Chief Executive on page 88.

Find more detail about subsidiaries and minority interests per cluster online under investor relations.

Where we operate



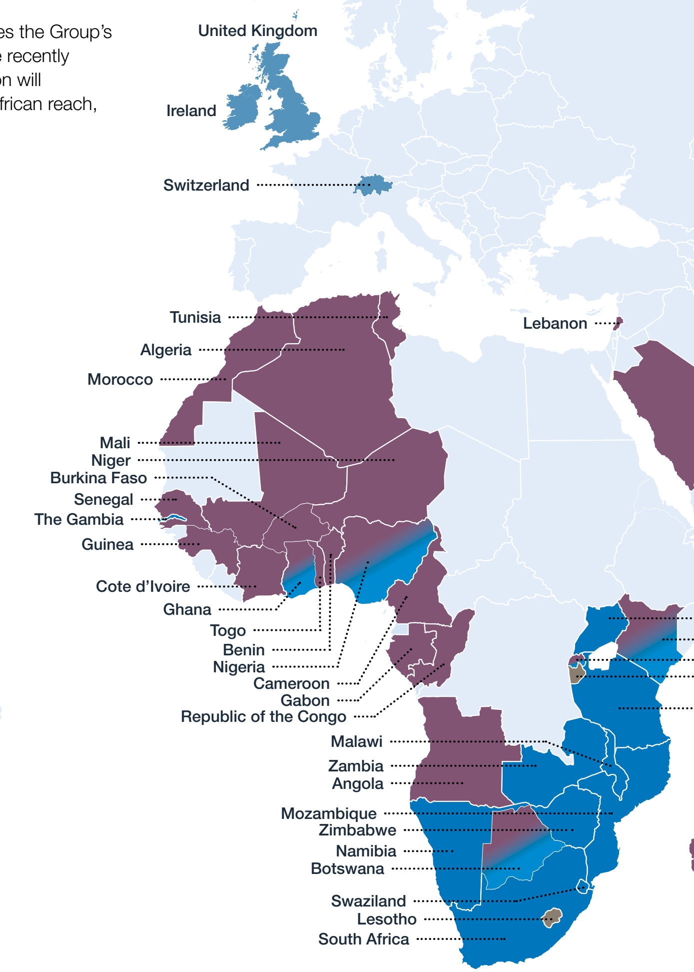


Net result from financial services

South Africa	R5 659 million
Namibia	R362 million
Botswana	R373 million
Rest of Africa	R129 million
India	R323 million
Malaysia	R29 million
Other International	R394 million

Where we operate continued

The map on the previous page illustrates the Group's footprint as at 31 December 2015. The recently announced Saham Finances transaction will significantly expand the Group's Pan-African reach, as illustrated below:



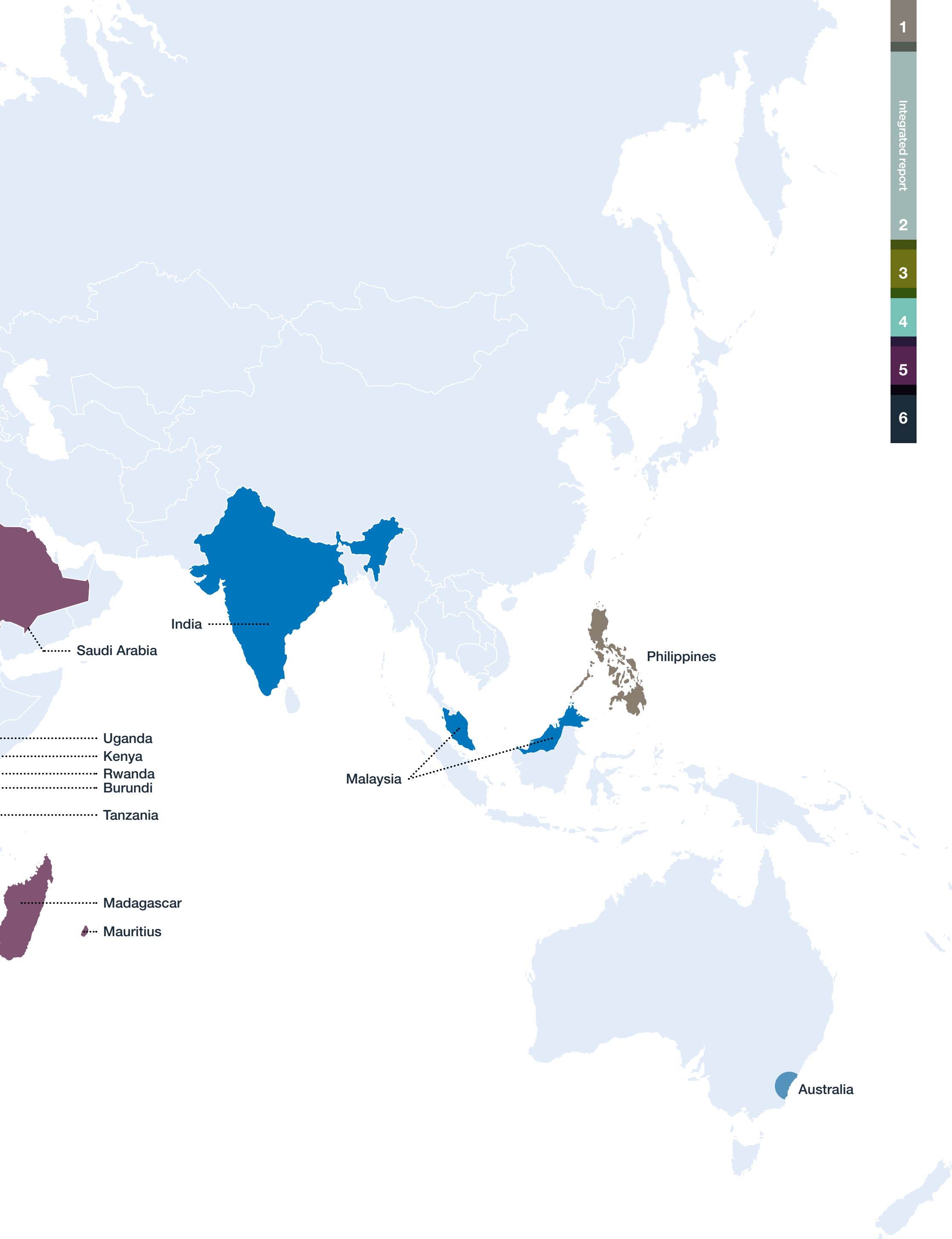
Emerging Markets – Burundi, Lesotho and Phillipines

Saham Finances' geographic footprint

Sanlam's geographic footprint

Sanlam and Saham Finances' geographic footprint

Developed Markets


India
Saudi Arabia
Philippines
Uganda
Kenya
Rwanda
Burundi
Tanzania
Malaysia
Madagascar
Mauritius
Australia

Key stakeholders

In this section

- Overview of the Group's key stakeholders
- Stakeholder engagement approach and summary

As with any other commercial business, shareholders – as the providers of financial capital – are the Group's primary stakeholder group. The main responsibility of the Sanlam Board and executive management is to manage the Group in a sustainable manner that will ensure value creation for shareholders over the long term.

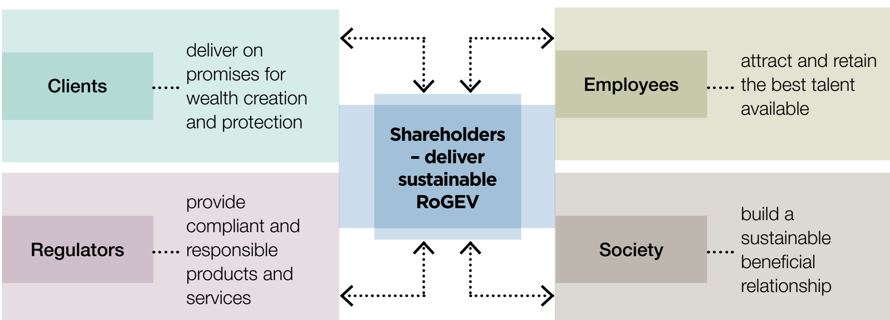
Sustainable shareholder value can only be realised by identifying and creating sustainable value for all other stakeholder groups that provide resources that materially influence the value drivers of the Group's business model. These key stakeholders are actively engaged on a continual basis to ensure an optimal balance between sometimes conflicting objectives.

Each key stakeholder group provides one or more capital inputs that contribute to the successful execution of the Group's strategy. The Group therefore focuses on understanding the objectives and value aspirations of each group, the limitations to the capitals provided by them, how the Group can contribute to alleviate such limitations and how value creation can be optimised in a holistic manner for all stakeholder groups.

The Group's key stakeholders that materially contribute to its value drivers have been identified as:

- **Shareholders:** the primary providers of financial capital
- **Clients:** the consumers of the Group's products and services to achieve their wealth creation and wealth protection goals
- **Employees** (including tied agents): the suppliers of skills and expertise to support the activities inherent in the Group's business model
- **Society:** the base from which demand for the Group's products and services are generated and from which human resources are employed
- **Regulators:** the providers of a sustainable environment for financial services through market conduct and financial stability regulations

Other stakeholders, such as suppliers of goods and services, the media, investors in the Group's debt, etc., also contribute to the Group's value drivers. However, the focus of the report is on the material stakeholders.



Stakeholder engagement

The Group has a documented strategy to guide the engagement with key stakeholders, aligned with King III. A stakeholder communication policy, approved by the Social, Ethics and Sustainability (SES) committee of the Sanlam Board, is in place and available on the Sanlam website.

Every business cluster reports quarterly to the Sanlam stakeholder hub on all stakeholder engagement activities and any concerns raised. This is collated and reported to the SES committee, where it is considered as part of the regular reviews of the Group's Sustainability Management Framework.

The stakeholder hub is a centralised stakeholder database that also serves as an issue log. The database is being developed into an internal software system and will serve to track both stakeholder engagement and the issues raised by stakeholders.

Each cluster is tasked with managing stakeholder engagement in accordance with their business operations. This includes understanding the needs and demands of clients, engaging with the regulatory framework impacting on each business, developing employees and suppliers, as well as responding to the concerns of the broader society that is impacted by the business unit operations.

Read more about value created for each stakeholder group on page 45.

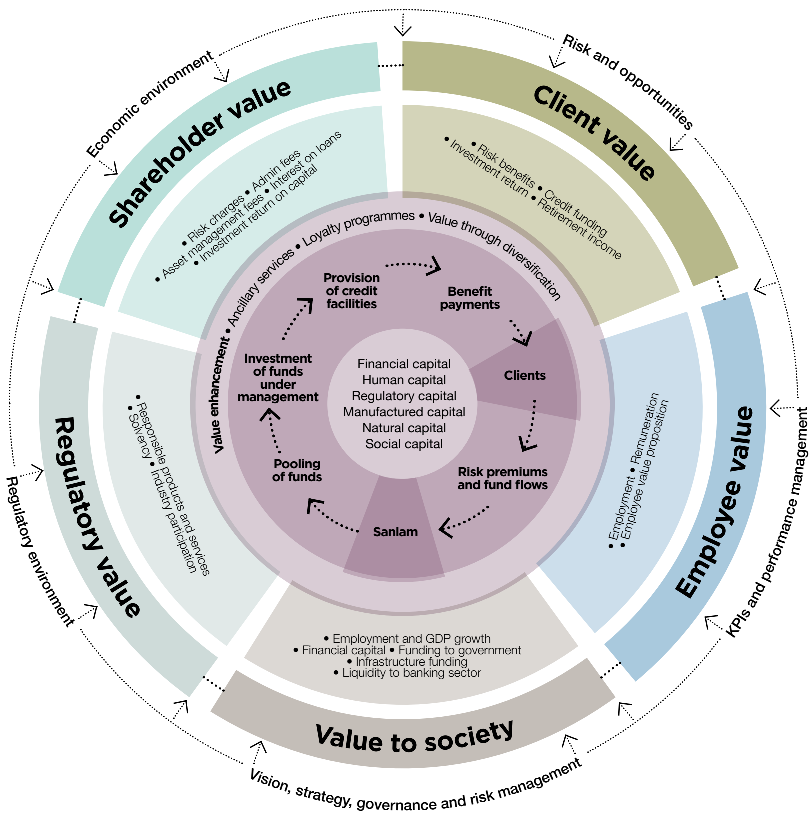
Value creation through the Sanlam business model

In this section

- Overview of how the capitals are applied through the business model to create value
- A summary of how the Group creates value for its key stakeholders
- Details about how the Group measures value creation
- Key elements of the Group's competitive advantage and value creation ability

The Group has been creating value for stakeholders since 1918. The Group acknowledges that value perceptions differ per stakeholder and that strategic decisions have to balance their interests, which are sometimes conflicting. The ability to understand the trade-offs and long-term consequences of these choices is a key strength, evidenced by the value created for stakeholders over many decades.

The Sanlam business model through which value is created is depicted in the diagram below:



The Group's business model is based on its ability to provide financial services solutions to retail and institutional clients across market segments and geographies. The solutions fulfil clients' needs for wealth creation and protection. In line with the Group's philosophy of client-centricity, appropriate and responsible advice and products are offered, tailored to clients' specific needs and circumstances – at a fair price. The value proposition to clients is enhanced through ancillary services such as administration, health solutions, estate planning, trust services, unsecured lending and loyalty schemes.

The following categories of financial services solutions are offered to clients:

Life Insurance

Life insurance

General Insurance

General insurance

Investment Management

Investment management

Credit and structuring

Credit and structuring

Administration, Health and Other

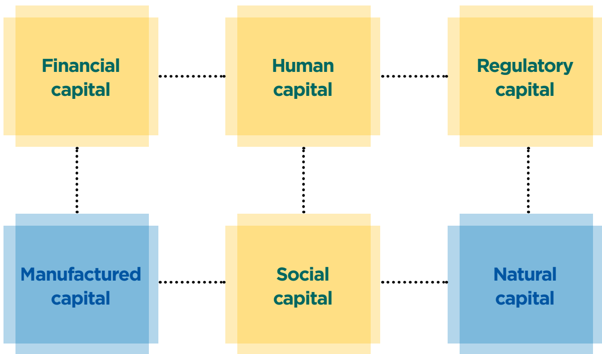
Administration, health and other

Value creation through the Sanlam business model continued

Sanlam is a leader in an industry that **creates value** by facilitating a process that **allows people to pool risks and funds** in pursuit of **wealth creation and protection**, and further supports this by **providing credit funding and ancillary services**.

The life insurance, general insurance and investment management solutions generate risk premiums and fund flows that are pooled by the Group and invested in local and international investment markets. These pooled funds, including the investment return earned thereon, are used to fund benefit payments to clients and the fees and margins payable to shareholders. The Group is also able to access debt markets to run credit businesses that offer clients a variety of credit solutions that enable them to procure capital assets and/or to fund their own business activities.

Six capitals are applied as part of the business model to provide clients with their chosen set of products and services. These capitals constitute resources that are inputs to the business model:



Given the nature of the Group's financial services operations, the material capitals are financial capital, human capital, social capital and regulatory capital as these have the most significant impact on the Group's ability to create value.

The Group's reputation is an essential element in value creation as it is built on a relationship of trust with clients. Individuals and institutions entrust their financial well-being to the Group, which offers a range of products that provide solutions through all stages of individual and business life cycles. The Group's ability to provide the benefits underlying its products and services is exposed to a number of risks.

Read more about these risks in the Strategic review by the Group Chief Executive later in the report as well as the Capital and Risk Management Report on page 251.

These risks are managed on a preventative basis as far as possible through various risk management activities. However, should risks materialise, the financial capital held by the Group is available to absorb the financial impact thereof to ensure that the Group remains solvent to honour its commitments towards clients. Financial capital is therefore a key safeguard to protect clients' trust in the business and the ability of the business model to create value.

The Group's business model is based on various activities that are complex in nature and require specialised competencies such as financial, actuarial, risk management, distribution and other skills. The availability of these skills is not only fundamental to the Group's ability to offer its products and services, but also a key factor in its competitive advantage.

Social capital is also an inherently important part of the business model. Sustainable demand for the Group's products and services is reliant on a financially healthy and literate community and a growing economy. The human capital needs of the business model are also reliant on a properly functioning educational environment. The business model assists in creating this supportive environment to ensure sustainability over the longer term.

The regulatory environment in which the Group operates has a material impact on clients' trust in the industry and hence demand for its products and services.

The table on page 38 provides an overview of the main products and services offered by the Group as well as the main activities supporting the business model.

Value creation through the Sanlam business model continued

Inputs

Financial capital	• Public listings on the JSE and NSE provide access to share capital. Sanlam's financial strength enables it to issue subordinated debt as part of its capital structure.
Human capital	• Sanlam depends on the individual competencies, capabilities, talent and experience of its employees to manage the business efficiently, understand client needs, develop and distribute appropriate products and services and effectively manage the risks that the business is exposed to.
Regulatory capital	• Sanlam is dependent on an efficient regulatory environment that promotes responsible products and services, fair treatment of clients and fair competition between participants in the industry.
Manufactured capital	• The majority of staff is housed in the Sanlam, Santam and Sanlam Investments head offices in Cape Town, with additional offices and branches across the regions where the business operates. Sanlam makes use of IT equipment and depend on existing infrastructure such as road and air travel, as well as ICT communication technology.
Social capital	• Sanlam relies on strong relationships with stakeholders, including its BBBEE rating in South Africa, to operate responsibly.
Natural capital	• Sanlam's direct impact is low and predominantly limited to electricity and water usage. The Group invests on behalf of its clients in businesses that are very dependent on natural resources such as those in the mineral and mining sectors.

Six capital inputs to offer products and services that create value for stakeholders

Read more about the value created per stakeholder group from page 45.

Financial solutions

Life Insurance

- **Risk products:** monetary benefits for unexpected events such as death, disability, trauma and retrenchment
- **Investment products** to facilitate wealth accumulation and providing for income at retirement through a full range of investment options that offer varying levels of investment guarantees

General Insurance

- **Monetary benefit** to compensate for loss of physical property, loss of trading income or liability incurred. Includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer

Investment Management

- **Retail client solutions** offering savings options through a range of collective investment schemes and wealth management, including stockbroking
- **Institutional client solutions** through traditional and specialist asset management in South Africa and abroad

Credit and structuring

- **Retail client solutions:** personal loans and traditional banking
- **Institutional client solutions:** asset-based financing, debt origination and structuring, asset-liability management, equity and interest rate derivatives and collateralised lending

Administration, Health and Other

- **Financial needs analysis and advice,** including estate planning, trusts, wills, health management and retirement fund administration

Activities and competence

Activities and competence to support products and services

Product management

- Investment management
- Asset-liability matching
- Experience analysis
- Governance of participating products

Distribution and client support

- Distribution channels
- Client support services including administration, actuarial, human resources and information technology

Product development

- Retail client solutions
- Institutional client solutions

Business support

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

Capital and risk management

- Redeployment of discretionary capital
- Optimal allocation of financial capital to clusters
- Financial and actuarial risk management
- Regulatory compliance

Value creation output and outcomes

Outputs

- Products and services

Outcomes

- Increase in savings as percentage of gross domestic product
- Pooling of risks
- Employment opportunities
- Execution on government social agenda
- Financial stability
- Economic growth
- Consumer confidence and trust
- Financial literacy
- Increase in level of education and skills

Value creation through the Sanlam business model continued

Value creation is only possible if the Group succeeds in convincing stakeholders to participate in these activities.

The Group guides and educates consumers to prioritise their spending, to save and to provide for their families over the long term. This is augmented by CSI programmes focused on education – another key challenge in the emerging markets where the Group operates. These programmes are aimed at financial literacy and the development of skills appropriate to the Group's activities. Improving education levels over the long term also directly supports economic growth, employment opportunities and consequently sustainable demand for the Group's products and services. It also provides a sustainable source of the human capital required by the Group's business model. The Group is also active in engaging with regulators, a key Group stakeholder, as an appropriate and efficient regulatory environment is essential for the Group to be in a position to create and distribute value.

The most important outputs and outcomes of the business model are highlighted in the table above. The interaction between outcomes and value creation for key stakeholders is summarised in the graphic:

Read more about the value created per stakeholder group from page 45.

ment social agenda

	Positive outcomes	Negative outcomes
Shareholders	Appropriate skills to support business model activities	Remuneration and other employee cost
Clients		
Employees	Remuneration and other employee value	Less free time at their disposal
Society	Income earning potential	
Regulators		

	Positive outcomes	Negative outcomes
Shareholders	• Increase in investment return on capital • Earnings stability	
Clients	Product benefits realised	
Employees	Employment security	
Society	Employment security	
Regulators	Stable financial system	

	Positive outcomes	Negative outcomes
Shareholders	• Growing client base • Improved client persistency	
Clients	Peace of mind	
Employees	Employment security	
Society	Financial choice	
Regulators	Stable financial system	

	Positive outcomes	Negative outcomes
Shareholders	• Increase in margins • Earnings stability	
Clients	Wealth protection	Less income available for consumption
Employees	Employment security	
Society	Reduce reliance on state at retirement	
Regulators	Responsible products and services	

	Positive outcomes	Negative outcomes
Shareholders	Increase in fees	
Clients	Wealth creation	Less income available for consumption
Employees	Employment security	
Society	Reduced reliance on state at retirement	
Regulators	Responsible products and services	

	Positive outcomes	Negative outcomes
Shareholders	Growing client base	Tax expense
Clients	Long-term social stability	
Employees	Long-term social stability	
Society	Long-term social stability	
Regulators	Financial industry stability	

	Positive outcomes	Negative outcomes
Shareholders	• Increase in fees and margins • Increase in investment return on capital	
Clients	Wealth creation through increase in return on investments	
Employees	• Employment security • Income earning potential	
Society	• Employment growth • Income earning potential	
Regulators	Stable financial system	

	Positive outcomes	Negative outcomes
Shareholders	Growing client base	Consumer education expense
Clients	Wealth creation and protection	
Employees	Employment security	
Society	Informed financial decisions	
Regulators	Appropriate products and services distributed	

	Positive outcomes	Negative outcomes
Shareholders	• Growing client base • Improved productivity	Education expense
Clients	• Income-earning potential • Improved service	
Employees	• Income-earning potential • Increased job satisfaction and higher income potential	
Society	• Employment • Income-earning potential	
Regulators	Skills available to support stable financial system	

Value creation through the Sanlam business model continued

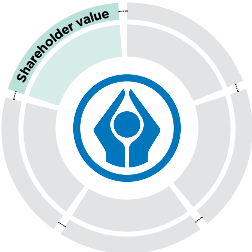
To be competitive, the Group has to be better at value creation than its competitors. This entails:

- Creating better value for shareholders to ensure continuous access to financial capital at the lowest possible cost.
- Creating better value for clients through a client-centric culture and optimised processes and scale. The Group's legacy of policyholder ownership entrenched a culture where decisions are weighed according to their value to clients. This is supported by a disciplined and consistent approach to providing appropriate financial advice.
- Creating better value for employees and intermediaries (tied agents and independent brokers) to ensure that the Group attracts and retains the best skills.
- Creating better value to society, which supports sustainable demand for the Group's products and services over the long term.
- Creating better value for regulators by actively contributing to continued improvement in the regulatory environment.

A consistent theme associated with value creation over the past few years relates to diversification from a product, market segment and geographic perspective. The Group evolved from a South African life insurance company to a fully fledged financial services group (excluding transactional banking) with an international footprint. In the medium to long term, value creation will focus on balanced growth: growing, consolidating and integrating existing businesses, while at the same time looking for opportunities to further expand the current footprint.

Value creation per stakeholder group

Shareholders



Key indicators for shareholders	2015	2014
Return on Group Equity Value per share*	**12,8%**	18,5%
Net result from financial services*	**R7,3bn**	R6,9bn
New business volumes*	**R210,8bn**	R182,3bn
Net fund flows*	**R19bn**	R42bn
Net value of new life business*	**R1,4bn**	R1,6bn
Net new life business margin*	**2,62%**	2,92%

** Full assurance (Ernst & Young Inc.).*

The Group's primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV), which is the outcome of a combination of value drivers – a robust measure for a diversified group. RoGEV measured against a set performance hurdle is used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise shareholder value.

Group Equity Value (GEV) provides an indication of the value of the Group's operations, but only values the Group's in-force life insurance business and excludes the value of future new life insurance business to be written by the Group. Only new life insurance business written within a particular year contributes to RoGEV. GEV is the aggregate of the following components:

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

Sustained growth in GEV is the combined result of delivery on a number of value drivers, as indicated in the diagram on page 47.

Value creation for Sanlam shareholders is directly linked to the value created for clients. By optimising the value proposition of the Group's products and services, the ability to retain existing clients and to grow new business volumes profitably is also optimised, thereby growing the base on which fees and margins are earned. Combining this with a focus on capital and operational efficiencies, the Group is able to maximise long-term value creation for shareholders.

These relationships, as well as the main value drivers, are illustrated below. The shareholder performance metrics included in the table are the secondary performance metrics used by the Group businesses to measure and monitor value created by the individual value drivers. These secondary performance metrics are the main contributors to the key indicators contained in the table above.

Value creation through the Sanlam business model continued

Client value proposition	Products and services	Shareholder income
Risk products: Wealth protection by providing monetary benefit when an adverse life event occurs **Investment products**: Wealth creation through superior investment returns, enabling an improved standard of living before and after retirement	Life Insurance	• Margins priced into product premiums • Fees charged on assets under management
Wealth protection through compensation for loss of property, loss of trading income and liability	General Insurance	• Margins priced into product premiums
Wealth creation through superior investment performance	Investment Management	• Fees charged on assets under management • Performance fees
Wealth creation by being able to finance asset purchases and trading activities at competitive rates Protecting wealth through effective management of market risk inherent in portfolio positions	Credit and structuring	• Interest earned on outstanding loan balances • Transaction fees and margins priced into structuring deals
Wealth creation and protection through appropriate advice and ancillary services	Administration, Health and Other	• Fees charged on assets under administration and for advice and other services

Client value proposition **Products and services** **Shareholder income**

The Group's RoGEV target is to outperform its cost of capital of i+3%, with i being the South African nine-year risk-free rate. The RoGEV hurdle has been set at i+4%, which the Group has outperformed on a cumulative basis since 2003 when the current Group strategy was implemented.

Read more about value created for shareholders in the Financial Review on page 96 and in the Sanlam Investment Case online.

	Value drivers		Shareholder performance metrics
In-force earnings	• Policyholder behaviour	• Lapses, surrenders and withdrawals • Renewal at maturity • Mortality, disability and morbidity experience	• Value of in-force covered business • Operating experience variances • Investment variances • Net insurance business flows
	• Administration cost relating to policy maintenance • Investment return • Capital requirements • Risk discount rate		
New business earnings	• New business volumes	• Distribution footprint • Product innovation • Agent/broker productivity	• Value of new covered business • Present value of new business premiums • New business margin
	• Weighted average margin	• Product mix • Acquisition and maintenance costs • Capital requirements • Risk discount rate	
Earnings	• Product mix • Premium rates • Extent and frequency of loss • Administration and acquisition costs	• Growth in gross written premiums • Reinsurance • Level of float • Short-term interest rates	• Claims ratio • Acquisition cost ratio • Administration cost ratio • Underwriting margin • Insurance new business volumes
Earnings	• Fee income	• Assets under management • Investment performance	• Net investment business flows • Assets under management • Average fee base • Administration cost ratio
	• Expenses	• Acquisition cost • Administration cost	
Earnings	• Interest income • Interest expense • Loan impairments • Margin • Expenses	• Loan balances ← • Net loans granted • Interest rate • Level of external funding • Interest rate • Client behaviour • Size of hedge book • Assets under management • Hedge effectiveness • Credit spreads • Administration cost (Size of hedge book, Assets under management ← • Deal flow)	• Net loans granted • Size of loan book • Net interest margin • Bad debt experience • Fee and margin income • Administration cost ratio
Earnings	• Funds/members under administration • Size of service book • Administration costs		• Income per member/client • Administration cost ratio

RoGEV

Value drivers

Shareholder performance metrics

Value creation through the Sanlam business model continued

Clients

Key indicators for clients	**2015**	2014
Policy benefits paid and increase in value of policies*	**R112,3bn**	R112,1bn
Funds outperforming over three years	**83,7%**	90,6%
Persistency experience: lapses, surrenders and fully paid-up policies as percentage of in-force policies at beginning of the year		
– SA entry-level market	**9,9%**	9,2%
– SA middle income and affluent markets	**2,8%**	2,8%

** Full assurance (Ernst & Young Inc.).*

The Group recognises its responsibility to create and preserve wealth for its clients. This includes ensuring that previously disadvantaged South Africans and their communities are given the skills and support to participate more equally in the national economy. A lack of education, financial literacy and insurance penetration is a particular challenge in a number of markets in the Rest of Africa, India and South-East Asia where the Group operates, resulting in a large portion of the populations being underinsured. The Group has an important financial education responsibility in these territories. The Group's products and services are designed to benefit individuals, while lightening the social burden on the state.

Value creation demands that the Group provides real returns to clients, who expect value beyond the price of a product or service. Poor performing financial markets are a significant risk to value creation as these inhibit the ability to create value.

The Group embeds client-centricity firmly within its business practices – a value creation approach fully aligned with TCF, which mandates a formal approach to treating customers fairly and improving client confidence in the financial services industry.

At Sanlam, client-centricity means:

- Understanding clients and their financial services needs.
- Providing the right, tailored solutions to fulfil their needs and perform as expected.
- Being fully accountable for delivering on client promises.
- Getting things right the first time, every time.
- Taking responsibility, assisting and servicing clients efficiently and within an acceptable time frame.
- Providing clear and understandable answers.

The Group's client-centricity approach is supported by The Sanlam Way of doing business. Engagement with Group clients is measured through client experience research in the course of client transaction processes throughout all stages of the product life cycle.

Read more about The Sanlam Way on page 72.

The Group also measures client satisfaction through the South African Customer Satisfaction Index (SAcsi) survey. SAcsi is a national economic indicator of customer satisfaction with the quality of products and services available to household consumers in the country.

The Group emerged as a leader in the insurance category. SAcsi also tracks the Net Promoter Score (NPS), which describes the likelihood of customers recommending a particular life insurer. Sanlam Group clients were some of those most likely to recommend the brand.

According to the Ombudsman for Long-term Insurance, Sanlam Life performed well in terms of complaints data as a measure of client satisfaction. Sanlam Life's share of the complaints received by the Ombudsman from 1 January 2014 to 31 December 2014 constituted only 3,96% of industry cases.

Sanlam Life Insurance Limited

197	3,96%	132	125	12%	88%
complaints received	of total	cases considered	cases finalised	resolved wholly or partially in favour of complainant	Sanlam's actions considered to be appropriate

Sanlam Life's consistent performance in the annual complaints data reports is testimony of its solid and well-managed processes, service and internal complaints handling, as well as the integrity of the internal arbitrator's rulings. But foremost it illustrates the Group's success in providing clients with appropriate products for their needs and providing superior support throughout their life cycle – the foundation for sustainable performance. The low percentage of complaints resolved in favour of the complainant confirms the robustness and independence of the Group's internal arbitration approach.

Complaints handling processes aligned with Group principles are rolled out to all countries where the Group operates, which include regular feedback to the Sanlam Board's Customer Interest committee on the number and nature of complaints received.

Providing clients with responsible products and services (including financial education) is one of the material sustainability themes supporting the Group strategy. The Group partners with Avocado Vision to empower communities, state-owned entities and corporates countrywide in South Africa with basic financial skills. In 2015, the Money fo Sho! financial education programme reached more than 23 000 people in six provinces. The Group's sponsorship of Takalani Sesame is another major initiative that supports education from a young age.

An innovative value-add for low-income clients this year was the launch of Sanlam Sky Solutions' Mobile Servicing Unit. The unit takes the Group's services and products to the client, thereby adding value to the overall client experience. The Mobile Servicing Unit operates between various worksites and shopping centres to service clients in those areas most accessible and convenient for them.

Funeral policies remain a priority for the previously uninsured market and also serve as a savings tool, despite volumes of savings policies increasing. The SPF cluster has been active in developing appropriate products and expanding the Group's distribution footprint in the communities where potential customers live, promoting improved access to financial services.

The Group's loyalty programme, Reality, is also an example of how value is created for clients. The programme offers discounts on goods and services and incentivises healthy lifestyles. An innovative loyalty scheme has also been implemented by the Group's Botswana operations.

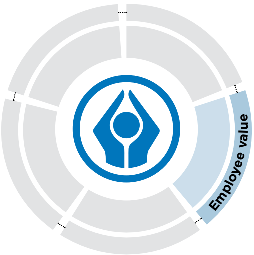
Read more about the Sanlam Reality loyalty programme in the Strategic review by the Group Chief Executive on page 84.

Most of SEM's operations operate similar CSI programmes that are focused on consumer financial education.

Recent client challenges include the problematic system transition at the life business in Kenya, which resulted in a loss of clients and intermediaries following administrative delays and inaccuracies. Recovery initiatives are progressing well. In the UK, advice processes and governance have also been strengthened to comply with the more stringent regulations.

Value creation through the Sanlam business model continued

Employees



Key indicators for employees	2015	2014
Number of employees	**14 711**	13 982
Employee benefits and sales remuneration paid*	**R14,5bn**	R13,2bn
Training and development spend**	**R195m**	R170m
Office staff turnover**	**12,38%**	11,68%
Field staff turnover**	**45,5%**	41,4%

Assurance provided:
** Full assurance (Ernst & Young Inc.).*
*** South African entities only.*

People development is one of the material sustainability themes that support the five-pillar strategy. It entails finding, engaging with and motivating the best talent.

The Group's ability to create value for employees was affirmed with its accreditation as one of the Top Employers South Africa. The survey formed part of an integrated employer branding strategy and provides the Group with insight into those human capital areas that require improvement.

The Group launched a refreshed Employee Value Proposition (EVP) in March that focuses on six pillars, as indicated in the following diagram:

We inspire people to realise their worth.

This is our commitment to employees.

This is what makes us Wealthsmiths™.

The EVP leverages from, and is fully integrated with, the Group's highly successful Wealthsmiths™ brand positioning.

Priority was given to the Connectivity pillar in 2015, which provided employees with the opportunity to participate in selected CSI and sustainability initiatives that are aligned with the Sanlam Foundation and the Sanlam brand. A Group Young Professionals Forum was launched to enable under 30s to connect and network.

In terms of employment equity (EE), the Group achieved the targets (per occupational level) set in the 2013 – 2015 plan. The 2016 – 2018 EE targets for inclusion in the new EE plan have been finalised.

Value creation through the Sanlam business model continued

As indicated earlier, the Group's business model is reliant on the availability of appropriately qualified staff. A number of skills development programmes assist in providing these skills, which include:

- The Sanlam Graduate programme, with a successful recruitment drive for 2016 completed in the second half of 2015. This programme contributes to the improvement of education and employment opportunities in South Africa and also provides the Group with a source of appropriately qualified graduates.
- The Sanlam Chartered Accountant (CA) training programme, established in 2012, accredited by the South African Institute of Chartered Accountants. The Group is a large employer of CAs due to the nature of its operations. This programme provides the Group with a constant source of newly qualified CAs with practical Group experience. The first intake of trainees completed their three years of articles at the end of 2015, with all four candidates being offered permanent positions within Group businesses, a particularly proud achievement for the programme. The Group's accreditation was expanded to 22 trainees during the year, with eight new trainees successfully recruited for 2016.
- Graduate programmes offered by SI and Santam.
- The SPF Distribution Academy ensures that tied agents are able to service clients effectively. The academy is accredited by the Insurance Sector Training Authority (INSETA) in South Africa for the NQF levels 4 and 5 programme in wealth management. The curriculum supports the Group's tied agents to become Certified Professional Planners, endorsing the Sanlam Financial Advisers (SFA) strategy of professionalism and ongoing upskilling.
- Sanlam Sky trains intermediaries to ensure that the business builds a network that can offer appropriate financial advice and products to entry-level clients and thereby increases access to financial services for this traditionally under-serviced part of the community.
- An internship programme that aims to provide basic work-related experience to school leavers to better equip them for permanent employment inside and outside the Group.

Read more about skills development and leadership programmes in the Sanlam Sustainability Report online.

To attract and retain key skills, the Group provides competitive remuneration, bonus and benefit packages, aligned with global benchmarks. All Group employees have access to a range of Group benefits. Key contributors, who create disproportionate value to the business, are offered a differentiated EVP. Remuneration and incentives are directly linked to the achievement of TCF and RoGEV performance criteria, thereby ensuring alignment among the interests of clients, shareholders and human capital.

Read more about remuneration and incentives in the Remuneration Report on page 114.

Employees, intermediaries, clients and suppliers are encouraged to participate in company-sponsored wellness events such as the Sanlam Cape Town Marathon, the Cape Town Corporate Games, SPF Rugby World Cup and the Sanlam Action Soccer League to promote a healthy and balanced lifestyle. The positive impact of personal health and an appropriate work/life balance on productivity gains is well established. These programmes are part of a holistic and balanced wealth creation approach between shareholders and employees.

2015 was unique in the number of leadership changes implemented on Group and cluster level (including the Sanlam, Santam, SPF and SI chief executives). These transitions were planned in advance and implemented without disruption to the business – evidence of the Group's responsible succession approach.

Society

Key indicators for society	**2015**	2014
CSI spend**	**R74m**	R67m
Empowerment and infrastructure financing**	**R14,3bn**	R15,9bn
Total funds invested	**R640bn**	R580bn
Investment in government and public sector securities	**R74,4bn**	R74,8bn
Tax paid	**R4,3bn**	R3,9bn
Financial sector code status*	**90,08**	89,14

Assurance provided:
 ** Verified (AQRate)*
*** South African entities only*

Contributing to a prosperous society is one of the material sustainability themes that support the Group strategy. The investment management component of the Group's business model has a material impact on growing wealth for all segments of society by:

- Providing financial capital (through investment in equities and corporate debt instruments) for the economic activity and operations of other entities, thereby supporting economic and employment growth in the countries where the Group operates. Economic and employment growth is in turn a key driver of sustainable growth in demand for the products and services provided by the Group. Total funds invested by the Group increased by 10% in 2015 to R640 billion.
- Providing funding to the governments of the countries where the Group operates through investment in government bonds and other public sector securities, thereby enabling execution on the social agenda of these governments to the benefit of society. At 31 December 2015, the Group's investment in government and public sector securities amounted to R74 billion.
- Contributing to infrastructure development through targeted infrastructure investments. An efficient infrastructure network is a key driver of long-term sustainable economic and employment growth. Building and maintaining infrastructure is a particular challenge for the public sector in many of the emerging markets where the Group operates. Therefore, it is a key focus area for the Group as part of private sector investment, with the Group's investment amounting to R14 billion at 31 December 2015.
- Providing liquidity to the banking sector as one of the largest institutional funders of banks. A properly functioning banking sector is core to the stability of a country's financial system, which in turn is reliant on the liquidity provided by institutional investors such as the Group, in particular during periods of liquidity constraint as experienced during the 2008 financial markets crises.
- Taxes paid by the Group provides income to the governments of the countries where it operates, further enabling execution on social agendas. Total tax paid increased by 9% to R4,3 billion in 2015.

Value creation through the Sanlam business model continued

The Group also focuses on a number of specific initiatives aimed at improving the prosperity of the societies where it operates – a prerequisite for Sanlam's long-term sustainability.

Read examples of these below, with further information available in the Sanlam Sustainability Report online.

The Group contributes to transformation as a critical enabler of empowerment value. Transformation is viewed as an ongoing priority and forms one of the five strategic pillars of the Group's business strategy. The key elements of transformation are measured against the targets set for BBBEE as determined by the FSC in South Africa. The Group achieved a level 2 BBBEE rating for the second consecutive year.

The Group's enterprise development (ED) programme is an example of value created for small businesses. The programme provides best practice enterprise development support, demonstrating the Group's commitment to uplifting small and medium-sized enterprises (SMEs) by promoting sustainable development and job creation.

The programme consists of three distinct projects:

- Accelerator – providing business development support to build high-growth SMEs that are aligned with the Group supply chain or target market.
- Catalyst – providing business development support to BlueStar businesses linked to accounting firms in a business collaboration programme.
- BlueStar – provides practice management training to financial planners nationally.

A total amount of R9,2 million was invested in the ED programme during 2015, with support provided to 107 businesses.

The Group provides empowerment finance to unlisted and JSE-listed entities, thereby supporting increased economic participation by previously disadvantaged individuals in South Africa. The Group also invests in infrastructure investments either directly, by financing specific projects in underdeveloped areas such as transport, telecommunications, energy, health and education-related facilities, or indirectly, by investing in government bonds. Through government bonds, the Group is able to finance specific infrastructure projects earmarked in various municipalities within South Africa and beyond.

Santam adds value for society by addressing climate risks through partnerships with a range of stakeholders. This forms part of the South African government's Business-Adopt-A-Municipality project and the Santam high-risk node initiative. The number of high-risk local municipalities where Santam provides disaster risk management capability support increased from 15 in 2014 to 24 in 2015. In the Eastern Cape, Santam partnered with a Dutch NGO, Four Returns, and the German development bank, GIZ, to address risks relating to water scarcity in the farming community.

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

The Sanlam Foundation is the Group's primary CSI vehicle and focuses on shared-value initiatives that fulfil the needs of society and business. The Sanlam Foundation aims to achieve sustained, long-term positive impacts in three areas:

- Consumer financial education
- Socio-economic development
- Enterprise development

Read more about the Sanlam Foundation's contributions and activities in the Sanlam Sustainability Report online.

Regulators

Key indicators for regulators	2015	2014
Sanlam Life capital adequacy cover*	**5,8 times**	4,5 times
Sanlam Life contribution to ombudsman complaints	**3,96%**	4,0%
Percentage of adverse findings by industry ombudsman against Sanlam Life	**12%**	24%
Participation in regulatory forums	**Yes**	Yes

Assurance provided:
** Full assurance (Ernst & Young Inc.).*

Regulation is a key driver in the Group's ability to create value. The main objectives of regulators are:

- The fair treatment of consumers of financial services and products
- Protecting the solvency and financial soundness of financial institutions
- Protecting the systemic stability of the financial services industries
- Regulatory compliance by all market participants

These objectives are promoted through various pieces of legislation aimed at market conduct and solvency. Achieving these objectives supports a competitive environment that builds client trust in the industry and ensures its long-term sustainability. It is therefore in the Group's interest to contribute to the achievement of these goals. The Group's contribution is twofold, namely complying with all applicable regulations and contributing to the development and enhancement of the regulatory frameworks.

Compliance ensures:

- Responsible products and services that deliver on promises
- Trust in the industry
- Protection of licences to continue conducting business
- Trust in the Group's brand
- Market stability

Regulatory compliance is embedded in the Group's culture and operational and risk management structures.

Read more in Governance at a glance on page 58 and in the Capital and Risk Management Report on page 251.

From a solvency perspective the Group remains compliant, with Sanlam Life's capital adequacy cover increasing from 4,5 times at 31 December 2014 to 5,8 times at 31 December 2015. This cover ratio is among the highest in the South African insurance industry. All of the other Group operations met their minimum solvency requirements as applicable.

Client-centricity is core to the Sanlam culture and Business Philosophy and fully aligned with the regulators' market conduct objectives. This is evident from Sanlam Life's low contribution to the number of complaints registered at the South African Insurance Ombudsman and the low percentage of complaints awarded against it.

Value creation through the Sanlam business model continued

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

- It is a founding member of the Association for Savings and Investment South Africa (ASISA).
- The previous Group Chief Executive, Johan van Zyl, served as chair of ASISA from its inception until his retirement at the end of June 2015. The current Group Chief Executive, Ian Kirk, serves as a Board member.
- Lizé Lambrechts, Chief Executive of Santam, chairs the South African Insurance Association (SAIA).
- The Group is actively involved in all ASISA and SAIA activities, including participating in the development of the regulatory frameworks.
- The Group continuously engages the FSB, the South African Reserve Bank and National Treasury on matters affecting the insurance and investment industry in South Africa.
- Group employees serve on a number of FSB working groups and forums responsible for the development of regulatory frameworks.
- Group employees contribute to the development of financial reporting and actuarial standards and guidelines through participation in forums established by the South African Institute of Chartered Accountants (SAICA) and the South African Actuarial Society.

Outside of South Africa, the Group participates similarly in the development of local regulatory frameworks, leveraging off the South African experience.

The Group's participation adds value by:

- Providing industry perspective on global and local regulatory developments
- Providing practical insight into customer needs and behaviour
- Providing credibility to industry associations such as ASISA and SAIA

Read more on current regulatory developments and challenges in the report on the Regulatory environment on page 64.

Recognition for value creation

Industry awards are an external mechanism to benchmark value creation and provide feedback on how the Group progresses in different areas of value creation.

Awards received this year include:

- The Sanlam Investment Management Enhanced Yield Fund was awarded as South Africa's top Interest-Bearing Short-Term Fund at the Raging Bull awards.
- Sanlam Private Wealth was named the top wealth manager in South Africa in the 2015 Intellidex Top Private Banks and Wealth Managers survey for the second year running.
- Shriram Life Insurance Company Limited won the award for the Best Life Insurance Company in the insurance sector and the company's CEO, Manoj Jain, received the award for CEO of the Year at the ABP BFSI Awards held in Mumbai.
- Sanlam Life clinched two Financial Intermediaries Association of South Africa (FIA) awards: one for Product Supplier of the Year in the category Investment Products: Recurring Premium; and the other in the Employee Benefits Product Supplier of the Year category.
- Sanlam was ranked the Top Brand for 2015 at the Loeries® Official Rankings.

Read more about the Group awards for 2015 online.

The Group's competitive advantage

Clear, proven strategy with targets and progress measurement

Strong management team with appropriate short and long-term incentives

Geographic presence in 25 countries

Diversity and innovation

First-mover advantage in the Rest of Africa – unmatched Pan-African presence

Culture of client-centricity

Large, stable South African base

Comprehensive governance structures and experienced Board

Mature book providing stable cash flow

Growth opportunities in the entry-level market in South Africa and new emerging markets in the Rest of Africa, India and South-East Asia

Governance at a glance

In this section

- Summarised elements of the Group's governance structure and approach
- Application of King III
- Diagram of Board and committee structures
- How the Group's operational governance structures function

The Group has a comprehensive and entrenched governance system and approach that enable sustainable value creation for stakeholders. Ethics and integrity, encapsulated in The Sanlam Way and the Sanlam Business Philosophy, set the standards in the Group for effective leadership and compliance. The Sanlam Business Philosophy defines the most appropriate approach for how the Board, executives and other employees conduct themselves in implementing the Group strategy.

Application of and approach to King III

The Group continues entrenching the principles and recommendations of King III across its operations. The roll-out and implementation of King III at subsidiary, joint venture and associated company level (including non-South African entities) continues. According to the Group's decentralised business approach, each of the business clusters operates in concert with its underlying business units. All the business and governance structures in the Group are supported by clear approval frameworks and agreed business principles, ensuring a coherent and consistent governance approach throughout the Group.

The Group continuously assesses its compliance with King III to ensure that areas of improvement are identified and addressed.

Find more detail about the Group's application of each King III principle online.

Board structures and composition

The Sanlam Board consists of 17 directors, including four executive directors. All the directors of the Sanlam Board also serve on the Board of Sanlam Life. The two boards function as an integrated unit with the same Chairman and Chief Executive.

The Sanlam and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This enhances productivity and efficiency of the two boards, prevents duplication of effort and optimises the flow of information.

The agenda of the Sanlam Board focuses largely on Group strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, client issues, JSE requirements and corporate governance. It is also responsible for overseeing stakeholder relationships.

The Sanlam Life Board is responsible for statutory matters across all Group businesses, monitoring operational efficiency and risk, and compliance with applicable regulatory requirements. The responsibility to manage Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board.

Read more about the Board in the Chairman's Letter of Introduction on page 16 and about Board members' profiles on page 230 of the Sanlam Annual Report.

Sanlam Board

Committees						
Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Nominations	Non-executive directors	Customer Interest	Social, Ethics and Sustainability

Sanlam Life Board

Committees			
Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Customer Interest

Operational governance

The Group follows a decentralised management structure, with all operations conducted through four clusters. Each business cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs. These chief executives form part of the Group Executive committee and are the designated prescribed officers of the Group.

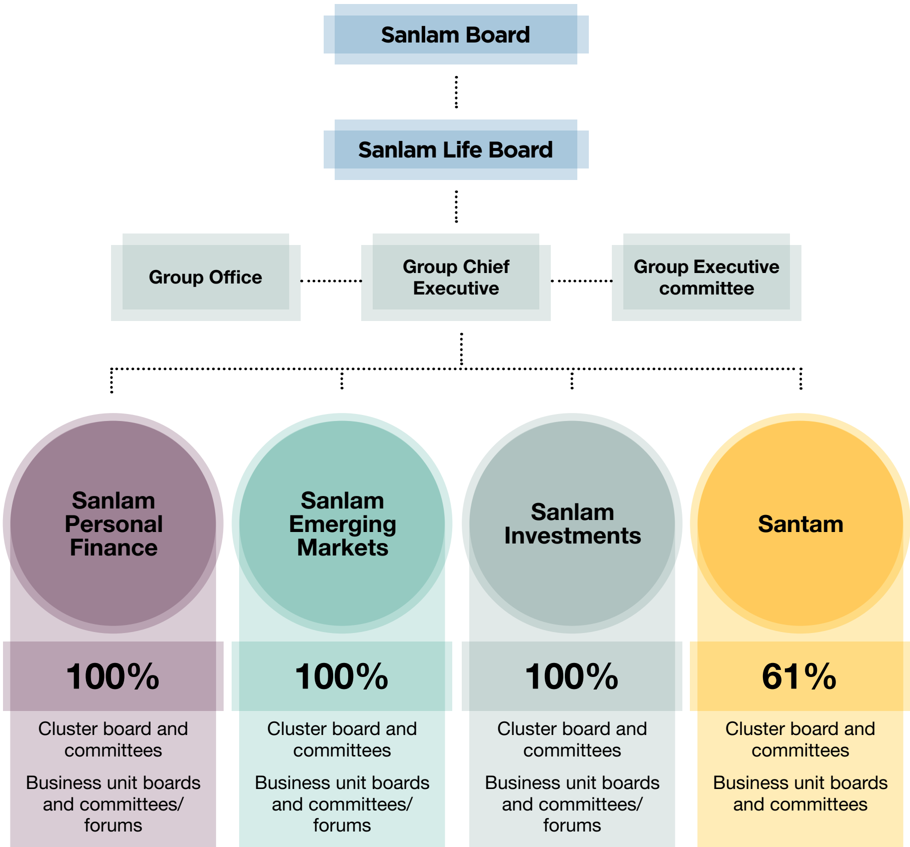
The clusters are directed by the Group strategy as approved by the Sanlam Board and according to a set of tight management principles established by the Group Office for the Group. Cluster boards all have committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources and Remuneration committees or forums.

The cluster Boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees. The majority of the operating business decisions are made by these boards and committees working together with the relevant cluster management.

These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board. Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary, joint venture and associated companies.

The Group Chief Executive is supported by a Group Executive committee and a small centralised Group Office, mainly performing the following functions: strategic directing (tight issues); coordinating; synergy seeking; performance monitoring; assurance provision; allocation of capital; and support functions.

Governance at a glance continued



A fifth cluster will be established in 2016 to support and enhance our service to corporate clients.

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

- The Sanlam Board is ultimately responsible for regulatory compliance. The responsibilities of the Audit, Actuarial and Finance committee as well as the Risk and Compliance committee include monitoring of regulatory compliance. Quarterly reports to these committees and the Sanlam Life Board include updates on regulatory developments, augmented by regular training sessions to ensure that members of the Board and these committees stay abreast of all legislation applicable to the Group. Quarterly reporting also includes compliance reports that provide information on the Group's overall regulatory compliance and any significant breaches detected by the Group and cluster compliance functions.
- The terms of reference of cluster and business unit level boards and financial and risk forums similarly include monitoring of regulatory compliance.
- Compliance functions with dedicated compliance officers are established at both Group and cluster level. The terms of reference for these functions focus specifically on regulatory compliance.
- Changes in South African regulations are monitored by both the Group compliance function as well as a dedicated regulatory unit within the Group risk management function. These functions are actively involved in commenting on proposed regulatory changes directly and through industry bodies, and are also responsible to coordinate the implementation of new regulations across affected businesses. Similar functions are operating within the Group's operations outside of South Africa. The scope of the centralised regulatory unit will be extended over time to include non-South African businesses.
- Regulatory compliance is incorporated in the responsibilities of cluster management.

The insurance industry is in the midst of major regulatory changes, which currently require more diligent attention.

Read more about the regulatory environment in which the Group operates in the Regulatory environment report on page 64.

Risk management is another important component of operational governance due to the risks that the Group is exposed to through its business model. The Sanlam Board adopted the three lines of defence model for managing these risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Executive committee that risks are managed effectively.

Governance at a glance continued

Board

Strategy, risk appetite and policy

1st line
Risk ownership

CEO and Exco
Risk taking business units

Doing and recording

Delegated Board authority to:

- Develop and implement business strategy
- Measure and manage performance
- Implement internal control and risk management framework within agreed risk appetite

Assurance: Management based

2nd line
Risk control and monitoring

Risk and Compliance committee
Risk management; compliance and risk modelling

Internal verification

Objective oversight of risks. Key activities include:

- Designs and deploys the overall risk management framework
- Develops and monitors policies and procedures
- Monitors adherence to framework and strategy

Assurance: Risk and legal based

3rd line
Independent assurance and validation

Audit, Actuarial and Finance committee
Internal and external assurance

Independent verification

- Independent and objective assurance over the effectiveness of corporate standards and business compliance
- Assurance that the risk management process is functioning as designed and identifies improvement opportunities

Assurance: Independent based

Risk management system

Own risk and solvency assessment (ORSA)

Internal control framework

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

Sanlam Life Board	Responsible for the Group's risk management framework and policy, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice
Sanlam Life Risk and Compliance committee	Assists the Sanlam Life Board in fulfilling its responsibilities
Sanlam Group Executive committee	Responsible as the Sanlam Board's executive overseer to ensure that the businesses achieve optimal risk-adjusted returns
Group risk management	Develops Group risk management framework, policy and guidelines for approval by the Sanlam Life Board, coordinates reporting responsibilities and improves risk management across the Group
Business level risk and/or audit committee/forum	Assists the business level board in fulfilling its responsibilities to the Sanlam Life Board
Business level management committees	Additional committees that may be established by a business to assist their executive committees in certain areas of risk management
Business level (and sub-business) risk management	Identifies and manages risks faced by the business

Read more about governance in the Corporate Governance Report on page 215.

Read more about the key strategic risks in the Strategic review by the Group Chief Executive on page 89 and about other risks and how they are managed in the Capital and Risk Management report on page 251.

Regulatory environment

In this section

- The purpose of regulatory initiatives
- How the Group prepares and responds to new and upcoming regulation
- Risks and opportunities created by regulation

Ongoing regulatory change is the norm in all the markets in which the Group operates. The Sanlam Business Philosophy recognises that the business functions in a highly regulated industry and shares the regulators' vision for efficient and effective financial services industries globally. The Group fully supports regulatory initiatives that benefit clients and strengthen its ability to create value for stakeholders as this ensures the long-term sustainability of the business.

The Group is committed to the implementation of new regulation but recognises that some of these create a range of risks, stakeholder concerns and costs to manage, in addition to enforcing and increasing barriers to entry. The Group's approach is to find opportunity and improve its offering by proactively working with regulators to implement appropriate regulations.

As a member of the G20, the international forum for the governments and central bank governors from 20 major economies, South Africa participates in studying, reviewing and promoting high-level discussion of policy issues related to the promotion of international financial stability.

For the Group, this entails adhering to first world regulation of financial markets and actively engaging the regulatory authorities in all markets in which the Group operates. The cooperative approach further involves proactive engagement and participation in industry bodies such as ASISA and SAIA.

The rising tide of financial regulation is regarded as a key risk facing the financial services industry worldwide. A key concern is the breadth of proposed new regulation and the intended pace of implementation, which often appears to be introduced in an uncoordinated manner with consequential unforeseen negative outcomes.

Although there have been many proposals and wide consultation on regulatory changes, few actual changes have been implemented, creating a pipeline of concurrent potential developments to manage. Two main themes related to the Group's operations in South Africa are:

Twin Peaks

The proposed implementation of the Twin Peaks model in South Africa is contained in the Financial Sector Regulation (FSR) Bill tabled in Parliament in October 2015. Twin Peaks is a comprehensive and complete system for regulating the financial sector and involves the creation of two primary regulators: a prudential regulator (the Prudential Authority) and a new market conduct regulator (the Financial Sector Conduct Authority).

Market conduct regulation under Twin Peaks will primarily be implemented through Conduct of Financial Institutions legislation and will be informed by recent regulatory initiatives such as Treating Customers Fairly (TCF) and the Retail Distribution Review (RDR). These will create standards for advertising, complaints management, language, disclosure, intermediary remuneration and management of conflicts of interest. The prudential regulator will be mainly concerned with capital and liquidity requirements as defined by a risk-based regulatory regime for long and short-term insurers in South Africa, and implemented through the Solvency Assessment and Management (SAM) project.

Retirement reform and social security

The limited retirement and social security options available in South Africa take the form of old age pensions, unemployment insurance and child welfare grants. While various social security options are being investigated and proposed, the more immediate focus of regulatory proposals and implementation is to improve the sustainability of the current system. This is done by focusing on improving market conduct (including the lowering of charges), improving the sustainability of the system (including the introduction of preservation) and by promoting an efficient market through the reduction of conflicts of interest and barriers to entry. Recently a National Health Insurance (NHI) white paper has also been released – aimed at implementing quality affordable healthcare for the broader community in South Africa. The Group supports the NHI objectives, but is currently considering the proposals for potential unintended consequences on the health insurance industry and broader economy. Comment on the proposals will be provided through ASISA.

Regulation is a key consideration in the Group's ability to create value. First and foremost, it creates the environment within which the Group operates and competes. Regulations aimed at the fair treatment of clients, fair competition between product providers and the prevention of large-scale corporate failures and financial instability contribute significantly to the trust clients have in the industry and therefore its long-term sustainability. The major regulatory developments currently being considered are largely in line with these objectives and are supported by the Group. A consequence of the increased regulatory burden is significantly higher barriers of entry, which benefit large established groups such as Sanlam from a competitive perspective.

The current scale of regulatory reform, however, also has negative consequences that require a skilful response from the Group. The cost of proposed legislation often does not deliver an equal benefit to clients, thereby challenging the Group's ability to offer affordable products, in particular in the entry-level market. Additional regulation creates a cost burden that has to be carried by clients and shareholders.

The scale of new regulation also affects management capacity due to the analysis and response required, adding to real and opportunity cost in business. This is further affected by increasing delays in implementation.

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

Regulatory concerns in the United Kingdom centre on complying with challenging but necessary regulations on the business, which are finding its way to South African legislation such as RDR. The experience in the UK prepares the Group well for future implementation in South Africa.

The regulatory environment in India remains similarly challenging with limits on unit-linked product charges, making these once-popular products unprofitable. Therefore, Shriram Life Insurance's focus is on the more traditional savings products and credit life. De-tariffing of general insurance premiums is being introduced in Malaysia during 2016. The likely impact on Pacific & Orient is dependent on the reaction of competitors from a market pricing perspective and too early to determine.

The regulators across Africa maintain a good working relationship with the FSB, especially in light of the group supervision being introduced as part of SAM. The benefit of this approach for the Group is that most of the developments in the Rest of Africa follow South African legislation, which makes implementation much more efficient from a Group perspective. The main current and future anticipated developments in the countries where the Group currently operates relate to TCF and risk-based solvency requirements (equivalent to SAM). The Saham Finances transaction will expose the Group to regulatory environments based on the French model, which is not familiar to the Group. The solid management and regulatory skills available within the Saham Finances group has therefore been a key consideration.

Regulatory environment continued

New and upcoming regulatory change	The Group's response
Financial Sector Regulation (FSR) Bill (Twin Peaks Bill) The FSR Bill establishes the Twin Peaks approach to financial regulation in South Africa. Under the Twin Peaks approach, two separate regulators are established: the Prudential Authority (within the South African Reserve Bank) to oversee the financial stability and soundness of financial institutions and the Financial Sector Conduct Authority (the FSCA), responsible for matters relating to market conduct, and aimed at ensuring that financial services clients are treated fairly by financial institutions. The FSCA will replace the FSB.	Sanlam participated in the consultation process on the Bill through ASISA with National Treasury and will continue to do so during the Parliamentary process to finalise the Bill. The Bill will provide regulators with more extensive and intrusive powers and there is also scope for duplication between the financial sector regulators. The Bill will also introduce group supervision, which will add another layer of regulatory requirements with which financial services groups will have to comply. The combined effect of the enhanced powers of multiple regulators and additional regulatory requirements will place additional demand on resources of financial institutions, but the Bill also provides for a number of checks and balances to potentially reduce this effect. The full impact of the introduction of Twin Peaks will however only become known when the subordinate legislation and standards provided for, are published.
Solvency Assessment and Management (SAM) In line with the new capital standards being introduced internationally, called Solvency II, the FSB is in the process of implementing the South African equivalent called the SAM framework. The details of the SAM framework will be provided for through Insurance Prudential Standards, which will form subordinate legislation under the Insurance Bill.	Requirements have been proactively implemented, with the Group having to run two prudential regimes in parallel at the moment, adding costs to the business. The SAM implementation programme is running according to plan with full compliance with the new regulations to be achieved by the anticipated effective date in 2017. However, the 2017 implementation date is under pressure and it is very likely that it will be postponed again. This will further extend the period that Sanlam will need to run parallel regimes. The Group remains well capitalised under the SAM regime. Opportunities to more efficiently allocate capital within the new regime have been extracted during 2015, releasing R2,5 billion of capital that can be redeployed for expansion. Further opportunities to optimise the capital base are currently being investigated, including more sophisticated balance sheet management, strategic asset allocation and the most appropriate capital structure.

New and upcoming regulatory change	The Group's response
Retail Distribution Review (RDR) The RDR, carried out by the FSB, proposes far-reaching reforms to the regulatory framework for distributing retail financial products to clients in South Africa.	High impact on distribution management expected, particularly relating to the categorisation of intermediaries as well as the introduction of fee-based advice. There are also concerns about the current number of proposals. The Group is actively engaging with the regulator through ASISA to manage the implementation to prevent unforeseen negative consequences.
Treating Customers Fairly (TCF) TCF is a regulatory approach that seeks to ensure that specific, clearly articulated fairness outcomes are demonstrably delivered by regulated financial institutions. TCF is not implemented through a specific piece of legislation, but through multiple initiatives addressing the behaviour of financial institutions towards their customers. These include RDR, a thematic review done on binders, credit life product reviews, a proposed new Conduct of Business Return (for regular market conduct reporting), etc.	The Group's practices were largely in line with the TCF outcomes given the Group's strategic focus on client-centricity. This has been implemented throughout the business with the focus primarily on delivering evidence of the Sanlam culture, processes and risk management being aligned with the requirements underpinning the six TCF outcomes.
Taxation Laws Amendment Bill (TLAB) The TLAB proposes to give effect to the proposals announced in the 2015 Budget Review, including the removal of inconsistencies in the treatment of all retirement funds and other retirement reform-related proposals.	The Group supports the proposed changes as part of retirement reform. Changes to the taxation of risk business will have a negative impact on SPF's value of new life business, as highlighted in the Strategic review by the Group Chief Executive on page 90.
Cybercrimes and Cybersecurity Bill The Bill seeks to introduce a formal South African response to the global threat of cybercrime and also to address gaps in the existing legal framework caused by technological developments.	The proposals in the Bill to establish formal structures at public and private sector levels to coordinate efforts aimed at combating cybercrime, are welcomed. Cooperation and shared best practice will strengthen current initiatives in this field. Sanlam submitted comments on the Bill through ASISA.
Protection of Personal Information Act (POPI) The Act aims to protect individuals' right to privacy of personal information and to align South Africa with international data protection laws.	Preliminary alignment with the requirements is completed. All documents will be finalised once commencement dates are confirmed and the POPI Code of Conduct for the financial services industry is approved by the Information Regulator.

Read more about regulation and compliance in the Corporate Governance Report on page 229.

Economic and operating environment

In this section

- Significant economic trends and indicators for the regions in which the Group operates
- How these trends affect Group and cluster operations
- Current and expected economic developments

Global economy

Global real gross domestic product (GDP) growth was disappointing in 2015. Among developed economies, US economic growth continues along a moderate path, while Europe has staged a mild recovery. However, growth in emerging market economies advanced below expectations.

Developing economies have remained under pressure due to lower commodity prices, slower productivity growth, a decline in corporate profitability, dimming growth prospects in China, geopolitical stress and tighter external financing conditions.

Against a backdrop of poor growth and lower commodity prices, global headline inflation was contained in 2015, although there were notable exceptions in developing countries including Brazil and Russia.

The monetary policy stances of the European Central Bank (ECB) and the US Federal Reserve continued to diverge. In Europe, concern over possible deflation in the Euro area, in addition to the lack of real GDP growth, encouraged the ECB to announce a sovereign quantitative easing programme on 22 January 2015. The programme was extended at the conclusion of the ECB Governing Council meeting in early December 2015. In contrast, the US Federal Reserve, which concluded its asset purchase programme in October 2014, increased the target range for the federal funds rate to 0,25% to 0,5% on 16 December 2015, from 0% to 0,25% previously. Accordingly, the US dollar remained strong during 2015.

The expected shift towards a higher US federal funds rate, together with growth disappointment among emerging market economies and heightened geopolitical risk, culminated in bouts of financial market volatility during the year.

South Africa

In South Africa, depressed terms of trade and supply side shocks, notably electricity supply disruptions, continued to constrain real economic activity.

Soft real income growth, an increasing tax burden, increasing debt servicing costs and persistently high unemployment constrained final consumption expenditure by households during 2015. These factors are expected to continue weighing on household spending in the year ahead.

Private sector fixed investment spending also stalled in the past year, given depressed business confidence and waning corporate profitability.

Real GDP growth is expected to remain weak.

South African national accounts data shows the total gross operating surplus (for listed and unlisted South African companies) increased by a mere 0,3% in the year to 30 September 2015. Meanwhile, the earnings of all listed companies on the FTSE/JSE All Share Index fell 10,2% in the year to 31 December 2015, led by a 68,1% fall in the earnings of companies included in the FTSE/JSE All Share Resources Index.

The All Share Total Returns Index advanced just 5,1% in 2015, following an increase of 10,9% in 2014. Although the Financial and Industrial 30 Total Return Index increased 15,2%, the Resources Total Return Index fell by 36,4% over the year.

Given persistent large current account and government budget deficits, amid tightening global financial conditions, the rand depreciated sharply through 2015. The R/$ rate fell 35% in the year to 31 December 2015.

Despite sustained rand weakness, headline consumer price inflation was well contained, remaining below the 6% upper limit of the South African Reserve Bank's inflation target range through the year. However, concern over upside risk to inflation, given sustained currency weakness and robust wage growth, prompted the Reserve Bank to increase its repo rate by 25 basis points (bp) in July 2015 and by a further 25bp in November 2015.

Also, in November, Fitch credit rating agency downgraded South Africa's foreign currency credit rating to BBB- from BBB, while changing the outlook from stable to negative. Credit rating agency Standard and Poor's maintained its BBB- rating for the sovereign's foreign currency credit rating, but changed the outlook from stable to negative, citing the continuing risks posed to fiscal sustainability by poor growth conditions and the weak balance sheets of state-owned enterprises.

Despite contained inflation, 10-year bond yields increased from 7,87% at end 2014 to 8,6% in early December 2015 at the time of the Fitch and Standard and Poor's credit rating reviews.

In mid-December 2015, news of the replacement of Finance Minister Nhlanhla Nene, first with National Assembly member David van Rooyen and subsequently, within a matter of days, with former Minister of Finance Pravin Gordhan caused extreme volatility in asset prices. The announcement was initially followed by a spike in the 10-year bond yield to above 10%, before the yield receded to 9,69% by 31 December 2015. The All Bond Index produced a return of -3,9% in the year to 31 December 2015.

Rest of Africa

In the rest of Africa, numerous countries have been adversely impacted by falling commodity export prices and tighter financial conditions. Lower income from commodity exports has led to marked downward revisions to growth expectations with oil producers, including Nigeria, especially hard hit.

Following the global financial crisis, government budget and current account balances have deteriorated across the sub-Saharan Africa (SSA) region. These macro-economic imbalances and tighter global financial conditions maintained downward pressure on the currencies of numerous countries in SSA, including Ghana, Zambia, Uganda, Tanzania, Kenya and Malawi.

Further, emerging and frontier market sovereign bond spreads widened materially, including in Ghana, Zambia, Kenya and Tanzania.

In Nigeria, deterioration in the current account balance and capital outflows placed downward pressure on foreign exchange reserves, prompting the Central Bank of Nigeria to impose foreign exchange restrictions. Although this stabilised the naira during 2015, a marked slowdown in growth suggests the currency remained at risk heading into 2016.

Generally, poorer real economic activity conditions and currency weakness resulted in downward pressure on equity indices in US dollar terms across the SSA region. Sharp declines on total returns on equities in US dollar terms were recorded in Ghana (-24,9%), Nigeria (-21,2%), Kenya (-17,8%), Tanzania (-23,5%) and Namibia (-38,7%).

In Ghana, high inflation, in addition to the need for the adjustment of macro-economic imbalances, prompted the central bank to increase its policy interest rate markedly, impacting economic growth adversely.

Economic and operating environment continued

Ghana is implementing economic and financial reforms under an international monetary fund (IMF) programme, which includes an IMF Extended Credit Facility should balance of payments difficulties persist. However, the required adjustment process is onerous, given the scale of the country's budget deficit and debt level in an environment of softer GDP growth.

Elsewhere, Botswana maintains the best sovereign risk rating on the African continent, given sound management of government finances. In the longer term, the country should, nonetheless, continue to pursue diversification of its economy, considering its reliance on diamond exports to support its economy and government revenue.

Among the middle income countries of SSA, Namibia advanced at a robust pace in 2015, but the country is running wide government budget and current account deficits, signalling that macro-economic adjustment is required. As a member of the Common Monetary Area of the rand, the currency of Namibia depreciated sharply through 2015.

India and Malaysia

India has work to do on fiscal consolidation, but its current account balance has improved materially in recent years. Although the INR depreciated through 2015 against the US dollar, it has performed markedly better than the currencies of other emerging market countries such as South Africa, Brazil, Turkey and Russia. Even so, India's total return on equities fell 8,1% in US$ terms in the year to 31 December 2015, in large part reflecting INR weakness.

India was also one of the fastest growing economies of the world in 2015. This is expected to continue in 2016. In the long run, given favourable demographics, the country is expected to continue advancing at a robust pace, provided proposed economic reform measures are implemented.

In Malaysia, real GDP growth was relatively firm in 2015. However, growth is expected to moderate in 2016. Following a rapid build-up in credit extension (including to households) since the global financial crisis, a period of adjustment is under way amid tightening liquidity conditions. Against a more challenging backdrop equities delivered a negative total return of 19,4% in US dollar terms in the year to 31 December 2015.

Overall, while aggregate EM growth continued to disappoint in 2015, growth in EM Asia and SSA, excluding South Africa, was relatively firmer than in the emerging markets of Europe and Latin America. Looking ahead, although EM Asia and SSA excluding South Africa are expected to continue delivering higher growth than other regions, the environment has become more challenging for growth.

Also, anticipated interest rate hikes by the US Federal Reserve and tightening global financial conditions continue to hold potential risk for highly indebted EM Asia and SSA countries and companies.

Impact on the Group

Economic conditions during 2015 did not favour growth in a number of the markets and segments where the Group operates.

- The pressure on consumption expenditure in South Africa is particularly evident in the middle-income market, contributing to low growth in new recurring premium savings business volumes in SPF's Individual Life business.
- The Zambian economy was particularly hard hit by lower commodity prices with SEM's operations in this country experiencing a significant decline in new business volumes and persistency as a result. SEM's other operations in Rest of Africa managed to deliver solid performances despite the economic pressures, supported by the low level of insurance penetration in most countries and economic growth that continue to outperform the global average despite the impact of lower commodity prices.
- Weaker relative investment market performance in 2015 depressed growth in the level of assets under management across the Group, with a consequential adverse impact on the asset-based fee income of SI and SPF in particular.
- The risk discount rates used by the Group to value most of its operations for GEV purposes are based on the long-term government bond rates as at 31 December 2015. The rise in long-term rates in South Africa had a significant adverse impact on both the growth in value of new life business and RoGEV.

Read more about the impact of the economic environment on the Group's performance in the Financial review on page 96.

Developments since year-end

Investment market conditions deteriorated since 31 December 2015. Economic data released in respect of the world's largest economies increased investor concerns regarding the health of particularly the Chinese economy, with an elevated risk of lower than expected global growth. This is aggravated by geo-political risk and uncertainty regarding the trajectory of future rate increases by the US Federal Reserve, with a clear disconnect between the guidance provided by the Federal Reserve and expectations reflecting in bond pricing. Investment market volatility increased markedly as a result with a number of equity markets globally entering bear market phases. Commodity pricing also continued to fall, with oil prices reaching levels not seen in more than a decade. The South African investment markets followed global markets lower, with the JSE/FTSE All Share Index declining by some 3% up to 29 February 2016.

Economic growth in the emerging markets where the Group operates will be further constrained by the worsening commodity market conditions, but with solid growth on a relative basis still expected in most of the Rest of Africa region. The Indian economy's lack of reliance on commodities should provide a diversification benefit. The growth outlook for South Africa, the Group's largest region, also deteriorated with the risk of a technical recession during 2016 rising, which elevates the risk of South African government debt being downgraded to below investment grade. From a balance sheet and solvency perspective the Group is well capitalised to weather these conditions. Growth in new business volumes and asset-based fee income in 2016 will, however, be under increased pressure should these conditions persist.

Read more about the outlook for 2016 in the Strategic review by the Group Chief Executive on page 95.

Read more about the Group's capitalisation and solvency strength in the Financial review on page 113.

Strategy at a glance

In this section

- Summarised elements of the Group's strategic framework
- Snapshot of the five strategic pillars and how the material sustainability themes support these

Vision

- To be the leader in client-centric wealth creation, management and protection in South Africa.
- To be a leading Pan-African financial services company with a presence in India and South-East Asia.
- To play a niche role in aspects of wealth and investment management in specific developed markets.

Values

We grow shareholder value through innovation and superior performance

We lead with courage

We serve with pride

We care because we respect others

We act with integrity and accountability

The Sanlam Way

- **We are determined and resolute**
- **We are solid and sensible**
- **We do it very, very well**
- **We do it for good**

The Sanlam Way forms part of the Sanlam brand identity and articulates what sets the Group apart. The Sanlam difference lies in its employees' resolve and diligent approach to creating and protecting wealth.

Strategic pillars

The Group's key objective is the creation of sustainable value for shareholders over the long term. This is achieved by optimising RoGEV through a continued focus on the five strategic pillars of the Group. The five material sustainability themes are entrenched within the Group's operations and decision making to ensure that the Group's strategic decisions are tested against those key principles that will ensure long-term thinking and sustainability.

Read more about the Group's progress in the Strategic review by the Group Chief Executive on page 75.

Sustainable value creation for shareholders

Strategic pillars

Earnings growth

Sanlam improves operating earnings by growing the risk and fund pool under management through:
- increasing market share in key segments;
- diversifying the base (geographical presence, products, market segments and distribution platforms); and
- delivering a superior and trusted client experience.

Operational efficiencies

Sanlam controls costs, maximises efficiencies and manages persistency through effective risk management and governance practices, optimising operating structures and internal systems, and by attracting, retaining and developing the right talent.

A key focus of product development is to ensure that all products are non-complex to administer from an operational perspective.

Optimal capital utilisation

Sanlam allocates appropriate capital to business operations, while remaining financially conservative, to ensure all discretionary capital is identified and redeployed into profitable and sustainable growth opportunities or returned to shareholders if not used in a reasonable timeframe. The capital efficiency of products is a key focus area for the cluster's product development functions.

Diversification

Sanlam diversifies the Group from a geographical, product, market segment and distribution perspective – organically by developing new products and services, but primarily through expanding into new markets in South Africa and other selected emerging markets that offer higher long-term growth and returns.

Transformation

Sanlam embraces and adapts to the continuing changing operating environment and client needs. It promotes transformation and diversity within operations and more broadly through its contribution to socio-economic development.

Material sustainability themes

Sound governance

Sustainable delivery on the pillars of the strategy is only achievable if a strong governance culture is embedded in all business activities. This ensures a relentless focus on the value drivers of each pillar, effective management of the risks emanating from business activities and appropriate balancing of value creation between stakeholders.

People development

Sanlam operates within a complex environment, requiring a skilful response from employees. Execution on the strategic pillars is only possible by having the right people focused on both the strategic and detailed activity layers of each pillar. Sanlam also needs to transform to reflect the demographics of its client base and society.

Responsible products and services

Providing the right products and services to clients at a fair price is the most important long-term driver of new business and client retention, which in turn are the main drivers of earnings growth. Through innovative product development we diversify our product set and create opportunities to improve access to financial services for the lower income segments, a key driver to transform wealth distribution in the broader community.

Prosperous society

Wealth creation requires a stable socio-economic environment and a growing economy. Sanlam contributes to the wealth and social security of the countries in which it operates by responsibly managing the retirement savings of millions of people, providing liquidity to the banking industry, investing in local businesses and communities and contributing to the economic growth of the countries.

Environmental footprint

Sanlam is mindful of the increasing impact climate change will have on its future earnings potential and therefore adapt products to take environmental changes into account and remains committed to increase the share of investments into environmentally responsible markets. Sanlam minimises its environmental footprint to prepare for a low-carbon economy and enhance its reputation as a responsible corporate citizen.

Strategic review by the Group Chief Executive

Ian Kirk

Group Chief Executive

"We believe that Africa presents us with a unique, long-term growth opportunity. This partnership with Saham Finances will provide the Group with a significant competitive advantage, as no other insurance company can offer the same regional network to the professional and corporate market."

This transaction, which is aligned to our diversification strategy, will enable us to access a diversified blend of new high-growth insurance markets in North and West Africa, which are largely underpenetrated. We are confident that the continent's growing population, improved political landscape and the evolving financial markets and regulatory environment support our vision of being a leading Pan-African financial services company.

Introduction

2015 was one of the toughest years for business in and outside South Africa since the financial crisis in 2008. We have a solid strategy supported by a strong and proficient executive team, strengthened by some new appointments, and we have plans to further grow and expand the Group into a leading Pan-African financial services company over the medium term, complemented by businesses in the UK, India and South-East Asia.

In this section

- Detail about refinements to the five-pillar strategy
- Progress with implementation per pillar
- Summarised performance per cluster for 2015
- Strategic and operational risks to mitigate
- Future opportunities and priorities per cluster

Strategy process and overview

The Group strategy was reviewed and approved by the Board in December 2015. This followed a six-month process driven by the Group Executive committee who identified refinements and shifts in some of the underlying plans. In essence the strategy remains unchanged and focuses on two geographic approaches:

- In South Africa, the Group aims to retain and extend a leadership position in financial services.
- Outside South Africa, the Group aims to deepen and enhance its existing relationships and product ranges to become a leading player in targeted territories through accelerated organic growth. This is augmented by continued focus on identifying further opportunities for expansion to new businesses and territories.

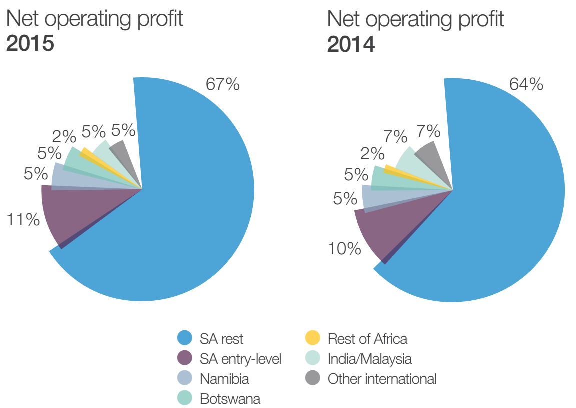
Highlights

- SEM is set to acquire a **30%** stake in Morocco-based **Saham Finances**, the largest insurer in Africa, outside of South Africa.
- The unwinding of Santam's BBBEE scheme created a combined value of **R1,1 billion** to participants.
- RoGEV of **12,8%** exceeds hurdle of 12,1%.
- **Completion of the Afrocentric transaction;** the Group now owns **27%** of Medscheme, South Africa's largest health risk management services provider.

Lowlights

- **Client expectations** have not been fully met in Kenya.
- **Credit provisions** and **write-offs** for SEM at Shriram Equipment Finance in India.
- **Poor results** from SEM business in Zambia due to difficult economic conditions.
- **Large fund withdrawals** by the Public Investment Corporation in South Africa and the Botswana Public Officers Pension Fund.

Strategic review by the Group Chief Executive continued



We continue to place a high premium on strategy execution. The specific pace of implementation of the strategy and the quantification of performance measures are driven through the Group's business plans and the budgets of the respective clusters. This is influenced significantly by factors such as specific opportunities and the capabilities available within each of the businesses.

The five pillars of our strategy remain constant:

Earnings growth

- Improving performance through top-line **earnings growth** by increasing market share in key segments and diversifying the base (including diversification of geographical presence, products, market segments and distribution platforms).

Operational efficiencies

- Optimising **operational efficiencies**.

Optimal capital utilisation

- Enhancing **capital utilisation** on an ongoing basis, including the allocation of capital to business units in a manner that will best achieve stated RoGEV targets.

Diversification

- Prioritising **diversification** by enhancing the Group's international positioning and growing the relative importance and contribution of the international business to the Group, with a specific Pan-African focus.

Transformation

- Commitment to the promotion of **transformation** and diversity within operations and broadly through the contribution to socio-economic development in the countries and markets in which the Group operates, whether that be directly, or via collaboration with business partners.

Strategic review by the Group Chief Executive continued

We have made good progress in the implementation of the elements of the five-pillar strategy. The table below summarises some of the highlights and lowlights for 2015.

Read more about each cluster's performance and operating context later in this report.

Strategic pillar	Progress during 2015
Earnings growth	Earnings growth for SPF and Santam remained strong despite operating in mature markets. SEM and SI had more muted earnings growth, with SEM most significantly affected by the provisioning in Shriram Equipment Finance in India and the business environment in Zambia. New business growth for SEM was lower than expected. Low investor confidence due to challenging macro-economic factors impairs the ability of the investment businesses to show growth at the same elevated levels as in the past few years.

RoGEV per share of **12,8%** (adjusted 14,8%)

Net result from financial services per share increased by **6%**

New business volumes increased by 16% to **R211** billion

Net fund inflows of **R19** billion

Net value of new life business (VNB) down 15% to **R1,4** billion

Net VNB margin of **2,62%**

Strategic pillar **Progress during 2015**

Operational efficiencies

New business margins are under pressure in the medium term in certain segments, but costs remain under control despite the need to invest in systems and capacity creation. At SPF, additional capacity was created at Glacier and Sanlam Sky, whereas Sanlam Individual Life retained tight control on costs. SEM is making progress with system transitions to standardise a platform among its partners. The cluster is starting to experience efficiency benefits from centralised buying, IT support and standardised product roll-outs.

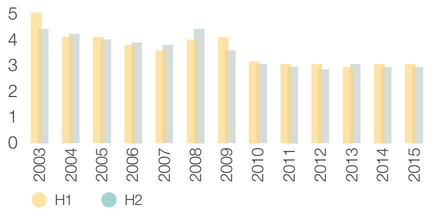
Following a period of extensive and careful planning, Sanlam Collective Investments' administration and IT outsourcing to Silica went live in October. All client and funds data were successfully migrated and the process of supporting all stakeholders continues as they adjust to the new system.

The ability to manage claims costs is critical at Santam, given the deterioration in the exchange rate and the subsequent negative impact on prices of motor vehicle parts and paint costs. Santam's suppliers form an integral part of the claims management process, necessitating building a sustainable network that enables Santam to improve pricing and refine its product offering, which ultimately attracts and retains policyholders.

Focus on quality supports net fund flows

Persistency – SA middle income market

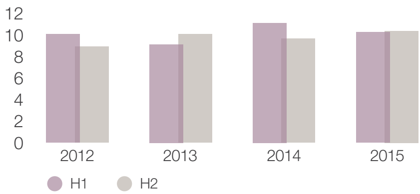
Lapses, surrenders and fully paid-ups as % of in-force per half year



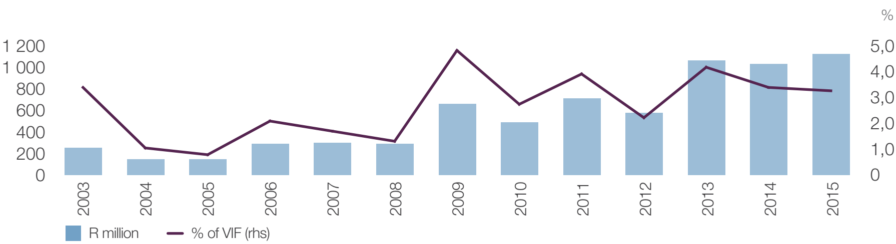
Focus on quality supports net fund flows

Persistency – SA lower income market

Lapses, surrenders and fully paid-ups as % of in-force per half year



Positive experience persisting (EV earnings)



Strategic review by the Group Chief Executive continued

Strategic pillar | **Progress during 2015**

Optimal capital utilisation

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles. By using capital optimisation opportunities available within a SAM regulatory environment, the Group released an additional R2,5 billion in 2015 for investment in expansion opportunities.

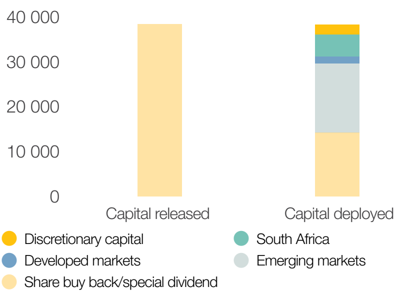
SPF improved capital efficiency by optimising quality and pricing of products, thereby balancing the interests of clients and shareholders. The cluster is maintaining an optimal level of capital.

SEM continued balancing the need to achieve the hurdle rate with sensitivity towards the countries and stakeholder expectations where the cluster operates. Excess capital is extracted via dividends as appropriate when taking these considerations into account. Major new investments, subject to final regulatory approvals, include a 30% interest in Saham Finances and 23% additional interests in Shriram Life Insurance and Shriram General Insurance.

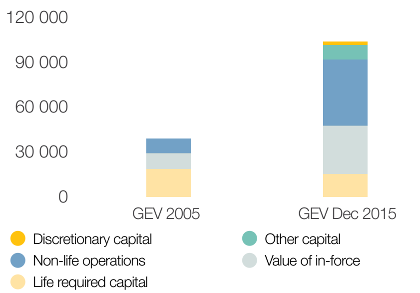
The unwinding of Santam's BBBEE scheme delivered a combined value of R1,1 billion to participants. The unwinding also presented Santam with an opportunity to improve the efficiency of its capital structure by using a share buy-back at R190 per share to facilitate the unwinding. This reduced Santam's capital base by R801 million.

Efficient capital management and a stable dividend policy have enabled Sanlam to deliver an average RoGEV of 16,7% over the last 10 years.

Capital redeployed since 2005
(R38 billion)



Composition of GEV transformed since 2005



Strategic pillar

Progress during 2015

Diversification

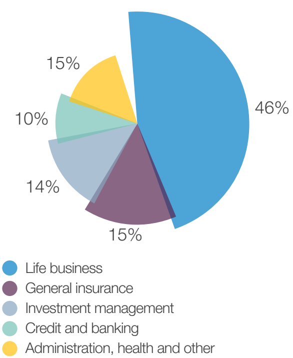
Prior to the Saham Finances transaction, the Group (through SEM) had nearly 40 operating life insurance, general insurance and asset management businesses across 19 countries (through either a direct or an indirect presence) compared to about 10 operating businesses five years ago. The Saham Finances transaction, which is one of the Group's biggest transactions yet, will provide access to new markets including Cote d'Ivoire, Gabon, Senegal and Cameroon in Francophone West Africa, the Arabic-speaking North African country of Morocco and Lebanon in the Middle East, and Angola in Lusophone Southern Africa. This will increase the number of operating businesses to more than 60.

Diversification opportunities within the Group were realised through the launch of MiWayLife to broaden SPF's direct offering. MiWayLife operates under the Sanlam Life licence, but is managed independently under its own brand. Santam's claims card is being rolled out in the Group and general insurance products have been launched in the Sanlam Life agency network.

SPF identified geographic areas where it is under represented and is developing further capacity in Limpopo and the northern parts of the country. The cluster is also improving its penetration of the middle market in Gauteng.

Implemented Consulting, which formalises the investment implementation process through an investment committee framework, was a key solution for SI to enable further growth and to assist with flows into the building blocks and solution funds of the cluster. Regulatory challenges in the United Kingdom muted the cluster's diversification aspirations in that market.

Group Equity Value
2015



Strategic review by the Group Chief Executive continued

Strategic pillar | **Progress during 2015**

Transformation

Ongoing transformation of the Group is driven from the centre and implemented at individual business unit level.

The legislatively mandated EE barrier analysis started during June, with 42% of employees participating in the initial survey. Accelerated transformation initiatives were identified within each cluster to ensure improvement in the demographics at management levels.

SI is creating a strong pipeline of black leaders through its Alternative Investment Academy, which is aimed at setting up graduates to ultimately be able to manage their own funds. Just over 80% of the recruited employees for 2014 and 2015 were black. 87% of SI's employees under the age of 30 are black. They have excellent capability and potential to develop into leaders of the business over the longer term.

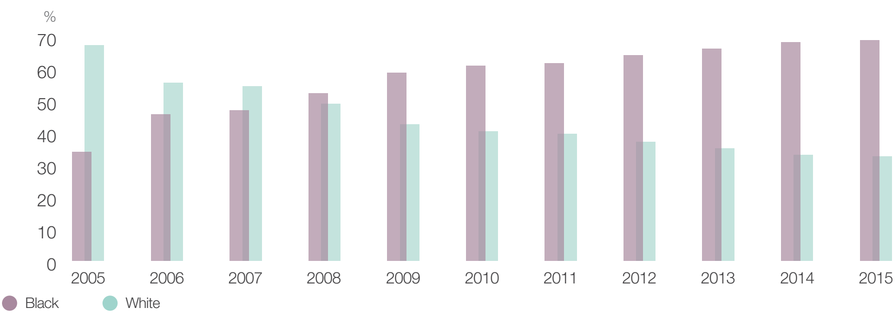
Transformation at SEM takes consideration of the emphasis in many markets on citizen empowerment and localisation of jobs. The cluster is focusing on training and development across the whole value chain of in-country employees and increased regional support capacity to transfer skills.

The unwinding of Santam's BBBEE scheme delivered on its objectives of empowerment and transformation, particularly through the community trust. The trust created value through its support of education, arts, culture, skills development and job creation – and will continue funding transformation initiatives on a projects basis.

BBBEE level

2

Black:White ratios: 2005 – 2015



The strategic pillars require integration with five material sustainability themes to create value for shareholders over the long term. These entail the following:

- Managing all activities within a framework of sound governance and risk management.
- Placing continuous focus on human capital as a key resource, through people development.
- Providing responsible products and services to clients. Only by providing clients with relevant products and services at a fair price will the Group be able to balance the value proposition of its clients and shareholders sustainably over the long term within a TCF framework.
- Ensuring a sustainable client base by investing in a more just and prosperous society.

Read more about the initiatives supporting these themes in the Sanlam Sustainability Report.

Aligning strategy and remuneration

Sanlam's remuneration philosophy and policy align the strategic goals with the organisational behaviours. Short and long-term strategic objectives are measured and rewarded to mitigate excessive risk-taking and provide balance.

Read more about short and long-term incentives in the Remuneration Report on page 114.

2015 performance

The RoGEV per share for 2015 of 12,8% exceeded the Group's hurdle of 12,1%. The adjusted RoGEV per share, which excludes the impact of investment market return deviations from long-term assumptions, tax changes and other factors outside of management's control, amounted to 14,8% – also well in excess of the target.

Sanlam's four clusters contributed to RoGEV through their implementation of the Group strategy. Operational performance highlights and challenges are set out below.

Read more about the financial performance per cluster in the Financial review on page 98 of this report.

Strategic review by the Group Chief Executive continued

Sanlam Personal Finance

Key indicators for shareholders

Return on Group Equity Value*		Net result from financial services*		New business volumes*		Net fund flows*		Net value of new life business*		Net new life business margin*	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
12,1%	17,9%	**R3,8 billion**	R3,5 billion	**R64 billion**	R53 billion	**R23 billion**	R20 billion	**R955 million**	R1 084 million	**2,48%**	3,12%

** Full assurance (Ernst & Young Inc.)*

The cluster delivered good earnings growth and remains in a strong cash generating position. Newly appointed Chief Executive, Hubert Brody, appointed two deputies to achieve the best balance between operational and strategic priorities, to enable a more modular management approach and to optimise business processes according to product sets. These changes are also proactively positioning the cluster for the potential regulatory impact of the RDR.

Macro-economic challenges, such as unemployment, market volatility and higher interest rates, result in less disposable income and changing consumer priorities for current and potential SPF clients.

The cluster is adapting its positioning and geographic capacity allocation according to changing market segment profiles, driven by increasingly affluent black customers and continued urbanisation.

Glacier remains one of the top linked-platform businesses in South Africa. It continued to attract strong flows in the mass affluent market, which to some extent still reflect the impact of the strong investment market performance over the last few years, particularly when considering the value of retirement funds becoming available for investment. Offshore and wrap solutions attracted strong demand. Glacier is benefiting from an ongoing shift of retirement and other savings from traditional products to linked platforms.

The Individual Life segment achieved good growth in sales of recurring premium products, but single premium sales were muted due to competitive offerings and the migration of single premiums to the Glacier platform. Risk product sales improved meaningfully in the second half of the year subsequent to significant product developments and process improvements. Good underwriting practices continue to lead to positive experience variances.

A change in mix of business placed pressure on Sanlam Sky's new business profitability as tax-free savings account sales exceeded expectations. Sales of funeral plans in general were slower than expected. The model for the entry-level market is being adjusted, as a different sales approach is required to still achieve an optimum long-term mix of products in line with client needs. Group benefits business growth exceeded expectations.

Sanlam Reality, which was launched nine years ago, was relaunched with improved rewards, discounts, cashbacks and services. It features new family options, products and a range of programme activities to support the brand promise: *Taking care of your money is rewarding*. Reality Health is one of the new options available to members of a range of medical schemes and features a unique closed-loop payment mechanism. Sanlam Reality will assist with persistency and creating lifetime client value while enabling meaningful relationships with business partners.

The Afrocentric transaction was completed at the end of 2015. The Group now owns 28,7% of Afrocentric who owns 95% of Medscheme, South Africa's largest health risk management services provider and the country's third-largest medical scheme administrator. The transaction brings scale and technical expertise that will allow SPF to accelerate its growth in managed healthcare.

Sanlam Emerging Markets

Key indicators for shareholders

Indicator	2015	2014
Return on Group Equity Value*	**29,9%**	28,0%
Net result from financial services*	**R1,2 billion**	R1,2 billion
New business volumes*	**R11,9 billion**	R9,3 billion
Net fund flows*	**-R7,3 billion**	R4 billion
Net value of new life business*	**R488 million**	R431 million
Net new life business margin*	**5,97%**	7,60%

** Full assurance (Ernst & Young Inc.)*

A difficult year for SEM was characterised by a very tough operating environment, depressed commodity prices, electricity shortages, ongoing exchange rate volatility and deteriorating economic environments, affecting countries such as Ghana, Nigeria, Zambia and Malaysia in particular – and ultimately the end consumer.

Read more about the economic environment in the Economic and operating environment section on page 68.

A highlight was the conclusion of an agreement to acquire 30% of Saham Finances, the largest insurer in Africa (excluding South Africa). It is a significant expansion of SEM's footprint as Saham Finances operates across 26 countries in North, West and East Africa, and the Middle East, writing mainly non-life business. Saham Finances has a leading market share in many of its markets.

The acquisition will enhance the Group's African franchise in Francophone, Anglophone and Lusophone Africa and provide access to untapped insurance growth markets in both North and West Africa. These markets are characterised by fast-growing economies and underpenetrated insurance markets.

Disappointing results for SEM in some areas include credit provisions and write-offs in India, Malawi and Botswana, and poor sales and persistency in Kenya, Zambia and Namibia.

Botswana was one of the strongest performers in the cluster. The business continued to show resilience, finding new niche segments to stimulate growth and retaining clients through a new loyalty programme.

In the rest of southern Africa results were less positive, with Zambia struggling and Mozambique only starting up. Namibia again performed well from a profitability perspective.

East and West Africa delivered mixed results following exchange rate losses, a lower oil price and high interest rates. Ghana, Uganda, Rwanda and Tanzania performed satisfactorily despite these challenges. Kenyan operations were hamstrung by system implementation challenges that had been turned around towards the end of the period. We are pleased that two recent life start-ups, Nigeria and Uganda, have now moved to the number two position in their countries.

Strategic review by the Group Chief Executive continued

The credit business in India made significant losses on equipment finance; however some of these losses and provisions are expected to reverse over time. Life and general insurance continue doing well.

Our business in Malaysia has an attractive niche market in general insurance. There is an opportunity to further diversify business in this region, to which end SEM created a new operational structure, introducing more support functions and capacity to drive growth. We have experienced good new business growth in our life insurance business.

New acquisitions concluded include partnerships in Zimbabwe, Mozambique and Kenya. The Group's geographical diversification strategy focuses on investing in smaller, bolt-on deals and partnerships with established businesses in emerging markets to become a Pan-African diversified financial services group.

SEM gave the Sanlam brand more prominence across Africa by rebranding a number of partner businesses, rather than endorsing or using their brands. The rebranding occurred at the request of the partners to strengthen the Group's identity and expand its visibility. With rebranding comes increased reputational risk, which will be managed proactively. Rebranding has been completed in Tanzania, Uganda and Mozambique.

Bancassurance agreements are also concluded with various credit providers. Following the Saham Finances transaction, there are further opportunities for the expansion of the Group's current Pan-African bancassurance relationships into new African territories.

Sanlam Investments

Key indicators for shareholders

Return on Group Equity Value*		Net result from financial services*		New business volumes*		Net fund flows*		Net value of new life business*		Net new life business margin*	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
21,3%	20,4%	**R1,4 billion**	R1,5 billion	**R117 billion**	R103 billion	**-R3,5 billion**	R12,1 billion	**R111 million**	R228 million	**1,34%**	1,43%

** Full assurance (Ernst & Young Inc.)*

The cluster completed the restructuring of its South African asset and multi-management operations initiated two years ago to enhance its ability to meet client needs, create appropriate solutions and optimise the interdependency between business units. The business created client-facing businesses to serve its institutional and retail clients. These are served by a single investment unit, the Investment Core, which houses all onshore investment capabilities.

SI continues to focus on markets where clients have discretionary funds available for investment purposes.

SI's operating environment weakened due to increased concerns about the impact of lower growth in China on global prospects and commodity prices. These factors, combined with the increase in interest rates in the United States, led to financial market volatility. This negatively affected assets under management and resulted in muted revenue growth for the majority of businesses in the cluster. SICM was particularly negatively impacted by widening credit spreads and the significant decline in the share prices of commodity stocks.

The cluster performed well with regards to increases in new fund flows in several segments, despite the outlook for investment market returns remaining low. The majority of the investment management businesses exceeded operating profit targets, while improving structures and capabilities in the client-facing business units.

The increased focus on Implemented Consulting as a key solution for the intermediated channels has been successful. For example, inflows from Implemented Consulting have partly countered the impact of the R11,2 billion Financial Equity Fund withdrawal by the Public Investment Corporation (PIC).

The Implemented Consulting solution is based on an understanding of intermediaries' challenges in managing client relationships and is underpinned by strong research and regulatory support. It is based on SI's Investment committee framework – a disciplined process towards selecting robust portfolios that creates value for the Group, intermediaries and clients.

Two of SI's businesses units, SIM Global and SIM Unconstrained, merged and were taken to market under an independent new brand, Denker Capital. SI holds a 49% stake in Denker Capital and continues to provide operational and distribution support.

The Satrix range of funds, the Group's offering among South African passive funds, made a breakthrough into the institutional market and continues to perform well.

Challenges included the increase in regulations globally, in the UK in particular, which are becoming even deeper and more intrusive than in the past.

SI is committed to economic transformation as a key element of building wealth and enhancing the lives of previously disadvantaged South Africans. The cluster contributes to transforming the financial services sector and the asset management industry by supporting, empowering and uplifting communities and by providing jobs, skills development and knowledge transfer to its workforce – with a particular focus on developing more skilled black investment professionals.

Attracting, nurturing and retaining EE candidates remain challenging for the cluster. One of the initiatives to address these challenges was the launch of a graduate programme, the Alternative Investments Academy. The academy is an exclusive graduate recruitment programme, aimed at attracting new talent to join the hedge fund team and ultimately run their own hedge fund books.

Competition in key growth areas is increasing, particularly in Africa. Although there are challenges in offering appropriate funds and creating distribution channels, SI regards these as shorter-term challenges and continues to grow its presence with a long-term view.

Employee Benefits experienced slower profit growth on a comparable basis than previous years, but delivered a solid new business performance, with the unit's contribution to the Group expanding.

SI increased its marketing investment this year, in line with the Sanlam Wealthsmiths™'s positioning to improve its brand recognition. The cluster launched its first ever television advertisement campaign that speaks to the investment philosophy of the business, and likens it to the legendary Rumble in the Jungle fight between Muhammad Ali and George Foreman in the former Zaire in 1974.

The outsourcing of SI's administration and IT to Silica, a third-party service provider, increased administrative costs in the short term, but benefits are expected to realise following the completion of the project in October 2015.

Strategic review by the Group Chief Executive continued

Santam

Key indicators for shareholders

	Return on Group Equity* Value		Net result from financial services*		New business volumes*		Net fund flows*
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
-8,4%	19,1%	**R933 million**	R801 million	**R18,5 billion**	R17,2 billion	**R7 billion**	R6 billion

** Full assurance (Ernst & Young Inc.)*

Santam again delivered excellent results, mainly due to good internal discipline and a fairly benign claims environment. As the Group diversifies and expands, it becomes less exposed to a single market or business unit. Through its participation in SEM, Santam will – on completion of the Saham Finances transaction – hold 25% of the 30% stake through a special purpose vehicle.

The depreciation of the rand against most hard currencies affected those business units with exposure to currency risk. The South African business mitigated the impact through efficiency initiatives, including more extensive use of certified alternative glass and spare parts. In the same vein, Santam's credit rating – which aligns with the sovereign rating – negatively affected some existing business outside South Africa. Santam Re in particular suffered from subdued renewals due to Santam no longer having an A- international credit rating due to the sovereign cap imposed by the rating agencies.

In South Africa, major claims events include hail in February in Pietermaritzburg, and a few large property claims.

MiWay delivered strong results due to excellent growth and lower management expenses. New initiatives that supported the results are the launch of the Intermediary-direct channel, the new MiWay Business Insurance and MiWayLife.

Santam Re continued developing a strong footprint in key markets. The value of leveraging Santam's capital resources and diversity to retain premiums that would otherwise have left the group by reinsurance spend, reflected in strong insurance margins.

Santam's BBBEE scheme matured in February 2015. In the unwinding process, Santam repurchased 38% of the shares, and 24% were sold in the market through a bookbuild. The consequent distribution of Santam shares and cash valued at R1,1 billion to beneficiaries started in September 2015, with R530 million allocated to close to 2 400 Santam and other Group employees. Santam shares and cash to the value of R330 million were distributed to 69 black business partners, while the Emthunzini Community Trust received Santam shares and cash to the value of R275 million.

New corporate cluster in 2016

A fifth business cluster will be established in 2016 to support and enhance our service to corporate clients. Junior John Ngulube will join the Group from his current position as Group Chief Executive Officer at Munich Reinsurance Company of Africa to head up the Sanlam Corporate Cluster and will play a key role in developing deeper and new relationships with corporates and advisers to corporates.

The cluster will focus on strategically enhancing the Group's corporate business in South Africa and ultimately across the African continent. We view the African continent as a significant future growth opportunity for corporate business requiring holistic formal service solutions for organisations and their employees.

Risks

Strategic risks

To ensure value creation, the Group balances risks with earnings to deliver an appropriate risk-adjusted return to shareholders. All decision making is based on a risk appetite set by the Board and implemented through the Group's governance structures. The Board risk appetite determines the markets in which the Group operates, the products and services that are provided and minimum return on capital hurdles at a product level and for any corporate actions (new acquisitions and disposals of non-core and underperforming businesses).

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

The Group's key strategic risks are:

	Risk description	Group response
Earnings growth Sound governance	Market risk in the form of a decline in the market value of financial instruments in which the Group invests its funds under management. A decline in the value of funds under management has a direct impact on the Group's fee income and the value of guarantees offered to clients.	Funds related to linked products are invested in line with client preference and instructions. Therefore, the Group does not have an ability to manage the fee income impact of changes in the market value of linked funds under management. No minimum investment guarantees are offered for linked funds. The Group has appropriate investment policies, determined by the Asset Liability committee (ALCO) for all products that offer minimum investment guarantees. These investment policies specify, among others, the investment classes in which the funds relating to a specific product can be invested, minimum credit quality for interest-bearing investments and the use of derivative structures to protect the funds against adverse investment market returns. Liabilities are matched as far as possible with assets that have a similar investment return profile to the liabilities, taking cognisance of clients' reasonable benefit expectations. The level of guarantees for new policies is continuously adjusted to prevailing market conditions. Fees are charged for all guarantees offered to clients. This ensures that client value creation is appropriately balanced with the risk assumed by shareholders.

Strategic review by the Group Chief Executive continued

Risk description	Group response
Earnings growth; Operational efficiencies; Optimal capital utilisation; Sound governance; Responsible products and services Regulatory changes and interventions across the regions where the Group operates.	Regulatory risk is mitigated by ensuring that the Group has dedicated employees that are involved in and informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting with clients that allow for changes to policy terms in line with changing regulatory requirements. The Group monitors and influences events to the extent possible by participation in discussion with legislators, directly and through industry organisations. All three South African-based clusters are busy adapting their business structure to align with and obtain a competitive advantage in an RDR environment. Changes to the taxation of life insurance funds in South Africa that become effective in March 2016 are estimated to have a negative impact of about R50 million on the Group's value of new life business in 2016. Initiatives are under way to reduce this impact. *Read more in the report on the Regulatory environment on page 64.*

Risk description	Group response
Earnings growth; Operational efficiencies; Responsible products and services Lack of profitable volume growth. The business is under pressure in a number of markets due to adverse macro-economic conditions, market volatility, adverse changes in new business mix and current distribution capabilities.	The risk is mitigated by a continuous focus on client-centricity to provide clients with appropriate financial advice, products and services. Distribution models and remuneration structures of the sales force are continually adapted to ensure an appropriate mix of business. There is a relentless focus on cost efficiencies and right-sizing operations in line with long-term sales growth potential.

Risk description		Group response
Earnings growth Sound governance People development	Risk of poor investment performance, relative to competitors and benchmarks, due to the fact that a large part of the Group's business flows are influenced by the perceptions around the Group's investment performance.	The following are key focus areas to mitigate this risk: • High quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals. • An attractive and competitive employee value proposition that enables the business to attract and retain top talent. • The optimisation of a robust investment process to effect good investment decisions. • The rigour of the procedures for portfolio implementation. • The effectiveness of the dealing desk. • The continuous analysis and monitoring of fund performance by the asset managers, ALCO and Capital committees.

Risk description		Group response
Earnings growth Operational efficiencies Sound governance	Maintaining profit margins in the light of ever-increasing competition, slow economic growth and upward pressures on the cost basis.	The barriers to entry to the financial services industry are fairly high given the levels of capital required. Nevertheless, the industry is faced with the entry of small, new and disruptive competitors. The Group relies on its culture of client-centricity, ability to innovate, its well-established brand and technical expertise to maintain profit margins. Businesses in the Rest of Africa are experiencing tough economic conditions, compounded by the fact that many of these economies are import economies and thus susceptible to changes in exchange rates. Management actions include initiatives to monitor and manage lapses, moving to more efficient premium collection methods and administration platforms, focusing on the quality of new business, agent retention and more competitive commission structures. Cost efficiencies and improvements are key focus areas for all businesses and are managed through the annual budgeting and monthly operating performance reporting processes.

Strategic review by the Group Chief Executive continued

	Risk description	Group response
Earnings growth; Optimal capital utilisation; Sound governance	Credit risk, with the largest exposures relating to the failure of a major South African bank, the failure of government or a government-related institution.	An appropriate credit culture and environment is maintained. A formal credit risk strategy and policy stipulates the parameters for approval of credit applications and considers factors such as economic sector, risk concentration, maximum exposure, geographical location, product type, currency, maturity, anticipated profitability or excess spread, economic capital limits and cyclical aspects of the economy. This is continuously monitored by the responsible specialists and the Central Credit committee.

	Risk description	Group response
Transformation; People development	Retention of key staff, leadership succession and alignment with EE targets.	With the increasing war for talent in the financial services industry, the Group has to ensure an appropriate remuneration structure and long-term incentive model, and career development opportunities. These are embedded in the Employee Value Proposition programme launched in 2015. *Read more about skills development initiatives on page 52 and in the Sanlam Sustainability Report online.*

Key operational risks

Sanlam Personal Finance

The business cluster's top risk relates to regulatory and socio-political pressure for structural changes to the financial services industry, implying significant changes to products and services. This includes more stringent governance requirements and solvency regimes and increasing direct competition from government. These changes could affect income streams negatively.

To grow earnings, the cluster depends, *inter alia*, on profitable new business growth, which is currently impacted by an uncertain macro-economic environment and market volatility. There is an adverse movement in the new business mix away from higher-margin recurring premium products, particularly in the entry-level market.

Limitations in the cluster's current distribution capability and exposure to large corporate clients in the entry-level market are further challenges.

Market movements in the exchange rate and interest rates could have an impact on profitability if not managed proactively. Pressure on the profitability of current lines of business include maturing products, increasing cost pressure and the threat of worsening arrears and bad debt experience in the retail credit business.

Sanlam Emerging Markets
As SEM starts raising the profile of the Sanlam brand in the markets in which it operates, the cluster faces a higher reputational risk relating to the brand. Partners who adopt the Sanlam brand have to live up to the values and quality standards to deliver the required customer experience. Consequently, a formal framework and standards are being rolled out through the governance structures.

SEM has grown from 10 operating businesses five years ago to more than 40 operating businesses, before implementation of the Saham Finances transaction, adding complexity in product lines, regulation, culture and the maturity of markets. It remains an ongoing challenge to ensure that these operations receive appropriate technical support while developing local talent and management. The strategy for 2016 includes expansion of the central cluster support function with additional appropriate skills.

Within the SEM operations, various entities are in different stages of administration system migrations or upgrades. This carries the risk of causing delays in business growth, disruption, instability and the inability to deliver timeous and accurate reporting.

A material portion of SEM's profits arise from credit businesses as it provides a useful diversification from insurance and asset management. Currently, all credit businesses are associate investments with oversight by SEM's Board representation. The credit businesses in India, in particular, experienced pressure in 2015 with regards to volumes, margins and bad debt, though we have seen an improvement in the economic environment in India towards the end of the year.

Sanlam Investments
The changing regulatory environment has a significant impact on investments in different markets. It is costly for the cluster to ensure that it has the appropriate capacity and capability to deal with regulation – a factor that currently places strain on senior management's time and resources.

SI has a successful track record of growing assets under management; however, the cluster's traditional asset base continues to decline and the rate of net outflows is accelerating. Under the Group's open architecture platform, SI is competing with pure-play asset managers for new business, and therefore needs to adapt and grow its third-party business to compete more effectively.

Attracting and retaining top talent remains a challenge, particularly given the cluster's transformation targets. A number of management actions have been initiated to address the risk, including employing suitable African black candidates to join different areas of SI.

Santam
Santam has a leading position in a mature market, which poses a risk to achieving the desired growth targets across its multiple distribution channels. Therefore, diversification within South Africa and the Rest of Africa is crucial, with the latter putting Santam in a particularly exposed position regarding its credit rating due to the sovereign cap.

The current concentration of risk in South Africa exposes the business to political and country risk, including the potential downgrade of South Africa's sovereign rating, the economic slowdown, and a rise in crime and fraud, exacerbated by systemic risk issues such as municipal and electrical grid failures.

To continue creating value, Santam has to be able to contain escalating claims costs, as it impacts the affordability of insurance and negatively affects underwriting margins.

Read more about the Group's approach to manage these key and other risks in the Capital and Risk Management report on page 251.

Opportunities and priorities

Sanlam Personal Finance
The roll-out of the refreshed Reality loyalty programme is a priority in the short term, as it will strengthen the offering from intermediaries and provide highly competitive benefits. It is a core element of SPF's retail strategy and drive towards client-centricity.

Now that the Afrocentric transaction is effective, SPF is able to activate new products, fully integrate with the Reality loyalty programme and identify further value creation opportunities through synergies within the cluster. This will enable the Group to establish a credible health administration and insurance offering, with strong linkages to the Sanlam brand.

The younger market remains an important target, particularly through the use of digital media. The cluster will also continue its focus on the sale of risk products to the middle market. Both of these are critical segments in which to establish relationships. MiWayLife will also be an important element of the cluster's focus on risk products.

Sanlam Sky continues to focus on its three strategic pillars: profitable growth in existing channels, gradual diversification into under represented products, industries and geographies (particularly Gauteng) and continuous improvement. Enablers to bolster the long-term sustainability of the distribution force include initiatives to improve productivity, lower turnover and enhanced training and development programmes.

The environment in which SPF operates is expected to remain challenging, with continued growth but potentially at a slower pace. There is a good understanding of the forces shaping the industry, including the digital disruption threats, and the cluster identified the building blocks to effectively deal with these challenges.

Preparing for the effects of the RDR is a priority, particularly for the distribution business, as it will bring significant change to the business model. Continued optimisation efforts include product mix, administration and co-operation between existing businesses.

Sanlam Emerging Markets

SEM provides the Group with a well-diversified portfolio that is largely complementary to its existing geographical footprint, thereby expanding the Pan-African exposure of the Group.

A year of significant opportunity lies ahead for SEM, as it begins to capitalise on an expanded footprint enabled by the acquisition of a significant minority stake in Saham Finances. The Group, Saham Finances and the Saham Group are set to explore future co-operation opportunities to strengthen their strategic and operational relationships.

Whereas structural growth – adding businesses to the cluster – was previously the main focus area, SEM will make a deliberate shift in the next year to promote organic growth in the underlying businesses. The aim is to create market leaders in life and general insurance in all the countries in which SEM holds interests.

Further operational priorities include a more focused client and product strategy and support function. SEM created a unit to enable cross-border strategic alliances and relationships. This will drive a more focused and coordinated approach across the sub-clusters and regions in terms of business development and strategic alliances with, for example, multinational corporates, banks and intermediaries.

SEM will increase its employee numbers, thereby adding capacity to provide partners with the requisite support to grow the businesses. Partner businesses will increasingly leverage off the technical expertise and specialisation available in the South African business.

Within the cluster, there is an increased focus on training and development, which includes a more structured project management approach to ensure the implementation of sustainable business practices. This will be further supported by integration and transition to common systems, standardised products and complementary digital strategies, including mobile distribution.

SEM's operating profit was under pressure in 2015, but RoGEV outperformed the required hurdle rate and is expected to remain well ahead of hurdle rates in the medium to long term. The difficult and deteriorating economic environment in the short term is expected to continue in 2016.

Sanlam Investments

SI will continue to offer a globally competitive asset management proposition through specialist investment management competence and diversification benefits. The cluster's priority is to maintain consistent superior investment performance.

The restructured business model will be leveraged in South Africa to grow net inflows in the retail and institutional segments. The success of Implemented Consulting will be further developed as a competitive advantage for the Group and there will be a continued focus to identify and develop new solutions for clients.

For the cluster's client base in South Africa, offshore markets are becoming a primary rather than a secondary focus. The cluster has to meet this changing priority, especially in the United Kingdom, where SI is managing a period of uncertainty and regulatory change. The aim in this market is to establish a credible product and distribution platform with scale in the mass-affluent market segment. The cluster appointed a single head for the United Kingdom business and is creating a stronger compliance capability.

Africa will remain a key focus area through the establishment of a number of African-based investment funds, as will passive investments leveraging off the well-established and positioned SATRIX brand. There is an increased appetite from clients for blended solutions, which combine active and passive investments. Growth opportunities in credit provisioning are expected to increase. This will be facilitated by matching the Group's long-term liabilities with credit exposure – potentially a strong competitive advantage for the business.

Santam

Santam's role is to contribute to a robust, inclusive and responsible general insurance industry that offers stakeholder value and stability. In 2016, the focus will be to achieve policy unit growth despite expected headwinds, given the continued volatility of the rand, increasing interest rates and uncomfortable levels of social unrest in South Africa.

One of Santam's particular focus areas will be to manage support to partners in emerging markets, and to allocate appropriate resources with technical and compliance expertise. Strategic focus areas (outside South Africa) through the medium term include successfully expanding into Asia and the Rest of Africa through SEM, Santam Specialist and Santam Re. Inside South Africa, focus areas include new segments, leveraging Santam's full multichannel capability and ensuring profitable growth through diligent risk assessment.

Santam will continue optimising its investment policies to improve earnings on insurance funds and shareholder investments – all within the approved framework and risk appetite. This includes strategically employing capital, given the Group's diversification ambition.

Group outlook summary for 2016

Growth in most markets to remain below longer-term potential, placing pressure on new business growth potential in the short term across most markets. **Growth in value of new life business** in South Africa will be **negatively impacted by tax changes** (refer strategic risks above) and interest rate increases.

Investment market volatility to persist, adversely affecting fund-based fee income and return on capital portfolio. It will be particularly **challenging to grow investment management earnings** should investment markets remain at the current depressed levels.

Santam achieved an **exceptional underwriting performance** during 2015, which will be **difficult to repeat in 2016**.

Afrocentric, Shriram and Saham Finances **transactions to be concluded** and embedded in the Group, which should be **positive for operational earnings growth**.

Investment opportunities will remain under consideration with the primary focus on the Group's positioning as a **Pan-African financial services group** in the next two to three years.

Implementation of regulatory changes in South Africa and the United Kingdom will continue to be a challenge, but the **strategic focus will be on adapting business structures** to manage the risks and capture the opportunities flowing from the various reforms.

Financial review

Kobus Möller

Financial Director

The 2015 financial year tested the resilience of the Group's diversification strategy. The Group faced challenges in a number of areas that would have resulted in significant underperformance 12 years ago.

The five-pillar strategy introduced in 2003, however, transformed the Group into a business diversified across business lines, geographies, market segments and products, with an exceptionally strong capital base and a multi-level management team with some of the best financial services expertise and experience available in the market. This enabled us to deliver a RoGEV per share of 12,8% despite unsupportive local and global conditions, again outperforming our target for shareholder wealth creation.

Economic growth and supportive investment markets are key drivers of growth in new business volumes and operating earnings. Quantitative easing programmes in developed markets after the financial markets crisis of 2008, in particular the US, sustained above average investment market returns over the last few years. Buoyant investment markets more than compensated for weak economic growth and unsustainable growth in government expenditure and debt levels in many countries, including South Africa. As anticipated in our 2014 Integrated Report, the tide turned in 2015 with both economic growth and investment markets being under pressure.

As highlighted in the report on the Economic environment on page 68, global markets have been impacted by various domestic and international factors. These include fears of lower than expected global economic growth driven by a slowdown in the Chinese economy, significant declines in commodity prices, uncertainty around the US Federal Reserve's interest rate trajectory and geo-political risks. These conditions, aggravated by a disproportionate reliance on commodities in many of the emerging market countries where we operate, impacted economic growth, currency exchange rates and investment market performance across most of our regions. In South Africa, a number of internal and external events in 2015 exacerbated negative investor and business confidence, contributing to elevated investment market and currency volatility and a significant rise in long-term interest rates.

The challenging economic and investment market conditions had a particularly negative impact on the following areas of our business:
- New business growth in a number of segments.
- Fund-based fee income in SI and SPF, where a weak investment market performance limited growth in assets under management.
- RoGEV and growth in VNB, both depressed by the rise in long-term interest rates.

Management actions and diversification outside of South Africa cushioned the impact of these factors and enabled the Group to achieve solid results in most performance metrics. Some of the highlights and lowlights for the year are:

Highlights

- **RoGEV** exceeded target by a healthy margin
- **Santam** and **SPF** underwriting performance
- Recovery in SPF Individual Life **risk business sales**
- **Glacier** performance
- Profit growth in **SA entry-level** market
- Success of **SI retail** unit in attracting inflows
- Solid **SEM growth** excluding one-offs
- GEV exceeds **R100 billion** for the first time
- New business volumes exceed **R200 billion** for the first time
- **Saham Finances** transaction announced
- Improved **capital management** efficiency

Lowlights

- Higher interest rates in SA depressing **RoGEV and VNB growth**
- **One-off costs** in SI
- Change in mix towards **tax free savings** in SPF reduced VNB margins
- **Fund withdrawals** by PIC and BPOPF
- **Bad debt provisioning** in Shriram Transport Finance's equipment finance business
- **Underperformance** in Zambian operations
- **System** implementation **issues** in Kenya

This report provides an overview of the Group's performance, focusing on the key shareholder performance indicators identified on page 45. More detailed information is available in the Shareholders' information section from page 149, including balance sheet and income statement information for the shareholders' fund reconciled to the IFRS Statement of Financial Position and Statement of Comprehensive Income. Reconciliations between the IFRS net asset value and GEV are also provided.

Financial review continued

Basis of presentation and accounting policies

The Sanlam Group IFRS financial statements for the year ended 31 December 2015 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements and Shareholders' information are in all material respects consistent with those applied in the 2014 Annual Report.

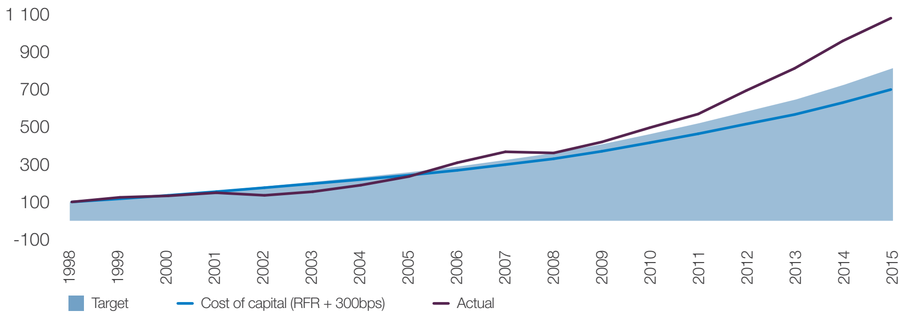
Financial performance measure

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

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

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

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



The RoGEV target for 2015 was 12,1% and for 2016 it is set at 14,1% based on the RFR of 10,1% as at the end of December 2015. The significant rise in long-term interest rates in the final quarter of 2015 has elevated the RoGEV targets for 2016.

Group Equity Value

GEV amounted to R103,5 billion or 5 057 cents per share on 31 December 2015, exceeding R100 billion for the first time. Including the dividend of 225 cents per share paid during the year, a RoGEV per share of 12,8% was achieved for 2015. This exceeds the 2015 target of 12,1% despite the challenges faced by the Group and a significant rise in long-term interest rates in South Africa. Adjusted RoGEV per share, which excludes the impact of investment return earned in excess of the long-term assumptions, interest rate changes, exchange rate volatility and other one-off effects not under management control (such as tax changes), amounted to 14,8% – well in excess of the target.

South African long-term interest rates increased by 200bp during 2015, with a corresponding 200bp rise in the risk discount rate (RDR) used to value the Group's South African businesses for GEV purposes. A discounted cash flow (DCF) valuation basis is now used for essentially all of the Group's operations, with the increase in RDR having a pronounced negative effect on the end-2015 valuations and RoGEV for 2015. The diversification of the Group outside of South Africa assisted in largely offsetting this negative impact, with the valuation and RoGEV of the Group's international operations benefiting from the sharp weakening in the Rand exchange rate, particularly against developed market currencies and the Indian Rupee, and more stable long-term interest rates. Exchange rate gains contributed some 4% to RoGEV per share. The strong investment market performance of 2014 also did not repeat in 2015, contributing to relatively lower RoGEV in the 2015 financial year compared to 2014. Adjusted RoGEV is a more comparable measure of the underlying operational performance, which continues to reflect solid results. The challenges experienced during 2015 detracted somewhat from the overall return, but only to a limited extent as most of the underperformance in net result from financial services are one-off in nature and therefore do not reflect in the prospective DCF valuations.

Group Equity Value at 31 December 2015

	GEV		RoGEV	
R million	**2015**	2014	**Earnings**	**%**
Group operations	**91 558**	87 739	12 191	13,8
Sanlam Personal Finance	**38 249**	38 453	4 658	12,1
Sanlam Emerging Markets	**18 047**	14 571	4 369	29,9
Sanlam Investments	**22 412**	20 122	4 386	21,3
Santam	**12 850**	14 593	(1 222)	(8,4)
Covered business	**47 222**	48 393	7 037	14,5
Value of in-force	**32 114**	31 207	5 338	17,1
Adjusted net worth	**15 108**	17 186	1 699	9,9
Other operations	**44 336**	39 346	5 154	12,9
Group operations	**91 558**	87 739	12 191	13,8
Discretionary capital and other	**11 948**	8 197	35	0,5
Group Equity Value	**103 506**	95 936	12 226	12,7
Per share (cents)	**5 057**	4 684	599	12,8

Financial review continued

Group operations yielded an overall return of 13,8% in 2015, the combination of 14,5% return on covered business and 12,9% on other Group operations.

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

Return on covered business for the year ended 31 December 2015

%	2015	2014
Expected return – unwinding of the RDR	**7,8**	7,8
Value of new covered business	**2,8**	3,7
Consistent economic basis	**3,2**	3,7
Change in economic basis	**(0,4)**	—
Operating experience variances	**2,2**	2,3
Operating assumption changes	**1,0**	1,2
Economic assumption changes	**(3,3)**	0,2
Expected investment return on capital portfolio	**2,6**	2,7
Investment variances	**0,7**	1,6
Value of in-force	**(0,2)**	1,3
Capital portfolio	**0,9**	0,3
Foreign currency translation differences and other	**0,7**	(0,5)
Return on covered business	**14,5**	19,0

The Group's covered business operations (comprising 46% of GEV) achieved a solid performance, exceeding the Group hurdle rate by a healthy margin despite the adverse impact of higher interest rates. The mature South African covered business operations exceeded the 12,1% hurdle rate by 0,6% with an overall return of 12,7% (17,4% on an adjusted basis), augmented by a return of 20% from the non-South African businesses. The latter benefited from the release of relatively higher discount rates applied in the valuation base of these businesses and the weakening in the rand exchange rate during 2015. The main items contributing to the return are:

- Value of new covered business: The 0,9% lower return is largely attributable to the base effect of the AECI policy written in 2014 and the negative change in economic basis in 2015.

  Refer Business volumes section on page 107.

- Positive operating experience variances persisted in 2015, with positive risk experience of some R800 million still being the largest contributor. Particularly satisfactory is positive persistency experience of R170 million, a sound performance in a low-growth economic environment with consumer disposable income under pressure. This is testimony to the success of the Group's strategic focus on client-centricity and efforts to improve the quality of the in-force book. Positive working capital experience was largely offset by negative one-off expense experience due to a number of large regulatory and other projects currently being implemented across the Group.

  Read more about the Group's client-centric approach and value proposition in the Value creation through the Sanlam business model section on page 48.

- Operating assumption changes contributed slightly less to the return in 2015. A major contributor in 2015 is positive risk experience assumption changes of R810 million. The level of positive operating risk experience variances over a number of years indicates some expected continuance in these trends and required the capitalisation of a portion thereof in the VIF to align more closely to the SAM requirements. This was partly offset by a strengthening in one-off expense assumptions given the level of regulatory change currently being experienced in most operations, and a number of other modelling changes.
- The largest variance relates to economic assumption changes, turning from a positive return contribution of 0,2% in 2014 to negative 3,3% in 2015. This is attributable to the rise in long-term interest rates in South Africa, with the higher RDR only partly compensated for by an increase in the future investment return assumptions on the underlying asset base.
- Investment variances contributed less to the overall RoGEV due to a weaker investment market performance in 2015 compared to 2014, partly offset by foreign exchange gains.

Capital allocated to covered business (adjusted net worth) declined from R17,2 billion at the end of 2014 to R15,1 billion at 31 December 2015, representing 32% of covered business compared to 36% at the end of 2014. The reduction is largely due to the revised capital allocation approach applied to Sanlam Life's covered business with effect from 2015.

Refer Capital management section on page 110.

Other Group operations (comprising 43% of GEV) achieved a return of 12,9% (23,2% on an adjusted basis). The valuation and return of the South African businesses were adversely impacted by the higher RDR, somewhat offset by good growth in assets under management in a number of the asset management boutiques. Sanlam Investment Management, the traditional retail and institutional asset manager in South Africa, experienced only a marginal increase in assets under management due to large net outflows.

Refer Business volumes section on page 107.

The return on SI and SEM's non-South African businesses was in general supported by the weakening in the rand exchange rate. The Group's investment in Santam is valued at its listed share price, which declined in 2015 commensurate with other financial services stocks, resulting in a negative 8,4% RoGEV contribution from Santam.

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

- Net corporate expenses of R109 million recognised in net result from financial services.
- A relatively low level of return earned on the portfolio's exposure to low yielding liquid assets.
- Hedging of the Saham Finances and Shriram life and general insurance transactions. (Refer Capital management section on page 110.) The transactions were hedged through the acquisition of foreign currency, which earns a very low rate of interest due to the US dollar denomination. The application of hedge accounting principles in the GEV presentation furthermore eliminated the foreign currency gains, essentially exposing the portfolio to some R5 billion of assets that earned close to zero return.

Earnings

Shareholders' fund income statement for the year ended 31 December 2015

R million	2015	2014	Change %
Net result from financial services	**7 269**	6 879	6
Sanlam Personal Finance	**3 831**	3 476	10
Sanlam Emerging Markets	**1 197**	1 241	(4)
Sanlam Investments	**1 417**	1 468	(3)
Santam	**933**	801	16
Corporate and other	**(109)**	(107)	(2)
Net investment return	**1 946**	1 794	8
Project costs and amortisation	**(321)**	(224)	(43)
Equity participation costs	**(43)**	(109)	61
Normalised headline earnings	**8 851**	8 340	6
Per share (cents)	**433**	408	6

Net result from financial services (net operating profit) of R7,3 billion increased by 6% on 2014, with solid performances by SPF and Santam more than compensating for lower earnings at SI and SEM. Santam achieved an exceptional underwriting performance, with its underwriting margin of 9,6% exceeding the new longer-term target range of between 4% and 8%. As indicated in the introduction, the Group faced a challenging operating environment in 2015, which together with a number of internal one-off items had a pronounced impact on growth in net result from financial services. These items were:

- In SI, performance fees declined by 21% from 2014. A significant portion of the performance fees earned by SI in 2014 related to funds managed on behalf of the Public Investment Corporation (PIC). The cumulative withdrawal by the PIC of some R20 billion of funds under management in 2014 and 2015 as part of the restructuring of their portfolios, reduced the base on which fees can be earned, with no performance fees accruing in 2015 on the PIC funds. A relatively lower level of outperformance of benchmarks in 2015 compared to the 2014 financial year also resulted in lower performance fees being earned on collective investment schemes.

  The 2014 comparative earnings of SI's International business included one-off profit of R58 million realised on the disposal of Intrinsic in the UK.

  One-off expenditure increased SI's administration costs by R83 million after tax in 2015, including the outsourcing of Sanlam Collective Investments' administration platform, further leveraging of the Group's repositioned Wealthsmiths™ branding, restructuring of the UK private wealth business and costs associated with regulatory compliance in the UK.

  SEB wrote one of the largest insurance policies in history in South Africa during 2014 when it concluded an R8,3 billion pensions outsourcing agreement with the AECI retirement fund. This policy generated new business strain of R138 million in 2014, with a further R14 million being recognised in the 2015 earnings in respect of the additional premium received during the year.

SICM experienced abnormal marked-to-market losses of R92 million in its debt and equity-structuring units related to commodity market conditions, entity specific issues and political events in South Africa. Credit spreads on Eurobonds issued by African governments and South African institutions widened significantly during the year. In the case of African government bonds it is largely attributable to unfavourable investor sentiment towards emerging markets following the severe slump in commodity prices that is likely to have an adverse impact on many governments' ability to service debt. Investors' risk perception of South African institutional debt rose sharply during 2015 from a combination of some company specific issues such as the regulatory penalty levied against MTN in Nigeria, and general negative investor sentiment following the changes in Finance Ministers at the end of 2015. The widening of credit spreads culminated in marked-to-market losses in SICM's debt business that has exposure to these Eurobonds. In addition, SICM also incurred marked-to-market losses on financing transactions backed by commodity stocks. The share prices of commodity companies declined sharply during 2015 in line with the slump in commodity prices, which reduced the underlying level of security within these instruments. This had a consequential negative impact on their fair values. In the absence of defaults, these marked-to-market losses should reverse in future reporting periods.

- SEM experienced a difficult 2015, with its Indian, Malaysian and Zambian operations underperforming against 2014 and the target for 2015.

  The Shriram Capital results in India were affected by one-off items in both the 2014 and 2015 financial years, causing a R154 million adverse change in net result from financial services. Shriram Transport Finance Company's subsidiary focused on equipment financing experienced abnormal levels of arrears in 2015. The subsidiary expanded its lending book in anticipation of the newly elected government's infrastructure projects. Delays in the roll-out of these projects placed a large number of clients under financial pressure, with the outstanding loan book growing outside of normal parameters during the year. This required a significant strengthening in the provision for bad debts. The position stabilised recently with some projects being initiated. An improvement in recoveries and the arrears position is expected during 2016. In addition, the 2014 comparative results for Shriram Capital included a R51 million one-off release of provisions relating to Shriram General Insurance's third party pool book, thereby increasing the comparative base.

  The Zambian economy and currency are under severe pressure from low commodity prices, in particular copper that is its main source of income and foreign currency inflows, unplanned elections and severe flooding during the year. Despite a number of management actions, SEM's Zambian operations could not escape the impact of the economic environment on consumer disposable income, resulting in significantly lower operating earnings due to lower new business sales and negative persistency experience.

  Pacific & Orient, SEM's general insurance business in Malaysia, appointed a new statutory actuary during 2015 in line with Malaysian regulations. The new actuary required a strengthening of the reserving basis, which reduced the 2015 net result from financial services by R30 million. This reserve can be released in future periods should actual experience prove to be more favourable than that assumed in the current basis.

Excluding these items, net result from financial services grew by 11%, a solid performance against the overall challenging backdrop.

Analysis of net result from financial services for the year ended 31 December 2015

R million	2015	2014	Change %
Net result from financial services excluding abnormal items	**7 418**	6 682	11
Sanlam Personal Finance	**3 831**	3 476	10
Sanlam Emerging Markets	**1 311**	1 147	14
Sanlam Investments	**1 452**	1 365	6
Santam	**933**	801	16
Corporate and other	**(109)**	(107)	(2)
Abnormal/one-off items	**(149)**	197	
Sanlam Investments performance fees	**154**	196	(21)
Sanlam Investments one-off administration costs	**(83)**	(13)	(538)
Disposal of Intrinsic	**—**	58	—
AECI new business strain	**(14)**	(138)	90
Capital Management marked-to-market losses	**(92)**	—	—
Shriram Capital	**(103)**	51	(302)
Zambian operations	**(4)**	15	(127)
Pacific & Orient reserving	**(30)**	—	—
Sanlam Emerging Markets structural changes	**23**	28	(18)
Net result from financial services	**7 269**	6 879	6

SPF achieved solid growth for a largely mature business. *Sanlam Individual Life* remains the largest contributor to SPF's operating earnings with growth in its net result from financial services of 7% in 2015. Profit from investment products grew by 27%, benefiting from strong guaranteed product sales over the last few years that increased the book size of this line of business. Market-related investment products also contributed to the growth, supported by a 14% increase in the average level of assets under management – partly attributable to the strong investment market performance of 2014. The profit contribution of risk products declined by 8%, with a further improvement on the exceptionally favourable mortality experience of 2014 difficult to achieve and due to an increase in new business strain in 2015 following the strong growth in new risk business sales. Profit released from the asset mismatch reserve held in respect of non-participating risk business declined by 14% in line with the lower level of this reserve during 2015. Mortality experience in the annuity book normalised during 2015, which together with a lower level of asset mismatch profits contributed to a decline in earnings from this line of business. This was offset by higher profit from other products, which include the legacy universal life book and working capital management profit.

Sanlam Sky's net result from financial services increased by 19%. Growth in the size of the in-force book, positive investment variances and economic basis changes as well as improved persistency and premium variances supported the earnings growth.

Glacier grew its profit contribution by 21% after tax. Fund-based fee income benefited from an increase in assets under management due to strong net fund inflows and favourable investment market performance in prior years.

SEM grew its net result from financial services by a satisfactory 14% excluding the abnormal items highlighted before.

Namibia (up 10% net of tax and non-controlling interests; 16% on a gross basis) benefited from sound profit growth at Santam Namibia and Capricorn Investment Holdings (CIH). Santam Namibia experienced a benign claims environment during 2015, similar to Santam's South African experience. Bank Windhoek, CIH's major investment, continued to deliver good growth. Profit realised in 2014 in the closed fund life book from credit spread moves did not repeat in 2015, which together with a shrinking book contributed to lower operating earnings from this business. The renegotiation of the Bank Windhoek credit life profit share arrangement also had a negative impact on earnings growth in 2015. The variance between gross and net growth is mostly attributable to relatively stronger growth in the businesses with non-controlling interests.

Botswana achieved good growth of 17% in its net result from financial services (22% before tax and non-controlling interests). The life business' results benefited from good annuity volumes and margins and an increase in the size of the book following the strong new business performance over the last number of years. Letshego, which earns more than half of its profit outside Botswana, experienced currency translation losses as well as a higher effective tax rate due to a change in the various countries' contribution to overall earnings. Its profit contribution was in line with 2014. The general insurance business Legal Guard made a welcome recovery and turned around from a net loss in 2014 to a small net profit in 2015. Botswana Insurance Fund Management (BIFM), the Botswana asset manager, was adversely impacted by the withdrawal of R12,4 billion of assets under management by the Botswana Public Officers Pension Fund (BPOPF). Restructuring of the business limited the negative profit impact to some R10 million.

The *Rest of Africa* operations, excluding Zambia, achieved growth in net result from financial services of 17%. Most countries and lines of business delivered strong growth. The exception was general insurance where all businesses experienced claims pressure, apart from the Ghanaian operations.

Net result from financial services in *India* rose 13% excluding structural changes and the abnormal items listed before. The credit and general insurance businesses achieved satisfactory growth, while the life insurance business continued to invest in expanding its distribution footprint.

In *Malaysia*, growth in general insurance business premiums came under pressure from a combination of lower sales of two-wheelers and increased competition. Appropriate management action has been taken, which limited the impact on profitability to some extent. The life business also did not perform in line with expectations due to losses in the medical portfolio, contributing to a disappointing overall performance. A new Regional Executive for Malaysia has been appointed towards the end of the year. His focus will be on improving the performance of the individual businesses, but also extracting synergies from the combined operations.

SI achieved overall growth of 6% in its net result from financial services excluding abnormal items, with acceptable performances from SICM and Investment Management.

Financial review continued

The relatively weaker investment market performance in 2015 impacted adversely on the *Investment Management* businesses' ability to grow assets under management, aggravated by:

- Continued net outflows from the South African life book and capital portfolio. The legacy life book managed by SI is running off while SPF's open architecture results in only a portion of its new business being managed by SI. Outflows from the older life books are therefore not replaced by new inflows, resulting in consistent net outflows of assets under management for SI. SI's strategic focus remains on replacing the life outflows with third-party business and an increase in the proportion of SPF open architecture business managed. A consequence of the Group's strategic focus on capital efficiency has been a reduction in the capital backing the South African life business, which is management by SI. A further R4 billion has been released during 2015, which will be redeployed for investment in strategic operations on which SI does not earn any fee income.
- The R20 billion of funds under management withdrawn by the PIC over the last two years.
- The funds withdrawn from SEM by the BPOPF during 2015 included some R3 billion of funds managed by SI's International business.

Average assets under management of the South African investment manager, the largest contributor to the sub-clusters' profit, increased by only 6% as a result. Growth of 8% in net result from financial services, excluding abnormal items, represents a solid performance in this context.

SEB's profit contribution grew marginally by 1% if the new business strain from the AECI policy is excluded. A reduction in losses from the administration businesses and 32% growth at SEB investments were offset by a 7% decline in risk profits following a normalisation in claims experience during 2015 from a particularly favourable experience in 2014.

Capital Management managed to achieve 11% growth in its net result from financial services, excluding marked-to-market losses from widening credit spreads on Eurobonds and equity-backed financing structures.

Santam had an exceptional year, with its underwriting margin improving from an already high base of 8,7% in 2014 to 9,6% in 2015. The benign claims environment of 2014 persisted into 2015, which together with disciplined underwriting action contributed to the 16% growth in Santam's net result from financial services. Premium growth was less than planned for 2015 in a competitive environment, commercial business in particular.

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

Normalised headline earnings of R8,9 billion are 6% up on 2014. This is the combined effect of the 6% increase in net result from financial services, 8% growth in net investment return earned on the capital portfolio and a 43% increase in amortisation of intangible assets. The latter is essentially due to intangible assets recognised in respect of the acquisition of MCIS in Malaysia during 2014. Despite the relatively weaker investment market performance in 2015, net investment surpluses earned on the capital portfolio increased by 16% due to a well-timed change in strategic asset allocation and the international exposure in the portfolio.

Refer Capital management section on page 110.

The change in strategic asset allocation from unhedged to hedged equities was implemented before the decline in the South African equity market in December, protecting the portfolio against these losses and locking in the gains made up to that stage. In addition, investment return earned on the international exposure in the portfolio benefited from the sharp weakening of the rand exchange rate against developed market currencies during 2015.

Business volumes

The Group achieved overall growth of 16% in new business volumes from a high base in 2014. Excluding the R8,3 billion AECI premium recognised in 2014, new business increased by 21%, a particularly pleasing performance in a difficult economic environment.

Life insurance new business volumes increased by 18% (excluding the AECI policy), investment business inflows by 24% and general insurance earned premiums by 8%. All businesses contributed to the solid performance, apart from SI's International business.

SPF's new business sales grew by 21%, a stellar performance for this mature business.

Sanlam Sky, operating largely in the South African entry-level market, achieved growth of 13%. Individual life recurring premium new business increased by 12% and Group recurring premium sales by 21%. The tax free savings product launched in March 2015 after changes in tax legislation proved much more popular than anticipated, with new savings business volumes increasing by 50% on the comparable period in 2014. To some degree this came at the expense of the higher margin risk business sales, which increased by only 4%. Some replacement sales are not unusual after the introduction of a new product, but this was particularly pronounced at Sanlam Sky due to the non-availability of a competitive Sanlam savings solution that intermediaries could sell in this market segment in prior years and industry-wide marketing of the new product line that intensified client attention and demand. Sales trends started normalising towards the end of the year, with the mix between risk and savings products moving to more appropriate levels. Group recurring premium sales were supported by a large new scheme written during 2015 and the biennial renewal of the ZCC scheme, which more than offset the impact of the cancellation of the Capitec credit life agreement in 2014.

New business volumes in the Individual Life segment, which is largely focused on the middle income segment in South Africa, increased by 3%. Single premium sales increased by 3%, reflecting pressure on disposable income, the competitive environment and a shift in sales to the Glacier platform. Annuity and guaranteed plan sales reflected good growth, offset by lower sales from bank brokers as these channels increasingly focused on their own in-house products. New recurring premium sales grew by 10% with all lines of business contributing to the growth. A strong recovery in the sales of risk business was particularly satisfactory, with this line of business growing by 17% in the second half of 2015 (flat for the six months to 30 June 2015) to reach overall growth of 9% for the full 2015 financial year. Similar to the entry-level market, the mix of recurring premium savings products changed towards the new tax-free savings products, although in this market segment the tax-free savings products was favoured above existing low margin endowments.

Glacier achieved another exemplary performance in 2015, growing its new business volumes by 27%. Demand for offshore and wrap solutions were particularly strong, driven by a weaker rand and competitive investment performance offered by the wrap solutions respectively.

The **SEM** operations grew their new business contribution by 29% – new life business increased by 32%, investment business inflows by 29% and general insurance earned premiums by 19%. The growth in life and general insurance business was to some extent supported by acquisitions during 2014 and 2015.

New business volumes in *Namibia* declined by 16%, the combined result of 36% growth in new life business and a 23% decline in unit trust inflows in a competitive environment. The strong growth in life business is largely due to an increase in per policy premium size in the affluent market.

Financial review continued

The *Botswana* operations had another sterling year with new business volumes rising by 78%. Strong annuity sales continue to be the main driver of new life business (up 41%), augmented by a more than doubling in new investment mandates at the asset management operations.

A 35% increase in Rest of Africa new business volumes is attributable to a twofold increase in investment business inflows and a 94% rise in general insurance business, the latter partly due to the base effect of new acquisitions. Life business growth disappointed at 2%. The Zambian operations struggled in difficult economic conditions, recording a 37% decline in new business sales. The Kenyan business made progress in rebuilding its agency force after the major impact of the system implementation issues experienced in the first half of the year. As anticipated, a major improvement in sales volumes will only reflect in 2016 as new agent productivity improves. New life business sales for the full year declined by 19%, with some improvement evident in the second-half performance. Excluding Zambia and Kenya, Rest of Africa new life business volumes increased by 30%, with all regions contributing to the strong growth.

New business growth in *India* persisted in line with the first-half 2015 trends. New life and general insurance business sales increased by 60% and 24% respectively, benefiting from the investments made in growing the distribution footprint.

As indicated before, lower two-wheeler sales and competitive pressures impacted negatively on Pacific & Orient in *Malaysia*. This is evident in its earned premiums that declined by 22%. The base effect of the MCIS acquisition during 2014 supported a more than doubling in Malaysian new life business sales.

The AECI policy written by SEB in 2014 had a major negative impact on the 13% overall year-on-year growth in **SI's** new business volumes. Excluding the AECI policy, new business volumes increased by 23%. All business units achieved growth in excess of 20%, apart from International where an 18% decline in inflows is largely attributable to the disposal of Intrinsic during 2014. A 57% increase in new life business at SEB (excluding AECI) is particularly satisfactory. Recurring and single premium new business grew by 60% and 57% respectively. Another highlight for the year was the success of the SI retail unit in yielding new inflows. By partnering with intermediaries through the Implemented Consulting initiative, the unit attracted new inflows of more than R8 billion during 2015. Also pleasing is the significant portion of the funds that flowed to the SI investment core, supporting strong net inflows into Sanlam Collective Investments.

The bulk of **Santam's** premiums are still written in the highly competitive South African market. Earned premiums grew by 8%, reflecting the maturity of the South African market and the current low-growth economic environment. The severe drought experienced in large parts of the country manifested in reduced planting and commensurately lower premiums written in the agricultural business line. MiWay, Santam's direct insurance business, continues to make inroads and grew its premium base by 19%.

Net fund inflows of R19,1 billion in 2015 is an acceptable performance given the large withdrawals experienced from the PIC and BPOPF and the economic and investment market headwinds faced in the 2015 financial year.

Business volumes for the year ended 31 December 2015

R million	New business 2015	2014	Change %	Net inflows 2015	2014	Change %
Sanlam Personal Finance	**63 825**	52 566	21	**22 895**	19 580	17
Sanlam Emerging Markets	**11 913**	9 259	29	**(7 346)**	3 971	(>100)
Sanlam Investments	**116 582**	103 250	13	**(3 512)**	12 099	(>100)
Santam	**18 522**	17 222	8	**7 012**	6 344	11
Total	**210 842**	182 297	16	**19 049**	41 994	(55)
Covered business	**39 976**	42 290	(5)	**12 081**	18 430	(34)
Investment business	**150 670**	121 383	24	**(523)**	16 853	(>100)
General insurance	**20 196**	18 624	8	**7 491**	6 711	12
Total	**210 842**	182 297	16	**19 049**	41 994	(55)

The discount rate used to determine VNB is directly linked to long-term interest rates. The 200bp rise in the South African five and nine-year benchmark rates during 2015 resulted in a commensurate increase in the risk discount rate and a significant negative impact on VNB growth and margins. This was aggravated by the high base in 2014 related to the AECI policy. VNB at actual discount rates declined by 13% (6% excluding AECI). On a comparable basis (before economic assumption changes) VNB decreased by 2% (increased by 6% excluding AECI).

SPF achieved overall growth of 6% on a comparable basis. The significant change in business mix in Sanlam Sky to the lower margin tax free savings products contributed to a 9% decline in Sanlam Sky's VNB and a reduction in new business margins from 9,51% in 2014 to 7,44% in 2015. The normalisation in business mix towards the end of the year should support VNB growth in 2016. The strong growth in recurring premium risk business in the Individual Life segment more than compensated for the change in mix of savings business to tax free savings products. VNB margins improved from 2,88% to 2,97%, driving VNB growth of 9% in this mature segment. Glacier's VNB growth was in line with its new business performance.

VNB growth and margins at **SEM** were negatively impacted by the significantly lower new business production in Kenya and Zambia, the renegotiation of the Bank Windhoek credit life profit sharing arrangement and higher long-term interest rates in Namibia. All of the other businesses achieved strong VNB growth largely in line with their new business performance. On a consistent economic basis, overall VNB increased by 8% to R467 million. Excluding Kenya and Zambia, VNB grew by 24% and Rest of Africa's contribution by 35%.

SI's VNB declined by 60%, largely due to the base effect of the AECI transaction concluded in 2014 and a lower contribution from the International business in line with its lower new business volumes.

VNB margins were in general maintained at a product level, apart from the Namibian credit life business.

Financial review continued

Value of new covered business for the year ended 31 December 2015

R million	2015 economic basis 2015	2014	Change %	2014 economic basis 2015	2014	Change %
Value of new covered business	**1 514**	1 743	(13)	**1 707**	1 743	(2)
Sanlam Personal Finance	**955**	1 084	(12)	**1 148**	1 084	6
Sanlam Emerging Markets	**448**	431	4	**467**	431	8
Sanlam Investments	**111**	228	(51)	**92**	228	(60)
Net of non-controlling interest	**1 360**	1 592	(15)	**1 545**	1 592	(3)
Present value of new business premiums	**54 362**	56 394	(4)	**55 555**	56 394	(1)
Sanlam Personal Finance	**38 572**	34 798	11	**39 712**	34 798	14
Sanlam Emerging Markets	**7 510**	5 673	32	**7 600**	5 673	34
Sanlam Investments	**8 280**	15 923	(48)	**8 243**	15 923	(48)
Net of non-controlling interest	**51 856**	54 518	(5)	**53 005**	54 518	(3)
New covered business margin	**2,80%**	3,09%		**3,07%**	3,09%	
Sanlam Personal Finance	**2,48%**	3,12%		**2,89%**	3,12%	
Sanlam Emerging Markets	**5,97%**	7,60%		**6,14%**	7,60%	
Sanlam Investments	**1,34%**	1,43%		**1,12%**	1,43%	
Net of non-controlling interest	**2,62%**	2,92%		**2,91%**	2,92%	

Capital management

Sanlam Life capital allocation approach

Under the current Financial Soundness Valuation (FSV) regime, participations or strategic investments held by a life insurance company can be taken into account for purposes of the statutory capital available to cover its capital adequacy requirement (CAR). This creates an opportunity in a diversified group to optimise its capital allocation by using strategic investments to cover a portion of the capital required to meet its targeted CAR ratio, with the remainder being held in the form of a balanced portfolio and/or subordinated debt. This is referred to as capital diversification. In the transition to SAM, the new solvency regime, some uncertainty existed as to whether any capital diversification would also be allowed under the SAM regime. The Group therefore followed a prudent capital allocation approach during the development phase of the SAM specifications, essentially capitalising each life insurance business on a standalone basis without any allowance for diversification. The SAM specifications have largely been finalised during 2015, with the outcome that participations will be allowed to contribute to available capital (own funds) under SAM, both at a company (solo) and group level, with a corresponding capital requirement (SCR). Prescribed valuation bases are applicable at a solo and group level. The valuation and SCR bases for participations provide some stability to the entity's SCR cover ratio and potentially generate surplus own funds that can be redeployed.

The improved clarity on the final SAM specifications enabled the Group to extract further capital efficiencies during 2015. This was achieved through a combination of capital diversification and a more conservative asset allocation for the balanced portfolio backing Sanlam Life's covered business.

For Sanlam Life, the Group's target under the FSV basis is to ensure that its CAR cover would be at least 1,5 times over a 10-year period, within a 95% confidence level. At the end of 2014 this translated into

IFRS-based required capital of some R14,7 billion for Sanlam Life's covered business. Consistent with the prudent approach then followed, this capital requirement was fully covered by subordinated debt of R2 billion and a balanced portfolio of R12,7 billion, with no allowance for the value attributed to investments in strategic businesses. This basis of capital allocation contributed to Sanlam Life's high CAR cover ratio under the FSV regime, as its investment in Santam alone contributes more than R4 billion in available statutory capital.

The investment in Santam also provides a major diversification opportunity under SAM. The utilising of capital diversification was accordingly introduced at the end of 2015, initially limited to R2,5 billion. The first R2,5 billion of Sanlam Life's IFRS-based capital requirement will therefore be covered by Santam shares, with the remainder covered by subordinated debt and the balanced portfolio.

In conjunction with the use of the diversification benefit, the Group also reconsidered the strategic asset allocation of the balanced portfolio to optimise RoGEV under SAM, given that the SAM regime is particularly punitive with regards to equity holdings. The strategic asset allocation was significantly changed as follows, taking cognisance of the utilisation of diversification benefits:

Asset allocation

Asset class	**31 December 2015 %**	31 December 2014 %
Balanced portfolio		
Equities	**–**	31
Offshore investments	**8**	12
Hedged equities	**80**	15
Cash	**12**	42
Total balanced portfolio	**100**	100
Subordinated debt		
Fixed interest	**100**	100
Total subordinated debt	**100**	100

Sanlam Life's IFRS-based required capital amounted to R14,5 billion at the end of 2015 based on the revised capital allocation approach, covered as follows:
- R2,5 billion by Santam shares;
- R2 billion by the subordinated debt issued by Sanlam Life; and
- R10 billion by a balanced portfolio.

The revised capital allocation approach effectively released a total of R4 billion additional discretionary capital:
- R200 million emanated from the reduction in the overall required capital from R14,7 billion to R14,5 billion.
- Given a slightly lower overall capital requirement, the investment return of R1,3 billion earned on the balanced portfolio during 2015 could be released to the discretionary capital portfolio.
- The reduction in the capital requirement funded by the balanced portfolio from R12,5 billion before the utilisation of diversification benefits to R10 billion thereafter, released a further R2,5 billion.

As indicated in the Group's interim results announcement, a SCR target cover range of between 1,7 times and 2,1 times has been set for Sanlam Life's covered business. The R14,5 billion of IFRS-based required capital translated into a SCR cover at the upper end of the target range at 31 December 2015.

Financial review continued

From a RoGEV perspective, the lower expected return from the more conservative asset allocation is compensated for by the lower level of capital held in the balanced portfolio. The cost of capital charge in the embedded value of covered business therefore remained largely unchanged.

Discretionary capital

The Group started the year with discretionary capital of R3,3 billion, which was earmarked for new growth and expansion opportunities as well as to strengthen existing relationships. A net total of R6 billion was redeployed in the year, which included the following:

- R4,2 billion (excluding Santam's contribution) allocated to the acquisition of Saham Finances, which will significantly expand the Group's African footprint and general insurance diversification. The acquisition price is payable in US dollars, which the Group hedged during 2015 by acquiring the foreign currency. In terms of the IFRS hedge accounting specifications, the investment will be recognised in 2016 at the US dollar/R14,08 exchange rate at which the foreign currency was acquired.

  Read more about the Saham Finances acquisition in the Strategic review by the Group Chief Executive on page 74.
- The Group also indicated after the release of the interim results in September 2015 that it will acquire a 23% additional stake in the Shriram life and general insurance businesses. A total of some R970 million has been earmarked for this transaction, which has also been hedged during 2015 against exchange rate movements.
- R703 million was utilised for the acquisition of an effective 27% stake in Medscheme, which improves the Group's healthcare proposition for clients in addition to offering a number of potential synergies. The first of these has been realised through the roll-out of the Reality loyalty scheme to medical aid members administered by Medscheme.

  Read more about the Medscheme acquisition in the Strategic review by the Group Chief Executive on page 74.
- Some R240 million was invested by SEM to enter the Mozambique and Zimbabwe markets and to increase its stakes in the Nigerian and Tanzanian general insurance businesses.
- As indicated in the 2014 Annual Report, the Group extended its relationship with its empowerment partner, Ubuntu-Botho Investments (UB), for an additional 10 years with the aim, among others, to jointly explore mutually beneficial transactions. The first transaction concluded in terms of this arrangement is the transformation of Indwe Brokers Holdings (Indwe), a general insurance intermediary, into a black-owned company through the disposal by Santam of a 51% shareholding in the business to African Rainbow Capital, a wholly owned subsidiary of UB. Sanlam also acquired a 25% stake in Indwe for a total amount of R69 million. The transaction better positions Indwe in a highly competitive market, opens up new opportunities for the business and enabled the Group to further execute on the transformation pillar of its strategy.
- R46 million was received from Santam as its contribution to recent general insurance investments made in Africa.
- SI utilised R36 million for investment in its US-based asset manager and for trail payments for the acquisition of the Vukile property management agreement.
- SPF invested R57 million in a distribution business in the entry-level market in South Africa.
- SI established a seeding capital portfolio that will be utilised to grow some of their new products and portfolios while building a track record. Discretionary capital of R200 million was utilised to bolster the portfolio.
- A special dividend of R226 million was received from MCIS in Malaysia as part of its capital optimisation initiatives.

- R165 million was realised from the disposal of SEM's direct stake in Nico Holdings in Malawi to Botswana Insurance Holdings, SEM's subsidiary in Botswana. Not only does this transaction enhance the potential to extract synergies between the businesses, but it also effectively released illiquid excess capital held in the Botswana operations.

Investment return earned on the discretionary capital portfolio and the 2014 dividend cover in excess of cash operating earnings added some R1 billion of discretionary capital. Together with the R4 billion of capital released from the capital allocation changes in Sanlam Life, unallocated discretionary capital amounted to R2,3 billion at the end of December 2015. We remain focused on utilising the available discretionary capital for value-accretive investment opportunities.

Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2015. The total admissible regulatory capital (including identified discretionary capital and cash allocated to the Saham Finances and Shriram insurance transactions) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R47,8 billion, covered its CAR 5,8 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2015.

The Group appointed Standard & Poor's (S&P) during 2015 to replace FitchRatings as the Group's credit ratings agency following the cancellation of FitchRatings' registration as a ratings agency for regulatory purposes by the FSB. S&P issued the following South Africa National Scale ratings at the beginning of 2016: Sanlam Limited: zaAA-; Sanlam Life Insurance Limited: zaAAA, Subordinated debt: zaAA+. These ratings confirm the strength of the Group's balance sheet and operations.

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2015 financial year enabled the Board to increase the normal dividend per share by 9% to 245 cents. This will maintain a cash operating earnings cover of approximately 1,1 times. The South African dividend withholding tax regime applies in respect of this dividend. The dividend will in full be subject to the 15% withholding tax, where applicable.

Shareholders are advised that the final gross cash dividend of 245 cents for the year ended 31 December 2015 is payable on Monday, 11 April 2016 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 8 April 2016. The last date to trade to qualify for this dividend will be Friday, 1 April 2016, and Sanlam shares will trade ex-dividend from Monday, 4 April 2016.

Share certificates may not be dematerialised or rematerialised between Monday, 4 April 2016 and Friday, 8 April 2016, both days included.

Remuneration report

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Context

Introduction

Sanlam's remuneration philosophy and policy support the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. Both short and long-term strategic objectives are measured and rewarded and this blended approach strongly mitigates excessive risk-taking and balances longer-term strategic objectives with short-term gains. The remuneration philosophy is therefore also an integral part of the Group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Steps are also taken to ensure alignment with the applicable regulatory and governance requirements in each of the countries in which the Group operates. In South Africa, those specifically include the King Code of Corporate Governance (King III), while also conforming to the principles contained in the codes of good practice which support Employment Equity legislation, notably, for purposes of this policy, those that deal with remuneration.

Sanlam is the sole or part owner of a number of businesses, joint ventures and associates. While compliance with the Sanlam Group remuneration strategy and policy is primarily targeted at Group companies or Group operating subsidiaries, Sanlam will use its influence to encourage the application of sound remuneration practices in those businesses where it does not hold a controlling interest.

Group Human Resources and Remuneration committee

The Group Human Resources and Remuneration committee of the Sanlam Board (GHRRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Board for approval. Its activities include approving the guidelines and philosophy to be applied in formulating mandates for all bonus and long-term incentive schemes and setting remuneration packages of the Sanlam Group Executive committee (Executive committee) and the Sanlam Heads of control functions, relative to industry benchmarks. The GHRRC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to 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 the GHRRC's committee fees. To fulfil the role described above, the GHRRC undertakes the following:

- Develops and recommends to the Board for approval long-term incentive schemes for the Group, subject to shareholder approval where applicable. It includes the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes to ensure alignment with the Group strategy and shareholder and other stakeholder interests.
- Sets appropriate performance drivers for long-term incentives, as well as monitoring and testing those drivers.
- Develops and recommends to the Board for approval the remuneration strategy as far as the remuneration of Sanlam's executive directors, members of the Executive committee and Heads of control functions are concerned.
- Review the management of the contracts of employment of Sanlam executive directors, members of the Executive committee and Heads of control functions to ensure that their terms are aligned with good practice principles.
- Determines specific remuneration packages for Sanlam executive directors, members of the Executive committee and Heads of control functions, including total guaranteed package, retirement benefits, short-term incentives, long-term incentives and other conditions of employment.
- Develops and recommends to the Board for approval short-term and long-term incentive schemes for the Group CEO and other members of the Executive committee. It includes the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance in support of the Group strategy.
- Takes forward recommendations to the Board regarding the remuneration of the Sanlam non-executive directors.

Read more about the GHRRC's terms of reference online and about the composition and summarised terms of reference for the GHRRC in the Corporate Governance Report on page 224.

During 2015, the GHRRC considered the following matters:

- Benchmarking of remuneration levels and practices with international and local comparator groups.
- Continued alignment of Sanlam's remuneration practices in South Africa with King III governance principles and pending regulations that provide a risk-based governance framework for the regulation of life and general insurers.
- Appointment and remuneration of the new Group Chief Executive.
- Recruitment and appointment of other executive staff members.
- Monitoring and approval of short-term bonuses and long-term incentives.
- The introduction of a minimum shareholding requirement for Executive committee members with effect from 2016.
- Accelerated measures to support existing strategies to correct the under-representation of black people at the senior and middle management levels of the organisation.
- Monitored the work and decisions of the other Sanlam Group companies' HR and Remuneration committees.

The South African Companies Act No 71 of 2008 introduced the concept of a 'prescribed officer'. The duties and responsibilities of directors under the Act also apply to 'prescribed officers' as well as members of board committees who are not directors. The Board has considered the definition of 'prescribed officers' and resolved that the members of its Executive committee are the prescribed officers of Sanlam. Remuneration details of the Executive committee are accordingly also disclosed in this report.

Remuneration policies and practices

Remuneration philosophy

The Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. In order to meet the strategic objectives of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time. 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 Sanlam Board recognises certain industry specific and other relevant differences between Group businesses and where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resources committees either at Group or business level. 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. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other 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. The Group has continued to apply a total reward strategy for its staff members. This offering comprises remuneration (which includes cash remuneration, short-term incentives and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

Strategy

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **Pay for performance:** Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance hurdles and the Group strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the sustainability of the organisation.

- **Leverage and alignment:** The reward consequences for individual employees are as far as possible aligned with, linked to and influenced by:
  - The interests of Sanlam shareholders (and, where applicable, minority shareholders in Group subsidiaries)
  - Sustainable performance of the Group as a whole
  - The performance of any region, business unit or support function
  - The employee's own contribution.
- **Consistency and fairness:** The reward philosophy strives to be both consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is required to be fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles and performance is, in particular, imperative. Unfair differentiation is unacceptable and equal opportunities in respect of service practices and benefits are guaranteed.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the Group's objectives and ensure its sustainability over the long term.
- **Shared participation:** Employee identification with the success of the Group is important owing to the fact that it is directly linked to both the Group 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, in relation to the Group's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and the Group's strategic objectives is understood by 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.
- **Clawback:** Where performance achievements are subsequently found to have been significantly misstated so that the bonuses and other incentives should not have been paid, provision is made for redress through clawback.

For the Group to remain competitive, remuneration policies and practices are evaluated regularly against both local and international remuneration trends and governance frameworks, most notably King III in South Africa.

Executive contracts

Sanlam executive directors and members of the Sanlam Executive committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included, which Sanlam has the discretion to enforce depending on the circumstances surrounding the individual's departure. Notice periods are three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the GHRRC based on the recommendations of the Group CEO. No clauses are included in employment contracts that relate to any form of payments in the event of a change in control of Sanlam. In the event of a change in control the vesting of share awards will only be accelerated if an offer is made that does not substitute unvested LTI's with arrangements on terms similar to the existing terms and conditions.

Remuneration overview

Structure

The different components of remuneration applied in the Sanlam Group are summarised in the table on the following page. These are applicable to all South African-based Group employees and are used as guidance by other international Group businesses. A detailed description of each component follows in the next section.

Where applicable, 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 incentive component of remuneration is based on a combination of individual and annual business performance.
- The long-term incentive component is based on the individual's performance, potential and overall value to the Group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (annual bonus)	Creates a high performance culture through a cash bonus in relation to performance against predetermined outputs	Annual based on short-term performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and predetermined performance hurdles for business and personal targets. Cash settlement generally capped at 200% of total guaranteed package
Long-term incentives (long-term variable)	Alignment with shareholder interests	Annual grants vesting over either five or six years. Part early vesting is allowed from the third year provided that all the vesting conditions have been met	Upon satisfaction of performance hurdles and individual performance targets

Total guaranteed package (TGP)

Purpose

TGP is a guaranteed component of the remuneration offering. It forms the basis of the organisation's ability to attract and retain the required skills. In order to create a high performance culture, the emphasis is placed on the variable/performance component of remuneration rather than the guaranteed component. For this reason TGP is normally positioned on the 50th percentile of the market. As an integral part of TGP, Sanlam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- Leave;
- Retirement funding;
- Group life cover; and
- Medical aid.

Process and benchmarking

Average TGP is normally set by reference to the median paid by a group of comparator companies which Sanlam considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that have similar characteristics to Sanlam in terms of being in the financial services sector (but not limited only to this sector), market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Sanlam obtains data from a number of global salary surveys and the data is then analysed using Towers Watson's Global Grading Calculator. In addition to this benchmarking process, Sanlam also takes into account the skills, potential and performance of the individual concerned as well as the current consumer price index of the country.

GHRRC's role

- Upon conclusion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the GHRRC. The GHRRC also reviews and approves the adjustments to total guaranteed package for each of the Sanlam executive directors and members of the Sanlam Executive committee.

Levels

TGP levels are positioned around the 50th percentile of the comparator market. In certain instances, however, there may be a salary sacrifice in favour of the variable component. Where specific skills dictate, TGP levels may be set in excess of the 50th percentile.

Short-term incentives

Purpose

The purpose of the annual bonus plan is to align the performance of staff with the goals of the organisation and to motivate and reward employees who outperform the agreed performance hurdles. Over recent years, the focus has shifted from operational matters to growing the business and ensuring that it is managed in a sustainable way. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a robust comparator group.

GHRRC's role

The GHRRC's role with regard to the annual bonus plan is to:

- Determine the overall structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the Group's business strategy.
- Set the overall principle in respect of thresholds, targets and stretch levels for the annual bonus plan and the percentage of total guaranteed package that can be earned at each level by each group of employees.
- In respect of members of the Sanlam Executive committee: agree on the performance drivers for their annual bonus plan, and agree on the split between business, Group and personal performance criteria.

Vesting levels

The annual bonus plan is a cash-based bonus scheme. Where the annual business and individual bonus targets are achieved in full, 100% of the bonus will be paid. In instances where expected target goals have been exceeded, the cash component is capped at a percentage of TGP, but the total value of the bonus awarded can exceed the capped cash bonus. (Refer to *Ad hoc* performance bonus rewards below.)

Where the bonus targets are not achieved in full, a reduced bonus, based on a sliding scale, will be paid only if a minimum threshold performance level has been achieved.

Where the annual business bonus targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the Group CEO.

The annual bonus targets at a Group and cluster level incorporate a number of financial and non-financial performance measures that are directly linked to the Group strategy and key performance indicators, including net result from financial services, adjusted RoGEV and employment equity. The specific performance targets and relative weighting is determined per cluster based on the cluster's strategic initiatives. The Group office targets reflect the overall performance of the Group.

Adjusted RoGEV
In order to exclude the impact of investment market volatility during the performance period in question, adjusted RoGEV is used. This assumes that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for the purposes of the investment return earned on the supporting capital of covered business and the valuation of Group operations. Any other *ad hoc* items which are not under the control of management are also excluded.

The Group delivered an overall satisfactory performance during the 2015 financial year, as elaborated upon in the Financial Review on page 96. A few businesses outperformed their targets for the year, while some underperformed against the stretched targets, in particular SEM. This resulted in a weighted average bonus achievement of 99,2% (2014: 144%) at a Group office level.

***Ad hoc* performance bonus rewards**
Where it is determined by the Group CEO that an individual has demonstrated exceptional performance within his or her area of expertise that justifies a bonus payment in excess of the maximum cash bonus percentage of TGP, the GHRRC may award restricted shares under the Sanlam Restricted Share Plan to acknowledge such out-performance. Companies within the broader Sanlam Group may use other mechanisms such as cash retentions for amounts in excess of the cap.

The rationale of this mechanism is to encourage retention of high performing individuals and ensure the sustainability of performance-driven behaviour. To the extent that performance is not sustained, the performance condition attached to a portion of the restricted awards will not be satisfied and the award will not vest.

Long-term incentives

Overview and general policy
Sanlam currently grants awards under the following four long-term incentive plans (LTIs):

- The Sanlam Deferred Share Plan (DSP);
- The Sanlam Performance Deferred Share Plan (PDSP);
- The Sanlam Restricted Share Plan (RSP); and
- The Sanlam Out-Performance Plan (OPP).

With the exception of the OPP, these long-term incentive plans are equity-settled plans from a Sanlam perspective. The OPP is a cash or share-based plan, which rewards long-term performance.

In respect of the DSP and the PDSP, Sanlam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade. In addition, transformation considerations and the role and performance of an individual and the need to attract and/or retain key talent are taken into account when determining the final multiple. In general, the award level ranges from 35% to 280% of TGP but may exceed this in the specific circumstances referred to above.

Long-term incentive awards granted are split between individual performance (granted under the DSP and awards made without business-related performance conditions under the RSP) and business related performance awards (granted under the PDSP and awards made with business-related performance conditions under the RSP).

Awards granted to any one individual under all equity-settled plans (the DSP, the PDSP and the RSP) are subject to an overall limit of 6,5 million unvested shares.

Participation
The LTIs are aimed at attracting and retaining key employees. While participation is available to all employees of the Sanlam Group, the practice is to target allocations to employees in management or key functional roles. Non-executive directors do not participate in any of the LTIs.

GHRRC's role
The GHRRC's role as far as the long-term incentive plans are concerned is to:
- Ensure that their structure contributes to shareholder value and the long-term sustainability of the Group.
- Set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers.
- Approve award levels.

Deferred Share Plan (DSP)
Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The award has individual performance hurdles attached to it. The vesting conditions are that the individual remains employed by the Group throughout the vesting period and maintains agreed individual performance hurdles. The measurement period is five years and early vesting may occur as follows, provided that all the vesting conditions have been met:
- After three years — 40%;
- After four years — 70% less any portion vested earlier; and
- After five years — 100% less any portion that vested earlier.

The award granted under the DSP is not subject to the satisfaction of the Group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of TGP. To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

For the year ended 31 December 2015 allocations in respect of 3 921 545 shares (2014: 3 517 035) were made to 813 participants (2014: 731) under the DSP.

Performance Deferred Share Plan (PDSP)
To the extent that the face value of the awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares for no consideration subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the Group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the award is also subject to the condition that the Group's adjusted RoGEV exceeds its cost of capital for the relevant measurement period (Group performance hurdle). Cost of capital is defined as the nine-year government bond rate in South Africa plus 300 basis points. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP. The higher the award allocated, the more stretching the vesting conditions thereof are. For awards in excess of 175% of TGP the vesting conditions also include a business specific hurdle in addition to the personal and Group performance hurdles.

The exact performance conditions are set by the GHRRC at the relevant date of grant.

The use of adjusted RoGEV as a performance condition is considered appropriate as this is the key driver of the Group's strategy and the use of this measure means a direct link between the long-term incentive reward, Group strategy and shareholders' interests.

The performance measurement period for PDSP awards is six years. To the extent that they are not met at the end of this period, the performance related awards will lapse.

However, awards under the PDSP can vest prior to the end of the six-year performance measurement period on a proportional basis to the extent that all the vesting conditions are met earlier, as follows:

- After three years from the date of grant — 40% of the award;
- After four years — 70% less any portion that vested earlier; and
- After five years — 100% less any portion that vested earlier.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed performance measurement period.

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

For the year ended 31 December 2015 allocations in respect of 1 375 071 shares (2014: 1 334 834) were made to 227 participants (2014: 217) under the PDSP.

Restricted Share Plan (RSP)

The RSP has to date been operated in conjunction with the annual bonus plan (refer short-term incentives section above) for selected senior staff. Where a bonus payment is awarded that is in excess of the cash bonus cap, that excess amount will be awarded as restricted shares under the RSP. Under this plan, individuals receive fully paid-up shares in Sanlam. The individual owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to vesting conditions and may be forfeited and the dividends repayable if these conditions are not met during the measurement period.

The restricted shares awarded require the individual to remain employed within the Group until the final vesting date and maintain the agreed individual performance hurdles. A portion of the restricted shares awarded is subject to a business performance condition. The performance condition for awards granted to date is that the Group's adjusted RoGEV per share exceeds the Group's cost of capital and such condition varies between 0% and 100% of the award depending on the individual's role.

The measurement period is six years but early vesting can occur on a basis similar to that of the PDSP on the third, fourth and fifth anniversary of the date of grant, provided that all vesting conditions are met on such dates as determined by the GHRRC. For the year ended 31 December 2015 allocations in respect of 391 830 shares (2014: 533 136) were made to 17 participants (2014: 18) under the RSP.

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRRC, participation in an OPP is extended to certain members of the Sanlam Executive committee who are leaders of the Group's main operating businesses and infrequently, to senior leaders within the main businesses. The OPP rewards superior performance over a three to five-year measurement period.

No payment is made under the OPP unless the agreed growth target over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of the annual TGP in the final year calculated over the respective three or five-year measurement period (e.g. 6 or 10 times the annual TGP of the final measurement year).

Minimum shareholding requirement (MSR)

To encourage alignment between executive and stakeholder interests, the GHRRC in December

2015 approved a minimum shareholding policy, which applies to all current and future members of the Sanlam Executive committee, including executive directors (participating executives). In terms of these arrangements, the following minimum shareholding levels, expressed as a percentage of annual TGP, must be reached by the later of 31 December 2021 or within six years from the date of appointment of a participating executive:

Group CE	175%
Financial director	125%
Business executives	100%
Support executives	50%

Participating executives are required to maintain the target shareholding throughout their tenure with the company. Unvested shares under any long-term incentive arrangement will not be taken into account when assessing compliance with the MSR policy.

Incentive arrangements implemented after 1 January 2016 may include MSR terms and conditions as determined by the GHRRC to ensure compliance with the prescribed levels in the prescribed periods, as well as the implications of not adhering to the MSR.

For purposes of determining compliance with the MSR levels, the value of a participating executive's shareholding at the end of each financial period will be determined by using the average closing price of Sanlam ordinary shares on the JSE for the trading days in that financial period and expressed as a percentage of the participating executive's annual TGP at the end of such financial period.

Shareholder voting

The Group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the annual general meeting (AGM) of Sanlam Limited. At the 2015 AGM, a total of 1 433 785 394 votes (2014: 1 461 243 306) were cast on the advisory vote, with the vast majority of shareholders supporting the Group's remuneration policy and practices. The result of the voting was as follows:

	For	Against	Withheld	No vote	Total
2015	98,50%	1,42%	0,08%	0%	100%
2014	96,16%	3,18%	0,66%	0%	100%

Sanlam's corporate governance practices, including the remuneration policy, are discussed with major shareholders and proxy voting organisations as part of the Group's stakeholder engagement process.

Remuneration details for executive directors and members of the Group Executive committee

Group CEO arrangement

The Board entered into a five year employment arrangement with the previous Sanlam Group CEO, Johan van Zyl, with effect from 1 January 2011. The objective of the arrangement was to address the leadership requirements for the Sanlam Group in order to deliver on the strategic objectives determined by the Board. The arrangement substituted short-term cash remuneration and participation in the long-term incentive plans with predominantly share-based incentives with appropriate performance hurdles linked to the achievement of short, medium and long-term strategic objectives for the Group and the leadership as determined by the Board.

The Group CEO's annual fixed cash remuneration package was fixed at R5,3 million (based on the 2010 remuneration level) for the full period until 31 December 2015, with no other variable cash incentives for this employment period. He was allocated five million restricted Sanlam shares of which three million was transferred and delivered during 2011, two million during 2012 and during 2013 a further 281 209 shares were transferred in lieu of dividends not received on the two million shares that were only transferred during 2012.

The vesting of the shares was to be measured over a six-year period until 31 December 2016. The shares were grouped into various distinct components, each with its own measurement period and detailed individual and Group performance hurdles. A substantial portion (>75%) was linked to the out-performance of the Sanlam Group's cost of capital target and the successful delivery on the longer-term growth strategies of the Sanlam Group. Vesting was dependent on meeting the performance hurdles for each of the performance categories as well as complying with the time restrictions built into the arrangement.

Remuneration report continued

The performance conditions attached to the various components were as follows:

Performance category	Total number of shares	Number of shares subject to annual measurement	Measurement period	Performance targets	Board discretion for conditional vesting if targets are met before final release date of 31/12/2016
A	500 000	100 000	Annually from 1/1/2011 until 31/12/2015	Individual performance targets and time restriction	Shares that have met the annual performance hurdle
B	1 500 000	300 000	Annually from 1/1/2011 until 31/12/2015	Similar to short-term incentive scheme, with a sliding scale from 0% vesting in respect of no achievement of annual hurdles to 100% vesting for 200% achievement and time restriction	Shares that have met the annual performance hurdle (see below)
C1	500 000	—	1/1/2011 — 31/12/2016 100 000 shares per annum (from 2011 to 2015) become eligible for performance measurement	Individual performance targets	Similar to DSP (refer above)
C2	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds cost of capital	Similar to C1
C3	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds 105% of the cost of capital	Similar to C1
D	1 500 000	—	1/1/2011 — 31/12/2016	Adjusted RoGEV exceeds 110% of the cost of capital and specific strategic goals are achieved	Board discretion
Total	**5 000 000**	**400 000**			

Following Ian Kirk's appointment as the new Group CEO with effect from 1 July 2015, the Board decided to adjust the final measurement date of the arrangement with Johan van Zyl to 30 June 2015 to coincide with the completion of his tenure as Group CEO. The table below sets out an analysis of the final vesting of 5 045 709 of the allocated shares.

	Conditional up to December 2014	Final measurement June 2015	Note	Total	Maximum
Category A: Based on individual performance					
Vested	400 000	100 000	1	500 000	500 000
Category B: Based on annual short-term targets					
Vested	1 039 500	225 000	2	1 264 500	1 500 000
Hurdle not met	160 500	75 000		235 500	
Category C: Based on five-year performance hurdles					
Vested	840 000	660 000	3	1 500 000	1 500 000
Category D: Based on five-year outperformance hurdles					
Vested		1 500 000	4	1 500 000	1 500 000
In lieu of dividends					
Vested	281 209			281 209	281 209
Total vested	**2 560 709**	**2 485 000**		**5 045 709**	**5 281 209**

Remuneration report continued

Notes

1. The Board analysed the individual performance of the Group CEO on a continuous basis throughout the year. In respect of the period to 30 June 2015 their judgement of his performance resulted in the vesting of 100 000 or 100% of the applicable Category A shares.
2. Weighted short-term operational targets for the six months to 30 June 2015 were 125% achieved relative to a maximum potential target of 200%. Vesting was therefore limited to 125 000 of a potential 200 000 shares.

%	Weight	Score 0% — 200%	Weighted score
Group operational performance:			
— RoGEV	15	200	30
— Result from financial services	15	50	7.5
— Value of new life insurance business (VNB)	15	50	7.5
Relative Sanlam share price performance	5	100	5
Strategy implementation	50	150	75
Total	**100**		**125**

   The vesting of the final 100 000 shares in this category was made subject to specific short-term objectives agreed to for the last six months of 2015, including assistance to be provided in the successful finalisation of certain strategic projects and a smooth leadership transition. These were satisfactorily dealt with and the full 100 000 shares vested on 31 December 2015.

3. The average annual RoGEV achieved over the full measuring period of 14,8% exceeded the 10,9% average cost of capital target by 36%, more than the 5% required to qualify for the full vesting of the 1 500 000 shares in this category.
4. Strategic goals were set linked to the international diversification of the Sanlam Group. These were successfully achieved. The average annual RoGEV achieved over the measuring period (as set out in note 3 above) also exceeded the average cost of capital target by more than the 10% required to qualify for the full vesting of the 1 500 000 shares in this category.

Executive remuneration summary

Remuneration earned by executive directors and members of the Sanlam Executive committee were as follows:

Remuneration for the year ended 31 December 2015

R'000	Months in service	Salary	Company contri-butions	Sub-total: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[10]	OPP pay-ment	Restraint of trade	Total remune-ration
Johan van Zyl[1]	6	2 226	424	2 650	–	–	–	–	2 650
Ian Kirk[2]	12	5 733	1 092	6 825	8 500	13 405	–	–	28 730
Kobus Möller	12	4 001	762	4 763	4 000	8 324	–	–	17 087
Temba Mvusi[3]	12	2 632	448	3 080	2 000	2 445	–	–	7 525
Yegs Ramiah	12	2 973	190	3 163	2 250	2 405	–	–	7 818
Subtotal: executive directors		17 565	2 916	20 481	16 750	26 579	–	–	63 810
Hubert Brody[4]	12	3 786	664	4 450	3 900	11 600	–	–	19 950
Themba Gamedze[5]	12	3 194	–	3 194	1 800	–	–	–	4 994
Anton Gildenhuys[6]	6	1 550	150	1 700	2 500	3 670	–	–	7 870
Lizé Lambrechts	12	3 905	533	4 438	6 000	5 647	9 903	–	25 988
Robert Roux[7]	2	631	86	717	8 500	2 591	–	–	11 808
Johan van der Merwe[8]	10	3 748	714	4 462	13 500	9 378	–	26 618	53 958
Heinie Werth	12	3 641	497	4 138	3 000	3 180	23 700	–	34 018
André Zeeman[9]	6	1 512	288	1 800	3 000	4 880	–	–	9 680
Executive committee		39 532	5 848	45 380	58 950	67 525	33 603	26 618	232 076

[1] Retired from the Executive committee and as Group CEO on 30 June 2015. See Group CEO arrangement above.
[2] Appointed Executive Director and Group CEO on 1 July 2015. He was deputy Group CEO for the first six months of 2015.
[3] Includes an amount of R280 000 paid by Santam.
[4] Appointed to Executive committee 1 January 2015.
[5] Retired from the Executive committee on 31 December 2015.
[6] Appointed to Executive committee 1 July 2015.
[7] Appointed to Executive committee 1 November 2015.
[8] Retired from the Executive committee on 31 October 2015.
[9] Retired from the Executive committee on 30 June 2015.
[10] Fair value of LTI's granted during the year, assuming 100% vesting — refer to page 140.

Remuneration for the year ended 31 December 2014

R'000	Months in service	Salary	Company contri-butions	Sub-total: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[5]	OPP pay-ment	Total remune-ration
Johan van Zyl[1]	12	4 452	848	5 300	—	—	—	5 300
Kobus Möller	12	3 717	708	4 425	5 000	5 804	—	15 229
Temba Mvusi[2]	12	2 544	433	2 977	2 300	2 413	—	7 690
Yegs Ramiah	12	2 820	180	3 000	2 500	2 267	—	7 767
Subtotal: executive directors		13 533	2 169	15 702	9 800	10 484	—	35 986
Themba Gamedze	12	3 131	—	3 131	2 300	1 145	—	6 576
Ian Kirk[3]	12	3 519	670	4 189	7 000	3 067	—	14 256
Lizé Lambrechts	12	3 509	479	3 988	3 100	3 846	—	10 934
Johan van der Merwe	12	4 250	810	5 060	8 500	8 875	40 000[4]	62 435
Heinie Werth	12	3 421	467	3 888	2 900	3 859	—	10 647
André Zeeman	12	2 898	552	3 450	3 200	3 718	—	10 368
Executive committee		34 261	5 147	39 408	36 800	34 994	40 000	151 202

[1] *See Group CEO arrangement above.*
[2] *Includes an amount of R271 000 paid by Santam.*
[3] *Ian Kirk as CEO of Santam up to 31 December 2014 is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.*
[4] *A subsidiary in the Group issued a financial instrument to an entity indirectly related to the individual as disclosed in the related party note to the Group financial statements.*
[5] *Fair value of LTIs granted during the year, assuming 100% vesting — refer to page 140.*

Guaranteed package

The TGP (in rand) of the executive directors and members of the Sanlam Executive committee are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

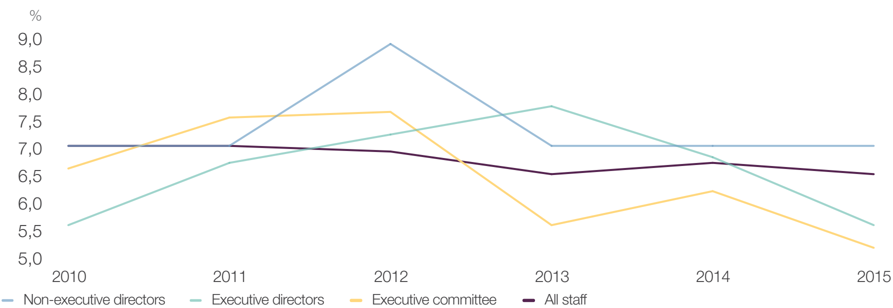
Individual	TGP as at 1 January 2016	TGP as at 1 January 2015	TGP as at 1 January 2014	% increase in TGP 2015	% increase in TGP 2014
Ian Kirk[(1)]	**8 000 000**	**5 500 000**	4 007 508	**45,45**	37,24
Kobus Möller[(2)]	**4 850 000**	**4 500 000**	4 200 000	**7,78**	7,14
Hubert Brody[(3)]	**5 200 000**	**3 600 000**	—	**44,44**	—
Themba Gamedze[(4)]	**3 200 000**	**3 175 000**	3 000 000	**0,79**	5,83
Anton Gildenhuys[(3)]	**3 400 000**	**—**	—	**—**	—
Lizé Lambrechts	**4 500 000**	**4 250 000**	3 800 000	**5,88**	11,84
Temba Mvusi[(2)(5)]	**2 818 000**	**2 745 000**	2 590 000	**2,66**	5,98
Yegs Ramiah[(2)]	**3 200 000**	**3 050 000**	2 850 000	**4,92**	7,02
Robert Roux[(3)]	**4 300 000**	**—**			
Johan van der Merwe[(4)]	**5 450 000**	**5 130 000**	4 850 000	**6,24**	5,77
Heinie Werth	**4 200 000**	**3 950 000**	3 700 000	**6,33**	6,76
André Zeeman[(4)]	**3 700 000**	**3 500 000**	3 300 000	**5,71**	6,06

[(1)] *Group CEO and executive director from 1 July 2015.*
[(2)] *Executive director.*
[(3)] *Appointed to Executive committee in 2015.*
[(4)] *Retired from Executive committee in 2015.*
[(5)] *Receives an additional amount of R280 000 (2014: R271 000) from Santam for services rendered to Santam.*

The average salary increase paid to executive directors (excluding Johan van Zyl and Ian Kirk) for 2015 was 5,6% (2014: 6,8%) and that of members of the Executive committee (excluding Anton Gildenhuys, Hubert

Brody and Robert Roux) for 2015 was 5,2% (2014: 6,2%) compared with an average salary increase paid to all employees of 6,5% (2014: 6,7%). The remuneration increase trends for the last six years are as follows:

Remuneration increase (%)



Annual bonus

Performance targets

The performance targets for the annual bonus plan are set by the GHRRC on an annual basis for executive directors and members of the Executive committee. In respect of the 2015 annual bonus, the split between business, Group and personal performance criteria for executive directors and members of the Executive committee was as follows:

Individual	Business %	Group %	Personal %
Ian Kirk	–	50	50
Kobus Möller	–	50	50
Hubert Brody[1]	50	25	25
Themba Gamedze[2]	–	50	50
Anton Gildenhuys[1]	–	–	100
Lizé Lambrechts	80	–	20
Temba Mvusi	–	50	50
Yegs Ramiah	–	50	50
Robert Roux[1]	70	10	20
Johan van der Merwe[2]	70	10	20
Heinie Werth	50	25	25
André Zeeman[2]	–	–	100

[1] *Appointed to Executive committee in 2015.*
[2] *Retired from Executive committee in 2015.*

The Group performance measure that was applied in 2015 is:

- Adjusted RoGEV
  This is the key driver of the Group's strategy and the use of this measure means a direct link between the annual bonus plan and the Group's business strategy.
- Group net result from financial services
- Clusters' aggregate performance against targets
- Performance against transformation targets

The business-level performance measures are based on the specific strategic objectives of each business, while the personal performance measures are based on the contracted output of each individual over the vesting period.

The payments that can be achieved by executive directors and members of the Executive committee at the target and stretch levels are as indicated below.

Individual	**% of TGP at target performance**	**Performance cash cap as % of TGP**
Ian Kirk	100	200
Kobus Möller	56	112
Hubert Brody[1]	56	112
Themba Gamedze[2]	56	112
Anton Gildenhuys[1]	56	112
Lizé Lambrechts	90	160
Temba Mvusi	56	112
Yegs Ramiah	56	112
Robert Roux[1]	100	200
Johan van der Merwe[2]	100	250
Heinie Werth	56	112
André Zeeman[2]	56	112

[1] *Appointed to the Executive committee in 2015.*
[2] *Retired from Executive committee in 2015.*

These levels are benchmarked with comparator groups together with other components of remuneration.

The actual achievement of the Group performance measure for 2015 is as follows:

Sanlam Group	Weight	Threshold	Target	Stretch	Score	Weighted score
		0%	100%	200%	0% – 200%	
Adjusted RoGEV	22%	11,1%	12,1%	13,9%	200%	40%
Group net result from financial services	34%	R6 700m	R7 300m	R8 400m	97%	30,1%
Clusters' actual performance against targets	44%	0%	100%	200%	100%	39,9%
Achievement before transformation adjustment	100%					110%
Transformation adjustment factor[(1)]						(10%)
					Total	100%

[(1)] *An adjustment factor is applied to the achievement to reflect progress on specific transformation targets.*

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2015. Final individual payments are based on the outcome relative to the set performance criteria but may be adjusted by the GHRRC within a small discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are paid in 2016:

Individual	% of TGP achieved 2015	Payment 2016 R million	% of TGP achieved 2014	Payment 2015 R million
Ian Kirk[(1)]	106	8 500 000	127	7 000 000
Kobus Möller	82	4 000 000	111	5 000 000
Hubert Brody[(2)]	75	3 900 000	–	–
Themba Gamedze[(3)]	56	1 800 000	72	2 300 000
Anton Gildenhuys[(2)]	74	2 500 000	–	–
Lizé Lambrechts	133	6 000 000	73	3 100 000
Temba Mvusi	71	2 000 000	84	2 300 000
Yegs Ramiah	70	2 250 000	82	2 500 000
Robert Roux[(2)]	198	8 500 000	–	–
Johan van der Merwe[(3)]	248	13 500 000	166	8 500 000
Heinie Werth	71	3 000 000	73	2 900 000
André Zeeman[(3)]	81	3 000 000	91	3 200 000

(1) *Appointed Group CEO in 2015. 2014 bonus paid by Santam as Group CEO of Santam.*
(2) *Appointed to Executive committee in 2015.*
(3) *Retired from Executive committee in 2015.*

Long-term incentives

The participation by executive directors and members of the Executive committee in the Group's long-term incentive schemes (excluding the OPP) at 31 December 2015 was as follows:

Number of shares

	Balance 31/12/14	Awarded in 2015	Shares vested
Johan van Zyl[1]	**5 444 775**	**—**	**(5 369 775)**
DSP	399	—	(399)
PDSP	105 472	—	(105 472)
Category A[2]	36 564	—	(36 564)
Category B[2]	19 031	—	(19 031)
Category C[2]	49 877	—	(49 877)
RSP	218 195	—	(218 195)
Group CEO arrangement[1]	5 120 709	—	(5 045 709)
Ian Kirk			
Sanlam[7]	**79 345**	**217 897**	**(15 860)**
Santam[3]	**45 730**	**—**	**(8 287)**
DSP			
Sanlam[7]	35 191	76 676	(8 258)
Santam[3]	19 344	—	(4 044)
PDSP			
Sanlam[7]	44 154	141 221	(7 602)
Category A[2]	29 022	33 003	(4 928)
Category B[2]	14 147	62 366	(1 689)
Category C[2]	985	45 852	(985)
Santam[3]	26 386	—	(4 243)
Kobus Möller	**527 905**	**119 785**	**(171 634)**
DSP	133 467	22 867	(41 117)
PDSP	159 912	31 180	(59 577)
Category A[2]	90 233	16 759	(33 163)
Category B[2]	69 679	14 421	(26 414)
RSP	234 526	65 738	(70 940)
Hubert Brody[5]	**—**	**184 760**	**—**
DSP	—	88 752	—
PDSP — category A[2]	—	59 168	—
RSP	—	36 840	—
Themba Gamedze[4][6][8]	**83 381**	**—**	**—**
DSP	64 605	—	—
RSP	18 776	—	—

Shares forfeited	Balance 31/12/15	Vesting in 2016	2017	2018	2019	2020
(75 000)	**—**	**—**	**—**	**—**	**—**	**—**
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(75 000)	—	—	—	—	—	—
—	**281 382**	**22 967**	**20 692**	**101 886**	**70 468**	**65 369**
—	**37 443**	**12 759**	**12 199**	**9 106**	**3 379**	**—**
—	103 609	9 578	10 049	35 690	25 289	23 003
—	15 300	5 031	5 613	3 141	1 515	—
—	177 773	13 389	10 643	66 196	45 179	42 366
—	57 097	8 406	6 906	19 171	12 713	9 901
—	74 824	4 983	3 737	28 684	18 710	18 710
—	45 852	—	—	18 341	13 756	13 755
—	22 143	7 728	6 586	5 965	1 864	—
—	**476 056**	**141 488**	**117 803**	**111 870**	**68 960**	**35 935**
—	115 217	38 199	29 885	25 628	14 645	6 860
—	131 515	39 768	34 204	30 493	17 696	9 354
—	73 829	20 702	19 858	18 139	10 102	5 028
—	57 686	19 066	14 346	12 354	7 594	4 326
—	229 324	63 521	53 714	55 749	36 619	19 721
—	**184 760**	**—**	**—**	**73 904**	**55 428**	**55 428**
—	88 752	—	—	35 500	26 626	26 626
—	59 168	—	—	23 668	17 750	17 750
—	36 840	—	—	14 736	11 052	11 052
—	**83 381**	**83 381**	**—**	**—**	**—**	**—**
—	64 605	64 605	—	—	—	—
—	18 776	18 776	—	—	—	—

Number of shares continued

	Balance 31/12/14	Awarded in 2015	Shares vested
Anton Gildenhuys[5]	**274 132**	**56 548**	**(73 535)**
DSP	87 500	20 486	(32 648)
PDSP — Category A	45 136	22 914	(16 050)
RSP	141 496	13 148	(24 837)
Lizé Lambrechts			
Santam[3]	**—**	**29 169**	**—**
Sanlam[7]	**396 555**	**—**	**(142 528)**
DSP			
Santam[3]	—	7 550	—
Sanlam[7]	122 376	—	(39 747)
PDSP — Category A			
Santam[3]	—	21 619	—
Sanlam[7]	84 628	—	(31 488)
RSP — Sanlam[7]	189 551	—	(71 293)
Temba Mvusi[4]	**273 285**	**36 636**	**(99 235)**
DSP	89 723	8 330	(28 514)
PDSP	61 080	15 158	(23 461)
Category A[2]	61 080	7 135	(23 461)
Category B[2]	—	8 023	—
RSP	122 482	13 148	(47 260)
Yegs Ramiah			
Sanlam	**124 009**	**35 986**	**(12 646)**
Santam[3]	**8 493**	**—**	**(7 578)**
DSP			
Sanlam	60 482	16 143	(8 926)
Santam[3]	6 188	—	(5 426)
PDSP — Category A[2]			
Sanlam	44 751	6 695	(3 720)
Santam[3]	2 305	—	(2 152)
RSP	18 776	13 148	—

[1] Retired as Group CEO on 30 June 2015. Refer Group CEO arrangement.
[2] The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe and Robert Roux).
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe and Robert Roux).
[3] Participated in the Santam DSP and PDSP as employees of Santam.
[4] Themba Gamedze and Temba Mvusi were also granted participation in the business partners trust of the Santam broad-based black economic empowerment (BBBEE) structure. These grants were made at the discretion of the trustees and do not form part of the Sanlam Group long-term incentive schemes.
[5] Appointed to the Executive committee in 2015.
[6] Retired from the Executive committee in 2015.
[7] Participated in the Sanlam LTIs as CEO of Sanlam Personal Finance before appointment as Santam CEO on 1 January 2015.
[8] Vesting of the shares is subject to measurement of performance hurdles and such other terms as determined by GHRRC.

Shares forfeited	Balance 31/12/15	Vesting in 2016	2017	2018	2019	2020
—	**257 145**	**70 189**	**75 167**	**60 051**	**34 774**	**16 964**
—	75 338	20 508	17 166	19 786	11 732	6 146
—	52 000	14 313	11 797	11 184	7 832	6 874
—	129 807	35 368	46 204	29 081	15 210	3 944
—	**29 169**	**—**	**—**	**11 668**	**8 751**	**8 750**
—	**254 027**	**107 288**	**85 297**	**39 562**	**21 880**	**—**
—	7 550	—	—	3 020	2 265	2 265
—	82 629	34 758	27 597	13 801	6 473	—
—	21 619	—	—	8 648	6 486	6 485
—	53 140	23 009	17 773	8 217	4 141	—
—	118 258	49 521	39 927	17 544	11 266	—
—	**210 686**	**72 924**	**57 416**	**44 603**	**24 753**	**10 990**
—	69 539	24 110	21 241	14 040	7 649	2 499
—	52 777	14 238	13 073	13 392	7 527	4 547
—	44 754	14 238	13 073	10 183	5 120	2 140
—	8 023	—	—	3 209	2 407	2 407
—	88 370	34 576	23 102	17 171	9 577	3 944
—	**147 349**	**27 897**	**37 426**	**47 515**	**23 716**	**10 795**
—	**915**	**717**	**198**	**—**	**—**	**—**
—	67 699	14 437	16 911	21 720	9 788	4 843
—	762	564	198	—	—	—
—	47 726	13 460	13 005	14 902	4 351	2 008
—	153	153	—	—	—	—
—	31 924	—	7 510	10 893	9 577	3 944

Number of shares continued

	Balance 31/12/14	Awarded in 2015	Shares vested
Robert Roux[5]	**212 967**	**42 124**	**(73 391)**
DSP	72 409	14 661	(20 367)
PDSP	140 558	27 463	(53 024)
Category A[2]	52 619	8 003	(13 474)
Category B[2]	50 746	11 028	(20 953)
Category C[2]	37 193	8 432	(18 597)
Johan van der Merwe[6][8]	**801 513**	**136 918**	**(267 112)**
DSP	153 851	25 066	(46 951)
PDSP	262 463	46 114	(95 879)
Category A[2]	107 270	19 521	(41 805)
Category B[2]	102 718	18 006	(38 172)
Category C[2]	52 475	8 587	(15 902)
RSP	385 199	65 738	(124 282)
Heinie Werth	**388 823**	**48 584**	**(144 134)**
DSP	117 367	19 781	(38 805)
PDSP — Category A[2]	81 905	15 655	(34 036)
RSP	189 551	13 148	(71 293)
André Zeeman[6][8]	**398 810**	**70 003**	**(140 587)**
DSP	104 091	16 951	(33 870)
PDSP — Category A[2]	72 984	13 609	(29 794)
RSP	221 735	39 443	(76 923)

(1) Retired as Group CEO on 30 June 2015. Refer Group CEO arrangement.
(2) The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe and Robert Roux).
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe and Robert Roux).
(3) Participated in the Santam DSP and PDSP as employees of Santam.
(4) Themba Gamedze and Temba Mvusi were also granted participation in the business partners trust of the Santam broad-based black economic empowerment (BBBEE) structure. These grants were made at the discretion of the trustees and do not form part of the Sanlam Group long-term incentive schemes.
(5) Appointed to the Executive committee in 2015.
(6) Retired from the Executive committee in 2015.
(7) Participated in the Sanlam LTIs as CEO of Sanlam Personal Finance before appointment as Santam CEO on 1 January 2015.
(8) Vesting of the shares is subject to measurement of performance hurdles and such other terms as determined by GHRRC.

Shares forfeited	Balance 31/12/15	Vesting in 2016	2017	2018	2019	2020
—	**181 700**	**67 080**	**43 416**	**37 042**	**21 524**	**12 638**
—	66 703	19 025	21 236	12 834	9 209	4 399
—	114 997	48 055	22 180	24 208	12 315	8 239
—	47 148	17 570	14 184	9 383	3 610	2 401
—	40 821	11 889	7 996	11 452	6 176	3 308
—	27 028	18 596	—	3 373	2 529	2 530
—	**671 319**	**671 319**				
—	131 966	131 966				
—	212 698	212 698				
—	84 986	84 986				
—	82 552	82 552				
—	45 160	45 160				
—	326 655	326 655				
—	**293 273**	**97 166**	**83 546**	**61 453**	**36 534**	**14 574**
—	98 343	29 879	27 331	22 916	12 283	5 934
—	63 524	17 766	16 288	15 733	9 041	4 696
—	131 406	49 521	39 927	22 804	15 210	3 944
—	**328 226**	**328 226**				
—	87 172	87 172				
—	56 799	56 799				
—	184 255	184 255				

Value

R'000	2015 Value of shares awarded[(1)]	2015 Value of shares vesting[(2)]	2015 Value of shares forfeited[(2)]	2014 Value of shares awarded[(1)]	2014 Value of shares vesting[(2)]	2014 Value of shares forfeited[(2)]
Johan van Zyl	**—**	**317 293**	**(4 400)**	—	24 084	(2 100)
DSP	**—**	**27**	**—**	—	3 516	—
PDSP	**—**	**7 159**	**—**	—	7 192	—
RSP	**—**	**14 136**	**—**	—	13 376	—
Group CEO arrangement	**—**	**295 971**	**(4 400)**	—	—	(2 100)
Ian Kirk	**13 405**	**2 740**	**—**	3 067	7 099	—
DSP	**4 717**	**1 372**	**—**	1 375	3 437	—
PDSP	**8 688**	**1 368**	**—**	1 692	3 662	—
RSP	**—**	**—**	**—**	—	—	—
Kobus Möller	**8 324**	**11 650**	**—**	5 804	12 199	—
DSP	**1 406**	**2 791**	**—**	1 354	3 470	—
PDSP	**1 918**	**4 044**	**—**	1 450	3 595	—
RSP[(3)]	**5 000**	**4 815**	**—**	3 000	5 134	—
Temba Mvusi	**2 445**	**6 737**	**—**	2 413	7 105	—
DSP	**512**	**1 936**	**—**	895	2 512	—
PDSP	**933**	**1 593**	**—**	518	1 349	—
RSP[(3)]	**1 000**	**3 208**	**—**	1 000	3 244	—
Yegs Ramiah	**2 405**	**2 379**	**—**	2 267	2 299	—
DSP	**993**	**1 695**	**—**	860	1 623	—
PDSP	**412**	**684**	**—**	407	676	—
RSP[(3)]	**1 000**	**—**	**—**	1 000	—	
Subtotal: executive directors	**26 579**	**340 799**	**(4 400)**	13 551	52 786	(2 100)

R'000	2015 Value of shares awarded(1)	2015 Value of shares vesting(2)	2015 Value of shares forfeited(2)	2014 Value of shares awarded(1)	2014 Value of shares vesting(2)	2014 Value of shares forfeited(2)
Themba Gamedze	**—**	**—**	**—**	1 145	—	—
DSP	**—**	**—**	**—**	145	—	—
RSP(3)	**—**	**—**	**—**	1 000	—	—
Lizé Lambrechts	**5 647**	**9 674**	**—**	3 846	8 435	—
DSP	**1 462**	**2 698**	**—**	1 126	2 830	—
PDSP	**4 185**	**2 137**	**—**	720	1 643	—
RSP(3)	**—**	**4 839**	**—**	2 000	3 962	—
Johan van der Merwe	**9 378**	**18 131**	**—**	8 875	19 761	—
DSP	**1 542**	**3 187**	**—**	1 380	3 531	—
PDSP	**2 836**	**6 508**	**—**	2 495	8 089	—
RSP(3)	**5 000**	**8 436**	**—**	5 000	8 141	—
Heinie Werth	**3 180**	**9 783**	**—**	3 859	8 588	—
DSP	**1 217**	**2 634**	**—**	1 104	2 863	—
PDSP	**963**	**2 310**	**—**	755	1 763	—
RSP(3)	**1 000**	**4 839**	**—**	2 000	3 962	—
André Zeeman	**4 880**	**9 543**	**—**	3 718	8 735	—
DSP	**1 043**	**2 299**	**—**	1 048	2 793	—
PDSP	**837**	**2 022**	**—**	670	1 581	—
RSP(3)	**3 000**	**5 222**	**—**	2 000	4 361	—
Hubert Brody	**11 600**	**—**	**—**	—	—	—
DSP	**5 460**	**—**	**—**	—	—	—
PDSP	**3 640**	**—**	**—**	—	—	—
RSP(3)	**2 500**	**—**	**—**	—	—	—
Robert Roux	**2 591**	**4 982**	**—**	—	—	—
DSP	**902**	**1 383**	**—**	—	—	—
PDSP	**1 689**	**3 599**	**—**	—	—	—
Anton Gildenhuys	**3 670**	**4 992**	**—**	—	—	—
DSP	**1 260**	**2 216**	**—**	—	—	—
PDSP	**1 410**	**1 090**	**—**	—	—	—
RSP(3)	**1 000**	**1 686**	**—**	—	—	—
Executive committee	**67 525**	**397 904**	**(4 400)**	34 994	98 305	(2 100)

(1) *Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.*
(2) *Based on market value of shares on vesting and forfeiture dates respectively.*
(3) *Grants during a year relates to performance in the prior financial year (refer description of scheme).*

It is anticipated that long-term incentive awards will be granted in 2016 to executive directors and members of the Executive committee on a basis consistent with that described above.

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period	Performance measures	Achievement to 2015	Payment
Lizé Lambrechts	1 January 2013 — 31 December 2014	Outperformance of operational targets set for SPF cluster	58%	Final payment of R9,9 million was made on 1 April 2015
	1 January 2015 — 31 December 2017	Outperformance of operational targets set for Santam	N/A	Final measurement and payment on 1 April 2018
Heinie Werth	1 January 2012 — 31 December 2014	Outperformance of operational targets set for SEM cluster	100%	Final payment of R23,7 million was made on 1 April 2015
	1 January 2015 — 31 December 2017	Outperformance of operational targets set for SEM cluster	N/A	Final measurement and payment on 1 April 2018

To the extent that any awards are granted under the OPP in 2016, it will occur on a basis consistent with that described above.

Sanlam share scheme allocation

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Sanlam approved a scheme allocation of 160 million ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 million ordinary shares.

The following table illustrates the position as at 31 December 2015:

		Number of shares
Scheme allocation originally approved		160 000 000
Net movement during 2009		(10 701 155)
Net movement during 2010		(8 652 718)
Net movement during 2011		(13 828 369)
Net movement during 2012		(8 901 692)
Net movement during 2013		(6 193 458)
Balance of scheme allocation carried forward at 31 December 2013		111 722 608
Allocation under DSP and PDSP in 2014	(4 851 869)	
Allocation under RSP in 2014	(533 136)	(5 385 005)
Shares forfeited in 2014		894 978
Balance of scheme allocation carried forward at 31 December 2014		107 232 581
Allocation under DSP and PDSP in 2015	(5 296 616)	
Allocation under RSP in 2015	(391 830)	(5 688 446)
Shares forfeited in 2015		921 918
Balance of scheme allocation carried forward at 31 December 2015		102 466 053

Remuneration details for non-executive directors

Fee structures are reviewed annually with the assistance of the external service providers who provide independent advice. Recommendations are reviewed for reasonableness by the GHRRC and the Board and are then proposed to shareholders for approval at the AGM. The fee structure will remain in place for one year, from 1 July until 30 June the following year. Non-executive directors receive annual Board and committee retainers. 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 Listings Requirements, is detailed below.

Non-executive directors' emoluments for the year ended 31 December 2015

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MM Bakane-Tuoane	199	85	418	—	702
AD Botha	199	85	371	539	1 194
PR Bradshaw	199	85	482	1 428	2 194
CB Booth[3]	199	85	412	—	696
A Duggal[1]	96	41	71	—	208
MV Moosa	199	85	353	—	637
PT Motsepe	298	128	294	—	720
MP Mthethwa[2]	32	14	—	—	46
SA Nkosi	199	85	119	—	403
K Nondumo[4]	—	—	—	—	—
P de V Rademeyer	199	85	680	856	1 820
RV Simelane	199	85	257	—	541
DK Smith (Chairman)	1 673	717	—	—	2 390
CG Swanepoel	199	85	719	1 437	2 440
ZB Swanepoel	199	85	233	—	517
PL Zim	199	85	240	—	524
Total non-executive directors	**4 288**	**1 835**	**4 649**	**4 260**	**15 032**

[1] *Remuneration is paid to Shriram Capital. Retired on 30 June 2015.*
[2] *Resigned on 13 February 2015.*
[3] *Appointed 1 January 2015.*
[4] *Appointed 3 December 2015.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 166 266.

Non-executive directors' emoluments for the year ended 31 December 2014

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MM Bakane-Tuoane	186	80	349	—	615
AD Botha	186	80	312	388	966
PR Bradshaw	186	80	457	1 178	1 901
A Duggal[(1)]	186	80	181	—	447
MV Moosa	186	80	311	—	577
PT Motsepe	278	119	282	—	679
MP Mthethwa[(2)]	186	80	283	—	549
SA Nkosi	186	80	115	—	381
P de V Rademeyer	186	80	601	906	1 773
RV Simelane	186	80	221	—	487
DK Smith (Chairman)	1 564	670	—	—	2 234
CG Swanepoel	186	80	637	1 330	2 233
ZB Swanepoel	186	80	221	—	487
PL Zim	186	80	221	—	487
Total non-executive directors	4 074	1 749	4 191	3 802	13 816

[(1)] *Remuneration is paid to Shriram Capital.*
[(2)] *Resigned on 13 February 2015.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R853 981.

Fees from Group companies for the year ended 31 December 2015

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	**197**	**285**	**57**	**539**
PR Bradshaw	**1 308**	**—**	**120**	**1 428**
P de V Rademeyer	**245**	**527**	**84**	**856**
CG Swanepoel	**349**	**973**	**115**	**1 437**
Total fees from Group Companies	**2 099**	**1 785**	**376**	**4 260**

Fees from Group companies for the year ended 31 December 2014

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	122	213	53	388
PR Bradshaw	1 178	—	—	1 178
P de V Rademeyer	227	601	78	906
CG Swanepoel	247	900	183	1 330
Total fees from Group Companies	1 774	1 714	314	3 802

Interest of directors in share capital

Total interest of directors in share capital at 31 December 2015

	Beneficial			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors[1]				
IM Kirk	14 793	–	–	–
JP Möller	1 305 938	–	–	–
TI Mvusi	232 518	–	–	4 000
Y Ramiah	147 349	–	–	–
Total executive directors	1 700 598	–	–	4 000
Non-executive directors				
DK Smith (Chairman)	–	35 000	–	–
PT Motsepe (Deputy Chairman)[2]	–	–	–	–
MMM Bakane-Tuoane	–	–	–	7 142
AD Botha[4]	–	–	270 000	–
PR Bradshaw	–	29 000	–	–
MV Moosa	–	–	–	7 142
SA Nkosi	–	–	–	7 142
K Nondumo	–	–	–	–
P de V Rademeyer	181 335	495 698	–	–
RV Simelane	–	–	–	7 142
CG Swanepoel	10 000	–	–	–
PL Zim	444	–	–	7 142
Total non-executive directors	191 779	559 698	270 000	35 710
Total	1 892 377	559 698	270 000	39 710

[1] *Includes participation in the Restricted Share Plan.*

[2] *Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Mr Patrice Motsepe and his immediate family. This results in Mr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 55% of Ubuntu-Botho's shareholding in Sanlam.*
A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

[3] *At the date of this report there are no differences with the shareholding disclosed above as at 31 December 2015.*

[4] *The return on these shares have been swapped for the return on the Imalivest Met Worldwide Flexible Fund, as declared in December 2014.*

Total interest of directors in share capital at 31 December 2014

	Beneficial			
	Direct	**Indirect**	**Non-beneficial**	**UB shares**
Executive directors[1]				
J van Zyl	5 764 533	2 594 319	—	—
JP Möller	1 206 270	—	—	—
TI Mvusi	223 503	—	—	4 000
Y Ramiah	18 776	—	—	—
Total executive directors	7 213 082	2 594 319	—	4 000
Non-executive directors				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (Deputy Chairman)[2]	—	—	—	—
MM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	270 000	—
PR Bradshaw	—	29 000	—	—
A Duggal	—	—	—	—
MV Moosa	—	—	—	7 142
MP Mthethwa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
P de V Rademeyer	181 335	495 698	—	—
RV Simelane	—	—	—	7 142
CG Swanepoel	10 000	—	—	—
ZB Swanepoel	—	—	—	7 142
PL Zim	444	—	—	7 142
Total non-executive directors	191 779	559 698	270 000	49 994
Total	7 404 861	3 154 017	270 000	53 994

[1] *Includes participation in the Restricted Share Plan.*

[2] *Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Mr Patrice Motsepe and his immediate family. This results in Mr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 55% of Ubuntu-Botho's shareholding in Sanlam.*
A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

Shareholders' information

Our attitude is one of proper dedication. We know there are no shortcuts that don't cut you short. That's why we diligently roll up our sleeves and do things properly. Steadfast in the belief that every day we have the opportunity to improve on the day that came before. Because we believe the more committed and methodical we are in our approach, the better able we are to make the smart business decisions that help us deliver on diversified and stable growth.

Independent auditors' report
on the Sanlam Limited Shareholders' information

To the directors of Sanlam Limited

We have audited the accompanying Sanlam Limited Shareholders' information (Shareholders' information) set out on pages 152 to 209 for the year ended 31 December 2015, comprising Group Equity Value; Change in Group Equity Value; Return on Group Equity Value; Group Equity Value sensitivity analysis; Shareholders' fund at fair value; Shareholders' fund at net asset value; Shareholders' fund income statement; Embedded value of covered business; Change in embedded value of covered business; Value of new business; and notes thereto and a summary of significant accounting policies and other explanatory information. The Shareholders' information has been prepared by the directors of Sanlam Limited using the basis of accounting set out on pages 152 to 161.

Directors' responsibility for the shareholders' information

The directors are responsible for the preparation of the Shareholders' information in accordance with the basis of accounting described on pages 152 to 161, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' information that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Shareholders' information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Shareholders' information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Shareholders' information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Shareholders' information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Shareholders' information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shareholders' information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sanlam Limited Shareholders' information for the year ended 31 December 2015 was prepared, in all material respects, in accordance with the basis of accounting described on pages 152 to 161 of the Sanlam Limited Shareholders' information.

Basis of accounting

Without modifying our opinion, we draw attention to pages 152 to 161 of the Sanlam Limited Shareholders' information which describes the basis of accounting. The Sanlam Limited Shareholders' Information was prepared to provide additional information in respect of the Group shareholders' fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result, the Sanlam Limited Shareholders' information may not be suitable for another purpose.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2015, in accordance with International Financial Reporting Standards, on which we issued a separate auditors' report to the shareholders of Sanlam Limited, dated 9 March 2016.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

9 March 2016

Basis of accounting – Shareholders' information

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements on pages 246 to 385 are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors' view GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The Shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 386.

Basis of accounting – Shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out on pages 298 to 317, apart from the specific items described under separate headings in this section.

Management considers this basis of accounting applied for the Shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the Shareholders' information is also consistent with that applied in the 2014 Integrated Report, except for cash flow hedge accounting that was applied in 2015.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 162)
- Change in Group Equity Value (refer page 163)
- Return on Group Equity Value (refer page 164)
- Shareholders' fund financial statements consisting of the Shareholders' fund at fair value (refer page 166), Shareholders' fund at net asset value (refer page 168), Shareholders' fund income statement (refer page 170) and related notes
- Embedded value of covered business, change in embedded value of covered business, value of new business and notes thereto.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those on pages 298 to 317, apart from the following:

Basis of consolidation

The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as non-controlling shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value as the related policyholder investments are recognised as equity instruments at fair value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests and presentation is based on the Group's rights to the investment rather than the individual segments' rights.

Equity participation costs

The establishment and growth of certain niche and specialised Group businesses are materially linked to and dependent on the continued involvement of a few key specialist staff members. To retain and appropriately incentivise these individuals, they are in exceptional cases granted participation schemes through which they effectively share in the value created within these businesses. The cost associated with the equity participation schemes is in substance similar to intangible assets recognised in a business combination and commensurately not part of the Group's operational performance. The change in fair value of the equity participation schemes is therefore excluded from the net result from financial services and recognised as equity participation costs in the shareholder's fund income statement. Equity participation costs also include the IFRS 2 expense associated with black economic empowerment transactions.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Pacific & Orient, Capricorn Investment Holdings, Letshego, Enterprise Insurance, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.

Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Cash flow hedging

As a result of the application of the hedge accounting principles, a cash flow hedge adjustment of R707 million (R509 million net of tax) was recognised in other comprehensive income, with no impact on profit for the year. For GEV purposes, the net gain was reversed as a fair value adjustment to reflect the designated foreign currency resources at the hedge exchange rate. This will ensure that the foreign currency gains are only recognised in GEV once the investment has been made. For additional information refer to page 296.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows, inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Shareholders' fund at fair value

The shareholders' fund at fair value is prepared from the consolidated shareholders' fund at net asset value by replacing the net asset value of the other Group operations that are not part of covered business, with the fair value of these businesses. Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. It is reasonably possible that actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Basis of accounting and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN107 (version 7), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group's covered business are included in the Shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2014 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits.

Covered business excludes the value of investment products provided under a life insurance policy where there is very little or no insurance risk.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

Sanlam applies stochastic modelling techniques on an ongoing basis to assist in determining and confirming the most appropriate capital levels for the covered business. The modelling target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory CAR at least 1,5 times over the following 10 years. The capital allocated to covered business includes an allowance for capital required in respect of future new business.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ringfenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of:

- The present value of future shareholder profits from in-force covered business (PVIF), after allowance for
- The cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital
A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business
The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:
- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 203, excluding white label new business.

Risk discount rates and allowance for risk
In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:
- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders
An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes
The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis
Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies
Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions
Best estimate assumptions
The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions
The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital
The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions
Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids
Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions
Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The split between acquisition, maintenance and extraordinary project expenses is consistent with the statutory valuation assumptions and based on actual expenses incurred.

Project expenses
In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Special development costs that relate to investments in new distribution platforms are not allowed for in the projections. The actual costs relating to these projects are recognised in the earnings from covered business on an accrual basis.

Investment management fees
Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investments, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investments businesses at fair value.

Taxation
Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2016.

Earnings from covered business
The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

Value of new business
The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

Net earnings from existing covered business
Expected return on value of covered business
The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances
The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes
Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

Expected investment return on adjusted net worth
The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

Economic assumption changes
The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

Investment variances
Investment variances – value of in-force
The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth
Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

Group Equity Value

at 31 December 2015

R million	Note	2015 Total	2015 Fair value of assets	2015 Value of in-force	2014 Total	2014 Fair value of assets	2014 Value of in-force
Sanlam Personal Finance		**38 249**	**12 010**	**26 239**	38 453	12 455	25 998
Covered business[1]		**34 526**	**8 287**	**26 239**	35 444	9 446	25 998
Glacier		**1 605**	**1 605**	**–**	1 542	1 542	—
Sanlam Personal Loans		**913**	**913**	**–**	907	907	—
Afrocentric		**703**	**703**	**–**	—	—	—
Other operations		**502**	**502**	**–**	560	560	—
Sanlam Emerging Markets		**18 047**	**14 884**	**3 163**	14 571	11 779	2 792
Covered business[1]		**5 486**	**2 323**	**3 163**	5 116	2 324	2 792
Shriram Capital		**7 594**	**7 594**	**–**	5 595	5 595	—
Letshego		**1 106**	**1 106**	**–**	923	923	—
Pacific & Orient		**812**	**812**	**–**	704	704	—
Capricorn Investment Holdings		**877**	**877**	**–**	845	845	—
Other operations		**2 172**	**2 172**	**–**	1 388	1 388	—
Sanlam Investments		**22 412**	**19 700**	**2 712**	20 122	17 705	2 417
Covered business[1]		**7 210**	**4 498**	**2 712**	7 833	5 416	2 417
Sanlam Employee Benefits		**5 577**	**3 720**	**1 857**	6 640	5 025	1 615
Sanlam UK		**1 633**	**778**	**855**	1 193	391	802
Investment Management		**14 417**	**14 417**	**–**	11 604	11 604	—
Capital Management		**785**	**785**	**–**	685	685	—
Santam		**12 850**	**12 850**	**–**	14 593	14 593	—
Group operations		**91 558**	**59 444**	**32 114**	87 739	56 532	31 207
Discretionary capital		**2 300**	**2 300**	**–**	3 300	3 300	—
Balanced portfolio – other		**11 199**	**11 199**	**–**	6 453	6 453	—
Group Equity Value before adjustments to net worth		**105 057**	**72 943**	**32 114**	97 492	66 285	31 207
Net worth adjustments – present value of holding company expenses	10	**(1 551)**	**(1 551)**	**–**	(1 556)	(1 556)	—
Group Equity Value		**103 506**	**71 392**	**32 114**	95 936	64 729	31 207
Value per share (cents)	9	**5 057**	**3 488**	**1 569**	4 684	3 160	1 524
Analysis per type of business							
Covered business[1]		**47 222**	**15 108**	**32 114**	48 393	17 186	31 207
Sanlam Personal Finance		**34 526**	**8 287**	**26 239**	35 444	9 446	25 998
Sanlam Emerging Markets		**5 486**	**2 323**	**3 163**	5 116	2 324	2 792
Sanlam Investments		**7 210**	**4 498**	**2 712**	7 833	5 416	2 417
Other Group operations		**44 336**	**44 336**	**–**	39 346	39 346	—
Discretionary and other capital		**11 948**	**11 948**	**–**	8 197	8 197	—
Group Equity Value		**103 506**	**71 392**	**32 114**	95 936	64 729	31 207

[1] *Refer embedded value of covered business on page 199.*

Change in Group Equity Value

for the year ended 31 December 2015

R million	2015	2014
Earnings from covered business[1]	**7 037**	8 239
Earnings from other Group operations	**5 154**	7 135
Operations valued based on ratio of price to assets under management	**–**	1 675
Assumption changes	**–**	(369)
Change in assets under management	**–**	1 270
Earnings for the year and changes in capital requirements	**–**	363
Foreign currency translation differences and other	**–**	411
Operations valued based on discounted cash flows	**5 977**	2 756
Expected return	**3 519**	1 541
Operating experience variances and other	**56**	132
Assumption changes	**(1 131)**	683
Foreign currency translation differences	**3 533**	400
Operations valued at net asset value – earnings for the year	**399**	283
Listed operations – investment return	**(1 222)**	2 421
Earnings from discretionary and other capital	**35**	209
Portfolio investments and other	**178**	455
Net corporate expenses	**(109)**	(107)
Share-based payments transactions	**(39)**	39
Change in net worth adjustments	**5**	(178)
Group Equity Value earnings	**12 226**	15 583
Dividends paid	**(4 556)**	(4 044)
Cost of treasury shares acquired		
Share incentive scheme and other	**(100)**	(12)
Group Equity Value at beginning of the year	**95 936**	84 409
Group Equity Value at end of the year	**103 506**	95 936

[1] *Refer embedded value of covered business on page 200.*

Return on Group Equity Value

for the year ended 31 December 2015

	2015		2014	
	Earnings R million	**Return %**	Earnings R million	Return %
Sanlam Personal Finance	**4 658**	**12,1**	6 372	17,9
Covered business[1]	**4 363**	**12,3**	5 805	17,6
Other operations	**295**	**9,8**	567	21,5
Sanlam Emerging Markets	**4 369**	**29,9**	2 910	28,0
Covered business[1]	**1 403**	**27,4**	932	26,3
Other operations	**2 966**	**31,2**	1 978	28,9
Sanlam Investments	**4 386**	**21,3**	3 671	20,4
Covered business[1]	**1 271**	**16,2**	1 502	21,8
Other operations	**3 115**	**24,5**	2 169	19,6
Santam	**(1 222)**	**(8,4)**	2 421	19,1
Discretionary and other capital	**35**		209	
Return on Group Equity Value	**12 226**	**12,7**	15 583	18,5
Return on Group Equity Value per share		**12,8**		18,5

[1] *Refer embedded value of covered business on page 200.*

R million	**2015**	2014
Reconciliation of return on Group Equity Value:		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 170.	**8 942**	8 744
Net foreign currency translation gains recognised in other comprehensive income	**3 011**	536
Earnings recognised directly in equity		
Share-based payment transactions	**45**	82
Net cost of treasury shares delivered	**(364)**	(294)
Share-based payments	**409**	376
Other comprehensive income	**461**	128
Change in ownership of subsidiaries	**(268)**	(56)
Movement in fair value adjustment – shareholders' fund at fair value	**(914)**	3 200
Movement in adjustments to net worth	**95**	(104)
Present value of holding company expenses	**5**	(178)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	**90**	74
Growth from covered business: value of in-force[1]	**854**	3 053
Return on Group Equity Value	**12 226**	15 583

[1] *Refer embedded value of covered business on page 200.*

Group Equity Value sensitivity analysis

at 31 December 2015

Given the Group's exposure to financial instruments, market risk has a significant impact on the value of the Group's operations as measured by Group Equity Value. The sensitivity of Group Equity Value to market risk is presented in the table below and comprises the following two main components:

- Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered businesses' adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- Equity markets and property values decrease by 10%, without a corresponding change in dividend and rental yields.
- Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately.
- The rand depreciates by 10% against all currencies, apart from the Namibian dollar.

The Group's covered business is also exposed to non-market risks, which includes expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 203.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
2015				
Covered business	**47 222**	**45 555**	**48 164**	**47 967**
Adjusted net worth	**15 108**	**14 704**	**15 120**	**15 562**
Value of in-force	**32 114**	**30 851**	**33 044**	**32 405**
Other Group operations	**44 336**	**42 044**	**47 844**	**46 211**
Valued at net asset value	**2 571**	**2 571**	**2 571**	**2 721**
Listed	**12 850**	**11 565**	**12 850**	**12 850**
Other	**28 915**	**27 908**	**32 423**	**30 640**
Group operations	**91 558**	**87 599**	**96 008**	**94 178**
Discretionary and other capital	**13 499**	**13 488**	**13 499**	**13 986**
Group Equity Value before adjustments to net worth	**105 057**	**101 087**	**109 507**	**108 164**
Net worth adjustments – present value of holding company expenses	**(1 551)**	**(1 551)**	**(1 551)**	**(1 551)**
Group Equity Value	**103 506**	**99 536**	**107 956**	**106 613**
2014				
Covered business	48 393	46 643	49 566	48 869
Adjusted net worth	17 186	16 625	17 199	17 409
Value of in-force	31 207	30 018	32 367	31 460
Other group operations	39 346	36 776	40 705	40 572
Valued at net asset value	1 518	1 518	1 518	1 620
Listed	14 593	13 134	14 593	14 593
Other	23 235	22 124	24 594	24 359
Group operations	87 739	83 419	90 271	89 441
Discretionary and other capital	9 753	9 695	9 753	9 790
Group Equity Value before adjustments to net worth	97 492	93 114	100 024	99 231
Net worth adjustments – present value of holding company expenses	(1 556)	(1 556)	(1 556)	(1 556)
Group Equity Value	95 936	91 558	98 468	97 675

Shareholders' fund at fair value

at 31 December 2015

R million	Note	2015 Fair value	2015 Fair value adjust-ment	2015 Net asset value	2014 Fair value	2014 Fair value adjust-ment	2014 Net asset value
Covered business, discretionary and other capital		**30 324**	**(419)**	**30 743**	28 691	112	28 579
Property and equipment		**458**	**—**	**458**	360	—	360
Owner-occupied properties		**668**	**—**	**668**	470	—	470
Goodwill(2)		**679**	**—**	**679**	648	—	648
Value of business acquired(2)		**1 177**	**—**	**1 177**	1 214	—	1 214
Other intangible assets		**195**	**—**	**195**	153	—	153
Deferred acquisition costs		**2 572**	**—**	**2 572**	2 457	—	2 457
Investments		**27 412**	**(574)**	**27 986**	25 365	112	25 253
Properties		**456**	**—**	**456**	338	—	338
Associated companies		**2 304**	**—**	**2 304**	1 540	—	1 540
Equities and similar securities		**3 130**	**—**	**3 130**	5 157	112	5 045
Other interest-bearing and preference share investments		**8 351**	**—**	**8 351**	9 792	—	9 792
Structured transactions		**821**	**—**	**821**	737	—	737
Investment funds		**4 780**	**—**	**4 780**	4 883	—	4 883
Cash, deposits and similar securities		**7 570**	**(574)**	**8 144**	2 918	—	2 918
Net term finance		**—**	**—**	**—**	—	—	—
Term finance		**(3 698)**	**—**	**(3 698)**	(3 875)	—	(3 875)
Assets held in respect of term finance		**3 698**	**—**	**3 698**	3 875	—	3 875
Net deferred tax		**(870)**	**—**	**(870)**	(1 145)	—	(1 145)
Net defined benefit asset		**—**	**—**	**—**	144	—	144
Net working capital		**803**	**155**	**648**	1 563	—	1 563
Structured transactions liability		**(31)**	**—**	**(31)**	(2)	—	(2)
Non-controlling interest		**(2 739)**	**—**	**(2 739)**	(2 536)	—	(2 536)
Other Group operations		**44 336**	**19 615**	**24 721**	39 346	19 998	19 348
Sanlam Investments		**15 202**	**10 645**	**4 557**	12 289	8 588	3 701
Investment Management		**14 417**	**10 507**	**3 910**	11 604	8 536	3 068
Capital Management		**785**	**138**	**647**	685	52	633
Sanlam Personal Finance		**3 723**	**1 942**	**1 781**	3 009	2 092	917
Glacier		**1 605**	**1 239**	**366**	1 542	1 235	307
Sanlam Personal Loans(4)		**913**	**314**	**599**	907	365	542
Afrocentric		**703**	**—**	**703**	—	—	—
Other operations		**502**	**389**	**113**	560	492	68
Sanlam Emerging Markets		**12 561**	**512**	**12 049**	9 455	415	9 040
Shriram Capital		**7 594**	**863**	**6 731**	5 595	516	5 079
Letshego		**1 106**	**83**	**1 023**	923	70	853
Pacific & Orient		**812**	**75**	**737**	704	71	633
Capricorn Investment Holdings		**877**	**31**	**846**	845	84	761
Other operations		**2 172**	**(540)**	**2 712**	1 388	(326)	1 714
Santam		**12 850**	**7 713**	**5 137**	14 593	10 150	4 443
Goodwill held on Group level in respect of the above businesses		**—**	**(1 197)**	**1 197**	—	(1 247)	1 247
Shareholders' fund at fair value		**74 660**	**19 196**	**55 464**	68 037	20 110	47 927
Value per share (cents)	9	**3 648**	**938**	**2 710**	3 322	982	2 340

R million	2015 Total	2015 Fair value of assets	2015 Value of in-force	2014 Total	2014 Fair value of assets	2014 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value	**103 506**	**71 392**	**32 114**	95 936	64 729	31 207
Add: Net worth adjustments	**1 551**	**1 551**	**–**	1 556	1 556	–
Add: Goodwill and value of business acquired replaced by value of in-force	**1 717**	**1 717**	**–**	1 752	1 752	–
Sanlam Life and Pensions	**356**	**356**	**–**	356	356	–
Sanlam Developing Markets	**607**	**607**	**–**	646	646	–
MCIS Insurance	**446**	**446**	**–**	506	506	–
Shriram Life Insurance[3]	**210**	**210**	**–**	210	210	–
Other	**98**	**98**	**–**	34	34	–
Less: Value of in-force	**(32 114)**	**–**	**(32 114)**	(31 207)	–	(31 207)
Shareholders' fund at fair value	**74 660**	**74 660**	**–**	68 037	68 037	–

[1] *Group businesses listed above are not consolidated, but reflected as investments at fair value.*

[2] *The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Developing Markets, Channel Life, Sanlam Life and Pensions and MCIS Insurance and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.*

[3] *The carrying value of Shriram Life Insurance includes goodwill of R210 million (2014: R210 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.*

[4] *The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.*

Shareholders' fund at net asset value

at 31 December 2015

R million	Note	Sanlam Life[(1)] 2015	Sanlam Life[(1)] 2014	Sanlam Emerging Markets[(2)] 2015	Sanlam Emerging Markets[(2)] 2014	Santam 2015	Santam 2014
Property and equipment		**291**	252	**195**	125	**296**	269
Owner-occupied properties		**470**	470	**260**	53	**1**	1
Goodwill		**278**	301	**350**	273	**770**	1 005
Other intangible assets		**22**	—	**183**	158	**35**	23
Value of business acquired		**543**	527	**705**	767	**—**	89
Deferred acquisition costs		**2 851**	2 696	**2**	3	**—**	—
Investments	3.3	**33 383**	30 869	**18 393**	15 139	**10 668**	9 557
Properties		**130**	139	**880**	550	**—**	—
Associated companies	3.1	**706**	2	**13 557**	10 575	**996**	1 038
Joint ventures	3.2	**805**	626	**—**	—	**66**	—
Equities and similar securities		**10 206**	12 850	**707**	973	**1 694**	3 068
Interest-bearing investments		**8 061**	9 302	**1 648**	1 941	**5 076**	4 245
Structured transactions		**1 197**	900	**—**	—	**503**	248
Investment funds		**4 967**	5 059	**241**	170	**310**	364
Cash, deposits and similar securities		**7 311**	1 991	**1 360**	930	**2 023**	594
Net deferred tax		**(689)**	(848)	**(217)**	(292)	**63**	(120)
Deferred tax asset		**56**	42	**40**	7	**140**	161
Deferred tax liability		**(745)**	(890)	**(257)**	(299)	**(77)**	(281)
Disposal groups classified as held for sale		**—**	—	**—**	—	**540**	427
Assets of disposal groups classified as held for sale		**—**	—	**—**	1 466	**540**	427
Liabilities of disposal groups classified as held for sale		**—**	—	**—**	(1 466)	**—**	—
Net general insurance technical provisions		**—**	—	**(388)**	(153)	**(8 884)**	(8 475)
General insurance technical assets		**—**	—	**109**	12	**4 142**	3 952
General insurance technical provisions		**—**	—	**(497)**	(165)	**(13 026)**	(12 427)
Net defined benefit asset		**—**	144	**—**	—	**—**	—
Net working capital assets/(liabilities)		**(191)**	(3 335)	**(6)**	5	**7 081**	6 703
Trade and other receivables		**2 842**	4 409	**1 361**	1 035	**3 584**	2 871
Cash, deposits and similar securities		**4 618**	3 705	**599**	560	**7 489**	6 854
Trade and other payables		**(6 177)**	(10 239)	**(1 961)**	(1 614)	**(3 629)**	(2 776)
Provisions		**(134)**	(138)	**—**	—	**(45)**	(25)
Taxation		**(1 340)**	(1 072)	**(5)**	24	**(318)**	(221)
Term finance		**(2 260)**	(2 340)	**(69)**	(12)	**(998)**	(1 024)
Structured transactions liabilities		**(31)**	(2)	**—**	—	**(3)**	—
Cell owners' interest		**—**	—	**—**	—	**(980)**	(925)
Non-controlling interest		**(36)**	(36)	**(4 032)**	(3 603)	**(3 452)**	(3 087)
Shareholders' fund at net asset value		**34 631**	28 698	**15 376**	12 463	**5 137**	4 443
Analysis of shareholders' fund							
Covered business		**12 007**	14 471	**2 323**	2 324	**—**	—
Other operations		**1 781**	917	**12 049**	9 040	**5 137**	4 443
Discretionary and other capital		**20 843**	13 310	**1 004**	1 099	**—**	—
Shareholders' fund at net asset value		**34 631**	28 698	**15 376**	12 463	**5 137**	4 443
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position on page 318		**34 631**	28 698	**15 376**	12 463	**5 137**	4 443

(1) *Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R7 114 million (2014: R8 196 million) in Sanlam shares, which is eliminated in the consolidation column.*

(2) *Includes discretionary capital held by Sanlam Emerging Markets.*

Investment Management		Capital Management		Corporate and Other[3]		Consolidation entries[4]		Total	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
71	44	**12**	5	**—**	—	**1**	1	**866**	696
114	109	**—**	—	**—**	—	**—**	—	**845**	633
1 300	1 148	**—**	—	**—**	—	**1 197**	1 247	**3 895**	3 974
203	214	**—**	—	**—**	—	**—**	—	**443**	395
695	662	**—**	—	**—**	—	**—**	—	**1 943**	2 045
—	—	**—**	—	**—**	—	**—**	—	**2 853**	2 699
2 282	1 314	**—**	—	**1 746**	2 022	**(8 727)**	(10 334)	**57 745**	48 567
—	—	**—**	—	**—**	—	**—**	—	**1 010**	689
404	215	**—**	—	**—**	—	**(989)**	(879)	**14 674**	10 951
1	—	**—**	—	**—**	—	**—**	—	**872**	626
288	164	**—**	—	**543**	556	**(7 468)**	(8 530)	**5 970**	9 081
180	197	**—**	—	**1 195**	1 464	**(270)**	(925)	**15 890**	16 224
3	—	**—**	—	**—**	—	**—**	—	**1 703**	1 148
837	326	**—**	—	**—**	—	**—**	—	**6 355**	5 919
569	412	**—**	—	**8**	2	**—**	—	**11 271**	3 929
43	69	**67**	59	**—**	(45)	**3**	18	**(730)**	(1 159)
57	73	**67**	59	**—**	5	**8**	18	**368**	365
(14)	(4)	**—**	—	**—**	(50)	**(5)**	—	**(1 098)**	(1 524)
—	—	**—**	—	**—**	—	**—**	—	**540**	427
—	—	**—**	—	**—**	—	**—**	—	**540**	1 893
—	—	**—**	—	**—**	—	**—**	—	**—**	(1 466)
—	—	**—**	—	**—**	—	**—**	—	**(9 272)**	(8 628)
—	—	**—**	—	**—**	—	**—**	—	**4 251**	3 964
—	—	**—**	—	**—**	—	**—**	—	**(13 523)**	(12 592)
—	—	**—**	—	**—**	—	**—**	—	**—**	144
1 637	1 627	**725**	816	**(480)**	(62)	**339**	3 820	**9 105**	9 574
1 619	1 564	**21 365**	22 887	**2 899**	2 826	**(5 586)**	(5 255)	**28 084**	30 337
1 983	1 866	**3 771**	2 090	**650**	513	**(195)**	(199)	**18 915**	15 389
(1 819)	(1 613)	**(24 380)**	(24 133)	**(4 032)**	(3 407)	**6 123**	9 297	**(35 875)**	(34 485)
(102)	(84)	**—**	—	**(21)**	(18)	**(17)**	(18)	**(319)**	(283)
(44)	(106)	**(31)**	(28)	**24**	24	**14**	(5)	**(1 700)**	(1 384)
(419)	(403)	**—**	—	**(1 438)**	(1 536)	**—**	—	**(5 184)**	(5 315)
—	—	**—**	—	**—**	—	**—**	—	**(34)**	(2)
—	—	**—**	—	**—**	—	**—**	—	**(980)**	(925)
(73)	(48)	**—**	—	**—**	—	**1 022**	1 576	**(6 571)**	(5 198)
5 853	4 736	**804**	880	**(172)**	379	**(6 165)**	(3 672)	**55 464**	47 927
778	391	**—**	—	**—**	—	**—**	—	**15 108**	17 186
3 910	3 068	**647**	633	**—**	—	**1 197**	1 247	**24 721**	19 348
1 165	1 277	**157**	247	**(172)**	379	**(7 362)**	(4 919)	**15 635**	11 393
5 853	4 736	**804**	880	**(172)**	379	**(6 165)**	(3 672)	**55 464**	47 927
—	—	**—**	—	**—**	—	**(1 843)**	(1 890)	**(1 843)**	(1 890)
5 853	4 736	**804**	880	**(172)**	379	**(8 008)**	(5 562)	**53 621**	46 037

[3] *Corporate and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*

[4] *The investment in treasury shares is reversed within the consolidation column. Intercompany balances, other investments and term finance between companies within the Group are also eliminated.*

Shareholders' fund income statement

for the year ended 31 December 2015

R million	Note	Sanlam Personal Finance 2015	Sanlam Personal Finance 2014
Financial services income	4	**15 221**	14 364
Sales remuneration	5	**(2 656)**	(2 369)
Income after sales remuneration		**12 565**	11 995
Underwriting policy benefits		**(3 236)**	(3 442)
Administration costs	6	**(4 016)**	(3 752)
Result from financial services before tax		**5 313**	4 801
Tax on result from financial services		**(1 478)**	(1 325)
Result from financial services after tax		**3 835**	3 476
Non-controlling interest		**(4)**	—
Net result from financial services		**3 831**	3 476
Net investment income		**746**	735
Dividends received – Group companies		**263**	235
Other investment income	7	**642**	649
Tax on investment income		**(159)**	(149)
Non-controlling interest		**—**	—
Project expenses		**—**	—
Amortisation of value of business acquired and other intangibles		**(50)**	(39)
Equity participation costs		**—**	—
Net equity-accounted headline earnings		**—**	—
Equity-accounted headline earnings		**—**	—
Tax on equity-accounted headline earnings		**—**	—
Non-controlling interest		**—**	—
Net investment surpluses		**(800)**	2 406
Investment surpluses – Group companies		**(1 099)**	1 964
Other investment surpluses		**345**	558
Tax on investment surpluses		**(46)**	(116)
Non-controlling interest		**—**	—
Normalised headline earnings		**3 727**	6 578
Net profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Tax on profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Non-controlling interest		**—**	—
Impairments		**(17)**	—
Net equity-accounted non-headline earnings		**—**	—
Normalised attributable earnings		**3 710**	6 578
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**3 710**	6 578
Diluted earnings per share	8		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**187,2**	169,9

Sanlam Emerging Markets		Sanlam Investments		Santam		Corporate and Other[1]		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
6 078	5 236	8 859	8 286	19 066	17 700	141	127	49 365	45 713
(1 091)	(842)	(248)	(249)	(2 004)	(1 863)	—	—	(5 999)	(5 323)
4 987	4 394	8 611	8 037	17 062	15 837	141	127	43 366	40 390
(1 258)	(1 070)	(2 135)	(2 063)	(11 510)	(10 878)	—	—	(18 139)	(17 453)
(1 481)	(1 111)	(4 599)	(4 047)	(3 231)	(2 991)	(305)	(292)	(13 632)	(12 193)
2 248	2 213	1 877	1 927	2 321	1 968	(164)	(165)	11 595	10 744
(579)	(604)	(426)	(425)	(670)	(553)	55	58	(3 098)	(2 849)
1 669	1 609	1 451	1 502	1 651	1 415	(109)	(107)	8 497	7 895
(472)	(368)	(34)	(34)	(718)	(614)	—	—	(1 228)	(1 016)
1 197	1 241	1 417	1 468	933	801	(109)	(107)	7 269	6 879
129	112	189	178	93	94	(189)	(188)	968	931
—	—	—	—	—	—	(263)	(235)	—	—
277	217	224	224	191	181	19	59	1 353	1 330
(101)	(72)	(35)	(46)	(28)	(18)	55	(12)	(268)	(297)
(47)	(33)	—	—	(70)	(69)	—	—	(117)	(102)
(14)	(13)	—	(1)	—	—	(1)	—	(15)	(14)
(58)	(13)	(179)	(143)	(19)	(15)	—	—	(306)	(210)
—	—	—	(60)	(43)	(49)	—	—	(43)	(109)
7	11	1	—	24	35	—	—	32	46
16	30	1	—	40	58	—	—	57	88
(3)	(2)	—	—	—	—	—	—	(3)	(2)
(6)	(17)	—	—	(16)	(23)	—	—	(22)	(40)
238	111	197	221	210	93	1 101	(2 014)	946	817
—	—	—	—	—	—	1 099	(1 964)	—	—
426	209	243	270	448	234	2	(50)	1 464	1 221
14	(48)	(46)	(49)	(105)	(77)	—	—	(183)	(290)
(202)	(50)	—	—	(133)	(64)	—	—	(335)	(114)
1 499	1 449	1 625	1 663	1 198	959	802	(2 309)	8 851	8 340
(1)	95	—	292	201	—	—	—	200	387
(2)	119	—	312	428	—	—	—	426	431
—	(32)	—	(20)	(99)	—	—	—	(99)	(52)
1	8	—	—	(128)	—	—	—	(127)	8
(53)	(40)	(7)	(18)	(32)	(43)	—	—	(109)	(101)
—	—	—	118	—	—	—	—	—	118
1 445	1 504	1 618	2 055	1 367	916	802	(2 309)	8 942	8 744
—	—	—	—	—	—	449	(15)	449	(15)
1 445	1 504	1 618	2 055	1 367	916	1 251	(2 324)	9 391	8 729
								2 046,3	2 046,2
58,5	60,6	69,2	71,7	45,6	39,1	(5,3)	(5,2)	355,2	336,2

[1] *Corporate and Other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.*

Notes to the shareholders' fund information

for the year ended 31 December 2015

1. Business volumes

1.1 Analysis of new business and total funds received

Analysed per business, reflecting the split between life and general insurance business

R million	Life insurance[1] 2015	Life insurance[1] 2014	General insurance 2015	General insurance 2014	Investment business[2] 2015	Investment business[2] 2014	Total 2015	Total 2014
Sanlam Personal Finance	**28 974**	25 145	**—**	—	**34 851**	27 421	**63 825**	52 566
Sanlam Sky	**1 279**	1 127	**—**	—	**—**	—	**1 279**	1 127
Individual Life	**12 562**	12 137	**—**	—	**267**	306	**12 829**	12 443
Glacier	**15 133**	11 881	**—**	—	**34 584**	27 115	**49 717**	38 996
Sanlam Emerging Markets	**4 338**	3 286	**1 674**	1 402	**5 901**	4 571	**11 913**	9 259
Namibia	**491**	362	**—**	—	**2 289**	2 960	**2 780**	3 322
Recurring	**151**	153	**—**	—	**—**	—	**151**	153
Single	**340**	209	**—**	—	**2 289**	2 960	**2 629**	3 169
Botswana	**2 087**	1 477	**57**	54	**3 254**	1 500	**5 398**	3 031
Recurring	**299**	261	**57**	54	**—**	—	**356**	315
Single	**1 788**	1 216	**—**	—	**3 254**	1 500	**5 042**	2 716
Rest of Africa	**1 185**	1 163	**556**	286	**358**	111	**2 099**	1 560
Recurring	**690**	614	**556**	286	**—**	—	**1 246**	900
Single	**495**	549	**—**	—	**358**	111	**853**	660
India	**234**	146	**628**	508	**—**	—	**862**	654
Recurring	**147**	67	**628**	508	**—**	—	**775**	575
Single	**87**	79	**—**	—	**—**	—	**87**	79
South-East Asia	**341**	138	**433**	554	**—**	—	**774**	692
Recurring	**255**	104	**433**	554	**—**	—	**688**	658
Single	**86**	34	**—**	—	**—**	—	**86**	34
Sanlam Investments	**6 664**	13 859	**—**	—	**109 918**	89 391	**116 582**	103 250
Employee benefits	**2 913**	10 154	**—**	—	**—**	—	**2 913**	10 154
Recurring	**487**	305	**—**	—	**—**	—	**487**	305
Single	**2 426**	9 849	**—**	—	**—**	—	**2 426**	9 849
Investment Management	**3 751**	3 705	**—**	—	**109 909**	89 391	**113 660**	93 096
Investment Management SA	**—**	—	**—**	—	**83 132**	63 314	**83 132**	63 314
Wealth Management	**—**	—	**—**	—	**18 387**	14 716	**18 387**	14 716
International	**3 751**	3 705	**—**	—	**8 390**	11 141	**12 141**	14 846
Recurring	**52**	68	**—**	—	**16**	32	**68**	100
Single	**3 699**	3 637	**—**	—	**8 374**	11 109	**12 073**	14 746
Capital Management	**—**	—	**—**	—	**9**	220	**9**	220
Santam	**—**	—	**18 522**	17 222	**—**	—	**18 522**	17 222
Total new business	**39 976**	42 290	**20 196**	18 624	**150 670**	121 383	**210 842**	182 297

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

1. Business volumes (continued)

1.1 Analysis of new business and total funds received (continued)

R million	Life insurance[1] 2015	Life insurance[1] 2014	General insurance 2015	General insurance 2014	Investment business[2] 2015	Investment business[2] 2014	Total 2015	Total 2014
Recurring premiums on existing funds:								
Sanlam Personal Finance	**15 454**	15 412	**—**	—	**221**	211	**15 675**	15 623
Sanlam Sky	**4 039**	4 099	**—**	—	**–**	—	**4 039**	4 099
Individual Life	**11 415**	11 313	**—**	—	**221**	211	**11 636**	11 524
Sanlam Emerging Markets	**4 407**	3 342	**—**	—	**57**	—	**4 464**	3 342
Namibia	**916**	841	**—**	—	**–**	—	**916**	841
Botswana	**1 008**	891	**—**	—	**–**	—	**1 008**	891
Rest of Africa	**865**	757	**—**	—	**57**	—	**922**	757
India	**124**	99	**—**	—	**–**	—	**124**	99
South-East Asia	**1 494**	754	**—**	—	**–**	—	**1 494**	754
Sanlam Investments	**4 661**	3 626	**—**	—	**2 548**	2 488	**7 209**	6 114
Sanlam Employee Benefits	**4 257**	3 384	**—**	—	**–**	—	**4 257**	3 384
Investment Management	**404**	242	**—**	—	**2 548**	2 488	**2 952**	2 730
Investment Management SA	**—**	—	**—**	—	**2 480**	2 449	**2 480**	2 449
International	**404**	242	**—**	—	**68**	39	**472**	281
Total funds received	**64 498**	64 670	**20 196**	18 624	**153 496**	124 082	**238 190**	207 376

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
[2] *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

1. Business volumes (continued)

1.2 Analysis of payments to clients

R million	Life insurance[1] 2015	Life insurance[1] 2014	General insurance 2015	General insurance 2014	Investment business[2] 2015	Investment business[2] 2014	Total 2015	Total 2014
Sanlam Personal Finance	**35 260**	32 343	**—**	—	**21 345**	16 266	**56 605**	48 609
Sanlam Sky	**2 579**	2 591	**—**	—	**—**	—	**2 579**	2 591
Surrenders	**468**	380	**—**	—	**—**	—	**468**	380
Other	**2 111**	2 211	**—**	—	**—**	—	**2 111**	2 211
Individual Life	**26 896**	24 804	**—**	—	**574**	535	**27 470**	25 339
Surrenders	**3 945**	3 708	**—**	—	**—**	—	**3 945**	3 708
Other	**22 951**	21 096	**—**	—	**574**	535	**23 525**	21 631
Glacier	**5 785**	4 948	**—**	—	**20 771**	15 731	**26 556**	20 679
Sanlam Emerging Markets	**5 571**	4 414	**1 195**	1 035	**16 957**	3 181	**23 723**	8 630
Namibia	**1 124**	1 287	**—**	—	**2 214**	1 855	**3 338**	3 142
Surrenders	**147**	259	**—**	—	**—**	—	**147**	259
Other	**977**	1 028	**—**	—	**2 214**	1 855	**3 191**	2 883
Botswana	**1 632**	1 438	**19**	31	**14 536**	1 324	**16 187**	2 793
Surrenders	**450**	409	**—**	—	**—**	—	**450**	409
Other	**1 182**	1 029	**19**	31	**14 536**	1 324	**15 737**	2 384
Rest of Africa	**1 055**	704	**300**	160	**207**	2	**1 562**	866
Surrenders	**186**	121	**—**	—	**—**	—	**186**	121
Other	**869**	583	**300**	160	**207**	2	**1 376**	745
India	**164**	179	**559**	493	**—**	—	**723**	672
Surrenders	**88**	120	**—**	—	**—**	—	**88**	120
Other	**76**	59	**559**	493	**—**	—	**635**	552
South-East Asia	**1 596**	806	**317**	351	**—**	—	**1 913**	1 157
Sanlam Investments	**11 586**	9 483	**—**	—	**115 717**	87 782	**127 303**	97 265
Sanlam Employee Benefits	**7 659**	6 813	**—**	—	**—**	—	**7 659**	6 813
Terminations	**1 706**	995	**—**	—	**—**	—	**1 706**	995
Other	**5 953**	5 818	**—**	—	**—**	—	**5 953**	5 818
Investment Management	**3 927**	2 670	**—**	—	**115 706**	87 782	**119 633**	90 452
Investment Management SA	**—**	–	**—**	—	**86 365**	61 611	**86 365**	61 611
Wealth Management	**—**	–	**—**	—	**14 818**	14 745	**14 818**	14 745
International	**3 927**	2 670	**—**	—	**14 523**	11 426	**18 450**	14 096
Capital Management	**—**	–	**—**	—	**11**	—	**11**	—
Santam	**—**	–	**11 510**	10 878	**—**	—	**11 510**	10 878
Total payments to clients	**52 417**	46 240	**12 705**	11 913	**154 019**	107 229	**219 141**	165 382

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

1. Business volumes (continued)

1.3 Analysis of net inflow/(outflow) of funds

R million	Life insurance(1) 2015	Life insurance(1) 2014	General insurance 2015	General insurance 2014	Investment business(2) 2015	Investment business(2) 2014	Total 2015	Total 2014
Sanlam Personal Finance	**9 168**	8 214	**—**	—	**13 727**	11 366	**22 895**	19 580
Sanlam Sky	**2 739**	2 635	**—**	—	**—**	—	**2 739**	2 635
Individual Life	**(2 919)**	(1 354)	**—**	—	**(86)**	(18)	**(3 005)**	(1 372)
Glacier	**9 348**	6 933	**—**	—	**13 813**	11 384	**23 161**	18 317
Sanlam Emerging Markets	**3 174**	2 214	**479**	367	**(10 999)**	1 390	**(7 346)**	3 971
Namibia	**283**	(84)	**—**	—	**75**	1 105	**358**	1 021
Botswana	**1 463**	930	**38**	23	**(11 282)**	176	**(9 781)**	1 129
Rest of Africa	**995**	1 216	**256**	126	**208**	109	**1 459**	1 451
India	**194**	66	**69**	15	**—**	—	**263**	81
South-East Asia	**239**	86	**116**	203	**—**	—	**355**	289
Sanlam Investments	**(261)**	8 002	**—**	—	**(3 251)**	4 097	**(3 512)**	12 099
Sanlam Employee Benefits	**(489)**	6 725	**—**	—	**—**	—	**(489)**	6 725
Investment Management	**228**	1 277	**—**	—	**(3 249)**	3 877	**(3 021)**	5 154
Investment Management SA	**—**	—	**—**	—	**(753)**	4 152	**(753)**	4 152
Wealth Management	**—**	—	**—**	—	**3 569**	(29)	**3 569**	(29)
International	**228**	1 277	**—**	—	**(6 065)**	(246)	**(5 837)**	1 031
Capital Management	**—**	—	**—**	—	**(2)**	220	**(2)**	220
Santam	**—**	—	**7 012**	6 344	**—**	**—**	**7 012**	6 344
Total net inflow	**12 081**	18 430	**7 491**	6 711	**(523)**	16 853	**19 049**	41 994

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

2. Cluster information

2.1 Sanlam Personal Finance

Key performance indicators

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital invest-ment	Dividend paid	GEV at the end of period	RoGEV (%)
2015						
Covered business	**35 444**	**4 363**	**(1 835)**	**(3 446)**	**34 526**	**12,3**
Other operations	**3 009**	**295**	**769**	**(350)**	**3 723**	**9,8**
Glacier	**1 542**	**257**	**—**	**(194)**	**1 605**	**16,7**
Sanlam Personal Loans	**907**	**111**	**—**	**(105)**	**913**	**12,2**
Afrocentric	**—**	**—**	**703**	**—**	**703**	
Other	**560**	**(73)**	**66**	**(51)**	**502**	**(13,0)**
Group Equity Value	**38 453**	**4 658**	**(1 066)**	**(3 796)**	**38 249**	**12,1**
2014						
Covered business	33 033	5 805	(284)	(3 110)	35 444	17,6
Non-life operations	2 633	567	97	(288)	3 009	21,5
Glacier	1 336	312	26	(132)	1 542	23,4
Sanlam Personal Loans	836	84	71	(84)	907	10,0
Other	461	171	—	(72)	560	37,1
Group Equity Value	35 666	6 372	(187)	(3 398)	38 453	17,9

2. Cluster information (continued)

2.1 Sanlam Personal Finance (continued)

Key performance indicators (continued)

Business volumes

R million	Life insurance 2015	2014	Investment business 2015	2014	Total 2015	2014
New business volumes						
Sanlam Sky	**1 279**	1 127	**–**	–	**1 279**	1 127
Individual life	**1 009**	904	**–**	–	**1 009**	904
Group life	**270**	223	**–**	–	**270**	223
Individual life	**12 562**	12 137	**267**	306	**12 829**	12 443
Recurring premiums	**1 523**	1 388	**24**	36	**1 547**	1 424
Single premiums	**11 039**	10 749	**243**	270	**11 282**	11 019
Glacier	**15 133**	11 881	**34 584**	27 115	**49 717**	38 996
Total	**28 974**	25 145	**34 851**	27 421	**63 825**	52 566

Value of new covered business

R million	Value of new business 2015	2014	Present value of new business premiums 2015	2014	New business margin (%) 2015	2014
Sanlam Sky	**241**	361	**4 114**	3 797	**5,86**	9,51
Individual life	**502**	551	**19 347**	19 123	**2,59**	2,88
Glacier	**212**	172	**15 111**	11 878	**1,40**	1,45
Total	**955**	1 084	**38 572**	34 798	**2,48**	3,12

2. Cluster information (continued)

2.1 Sanlam Personal Finance (continued)

Analysis of earnings

	Life insurance		Non-life operations		Total	
R million	**2015**	2014	**2015**	2014	**2015**	2014
Gross result from financial services	**4 778**	4 318	**535**	483	**5 313**	4 801
Entry-level market	**1 125**	949	**—**	—	**1 125**	949
Middle-income market life and investment	**3 348**	3 116	**30**	46	**3 378**	3 162
Investment products	**1 269**	1 001	**—**	—	**1 269**	1 001
Risk products	**826**	900	**—**	—	**826**	900
Asset mismatch reserve release	**468**	543	**—**	—	**468**	543
Annuities, combined products and other	**785**	672	**30**	46	**815**	718
Glacier	**184**	145	**242**	194	**426**	339
Sanlam Personal Loans	**121**	108	**225**	200	**346**	308
Other operations	**—**	—	**38**	43	**38**	43
Tax on result from financial services	**(1 332)**	(1 208)	**(146)**	(117)	**(1 478)**	(1 325)
Non-controlling interest	**—**	—	**(4)**	—	**(4)**	—
Net result from financial services	**3 446**	3 110	**385**	366	**3 831**	3 476
Net investment return	**676**	689	**(730)**	2 452	**(54)**	3 141
Net other earnings	**—**	—	**(67)**	(39)	**(67)**	(39)
Normalised attributable earnings	**4 122**	3 799	**(412)**	2 779	**3 710**	6 578

2. Cluster information (continued)

2.1 Sanlam Personal Finance (continued)

Assets under management

R million	2015	2014
Sanlam Sky: Life insurance operations	**5 318**	5 153
Individual life	**226 626**	220 820
Life insurance operations	**224 302**	218 503
Investment operations	**2 324**	2 317
Glacier	**199 092**	156 904
Life insurance operations	**81 491**	67 656
Investment operations	**117 601**	89 248
Total	**431 036**	382 877
Life insurance operations	**311 111**	291 312
Investment operations	**119 925**	91 565
	431 036	382 877
Sanlam Personal Loans		
Size of loan book (R million)	**4 195**	3 984
Interest margin	**17,0%**	16,5%
Bad debt ratio	**5,4%**	5,6%
Administration cost as % of net interest	**27,4%**	27,9%

2. Cluster information (continued)

2.2 Sanlam Emerging Markets

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital move-ment	Dividend paid	GEV at the end of period	RoGEV (%)
2015						
Covered business	**5 116**	**1 403**	**(430)**	**(603)**	**5 486**	**27,4**
Non-life operations	**9 455**	**2 966**	**831**	**(691)**	**12 561**	**31,2**
Shriram Capital	**5 595**	**2 068**	**28**	**(97)**	**7 594**	**37,0**
Letshego	**923**	**229**	**—**	**(46)**	**1 106**	**24,8**
Pacific & Orient	**704**	**128**	**—**	**(20)**	**812**	**18,2**
Capricorn Investment Holdings	**845**	**47**	**—**	**(15)**	**877**	**5,6**
Sanlam Emerging Markets other operations	**1 388**	**494**	**803**	**(513)**	**2 172**	**34,7**
Group Equity Value	**14 571**	**4 369**	**401**	**(1 294)**	**18 047**	**29,9**
2014						
Covered business	3 541	932	1 120	(477)	5 116	26,3
Non-life operations	6 648	1 978	1 074	(245)	9 455	28,9
Shriram Capital	4 219	1 344	71	(39)	5 595	31,7
Letshego	698	297	35	(107)	923	42,0
Pacific & Orient	622	155	—	(73)	704	24,9
Capricorn Investment Holdings	682	169	—	(6)	845	24,8
Sanlam Emerging Markets other operations	427	13	968	(20)	1 388	3,0
Group Equity Value	10 189	2 910	2 194	(722)	14 571	28,0

2. Cluster information (continued)

2.2 Sanlam Emerging Markets (continued)

Business volumes

R million	New business volumes 2015	New business volumes 2014	Net fund flows 2015	Net fund flows 2014	Value of new covered business 2015	Value of new covered business 2014	Present value of new business premiums 2015	Present value of new business premiums 2014	New business margin (%) 2015	New business margin (%) 2014
Namibia	**2 780**	3 322	**358**	1 021	**86**	111	**1 032**	979	**8,33**	11,34
Botswana	**5 398**	3 031	**(9 781)**	1 129	**204**	166	**2 923**	2 166	**6,98**	7,66
Rest of Africa	**2 099**	1 560	**1 459**	1 451	**110**	132	**1 925**	1 888	**5,71**	6,99
India	**862**	654	**263**	81	**7**	3	**441**	223	**1,59**	1,35
South-East Asia	**774**	692	**355**	289	**41**	19	**1 189**	417	**3,45**	4,56
	11 913	9 259	**(7 346)**	3 971	**448**	431	**7 510**	5 673	**5,97**	7,60

Analysis of earnings

R million	2015	2014
Net result from financial services	**1 197**	1 241
Life insurance	**603**	477
General insurance	**93**	157
Investment management	**47**	46
Credit and banking	**468**	553
Other	**(14)**	8
Net investment return	**367**	223
Net investment income	**129**	112
Net investment surpluses	**238**	111
Net other earnings	**(119)**	40
Normalised attributable earnings	**1 445**	1 504

2. Cluster information (continued)

2.2 Sanlam Emerging Markets (continued)

Analysis of net result from financial services

R million	Life insurance 2015	Life insurance 2014*	Non-life operations 2015	Non-life operations 2014*	Total 2015	Total 2014*
Namibia	**197**	192	**148**	122	**345**	314
Botswana	**232**	179	**141**	139	**373**	318
Rest of Africa	**138**	90	**(9)**	36	**129**	126
South-East Asia	**21**	5	**8**	51	**29**	56
India	**12**	18	**311**	438	**323**	456
Corporate and other	**–**	(7)*	**(2)**	(22)*	**(2)**	(29)*
Net result from financial services	**600**	477	**597**	764	**1 197**	1 241

** Comparative information has been adjusted to reflect unallocated corporate cost on a separate line.*

Assets under management

R million	2015	2014
Life insurance operations	**40 991**	37 823
Investment operations	**15 583**	23 873
Namibia	**7 872**	8 326
Botswana	**7 482**	15 004
Rest of Africa	**229**	543
Assets under management	**56 574**	61 696

2. Cluster information (continued)

2.3 Sanlam Investments

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital invest-ment	Dividend paid	GEV at the end of period	RoGEV (%)
2015						
Investment Management	**12 797**	**3 130**	**1 144**	**(1 021)**	**16 050**	**24,5**
Investment Management SA	**4 823**	**1 059**	**566**	**(346)**	**6 102**	**20,1**
Wealth Management	**2 522**	**485**	**—**	**(139)**	**2 868**	**19,2**
International	**5 452**	**1 586**	**578**	**(536)**	**7 080**	**29,1**
Covered business	**1 193**	**277**	**237**	**(74)**	**1 633**	**23,2**
Other operations	**4 259**	**1 309**	**341**	**(462)**	**5 447**	**30,8**
Sanlam Employee Benefits	**6 640**	**994**	**(1 696)**	**(361)**	**5 577**	**15,0**
Sanlam Capital Management	**685**	**262**	**—**	**(162)**	**785**	**38,2**
Group Equity Value	**20 122**	**4 386**	**(552)**	**(1 544)**	**22 412**	**21,3**
2014						
Sanlam Investment Management	11 648	2 075	(154)	(772)	12 797	17,9
Investment Management SA	4 974	58	167	(376)	4 823	1,2
Wealth Management	2 105	528	—	(111)	2 522	25,1
International	4 569	1 489	(321)	(285)	5 452	32,6
Covered business	1 194	147	(80)	(68)	1 193	12,3
Other operations	3 375	1 342	(241)	(217)	4 259	40,7
Sanlam Employee Benefits	5 707	1 355	(188)	(234)	6 640	23,7
Sanlam Capital Management	616	241	75	(247)	685	34,9
Group Equity Value	17 971	3 671	(267)	(1 253)	20 122	20,4

2. Cluster information (continued)

2.3 Sanlam Investments (continued)

Business volumes

R million	New business volumes 2015	New business volumes 2014	Net fund flows 2015	Net fund flows 2014
Investment Management	**113 660**	92 876	**(3 021)**	5 154
Investment Management SA	**83 132**	63 314	**(753)**	4 152
Wealth Management	**18 387**	14 716	**3 569**	(29)
International	**12 141**	14 846	**(5 837)**	1 031
Sanlam Employee Benefits	**2 913**	10 154	**(489)**	6 725
Sanlam Capital Management	**9**	220	**(2)**	220
	116 582	103 250	**(3 512)**	12 099

Analysis of earnings

R million	Investment Management 2015	Investment Management 2014*	Capital Management 2015	Capital Management 2014*
Financial services income**	**4 491**	4 108	**445**	570
Sales remuneration	**(198)**	(194)	—	—
Income after sales remuneration	**4 293**	3 914	**445**	570
Underwriting policy benefits	**—**	—	**—**	—
Administration cost**	**(3 278)**	(2 824)	**(298)**	(330)
Results from financial services before performance fees	**1 015**	1 090	**147**	240
Net performance fees	**190**	247	**24**	25
Results from financial services	**1 205**	1 337	**171**	265
Tax on result from financial services	**(277)**	(301)	**(9)**	(33)
Non-controlling interest	**(34)**	(34)	**—**	—
Net result from financial services	**894**	1 002	**162**	232
Net investment return	**6**	29	**(12)**	(16)
Net investment income	**9**	22	**—**	—
Net investment surpluses	**(3)**	7	**(12)**	(16)
Net other earnings	**(185)**	188	—	—
Normalised attributable earnings	**715**	1 219	**150**	216

** Comparative information has been adjusted for the reallocation of the Sanlam Africa Funds from Capital Management to Investment Management.*
*** Financial services income and administration costs on page 170 includes performance fees and its related administration costs.*

Value of new covered business		Present value of new business premiums		New business margin	
2015	2014	**2015**	2014	**2015**	2014
26	30	**3 947**	3 978	**0,66%**	0,75%
—	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—
26	30	**3 947**	3 978	**0,66%**	0,75%
85	198	**4 333**	11 945	**1,96%**	1,66%
—	—	**—**	—	**—**	—
111	228	**8 280**	15 923	**1,34%**	1,43%

Sanlam Employee Benefits		Intra-cluster consolidation		Total	
2015	2014	**2015**	2014	**2015**	2014
3 573	3 252	**(22)**	(19)	**8 487**	7 911
(50)	(55)	**—**	—	**(248)**	(249)
3 523	3 197	**(22)**	(19)	**8 239**	7 662
(2 135)	(2 063)	**—**	—	**(2 135)**	(2 063)
(887)	(809)	**22**	19	**(4 441)**	(3 944)
501	325	**—**	—	**1 663**	1 655
—	—	**—**	—	**214**	272
501	325	**—**	—	**1 877**	1 927
(140)	(91)	**—**	—	**(426)**	(425)
—	—	**—**	—	**(34)**	(34)
361	234	**—**	—	**1 417**	1 468
392	386	**—**	—	**386**	399
180	156	**—**	—	**189**	178
212	230	**—**	—	**197**	221
—	—	**—**	—	**(185)**	188
753	620	**—**	—	**1 618**	2 055

2. Cluster information (continued)

2.3 Sanlam Investments (continued)

Analysis of net result from financial services

R million	2015	2014*
Investment Management	**820**	934
Investment Management SA	**515**	536
Wealth Management	**153**	163
International	**192**	242
Support services	**(40)**	(7)
Capital Management	**162**	232
Asset management operations	**982**	1 166
Covered business:		
Sanlam Employee Benefits	**361**	234
Sanlam UK	**74**	68
Sanlam Investments total	**1 417**	1 468

* *Comparative information has been adjusted for the reallocation of the Sanlam Africa Funds from Capital Management to Investment Management.*

Assets under management

	Assets under management		Fee income		Administration cost	
	2015 R million	2014 R million	**2015 %**	2014 %	**2015 %**	2014 %
Investment Management	**782 685**	758 132				
Investment Management SA	**623 414**	604 309	**0,31**	0,30	**0,22**	0,21
Wealth Management	**177 655**	163 091	**0,73**	0,72	**0,61**	0,58
International	**143 962**	131 863	**0,71**	0,71	**0,54**	0,53
Inter-cluster eliminations	**(162 346)**	(141 131)	**–**		**–**	
Capital Management	**3 860**	3 372	**0,74**	0,75	**0,70**	0,71
Asset management operations	**786 545**	761 504				
Covered business						
Sanlam Employee Benefits	**76 191**	74 115				
Sanlam UK	**51 787**	39 787				
Sanlam Investments total	**914 523**	875 406				

2. Cluster information (continued)

2.3 Sanlam Investments (continued)

Assets under management

Asset mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
2015						
Investment Management SA	**143 451**	**276 206**	**70 838**	**17 088**	**115 831**	**623 414**
Wealth Management	**—**	**103 407**	**70 632**	**—**	**3 616**	**177 655**
International	**—**	**—**	**143 962**	**—**	**—**	**143 962**
Capital Management	**—**	**3 122**	**728**	**—**	**10**	**3 860**
Inter-cluster consolidation						**(162 346)**
Assets under management – Sanlam Investments	**143 451**	**382 735**	**286 160**	**17 088**	**119 457**	**786 545**
2014						
Investment Management SA	143 188	271 801	61 997	17 790	109 533	604 309
Wealth Management	—	101 512	58 091	—	3 488	163 091
International	—	—	131 863	—	—	131 863
Capital Management	—	2 829	533	—	10	3 372
Inter-cluster consolidation						(141 131)
Assets under management – Sanlam Investments	143 188	376 142	252 484	17 790	113 031	761 504

2. Cluster information (continued)

2.3 Sanlam Investments (continued)

Sanlam Employee Benefits

R million	2015	2014
Analysis of attributable earnings		
Net result from financial services	**361**	234
Risk underwriting	**210**	227
Investment and other	**128**	10
Working capital management	**42**	40
Administration	**(19)**	(43)
Net investment return	**392**	386
Net investment income	**180**	156
Net investment surpluses	**212**	230
Normalised attributable earnings	**753**	620
Analysis of premiums		
Recurring premiums	**487**	305
Guaranteed	**186**	69
Risk	**301**	236
Single premiums	**2 426**	9 849
Guaranteed	**1 069**	1 296
Risk	**70**	—
Retirement	**566**	—
Annuity	**565**	8 553
Special structures	**156**	—
Total	**2 913**	10 154

Sanlam Investments and Pensions (included in Investment Management above)

R million	2015	2014
Analysis of attributable earnings		
Financial services income	**292**	271
Sales remuneration	**(129)**	(114)
Income after sales remuneration	**163**	157
Administration cost	**(89)**	(89)
Gross results from financial services	**74**	68
Tax on result from financial services	**—**	—
Net result from financial services	**74**	68
Net investment return	**2**	3
Normalised attributable earnings	**76**	71

2.4 Santam

	2015	2014
Business volumes		
Gross written premiums	**24 319**	22 710
Net earned premiums	**18 522**	17 222
Net fund flows	**7 012**	6 344
Analysis of earnings		
Gross result from financial services	**2 321**	1 968
Net result from financial services	**933**	801
Ratios		
Admin cost ratio	**18,9%**	18,9%
Claims ratio	**62,1%**	63,2%
Underwriting margin	**9,6%**	8,7%

2. Cluster information (continued)

2.5 Valuation methodology

The fair value of the unlisted Sanlam Investments businesses has been determined by the application of the following valuation methodologies:

R million	Fair value 2015	Fair value 2014
Valuation method		
Ratio of price to assets under management[1]	**—**	10 802
Sanlam Investments	**—**	10 334
Investment Management SA	**—**	4 610
Wealth Management	**—**	2 360
International	**—**	3 279
Capital Management	**—**	85
Sanlam Emerging Markets	**—**	468
Discounted cash flows	**28 915**	12 433
Sanlam Investments	**13 785**	1 175
Investment Management SA	**5 557**	238
Wealth Management	**2 868**	162
International	**5 175**	775
Capital Management	**185**	—
Sanlam Emerging Markets	**11 407**	8 249
Shriram Capital[2]	**7 594**	5 595
Letshego[2]	**1 106**	923
Pacific & Orient	**812**	704
Capricorn Investment Holdings[2]	**877**	845
Other operations	**1 018**	182
Sanlam Personal Finance	**3 723**	3 009
Glacier	**1 605**	1 542
Sanlam Personal Loans	**913**	907
Afrocentric	**703**	—
Other operations	**502**	560
Net asset value	**2 571**	1 518
Sanlam Investments	**1 417**	780
Investment Management SA	**578**	(25)
International	**239**	205
Capital Management	**600**	600
Sanlam Emerging Markets	**1 154**	738
	31 486	24 753

[1] Businesses previously valued on a ratio of price to assets under management basis were changed to a discounted cash flow basis to ensure a consistent valuation basis across all unlisted Group operating businesses.

[2] Includes the listed businesses at directors' valuation of R6 183 million (2014: R4 669 million) for Shriram Capital, R1 106 million (2014: R923 million) for Letshego and R877 million (2014: R845 million) for Capricorn Investment Holdings. The listed values of these operations are R6 634 million (2014: R6 552 million), R1 250 million (2014: R997 million) and R1 169 million (2014: R949 million) respectively.

2. Cluster information (continued)

2.5 Valuation methodology (continued)

The main assumptions applied in the primary valuation for the unlisted businesses are presented below. The sensitivity analysis is based on the following changes in assumptions:

	Change in assumption 2015
Risk discount rate (RDR)	**1,0**
Perpetuity growth rate (PGR)	**1,0**

R million	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Discounted cash flows	RDR = 15,4% (2014: 16,6%)	28 915	32 504	26 057
Perpetuity growth rate	PGR = 2,5 – 5% (2014: 2,5 – 5%)	28 915	27 533	30 664

3. Investments

R million	2015	2014
3.1 Investment in associated companies		
Shriram Capital and Shriram Transport Finance Company	**7 704**	5 648
Letshego	**1 784**	1 523
Pacific & Orient	**1 043**	1 005
Capricorn Investment Holdings	**920**	844
Afrocentric	**703**	—
Other associated companies	**2 520**	1 931
Total investment in associated companies	**14 674**	10 951
Details of the investments in the material associated companies are reflected in note 7 on page 328 of the Sanlam Group financial statements.		
3.2 Investment in joint ventures		
Sanlam Personal Loans	**739**	626
Other joint ventures	**133**	—
Total investment in joint ventures	**872**	626
Details of the investments in material joint ventures are reflected in note 7 on page 331 of the Sanlam Group financial statements.		

3. Investments (continued)

3.3 Investments include the following offshore investments

R million	2015	2014
Investment properties	**880**	549
Equities	**305**	922
Structured transactions	**(10)**	—
Interest-bearing investments	**2 518**	2 363
Investment funds	**2 519**	2 079
Cash, deposits and similar securities	**7 255**	1 009
Total offshore investments	**13 467**	6 922

4. Financial services income

Equity-accounted earnings included in financial services income		
Sanlam Personal Finance	**225**	200
Sanlam Emerging Markets	**1 392**	1 498
Santam	**45**	54
Sanlam Investments	**37**	27
	1 699	1 779

5. Sales remuneration

Life operations	**3 830**	3 308
Non-life operations	**2 169**	2 015
	5 999	5 323

6. Administration costs

Life operations	**5 502**	4 941
Non-life operations	**8 130**	7 252
	13 632	12 193
Depreciation included in administration costs:		
Sanlam Personal Finance	**106**	93
Sanlam Emerging Markets	**66**	40
Sanlam Investments	**21**	19
Santam	**67**	58
	260	210

for the year ended 31 December 2015

7. Investment income

R million	2015	2014
Equities and similar securities	**654**	491
Interest-bearing, preference shares and similar securities	**679**	794
Properties	**20**	45
Rental income	**21**	46
Contingent rental income	**4**	4
Rental-related expenses	**(5)**	(5)
Total investment income	**1 353**	1 330
Interest expense netted off against investment income	**398**	379

8. Normalised diluted earnings per share

Cents	2015	2014
Normalised diluted earnings per share:		
Net result from financial services	**355,2**	336,2
Headline earnings	**432,5**	407,6
Profit attributable to shareholders' fund	**437,0**	427,3
R million		
Analysis of normalised earnings (refer shareholders' fund income statement on page 170):		
Net result from financial services	**7 269**	6 879
Headline earnings	**8 851**	8 340
Profit attributable to shareholders' fund	**8 942**	8 744
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 351	**9 300**	8 325
(Less)/Add: Fund transfers	**(449)**	15
Normalised headline earnings	**8 851**	8 340
Million		
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 351)	**2 024,0**	2 022,8
Add: Weighted average Sanlam shares held by policyholders	**22,3**	23,4
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 046,3**	2 046,2

9. Value per share

R million	2015	2014
Fair value per share is calculated on the Group shareholders' fund at fair value of R74 660 million (2014: R68 037 million), divided by 2 046,6 million (2014: 2 048,3 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of 55 464 million (2014: R47 927 million), divided by 2 046,6 million (2014: 2 048,3 million) shares.		
Equity value per share is calculated on the Group Equity Value of R103 506 million (2014: R95 936 million), divided by 2 046,6 million (2014: 2 048,3 million) shares.		
Number of shares for value per share		
Number of ordinary shares in issue	**2 166,5**	2 166,5
Shares held by subsidiaries in shareholders' fund	**(141,2)**	(142,1)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	**21,3**	23,9
Adjusted number of shares for value per share	**2 046,6**	2 048,3

10. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,8 (2014: 8,4) to the after-tax recurring corporate expenses.

11. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2015 and 2014 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 142 000 shares at an average price of R46,85 in terms of general authorities. The total consideration paid of R6,7 million was funded from existing cash resources. All purchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the other counterparties. Authority to repurchase 108,2 million shares, or 4,99% of Sanlam's issued share capital at the time, remains outstanding in terms of the general authority granted at the annual general meeting held on 3 June 2015. The financial effect of the share repurchases during 2015 on the IFRS earnings and net asset value per share is not material.

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12. Reconciliations

12.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	2015 Total	Share-holder activities	Policy-holder activities[1]	IFRS adjust-ments[2]
Net income	85 293	52 608	30 018	2 667
Financial services income	53 754	49 365	—	4 389
Reinsurance premiums paid	(6 831)	—	—	(6 831)
Reinsurance commission received	1 275	—	—	1 275
Investment income	25 241	1 353	17 903	5 985
Investment surpluses	13 942	1 890	12 115	(63)
Finance cost – margin business	(101)	—	—	(101)
Change in fair value of external investors liability	(1 987)	—	—	(1 987)
Net insurance and investment contract benefits and claims	(47 675)	(18 139)	(29 550)	14
Long-term insurance contract benefits	(15 247)	(6 629)	(7 814)	(804)
Long-term investment contract benefits	(21 736)	—	(21 736)	—
General insurance claims	(14 206)	(11 510)	—	(2 696)
Reinsurance claims received	3 514	—	—	3 514
Expenses	(23 024)	(19 689)	—	(3 335)
Sales remuneration	(7 269)	(5 999)	—	(1 270)
Administration costs	(15 755)	(13 690)	—	(2 065)
Impairments	(173)	(109)	—	(64)
Amortisation of intangibles	(382)	(306)	—	(76)
Net operating result	14 039	14 365	468	(794)
Equity-accounted earnings	1 310	57	—	1 253
Finance cost – other	(580)	—	—	(580)
Profit before tax	14 769	14 422	468	(121)
Tax expense	(3 859)	(3 651)	(468)	260
Shareholders' fund	(3 078)	(3 651)	—	573
Policyholders' fund	(781)	—	(468)	(313)
Profit from continuing operations	10 910	10 771	—	139
Profit for the year	10 910	10 771	—	139
Attributable to:				
Shareholders' fund	9 391	8 942	—	449
Non-controlling interest	1 519	1 829	—	(310)
	10 910	10 771	—	139

[1] *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group statement of comprehensive income.*

[2] *IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

	2014		
Total	Share-holder activities	Policy-holder activities[1]	IFRS adjust-ments[2]
92 060	48 813	41 428	1 819
49 683	45 713	—	3 970
(6 341)	—	—	(6 341)
1 125	—	—	1 125
22 491	1 330	16 236	4 925
28 891	1 770	25 192	1 929
(105)	—	—	(105)
(3 684)	—	—	(3 684)
(58 626)	(17 453)	(41 185)	12
(26 388)	(6 575)	(19 017)	(796)
(22 168)	—	(22 168)	—
(14 404)	(10 878)	—	(3 526)
4 334	—	—	4 334
(20 811)	(17 639)	—	(3 172)
(6 442)	(5 323)	—	(1 119)
(14 369)	(12 316)	—	(2 053)
(140)	(101)	—	(39)
(240)	(210)	—	(30)
12 243	13 410	243	(1 410)
1 603	88	—	1 515
(517)	—	—	(517)
13 329	13 498	243	(412)
(3 534)	(3 490)	(243)	199
(3 007)	(3 490)	—	483
(527)	—	(243)	(284)
9 795	10 008	—	(213)
9 795	10 008	—	(213)
8 729	8 744	—	(15)
1 066	1 264	—	(198)
9 795	10 008	—	(213)

Shareholders' information

1 2 3 4 5 6

12. Reconciliations (continued)

12.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

R million	Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
	31 December 2015			
Assets				
Equipment	892	866	26	—
Owner-occupied properties	1 329	845	484	—
Goodwill	3 895	3 895	—	—
Other intangible assets	487	443	44	—
Value of business acquired	1 943	1 943	—	—
Deferred acquisition costs	3 463	2 853	610	—
Long-term reinsurance assets	945	—	945	—
Investments	590 894	57 745	534 992	(1 843)
Properties	11 606	1 010	10 596	—
Associated companies	14 674	14 674	—	—
Joint ventures	1 325	872	453	—
Equities and similar securities	189 214	5 970	185 087	(1 843)
Interest-bearing investments	165 260	15 890	149 370	—
Structured transactions	14 179	1 703	12 476	—
Investment funds	157 289	6 355	150 934	—
Cash, deposits and similar securities	37 347	11 271	26 076	—
Deferred tax	368	368	—	—
Assets of disposal groups classified as held for sale	540	540	—	—
General insurance technical assets	4 251	4 251	—	—
Net defined benefit asset	—	—	—	—
Working capital assets	65 501	46 999	18 502	—
Trade and other receivables	45 360	28 084	17 276	—
Cash, deposits and similar securities	20 141	18 915	1 226	—
Total assets	674 508	120 748	555 603	(1 843)
Equity and liabilities				
Shareholders' fund	53 621	55 464	—	(1 843)
Non-controlling interest	6 571	6 571	—	—
Long-term policy liabilities	480 910	—	480 910	—
Insurance contracts	183 972	—	183 972	—
Investment contracts	296 938	—	296 938	—
Term finance	5 637	5 184	453	—
External investors in consolidated funds	53 641	—	53 641	—
Cell owners' interest	980	980	—	—
Deferred tax	2 180	1 098	1 082	—
Liabilities of disposal groups classified as held for sale	—	—	—	—
Structured transactions liabilities	2 374	34	2 340	
General insurance technical provisions	13 523	13 523	—	—
Working capital liabilities	55 071	37 894	17 177	—
Trade and other payables	52 751	35 875	16 876	—
Provisions	319	319	—	—
Taxation	2 001	1 700	301	—
Total equity and liabilities	674 508	120 748	555 603	(1 843)

[1] *Includes the impact of the consolidation of investment funds in terms of IFRS 10.*

	31 December 2014			
	Total	Share-holder activities	Policy-holder activities[1]	Consoli-dation reserve
	723	696	27	—
	1 096	633	463	—
	3 974	3 974	—	—
	439	395	44	—
	2 045	2 045	—	—
	3 281	2 699	582	—
	941	—	941	—
	538 155	48 567	491 478	(1 890)
	10 333	689	9 644	—
	10 951	10 951	—	—
	944	626	318	—
	183 040	9 081	175 849	(1 890)
	161 778	16 224	145 554	—
	12 348	1 148	11 200	—
	133 552	5 919	127 633	—
	25 209	3 929	21 280	—
	365	365	—	—
	1 893	1 893	—	—
	3 964	3 964	—	—
	144	144	—	—
	54 233	45 726	8 507	—
	37 974	30 337	7 637	—
	16 259	15 389	870	—
	611 253	111 101	502 042	(1 890)
	46 037	47 927	—	(1 890)
	5 198	5 198	—	—
	443 672	—	443 672	—
	186 626	—	186 626	—
	257 046	—	257 046	—
	5 775	5 315	460	—
	49 625	—	49 625	—
	925	925	—	—
	2 498	1 524	974	—
	1 466	1 466	—	—
	766	2	764	
	12 592	12 592	—	—
	42 699	36 152	6 547	—
	40 529	34 485	6 044	—
	283	283	—	—
	1 887	1 384	503	—
	611 253	111 101	502 042	(1 890)

for the year ended 31 December 2015

13. Geographical analysis

R million	Per shareholders' fund income statement on page 170	IFRS adjustments (refer note 12.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2015	**49 365**	**4 389**	**53 754**
South Africa	**41 327**	**5 094**	**46 421**
Rest of Africa	**4 769**	**(462)**	**4 307**
Other international[1]	**3 269**	**(243)**	**3 026**
2014	45 713	3 970	49 683
South Africa	38 587	4 882	43 469
Rest of Africa	4 122	(446)	3 676
Other international[1]	3 004	(466)	2 538

R million	Per analysis of shareholders' fund on page 168	Policyholders' fund	Total
Non-current assets[2]			
2015	**11 385**	**1 164**	**12 549**
South Africa	**8 509**	**437**	**8 946**
Rest of Africa	**513**	**219**	**732**
Other international[1]	**2 363**	**508**	**2 871**
2014	12 335	1 116	13 451
South Africa	8 465	437	8 902
Rest of Africa	231	187	418
Other international[1]	3 639	492	4 131

R million	2015	2014
Attributable earnings (per shareholders' fund income statement on page 170)	**9 391**	8 729
South Africa	**7 940**	6 920
Rest of Africa	**1 015**	797
Other international[1]	**436**	1 012

(1) *Other international comprises business in the Netherlands, Europe, United Kingdom, Australia, India and South-East Asia.*
(2) *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.*

Embedded value of covered business

at 31 December 2015

R million	Note	2015	2014
Sanlam Personal Finance		**34 526**	35 444
Adjusted net worth		**8 287**	9 446
Net value of in-force covered business		**26 239**	25 998
Value of in-force covered business		**28 139**	27 872
Cost of capital		**(1 900)**	(1 874)
Sanlam Emerging Markets		**5 486**	5 116
Adjusted net worth		**2 323**	2 324
Net value of in-force covered business		**3 163**	2 792
Value of in-force covered business		**5 317**	4 618
Cost of capital		**(525)**	(384)
Non-controlling interest		**(1 629)**	(1 442)
Sanlam UK[1]		**1 633**	1 193
Adjusted net worth		**778**	391
Net value of in-force covered business		**855**	802
Value of in-force covered business		**1 066**	858
Cost of capital		**(211)**	(56)
Sanlam Employee Benefits[1]		**5 577**	6 640
Adjusted net worth		**3 720**	5 025
Net value of in-force covered business		**1 857**	1 615
Value of in-force covered business		**2 804**	2 520
Cost of capital		**(947)**	(905)
Embedded value of covered business		**47 222**	48 393
Adjusted net worth[2]		**15 108**	17 186
Net value of in-force covered business	1	**32 114**	31 207
Embedded value of covered business		**47 222**	48 393

[1] *Sanlam UK and Sanlam Employee Benefits are part of the Sanlam Investments cluster.*
[2] *Excludes subordinated debt funding of Sanlam Life.*

Change in embedded value of covered business

for the year ended 31 December 2015

R million	Note	2015 Total	2015 Value of in-force	2015 Cost of capital	2015 Adjusted net worth	2014 Total	2014 Value of in-force	2014 Cost of capital	2014 Adjusted net worth
Embedded value of covered business at the beginning of the year		**48 393**	**34 299**	**(3 092)**	**17 186**	43 475	30 720	(3 045)	15 800
Value of new business	2	**1 360**	**3 364**	**(200)**	**(1 804)**	1 592	3 873	(220)	(2 061)
Net earnings from existing covered business		**5 328**	**(703)**	**19**	**6 012**	4 881	(889)	222	5 548
Expected return on value of in-force business		**3 759**	**3 594**	**165**	**–**	3 368	3 210	158	–
Expected transfer of profit to adjusted net worth		**–**	**(5 177)**	**–**	**5 177**	–	(4 598)	–	4 598
Operating experience variances	3	**1 081**	**281**	**(5)**	**805**	991	(82)	(4)	1 077
Operating assumption changes	4	**488**	**599**	**(141)**	**30**	522	581	68	(127)
Expected investment return on adjusted net worth		**1 256**	**–**	**–**	**1 256**	1 179	–	–	1 179
Embedded value earnings from operations		**7 944**	**2 661**	**(181)**	**5 464**	7 652	2 984	2	4 666
Economic assumption changes	5	**(1 608)**	**(1 506)**	**(140)**	**38**	86	74	–	12
Tax changes		**7**	**5**	**1**	**1**	(6)	(2)	–	(4)
Investment variances – value of in-force		**(74)**	**(389)**	**78**	**237**	557	160	1	396
Investment variances – investment return on adjusted net worth		**443**	**–**	**–**	**443**	118	–	–	118
Goodwill on business acquired		**(69)**	**(69)**	**–**	**–**	(162)	(167)	7	(2)
Exchange rate movements		**394**	**454**	**(60)**	**–**	(6)	(4)	(2)	–
Embedded value earnings from covered business		**7 037**	**1 156**	**(302)**	**6 183**	8 239	3 045	8	5 186
Acquired value of in-force		**124**	**51**	**2**	**71**	1 358	589	(55)	824
Transfers from/(to) other Group operations		**–**	**–**	**–**	**–**	(106)	(55)	–	(51)
Transfers from covered business		**(8 332)**	**–**	**–**	**(8 332)**	(4 573)	–	–	(4 573)
Embedded value of covered business at the end of the period		**47 222**	**35 506**	**(3 392)**	**15 108**	48 393	34 299	(3 092)	17 186
Analysis of earnings from covered business									
Sanlam Personal Finance		**4 363**	**267**	**(26)**	**4 122**	5 805	2 038	(32)	3 799
Sanlam Emerging Markets		**1 403**	**397**	**(79)**	**1 085**	932	211	39	682
Sanlam UK		**277**	**208**	**(155)**	**224**	147	68	(4)	83
Sanlam Employee Benefits		**994**	**284**	**(42)**	**752**	1 355	728	5	622
Embedded value earnings from covered business		**7 037**	**1 156**	**(302)**	**6 183**	8 239	3 045	8	5 186

Value of new business

for the year ended 31 December 2015

R million	Note	2015	2014
Value of new business (at point of sale):			
Gross value of new business		**1 729**	1 979
Sanlam Personal Finance		**1 065**	1 191
Sanlam Emerging Markets		**499**	466
Sanlam UK		**28**	33
Sanlam Employee Benefits		**137**	289
Cost of capital		**(215)**	(236)
Sanlam Personal Finance		**(110)**	(107)
Sanlam Emerging Markets		**(51)**	(35)
Sanlam UK		**(2)**	(3)
Sanlam Employee Benefits		**(52)**	(91)
Value of new business		**1 514**	1 743
Sanlam Personal Finance		**955**	1 084
Sanlam Emerging Markets		**448**	431
Sanlam UK		**26**	30
Sanlam Employee Benefits		**85**	198
Value of new business attributable to:			
Shareholders' fund	2	**1 360**	1 592
Sanlam Personal Finance		**955**	1 084
Sanlam Emerging Markets		**294**	280
Sanlam UK		**26**	30
Sanlam Employee Benefits		**85**	198
Non-controlling interest		**154**	151
Sanlam Personal Finance		**—**	—
Sanlam Emerging Markets		**154**	151
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**1 514**	1 743
Geographical analysis:			
South Africa		**1 040**	1 282
Africa		**400**	409
Other international		**74**	52
Value of new business		**1 514**	1 743

Value of new business continued

for the year ended 31 December 2015

R million	2015	2014
Analysis of new business profitability:		
Before non-controlling interest:		
Present value of new business premiums	**54 362**	56 394
Sanlam Personal Finance	**38 572**	34 798
Sanlam Emerging Markets	**7 510**	5 673
Sanlam UK	**3 947**	3 978
Sanlam Employee Benefits	**4 333**	11 945
New business margin	**2,79%**	3,09%
Sanlam Personal Finance	**2,48%**	3,12%
Sanlam Emerging Markets	**5,97%**	7,60%
Sanlam UK	**0,66%**	0,75%
Sanlam Employee Benefits	**1,96%**	1,66%
After non-controlling interest:		
Present value of new business premiums	**51 856**	54 518
Sanlam Personal Finance	**38 572**	34 798
Sanlam Emerging Markets	**5 004**	3 797
Sanlam UK	**3 947**	3 978
Sanlam Employee Benefits	**4 333**	11 945
New business margin	**2,62%**	2,92%
Sanlam Personal Finance	**2,48%**	3,12%
Sanlam Emerging Markets	**5,88%**	7,37%
Sanlam UK	**0,66%**	0,75%
Sanlam Employee Benefits	**1,96%**	1,66%

Notes to the embedded value of covered business

for the year ended 31 December 2015

1. Value of in-force sensitivity analysis

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
Base value at 31 December 2015	**35 506**	**(3 392)**	**32 114**	
Risk discount rate increase by 1%	**33 675**	**(4 025)**	**29 650**	**(8)**
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**36 250**	**(3 206)**	**33 044**	**3**
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	**34 166**	**(3 315)**	**30 851**	**(4)**
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	**35 986**	**(3 083)**	**32 903**	**2**
Expenses and persistency				
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**36 688**	**(3 392)**	**33 296**	**4**
Discontinuance rates decrease by 10%	**36 547**	**(3 492)**	**33 055**	**3**
Insurance risk				
Mortality and morbidity decrease by 5% for life assurance business	**36 927**	**(3 384)**	**33 543**	**4**
Mortality and morbidity decrease by 5% for annuity business	**35 248**	**(3 413)**	**31 835**	**(1)**
Base value at 31 December 2014	34 299	(3 092)	31 207	
Risk discount rate increase by 1%	32 429	(3 792)	28 637	(8)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	35 445	(3 078)	32 367	4
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	33 042	(3 024)	30 018	(4)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	34 806	(2 789)	32 017	3
Expenses and persistency				
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	35 415	(3 092)	32 323	4
Discontinuance rates decrease by 10%	35 292	(3 185)	32 107	3
Insurance risk				
Mortality and morbidity decrease by 5% for life assurance business	35 856	(3 074)	32 782	5
Mortality and morbidity decrease by 5% for annuity business	34 009	(3 130)	30 879	(1)

for the year ended 31 December 2015

2. Value of new business sensitivity analysis

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
Base value at 31 December 2015	**1 560**	**(200)**	**1 360**	
Risk discount rate increase by 1%	**1 373**	**(242)**	**1 131**	**(17)**
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**1 608**	**(197)**	**1 411**	**4**
Expenses and persistency				
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**1 686**	**(200)**	**1 486**	**9**
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	**1 707**	**(200)**	**1 507**	**11**
Discontinuance rates decrease by 10%	**1 767**	**(210)**	**1 557**	**14**
Insurance risk				
Mortality and morbidity decrease by 5% for life assurance business	**1 720**	**(198)**	**1 522**	**12**
Mortality and morbidity decrease by 5% for annuity business	**1 552**	**(199)**	**1 353**	**(1)**

3. Operating experience variances

R million	Total	Value of in-force	Cost of capital	Adjusted net worth
31 December 2015				
Risk experience	**816**	**205**	**–**	**611**
Persistency	**174**	**168**	**(2)**	**8**
Maintenance expenses	**(16)**	**(12)**	**(1)**	**(3)**
Working capital and other	**107**	**(80)**	**(2)**	**189**
Total operating experience variances	**1 081**	**281**	**(5)**	**805**
31 December 2014				
Risk experience	842	38	5	799
Persistency	(64)	(22)	(39)	(3)
Maintenance expenses	22	1	1	20
Working capital and other	191	(99)	29	261
Total operating experience variances	991	(82)	(4)	1 077

for the year ended 31 December 2015

R million	Total	Value of in-force	Cost of capital	Adjusted net worth
4. Operating assumption changes				
31 December 2015				
Risk experience	**810**	**756**	**5**	**49**
Persistency	**(60)**	**13**	**(18)**	**(55)**
Maintenance expenses	**(3)**	**23**	**5**	**(31)**
Modelling improvements and other	**(259)**	**(193)**	**(133)**	**67**
Total operating assumption changes	**488**	**599**	**(141)**	**30**
31 December 2014				
Risk experience	167	107	(2)	62
Persistency	88	(56)	25	119
Maintenance expenses	32	48	(2)	(14)
Modelling improvements and other	235	482	47	(294)
Total operating assumption changes	522	581	68	(127)
5. Economic assumption changes				
31 December 2015				
Investment yields	**(1 603)**	**(1 501)**	**(140)**	**38**
Long-term asset mix assumptions and other	**(5)**	**(5)**	**—**	**—**
Total economic assumption changes	**(1 608)**	**(1 506)**	**(140)**	**38**
31 December 2014				
Investment yields	86	73	1	12
Long-term asset mix assumptions and other	—	1	(1)	—
Total economic assumption changes	86	74	—	12

6. Reconciliation of growth from covered business

R million	2015	2014
The embedded value earnings from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business per note 2 on page 178	**4 484**	3 889
Sanlam Personal Finance	**3 446**	3 110
Sanlam Emerging Markets	**603**	477
Sanlam UK	**74**	68
Sanlam Employee Benefits	**361**	234
Investment return on adjusted net worth	**1 699**	1 297
Embedded value earnings from covered business: value of in-force	**854**	3 053
Embedded value earnings from covered business	**7 037**	8 239

7. Economic assumptions

Gross investment return, risk discount rate and inflation

Sanlam Life

	2015	2014
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**10,1%**	8,1%
Equities and offshore investments	**13,6%**	11,6%
Hedged equities	**9,5%**	8,6%
Property	**11,1%**	9,1%
Cash	**9,1%**	7,1%
Gross return on required capital[1]	**9,8%**	9,3%
Net return on required capital[1]	**8,4%**	7,6%
Inflation rate[2]	**8,1%**	6,1%
Risk discount rate	**12,6%**	10,6%

[1] *2014 return has been adjusted to exclude the assets matching the subordinated debt. This is consistent with the 2015 disclosure and in line with how the asset mix was modelled in the 2014 and 2015 valuations.*

[2] *Expense inflation of 10,1% (2014: 8,1%) assumed for retail business administered on old platforms.*

7. Economic assumptions (continued)

	2015	2014
SDM Limited		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**9,6%**	7,6%
Equities and offshore investments	**13,1%**	11,1%
Hedged equities	**n/a**	n/a
Property	**10,6%**	8,6%
Cash	**8,6%**	6,6%
Gross return on required capital	**10,9%**	8,9%
Net return on required capital	**8,7%**	7,1%
Inflation rate	**7,6%**	5,6%
Risk discount rate	**12,1%**	10,1%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**2,4%**	2,2%
Equities and offshore investments	**5,6%**	5,4%
Hedged equities	**n/a**	n/a
Property	**5,6%**	5,4%
Cash	**2,4%**	2,2%
Gross return on required capital	**2,4%**	2,2%
Net return on required capital	**1,9%**	1,8%
Inflation rate	**3,2%**	2,9%
Risk discount rate	**6,1%**	5,9%
Botswana Life Insurance		
Fixed-interest securities	**7,5%**	7,5%
Equities and offshore investments	**11,0%**	11,0%
Hedged equities	**n/a**	n/a
Property	**8,5%**	8,5%
Cash	**6,5%**	6,5%
Gross return on required capital	**8,8%**	8,8%
Net return on required capital	**6,6%**	6,6%
Inflation rate	**4,5%**	4,5%
Risk discount rate	**11,0%**	11,0%

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 60bps (2014: 25bps and 55bps) for non-participating annuities, between 25bps and 75bps (2014: 25bps to 75bps) for inflation-linked annuities and capped at 80bps (2014: between 50bps and 110bps) for guarantee plans.

7. Economic assumptions (continued)

Asset mix for assets supporting required capital

	2015	2014
Sanlam Life [1]		
Equities	–	31%
Offshore investments	8%	12%
Hedged equities	80%	15%
Cash	12%	42%
	100%	100%
SDM Limited		
Equities	50%	50%
Cash	50%	50%
	100%	100%
Sanlam Life and Pensions		
Cash	100%	100%
	100%	100%
Botswana Life Insurance		
Equities	50%	50%
Cash	50%	50%
	100%	100%

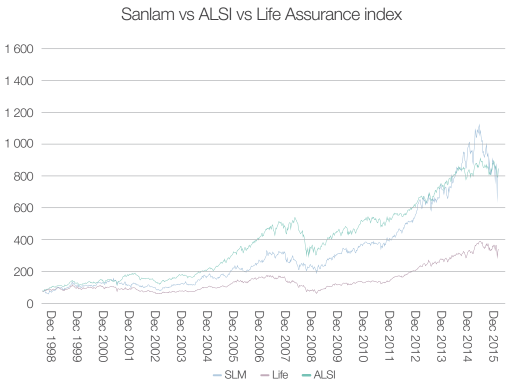
[1] *Towards the end of 2015 the strategic asset allocation of the balanced portfolio for Sanlam Life was revised including using the investment in Santam to back a portion of required capital. Refer Financial Review on page 96. 2014 percentages have been adjusted to exclude the assets matching the subordinated debt. This is consistent with the 2015 disclosure and in line with how the asset mix was modelled in the 2014 and 2015 valuations.*

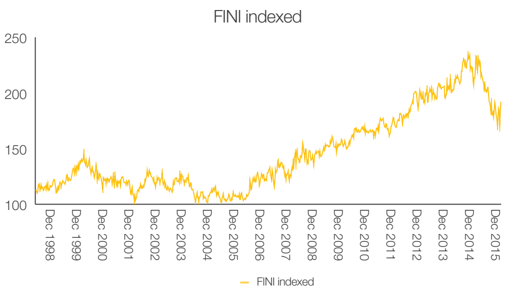
Stock exchange performance

		2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of shares traded	million	**1 363**	1 086	1 247	1 160	1 082	1 059	1 259	1 490	1 474
Value of shares traded	R million	**90 444**	65 974	58 841	41 074	29 578	25 986	23 714	27 175	32 300
Percentage of issued shares traded	%	**63**	50	59	55	52	50	58	66	64
Price/earnings ratio	times	**14,0**	17,2	13,5	15,3	11,6	11,1	10,4	12,9	10,3
Return on Sanlam share price since listing[1]	%	**19**	21	20	20	17	17	17	14	19
Market price	cps									
– Year-end closing price		**6 054**	7 000	5 324	4 477	2 885	2 792	2 275	1 700	2 275
– Highest closing price		**8 217**	7 344	5 518	4 550	3 016	2 829	2 305	2 330	2 412
– Lowest closing price		**4 405**	4 495	4 051	2 831	2 414	2 200	1 351	1 390	1 803
Market capitalisation at year-end	R million	**131 158**	151 653	111 804	94 017	60 585	58 632	49 140	37 232	52 407

[1] *Annualised growth in the Sanlam Limited share price since listing on 30 November 1998 plus dividends paid.*

Sanlam share price relative to FINI (indexed)





Analysis of shareholders

at 31 December 2015

Distribution of shareholding	Total shareholders Number	Total shareholders %	Total shares held Number	Total shares held %
1 – 1 000	413 034	86,74	154 371 755	7,13
1 001 – 5 000	55 582	11,67	109 105 493	5,04
5 001 – 10 000	4 698	0,99	32 326 342	1,49
10 001 – 50 000	2 140	0,45	39 791 234	1,84
50 001 – 100 000	226	0,05	16 262 249	0,75
100 001 – 1 000 000	357	0,07	109 026 379	5,03
1 000 001 and over	128	0,03	1 705 588 354	78,72
Total	**476 165**	**100,00**	**2 166 471 806**	**100,00**

Public and non-public shareholders	% shareholding
Public shareholders (448 686)	64,79
Non-public shareholders	
Directors' interest	0,33
Held by subsidiaries	7,54
Employee pension funds	0,05
Sanlam Limited Share Incentive Trust	1,05
Government Employees Pension Fund (PIC)	12,74
Ubuntu-Botho Investments (Pty) Limited	13,50
Total	**100,00**

Shareholder structure	
Institutional and other shareholding	
Offshore	37,12
South Africa	49,87
Individuals	13,01
Total	**100,00**

Beneficial shareholding of 5% or more:	
Government Employees Pension Fund (PIC)	12,74%
Ubuntu-Botho Investments (Pty) Limited	13,50%

Five-year performance indicators

		2015	2014
Group equity value			
Group Equity Value	R million	**103 506**	95 936
Group Equity Value	cps	**5 057**	4 684
Return on Group Equity Value per share	%	**12,8**	18,5
Business volumes			
New business volumes	R million	**210 842**	182 297
Life business		**39 976**	42 290
Investment business		**150 670**	121 383
General insurance		**20 196**	18 624
Recurring premiums on existing business	R million	**27 349**	25 079
Total inflows (excluding white label)	R million	**238 191**	207 376
Net fund flows (excluding white label)	R million	**19 049**	41 994
SIM funds under management	R billion	**787**	762
New covered business			
Value of new covered business	R million	**1 514**	1 743
Covered business PVNBP	R million	**54 362**	56 394
New covered business margin	%	**2,79**	3,09
Earnings			
Gross result from financial services	R million	**11 595**	10 774
Net result from financial services	R million	**7 269**	6 879
Normalised headline earnings	R million	**8 851**	8 340
Headline earnings	R million	**9 300**	8 325
Net result from financial services	cps	**355,2**	336,2
Normalised headline earnings	cps	**432,5**	407,6
Diluted headline earnings	cps	**437,0**	427,3
Group operating margin	%	**26,7**	26,6
Other			
Sanlam share price	cps	**6 054**	7 000
Dividend	cps	**245**	225
Normal dividend	cps	**245**	225
Special dividend	cps	**—**	—
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**77 970**	68 156
Capital adequacy requirements (CAR)	R million	**8 250**	8 325
CAR covered by prudential capital	times	**5,8**	4,5
Foreign exchange rates			
Closing rate			
Euro		**16,8**	14,01
British pound		**22,8**	18,05
United States dollar		**15,5**	11,57
Average rate			
Euro		**14,1**	14,38
British pound		**19,4**	17,85
United States dollar		**12,7**	10,84
Non-financial[2]			
BEE credentials[3]	level	**2**	2
Corporate Social Investment spend	R million	**74**	67
Office staff turnover	%	**12,38**	11,68
Carbon footprint	Tonnes CO_2/full time employee	**9,54**	9,71
Reduction in electricity usage (kWh/m^2)[4]	%	**24**	15

[1] *Excludes dividends paid.*
[2] *Comparative information presented with effect from year when measure was reported for the first time.*
[3] *Measured in terms of the Financial Sector Charter, apart from 2012 when the Department of Trade and Industry Charter applied to the financial services industry in South Africa.*
[4] *Cumulative decrease compared to 2010 base year.*

2013	2012	2011	Average annual growth rate %
84 409	75 352	63 521	13%
4 121	3 707	3 146	13%(1)
17,0	22	15,7	
154 976	123 072	108 956	18%
31 687	25 436	21 455	17%
105 697	81 670	72 679	20%
17 592	15 966	14 822	8%
22 096	21 271	19 354	9%
177 072	144 343	128 310	
26 113	25 000	24 599	(6)%
677	596	503	12%
1 450	1 278	1 051	10%
44 902	38 129	32 786	13%
3,23	3,35	3,21	
8 179	6 285	6 050	18%
5 429	4 030	3 779	18%
8 060	5 919	5 023	15%
8 062	5 763	5 015	17%
266,0	198,9	187,1	17%
395,0	292,1	248,7	15%
398,4	286,8	250,1	15%
22,2	19,4	20,3	7%
5 324	4 477	2 885	20%
200	215	130	17%
200	165	130	17%
—	50	—	—
60 542	55 466	45 172	15%
7 550	7 125	7 350	
4,5	4,3	3,7	
14,51	11,18	10,48	13%
17,42	13,79	12,55	16%
10,53	8,48	8,07	18%
12,78	10,53	10,06	9%
15,00	12,99	11,59	14%
9,61	8,20	7,22	15%
2	2		
64	34		
10,93	11,60		
9,77	10,56		
11			

Corporate governance

As Wealthsmiths™ we are committed to the highest standard of business integrity, ethical values and governance. We recognise the responsibility to go about every day with prudence and care. Transparency and accountability. Fairness and social responsibility. Because we believe if we're going to do something, the only way is to do it the right way and to do it together. It is the only way we are able to transform lives while safeguarding the values of our business and the interests of our stakeholders.

Corporate governance report

Sana-Ullah Bray

Group Company Secretary

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

Statement of commitment

Our 2015 Annual Report covers the activities of the Sanlam Group. Sanlam Board of directors (the Board) has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on those material issues that impact on our ability to create value. The Board acknowledges its responsibility to ensure the integrity of the Annual Report, which incorporates the Integrated Report. It believes that it addresses all material issues appropriately and that it fairly represents the integrated performance of the Group.

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance and risk management practices, the achievement of the Group's strategic objectives and equity performance. Sanlam subscribes to a governance system whereby, in particular, ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship in support of the Group strategy and to reflect national and international corporate governance standards, developments and best practice in all the territories in which it operates.

The Board promotes and supports high standards of corporate governance and in so doing endorses the principles of the third report on Corporate Governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) Index. The Board remains committed to the full implementation of King III, or appropriate equivalent local governance standards and principles, throughout the Group. With regard to the year under review, the directors of Sanlam believe that the King III principles are entrenched in the internal controls, policies and procedures governing corporate conduct within the Company, its major South African operations, as well as to the extent applicable and appropriate, Group operations outside of South Africa.

Sound governance principles remain one of the top priorities demonstrated by the Board and Sanlam's executive management.

Application of and approach to King III

The Board is satisfied that every effort has been made during 2015 to apply all aspects of King III as far as appropriate.

Details of the Group's application of each King III principle are available online.

The Risk and Compliance committee is satisfied that Sanlam will continue to comply with the King III principles during 2016 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group regularly assesses its compliance levels in respect of King III to ensure that all areas that require improvement are appropriately identified and addressed.

Focus areas during the past financial year included:

- Ongoing compliance with and enhancement of the Sanlam Group Corporate Governance Policy Framework.
- The Sanlam Group strategy was refined in December 2015 and is being implemented.
- The preparation of a comprehensive Sanlam Sustainability Report for 2015.
- Presentation of Sanlam's Remuneration Report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy. The disclosure in the 2015 Remuneration Report was updated in line with developing best practice.
- The annual evaluation of the independent status of Sanlam's directors in accordance with the King III standards and criteria.
- The members of the Sanlam Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2015 and this process will be repeated in 2016 as members are elected annually at the AGM.
- Annual review and approval of Sanlam's risk appetite statement.
- Regular refinement of combined assurance models (CAM) for each significant business within the Group.
- Ongoing adherence to the Group IT Governance Framework and Charter as well as the IT Policy Framework.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus, IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board continues to entrench the principles and recommendations of King III across the Group. The roll-out and implementation of the King III principles at subsidiary, joint venture and associated company level (including non-SA entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

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 King III. 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 achievement of best practice in sustainability are set out in the Annual Report.

Read more about Sanlam's sustainable value creation per key stakeholder group in the Integrated Report from page 45.

A full Sustainability Report is also available online.

Sanlam has once again qualified for the JSE's SRI Index in 2015.

Board structures

All the directors of Sanlam also serve on the Board of Sanlam Life, a wholly owned subsidiary of Sanlam. 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 Chief Executive.

Board responsibilities and functioning

The Sanlam Limited and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The agenda of the Board focuses largely on Group strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE Listings Requirements as well as corporate governance throughout the Group. It is also responsible for overseeing the relationship with key stakeholders in the Group. The Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Nominations
- Non-executive directors
- Customer Interest
- Social, Ethics and Sustainability

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements.

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 Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest

Business divisions and cluster boards

The Sanlam business clusters are Sanlam Investments, Sanlam Personal Finance, Sanlam Emerging Markets and Santam.

Read more about the clusters and their main businesses in the Integrated Report on page 26.

A fifth cluster, the Sanlam Corporate cluster, will be established in 2016 to provide additional focus on Sanlam's corporate client offering.

Each cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs. These chief executives form part of the Sanlam Group Executive committee and are the designated prescribed officers of the Group.

The clusters' function within the strategy approved by the Sanlam Board and according to a set of tight management principles established by the Group Office for the Sanlam Group.

Cluster boards (not all are statutory) exist for each of the clusters. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources and Remuneration (HRRC) forum/committee.

The cluster boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees.

The majority of the operating business decisions are made by these boards and committees working together with the relevant cluster management. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board.

Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiaries, joint ventures 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); coordinating; synergy seeking; performance monitoring; assurance provision; the allocation of capital and support functions.

The Board and Board committees

Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains corporate governance guidelines and recommendations. The current Board charter has been modelled on the principles of sound corporate governance, recommended by King III. The powers of the Board include:

- Determination of the overall objectives for the Group.
- Developing strategies to meet those objectives in conjunction with management.
- Formulation of a clear and concise governance policy which is adhered to.
- The division of the Board's responsibilities and accountability.
- Evaluating performance of the Board, its committee structures and individual directors.

An annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched.

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 2015 financial year-end the Board comprised 17 members, two of whom were non-executive, 11 were independent non-executives (in accordance with King III's standards of independence) and four executive directors.

The roles of Chairman and Group Chief Executive remain separated, with Desmond Smith and Ian Kirk holding these positions respectively. The Group Executive committee members are also attendees at the Board meetings. At least a third of Board members retire every year at Sanlam's annual general meeting (AGM). It had been agreed by the Board that executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. Retiring directors are eligible for re-appointment. None of the non-executive directors has a director's service contract, and all remuneration paid to non-executive directors for their services as a director is in terms of approval, by the shareholders, at the AGM as required by the Companies Act 71 of 2008 (the Act). Executive directors are full-time employees and as such are subject to Sanlam's conditions of service.

Particulars of the Board members and their capacities categorised as executive, non-executive and independent, are set out below.

The Sanlam Board of directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2015
MM Bakane-Tuoane	I	–
AD Botha	I	–
CB Booth	I	Appointed January 2015
PR Bradshaw	I	–
A Duggal		Retired June 2015
IM Kirk	E	Appointed July 2015
JP Möller	E	–
MV Moosa	I	–
PT Motsepe	N	–
MP Mthethwa		Resigned February 2015
TI Mvusi	E	–
SA Nkosi	I	–
KT Nondumo	I	Appointed December 2015
P de V Rademeyer	I	–
Y Ramiah	E	–
RV Simelane	N	–
DK Smith	I	–
CG Swanepoel	I	–
ZB Swanepoel		Resigned December 2015
PL Zim	I	–
J van Zyl		Retired June 2015

Composition of the Board as at 31 December 2015: South African: Four black females, five black males and six white males. International: Two independent non-executive directors are foreign directors (United Kingdom).

More information on individual directors' qualifications and experience is provided at the end of this report.

Independence of Board members

Through the Chairman and the Nominations committee the Board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2015 classification. Their independence in character and judgement (nine-year rule), 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 of Sanlam and Sanlam Life are highly respected and experienced, having the required integrity, professional knowledge and skills to exercise sound judgement on various key issues relevant to the business of Sanlam, independent of management.

The Nominations committee is of the view that all the non-executive directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, as well as IM Kirk, JP Möller, TI Mvusi and Y Ramiah 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. The Nominations committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance, risk management and sustainability. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are also taken into account, in accordance with Sanlam's commitment to transformation.

Sanlam's Memorandum of Incorporation empowers the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Memorandum of Incorporation, non-executive directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for re-appointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. In the interest of good governance, executive directors are also put forward for re-election as directors on a similar basis. All directors are consequently appointed on an individual basis at an AGM by a shareholders' resolution.

Education and induction

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes as well as relevant developments that could affect the Group and its operations. The office of the Company Secretary manages the induction programme. Ongoing support and resources are also provided to Board members as required, in order to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting the Group or its businesses.

Board effectiveness evaluation

Every year, a collective Board effectiveness evaluation is conducted by the Chairman. This assessment, which is performed annually with the assistance of an external service provider and 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. 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 names and short curricula vitae of the directors standing for re-election at the 2016 AGM are contained in the proposed resolutions for the AGM.

The annual Board effectiveness review for 2015 was conducted externally by Deloitte. It was reported that the Board and committees were functioning very well and there were no material matters to report.

Board meetings

The Board meets at least quarterly to consider the 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.

In addition to the quarterly Board meetings, a two-day strategy session is held and is attended by all Board members and Group Executive committee members, reviewing Group strategy which is considered and approved annually.

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 does 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 questions. For the period under review, all the committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters. The committee membership below is as at 31 December 2015.

Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice the functions of the Audit and Risk committee continue to be split into two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

Members and dates of appointment:
P de V Rademeyer (Chairman) (08/06/2011), PR Bradshaw (04/12/2013), CB Booth (01/01/2015). K Nondumo was appointed on 01/01/2016).

Attendees:
Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required), heads of control functions as well as expert invitees: CG Swanepoel, AS du Plessis, PJ Cook, D Ladds and AP Zeeman.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Act, the individual members of the committee are appointed annually by the shareholders at the AGM for the ensuing financial year. The committee consists of three (four from 1 January 2016) members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

To oversee the preparation of the sustainability information provided in the Integrated Report and to review the assurances provided regarding the sustainability information, the chairman of the Audit committee is also a member of the Social, Ethics and Sustainability committee. Likewise, the chairman of last-mentioned committee is also invited to meetings of the Audit committee when the Sustainability report is addressed.

The Audit committee has formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Act, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the Group's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the Annual Report to the Board for approval. 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. As required by the Act, the committee annually reviews compliance of the external auditor with the non-audit services policy of the Group.

The Audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

In terms of the JSE Listings Requirements, the Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2015 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2015 the committee also confirmed that it is and was satisfied that Mr JP Möller, the Financial Director of Sanlam, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive. As part of Sanlam's corporate governance practices, the interim financial results were reviewed by the external auditor.

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit committee for all non-audit services. As required by the Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has recommended the reappointment of Ernst & Young Inc. as external auditor for the 2016 financial year and Ms JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam on behalf of Ernst & Young Inc.

Ernst & Young Inc. being the audit firm, as well as Ms JC de Villiers, being Sanlam's individual auditor for 2015, have been accredited on the JSE Limited (JSE) list of auditors in terms of the criteria in the JSE Listings Requirements.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets at least four times a year.

The Audit, Actuarial and Finance (Audit) committee report for the 2015 financial year

The Audit committee has pleasure in submitting this report, as required in terms of the Act. The Audit committee consists of three non-executive directors who act independently as described in section 94 of the Act. During the period under review, four meetings were held and all the committee members attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the committee charter, some of which are elaborated upon in the Corporate Governance report. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

The Audit committee has recommended the Annual Report, incorporating the Integrated Report to the Board for approval.

P de V Rademeyer
Audit committee Chairman

Risk and Compliance committee (Risk committee)

Members and dates of appointment:
CG Swanepoel (Chairman) (8/06/2011), PR Bradshaw (04/12/2013), CB Booth (01/01/2015), JP Möller (08/12/2010), P de V Rademeyer (08/06/2011), K Nondumo (appointed 01/01/2016).

Attendees:
Group Chairman, Group Chief Executive, Group Chief Risk Officer, Head of Group Compliance, Chief/Statutory Actuary, Chief Audit Executive, the heads of business clusters (as required), heads of control functions as well as expert invitees: AS du Plessis, PJ Cook, D Ladds and AP Zeeman.

This committee is chaired by an independent non-executive director and further comprises three other independent non-executive directors, as well as the Group Financial Director. In view of this committee's Group-wide role, the external audit partners as well as other assurance providers also attend the committee meetings.

The role of the Risk committee is to advise and assist the Board in fulfilling its responsibility with regard to overseeing the design and implementation of Sanlam's Group risk assurance framework and responsibilities. The Risk committee assists the Board, including but not limited to:

- Determining the risk appetite and level of risk tolerance for the Group;
- Setting and implementing the Group risk assurance framework and supporting policies;
- Setting and implementing compliance related policies;
- Evaluating the adequacy and efficiency of the risk management system;
- Identifying the buildup and concentration of the various risks to which the Group is exposed;
- Establishing an independent risk management function;
- Establishing a process for appropriate risk disclosures to stakeholders;
- Ensuring that a formal assessment of the risk management processes is undertaken; and
- Overseeing the state of IT Governance and information management and security across the Group.

The committee evaluates risk areas, including but not limited to:

- Strategic risks;
- Market and credit risks;
- Asset Liability Mismatch risk;
- Funding liquidity risks;
- Insurance risks (life business);
- Insurance risks (general insurance business);
- Insurance fraud risks;
- Operational risks;
- Reputational risks;
- Compliance risks;
- Legal and regulatory risks;
- Information systems and cyber risks;
- Environmental and associated risks; and
- Market conduct risks.

The committee annually reviews the performance of Sanlam's Chief Risk Officer and the Head of Group Compliance. The committee's charter is reviewed annually by the Board to ensure that it is aligned with national and international corporate governance best practices. The Risk committee is satisfied with the effectiveness and performance of the Company's risk management processes as well as the performance of the Chief Risk Officer and Head of Group Compliance.

The committee meets four times a year.

Actuarial forum

An Actuarial forum was established in November 2015 as an internal committee to assist the Audit & Risk committees in fulfilling their duties regarding actuarial related matters.

Human Resources and Remuneration committee

Members:

AD Botha (Chairman), DK Smith, PT Motsepe and MM Bakane-Tuoane.

Attendees:

Group Chief Executive and Group Human Resources Executive.

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 all the Group Executive committee members, as well as 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 Human Resources and Remuneration committee).

In accordance with the King III recommendations, the Company's remuneration policy is tabled to shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express their views on the remuneration policies and their implementation. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and which helps to ensure that directors pay stronger attention to the elements of compensation that mattered most to investors, such as linking performance and business strategy. At the 2015 AGM, shareholders endorsed the Company's remuneration policy.

The committee meets four times a year.

Nominations committee

Members:

DK Smith (Chairman), MM Bakane-Tuoane and PT Motsepe.

Attendees:

Group Chief Executive.

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 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 shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least four times a year.

Succession planning is a key focus area within the Group. The Nominations committee considers the composition of the Board and its committees on an ongoing basis. The Board is satisfied that the current talent pool available within the Group and the work being done to strengthen it, provides Sanlam with a pool of candidates that have the necessary skills and experience to fill any vacancies that may arise in the short and long term.

Committee of non-executive directors

Members:
DK Smith (Chairman), MM Bakane-Tuoane, AD Botha, PR Bradshaw, CB Booth, MV Moosa, PT Motsepe, SA Nkosi, KT Nondumo, P de V Rademeyer, RV Simelane, CG Swanepoel and PL Zim.

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 King III, and ensures that appropriate and balanced corporate governance practices and processes are entrenched 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 scheduled Board meetings.

Social, Ethics and Sustainability committee (SES committee)

Members:
MV Moosa (Chairman), TI Mvusi, P de V Rademeyer, Y Ramiah, RV Simelane and PL Zim.

Attendees:
Group Chief Executive, Group Human Resources Executive and heads of business clusters (as required).

The Social, Ethics and Sustainability committee is a committee established in terms of section 72 and Regulation 43 of the Act.

The committee's statutory functions are set out in the above mentioned regulation and are supplemented as set out in the committee charter, some of which we elaborate on in this report. The committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability material and relevant issues that have a significant impact on the Group and its stakeholders. This committee also addresses transformation, 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 issues, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such issues throughout the Group.

The committee annually reviews Sanlam's social, ethics and sustainability strategy and structures. It also monitors performance against specific pre-set targets and objectives. The committee considers Sanlam's Sustainability Report (including the report from the independent assurance provider, Ernst & Young Inc.) and recommends the approval thereof to the Board.

Suitably qualified persons are co-opted onto the committee when necessary to render specialist services.

The committee meets four times a year.

Customer Interest committee

Members:
CG Swanepoel (Chairperson), MM Bakane-Tuoane, DK Smith and PR Bradshaw.

Attendees:
Group Chief Executive, Chief Actuary and selected members of senior management.

The Sanlam Customer Interest committee reviews and monitors all customer-related decisions and other related matters in the Sanlam Group at a strategic level.

The committee's main function is to act as an advisory body and to provide guidance to the Sanlam Board on strategic issues relating to customers. The committee will also provide guidance to management on relevant issues when requested to do so.

In general, the committee will endeavour to provide guidance on questions that would typically arise in respect of the six fairness outcomes as defined by the FSB under the proposed Treating Customers Fairly (TCF) legislation, being:

- Outcome 1: Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm's culture;
- Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly;
- Outcome 3: Customers are given clear information and are kept appropriately informed before, during and after the time of contracting;
- Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances;
- Outcome 5: Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect;
- Outcome 6: Customers do not face unreasonable post-sale barriers to change a product, switch provider, submit a claim or make a complaint.

The committee has been established by the Board to monitor how effectively Sanlam meets its obligations to its customers. The committee will perform its responsibilities in addition to Sanlam's existing complaints handling and its internal arbitrator facilities and will not take on any of the responsibilities of those bodies.

Ad hoc Board subcommittees

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

In addition to the above mentioned Board committees, there is also a:

Group Executive committee
Members:
IM Kirk (Group Chief Executive and Chairman), H Brody, L Lambrechts, JP Möller, TI Mvusi, R Roux, Y Ramiah, HC Werth and A Gildenhuys.

The 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, coordination and monitoring performance.

The committee comprises the Group Chief Executive, heads of business clusters and the heads of Group service functions. Members of the committee are prescribed Sanlam officers as defined in the Act. The committee meets every fortnight or as scheduled.

Attendance of meetings

During the period under review the Board and committee members' attendance were as follows:

Attendance: Board and committee meetings: 2015

Directors	Board meeting		Audit committee	Risk and Compliance committee	Human Resources and Remuneration	Nominations committee	Social, Ethics and Sustainability committee		Customer Interest committee
	Planned/ held 5/5	Ad hoc 1#	Planned/ held 4/4	Planned/ held 4/4	Planned/ held 4/4	Planned/ held 4/4	Planned/ held 4/4	Ad hoc 1#	Planned/ held 4/4
MM Bakane-Tuoane	5/5	1			4/4	4/4			4/4
AD Botha	5/5	1			4/4				
PR Bradshaw	4/5	1	4/4	4/4					4/4
CB Booth	5/5	1	4/4	4/4					
A Duggal *	1/2						1/2	0/1	
IM Kirk **	3/3	1	2/2	2/2	2/2	2/2	2/2	1	2/2
MV Moosa	5/5	1					4/4	1	
JP Möller	5/5	1	4/4	4/4	4/4				
PT Motsepe	5/5	1			3/4	4/4			
MP Mthethwa ***	0/0		0/0	0/0					
TI Mvusi	5/5	1					4/4	1	
SA Nkosi	4/5	1							
KT Nondumo ****	0/0		0/0	0/0					
P de V Rademeyer	5/5	1	4/4	4/4			4/4	1	
Y Ramiah	5/5	1					4/4	1	
RV Simelane	5/5	1					4/4	1	
DK Smith	5/5	1	4/4	4/4	4/4	4/4			4/4
ZB Swanepoel	4/5	1					4/4	1	4/4
CG Swanepoel	5/5	1	4/4	4/4					4/4
J van Zyl *	2/2		2/2	2/2	2/2	2/2	2/2	1	2/2
PL Zim	5/5	1					4/4	0/1	4/4

** Retired in June 2015.*
*** Appointed as Group CEO on 3 June 2015, hence attended the planned meetings since then.*
**** Resigned in February 2015.*
***** Appointed in December 2015. There were no scheduled meetings in 2015 since then.*
 # Ad hoc board and committee meetings for specific subjects by selected members.

Company secretary and professional advice

Sana-Ullah Bray was appointed on 01/01/2011, in accordance with the requirements of the Act, as the Group Company Secretary, acting as the Company Secretary of Sanlam and Sanlam Life. The Group Company Secretary is responsible for the execution of all relevant and regulatory requirements applicable to those positions, including those set out in the Act, and the JSE Listings Requirements. The Group Company Secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors.

As required by the JSE Listings Requirements the Board, upon the recommendation of the Nominations committee, confirms that the:

- Group Company Secretary is competent and has the relevant qualifications and experience to be the company secretary;
- Group Company Secretary is not a director of the Company; and
- Board has an arm's-length relationship with the Group Company Secretary.

All directors have unlimited access to the advice and services of the Group Company Secretariat, which office 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. The Group Company Secretary attends all Board and committee meetings.

Dealing in JSE Securities

Sanlam complies with the JSE Listings Requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff with access to price sensitive information are precluded from dealing in Sanlam securities 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 with 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 and duly reported on to the Board. 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 Group Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation and advises them of closed periods.

Sponsors

During the period under review, Deutsche Securities (SA) Proprietary Limited was Sanlam's appointed JSE sponsor.

Investor relations and communication with other stakeholders

Sanlam strives to be a leader in transparent, open and clear communication with all of its shareholders and other 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. A formal Sanlam Stakeholder Engagement Strategy and Communication Policy has been developed for the Sanlam Group of companies. 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, institutional investors, regulatory authorities 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.

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.

Political party support

While it is Sanlam's policy to support the development of democratic institutions and social initiatives across party lines, it does not provide support to any individual political party, financially or otherwise.

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 ethical conduct for the Group.

A Group Ethics committee functions under the chairmanship of the Group Chief Risk Officer and includes representatives of the business clusters and divisions. The Group Ethics committee monitors compliance with the principles underlying the Code of Ethical Conduct 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. Although the 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, our preference is to create an open reporting environment, usually through our line managers. Less than 10% of the 275 callers that have used the hotline since inception felt the need to subsequently remain anonymous. All cases are investigated and a process is in place to track, report and close out all calls received. Actions taken as a consequence of resulting investigations include termination of employment and cancellation of contracts in the case of suppliers and contractors.

In terms of Sanlam's Code of Ethical Conduct, no 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 ethical conduct and to address any breaches of the code. Across the Group, no material breaches of Sanlam's Code of Ethical Conduct were reported during 2015.

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

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 Ethical Conduct, and undermine 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 executives 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 cluster is responsible for the implementation of the policy in his or her respective business cluster and is accountable to the Group Chief Executive and the Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, 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 office, together with the compliance functions of the business clusters and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. No material deviations were reported in 2015.

Board of directors

at 31 December 2015

Desmond Smith

Chairman (68)

Director since 2009

Qualifications: BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Non-executive directors (Chairman), Nominations (Chairman), Sanlam Customer Interest, Human Resources and Remuneration.

Major external positions, directorships or associations: Reinsurance Group of America (SA), Mediclinic International, Stellenbosch Institute for Advanced Studies, Road Accident Fund.

Field of expertise: Financial Markets and Investment; Actuarial; General and International Business; Marketing; Risk Management; Governance.

Patrice Motsepe

Deputy Chairman (54)

Director since 2004

Qualifications: BA Legal, LLB

Sanlam and Sanlam Life committee membership: Nominations, Human Resources and Remuneration, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals (ARM), Harmony, Ubuntu-Botho Investments, Ubuntu-Botho Investments Holdings, African Rainbow Capital, Mamelodi Sundowns Football Club, African Fashion International, JP Morgan International Council, Harvard Global Advisory Council.

Field of expertise: General and International Business; Legal.

Manana Bakane-Tuoane

(67)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada), MA Economics (University of Oregon, USA), BA Economics and Statistics (University BLS (Botswana, Lesotho and Swaziland)), AMP (Harvard)

Sanlam and Sanlam Life committee membership: Nominations, Human Resources and Remuneration, Sanlam Customer Interest, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals.

Field of expertise: Financial Markets and Investment; General Business; Human Resources.

Clement Booth

(62)

Director since 2015

Qualifications: EDP (Wits)

Sanlam and Sanlam Life committee membership: Independent non-executive director.

Major external positions, directorships or associations: Euler Hermes (Paris) (Chairman), Santam, Hyperion Insurance Group (London), Dual (London – subsidiary of Hyperion Insurance Group) (Chairman). Director of Saracens.

Field of expertise: General and International Business; Human Resources; Sustainability; Risk Management; Marketing.

Board of directors continued

at 31 December 2015

Anton Botha

(62)

Director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, EDP (Stanford)

Sanlam and Sanlam Life committee membership: Human Resources and Remuneration (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities, Sanlam Employee Benefits (Divisional Board).

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Imalivest, African Rainbow Minerals.

Fields of expertise: Financial Markets and Investment; General Business; Human Resources; Marketing; International Business.

Paul Bradshaw

(65)

Director since 2013

Qualifications: BSc (Nottingham University), Fellow of the Institute of Actuaries

Sanlam and Sanlam Life committee membership: Sanlam Customer Interest, Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments, Sanlam Private Wealth Holdings UK.

Major external positions, directorships or associations: River & Mercantile plc (chair), Integrated Protection Solutions.

Field of expertise: Actuarial; Financial Markets and Investment; International Business; Risk Management.

Ian Kirk

(58)

Appointed: 2006

Qualifications: FCA (Ireland), CA(SA), HDip BDP

Appointed Chief Executive Officer of Santam from 2007 – 2014

Appointed Deputy Chief Executive Officer of Sanlam on 1 January 2015 and Group Chief Executive Officer on 1 July 2015

Formerly Chief Executive: Strategy and Special Projects at Sanlam.

Director of Santam, Beaux Lane (SA) Properties, Shriram Capital, Afrocentric, Sanlam Life and other subsidiary boards in the Sanlam Group.

Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.

Field of expertise: Financial Markets and Investments; General and International Business.

Kobus Möller

(56)

Appointed: 2003

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Appointed Financial Director in 2006

Executive director of Sanlam and Sanlam Life

Non-executive member of Sanlam Group Cluster boards: Sanlam Personal Finance, Sanlam Employee Benefits, Sanlam Emerging Markets and Sanlam Investments.

Non-executive director of major Sanlam subsidiaries: Santam, Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Sanlam Investment Holdings and Genbel Securities.

Former Chief Executive: Finance of Sanlam, Executive head: Operations and Finance of Sanlam Personal Finance, Executive director: Finance of Impala Platinum Holdings.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Board of directors continued

at 31 December 2015

Valli Moosa

(58)

Director since 2004

Qualifications: BSc Mathematics and Physics

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability (Chairman), Non-executive directors.

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Anglo Platinum, Sappi, WWF-SA.

Field of expertise: General Business; Sustainability; Governance.

Temba Mvusi

(60)

Appointed: 2009

Qualifications: Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and Chairman of IEMAS. Director Northam Platinum.

Former head of External Interface Management, General Manager Services and Marketing Manager Management.

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Legal.

Karabo Nondumo

(37)

Independent non-executive director since December 2015 (member of committees from 2016)

Qualifications: BAcc, HDipAcc, CA(SA)

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Major external positions, directorships or associations: Harmony Gold, Merafe Resources, Rolfes Holdings, Senatla Capital.

Field of expertise: Accounting; Financial Markets and Investments; Risk Management.

Sipho Nkosi

(61)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA, Diploma in Marketing Management, AMP (Oxford)

Sanlam and Sanlam Life committee membership: Non-executive directors.

Major external positions, directorships or associations: Exxaro Resources, Eyesizwe Holdings.

Field of expertise: General and International Business.

Board of directors continued

at 31 December 2015

Flip Rademeyer

(68)

Director since 2011

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors.

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Collective Investments, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board), Safrican, Sanlam Developing Markets.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Yegs Ramiah

(48)

Appointed: 2012

Qualifications: BA LLB, MBA, HDip Tax, AMP (Harvard)

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management and Sanlam Employee Benefits (SEB). Director of Adopt-a-School Foundation.

Field of expertise: General Business; Brand; Communications; Marketing; Legal; Corporate Sustainability; Transformation.

Rejoice V Simelane

(63)

Director since 2004

Qualifications: PhD (Economics) (Connecticut, USA), LLB (UNISA)

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Ubuntu-Botho Investments (CEO), Ubuntu-Botho Holdings, Ubuntu-Botho Investment Holdings, African Rainbow Minerals, African Rainbow Energy and Power, African Rainbow Capital, Mamelodi Sundowns Football Club.

Field of expertise: General Business; Sustainability; Governance; Legal.

Chris Swanepoel

(65)

Director since 2011

Qualifications: BSc (Hons), FASSA

Sanlam and Sanlam Life committee membership: Risk and Compliance (Chairman), Sanlam Customer Interest (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Credit Conduit, Channel Life, Sanlam Developing Markets, Sanlam Personal Finance (Divisional Board), Sanlam Employee Benefits (Divisional Board).

Field of expertise: Actuarial; Risk Management; Financial Markets and Investments.

Board of directors continued

at 31 December 2015

Lazarus Zim

(55)

Director since 2006

Qualifications: BCom (Hons), MCom

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Northam Platinum (Chairman), Zambezi Platinum (RF) (Chairman), Zim Capital and Atisa Group.

Field of expertise: General and International Business; Corporate Sustainability.

Winner of African Business Leader of the Year in 2005.

Executive committee

at 31 December 2015

Ian Kirk

(58)

Appointed: 2006

Qualifications: FCA (Ireland), CA(SA), HDip BDP

Appointed Chief Executive Officer of Santam from 2007 – 2014

Appointed Deputy Chief Executive Officer of Sanlam on 1 January 2015 and Group Chief Executive Officer on 1 July 2015

Formerly Chief Executive: Strategy and Special Projects at Sanlam.

Director of Santam, Beaux Lane (SA) Properties, Shriram Capital, Afrocentric, Sanlam, Sanlam Life and other subsidiary boards in the Sanlam Group.

Former: partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group, CEO of Santam.

Field of expertise: Financial Markets and Investments; General and International Business.

Kobus Möller

(56)

Appointed: 2003

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Appointed Financial Director in 2006

Executive director of Sanlam and Sanlam Life

Non-executive member of Sanlam Group Cluster boards: Sanlam Personal Finance, Sanlam Employee Benefits (Divisional Board), Sanlam Emerging Markets and Sanlam Investments.

Non-executive director of major Sanlam subsidiaries: Santam, Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Sanlam Investment Holdings and Genbel Securities.

Former Chief Executive: Finance of Sanlam, Executive head: Operations and Finance of Sanlam Personal Finance, Executive director: Finance of Impala Platinum Holdings.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Executive committee continued

at 31 December 2015

Appointed: 2015

Qualifications: CA(SA)

Appointed Chief Executive: Sanlam Personal Finance in July 2015

Appointed Chief Executive: Sanlam Strategy & Projects in January 2015

Non-Executive director of Glacier Financial Holdings since 11 August 2015, Chairman of Sanlam Developing Markets and Channel Life since 20 July 2015, Non-executive director of Woolworths, Former non-executive director of Comair (resigned on 18 October 2015), CEO of Imperial Holdings.

Field of expertise: General and International Business; Financial Markets; Accounting.

Appointed: 2015

Qualifications: BCom (Hons) (University of Pretoria), FIA, FASSA

Appointed Chief Actuary & Group Risk Officer in 2015

Formerly Chief Executive: Sanlam Personal Finance (Actuarial)

Director of Sanlam Life & Pensions UK, Sanlam Credit Conduit.

Field of expertise: Actuarial; Risk Management; Financial Markets.

Lizé Lambrechts

(52)

Temba Mvusi

(60)

Appointed: 2002

Qualifications: BSc (Hons), FIA (1992), EDP (Manchester)

Appointed Chief Executive of Sanlam Personal Finance in 2002 to 2014

Appointed Chief Executive of Santam in January 2015

Non-executive director of Sanlam Emerging Markets Ireland Limited, Sanlam Life and Pensions UK, Sanlam UK and Santam. Chairperson of the SAIA Board. Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's retail business.

Field of expertise: Actuarial; General Business; Information Technology.

Lizé also serves as a director on the following boards: Centriq Insurance Company, Centriq Insurance Holdings (previously Nova Group Holdings), Centriq Life Insurance Company, Emerald Risk Transfer, MiAdmin, MiWay Group Holdings, MiWay Insurance, Nova Risk Partners and SHA (Stalker Hutchison Admiral.

Appointed: 2004

Qualifications: Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and Chairman of IEMAS. Director Northam Platinum.

Former head of External Interface Management, General Manager Services and Marketing Manager Management.

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Legal.

Executive committee continued

at 31 December 2015

Yegs Ramiah

(48)

Appointed: 2012

Qualifications: BA LLB, MBA, HDip Tax, AMP (Harvard)

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management and Sanlam Employee Benefits (SEB). Director of Adopt-a-School Foundation.

Field of expertise: General Business; Brand; Communications; Marketing; Legal; Corporate Sustainability; Transformation.

Robert Roux

(51)

Appointed: 2015

Qualifications: CA(SA), EDP (Manchester University)

Appointed Chief Executive Officer of Sanlam Investments in November 2015

Formerly Chief Operating Officer: Sanlam Investments

Director of: Artisan Real Estate Investors, Centre Asset Management, LLC, Cognitio Investments, Coris Capital, Coris Capital Holdings, Curo Fund Services, FOUR Capital Partners, Genbel Securities, Sanlam Asset Management Ireland, Sanlam Capital Markets, Sanlam Insurance Bermuda, Sanlam International Investments, Sanlam International Investment Partners Mauritius, Sanlam Investment Holdings, Sanlam UK, Sanlam Life & Pensions UK.

Field of expertise: Investments; Financial Markets; General and International Business.

Heinie Werth

(52)

Appointed: 2005

Qualifications: Hons B Accountancy, CA(SA), MBA, EDP (Manchester)

Appointed Chief Executive Officer of Sanlam Emerging Markets in December 2005 and before that served as Financial Director of Sanlam Life from April 2002

Executive director of Sanlam Emerging Markets, Non-executive director of Shriram Capital, Botswana Insurance Holdings and Sanlam Namibia. 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.

Field of expertise: Accounting; Finance; General and International Business.

Annual financial statements

We have a deep appreciation for the material we work with – our clients' money. We believe that a single rand is just as important as every multiple of it. That's why we steward money with a respect for what went into making it and what can be made of it. Turning money into meaning is our trade. To do this, we harness the power of collaboration, uniting our diverse strengths and working together with transparency and integrity. That's what makes us Wealthsmiths™.

Directors' responsibility for financial reporting

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and Company annual financial statements of Sanlam Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the financial statements based on their audit of Sanlam Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Limited Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows for the Group in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' information. The responsibility for the preparation and presentation of the Shareholders' information had been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' information.

A full description of how the Audit, Actuarial and Finance Committee carried out its functions is included in the Corporate Governance report elsewhere in the Annual Report.

The Board is of the opinion that Sanlam Limited is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis.

The annual financial statements on pages 251 to 385, the Corporate Governance Report on pages 215 to 243, the Remuneration Report on pages 114 to 147 and the Shareholders' information on pages 152 to 209 were approved by the Board and signed on its behalf by:

Desmond Smith
Chairman

Ian Kirk
Group Chief Executive

Cape Town
9 March 2016

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Act, that for the year ended 31 December 2015, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Sana-Ullah Bray
Company Secretary

9 March 2016

Directors' report

for the year ended 31 December 2015

Nature of business

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out in the Annual Report.

Sanlam Limited is a public company incorporated in terms of the Act, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance Report.

Group results

Profit attributable to shareholders increased from R8 729 million in 2014 to R9 391 million in 2015, largely due to the strong operational performance. Further details regarding the Group's results and prospects are included in the Financial Review. The information in the Corporate Governance and Remuneration reports, requiring disclosure in the Directors' report in terms of the Act and JSE Listings Requirements, has been audited. The holding company's interest in the after tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholder's fund income statement on page 170.

Share capital

The issued ordinary share capital of the Company is 2 166 million shares. Refer to page 338 for further information.

Dividend

The Board has declared a normal cash dividend of 245 cents per share (2014: normal dividend of 225 cents), payable on Monday, 11 April 2016, to shareholders registered on Friday, 8 April 2016. All payments through electronic bank transfer will take place on this date.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 382.

Directors' interests in contracts

No material contracts involving directors' interests were entered into in the year under review.

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the remuneration report on pages 146 and 147.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out on pages 230 to 243 and page 219.

Subsequent events

During November 2015 agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham group. Saham Finances operates in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The acquisition consideration amounts to US$400 million, including transaction related costs and working capital for the Group company that will hold the investment in Saham Finances. All the required regulatory approvals were obtained after year-end and the transaction is expected to close shortly.

No other material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2015 as reflected in these financial statements.

Approval of annual financial statements

The annual financial statements have been approved by the directors as reflected on page 246, including the certificate by the Company Secretary on page 247, the Audit committee report for the 2015 financial year on page 223 and the analysis of shareholders on page 211.

Notice in terms of section 45(5) of the Companies Act, 2008 (the Act)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2015, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act.

Independent auditors' report

To the shareholders of Sanlam Limited

We have audited the consolidated and separate financial statements of Sanlam Limited set out on pages 251 to 385, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Limited as at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Directors' report, the Audit committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, were appointed as joint auditors of Sanlam Limited with its incorporation in 1998. In 2006, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Limited and has continuously therefore been the auditor of the company for a total of 18 years.

We confirm that we are independent in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to the independent audit of Sanlam Limited.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

9 March 2016

Capital and risk management report

Objective

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV), as reported on page 162. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of required capital to covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For Sanlam Life a stochastic modelling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory CAR at least 1,5 times over each of the next 10 year-ends. For the other smaller life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital by subsidiaries that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is, however, lower than equity with a potential negative impact on the return on GEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input to determine the optimal asset mix in this regard.

- The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- The utilisation of capital diversification benefits, whereby the capital requirements of insurance entities can be partly covered by investments in other Group operations, within the limits available in the particular regulatory regime.
- Management of operational risk: Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international and South African developments surrounding solvency and capital requirements (i.e. SAM).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on GEV.

Group Capital committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

Capital adequacy

Capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the capital adequacy requirements. The capital adequacy of Sanlam Investments and Pensions, the Group's life insurance operations in the United Kingdom (UK), is measured in terms of the Prudential Regulation Authority's guidelines in the UK, which are materially in line with those of the South African operations.

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are, however, required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less the deferred acquisition cost (DAC) asset in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates. The DAC asset is disregarded for prudential capital adequacy purposes.

Group undertakings and inadmissible assets
The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital adequacy requirements (CAR)
The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant local regulations as well as professional practice notes issued by the Actuarial Society in South Africa and the Board of Actuarial Standards in the UK. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the "resilience scenario"), which is prescribed in the actuarial practice notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities).

At 31 December 2015, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities is disclosed in the table below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including its subsidiaries. Sanlam Investments and Pensions is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised.

R million	Sanlam Life Insurance Limited 2015	Sanlam Life Insurance Limited 2014	Sanlam Investments and Pensions UK Limited 2015	Sanlam Investments and Pensions UK Limited 2014
Assets				
Fair value of assets	**452 324**	426 856	**53 515**	41 346
Less: Liabilities	**374 354**	358 700	**52 811**	40 754
Actuarial value of policy liabilities	**358 214**	340 059	**51 787**	39 787
Investment contracts	**217 796**	191 255	**46 166**	35 040
Insurance contracts	**140 418**	148 804	**5 621**	4 747
Long term and current liabilities	**16 140**	18 641	**1 024**	967
Excess of assets over liabilities for financial reporting	**77 970**	68 156	**704**	592
Adjustment for prudential regulatory purposes	**(32 176)**	(33 034)	**(102)**	(41)
Adjustment for Group undertakings				
Sanlam Investment Management	**(3 323)**	(2 694)	**–**	–
Santam	**(7 565)**	(8 943)	**–**	–
SDM Limited	**(6 695)**	(6 253)	**–**	–
SEM Limited	**(4 029)**	(3 309)	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(2 197)**	(2 080)	**–**	–
Inadmissible assets	**(849)**	(992)	**(55)**	(41)
Other	**(7 518)**	(8 763)	**(47)**	–
Unsecured subordinated debt	**2 007**	2 075	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**47 801**	37 197	**602**	551
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**15 150**	12 650	**141**	117
Management actions assumed	**(6 900)**	(4 325)	**–**	–
Reduction in future bonus rates	**(4 751)**	(3 026)	**–**	–
Reduction in non-vested bonuses	**(372)**	(268)	**–**	–
Capitalisation of a portion of expected future profits held as discretionary margins	**(389)**	(105)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(1 388)**	(926)	**–**	–
CAR after management actions assumed	**8 250**	8 325	**141**	117

Credit rating

The Group appointed Standard & Poor's (S&P) during 2015 to replace Fitch Ratings as the Group's credit ratings agency. This follows the cancellation of Fitch Ratings' registration as a ratings agency for regulatory purposes by the Financial Services Board. S&P issued the following ratings for the Group companies:

	Most recent ratings issued
Sanlam Limited	South Africa National Scale: zaAA-
Sanlam Life Insurance Limited	South Africa National Scale: zaAAA
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaAA+
Santam Limited	South Africa National Scale: zaAAA

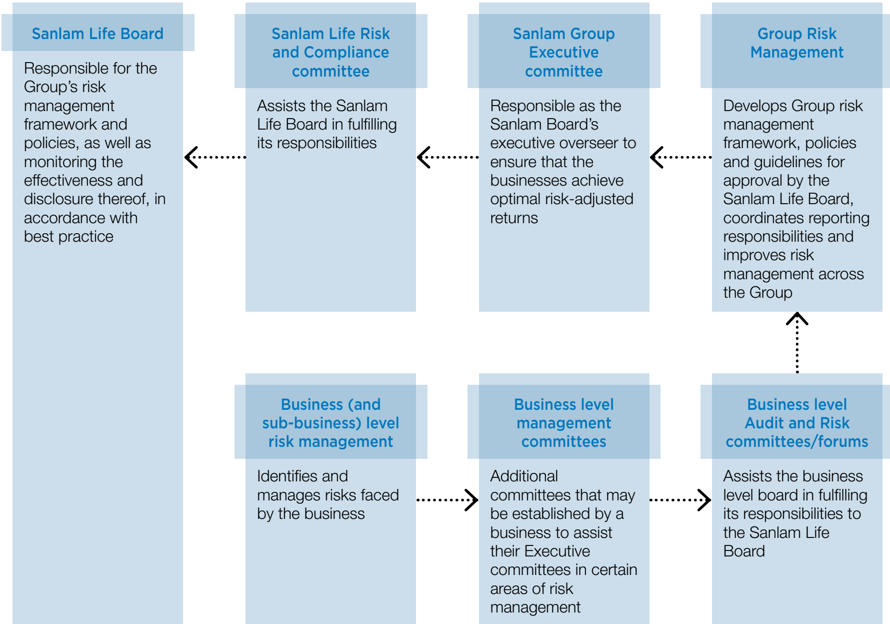
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates.

Risk management

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board (Sanlam Board) and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices. Refer to the Corporate Governance Report on page 215 for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.



Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Capital committee and Asset and Liability committee at Group level, as well as the Group risk forum (see descriptions below);
- Guidance on risk-related matters at a business level; and
- Involvement with specialist risk management issues at business level.

A number of other risk management/monitoring mechanisms operate within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk management/monitoring mechanisms

Capital committee Reviews and oversees the management of the Group's capital base	**Asset and Liability committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit committee** Oversees the identification, measurement and control of corporate credit risk exposure	**Investment committees** Determines and monitors appropriate investment strategies for policyholder solutions
Treasury function Manages the liquidity risks in the borrowing functions of Sanlam	**Non-listed asset controlling body** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam and Sanlam Life Boards	**Group risk forum** Aids coordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board	**Financial Director** Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised
Actuarial Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques	**Forensics** Investigates and reports on fraud and illegal behaviour in businesses	**Group Secretariat and Public Officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters	**Group Compliance function** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Group IT Manages and reports Group-wide Information and Information Technology risks	**Risk Officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	**Internal audit** Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses	**Actuarial forum** Assists the Audit and the Risk and Compliance committees on actuarial related matters. It also assists the Actuarial control function in providing oversight over first line activities in Group Actuarial, most notably balance sheet management.

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:
- Sanlam Group enterprise risk management (ERM) policy and plan;
- Sanlam Group risk escalation policy;
- Sanlam Group business continuity management policy;
- Definitions of risk categories standard;
- Risk appetite guidance note;
- Sanlam Group risk appetite statement;
- Sanlam risk management maturity model;
- Sanlam Risk and Compliance committee charter; and
- Group Risk forum terms of reference.

A policy sets out the mandatory minimum requirements for the businesses.

A standard endeavours to ensure consistent use of terminology.

A guidance note is aimed at providing information.

The following also cover aspects with linkage to risk management:
- Sanlam Life combined assurance model;
- Sanlam Group internal control framework;
- Sanlam Group outsourcing policy;
- Sanlam Group information and information technology (I and IT) risk management policy;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam corporate credit risk strategy and policy;
- Sanlam reinsurance and other risk mitigation policy;
- Sanlam Life underwriting risk management policy;
- Sanlam investment policy;
- Sanlam financial crime combating policy;
- Sanlam human resources policies;
- Sanlam Group governance framework;
- Sanlam Group high-level authorisation framework; and
- Sanlam Life Insurance Audit, Actuarial and Finance committee charter.

Sanlam Group enterprise risk management policy and plan

The Group ERM policy and plan includes the following main components:
- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group risk escalation policy

The risk escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantitative and qualitative measures.

Summary of Sanlam Group risk appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. On average the Sanlam Group aims to yield a return on GEV equal to at least 1% above its cost of capital, being equal to the return on nine-year government bonds plus 4%.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using value at risk (VaR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence over a 10-year time horizon is required.
- Each business needs to manage their risks within the Group ERM framework.

Independent assurance reviews

The Group developed with an external assurance provider, a Risk Management Maturity Model against which the risk management processes across the Group are assessed. Annually, internal audit (in conjunction with Group Risk Management) prepares risk management process audit plans for approval by the Sanlam Life Risk and Compliance committee. The assurance reviews comprise self-assessments and independent reviews. All businesses conduct self-assessments with the independent assessments done either by an external assurance provider or internal audit. Typically, the larger businesses are assessed by an external assurance provider once every three years. Internal audit on the other hand tends to focus on the assessments for the smaller businesses which are done on a rolling basis. The overall results of both the self-assessments and the independent reviews are presented to the Sanlam Life Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	1. Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes: **Information and technology risk:** the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of confidentiality, availability and integrity of information, which includes cyber risks and their knock-on effects. Information risk also includes the loss of quality of information. **Going concern/business continuity risk:** the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future. **Legal risk:** the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgements from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for. **Compliance risk:** the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[(1)], investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct. **Human resources risk:** the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk. **Fraud risk:** the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.	All Group businesses

[(1)] *Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current customers, regulators or supervisors, investors, and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating customers fairly).*

General risks continued

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
1. Operational continued	**Taxation risk:** the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits. **Regulatory risk:** the risk that new Acts or regulations will result in the need to change business practices that may lead to financial loss. **Process risk:** the risk of loss as a result of failed or inadequate internal processes. **Project risk:** the risks that are inherent in major projects. **Outsourcing provider risk:** the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and from concentration with an individual outsourcing service provider (which exacerbates the former).	All Group businesses
2. Reputational	Reputational risk is the risk that adverse publicity regarding a Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, *inter alia*, potential and existing customers, investors, suppliers and supervisors.	All Group businesses
3. Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
1. Market	Market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes: **Equity risk:** the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. **Interest rate risk:** the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates. **Currency risk:** the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates. **Property risk:** the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property). **Asset liability mismatching (ALM) risk:** the risk of a change in value as a result of a deviation between asset and liability cash flows, prices or carrying amounts. ALM risk originates from changes in market risk factors. **Concentration risk:** the risk of loss associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations). **Market liquidity risk (also known as trading liquidity risk or asset liquidity risk):** risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold timeously to prevent or minimise a loss (or realise the required profit). **Credit spread risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	Life insurance Credit and structuring General insurance Investment management

Financial and business-specific risks

Financial and business-specific risks continued

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
2. Credit	Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes: **Default risk:** credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. **Downgrade or Migration risk:** risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator. **Settlement risk:** risk arising from the lag between the transaction and settlement dates of securities transactions. **Reinsurance counterparty risk:** concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	Life insurance General insurance Credit and structuring Corporate
3. Funding liquidity	Funding liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance General insurance Credit and structuring Corporate

Financial and business-specific risks continued

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
4. Insurance risk (life business)	**Insurance risk (life business):** risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Underwriting risk:** the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities. **Persistency risk:** the risk of financial loss owing to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders. **Expense risk:** the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts. **Concentration risk:** the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).	Life insurance
5. Insurance risk (General insurance business)	**Insurance risk (general insurance business):** risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Claims risk (premium and reserve risk):** refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into Reserve risk (relating to incurred claims) and Premium risk (relating to future claims). **Non-life catastrophe risk:** the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	General insurance

Risk management: General risks

1. Operational risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report, but in the Sustainability Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Finance committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young Inc. The reports of the independent auditors for the year under review are contained on pages 150 and 250 of this Annual Report. The external auditors assess certain systems of internal financial control for the purpose of expressing an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the enterprise risk management framework. Group IT is the custodian of the Group's IT policy framework and ensures explicit focus on, and integration with the Group's IT governance framework, which includes the governance of information security.

The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. The Group IT committee provides guidance to the Head of Group IT regarding his duties, such as the establishment of policy.

A quarterly IT governance report, summarising the Group-wide situation is delivered to the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continual consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations:

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:
Automated pre-compliance rules for clients' investment guidelines are loaded on the order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management system. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's 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 are prosecuted. The 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 cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Sanlam and Sanlam Life Board. Quarterly reports are submitted by Group Forensic Services to the Sanlam and Sanlam Life Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk
A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk
A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the ongoing management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group.

2. Reputational risk
Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. Strategic risk
The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continual basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success are discussed and evaluated at an annual special strategic session of the Sanlam Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' and Group's strategies.

Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: By business area

Investment management
The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance
One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of track record relative to benchmark and/or peer group. In order to mitigate this risk, the following areas are focused on:

- The recruitment and retention of high quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals;
- The optimisation of a robust investment process to effect good investment decisions;
- The rigour of the procedures for portfolio implementation;
- The effectiveness of the dealing desk; and
- The analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investments' fiduciary responsibility to at all times act in the best interest of the clients and in accordance with the investment mandate directives.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as the capital portfolio. Please refer to the "Policy liabilities and profit entitlement section" on page 314 for a description of the different policyholder solutions; as well as to note 15 on page 341, which discloses the monetary value of the Group's exposure to the various solutions.

	Market risk				Credit risk	Liquidity risk	Insurance risk	
Life insurance businesses exposed to risk via:	Equity	Interest rate	Currency	Property			Persistency	Other insurance risks
Policyholder solutions								
Linked and market-related	✓[1]	✓[1]	✓[1]	✓[1]	✓[1]	✓[3]	✓	✓
Smoothed-bonus business:								
Stable bonus	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Reversionary bonus	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Participating annuities	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Non-participating annuities	×	✓	×[4]	×[4]	✓	✓[3]	×	✓
Other non-participating liabilities								
Guarantee plans	×	✓	×[4]	×	✓	✓[3]	✓	✓
Other	✓	✓	×[4]	✓	✓	✓[3]	✓	✓
Capital portfolio	✓	✓	✓	×[4]	✓	×	×	×

[1] *Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.*
[2] *The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.*
[3] *Although liquidity risk is present, it is not a significant risk for the insurance businesses due to appropriate matching of asset and liability cash flow values and duration.*
[4] *An immaterial amount of assets are exposed to this risk.*
✓ *Risk applicable to item.*
× *Risk not applicable to item.*

The management of these risks is described below.

1. Market risk

Life insurance businesses exposed to risk via:	Market risk			
	Equity	Interest rate	Currency	Property
Policyholder solutions				
Linked and market-related	✓	✓	✓	✓
Smoothed-bonus business:				
Stable bonus	✓	✓	✓	✓
Reversionary bonus	✓	✓	✓	✓
Participating annuities	✓	✓	✓	✓
Non-participating annuities	×	✓	×	×
Other non-participating liabilities				
Guarantee plans	×	✓	×	×
Other	✓	✓	×	✓
Capital portfolio	✓	✓	✓	×

✓ Risk applicable to item.
× Risk not applicable to item.

Linked and market-related
Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed-bonus business
These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2015, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is, however, exposed to some market risk as an underperformance in investment markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia*, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life Board and the Sanlam Customers Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Policyholder solution's exposure to currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the Group's capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the Group's capital portfolio to currency risk is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Other currencies	Total
31 December 2015							
Investment properties	**–**	**–**	**–**	**229**	**–**	**648**	**877**
Equities and similar securities	**366**	**596**	**198**	**432**	**–**	**651**	**2 243**
Equity accounted investments[1]	**–**	**–**	**–**	**1 784**	**7 704**	**1 043**[2]	**10 531**
Interest-bearing instruments	**–**	**69**	**127**	**139**	**–**	**1 273**	**1 608**
Government interest-bearing investments	**–**	**–**	**54**	**–**	**–**	**594**	**648**
Corporate interest-bearing investments	**–**	**77**	**73**	**100**	**–**	**581**	**831**
Mortgages, policy and other loans	**–**	**–**	**–**	**39**	**–**	**98**	**137**
Structured transactions	**–**	**(8)**	**–**	**–**	**–**	**–**	**(8)**
Investment funds	**1**	**662**	**14**	**102**	**–**	**299**	**1 078**
Cash, deposits and similar securities[3]	**9**	**6 456**	**662**	**262**	**–**	**498**	**7 887**
Net working capital and other liabilities	**(7)**	**(258)**	**78**	**(255)**	**–**	**88**	**(354)**
Foreign currency exposure	**369**	**7 525**	**1 079**	**2 693**	**7 704**	**4 500**	**23 870**
Exchange rates (rand):							
Closing rate	**16,84**	**15,49**	**22,83**	**1,40**	**0,24**		
Average rate	**14,09**	**12,69**	**19,40**	**1,27**	**0,20**		
31 December 2014							
Investment properties	–	–	–	179	–	371	550
Equities and similar securities	428	532	156	558	–	624	2 298
Equity accounted investments[1]	–	–	–	1 523	5 648	1 005[2]	8 176
Interest-bearing instruments	–	–	104	301	–	1 484	1 889
Government interest-bearing investments	–	–	34	251	–	869	1 154
Corporate interest-bearing investments	–	–	70	1	–	508	579
Mortgages, policy and other loans	–	–	–	49	–	107	156
Investment funds	1	577	12	39	–	129	758
Cash, deposits and similar securities	72	441	489	488	–	367	1 857
Net working capital and other liabilities	(9)	841	110	(274)	–	(24)	644
Foreign currency exposure	492	2 391	871	2 814	5 648	3 956	16 172
Exchange rates (rand):							
Closing rate	14,01	11,57	18,05	1,23	0,18		
Average rate	14,38	10,84	17,85	1,23	0,18		

[1] *Equity accounted investments only include significant entities that have foreign currency exposure.*
[2] *Investment in Pacific and Orient, Malaysia.*
[3] *Includes cash held for Saham, Shriram Life and Shriram General Insurance transactions. Refer to page 296 for more information.*

The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Refer to page 165 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

Life insurance businesses exposed to risk via:	Credit risk
Policyholder solutions	✓
Capital portfolio	✓

✓ *Risk applicable to item*

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Corporate Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investment Management (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity; anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's, Fitch Ratings and Global Credit Ratings) are taken into account when available.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2015 and 2014 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure to instruments subject to credit risk.

Credit risk concentration by credit rating*

Assets backing policy liabilities	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Not rated %	Other %	Total %	Carrying value R million
31 December 2015												
Government interest-bearing investments	**73**	**4**	**1**	**1**	**–**	**7**	**–**	**2**	**9**	**3**	**100**	**60 914**
Corporate interest-bearing investments	**6**	**24**	**25**	**13**	**6**	**8**	**2**	**5**	**9**	**2**	**100**	**50 992**
Mortgages, policy and other loans	**8**	**–**	**3**	**2**	**7**	**6**	**2**	**18**	**47**	**7**	**100**	**5 421**
Cash, deposits and similar securities	**27**	**24**	**18**	**2**	**–**	**10**	**–**	**1**	**18**	**–**	**100**	**16 598**
Net working capital	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**99**	**–**	**100**	**736**
Total	**39**	**14**	**12**	**6**	**3**	**7**	**1**	**4**	**12**	**2**	**100**	**134 661**
31 December 2014												
Government interest-bearing investments	85	3	–	2	–	–	–	1	7	2	100	63 716
Corporate interest-bearing investments	14	23	26	8	4	6	4	2	7	6	100	49 760
Mortgages, policy and other loans	2	–	–	4	4	3	19	4	56	8	100	4 732
Cash, deposits and similar securities(1)	32	23	19	6	–	10	–	1	7	2	100	13 071
Net working capital	1	–	–	–	–	–	–	–	99	–	100	1 858
Total	49	12	12	4	1	4	2	2	10	4	100	133 137

** Rated externally or by using internationally recognised credit rating techniques.*
(1) Management has refined the allocation process for securities without credit ratings to better reflect the credit risk exposure. Comparatives were restated accordingly.

Credit risk concentration by credit rating*

Capital portfolio	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Not rated %	Other %	Total %	Carrying value R million
31 December 2015												
Government interest-bearing investments[1]	**13**	**7**	**1**	**2**	**—**	**—**	**—**	**1**	**71**	**5**	**100**	**808**
Corporate interest-bearing investments	**18**	**21**	**22**	**13**	**6**	**6**	**2**	**2**	**6**	**4**	**100**	**8 642**
Mortgages, policy and other loans	**—**	**—**	**—**	**—**	**—**	**10**	**5**	**20**	**55**	**10**	**100**	**359**
Cash, deposits and similar securities	**69**	**5**	**6**	**—**	**—**	**6**	**—**	**—**	**13**	**1**	**100**	**9 231**
Net working capital	**199**	**47**	**9**	**—**	**—**	**1**	**—**	**4**	**(160)**	**—**	**100**	**1 822**
Total	**55**	**16**	**12**	**6**	**3**	**5**	**1**	**2**	**(2)**	**2**	**100**	**20 862**
31 December 2014												
Government interest-bearing investments	12	2	—	4	—	—	—	1	78	3	100	1 388
Corporate interest-bearing investments	21	19	24	9	4	9	4	1	3	6	100	9 606
Mortgages, policy and other loans	7	—	—	6	—	19	37	—	18	13	100	246
Cash, deposits and similar securities[2]	45	5	15	3	—	12	—	—	19	1	100	3 333
Net working capital	199	36	5	—	—	—	—	3	(147)	4	100	1 679
Total	43	16	18	7	2	8	3	1	(3)	5	100	16 252

** Rated externally or by using internationally recognised credit rating techniques.*

[1] The not-rated government interest-bearing investments relate mainly to not-rated government paper held by some of the Group's life businesses outside of South Africa in their local markets.

[2] Management has refined the allocation process for securities without credit ratings to better reflect the credit risk exposure. Comparatives were restated accordingly.

The majority of the counterparties to these agreements are institutions with at least an AA-rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. Liquidity risk

Life insurance businesses exposed to risk via:	Liquidity risk	Note
Policyholder solutions		3.5
Linked and market related	✓	3.4
Smoothed-bonus business:		
Stable bonus	✓	3.1
Reversionary bonus	✓	3.1
Participating annuities	✓	3.4
Non-participating annuities	✓	3.2
Other non-participating liabilities		
Guarantee plans	✓	3.3
Other	✓	3.4
Capital portfolio	×	3.6

✓ *Risk applicable to item.*
× *Risk not applicable to item.*

3.1 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.2 The liabilities are matched as far as possible with assets, mostly interest bearing, to ensure that the duration of assets and liabilities are closely aligned.

3.3 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.4 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

3.5 The following table summarises the overall maturity profile of the policyholder business:

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2015*					
Insurance contracts	**7 875**	**28 417**	**66 839**	**80 841**	**183 972**
Investment contracts	**6 776**	**41 721**	**92 982**	**155 459**	**296 938**
Total policy liabilities	**14 651**	**70 138**	**159 821**	**236 300**	**480 910**
Properties	**—**	**—**	**—**	**9 621**	**9 621**
Equities and similar securities	**—**	**—**	**574**	**84 797**	**85 371**
Government interest-bearing investments	**380**	**4 849**	**55 689**	**—**	**60 918**
Corporate interest-bearing investments	**8 096**	**27 422**	**14 764**	**810**	**51 092**
Mortgages, policy and other loans	**279**	**1 828**	**2 037**	**1 275**	**5 419**
Structured transactions	**3 399**	**4 952**	**1 552**	**1 293**	**11 196**
Investment funds	**—**	**—**	**—**	**242 171**	**242 171**
Cash, deposits and similar securities	**10 018**	**6 146**	**432**	**—**	**16 596**
Deferred acquisition costs	**—**	**—**	**—**	**610**	**610**
Long-term reinsurance assets	**68**	**155**	**701**	**21**	**945**
Term finance	**—**	**—**	**(453)**	**—**	**(453)**
Structured transactions liabilities	**(533)**	**(923)**	**(884)**	**—**	**(2 340)**
Net working capital	**(235)**	**—**	**(1)**	**—**	**(236)**
Total policyholder assets	**21 472**	**44 429**	**74 411**	**340 598**	**480 910**
31 December 2014*					
Insurance contracts	7 011	28 376	70 164	81 075	186 626
Investment contracts	4 255	36 847	81 718	134 226	257 046
Total policy liabilities	11 266	65 223	151 882	215 301	443 672
Properties	—	—	—	8 933	8 933
Equities and similar securities	—	—	415	83 484	83 899
Government interest-bearing investments	963	4 826	57 925	—	63 714
Corporate interest-bearing investments	11 330	26 106	11 592	746	49 774
Mortgages, policy and other loans	293	1 557	1 604	1 279	4 733
Structured transactions	2 453	3 733	2 020	1 884	10 090
Investment funds	—	—	—	208 160	208 160
Cash, deposits and similar securities	8 689	4 135	363	—	13 187
Deferred acquisition costs	—	—	—	582	582
Long-term reinsurance assets	70	156	692	22	940
Term finance	—	—	(461)	—	(461)
Structured transactions liabilities	(285)	(142)	(337)	—	(764)
Net working capital	870	12	3	—	885
Total policyholder assets	24 383	40 383	73 816	305 090	443 672

* *Consolidated investment funds have been excluded from the current year analysis and comparatives have been restated to exclude the investment funds previously included.*

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 294 for more information).

4. Insurance risk

	Insurance risk	
Life insurance businesses exposed to risk via:	Persistency	Other insurance risks
Policyholder solutions		
Linked and market related	✓	✓
Smoothed-bonus business:		
Stable bonus	✓	✓
Reversionary bonus	✓	✓
Participating annuities	✓	✓
Non-participating annuities	×	✓
Other non-participating liabilities		
Guarantee plans	✓	✓
Other	✓	✓
Capital portfolio	×	×

✓ *Risk applicable to item.*
× *Risk not applicable to item.*

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) differs from that which is assumed. The Group is, however, also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of sub-standard risks;
- The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted expenses is conducted and reported on.

Concentration risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle income market and high net worth clients.

The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations.

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2015	Number of lives 2014	Before reinsurance 2015 %	Before reinsurance 2014 %	After reinsurance 2015 %	After reinsurance 2014 %
0 – 20	**217 223**	216 630	**32**	33	**32**	33
20 – 40	**22 191**	21 182	**17**	16	**17**	16
40 – 60	**7 923**	7 613	**9**	10	**9**	10
60 – 80	**4 580**	4 245	**6**	8	**6**	8
80 – 100	**2 791**	2 633	**5**	8	**5**	8
>100	**9 575**	7 546	**31**	25	**31**	25
	264 283	259 849	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life R'000	Number of lives 2015	Number of lives 2014	Before reinsurance 2015 %	Before reinsurance 2014 %	After reinsurance 2015 %	After reinsurance 2014 %
0 – 500	**7 674 357**	8 156 168	**23**	26	**28**	31
500 – 1 000	**219 025**	278 603	**13**	17	**14**	17
1 000 – 5 000	**280 981**	300 789	**43**	40	**41**	39
5 000 – 8 000	**14 149**	12 292	**8**	7	**7**	6
>8 000	**10 501**	8 596	**13**	10	**10**	7
	8 199 013	8 756 448	**100**	100	**100**	100

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	2015 R million	2015 %	2014 R million	2014 %
South Africa	**383 834**	**80**	362 424	82
Africa	**30 794**	**6**	28 416	6
Other International	**66 282**	**14**	52 832	12
Total policy liabilities	**480 910**	**100**	443 672	100

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1. Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit businesses in the Sanlam Emerging Markets (SEM) cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2015 is shown below:

R million	2015	2014
Gross balance	**4 195**	3 984
Provisions	**(294)**	(248)
Net balance	**3 901**	3 736

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that has been equity accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 331.
- The Group Treasury function has also provided financing to SPL of R2 917 million at 31 December 2015 (2014: R2 889 million). This exposure is managed by the Capital Management operations.

Credit risk consists of credit standing and default risk. It is the Company's policy to subject its potential customers to credit rating procedures. In addition, balances of advances are monitored on an ongoing basis. Collections strategies are in place to mitigate credit risk and all accounts in arrear are given due priority.

Sanlam Emerging Markets

Retail credit and structuring profits are a significant part of Sanlam Emerging Markets' (SEM) operating earnings. The majority of the Group's exposure to retail credit is made up of an investment in Shriram Capital (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) and a direct holding in Shriram Transport Finance Company. The carrying value of these investments on the Group statement of financial position is R7 704 million (2014: R5 648 million), of which approximately 75% (2014: 76%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit and structuring investments include Letshego that is owned by Botswana Insurance Holdings (carrying value of R1 784 million (2014: R1 523 million)) and Capricorn Investment Holdings (which has a stake in Bank Windhoek Holdings and a carrying value of R920 million (2014: R844 million)) in Namibia.

The main risk emanating from the retail credit and structuring operations is credit risk. These investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit and structuring businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Audit, Actuarial and Risk committee on a quarterly basis. SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa and South-East Asia), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

2. Capital markets

Sanlam Capital Markets (SCM) is the largest division in the Sanlam Investments: Capital Management (SICM) sub-cluster. Other businesses within the cluster are Sanlam Private Equity (SPE), Sanlam Credit Conduit (SCC) and Sanlam Group Treasury (SGT). SCM also has a stake in the Sanlam Africa Floating Rate Credit Fund (SAFRCF).

Within SICM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from proprietary positions are within the approved risk parameters. Where possible, risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

If no market data is available for a specific business or investment, the risk management is qualitative by nature. The exposure and riskiness of such types of investments are typically managed by monitoring covenants and by taking the appropriate actions as agreed with the counterparty initially.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant managers and operators. Limit breaches are escalated for approval in terms of an approval framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at two-weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SICM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SICM is also exposed to credit risk in respect of its working capital assets and loans extended as part of its debt finance, property finance and equity structuring activities. Collateral is placed or received for transactions entered into by SICM, including (but not limited to) securities lending and derivative exposures.

1. Market risk

SICM uses VaR to calculate market risk capital for listed instruments. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with Sanlam's risk appetite relating to SICM's business);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of three (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SICM as a whole and takes the diversification among portfolios into account.

Equity risk

For listed equity price stress tests are performed on the SICM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -30% and +20%. In the equity price stress test results, the maximum loss is R85 million (2014: R120 million).

	Maximum net loss (R million)	
Incremental change in price	**31 Dec 2015**	31 Dec 2014
-5% to 5%	**12**	15
-10% to 10%	**25**	32
-15% to 15%	**39**	50
-30% to 20%	**85**	120

Interest rate risk

Various interest rate stress tests are performed on the SICM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between +50% and -20%, all else being equal.

The market exposure that was calculated at 31 December for these tests was as follows:

	Maximum net loss (R million)	
Incremental change in yield	**31 Dec 2015**	31 Dec 2014
-10% to 10%	**6**	1
-20% to 20%	**11**	1
-20% to 50%	**22**	1

2. Credit risk

For credit risk capital, SICM utilises the concept of unexpected losses. Based on historical default data, expected losses are computed on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SICM could incur over the particular time horizon with a certain level of confidence. In SICM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period.

At the end of the financial year, SICM's maximum unexpected loss (credit risk capital) was R373 million (2014: R319 million) based on a 21-day average of the daily economic capital amounts.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads is determined with reference to a pre-defined credit spread matrix;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market.

R million	**31 December 2015**	31 December 2014
Stress results 1 (1 notch)	**(105)**	(148)
Stress results 2 (2 notch)	**(223)**	(305)
Stress results 3 (3 notch)	**(341)**	(474)

Maximum exposure to credit risk

SICM's maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral and add-ons to exposures are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis, the use of netting agreements; or guarantees issued by third parties.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 46% (2014: 41%) of total credit risk capital, but only 17% (2014: 17%) of the total exposure. SICM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R9 billion (net of qualifying collateral and certain other intergroup utilisation) exceed the amount utilised of R6,6 billion (2014: R7,4 billion), indicating available unutilised funding sources. In order to keep commitment fees within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Undrawn committed facilities granted by SICM to various counterparties were R197 million (2014: R584 million). A significant portion of trading account assets and liabilities is due within one year.

General insurance

1. Santam

Santam has developed an internal model to analyse the quantifiable risks. The model covers the following risk categories:

- Market risk;
- Insurance risk;
- Reinsurance risk;
- Credit risk; and
- Operational risk.

The model is also used to aggregate the individual risk modules into a single economic capital requirement amount.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Santam has formulated a risk appetite policy which aims to quantify the amount of capital the business is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programmes which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's board.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. Santam manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. This section summarises these risks and the way Santam manages them.

In general Santam issues personal, commercial and cell insurance policies that include the following terms and conditions:

Engineering – Provides cover for risks relating to:

- The possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- The erection of buildings or other structures or the undertaking of other works; and
- The installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk in Santam arises from fluctuations in the timing, frequency and severity of insured events. Insurance risk also includes the risk that premium provisions turn out to be insufficient to compensate claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the insurance risk.

In order to quantify the insurance risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal model. Assumptions for each line of business are determined based on more than 10 years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely: attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled: Earthquake, Storm (small), Storm (large), Hail (excluding crop damage), Marine (cargo), Aviation (hull/liability), Conflagration (property), Conflagration (liability), Utility Failure, Latent Liability and Economic Downturn.

The net claims ratio for Santam, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	**2015**	2014	2013	2012	2011	2010	2009
Claims paid and provided %*	**62,1**	63,1	69,3	68,3	64,2	64,1	70,6

* *Expressed as a percentage of net earned premiums.*

Pricing for the Santam's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the businesses' principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set for business units, underwriting managers and intermediaries to ensure that this policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset and major use of the covered item. Santam has the right to reprice and change the conditions for accepting risks on renewal and/or 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes. Santam is currently focusing on obtaining international geographical diversification through the business written by Santam Re and the Santam Specialist business.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed.

Claims development tables

The presentation of the claims development tables for Santam is based on the actual date of the event that caused the claim (accident year basis). The claims development tables, represent the development of actual claims paid.

Payment development

General insurance claims – gross

		Claims paid in respect of (i.e. accident year)							
Reporting year	Total R million	**2015 R million**	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 and prior R million
Actual claims costs:									
– 2015	14 019	**9 786**	3 388	354	247	112	86	14	32
– 2014	13 556	**–**	9 031	3 578	493	173	188	64	29
– 2013	13 148	**–**	–	9 152	3 411	250	154	106	75
– 2012	11 340	**–**	–	–	8 176	2 366	370	171	257
– 2011	10 327	**–**	–	–	–	7 767	2 141	247	172
– 2010	9 999	**–**	–	–	–	–	7 144	2 236	619
– 2009	10 016	**–**	–	–	–	–	–	7 702	2 314
– 2008	8 996	**–**	–	–	–	–	–	–	8 996
Cumulative payments to date	91 401	**9 786**	12 419	13 084	12 327	10 668	10 083	10 540	12 494

General insurance claims – net

		Claims paid in respect of (i.e. accident year)							
Reporting year	Total R million	**2015 R million**	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 and prior R million
Actual claims costs:									
– 2015	11 476	**8 734**	2 239	171	172	75	71	7	7
– 2014	11 040	**–**	7 927	2 489	323	131	108	50	12
– 2013	11 335	**–**	–	8 423	2 493	168	127	79	45
– 2012	9 904	**–**	–	–	7 616	1 743	250	116	179
– 2011	8 989	**–**	–	–	–	7 082	1 673	148	86
– 2010	8 710	**–**	–	–	–	–	6 401	1 816	493
– 2009	8 805	**–**	–	–	–	–	–	6 928	1 877
– 2008	7 727	**–**	–	–	–	–	–	–	7 727
Cumulative payments to date	77 986	**8 734**	10 166	11 083	10 604	9 199	8 630	9 144	10 426

Reporting development

General insurance claims provision – gross

Reporting year	Total R million	**2015 R million**	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2015	6 279	**3 100**	1 577	758	208	193	223	109	111
– 2014	6 240	**–**	4 069	844	410	206	257	212	242
– 2013	5 523	**–**	–	3 267	788	376	462	195	435
– 2012	4 948	**–**	–	–	3 133	599	434	304	478
– 2011	4 192	**–**	–	–	–	2 448	652	333	759
– 2010	3 777	**–**	–	–	–	–	2 325	556	896
– 2009	4 288	**–**	–	–	–	–	–	2 617	1 671
– 2008	4 075	**–**	–	–	–	–	–	–	4 075
	39 322	**3 100**	5 646	4 869	4 539	3 822	4 353	4 326	8 667

General insurance claims provision – net

Reporting year	Total R million	**2015 R million**	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2015	4 056	**2 291**	581	348	197	257	193	103	86
– 2014	3 968	**–**	2 337	448	325	239	221	191	207
– 2013	4 207	**–**	–	2 459	568	331	298	172	379
– 2012	3 971	**–**	–	–	2 550	466	326	241	388
– 2011	3 273	**–**	–	–	–	1 919	509	260	585
– 2010	2 896	**–**	–	–	–	–	1 813	402	681
– 2009	2 952	**–**	–	–	–	–	–	1 861	1 091
– 2008	2 699	**–**	–	–	–	–	–	–	2 699
	28 022	**2 291**	2 918	3 255	3 640	3 212	3 360	3 230	6 116

Reserving

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the 'percentile approach' and the 'cost-of-capital approach'. The 'percentile approach' is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the 'cost-of-capital approach' is used as one of the inputs for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims.

Cost of capital approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third-party would need to hold to back the future claims payments.

Two key differences between the percentile and cost-of-capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest-rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost-of-capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk-based solvency measurement.

Reinsurance risk

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the Santam risk management strategy and objectives. Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. Santam has an extensive reinsurance programme that has developed over a number of years to suit the risk management needs of the business.

An internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance programme comprise:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover. In 2016 the range was increased to a maximum R85 million per risk;

- Catastrophe cover to the extent of 1,3% of the total exposure of the significant geographical areas, amounting to protection of up to R8,4 billion (2014: R8,0 billion) per event in excess of an attachment point of R100 million. These balances include catastrophe cover of R1,2 billion for each year included in the alternative risk transfer quota share arrangement as described below. At the same time catastrophe protection for an aggregate of losses from events above R50 million where such losses exceed R100 million was put in place in 2013. The cover is for an amount of R100 million in excess of a R100 million aggregate deductible;
- Santam's agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme loss events; and
- Santam Re purchases retrocession protection on its international portfolio. This protection is in the form of a 45% quota share on specified territories and catastrophe excess of loss with a gross attachment point of US$10 million. For exposures in South Africa and Africa a per risk protection is in place.

Santam has implemented arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In terms of these arrangements, Santam has facilitated the use of an international insurer's AA-rated licence for such business, if required. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer quota share agreement effective from 1 January 2014, which reduced net earned premiums by R1 billion during 2015 and 2014. The agreement generated dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. During 2015, the collateral was replaced with an unsecured letter of credit and the cash collateral repaid to Santam. The agreement also reduces Santam's net catastrophe exposure.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- from Standard & Poor's or AM Best, unless specific approval is obtained from the board to use reinsurers with ratings lower than the agreed benchmark. Santam's reinsurers currently have credit ratings of between AA- and A- (2014: A and BBB-), measured on an international scale.

Credit risk

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations;
- Reinsurer default on presentation of a large claim;
- Reinsurers default on their share of Santam's insurance liabilities; and
- Default on amounts due from insurance contract intermediaries.

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to the probability of default on the basis of assessments made by the rating agency over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by Standard & Poor's, Fitch and Moody's which incorporate up to ninety years' worth of credit default information.

For default risk Santam uses a model which is largely based on the Basel II regulation.

Credit risk capital is held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits;
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers;
- Reinsurance claims provisions; and
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

For concentration risk Santam uses the proposed SAM methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty;
- Calculate the excess exposure above a specified threshold level;
- Apply a charge to this excess exposure; and
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk.

Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. Santam Group's protected portion of receivables due from contract holders and intermediaries amounts to 48,2% (2014: 55,7%). For Santam (the company), this amounts to 50,7% (2014: 56,4%). Debtors falling into the 'Not rated' category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments. The financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. Santam assesses concentration risk for debt securities, money market instruments and cash collectively. Santam does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash, except for Absa where the total exposure amounted to 22,8%, mainly due to the designated foreign bank balance held in anticipation of the acquisition of the Saham Finances investment.

Santam uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam's largest reinsurance counterparty is Allianz (2014: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

In the event that claims incurred by the cell captive exceed the related assets, Santam will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

The following table provides information regarding the aggregated credit risk exposure for financial and insurance assets. The ratings disclosed are derived from international, national and internal ratings, and have been standardised to the equivalent Fitch local long-term rates.

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Other	Total
31 December 2015:											
Debt securities – quoted	**2 475**	**582**	**–**	**1 084**	**–**	**403**	**–**	**–**	**128**	**66**	**4 738**
Debt securities – unquoted	**1 983**	**2 468**	**–**	**353**	**–**	**80**	**–**	**–**	**13**	**86**	**4 983**
Short-term money market instruments	**799**	**878**	**–**	**285**	**8**	**150**	**–**	**21**	**88**	**52**	**2 281**
Receivables due from contract holders/ intermediaries	**82**	**–**	**27**	**–**	**39**	**–**	**–**	**–**	**2 315**	**–**	**2 463**
Reinsurance receivables	**81**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**128**	**–**	**209**
Other loans and receivables	**67**	**–**	**84**	**–**	**54**	**–**	**2**	**–**	**568**	**2**	**777**
Cell owners' interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
Deposit with cell owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**254**	**–**	**254**
Cash and cash equivalents	**544**	**251**	**–**	**2 172**	**–**	**370**	**–**	**–**	**12**	**–**	**3 349**
	6 031	**4 179**	**111**	**3 894**	**101**	**1 003**	**2**	**21**	**3 512**	**206**	**19 060**
31 December 2014:[(1)]											
Debt securities – quoted	1 266	562	–	908	–	351	–	–	372	148	3 607
Debt securities – unquoted	1 624	2 073	–	365	–	28	–	–	5	134	4 229
Short-term money market instruments	630	547	–	358	–	161	–	–	118	76	1 890
Receivables due from contract holders/ intermediaries	87	–	8	–	20	–	–	–	2 122	–	2 237
Reinsurance receivables	33	–	10	–	17	–	–	–	102	–	162
Other loans and receivables	59	–	47	–	11	–	21	–	330	4	472
Cell owners' interest	–	–	–	–	–	–	–	–	9	–	9
Cash and cash equivalents	950	511	–	959	–	–	–	–	134	7	2 561
	4 649	3 693	65	2 590	48	540	21	–	3 192	369	15 167

[(1)] *Management has refined the allocation process for securities without credit ratings to better reflect the credit risk exposure. Credit ratings have also been aligned with national ratings methodology used by the rest of the Sanlam Group and not the Fitch international equivalent as previously disclosed. Comparatives were restated accordingly.*

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates.

The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity securities
- Debt securities
- Receivables due from contract holders/intermediaries
- Reinsurance receivables
- Reinsurance assets
- Deferred acquisition costs
- Other loans and receivables
- Cash and cash equivalents
- Short-term money market instruments
- Cell owners' interest
- Derivatives

Santam uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal capital model to inform Santam's decision-making and planning process and also for identification and management of risks within the business units. Each of the major components of market risk faced by Santam is described in more detail below.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity. Santam is not directly exposed to commodity price risk.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise.
A long-term view is taken when agreeing investment mandates with the relevant portfolio managers and Santam looks to build value over a sustained period of time rather than utilising high level of purchase and sales in order to generate short-term gains from its equity holdings.

Santam makes use of derivative products as appropriate to manage equity exposure and to protect the portfolio from losses outside of its risk appetite.

Interest rate risk

Interest rate risk arises from the net effect on its assets and liabilities to a change in the level of interest rates. The market value of bonds and other fixed-interest-bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating-rate interest-bearing financial instruments is also affected by changes in interest rates.

An assumption is made that the assets backing the subordinated debt portfolio are adequately providing cover for the liabilities, i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment.

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2015, Santam had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes. The interest rate swaps have been effected on a total of

R100 million (2014: R106 million) of fixed interest securities exposure held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 12 June 2017. At 31 December 2015, Santam also had exchange traded futures with an exposure value of R585 million (2014: no exposure).

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand. Santam's primary foreign currency exposures are to the pound sterling and the US dollar.

Santam incurs exposure to currency risk in two ways:

- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies); and
- Structural currency risk – by mainly investing in Sanlam Emerging Market (SEM) target shares.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts. The fair value of the investments in the SEM target shares is impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers.

Santam does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case-by-case basis.

During November 2015, agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration, including transaction costs, of US$400 million.

The effective date of this transaction was dependent on the fulfilment of the conditions precedent and is expected to close shortly.

In terms of Santam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exists. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the Investment committee and the Board that the foreign currency risk relating to this transaction should be appropriately hedged.

The hedging strategy that was approved consists of obtaining funding from the following internal capital resources:

- US$35 million was purchased in the market in November 2015;
- The balance was obtained from existing US dollar assets.

The dedicated capital resources mentioned above were designated as the hedging instrument and the proposed acquisition as described above was identified as the hedged item. The implementation date of the hedge was 24 November 2015. The impact of this was that the foreign currency gains of R134 million recognised on the dedicated cash balances since the designation date were not recognised in profit or loss but was recognised in equity (refer to page 296 for more information).

Derivatives risk

Santam uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. Santam does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. There is a policy on the use of derivatives that is approved by the Santam Investment committee and the board, which governs the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Liquidity risk
Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by investments with limited capital risk (i.e. cash and interest-bearing instruments) while Santam's subordinated debt obligation is covered by matching cash and interest-bearing instruments (including interest rate swaps).

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

2. Sanlam Emerging Markets
Sanlam Emerging Market's (SEM) exposure to general insurance business includes an investment in Shriram General Insurance (through the holding in Shriram Capital) in India and a holding in Pacific & Orient (carrying value of R1 043 million (2014: R1 005 million)) in Malaysia. In addition to these investments SEM holds smaller stakes in various other general insurance businesses across Africa.

The main risk emanating from the general insurance operations is insurance risk. This risk is managed through reinsurance, close monitoring of claims and sound underwriting practices.

The general insurance investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure is limited to the value of the investment in these businesses.

Corporate
The Corporate Cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk
Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2015					
Term finance liabilities	**(984)**	**(682)**	**—**	**—**	**(1 666)**
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	**(984)**	**(682)**	**—**	**—**	**(1 666)**
Assets held in respect of term finance	**258**	**787**	**190**	**431**	**1 666**
Equities and similar securities	**—**	**—**	**—**	**395**	**395**
Corporate interest-bearing investments	**278**	**780**	**190**	**36**	**1 284**
Mortgages and loans	**—**	**1**	**—**	**—**	**1**
Structured transactions	**3**	**1**	**—**	**—**	**4**
Cash, deposits and similar securities	**7**	**5**	**—**	**—**	**12**
Working capital assets and liabilities	**(30)**	**—**	**—**	**—**	**(30)**
Net term finance liquidity position	**(726)**	**105**	**190**	**431**	**—**
31 December 2014					
Term finance liabilities	(434)	(1 401)	—	—	(1 835)
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	(434)	(1 401)	—	—	(1 835)
Assets held in respect of term finance	773	577	—	485	1 835
Equities and similar securities	—	—	—	485	485
Corporate interest-bearing investments	776	573	—	—	1 349
Structured transactions	—	1	—	—	1
Cash, deposits and similar securities	2	3	—	—	5
Working capital assets and liabilities	(5)	—	—	—	(5)
Net term finance liquidity position	339	(824)	—	485	—

The unsecured subordinated bonds issued by Sanlam Life, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate Cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2015					
Term finance liabilities					
Interest-bearing liabilities	**—**	**—**	**(1 939)**	**—**	**(1 939)**
Assets held in respect of term finance	**193**	**1 234**	**198**	**314**	**1 939**
Government interest-bearing investments	**—**	**—**	**31**	**—**	**31**
Corporate interest-bearing investments	**158**	**881**	**167**	**—**	**1 206**
Mortgages, policy and other loans	**5**	**30**	**—**	**—**	**35**
Structured transactions	**52**	**323**	**—**	**—**	**375**
Investment funds	**—**	**—**	**—**	**314**	**314**
Cash, deposits and similar securities	**48**	**—**	**—**	**—**	**48**
Working capital assets and liabilities	**(70)**	**—**	**—**	**—**	**(70)**
Net term finance liquidity position	**193**	**1 234**	**(1 741)**	**314**	**—**
31 December 2014					
Term finance liabilities					
Interest-bearing liabilities	—	—	(2 007)	—	(2 007)
Assets held in respect of term finance	185	992	537	293	2 007
Government interest-bearing investments	14	12	33	—	59
Corporate interest-bearing investments	172	792	493	—	1 457
Mortgages, policy and other loans	—	49	11	—	60
Structured transactions	24	139	—	—	163
Investment funds	—	—	—	293	293
Cash, deposits and similar securities	34	—	—	—	34
Working capital assets and liabilities	(59)	—	—	—	(59)
Net term finance liquidity position	185	992	(1 470)	293	—

2. Sensitivity analysis – market risk

Refer to page 165 for an analysis of the Group’s exposure to market risk as measured by GEV.

3. Cash flow hedging

Saham transaction

During November 2015, agreements were concluded whereby the Group will acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by Sanlam Emerging Markets as to 75% and Santam as to 25%, for a total cash consideration of US$400 million including transaction and related costs.

Saham Finances is an insurance group with operations in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The majority (exceeding 80%) of Saham Finances' business is non-life business through its 49 subsidiaries, and has a network of 650 branches with an employee complement of more than 3 000 people. Saham Finances also has a leading market share in many of its markets.

The effective date of this transaction was dependent on the fulfilment of the conditions precedent and the transaction is expected to close shortly.

In terms of Sanlam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exists. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the Executive committee and the Board that the foreign currency risk relating to this transaction should be appropriately hedged.

The hedging strategy was implemented by acquiring the foreign currency required to settle the acquisition cost of $400 million:

- $332 million was purchased in the market in November 2015;
- The balance was funded from existing dollar assets available within the Group.

The designated capital resources were identified as the hedging instrument and the proposed acquisition as described above was identified as the hedge item. The implementation date of the hedge was 24 November 2015.

To determine the expected effectiveness of the hedge the "critical terms comparison" method as well as the "dollar offset" method (i.e. the ratio of the cumulative foreign currency movements on the designated funding resources divided by the cumulative foreign currency movements on the purchase price) were considered. In terms of the "critical terms comparison" method it was concluded that the acquisition contracts have been signed and that no further changes are expected to the purchase price that was contractually determined. The foreign currency movement on both the purchase price and the designated funding resources should therefore be in line. When applying the "dollar offset" method it was concluded that because the designated funding resources do not accrue any interest, the foreign currency movement relating to both the purchase price and the designated funding resources should be in line (i.e. within 80% – 125%). The effectiveness testing will be applied throughout the hedging period. At 31 December 2015 the hedge was still effective.

Shriram transaction

Sanlam Emerging Markets (SEM) currently holds an effective 26% in Shriram Capital Limited (SCL), which in turn holds 99,96% of Shriram General Insurance Company Limited (SGIC) and 97,56% of Shriram Life Insurance Company Limited (SLIC). SEM intends to acquire additional direct interests in SGIC and SLIC of 23% each, as well as make an additional contribution to Shriram Capital Limited. The total consideration for these transactions will be approximately Rs502Cr.

Sanlam Life acquired US$ currency on 17 September 2015 ($75 million) in anticipation of the transaction. Of this, some $69,4 million will be used for the transaction. US$/INR call and put instruments were also entered into during 2015 to hedge the US$/INR leg of the exposure.

For purposes of the 2015 year-end reporting this transaction was deemed to be a highly probable forecast transaction and as a result cash flow hedge accounting has been applied for purposes of the Sanlam Life Insurance Limited Group and the Sanlam Limited Group IFRS financial statements. The implementation of the hedge was 17 September 2015. Hedge effectiveness testing is performed on a similar basis as Saham as discussed above and will be performed throughout the hedging period. At 31 December 2015 the hedge was still effective.

Basis of presentation and accounting policies

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless indicated otherwise, in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. No new or revised IFRS and interpretations became effective in the current year that impacted the financial statements.

The following significant new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- IFRS 9 – *Financial Instruments* (effective 1 January 2018)
- IFRS 15 – *Revenue from Contracts with Customers* (effective 1 January 2018)
- IFRS 16 – *Leases* (effective 1 January 2019)

The impact of the application of these revised standards and interpretations in future financial reporting periods on the Group's reported results, financial position and cash flows are still being assessed.

A glossary containing explanations of technical terms used in these financial statements is presented on page 386.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 318 to 385.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group statement of financial position and statement of comprehensive income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- The valuation of policy liabilities;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group has less than a majority interest.

Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements and note 34 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 318 to 385 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 152 to 209.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 314 to 317.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the statement of financial position; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 251 to 297;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

Segmental information

The Group reports in five distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The five segments are:

- Sanlam Personal Finance;
- Sanlam Emerging Markets;
- Sanlam Investments, which includes Investment Management, Capital Management and Sanlam Employee Benefits;
- Santam; and
- Corporate and Other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the shareholders' fund information on pages 152 to 209. Refer to the financial review on pages 96 to 113 for additional information on these business segments and to the Group structure on page 26 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results. These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented unless otherwise noted.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the right or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;

- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continual basis whether or not it controls an investee.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the statement of comprehensive income with effect from the 2010 financial year. These costs were capitalised against the investment acquired in financial years up to the end of 2009. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the statement of comprehensive income.

The results of subsidiaries and consolidated funds are included from the effective dates when the Group has control to the effective dates when the Group ceases to have control, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of non-controlling shareholders in subsidiaries is stated at the non-controlling shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:
- *First party* – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.

- *Third party* – where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

Equipment

Equipment is reflected at its depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between two and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed bi-annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the non-controlling interest acquired is accounted for directly in equity. These differences were recognised as goodwill for business combinations occurring before 1 January 2010. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for directly in equity. These profits and losses were recognised in the statement of comprehensive income before 1 January 2010.

For impairment purposes the carrying amount of goodwill is allocated to cash-generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the statement of comprehensive income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash-generating units that expect to benefit from the synergies of the business combination.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the amortised cost would have been. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted, as appropriate. Other intangible assets are assessed for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

Deferred acquisition costs
Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC are amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts
Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for indicators of impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

Financial instruments
Financial instruments carried on the statement of financial position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition
Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counterparties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counterparties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification
Financial instruments are classified into the following categories:

- *Financial assets:* At fair value through profit or loss
Loans and receivables
- *Financial liabilities:* At fair value through profit or loss
Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item. Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are assessed for indicators of impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows discounted at the original effective interest rate, and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the statement of comprehensive income as investment surpluses.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value based on valuations by Sanlam Properties, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair values are determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

When investment properties become owner-occupied, the Sanlam Group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised in other comprehensive income as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Sanlam Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associates are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associates, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associates' other post-acquisition movement in equity reserves (other than those related to dividends) is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in an associate includes goodwill. Investments in associates, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Interest-bearing investment;
- Structured transactions;
- Investment funds; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases. Structured transactions include derivatives, structured notes and collateralised securities.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, credit default swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on derivatives measured using these valuation techniques are recognised in the statement of comprehensive income to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the statement of comprehensive income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the structured transactions. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Assets for disposal groups classified as held for sale

Assets of disposal groups classified as held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*, in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit and loss as a financing cost.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

General insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums
General insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

General insurance technical assets
The benefits to which the Group is entitled under its general reinsurance contracts are recognised as general insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the statement of comprehensive income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its general insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements
Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Trade and other receivables
Trade and other receivables are measured at amortised cost, apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by Sanlam Capital Markets for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the statement of comprehensive income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the statement of financial position as positive and negative replacement values to the extent that set-off is not required by IAS 32 – *Financial Instruments: Disclosure and Presentation*.

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on *Policy Liabilities and Profit Entitlement*; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities, adjusted for non-performance risk).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the statement of comprehensive income as a finance cost.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana and Kenya operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of comprehensive income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and investments supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. This creates a mismatch with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic losses for the shareholders' fund. Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these same investments are valued at fair value:

- Investments in subsidiaries which are valued at net asset value plus goodwill;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Cash flow hedging

Certain financial instruments are designated as hedging instruments of the exposures arising on certain highly probable forecast transactions (cash flow hedges). On designation of a hedged transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that is used in the hedging transaction has been and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated in reserves in equity, while any ineffective portion is recognised immediately in the statement of comprehensive income within investment surpluses (if applicable).

When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset or liability the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial carrying amount of the asset or liability. The deferred amounts are ultimately recognised in profit or loss when the related asset is impaired or sold or the liability settled.

Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes:

- Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from short-term insurance business, such a short-term insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
- Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

General insurance premiums

General insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward general reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, net rental income and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the statement of financial position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer financial services income policy note for presentation of gains and losses on capital market investments) and dividend and interest income. These surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received. Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired general insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group statement of comprehensive income but reflected as a reduction in long-term policy liabilities.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Sales remuneration
Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Acquisition cost for general insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or general insurance business.

Administration costs
Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases
Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases, where the Group effectively assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the statement of comprehensive income. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs
Borrowing costs are recognised as an expense in the statement of comprehensive income on an accrual basis.

Taxation
Normal income tax
Current income tax is provided in respect of taxable income at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax
Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:
- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of monetary assets and liabilities are recognised in the statement of comprehensive income as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Statement of comprehensive income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the statement of comprehensive income.

Retirement benefits

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

Defined-benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined-contribution plans

Group contributions to the defined contribution funds are charged against the statement of comprehensive income in the year incurred.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at the reporting date:

Deferred Share Plan (DSP)

The DSP was introduced in 2007. In terms of the DSP, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting can occur in three tranches over a period starting three years from the grant date, subject to certain performance targets.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date and the fact that employees will not be entitled to dividends until the shares vest. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect expected levels of vesting, with a corresponding increase in equity.

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting can occur on pre-determined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect expected levels of vesting.

Dividends

Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Channel Life, Safrican insurance company and Sanlam Emerging Markets, as well as investment contracts issued by Sanlam Investments and Pensions, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Sanlam Investments and Pensions is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2015 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement*), investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 – *Insurance Contracts*).

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in professional guidance note, SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2015 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

  Refer to note 7 on page 207 for investment return assumptions per asset class.
- Future expense assumptions are based on the 2015 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses
Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business
The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business
For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' and Channel Life's individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business
In the case of Group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business
The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business
Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business
Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately less than 1% on average or by not allowing policies to have negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, among other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included within the related prospective reserves.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's policies.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Group statement of financial position

at 31 December 2015

R million	Note	2015	2014
ASSETS			
Equipment	1	**892**	723
Owner-occupied properties	2	**1 329**	1 096
Goodwill	3	**3 895**	3 974
Other intangible assets		**487**	439
Value of business acquired	4	**1 943**	2 045
Deferred acquisition costs	5	**3 463**	3 281
Long-term reinsurance assets	6	**945**	941
Investments	7	**590 894**	538 155
Properties	7.1	**11 606**	10 333
Fixed properties		**11 391**	10 119
Straight-line rental adjustment		**215**	214
Equity-accounted investments	7.2	**15 999**	11 895
Equities and similar securities	7.3	**189 214**	183 040
Interest-bearing investments	7.4	**165 261**	161 778
Structured transactions	7.4	**14 179**	12 348
Investment funds	7.4	**157 288**	133 552
Cash, deposits and similar securities	7.4	**37 347**	25 209
Deferred tax	8	**368**	365
Assets of disposal groups classified as held for sale	38	**540**	1 893
General insurance technical assets	9	**4 251**	3 964
Net defined benefit asset	32	**—**	144
Working capital assets		**65 501**	54 233
Trade and other receivables	10	**45 360**	37 974
Cash, deposits and similar securities		**20 141**	16 259
Total assets		**674 508**	611 253
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	11	**22**	22
Treasury shares		**(3 683)**	(3 584)
Other reserves	12	**12 505**	9 423
Retained earnings		**44 777**	40 176
Shareholders' fund		**53 621**	46 037
Non-controlling interest	14	**6 571**	5 198
Total equity		**60 192**	51 235
Long-term policy liabilities	15	**480 910**	443 672
Insurance contracts		**183 972**	186 626
Investment contracts		**296 938**	257 046
Term finance	16	**5 637**	5 775
Margin business		**1 737**	1 835
Other interest-bearing liabilities		**3 900**	3 940
Structured transactions liabilities		**2 374**	766
External investors in consolidated funds		**53 641**	49 625
Cell owners' interest		**980**	925
Deferred tax	8	**2 180**	2 498
Liabilities of disposal groups classified as held for sale	38	**—**	1 466
General insurance technical provisions	9	**13 523**	12 592
Working capital liabilities		**55 071**	42 699
Trade and other payables	17	**52 751**	40 529
Provisions	18	**319**	283
Taxation		**2 001**	1 887
Total equity and liabilities		**674 508**	611 253

Group statement of comprehensive income

for the year ended 31 December 2015

R million	Note	2015	2014
Net income		**85 293**	92 060
Financial services income	19	**53 754**	49 683
Reinsurance premiums paid	20	**(6 831)**	(6 341)
Reinsurance commission received	21	**1 275**	1 125
Investment income	22	**25 241**	22 491
Investment surpluses	22	**13 942**	28 891
Finance cost – margin business	26	**(101)**	(105)
Change in fair value of external investors' liability		**(1 987)**	(3 684)
Net insurance and investment contract benefits and claims		**(47 675)**	(58 626)
Long-term insurance contract benefits	23	**(15 247)**	(26 388)
Long-term investment contract benefits	23	**(21 736)**	(22 168)
General insurance claims		**(14 206)**	(14 404)
Reinsurance claims received	21	**3 514**	4 334
Expenses		**(23 024)**	(20 811)
Sales remuneration		**(7 269)**	(6 442)
Administration costs	24	**(15 755)**	(14 369)
Impairments	39	**(173)**	(140)
Amortisation of intangibles		**(382)**	(240)
Net operating result		**14 039**	12 243
Equity-accounted earnings	25	**1 310**	1 603
Finance cost – other	26	**(580)**	(517)
Profit before tax		**14 769**	13 329
Taxation	27	**(3 859)**	(3 534)
Shareholders' fund		**(3 078)**	(3 007)
Policyholders' fund		**(781)**	(527)
Profit for the year		**10 910**	9 795
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		**3 390**	569
Movement in cash flow hedge		**509**	—
Other comprehensive income: not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement gain	32	**(11)**	128
Comprehensive income for the year		**14 798**	10 492
Allocation of comprehensive income:			
Profit for the year		**10 910**	9 795
Shareholders' fund		**9 391**	8 729
Non-controlling interest		**1 519**	1 066
Comprehensive income for the year		**14 798**	10 492
Shareholders' fund		**12 863**	9 393
Non-controlling interest		**1 935**	1 099
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**468,9**	436,7
Diluted earnings per share	28	**464,0**	431,5

Group statement of changes in equity

for the year ended 31 December 2015

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2014	21	1	(3 581)	9 917
Comprehensive income	—	—	—	—
Profit for the year	—	—	—	—
Other comprehensive income	—	—	—	—
Net (acquisition)/disposal of treasury shares[2]	—	—	(3)	—
Share-based payments	—	—	—	—
Transfer to non-distributable reserve	—	—	—	(47)
Transfer (from)/to consolidation reserve	—	—	—	—
Dividends paid[1]	—	—	—	—
Acquisitions, disposals and other movements in interests	—	—	—	—
Balance at 31 December 2014	21	1	(3 584)	9 870
Comprehensive income	**—**	**—**	**—**	**—**
Profit for the year	**—**	**—**	**—**	**—**
Other comprehensive income[3]	**—**	**—**	**—**	**—**
Net (acquisition)/disposal of treasury shares[2]	**—**	**—**	**(99)**	**—**
Share-based payments	**—**	**—**	**—**	**—**
Transfer to/(from) non-distributable reserve	**—**	**—**	**—**	**24**
Transfer (from)/to consolidation reserve	**—**	**—**	**—**	**—**
Dividends paid[1]	**—**	**—**	**—**	**—**
Acquisitions, disposals and other movements in interests	**—**	**—**	**—**	**—**
Balance at 31 December 2015	**21**	**1**	**(3 683)**	**9 894**

(1) *A normal dividend of 225 cents per share declared during 2015 in respect of the 2014 financial year (2014: normal dividend of 200 cents per share).*

(2) *Comprises movement in cost of shares held by subsidiaries, share incentive trust and other consolidated funds.*

(3) *Other comprehensive income includes a cash flow hedging reserve of R707 million (R509 million net of tax) in respect of the cumulative fair value movements on the hedging instruments designated for the funding of the acquisition of interests in Saham Finances, Shriram Life Insurance and Shriram General Insurance, as well as an additional contribution to Shriram Capital.*

Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consoli-dation reserve	Total: equity holders	Non-controlling interest	Total equity
907	35 274	42 539	(1 574)	40 965	3 651	44 616
536	8 857	9 393	—	9 393	1 099	10 492
—	8 729	8 729	—	8 729	1 066	9 795
536	128	664	—	664	33	697
—	(294)	(297)	(218)	(515)	(20)	(535)
—	376	376	—	376	57	433
—	47	—	—	—	—	—
—	(19)	(19)	19	—	—	—
—	(4 009)	(4 009)	—	(4 009)	(636)	(4 645)
—	(56)	(56)	(117)	(173)	1 047	874
1 443	40 176	47 927	(1 890)	46 037	5 198	51 235
3 011	**9 852**	**12 863**	**—**	**12 863**	**1 935**	**14 798**
—	**9 391**	**9 391**	**—**	**9 391**	**1 519**	**10 910**
3 011	**461**	**3 472**	**—**	**3 472**	**416**	**3 888**
—	**(364)**	**(463)**	**(683)**	**(1 146)**	**(16)**	**(1 162)**
—	**409**	**409**	**—**	**409**	**57**	**466**
—	**(24)**	**—**	**—**	**—**	**—**	**—**
—	**(478)**	**(478)**	**478**	**—**	**—**	**—**
—	**(4 526)**	**(4 526)**	**—**	**(4 526)**	**(891)**	**(5 417)**
—	**(268)**	**(268)**	**252**	**(16)**	**288**	**272**
4 454	**44 777**	**55 464**	**(1 843)**	**53 621**	**6 571**	**60 192**

Group cash flow statement

for the year ended 31 December 2015

R million	Note	2015	2014
Cash flow from operating activities		**32 593**	35 944
Cash generated in operations	36.1	**18 825**	23 291
Interest and preference share dividends received		**14 877**	13 334
Interest paid		**(681)**	(622)
Dividends received		**8 992**	7 691
Dividends paid		**(5 333)**	(4 554)
Taxation paid		**(4 087)**	(3 196)
Cash flow from investment activities		**(15 911)**	(30 033)
Net acquisition of investments		**(15 519)**	(30 140)
Acquisition of subsidiaries and associated companies	36.2	**(1 082)**	(968)
Disposal of subsidiaries and associated companies	36.3	**690**	1 075
Cash flow from financing activities		**(1 477)**	(971)
Movement in treasury shares		**(1 162)**	(535)
Term finance raised		**548**	27
Term finance repaid		**(863)**	(463)
Net increase in cash and cash equivalents		**15 205**	4 940
Net foreign exchange difference		**707**	—
Cash, deposits and similar securities at beginning of the year		**41 431**	36 491
Cash, deposits and similar securities at end of the year	36.4	**57 343**	41 431

Notes to the Group financial statements

for the year ended 31 December 2015

	R million	2015	2014
1.	**Equipment**		
	Computer equipment	**553**	429
	Cost	**1 691**	1 375
	Accumulated depreciation and impairment	**(1 138)**	(946)
	Furniture, equipment, vehicles and other	**339**	294
	Cost	**1 027**	897
	Accumulated depreciation and impairment	**(688)**	(603)
	Equipment	**892**	723
	Reconciliation of carrying amount		
	Balance at beginning of the year	**723**	586
	Additions and expenditure capitalised	**422**	360
	Disposals	**(14)**	(59)
	Acquired through business combinations	**11**	42
	Disposal of subsidiaries	**(22)**	—
	Depreciation	**(261)**	(210)
	Foreign currency translation differences	**33**	4
	Balance at end of the year	**892**	723
2.	**Owner-occupied properties**		
	Balance at beginning of the year	**1 096**	672
	Additions and expenditure capitalised	**174**	56
	Disposals	**—**	(1)
	Acquired through business combinations	**—**	477
	Transfer from/(to) investment properties	**11**	(111)
	Foreign currency translation differences	**67**	3
	Depreciation	**(19)**	—
	Balance at end of the year	**1 329**	1 096

	R million	2015	2014
3.	**Goodwill**		
	Balance at beginning of the year	**3 974**	3 796
	Gross carrying amount	**4 245**	3 970
	Accumulated impairment	**(271)**	(174)
	Acquired through business combinations	**138**	263
	Impairments	**(162)**	(97)
	Disposals	**(193)**	—
	Foreign currency translation differences	**138**	12
	Balance at end of the year	**3 895**	3 974
	Gross carrying amount	**4 250**	4 245
	Accumulated impairment	**(355)**	(271)
	Allocation of goodwill		
	Life insurance	**714**	681
	Sanlam Life and Pensions UK	**356**	356
	MCIS Insurance	**193**	177
	Channel Life	**96**	96
	Sanlam Developing Markets	**36**	36
	Other	**33**	16
	Other Sanlam businesses	**3 181**	3 293
	Goodwill held on Group level	**1 198**	1 198
	Santam	**768**	1 003
	Sanlam Investment Management	**479**	451
	International: Investment Management	**334**	278
	Soras Group	**79**	57
	Sanlam UK (excluding Sanlam Life and Pensions UK)(1)	**141**	122
	Glacier	**98**	98
	Other	**84**	86
	Balance at end of the year	**3 895**	3 974

(1) *Including goodwill of R49 million (2014: R49 million) in respect of Sanlam Netherlands Holdings previously disclosed separately.*

The additions to goodwill during the year ended 31 December 2015 arose primarily from the acquisitions of Gateway Insurance Company Limited by Sanlam Emerging Markets as well as the purchase of renewable advisory contracts on the ISI funds by Centre Asset Management LLC.

The disposal of goodwill during the year ended 31 December 2015 arose from the sale of a controlling stake in Indwe by Santam Limited.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value plus a multiple of life insurance value of new business (representing the total value in use for entities at embedded value), less the consolidated net asset value of the respective businesses. Refer to page 162 for an analysis of Group Equity Value as well as pages 207 to 209 for valuation assumptions used.

R million	2015	2014
4. Value of business acquired		
Balance at beginning of the year	**2 045**	1 586
Additions during the year	**142**	27
Foreign currency translation differences	**180**	23
Acquired through business combinations	**8**	641
Amortisation	**(321)**	(232)
Disposals	**(111)**	—
Balance at end of the year	**1 943**	2 045
Gross carrying amount	**3 323**	3 234
Accumulated amortisation and impairment	**(1 380)**	(1 189)
Allocation of value of business acquired		
Sanlam UK	**613**	568
Sanlam Developing Markets	**482**	589
Sanlam Emerging Markets	**652**	676
Other	**196**	212
Balance at end of the year	**1 943**	2 045

The additions to value of business acquired relates primarily to the acquisition of databases by Safrican Insurance Company Limited and Sanlam Private Wealth UK Limited. The disposals relate primarily to the sale of a controlling interest in Indwe by Santam Limited.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the statement of comprehensive income on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets, 15 years for Channel Life and Sanlam Private Investments UK and 10 years for MCIS Insurance, the major businesses to which value of business acquired relates. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page 162 for an analysis of Group Equity Value. There were no impairments of value of business acquired recognised during the year.

R million	2015	2014
5. Deferred acquisition costs		
Balance at beginning of the year	**3 281**	2 976
Acquisition costs capitalised	**624**	716
Expensed for the year	**(442)**	(411)
Balance at end of the year	**3 463**	3 281

	R million	2015	2014
6.	**Long-term reinsurance assets**		
	Balance at beginning of the year	**941**	796
	Movement in reinsurers' share of insurance liabilities	**4**	145
	Balance at end of the year	**945**	941
	Maturity analysis of long-term reinsurance assets		
	Due within one year	**57**	63
	Due within two to five years	**153**	171
	Due after more than five years	**695**	689
	Open ended	**40**	18
	Total long-term reinsurance assets	**945**	941
	Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).		
7.	**Investments**		
7.1	**Properties**		
	Properties comprise:		
	Office buildings	**3 925**	3 661
	Retail buildings	**2 743**	2 760
	Industrial buildings	**699**	584
	Undeveloped land	**8**	21
	International properties (situated outside South Africa)	**3 845**	2 977
	Other	**386**	330
	Total properties	**11 606**	10 333
	Less: Straight-line rental adjustment	**(215)**	(214)
	Total investment properties	**11 391**	10 119

R million	Note	2015	2014
7. Investments (continued)			
7.1 Properties (continued)			
Reconciliation of carrying amount of properties			
Properties – balance at beginning of the year		**10 333**	9 182
Additions		**264**	718
Disposals		**(207)**	(301)
Acquired through business combinations		**136**	304
Foreign currency translation differences		**1 049**	138
Investment surpluses		**42**	181
Transfers (to)/from owner-occupied properties		**(11)**	111
Properties – balance at end of the year		**11 606**	10 333
Reconciliation of straight-line rental adjustment			
Straight-line rental adjustment – balance at beginning of the year		**214**	242
Disposals		**—**	(7)
Movement for the year included in the statement of comprehensive income		**1**	(21)
Straight-line rental adjustment – balance at end of the year		**215**	214
Contractual future minimum lease payments receivable under non-cancellable operating leases:			
Within one year		**814**	694
Within two to five years		**2 405**	1 923
After more than five years		**610**	643
Future minimum lease payments		**3 829**	3 260
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**14 674**	10 951
Shriram Capital		**6 425**	4 664
Shriram Transport Finance Company		**1 279**	984
Letshego		**1 784**	1 523
Pacific & Orient		**1 043**	1 005
Capricorn Investment Holdings		**920**	844
Afrocentric		**703**	—
Other associated companies		**2 520**	1 931
Investments in joint ventures	7.2.2	**1 325**	944
Sanlam Personal Loans		**739**	626
Other joint ventures		**586**	318
Total equity-accounted investments		**15 999**	11 895

R million	Shriram Capital[1] 2015	Shriram Capital[1] 2014	Shriram Transport Finance Company[1] 2015	Shriram Transport Finance Company[1] 2014
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies				
Details of material associated companies:				
Carrying value of interest – equity method	**6 425**	4 664	**1 279**	984
Fair value of interest – based on internal valuation	**6 883**	4 992	**1 406**	1 078
Fair value of interest – based on quoted prices for listed businesses	**7 356**	6 582	**1 365**	1 371
Effective interest in issued share capital – shareholders' fund[2]	**26%**	26%	**3%**	3%
Summarised financial information:				
Revenue	**6 515**	5 588	**18 484**	15 998
Post-tax profit from continuing operations	**1 730**	1 653	**1 541**	2 307
Total comprehensive income	**1 730**	1 653	**1 541**	2 307
Assets and liabilities				
Non-current assets	**36 130**	24 722	**90 558**	54 633
Current assets	**6 780**	5 659	**61 313**	50 541
Non-current liabilities	**(4 558)**	(3 245)	**(82 202)**	(56 243)
Current liabilities	**(12 921)**	(8 670)	**(46 961)**	(32 247)
Net asset value	**25 431**	18 466	**22 708**	16 684
Non-controlling interest	**9 362**	6 851	**—**	—
Shareholders' fund	**16 069**	11 615	**22 708**	16 684
Calculated carrying value	**5 921**	4 283	**677**	497
Goodwill recognised in the carrying value of associate	**504**	381	**602**	487
Carrying value	**6 425**	4 664	**1 279**	984
Dividends received	**65**	—	**14**	—

(1) *Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2015 have been accounted for the period 1 October 2014 to 30 September 2015. The Group also holds a 2,98% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).*

(2) *The effective interest relates to the holding in Shriram Capital through Shriram Financial Ventures (Chennai) Limited. The Group has a 36,85% interest in Shriram Finance Ventures (Chennai) Limited.*

R million	Letshego[3] 2015	Letshego[3] 2014	Pacific & Orient[4] 2015	Pacific & Orient[4] 2014
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies (continued)				
Carrying value of interest – equity method	**1 784**	1 523	**1 043**	1 005
Fair value of interest – based on internal valuation	**1 921**	1 650	**1 210**	1 105
Fair value of interest – based on quoted prices for listed businesses	**2 063**	1 661	**—**	—
Interest in issued share capital – shareholders' fund	**23%**	23%	**49%**	49%
Summarised financial information:				
Revenue	**2 229**	1 636	**1 254**	1 132
Post-tax profit from continuing operations	**967**	802	**67**	198
Other comprehensive loss[5]	**(349)**	—	**—**	—
Assets and liabilities				
Non-current assets	**318**	181	**3 695**	3 377
Current assets	**9 834**	7 205	**137**	279
Non-current liabilities	**(3 677)**	(1 946)	**—**	—
Current liabilities	**(545)**	(510)	**(2 974)**	(2 761)
Net asset value	**5 930**	4 930	**858**	895
Non-controlling interest	**287**	184	**—**	—
Shareholders' fund	**5 643**	4 746	**858**	895
Calculated carrying value	**1 307**	1 104	**421**	439
Goodwill recognised in the carrying value of associate	**477**	419	**622**	566
Carrying value	**1 784**	1 523	**1 043**	1 005
Dividends received	**100**	67	**77**	77

[3] *The Group holds a 23,4% interest in Letshego, a listed retail credit business in Botswana.*
[4] *The Group holds a 49% interest in Pacific & Orient Insurance Co Berhad, a niche general insurance business in Malaysia.*
[5] *Other comprehensive loss relates to foreign currency translation differences within these associates and are included in the foreign currency translation reserve in the Group statement of comprehensive income.*

for the year ended 31 December 2015

R million	Capricorn Investment Holdings[6] 2015	Capricorn Investment Holdings[6] 2014	Afrocentric[7] 2015	Afrocentric[7] 2014
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies (continued)				
Carrying value of interest – equity method	**920**	844	**703**	—
Fair value of interest – based on internal valuation	**964**	861	**703**	—
Fair value of interest – based on quoted prices for listed businesses	**1 169**	949	**—**	—
Interest in issued share capital – shareholders' fund	**23%**	23%	**29%**	—
Summarised financial information:				
Revenue	**3 091**	2 506	**—**	—
Post-tax profit from continuing operations	**822**	667	**—**	—
Other comprehensive income[8]	**34**	—	**—**	—
Assets and liabilities				
Non-current assets	**25 432**	26 804	**1 676**	—
Current assets	**12 496**	4 523	**703**	—
Non-current liabilities	**(5 632)**	(4 741)	**(106)**	—
Current liabilities	**(27 635)**	(22 577)	**(376)**	—
Net asset value	**4 661**	4 009	**1 897**	—
Non-controlling interest	**1 940**	1 621	**60**	—
Shareholders' fund	**2 721**	2 388	**1 837**	—
Calculated carrying value	**622**	546	**527**	—
Goodwill recognised in the carrying value of associate	**298**	298	**176**	—
Carrying value	**920**	844	**703**	—
Dividends received	**—**	—	**—**	—

[6] The Group holds a 22,85% interest in Capricorn Investment Holdings, an investment company in Namibia.
[7] The Group acquired a 28,7% interest in ACT Healthcare Assets (Pty) Limited, a health administration and health risk management company, with an effective date of 31 December 2015. The summarised information is provisional.
[8] Other comprehensive income relates to foreign currency translation differences within these associates and are included in the foreign currency translation reserve in the Group statement of comprehensive income.

R million	2015	2014
Details of immaterial associated companies:		
Post-tax profit from continuing operations	**352**	521
Total comprehensive income	**352**	521

R million	Sanlam Personal Loans[1] 2015	2014
7. Investments (continued)		
7.2 Equity-accounted investments (continued)		
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Carrying value of interest – equity method	**739**	626
Fair value of interest – based on internal valuation	**1 053**	991
Effective interest in issued share capital: Class A	**70%**	70%
Summarised financial information:		
Non-current assets	**3 059**	2 905
Current assets	**1 013**	972
Cash and cash equivalents	**70**	69
Other current assets	**943**	903
Non-current liabilities	**(1 613)**	(1 712)
Current liabilities	**(1 388)**	(1 257)
Trade and other payables	**(27)**	(31)
Short-term borrowings	**(1 355)**	(1 212)
Taxation payable	**(6)**	(14)
Non-controlling interest	**(3)**	3
Net asset value attributable to class B shares	**(12)**	(17)
Total equity	**1 056**	894
Calculated carrying value	**739**	626
Revenue	**128**	130
Interest income	**942**	845
Interest expense	**(281)**	(250)
Taxation	**(104)**	(93)
Post-tax profit from continuing operations	**231**	205
Total comprehensive income	**231**	205

[1] *The Group holds a 70% interest in Sanlam Personal Loans, a jointly controlled entity in the personal loan business in South Africa.*

	2015	2014
Details of individually immaterial joint ventures:		
Post-tax profit/(loss) from continuing operations	**24**	39
Other comprehensive income	**—**	—
Total comprehensive income	**24**	39

	R million	2015	2014
7.	**Investments (continued)**		
7.3	**Equities**		
	Equities and similar securities comprise:		
	Listed on the JSE – at market value	**64 862**	70 469
	Unlisted – at directors' valuation	**1 581**	1 219
	Offshore equity investments	**6 514**	6 053
	Listed – at market value	**5 808**	5 094
	Unlisted – at directors' valuation	**706**	959
	Equities held by consolidated investment funds	**116 257**	105 299
	Total equities and similar securities	**189 214**	183 040
	Classification of equities and similar securities		
	Designated as at fair value through profit or loss	**189 109**	183 029
	Held for trading at fair value	**105**	11
	Total equities and similar securities	**189 214**	183 040

%	2015	2014
Spread of equities listed on the JSE by sector		
Consumer services	**22,8**	17,6
Consumer goods	**22,2**	17,4
Financials	**21,5**	21,0
Basic materials	**13,8**	12,7
General industrials	**8,5**	9,8
Telecommunications	**6,1**	9,1
Healthcare	**4,0**	3,1
Other	**1,0**	5,8
Information technology	**0,1**	0,1
Property	**—**	3,4
	100	100

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[(1)]	Total
7. Investments (continued)				
7.4 Investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2015				
Interest-bearing investments	**164 017**	**—**	**1 244**	**165 261**
Government interest-bearing investments	**74 398**	**—**	**—**	**74 398**
Corporate interest-bearing investments	**84 955**	**—**	**—**	**84 955**
Other interest-bearing investments	**4 664**	**—**	**1 244**	**5 908**
Structured transactions	**13 876**	**303**	**—**	**14 179**
Investment funds	**157 288**	**—**	**—**	**157 288**
Cash, deposits and similar securities	**37 342**	**—**	**5**	**37 347**
	372 523	**303**	**1 249**	**374 075**
31 December 2014				
Interest-bearing investments	160 520	—	1 258	161 778
Government interest-bearing investments	74 818	—	—	74 818
Corporate interest-bearing investments	81 798	—	73	81 871
Other interest-bearing investments	3 904	—	1 185	5 089
Structured transactions	11 947	401	—	12 348
Investment funds	133 552	—	—	133 552
Cash, deposits and similar securities	25 206	—	3	25 209
	331 225	401	1 261	332 887

(1) *The estimated fair value of investments valued at amortised cost amounts to R1 249 million (2014: R1 261 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.*

R million	<1 year	1 – 5 years	>5 years	On demand	Total
7. Investments (continued)					
7.4 Investments other than equities and similar securities, equity-accounted investments and properties (continued)					
31 December 2015					
Interest-bearing investments	**12 033**	**43 919**	**74 177**	**35 132**	**165 261**
Government interest-bearing investments	**622**	**5 855**	**56 663**	**11 258**	**74 398**
Corporate interest-bearing investments	**11 087**	**35 991**	**15 320**	**22 557**	**84 955**
Other interest-bearing investments	**324**	**2 073**	**2 194**	**1 317**	**5 908**
Structured transactions	**4 977**	**4 771**	**1 859**	**2 572**	**14 179**
Investment funds	**—**	**—**	**—**	**157 288**	**157 288**
Cash, deposits and similar securities	**20 100**	**7 221**	**422**	**9 604**	**37 347**
Total	**37 110**	**55 911**	**76 458**	**204 596**	**374 075**
31 December 2014					
Interest-bearing investments	16 886	42 079	73 271	29 542	161 778
Government interest-bearing investments	1 236	5 935	58 794	8 853	74 818
Corporate interest-bearing investments	15 484	34 278	12 676	19 433	81 871
Other interest-bearing investments	166	1 866	1 801	1 256	5 089
Structured transactions	2 970	4 373	2 020	2 985	12 348
Investment funds	—	—	—	133 552	133 552
Cash, deposits and similar securities	11 850	4 884	364	8 111	25 209
Total	31 706	51 336	75 655	174 190	332 887

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2015 and 2014 was not material.

7.5 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

R million	Income tax	Capital gains tax
8. Deferred tax		
Reconciliation of the deferred tax balances:		
Balance at 1 January 2014	323	(2 104)
Temporary differences (charged)/credited to the statement of comprehensive income	(22)	(182)
Accruals and provisions	106	—
Tax losses and credits	(36)	—
Net unrealised investment surpluses on shareholders' fund	(17)	(174)
Net unrealised investment surpluses on policyholders' fund	5	9
Other temporary differences	(80)	(17)
Acquisition of subsidiaries	(123)	(11)
Foreign currency translation differences	(6)	(5)
Disposal of subsidiaries	(3)	—
Balance at 31 December 2014	169	(2 302)
Temporary differences (charged)/credited to the statement of comprehensive income	**108**	**299**
Accruals and provisions	**14**	**(5)**
Tax losses and credits	**(14)**	**—**
Net unrealised investment surpluses on shareholders' fund	**59**	**338**
Net unrealised investment surpluses on policyholders' fund	**—**	**(67)**
Other temporary differences	**49**	**33**
Acquisition of subsidiaries	**(1)**	**—**
Foreign currency translation differences	**(68)**	**(22)**
Disposal of subsidiaries	**5**	**—**
Balance at 31 December 2015	**213**	**(2 025)**
Analysis of deferred tax balances at 31 December 2015	**213**	**(2 025)**
Accruals and provisions	**300**	**—**
Tax losses and credits	**125**	**—**
Unrealised gains/losses on shareholders' fund	**(164)**	**(1 054)**
Unrealised gains/losses on policyholders' fund	**6**	**(898)**
Other temporary differences	**(54)**	**(73)**
Analysis of deferred tax balances at 31 December 2014	169	(2 302)
Accruals and provisions	294	4
Tax losses and credits	129	—
Unrealised gains/losses on shareholders' fund	(162)	(1 399)
Unrealised gains/losses on policyholders' fund	5	(821)
Other temporary differences	(97)	(86)

	R million	2015	2014
8.	**Deferred tax (continued)**		
	Total deferred tax asset recognised	**368**	365
	Total deferred tax liability recognised	**(2 180)**	(2 498)
	Total net deferred tax	**(1 812)**	(2 133)
9.	**General insurance technical provisions**		
	General insurance technical provisions	**13 523**	12 592
	Outstanding claims	**8 356**	7 993
	Provision for unearned premiums	**4 885**	4 367
	Deferred reinsurance acquisition revenue	**282**	232
	Less: General insurance technical assets	**4 251**	3 964
	Reinsurers' share of technical provisions		
	Outstanding claims	**2 562**	2 487
	Unearned premiums	**1 154**	1 027
	Deferred acquisition cost	**535**	450
	Net general insurance technical provisions	**9 272**	8 628

Analysis of movement in general insurance technical provisions

R million	2015 Gross	2015 Re-insurance	2015 Net	2014 Gross	2014 Re-insurance	2014 Net
Outstanding claims						
Balance at beginning of the year	**7 993**	**(2 487)**	**5 506**	7 119	(1 521)	5 598
Cash paid for claims settled in the year	**(14 153)**	**2 573**	**(11 580)**	(13 630)	2 516	(11 114)
Increase in liabilities	**14 516**	**(2 648)**	**11 868**	14 504	(3 482)	11 022
Balance at end of the year	**8 356**	**(2 562)**	**5 794**	7 993	(2 487)	5 506
Unearned premiums						
Balance at beginning of the year	**4 367**	**(1 027)**	**3 340**	3 740	(823)	2 917
Net increase/(release) in the period	**518**	**(127)**	**391**	627	(204)	423
Balance at end of the year	**4 885**	**(1 154)**	**3 731**	4 367	(1 027)	3 340

R million	2015	2014
10. Trade and other receivables		
Trading account	**29 792**	22 826
Accounts receivable	**6 287**	6 043
Premiums receivable	**5 339**	5 491
Accrued investment income	**3 168**	2 814
Amounts due from reinsurers	**774**	800
Total trade and other receivables	**45 360**	37 974
Classification of trade and other receivables:		
Held for trading at fair value	**29 792**	22 826
Loans and receivables at amortised cost	**15 568**	15 148
	45 360	37 974

Trade and other receivables, excluding trading account, are receivable within one year. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

R million	2015	2014
Maturity analysis of trading account – fair value		
Due within one year	**11 488**	5 301
Due within two to five years	**8 500**	8 795
Due after five years	**6 198**	7 567
On demand	**3 606**	1 163
Total trading account	**29 792**	22 826
Maturity analysis of trading account – undiscounted		
Due within one year	**13 612**	7 920
Due within two to five years	**11 809**	12 113
Due after five years	**12 274**	14 026
On demand	**3 606**	1 163
Total trading account	**41 301**	35 222

	R million		2015	2014
11.	**Share capital and premium**			
	Authorised share capital			
	4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
	56,5 million 'A' deferred shares of 1 cent each	R million	**—**	—
	56,5 million 'B' deferred shares of 1 cent each	R million	**—**	—
	Balance at end of the year	R million	**40,0**	40,0
	Issued share capital: ordinary shares			
	Total shares in issue at beginning of the year	million	**2 166,5**	2 100,0
	Shares reclassified during the year	million	**—**	66, 5
	Total shares in issue at end of the year[(1)]	million	**2 166,5**	2 166,5
	Shares held by subsidiaries	million	**(163,4)**	(162,2)
	Balance at end of the year	million	**2 003,1**	2 004,3
	% of ordinary shares held by subsidiaries		**7,5%**	7,5%
	Nominal value and share premium			
	Ordinary shares	R million	**22,4**	22,4
	Nominal value of 1 cent per share	R million	**21,7**	21,7
	Share premium	R million	**0,7**	0,7
	Total nominal value and share premium	R million	**22,4**	22,4

The contractual measurement period applying to the reclassification of the Sanlam deferred shares ended in December 2013. In terms of the contractual new business volumes formula, a total of 66,5 million deferred shares qualified for reclassification as Sanlam Limited ordinary shares. This included 10 million of the 'B' deferred shares issued to Ubuntu-Botho at 1 cent each in 2014, and together with the 56,5 million 'A' deferred shares, were reclassified as ordinary shares. This increased Sanlam Limited's issued ordinary shares to 2 166,5 million in 2014.

Special resolutions by subsidiary companies since the date of the previous directors' report relate to approval of directors' remuneration, general authority to purchase shares, general authority to provide assistance in terms of section 44 of the Companies Act, and general authority to provide assistance to inter-related companies in terms of section 45 of the Companies Act.

[(1)] *Refer to the Analysis of shareholders on page 211 for information on the distribution of shareholders (which has been audited).*

	Shares 2015 000's	Shares 2014 000's
11. Share capital and premium (continued)		
Executive share incentive scheme[(1)]		
Total number of shares at beginning of the year	**32 925**	37 997
Unrestricted shares at beginning of the year	**(1 193)**	(1 328)
Restricted shares at beginning of the year	**31 732**	36 669
New restricted shares granted in terms of restricted share and DSP schemes	**5 688**	5 385
Unconditional shares released, available for release, or taken up	**(13 007)**	(9 427)
Shares forfeited	**(983)**	(895)
Restricted shares at end of the year	**23 430**	31 732
Unrestricted shares at end of the year	**809**	1 193
Total number of shares at end of the year	**24 239**	32 925
Total equity participation by employees	**24 239**	32 925

	2015	2014
Total equity participation by employees as a percentage of total issued ordinary shares	**1,1%**	1,5%
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

(1) Refer Remuneration Report on page 114 to 147 for further details of the schemes.
(2) Refer to the Directors' report on page 146 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).
(3) 6 075 730 shares became unrestricted during 2015 (2014: 996 604) in respect of the restricted share plan.

Details regarding the restricted shares outstanding on 31 December 2015 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Number of shares 000's
31 December 2016	7 101
31 December 2017	5 841
31 December 2018	5 543
31 December 2019	3 261
31 December 2020	1 684

A total of 5,7 million (2014: 5,4 million) restricted shares were granted to staff and executive directors during 2015. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R355 million (2014: R295 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

	R million	2015	2014
12.	**Other reserves**		
	Non-distributable reserves	**9 894**	9 870
	Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
	Regulatory reserves of the Group's Botswana and Kenya operations	**479**	455
	Foreign currency translation reserve	**4 454**	1 443
	Consolidation reserve	**(1 843)**	(1 890)
	Policyholder fund investments in consolidated subsidiaries	**(165)**	(575)
	Policyholder fund investment in Sanlam Limited shares	**(1 678)**	(1 315)
	Total reserves other than retained earnings	**12 505**	9 423

The non-distributable reserve consists of the pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998 and the regulatory non-distributable reserves of the Group's Botswana operations of R334 million (2014: R328 million) as well as the Group's Kenya operations of R145 million (2014: R127 million).

13. Contingency reserves

Contingency reserves in respect of general insurance business of R31 million are included in shareholders' reserves (2014: R26 million).

		2015	2014
14.	**Non-controlling interest**		
	Santam[1]	**3 138**	2 174
	Sanlam Developing Markets	**59**	59
	Sanlam Emerging Markets	**3 009**	2 652
	Botswana Insurance Holdings	**1 612**	1 286
	MCIS Insurance	**940**	1 033
	Other	**457**	333
	Sanlam Namibia Holdings	**241**	207
	Other	**124**	106
	Total non-controlling interest	**6 571**	5 198

[1] *2014 includes the Santam BBBEE vehicle consolidated at a Sanlam Group level.*

For additional financial information for subsidiaries with significant non-controlling interests refer to page 383.

R million	2015 Total	2015 Insurance contracts	2015 Invest-ment contracts	2014 Total	2014 Insurance contracts	2014 Invest-ment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**102 696**	**33 588**	**69 108**	114 216	50 909	63 307
Premium income (note 15.2)	**73 147**	**25 775**	**47 372**	73 031	31 892	41 139
Investment return after tax (note 23)	**29 549**	**7 813**	**21 736**	41 185	19 017	22 168
Outflow	**(79 757)**	**(40 390)**	**(39 367)**	(66 515)	(35 218)	(31 297)
Policy benefits (note 15.3)	**(51 727)**	**(20 401)**	**(31 326)**	(41 274)	(17 898)	(23 376)
Retirement fund terminations	**(4 028)**	**–**	**(4 028)**	(3 984)	–	(3 984)
Fees, risk premiums and other payments to shareholders' fund	**(24 002)**	**(19 989)**	**(4 013)**	(21 257)	(17 320)	(3 937)
Movement in policy loans	**(159)**	**(9)**	**(150)**	(66)	11	(77)
Net movement for the year	**22 780**	**(6 811)**	**29 591**	47 635	15 702	31 933
Liabilities acquired through business combinations	**8**	**8**	**–**	12 022	11 937	85
Foreign currency translation differences	**14 450**	**4 149**	**10 301**	1 706	412	1 294
Balance at beginning of the year	**443 672**	**186 626**	**257 046**	382 309	158 575	223 734
Balance at end of the year	**480 910**	**183 972**	**296 938**	443 672	186 626	257 046

R million	2015	2014
15.2 Analysis of premium income		
Individual business	**55 675**	49 971
Recurring	**23 849**	22 534
Single	**29 105**	25 130
Continuations	**2 721**	2 307
Employee benefits business	**17 472**	23 060
Recurring	**8 654**	7 949
Single	**8 818**	15 111
Total premium income	**73 147**	73 031

R million	2015	2014
15. Long-term policy liabilities (continued)		
15.3 Analysis of long-term policy benefits		
Individual business	**39 926**	34 662
Maturity benefits	**20 332**	17 912
Surrenders	**9 083**	7 678
Life and term annuities	**8 279**	7 384
Death and disability benefits[1]	**2 070**	1 585
Cash bonuses[1]	**162**	103
Employee benefits business	**11 801**	6 612
Withdrawal benefits	**7 602**	3 078
Pensions	**2 062**	1 495
Lump-sum retirement benefits	**1 474**	1 330
Death and disability benefits[1]	**654**	693
Taxation paid on behalf of certain retirement funds	**9**	16
Total long-term policy benefits	**51 727**	41 274

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2015	2014
15.4 Composition of policy liabilities		
Individual business	**392 646**	360 755
Linked and market-related liabilities	**276 149**	242 265
Smoothed bonus business	**61 086**	63 992
Guaranteed business	**6 831**	6 822
Annuities – guaranteed	**30 986**	29 918
Annuities – participating	**2 320**	2 119
Non-participating risk business	**11 685**	12 591
Other non-participating liabilities	**3 589**	3 048
Employee benefits business	**88 264**	82 917
Linked and market-related liabilities	**43 008**	36 972
Smoothed bonus business	**15 670**	15 989
Guaranteed business	**222**	212
Annuities – guaranteed	**16 024**	16 204
Annuities – participating	**7 179**	7 655
Non-participating risk business	**5 982**	5 745
Other non-participating liabilities	**179**	140
Total policy liabilities	**480 910**	443 672

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15. Long-term policy liabilities (continued)					
15.5 Maturity analysis of investment policy contracts					
2015					
Linked and market-related liabilities	**5 972**	**35 419**	**92 635**	**138 820**	**272 846**
Smoothed bonus business	**119**	**97**	**331**	**15 887**	**16 434**
Guaranteed business	**636**	**6 118**	**5**	**229**	**6 988**
Annuities – guaranteed	**46**	**87**	**11**	**23**	**167**
Non-participating risk business	**3**	**—**	**—**	**6**	**9**
Other non-participating liabilities	**—**	**—**	**—**	**494**	**494**
Total investment policies	**6 776**	**41 721**	**92 982**	**155 459**	**296 938**
2014					
Linked and market-related liabilities	3 686	30 328	81 333	117 448	232 795
Smoothed bonus business	120	87	367	16 309	16 883
Guaranteed business	402	6 347	5	212	6 966
Annuities – guaranteed	43	85	13	1	142
Non-participating risk business	4	—	—	5	9
Other non-participating liabilities	—	—	—	251	251
Total investment policies	4 255	36 847	81 718	134 226	257 046

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2015					
Linked and market-related liabilities	**3 087**	**10 185**	**26 325**	**6 714**	**46 311**
Smoothed bonus business	**4 263**	**16 399**	**34 155**	**5 505**	**60 322**
Guaranteed business	**7**	**32**	**26**	**—**	**65**
Annuities – guaranteed	**33**	**325**	**701**	**45 784**	**46 843**
Annuities – participating	**1**	**—**	**1 686**	**7 812**	**9 499**
Non-participating risk business	**359**	**1 463**	**3 865**	**11 971**	**17 658**
Other non-participating liabilities	**125**	**13**	**81**	**3 055**	**3 274**
Total insurance policies	**7 875**	**28 417**	**66 839**	**80 841**	**183 972**
2014					
Linked and market-related liabilities	2 532	10 349	27 658	5 903	46 442
Smoothed bonus business	3 822	16 405	36 825	6 046	63 098
Guaranteed business	8	27	27	6	68
Annuities – guaranteed	25	238	509	45 208	45 980
Annuities – participating	—	—	1 493	8 281	9 774
Non-participating risk business	569	1 351	3 590	12 817	18 327
Other non-participating liabilities	55	6	62	2 814	2 937
Total insurance policies	7 011	28 376	70 164	81 075	186 626

	R million	2015	2014
15.	**Long-term policy liabilities (continued)**		
15.7	**Policy liabilities include the following:**		
	Provision for HIV/Aids and other pandemics	**3 181**	3 475
	Asset mismatch reserve	**3 165**	3 458

	R million	Note	2015	2014
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**1 737**	1 835
	Other interest-bearing liabilities	16.2	**3 900**	3 940
			5 637	5 775
16.1	**Interest-bearing liabilities held in respect of margin business**			
	Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 6,0% and 6,7% (2014: 6,0% and 9,3%) or linked to prime interest rates. The preference shares have different redemption dates up to 2018.		**1 737**	1 835
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 8,70% and a final maturity date of 15 August 2023. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2018.		**1 109**	1 157
	Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021. The bond has a redemption call option at its nominal value of R828 million, which the Group can exercise on 15 August 2016.		**829**	850
	Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option at their nominal value of R1 000 million, which the Group can exercise on 15 September 2017.		**998**	1 024
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium of between 1,5% and 4,0% to the Bank of England base rate.		**510**	512
	Redeemable non-voting preference shares issued by subsidiary company; redeemable in tranches up to 2017.		**360**	347
	Other		**94**	50
			3 900	3 940

R million	Note	2015	2014
16. Term finance (continued)			
16.3 Maturity analysis of term finance – fair value			
Due within one year		**1 270**	618
Due within two to five years		**1 942**	2 677
Due after more than five years		**2 425**	2 480
Total term finance liabilities		**5 637**	5 775
Maturity analysis of term finance – undiscounted			
Due within one year		**1 306**	716
Due within two to five years		**2 134**	2 848
Due after more than five years		**3 697**	3 849
Total term finance liabilities		**7 137**	7 413
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 400**	3 489
Valued at stock exchange prices		**2 937**	3 031
Based on internal valuation		**463**	458
Other financial liabilities	16.4.2	**2 237**	2 286
Total term finance liabilities		**5 637**	5 775
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 400**	3 489
Amount contractually payable at maturity		**3 081**	3 081
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**2 237**	2 286
This valuation is based on discounted cash flows and is classified as level 3. Refer to note 40 for additional fair value disclosures.			

R million	Note	2015	2014
17. Trade and other payables			
Trading account		**33 586**	22 119
Accounts payable		**11 672**	11 839
Policy benefits payable		**4 075**	3 813
Amounts due to reinsurers		**1 786**	1 062
Bank overdrafts		**145**	37
Operating lease creditor		**43**	37
Claims incurred but not reported		**1 444**	1 622
Total trade and other payables		**52 751**	40 529
Classification of trade and other payables:			
Held for trading at fair value		**33 586**	22 119
Other payables at amortised cost		**17 678**	16 751
Non-financial instruments		**1 487**	1 659
Total trade and other payables		**52 751**	40 529

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of payables at amortised cost approximates fair value. The valuation is based on discounted cash flows and is classified as level 3.

	R million	Note	2015	2014
17.	**Trade and other payables (continued)**			
	Maturity analysis of trading account – fair value			
	Due within one year		**29 874**	19 137
	Due within two to five years		**1 034**	1 437
	Due after five years		**909**	993
	Open ended		**1 769**	552
	Total trading account		**33 586**	22 119
	Maturity analysis of trading account – undiscounted			
	Due within one year		**30 137**	19 176
	Due within two to five years		**1 572**	1 708
	Due after five years		**1 398**	1 654
	Open ended		**1 769**	552
	Total		**34 876**	23 090

	R million	Claims	Onerous contracts	Other	Total
18.	**Provisions**				
	Details of the different classes of provisions are as follows:				
	Balance at 1 January 2014	123	17	145	285
	Charged to the statement of comprehensive income	1	—	27	28
	Additional provisions	1	—	31	32
	Unused amounts reversed	—	—	(4)	(4)
	Utilised during the year	—	—	(30)	(30)
	Balance at 31 December 2014	**124**	**17**	**142**	**283**
	Charged to the statement of comprehensive income	**6**	**—**	**59**	**65**
	Additional provisions	**6**	**—**	**65**	**71**
	Unused amounts reversed	**—**	**—**	**(6)**	**(6)**
	Utilised during the year	**—**	**—**	**(29)**	**(29)**
	Balance at 31 December 2015	**130**	**17**	**172**	**319**
	Analysis of provisions				
	Current	**—**	**—**	**100**	**100**
	Non-current	**130**	**17**	**72**	**219**
	Total provisions at 31 December 2015	**130**	**17**	**172**	**319**

18. Provisions (continued)

Claims

The Group provides for claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of these claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Onerous contracts

Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired. A provision for related costs (e.g. electricity) is also included.

Other

Includes sundry provisions for probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

R million	2015	2014
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**24 031**	22 209
General insurance	**24 277**	22 329
Other financial services	**5 446**	5 145
Total financial services income	**53 754**	49 683
Analysis per revenue category		
Long-term insurance fee income	**24 031**	22 209
Investment management fees	**703**	720
Risk benefit charges and other fee income*	**23 328**	21 489
General insurance premiums	**24 277**	22 329
Premiums receivable	**24 743**	22 860
Change in unearned premium provision	**(466)**	(531)
Other financial services fees and income	**5 380**	5 126
Trading profit	**68**	21
Foreign exchange (losses)/gains	**(2)**	(2)
Total financial services income	**53 754**	49 683

** Includes risk benefit charges, administration services and other fee income.*

	R million	2015	2014
20.	**Reinsurance premiums paid**		
	Long-term insurance	**1 416**	1 355
	General insurance	**5 415**	4 986
	Premiums payable	**5 536**	5 105
	Change in unearned premium provision	**(121)**	(119)
	Total reinsurance premiums paid	**6 831**	6 341
21.	**Reinsurance income**		
	Reinsurance commission received		
	Long-term insurance	**21**	6
	General insurance	**1 254**	1 119
	Total reinsurance commission received	**1 275**	1 125
	Reinsurance claims received		
	Long-term insurance	**985**	884
	General insurance	**2 529**	3 450
	Total reinsurance claims received	**3 514**	4 334
22.	**Investment return**		
	Investment income		
	Equities and similar securities	**8 992**	7 691
	Interest-bearing, preference shares and similar securities	**14 830**	13 671
	Properties	**1 018**	996
	Rental income – excluding contingent rental	**1 051**	1 016
	Contingent rental income	**125**	127
	Rental related expenses	**(158)**	(147)
	Income from margin business[1]	**401**	133
	Total investment income	**25 241**	22 491
	Investment surpluses		
	Financial assets designated as at fair value through profit or loss	**12 144**	28 171
	Financial assets classified as held-for-trading	**1 330**	108
	Investment properties	**42**	181
	Profit on disposal of associated companies, subsidiaries and operations	**426**	431
	Total investment surpluses	**13 942**	28 891
	Investment return includes:		
	Foreign exchange gains	**10 193**	3 927

[1] *Refer to note 26 for finance cost incurred in respect of margin business.*

R million	2015	2014
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	**7 434**	7 371
After tax investment return attributable to insurance contract liabilities (note 15)	**7 813**	19 017
Total long-term insurance contract benefits	**15 247**	26 388
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	**21 736**	22 168
Total long-term investment contract benefits	**21 736**	22 168
Analysis of underwriting policy benefits		
Individual insurance	**4 617**	4 604
Employee benefits	**2 817**	2 767
Total underwriting policy benefits	**7 434**	7 371
24. Administration costs include:		
Directors' remuneration		
Refer to Remuneration Report on pages 114 to 147 for additional audited information on directors' remuneration.		
Auditors' remuneration		
Audit fees: statutory audit	**120**	107
Other services provided by:	**54**	16
Subsidiaries' own auditors	**52**	15
Other Group auditors	**2**	1
Total auditors' remuneration	**174**	123
Depreciation	**280**	210
Operating leases	**660**	570
Properties	**432**	374
Equipment	**211**	185
Other	**17**	11
Consultancy fees	**740**	670
Technical, administrative and secretarial fees	**616**	558
Employee benefits	**8 294**	7 737
Salaries and other short-term benefits	**7 236**	6 881
Pension costs – defined contribution plans	**514**	351
Pension costs – defined benefit plans	**28**	23
Share-based payments	**466**	433
Other long-term incentive schemes	**50**	49*
Number of employees	**14 711**	13 982

** Comparative information has been adjusted to exclude Santam's share-based expenses of R124 million already disclosed in a separate line.*

	R million	2015	2014
25.	**Equity-accounted earnings**		
	Investments in associated companies		
	Shriram Capital	**376**	428
	Shriram Transport Finance Company	**46**	101
	Letshego	**219**	193
	Pacific & Orient	**31**	97
	Capricorn Investment Holdings	**100**	80
	Other associated companies	**352**	521
	Investments in joint ventures		
	Sanlam Personal Loans	**162**	144
	Other joint ventures	**24**	39
	Equity-accounted earnings	**1 310**	1 603
26.	**Finance cost**		
	Interest paid and term finance cost in respect of margin business	**101**	105
	Finance cost – margin business	**101**	105
	Interest-bearing liabilities designated as at fair value through profit or loss	**566**	500
	Interest-bearing liabilities held at amortised cost	**14**	17
	Finance cost – other	**580**	517
27.	**Taxation**		
	Analysis of income tax per category		
	Normal income tax	**4 266**	3 330
	RSA – current year	**2 819**	2 133
	RSA – prior year	**32**	7
	Dividends tax – Policyholders	**106**	115
	Foreign	**715**	557
	Capital gains tax	**594**	518
	Deferred tax	**(407)**	204
	RSA – current year	**14**	(97)
	RSA – prior year	**–**	(7)
	Foreign	**(122)**	126
	Capital gains tax	**(299)**	182
	Tax expense	**3 859**	3 534
	Shareholders' fund	**3 078**	3 007
	Policyholders' fund	**781**	527
	Tax expense	**3 859**	3 534

R million	2015	2014
27. Taxation (continued)		
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	**349**	317
Included elsewhere in profit for the year	**87**	83
Total indirect taxes and levies	**436**	400

Indirect taxes and levies include value added tax and statutory levies payable to the Financial Services Board.

%	2015	2014
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(3,9)**	(4,6)
Disallowable expenses	**1,9**	1,8
Share-based payments	**0,1**	(0,1)
Utilisation of assessed losses	**(0,1)**	(0,3)
Investment surpluses	**(1,5)**	(0,4)
Foreign tax rate differential	**(0,4)**	(0,5)
Policyholders	**3,8**	2,8
Fund transfers	**(0,9)**	—
Other	**(0,9)**	(0,2)
Effective tax rate	**26,1**	26,5

Non-taxable income relates primarily to equity accounted earnings and dividend income. Disallowable expenses vary depending on the jurisdiction and includes non-deductible impairments.

28. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries, consolidated investment funds and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries, consolidated investment funds and policyholders. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 192 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should also be used when evaluating the Group's economic performance.

Cents	2015	2014
Basic earnings per share:		
Headline earnings	**464,4**	416,5
Profit attributable to shareholders' fund	**468,9**	436,7
Diluted earnings per share:		
Headline earnings	**459,5**	411,6
Profit attributable to shareholders' fund	**464,0**	431,5

	Cents	2015	2014
28.	**Earnings per share (continued)**		
	Analysis of earnings:		
	Profit attributable to shareholders' fund	**9 391**	8 729
	Less: Net profit on disposal of subsidiaries	**(5)**	(10)
	Profit on disposal of subsidiaries	**(13)**	(3)
	Tax on profit on disposal of subsidiaries	**5**	1
	Non-controlling interest	**3**	(8)
	Less: Net profit on disposal of associated companies	**(195)**	(377)
	Profit on disposal of associated companies	**(413)**	(428)
	Tax on profit on disposal of associated companies	**94**	51
	Non-controlling interest	**124**	—
	Less: Equity-accounted non-headline earnings	**—**	(118)
	Plus: Impairments	**109**	101
	Impairments	**173**	140
	Non-controlling interest	**(64)**	(39)
	Headline earnings	**9 300**	8 325

	Million	2015	2014
	Number of shares:		
	Number of ordinary shares in issue at beginning of the year	**2 166,5**	2 100,0
	Add: Shares reclassified during the year	**—**	66,5
	Less: Weighted Sanlam shares held by subsidiaries and consolidated investment funds (including policyholders)	**(163,8)**	(167,6)
	Adjusted weighted average number of shares for basic earnings per share	**2 002,7**	1 998,9
	Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	**21,3**	23,9
	Adjusted weighted average number of shares for diluted earnings per share	**2 024,0**	2 022,8

29. Dividends

A dividend of 245 cents per share (2014: 225 cents per share) was declared in 2016 in respect of the 2015 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R5,3 billion, but may vary depending on the number of shares in issue on the last day to trade.

R million	2015	2014
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments		
Properties	**1 371**	1 184
Interest-bearing investments	**1 658**	905
Working capital assets		
Trading account	**1 508**	2 648
Cash, deposits and similar securities	**3 391**	1 756
The transferee does not have the right to sell or repledge the assets.		
30.2 Collateral received		
The following collateral has been received in respect of securities lending activities conducted by the Group:		
Fair value of collateral accepted as security for these activities	**19 656**	15 690
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2015.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	**1 233**	2 714

31. Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions while other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 199 for additional information.

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value (plus a value of new life insurance business multiple for goodwill) or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 207 to 209 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 203 and 190 respectively.

31.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 314 to 317.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by the Long-term Insurance Act (LTIA) in South Africa and Board Notice 14 of 2010 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

31. Critical accounting estimates and judgements (continued)

31.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services (continued)

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia		Sanlam Life and Pensions UK	
%	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Reversionary bonus business								
Retirement annuity business	**11,8**	9,8	**n/a**	n/a	**11,8**	9,8	**n/a**	n/a
Individual policyholder business	**10,0**	8,3	**8,0**	6,4	**11,0**	9,1	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**11,5**	9,5	**10,3**	8,3	**11,5**	9,5	**n/a**	n/a
Individual policyholder business	**9,6**	8,0	**8,0**	6,4	**10,7**	8,8	**n/a**	n/a
Non-taxable business	**11,5**	9,5	**n/a**	n/a	**11,5**	9,5	**n/a**	n/a
Corporate policyholder business	**9,1**	7,5	**n/a**	n/a	**10,7**	8,8	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**11,8**	9,8	**10,3**	8,3	**11,8**	9,8	**2,4**	2,1
Individual policyholder business	**10,0**	8,3	**8,0**	6,4	**11,0**	9,1	**1,9**	1,7
Non-taxable business	**11,8**	9,8	**n/a**	n/a	**11,8**	9,8	**n/a**	n/a
Corporate policyholder business	**9,4**	7,8	**n/a**	n/a	**11,0**	9,1	**n/a**	n/a
Participating annuity business	**10,0**	8,0	**n/a**	n/a	**9,8**	7,8	**n/a**	n/a
Non-participating annuity business*	**10,4**	8,6	**11,1**	8,5	**10,4**	8,7	**2,9**	2,6
Guarantee plans*	**6,4**	6,5	**6,5**	6,0	**n/a**	n/a	**n/a**	n/a

** The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.*

31. Critical accounting estimates and judgements (continued)

31.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services (continued)

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with the experience for the 4,5 years up to 30 June 2015. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender, lapse and paid-up rates are based on the experience for the 4,75 years ending 30 September 2015.

Expenses

Unit expenses are based on 31 October 2015 actual figures plus estimates for the last two months of the year (adjusted for significant differences from actual) and escalated at estimated expense inflation rates per annum.

Refer to note 1 on page 203 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

31.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2014: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.4 The ultimate liability arising from claims under general insurance contracts

The estimation of the ultimate liability arising from claims under general insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its general insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 286 for further information on the estimation of the claims liability.

31. Critical accounting estimates and judgements (continued)

31.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period. Refer to note 40 for additional information.

31.6 Consolidation of investment funds

The Group invests in a number of investment funds and has varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

31.7 Cash flow hedging instruments

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk, in this case the foreign currency and equity risk associated with a forecast transaction, and could affect profit or loss. For a forecast transaction, the key criterion for hedge accounting purposes is that the forecast transaction must be "highly probable". Management has assessed the facts and circumstances relating to the proposed acquisition of a 30% interest in Saham Finances (as announced on 24 November 2015) as well as various transactions with the Shriram Group, and concluded that the likelihood of the transactions not being concluded was remote. The expected effectiveness of the hedging relationship was also assessed and it is expected that the hedge would be effective throughout the hedging period. It was therefore concluded that hedge accounting can be applied. Refer to page 296 for more information on the hedging transactions.

32. Retirement benefits for employees

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

At 31 December 2015, 100% of employees were covered by defined contribution funds and none by defined benefit funds (2014: 99% and 1% respectively).

Although there are no active employees under the defined benefit plan the Sanlam Group has 484 pensioners as at 31 December 2015 (2014: 502) who still receive a pension from the defined benefit fund.

32.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam group contributed R514 million to these funds during 2015 (2014: R351 million).

32. Retirement benefits for employees (continued)

32.2 Defined benefit pension funds

The Sanlam Group has three defined-benefit pension funds. These funds relate to:
- Sanlam office personnel;
- Sanlam Investments and Pensions office personnel; and
- Sanlam Developing Markets defined benefit fund SA.

The majority of the Group's defined benefit obligation is made up of the Sanlam Life Fund. This defined benefit fund is governed by the Pension Funds Act. Plan participants are insured against the financial consequences of old age, disability and death. According to the Act the minimum benefit of a defined benefit fund is the greater of the present value of the member's accrued deferred pension and accumulated value of member contributions and vested employer contributions on the date of withdrawal.

The Registrar of Pension Funds has indicated that a fund will be considered to be financially unsound when an actuarial valuation reveals that the value of the existing assets is less than the value of accrued liabilities. The accrued liabilities are the liabilities in respect of past service benefits of active members and the pension benefits of the inactive members. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the fund's pension increase policy are required to ensure that the fund is always financially sound.

A board of Trustees oversees the affairs of the defined benefit fund as required by the Pensions Fund Act. The responsibilities of the Trustees are defined in the Act and the fund rules. An actuarial report on the fund is prepared annually and approved by the Registrar of Pension Funds. Other funds are managed in a similar manner.

There are no significant risks the entity is exposed to due to the plan, there are ample reserves to cover shortfalls. The plan has also used some of its reserves for a dynamic hedging strategy. The dynamic hedging investment strategy in respect of the pensioner liabilities at 1 April 2011 was implemented with the purpose of optimising pension growth and the Trustees on advice of the valuator have approved a number of contingency reserve accounts to protect the Pension Fund against specific contingencies. The plan assets are also well diversified. The funding level of the fund is 107,0% (previous year 111,0%). There are no statutory minimum funding level requirements.

During the year ended 31 December 2014 all active members of the Sanlam Office Personnel Fund were transferred to the defined contribution fund. The fund is closed to new entrants and was regarded as financially sound at the end of the financial year.

The fund surplus of R144 million was transferred to the Sanlam Staff Umbrella Provident Fund in 2015.

32. Retirement benefits for employees (continued)

32.2 Defined benefit pension funds (continued)

Principal actuarial assumptions:		Sanlam office personnel	Sanlam Investments and Pensions	Sanlam Developing Markets SA
2015				
Valuation date		**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**
Pre-retirement discount rate	% pa	**10,1%**	**3,8%**	**10,6%**
Post-retirement discount rate	% pa	**2,0%**	**3,8%**	**5,3%**
Future pension increases	% pa	**6,8%**	**3,0%**	**5,0%**
Actual experience:				
Actual return on assets	% pa	**0,8%**	**0,6%**	**1,2%**
2014				
Valuation date		31 Dec 2014	31 Dec 2014	31 Dec 2014
Pre-retirement discount rate	% pa	8,5%	3,7%	8,7%
Post-retirement discount rate	% pa	1,7%	3,7%	3,1%
Future salary increases	% pa	—	—	6,3%
Future pension increases	% pa	6,8%	3,0%	5,5%
Actual experience:				
Actual return on assets	% pa	10,3%	13,3%	11,8%

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	2015	2014	2013	2012	2011
Net liability recognised in statement of financial position:					
Present value of fund obligations	**1 714**	1 602	1 886	1 760	1 760
Actuarial value of fund assets	**(1 800)**	(1 932)	(2 234)	(2 006)	(1 771)
Net present value of funded obligations	**(86)**	(330)	(348)	(246)	(11)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**86**	186	348	246	11
Net asset recognised in statement of financial position	**—**	(144)	—	—	—
Experience adjustments on:					
Fund obligations	**0,9%**	2,2%	1,0%	2,1%	0,3%
Fund assets	**(8,5%)**	1,8%	1,3%	6,0%	0,6%

32. Retirement benefits for employees (continued)
32.2 Defined benefit pension funds (continued)

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2015				
Balance at beginning of the year	**1 932**	**(1 602)**	**(186)**	**144**
Current service cost	**—**	**(3)**	**—**	**(3)**
Contributions	**(123)**	**—**	**—**	**(123)**
Employer	**21**	**—**	**—**	**21**
Employer surplus transferred from defined benefit assets	**(144)**	**—**	**—**	**(144)**
Benefit payments	**(204)**	**204**		**—**
Interest income/(expense)	**119**	**(116)**	**(19)**	**(16)**
Actuarial gains and losses: change in financial assumptions	**—**	**(20)**	**—**	**(20)**
Returns from plan assets (excluding amounts included in interest)	**(110)**	**—**	**—**	**(110)**
Foreign exchange gains and (losses)	**200**	**(182)**	**—**	**18**
Effect of limiting defined benefit asset to amount available to employer	**—**	**—**	**119**	**119**
Other	**(14)**	**5**	**—**	**(9)**
Balance at end of the year	**1 800**	**(1 714)**	**(86)**	**—**
2014				
Balance at beginning of the year	2 234	(1 886)	(348)	—
Current service cost	—	(15)	—	(15)
Contributions	24	—	—	24
Employee	1	—	—	1
Employer	23	—	—	23
Benefit payments	(112)	116	—	4
Transfers	(488)	488	—	—
Interest income/(expense)	163	(143)	(31)	(11)
Actuarial gains and losses: change in financial assumptions	—	(139)	—	(139)
Returns from plan assets (excluding amounts included in interest)	74	—	—	74
Foreign exchange losses	34	(23)	—	11
Effect of limiting defined benefit asset to amount available to employer	—	—	193	193
Other	3	—	—	3
Balance at end of the year	1 932	(1 602)	(186)	144

32. Retirement benefits for employees (continued)

32.2 Defined benefit pension funds (continued)

	2015 R million	2014 R million	2015 %	2014 %
Fund assets comprise:				
Properties	**11**	7	**1%**	0%
Equities and similar securities	**648**	718	**36%**	37%
Interest-bearing investments	**899**	828	**50%**	43%
Cash, deposits and similar securities	**242**	379	**13%**	20%
	1 800	1 932	**100%**	100%

The above value of fund assets includes an investment of Rnil (2014: Rnil) in Sanlam shares.

No material portion of these assets is unquoted.

R million	2015	2014
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Interest	**16**	11
Current service cost	**3**	15
Other	**9**	(3)
Total included in staff costs	**28**	23
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
< 1 year	**(154)**	(144)
1 – 5 years	**(514)**	(481)
> 5 years	**(1 046)**	(977)
Total expected payments	**(1 714)**	(1 602)

Sensitivity analysis for significant assumptions as at 31 December 2015:

	% Change in assumed actuarial assumptions	
	1,0% increase	1,0% decrease
Sensitivity analysis		
Effect of movement in rate of return	**102**	**(93)**
Total defined benefit obligation for post-retirement benefits	**(1 612)**	**(1 807)**

The sensitivity analysis above has been determined by varying the investment return actuarial assumptions.

The assumptions made when preparing the sensitivity analysis have been grouped into two scenarios. In scenario one the base interest rate (affecting the pre- and post-retirement discount rate and expected rate of return) has been decreased by 1% and in scenario two the base interest rate has been increased by 1%.

32.3 Medical aid funds

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

33. Borrowing powers

In terms of the Memorandum of Incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

R million	2015	2014
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	**401**	523
Lease rentals due within two to five years	**840**	891
Lease rentals due within more than five years	**260**	347
Total operating lease commitments	**1 501**	1 761

34.2 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has guaranteed obligations that may arise under SCM's unlisted commercial paper programme, as well as SCM's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R15 billion, but both this and direct guarantees are subject to an overall R9,5 billion guarantee utilisation limit in terms of the Group governance processes. The total utilisation of the guarantee can be increased to R11 billion, subject to SCM providing acceptable collateral. At 31 December 2015 the value of unlisted commercial paper issued by SCM amounted to R9,8 billion (2014: R9,0 billion).

Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

34.3 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. For details in respect of the Saham transaction, refer to page 296. There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its relationship with Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role as the Group's broad-based black economic empowerment partner and obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business. During the year a controlling stake of Indwe was sold to Ubuntu-Botho Investments.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

The shareholder spread is presented on page 211.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R542 million in 2015 (2014: R375 million). There are no amounts outstanding at year-end.

35.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 24 and their shareholdings and share participation in the Company are disclosed as part of the Remuneration Report elsewhere in the Annual Report.

35.4 Transactions with entities in the Group

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders.

The Company advanced, repaid and received loans from other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

The Group provides financing for the loans granted to Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches up to 30 December 2018 (refer Capital and Risk Management Report).

35.5 Policy administration

Certain companies in the Group carry out third-party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business.

	R million	2015	2014
35.	**Related parties (continued)**		
35.6	**Key management personnel compensation**		
	Compensation paid to the Group's key management personnel is as follows:		
	Short-term employee benefits	**480**	358
	Share-based payments[1]	**449**	179
	Termination benefits	**4**	1
	Other long-term benefits and incentive schemes	**65**	34
	Total key management personnel compensation	**998**	572

[1] *Consists of redemption of shares in respect of share-based payment schemes.*

35.7 Other transactions with key management personnel

An entity indirectly related to a Group Executive committee member invested an amount of US$6,2 million in a financial instrument issued by a subsidiary of the Group. The terms of the instrument entitle the holder thereof to dividends and include rights for the redemption of the instrument at the original subscription amount. A dividend payment of US$8,5 million was made in respect of the instrument since issuance. The subscription price for the instrument was determined at fair value on an arm's-length basis.

	R million	2015	2014
36.	**Notes to the cash flow statement**		
36.1	**Cash generated/(utilised) in operations**		
	Profit before tax per statement of comprehensive income	**14 769**	13 329
	Net movement in policy liabilities (note 15.1)	**37 230**	49 341
	Non-cash flow items	**(13 923)**	(29 438)
	Depreciation	**280**	210
	Bad debts written off	**28**	33
	Share-based payments	**466**	433
	Profit on disposal of subsidiaries and associates	**(426)**	(431)
	Fair value adjustments	**(13 516)**	(28 460)
	Impairment of investments and goodwill	**173**	140
	Amortisation of intangibles	**382**	240
	Equity-accounted earnings	**(1 310)**	(1 603)
	Items excluded from cash utilised in operations	**(23 542)**	(20 873)
	Interest and preference share dividends received	**(15 231)**	(13 804)
	Interest paid	**681**	622
	Dividends received	**(8 992)**	(7 691)
	Net purchase of fixed assets	**(408)**	(301)
	Net purchase of owner-occupied properties	**(174)**	(55)
	Increase in net working capital assets and liabilities	**4 873**	11 288
	Cash generated/(utilised) in operations	**18 825**	23 291

R million	2015	2014
36. Notes to the cash flow statement (continued)		
36.2 Acquisition of subsidiaries and associated companies		
During the year, the Group acquired an interest in AfroCentric, Gateway, Masawara and other immaterial subsidiaries		
Investments in associated companies	**(858)**	(338)
The fair value of assets acquired via business combinations is as follows:		
Equipment	**(11)**	(42)
Owner-occupied property	**—**	(477)
Value of business acquired	**(8)**	(641)
Other intangible assets	**(1)**	(58)
Investments	**(405)**	(12 850)
Long-term reinsurance assets	**—**	(11)
Trade and other receivables	**(78)**	(409)
General insurance technical assets	**(46)**	(12)
Cash, deposits and similar securities	**(81)**	(959)
Deferred tax liabilities	**1**	140
Deferred tax assets	**—**	(6)
Long-term policy liabilities	**8**	12 022
Working capital liabilities	**167**	641
Non-controlling interest	**48**	1 161
General insurance technical provisions	**239**	169
Goodwill	**(138)**	(263)
Total purchase consideration	**(1 163)**	(1 933)
Less: Net asset value contributed	**—**	6
Cash, deposits and similar securities acquired	**81**	959
Cash component of acquisition of subsidiaries	**(1 082)**	(968)

R million	2015	2014
36. Notes to the cash flow statement (continued)		
36.3 Disposal of subsidiaries and associated companies		
During 2015, the Group disposed of its investment in Indwe and other immaterial subsidiaries		
Equipment	**22**	—
Value of business acquired	**111**	—
Investments	**—**	74
Trade and other receivables	**6**	22
Cash, deposits and similar securities	**183**	10
Term finance	**—**	(32)
Deferred tax assets	**—**	3
Deferred tax liabilities	**(5)**	—
Working capital liabilities	**(181)**	(22)
Non-controlling interest	**—**	(3)
Investment in associated company	**392**	602
Goodwill	**193**	—
Profit on disposal of subsidiaries and associates	**426**	431
Total disposal price	**1 147**	1 085
Less: Cash, deposits and similar securities disposed of	**(183)**	(10)
Less: Investment in associate retained	**(132)**	—
Less: Deferred purchase consideration	**(142)**	—
Cash component of disposal of subsidiaries and associated companies	**690**	1 075

R million	2015	2014
36. Notes to the cash flow statement (continued)		
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**20 141**	16 259
Investment cash	**37 347**	25 209
Bank overdrafts	**(145)**	(37)
Total cash, deposits and similar securities	**57 343**	41 431

Included in the cash, deposits and similar securities is an amount of US$469 million (R7 264 million) which is ringfenced for the acquisition of interests in Saham Finances, Shriram Life Insurance and Shriram General Insurance, as well as an additional contribution to Shriram Capital.

37. Business combinations

There were no material business combinations during the 2015 financial year.

The contribution to profit and revenue from business combinations during 2015 was not material.

38. Disposal groups classified as held for sale

Cardrow Insurance Limited

During 2013, the investment held by Santam International in Cardrow Insurance Limited (previously Westminster Motor Insurance Agency Limited (WMIA)) and the deferred payments previously included under receivables, were classified as held for sale. The holdings in WMIA were sold in 2008 and Santam International only retained deferred payments relating to the sale contracts and Santam UK Limited. Santam Limited is in the process of realising the deferred payment assets which is still subject to regulatory approval.

MCIS Insurance

The General Insurance business of MCIS Insurance was disposed to a third party during 2015.

R million	2015	2014
38.1 Assets of disposal groups classified as held for sale		
Equities and similar securities	**390**	307
Trade and other receivables	**150**	120
General insurance assets classified as held for sale	**–**	1 466
	540	1 893
38.2 Liabilities of disposal groups classified as held for sale		
General insurance liabilities classified as held for sale	**–**	1 466

	R million	2015	2014
39.	**Impairments**		
	Impairment of goodwill	**162**	97
	Santam businesses	**47**	69
	Botswana Insurance Holdings	**—**	25
	Gateway Insurance Company	**94**	—
	Sanlam Healthcare Management	**17**	—
	Other	**4**	3
	Impairment of investments	**11**	43
	Investment management: International	**6**	18
	Santam businesses	**5**	—
	MicroEnsure	**—**	25
	Total impairment of investments and goodwill for the year	**173**	140

Refer to note 3 and note 4 on page 324 and page 325 for additional information.

40. Fair value disclosures

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

R million	Level 1	Level 2	Level 3	Total
40. Fair value disclosures (continued)				
Recurring fair value measurements				
31 December 2015				
Properties	**—**	**—**	**11 606**	**11 606**
Equities and similar securities	**186 222**	**2 562**	**430**	**189 214**
Interest-bearing investments	**72 478**	**91 049**	**490**	**164 017**
Structured transactions	**6 391**	**7 788**	**—**	**14 179**
Investment funds	**132 186**	**24 595**	**507**	**157 288**
Trading account assets	**5 549**	**24 243**	**—**	**29 792**
Cash, deposits and similar securities	**25 769**	**11 573**	**—**	**37 342**
Total assets at fair value	**428 595**	**161 810**	**13 033**	**603 438**
Investment contract liabilities	**—**	**293 760**	**3 178**	**296 938**
Term finance	**2 937**	**104**	**359**	**3 400**
Term finance valued at stock exchange prices	**2 937**	**—**	**—**	**2 937**
Term finance based on internal valuation	**—**	**104**	**359**	**463**
Structured transactions liabilities	**—**	**2 374**	**—**	**2 374**
Trading account liabilities	**170**	**33 416**	**—**	**33 586**
External investors in consolidated funds	**53 437**	**204**	**—**	**53 641**
Total liabilities at fair value	**56 544**	**329 858**	**3 537**	**389 939**
31 December 2014				
Properties	—	—	10 333	10 333
Equities and similar securities	180 185	2 460	395	183 040
Interest-bearing investments	107 061	53 063	396	160 520
Structured transactions	4 653	7 695	—	12 348
Investment funds	114 691	18 409	452	133 552
Trading account assets	7 522	15 304	—	22 826
Cash, deposits and similar securities	20 053	5 153	—	25 206
Total assets at fair value	434 165	102 084	11 576	547 825
Investment contract liabilities	—	254 494	2 552	257 046
Term finance	3 031	111	347	3 489
Term finance valued at stock exchange prices	3 031	—	—	3 031
Term finance based on internal valuation	—	111	347	458
Structured transactions liabilities	—	766	—	766
Trading account liabilities	1 008	21 111	—	22 119
External investors in consolidated funds	49 476	149	—	49 625
Total liabilities at fair value	53 515	276 631	2 899	333 045

40. Fair value disclosures (continued)

Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Interest-bearing invest-ments	Struc-tured trans-actions	Invest-ment funds	Total assets
2015						
Assets						
Balance at 1 January 2015	**10 333**	**395**	**396**	**—**	**452**	**11 576**
Total gains/(loss) in statement of comprehensive income	**42**	**23**	**41**	**—**	**60**	**166**
Acquisitions	**400**	**64**	**—**	**—**	**2**	**466**
Disposals	**(207)**	**(70)**	**(1)**	**—**	**(7)**	**(285)**
Foreign exchange movements	**1 049**	**18**	**54**	**—**	**—**	**1 121**
Transfers (to)/from owner-occupied property	**(11)**	**—**	**—**	**—**	**—**	**(11)**
Balance at 31 December 2015	**11 606**	**430**	**490**	**—**	**507**	**13 033**
2014						
Balance at 1 January 2014	7 227	1 313	394	—	459	9 393
Total gains/(loss) in statement of comprehensive income	181	82	34	2	50	349
Acquisitions	1 022	130	13	—	—	1 165
Disposals	(301)	(1 133)	(51)	(2)	(57)	(1 544)
Foreign exchange movements	138	3	6	—	—	147
Transfers from owner-occupied property	111	—	—	—	—	111
Transfers from level 2[1]	1 955	—	—	—	—	1 955
Balance at 31 December 2014	10 333	395	396	—	452	11 576

[1] *In the valuations previously performed on these investments, insignificant adjustments were made to the rates used to discount future cash flows. The valuation methodology has been revised and additional unobservable inputs are included, changing the classification.*

40. Fair value disclosures (continued)

Reconciliation of movements in level 3 assets and liabilities measured at fair value (continued)

R million	Investment contract liabilities	Term finance	Structured transactions liabilities	Total liabilities
2015				
Liabilities				
Balance at 1 January 2015	**2 552**	**347**	**—**	**2 899**
Total (gain)/loss in statement of comprehensive income	**152**	**21**	**—**	**173**
Acquisitions	**73**	**—**	**—**	**73**
Disposals	**(193)**	**(101)**	**—**	**(294)**
Foreign exchange movements	**594**	**92**	**—**	**686**
Balance at 31 December 2015	**3 178**	**359**	**—**	**3 537**
2014				
Balance at 1 January 2014	767	259	203	1 229
Total (gain)/loss in statement of comprehensive income	82	59	94	235
Acquisitions	195	—	—	195
Disposals	(505)	—	(297)	(802)
Foreign exchange movements	29	29	—	58
Transfers from level 1 and level 2[1]	1 984	—	—	1 984
Balance at 31 December 2014	2 552	347	—	2 899

[1] *The classification of investment contracts backing investment property has changed in line with the change in the classification of the underlying investments. The policy of the Group is to effect transfers of financial instruments between the fair value hierarchy levels at the beginning of the reporting period.*

R million	2015	2014
Gains and losses (realised and unrealised) included in profit and loss		
Total gains or losses included in profit or loss for the period	**(7)**	114
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**(47)**	191

40. Fair value disclosures (continued)

Transfers between categories

R million	Equities and similar securities	Interest-bearing investments	Structured transactions	Investment funds	Cash, deposits and similar securities	Total assets
2015						
Assets						
Transfer from level 1 to level 2	**—**	**2 603**	**—**	**—**	**1 331**	**3 934**
Transfer from level 2 to level 1	**—**	**313**	**142**	**469**	**153**	**1 077**
2014						
Transfer from level 1 to level 2	—	380	106	—	36	522
Transfer from level 2 to level 1	5	—	—	—	—	5

Investments traded in a market that became inactive during the year have been transferred from level 1 to level 2. Conversely, investments traded in a market that became active have been transferred from level 2 to level 1.

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	DCF, Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Cost of Capital Earnings multiple
Interest-bearing investments (including insurance policies)	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Earnings multiple
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held DCF Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index Bond interest rate curve	Earnings multiple n/a
Term finance	2 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Structured transactions assets and liabilities	2	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	n/a
External investors in consolidated funds	2	Current unit price of underlying unitised asset, multiplied by the number of units held	Based on underlying assets as discussed above	n/a
Cash, deposits and similar securities	2	Mark-to market Yield curve	Bond and interbank swap interest rate curve	n/a

40. Fair value disclosures (continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjust-ments	Effect of a 10% decrease in risk adjust-ments	Carrying amount[1]	Effect of a 1% increase in base/ capitali-sation rate	Effect of a 1% decrease in base/ capitali-sation rate
Properties						
2015						
Cash flow risk adjustments	**11 606**	**(1 161)**	**1 161**	**—**	**—**	**—**
Base rate	**—**	**—**	**—**	**8 371**	**(293)**	**314**
Capitalisation	**—**	**—**	**—**	**8 371**	**(350)**	**427**
2014						
Cash flow risk adjustments	10 333	(1 033)	1 033	—	—	—
Base rate	—	—	—	7 097	(264)	282
Capitalisation	—	—	—	7 097	(382)	466

R million	Carrying amount[2]	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount[3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2015						
Equities and similar securities	**399**	**40**	**(40)**	**31**	**(6)**	**5**
Interest-bearing investments	**490**	**49**	**(49)**	**—**	**—**	**—**
Investment funds	**507**	**51**	**(51)**	**—**	**—**	**—**
Total	**1 396**	**140**	**(140)**	**31**	**(6)**	**5**
2014						
Equities and similar securities	323	32	(32)	72	(3)	3
Interest-bearing investments	396	40	(40)	—	—	—
Investment funds	452	45	(45)	—	—	—
Total	1 171	117	(117)	72	(3)	3

[1] *Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.*
[2] *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*
[3] *Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

40. Fair value disclosures (continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions (continued)

Liabilities

R million	Carrying amount[2]	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount[3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2015						
Investment contract liabilities	**3 178**	**318**	**(318)**	**–**	**–**	**–**
Term finance	**359**	**36**	**(36)**	**–**	**–**	**–**
Total liabilities	**3 537**	**354**	**(354)**	**–**	**–**	**–**
2014						
Investment contract liabilities	2 552	255	(255)	–	–	–
Term finance	347	35	(35)	–	–	–
Liabilities	2 899	290	(290)	–	–	–

(1) *Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.*
(2) *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*
(3) *Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

40. Fair value disclosures (continued)

Assets subject to offsetting, enforceable master netting arrangements and similar agreements

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other financial instruments[1]	Related amounts not set off in the statement of financial position: Cash collateral received[2]	Net amount	Amounts not set off in the statement of financial position[3]	Total amounts recognised in the statement of financial position
31 December 2015								
Assets								
Working capital cash	**3 391**	**–**	**3 391**	**(2 029)**	**(403)**	**959**	**16 750**	**20 141**
Trading account assets	**5 343**	**(679)**	**4 664**	**(3 593)**	**(795)**	**276**	**25 128**	**29 792**
Structured transactions assets	**1 466**	**(1 130)**	**336**	**–**	**–**	**336**	**13 843**	**14 179**
Liabilities								
Trading account liabilities	**10 670**	**–**	**10 670**	**(9 288)**	**(1 198)**	**184**	**22 916**	**33 586**
Structured transactions liabilities[4]	**2 505**	**(1 720)**	**785**	**–**	**–**	**785**	**1 589**	**2 374**
31 December 2014								
Assets								
Working capital cash	1 510	–	1 510	(464)	(786)	260	14 749	16 259
Trading account assets	5 205	–	5 205	(4 326)	(799)	80	17 621	22 826
Structured transactions assets	1 857	(1 465)	392	–	–	392	11 956	12 348
Liabilities								
Trading account liabilities	11 250	–	11 250	(9 557)	(1 585)	108	10 869	22 119
Structured transactions liabilities[4]	2 240	(1 918)	322	–	–	322	444	766

(1) *The figures for other financial instruments column are made up of ISDA netting, CSA collateral, Repo's and scrip received. These amounts have been limited to the net amount recognised on the statement of financial position.*
(2) *Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation)*
ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties.
Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1.
Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.
Security/collateral received refers to equity collateral that has been pledged to SCM to cover events of default.
(3) *Excludes enforceable netting arrangements.*
(4) *Structured transactions liabilities include derivative liabilities.*

Sanlam Limited statement of financial position

at 31 December 2015

R million	Note	2015	2014
ASSETS			
Investments in subsidiaries	2	**17 940**	18 520
Working capital assets		**452**	2 913
Cash and bank		**5**	52
Taxation receivable		**—**	2
Loans to Group companies	2	**447**	2 859
Total assets		**18 392**	21 433
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	**22**	22
Non-distributable reserve		**9 342**	9 342
Retained earnings		**5 585**	8 812
Total equity		**14 949**	18 176
Working capital liabilities		**3 443**	3 257
Accounts payable		**739**	696
Loans from Group companies	2	**2 704**	2 561
Total equity and liabilities		**18 392**	21 433

Sanlam Limited statement of comprehensive income

for the year ended 31 December 2015

R million	Note	2015	2014
Net income		**684**	4 472
Dividend income		**652**	4 432
Investment surpluses	4	**—**	8
Other income		**32**	32
Expenses			
Administration costs	5	**(12)**	(11)
Net reversal of impairment of investments	2	**980**	627
Profit before tax		**1 652**	5 088
Taxation		**(4)**	(3)
Profit for the year		**1 648**	5 085
Other comprehensive income		**—**	—
Comprehensive income for the year		**1 648**	5 085

Sanlam Limited statement of changes in equity

for the year ended 31 December 2015

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2014	21	1	9 342	8 060	17 424
Profit for the year	—	—	—	5 085	5 085
Dividends paid	—	—	—	(4 333)	(4 333)
Balance at 31 December 2014	21	1	9 342	8 812	18 176
Profit for the year	—	—	—	1 648	1 648
Dividends paid	—	—	—	(4 875)	(4 875)
Balance at 31 December 2015	**21**	**1**	**9 342**	**5 585**	**14 949**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited cash flow statement

for the year ended 31 December 2015

R million	Note	2015	2014
Cash flow from operating activities		**(4 162)**	184
Cash generated/(utilised) in operations	10.1	**14**	(5)
Dividends received		**652**	4 432
Dividends paid		**(4 831)**	(4 245)
Interest income		**5**	7
Taxation paid		**(2)**	(5)
Cash flow from investment activities			
Recovery of investments		**1 734**	—
Additional investment in subsidiaries		**(174)**	—
Net (decrease)/increase in cash and cash equivalents		**(2 602)**	184
Cash and cash equivalents at beginning of the year		**350**	166
Cash and cash equivalents at end of the year	10.2	**(2 252)**	350

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 298 to 313 of the Sanlam Group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value, and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 – *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 – *Revenue*.

Dividends

Dividends are shown as income. Impairment is considered when the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared and the carrying amount of the investment exceeds the carrying amount of the investee's net assets, including associated goodwill.

	R million	2015	2014
2.	**Group companies**		
	Investments in Group companies	**17 940**	18 520
	Current loans with Group companies	**(2 257)**	298
	Loans to Group companies	**447**	2 859
	Loans from Group companies	**(2 704)**	(2 561)
	Book value of interest in Group companies	**15 683**	18 818
	Net (impairment)/reversal of impairment of investments in Group companies		
	Genbel Securities Limited	**1 011**	496
	Sanlam Investments (Pty) Limited	**22**	117
	Sanlam PrefCo (Pty) Limited	**(53)**	14
	Total net (impairment)/reversal of impairment of investments in Group companies	**980**	627
	Fair value of net investment in Group companies		
	Investments in subsidiaries (net of loans) – fair value	**88 950**	82 510

Investments in Group companies are carried at cost less accumulated impairment. The fair values disclosed are classified as level 3 instruments. Investment management subsidiaries are valued on a DCF basis, subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 2.5 on page 189.

2. Group companies (continued)

Loans: Group companies

The loans to/from Group companies are unsecured and payable on demand and are carried at amortised cost less accumulated impairments. No interest is charged but these arrangements are subject to revision from time to time. The carrying value of the loans approximate the fair value. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 382.

R million	**2015**	2014
Loans to Group companies		
Genbel Securities Limited	**—**	77
Sanlam Life Insurance Limited	**436**	2 703
Sanlam Investments (Pty) Limited	**11**	79
	447	2 859
Loans from Group companies		
Sanlam PrefCo (Pty) Limited	**2 310**	2 556
Genbel Securities Limited	**264**	—
Sanlam Investment Holdings UK Limited	**111**	—
Sanpref (Pty) Limited	**5**	5
Sanlam Spec (Pty) Limited	**14**	—
	2 704	2 561

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 338 of the Sanlam Group financial statements.

4. Investment surpluses

Prior year investment surpluses relate to the profit on the sale of the investment in subsidiaries during the financial year, as well as funds received on previously written off loan assets.

5. Administration costs include:

Directors' remuneration

Details of the directors' remuneration is reflected in note 24 on page 349 of the Sanlam Group financial statements.

6. Dividends

Details of the dividends declared are disclosed in note 29 on page 352 of the Sanlam Group financial statements.

7. Borrowing powers

In terms of the memorandum of incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 34 on page 362 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R11 billion (2014: R11 billion).

9. Related parties

Details of related parties are reflected in note 35 on page 363 of the Sanlam Group financial statements.

R million	2015	2014
10. Notes to the cash flow statement		
10.1 Cash utilised in operations		
Profit before tax	**1 652**	5 088
Non-cash flow items		
Net reversal of impairment of investments in Group companies	**(980)**	(627)
Investment surpluses	**—**	(8)
Items disclosed separately		
Dividends received	**(652)**	(4 432)
Interest income	**(5)**	—
(Decrease)/increase in net working capital liabilities	**(1)**	(26)
Cash (utilised)/generated in operations	**14**	(5)
10.2 Cash and cash equivalents		
Cash and Bank	**5**	52
Loans to Group companies	**447**	2 859
Loans from Group companies	**(2 704)**	(2 561)
Total cash and cash equivalents	**(2 252)**	350

11. Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment, by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company), is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 379. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.

Sanlam Limited's maximum exposure to credit risk is calculated as follows:

R million	2015	2014
Carrying value of loans granted	**447**	2 859

Further details of risk management are disclosed in the Capital and Risk Management Report on page 251.

12. Tax rate reconciliation

The effective tax rate of Sanlam Limited of 0,2% (2014: 0,1%) differs from the standard rate of taxation of 28% (2014: 28%) due to the effects of non-taxable income: -27,7% (2014: -27,8%) and other differences -0,1% (2014: -0,1%).

Principal subsidiaries

at 31 December 2015

R million	% Interest	Issued ordinary capital 2015	Fair value of interest in subsidiaries: Shares 2015	Shares 2014	Loans 2015	Loans 2014
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**77 970**	68 155	**436**	2 703
Investment and capital markets						
Genbel Securities Limited	100	**203**	**3 549**	2 538	**(264)**	77
Investment management and consulting						
Sanlam Independent Financial Services (Pty) Limited[3]	100	**(1)**	**(1)**	(1)	**—**	—
Sanlam Investment Holdings (UK) Limited[2]	100	**174**	**4 847**	—	**(111)**	—
Sanlam Investment Holdings Limited[3]	100	**(1)**	**2 189**	1 825	**—**	—
Sanlam Netherlands Holding BV[2]	100	**—**	**—**	6 873	**—**	—
Investment companies						
Sanlam Spec (Pty) Limited[4]	100	**(1)**	**(1)**	(1)	**(14)**	—
Sanlam Invest (Pty) Limited	100	**500**	**149**	127	**11**	79
Sanlam Share Incentive Trust	100	**(1)**	**(1)**	(1)	**—**	—
Sanpref (Pty) Limited	100	**(1)**	**(1)**	(1)	**(5)**	(5)
Sanlam PrefCo (Pty) Limited	100	**(1)**	**2 503**	2 694	**(2 310)**	(2 556)
Total			**91 207**	82 212	**(2 257)**	298

(1) *Issued share capital is less than R1 000.*
(2) *Sanlam Netherlands Holdings BV merged with Sanlam Investment Holdings (UK) Limited, effective 30 June 2015. Sanlam Investment Holdings (UK) Limited is incorporated in the United Kingdom.*
(3) *Sanlam Limited provided a letter of guarantee to Sanlam Investment Holdings Limited and Sanlam Independent Financial Services (Pty) Limited.*
(4) *Sanlam Limited, with Sanlam Spec (Pty) Limited, provided a letter of guarantee to Real Futures (Pty) Limited.*

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in material subsidiaries:

	Santam Limited[1]		Botswana Insurance Holdings Limited[2]		MCIS Insurance[3]	
	2015 %	2014 %	**2015 %**	2014 %	**2015 %**	2014 %
Shareholders' fund	**61,58**	59,20	**60,44**	60,39	**51,0**	51,00
Policyholders' fund	**0,43**	2,14	**—**	—	**—**	—
Non-controlling interest	**37,99**	38,66	**39,56**	39,61[4]	**49,00**	49,00
Total	**100,00**	100,00	**100,00**	100,00	**100,00**	100,00

[1] *The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders' Fund section on page 168 and page 170. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial statements on page 340.*
[2] *The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.*
[3] *The financial information of MCIS Insurance, incorporated and operating in Malaysia, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.*
[4] *Botswana Insurance Holdings Limited treasury shares were included as policyholder funds in 2014.*

Santam summarised statement of cash flow for the year ended 31 December:

R million	2015	2014
Operating	**2 544**	1 930
Investing	**(276)**	(989)
Financing	**(1 760)**	(795)
Net increase in cash and equivalents	**508**	146
Dividends paid to non-controlling interests	**442**	377

Principal subsidiaries continued

at 31 December 2015

Financial information of Botswana Insurance Holdings Limited

R million	2015	2014
Summarised statement of profit or loss:		
Net income	**5 538**	3 598
Net insurance and investment contract benefits and claims	**(4 035)**	(2 383)
Expenses	**(823)**	(705)
Share of profit of associates and joint ventures	**237**	259
Profit before tax	**917**	769
Income tax	**(158)**	(132)
Profit for the year	**759**	637
Total comprehensive income	**1 028**	633
Attributable to non-controlling interests	**500**	238
Dividends paid to non-controlling interests	**142**	100
Summarised statement of financial position as at 31 December:		
Assets		
Investments	**17 955**	17 078
Other non-current assets	**391**	176
Other current assets	**4**	5
Cash and cash equivalents (current)	**1 482**	812
Trade and other receivables (current)	**310**	248
Liabilities		
Policyholder liabilities	**(15 357)**	(14 357)
Other non-current liabilities	**—**	—
Deferred tax (non-current)	**(26)**	(41)
Other current liabilities	**(24)**	(31)
Trade and other payables (current)	**(605)**	(555)
Total equity	**4 130**	3 335
Attributable to:		
Equity holders of the parent	**2 518**	2 049
Non-controlling interest	**1 612**	1 286
Summarised statement of cash flows for the year ending 31 December:		
Operating	**(1 972)**	1 122
Investing	**2 476**	(1 033)
Financing	**—**	—
Net increase/(decrease) in cash and cash equivalents	**504**	89

Financial information of MCIS Insurance

R million	2015	2014
Summarised statement of profit or loss:		
Net income	**1 367**	690
Net insurance and investment contract benefits and claims	**(635)**	(351)
Expenses	**(653)**	(268)
Profit before tax	**79**	71
Income tax	**(49)**	(35)
Discontinued operations	**123**	
Profit for the year	**153**	36
Total comprehensive income	**247**	37
Attributable to non-controlling interests	**175**	20
Dividends paid to non-controlling interests	**239**	24
Summarised statement of financial position as at 31 December:		
Assets		
Investments	**15 047**	14 007
Assets of disposal group held for sale	**—**	1 466
Other non-current assets	**1 134**	1 142
Cash and cash equivalents (current)	**105**	7
Trade and other receivables (current)	**414**	288
Liabilities		
Policyholder liabilities	**(13 704)**	(12 449)
Other non-current liabilities	**—**	(1 466)
Deferred tax (non-current)	**(49)**	(98)
Other current liabilities	**(5)**	(8)
Trade and other payables (current)	**(1 041)**	(779)
Total equity	**1 901**	2 110
Attributable to:		
Equity holders of the parent	**961**	1 077
Non-controlling interest	**940**	1 033
Summarised statement of cash flows for the year ending 31 December:		
Operating	**(1 645)**	105
Investing	**1 368**	(507)
Net increase in cash and cash equivalents	**(277)**	(402)

Glossary of terms, definitions and major businesses

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business" or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investments, Sanlam Employee Benefits and Sanlam Emerging Markets by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	VNB as a percentage of PVNBP;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;

"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: • Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; • Impairment of investments, value of business acquired and goodwill; and • The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;

"Statutory Valuation Method" or "SVM"	valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the regulators of the Group's insurance subsidiaries outside of South Africa;
"surrender value"	the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;

Major businesses and regions of the Group

"Anglophone"	countries belonging to an English-speaking population especially in a country where two or more languages are spoken, e.g. Kenya and Zimbabwe;
"Channel Life"	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Francophone"	a population using French as its first or sometimes second language;
"Lusophone"	countries where Portuguese is the common language: Angola, Brazil, Cape Verde, Guinea-Bisseau, Mozambique, Portugal, Sao-Tome and Principe;
"Sanlam Investments and Pensions"	Sanlam Life and Pensions Limited, a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	Sanlam Limited and its subsidiaries, associated companies and joint ventures;
"Sanlam Namibia"	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia;
"SDM Limited"	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
"SEM (Pty) Limited"	Sanlam Emerging Markets Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries and associated companies in Africa, India and South-East Asia;
"Shriram Capital"	Shriram Capital refers to the Group's 36,85% holding in Shriram Financial Ventures (Chennai) Pvt Limited an Indian based company that holds 70,56% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group's direct holding in Shriram Transport Finance Company, a listed business within the Shriram Capital group.

Notice of annual general meeting

SANLAM LIMITED
(Incorporated in the Republic of South Africa)
(Registration No 1959/001562/06)
JSE share code: SLM/NSX share code: SLA
ISIN: ZAE000070660
("the Company" or "Sanlam")

Notice is hereby given to shareholders recorded in the Company's securities register on Friday, 18 March 2016, that the eighteenth annual general meeting (AGM) of the shareholders of Sanlam will be held on Wednesday, 8 June 2016 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town (the Meeting) to (i) deal with such business as may lawfully be dealt with at the Meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008, as amended (the Companies Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements) and other stock exchanges on which the Company's ordinary shares are listed, which Meeting is to be participated in and voted at by shareholders recorded in the Company's securities register as at the voting record date of Friday, 27 May 2016.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the Meeting. Forms of identification include valid identity documents, driving licences and passports.

ORDINARY RESOLUTIONS

To consider and, if approved, to pass, with or without modification, the following 11 Ordinary Resolutions:

Percentage support required for Ordinary Resolution Numbers 1 to 11

In order for Ordinary Resolutions Numbers 1 to 9 and 11 to be adopted, the support of more than 50% (fifty per cent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required. In order for Ordinary Resolution No 10 to be adopted, the support of more than 75% (seventy-five per cent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required.

1. ***Ordinary Resolution No 1 – Presenting the Sanlam Annual Report***
   To present, consider and accept the Sanlam Annual Report for the year ended 31 December 2015, that has been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors', audit committee's and directors' reports.

   Reason and effect
   The reason for and effect of Ordinary Resolution No 1 is to give Sanlam shareholders the opportunity to formally consider and accept the Sanlam Annual Report including the consolidated audited financial statements of the Company as required by section 30(3)(d) of the Companies Act.

2. ***Ordinary Resolution No 2 – Re-appointment of auditors***
   To re-appoint Ernst & Young Incorporated, as nominated by the Company's audit committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company. It is to be noted that Ms JC de Villiers is the individual and designated auditor who will undertake the Company's audit for the financial year ending 31 December 2016.

   Reason and effect
   The reason for Ordinary Resolution No 2 is that the Companies Act requires the appointment or re-appointment of the Company's auditors each year at the AGM of the Company.

3. ***Ordinary Resolution No 3 – Appointment of directors***
   To individually re-elect the following retiring directors (Ordinary Resolutions 3.1 and 3.2 below) appointed to the Board of Sanlam as additional directors in terms of Clause 26.7 of the Company's Memorandum of Incorporation, all being eligible and offering themselves for re-election.

Reason and effect
The reason for and effect of Ordinary Resolutions No 3.1 and 3.2 is to re-elect the retiring directors appointed to the Board of Sanlam as additional directors in terms of the Company's Memorandum of Incorporation.

3.1 *Ordinary Resolution No 3.1 – Re-election of KT Nondumo as director*
To re-elect KT Nondumo who retires as an additional director in terms of the Company's Memorandum of Incorporation, being eligible and offering herself for re-election.

Karabo Nondumo (37)

Independent non-executive director since December 2015

Qualifications: BAcc, HDipAcc, CA(SA)

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors

Major external positions, directorships or associations: Harmony Gold, Merafe Resources, Rolfes Holdings, Senatla Capital

Field of expertise: Accounting; Financial Markets and Investments; Risk Management

3.2 *Ordinary Resolution No 3.2 – Re-election of J van Zyl as director*
To re-elect J van Zyl who retires as an additional director in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Johan van Zyl (59)

Non-executive director since January 2016

Qualifications: PhD (Economics), DSc (Agriculture)

Sanlam and Sanlam Life committee memberships: Risk and Compliance, Human Resources and Remuneration, Non-executive directors

Major external positions, directorships or associations: African Rainbow Capital, Council member of the University of Pretoria, WWF-SA, Chairman of the Vumelana Advisory Fund

Field of expertise: General Management; Human Resources; Financial Markets and Investments; Risk Management

The Board recommends the re-election of these directors.

4. Ordinary Resolution No 4 – Re-election of directors
To individually re-elect the following non-executive directors (Ordinary Resolutions 4.1 to 4.3 below) of the Company, who retire by rotation in terms of Clause 26.2 of the Company's Memorandum of Incorporation, all being eligible and offering themselves for re-election.

Reason and effect
The reason for and effect of Ordinary Resolutions No 4.1 to 4.3 are to re-elect the directors that retire by rotation in terms of the Company's Memorandum of Incorporation.

4.1 P de V Rademeyer
4.2 RV Simelane
4.3 CG Swanepoel

The Board recommends the re-election of these directors.

4.1 *Ordinary Resolution No 4.1 – Re-election of P de V Rademeyer as director*
To re-elect P de V Rademeyer who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Flip Rademeyer (68)

Independent Non-executive director since 2011

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Collective Investments, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board), Safrican, Sanlam Developing Markets

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management

4.2 *Ordinary Resolution No 4.2 – Re-election of RV Simelane as director*
To re-elect RV Simelane who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering herself for re-election.

Rejoice Simelane (63)

Non-executive director since 2004

Qualifications: PhD (Economics) (Connecticut, USA), LLB (UNISA)

Sanlam and Sanlam Life committee memberships: Social, Ethics and Sustainability, Non-executive directors

Major external positions, directorships or associations: Ubuntu-Botho Investments (CEO), Ubuntu-Botho Holdings, Ubuntu-Botho Investment Holdings, African Rainbow Minerals, African Rainbow Energy and Power, African Rainbow Capital, Mamelodi Sundowns Football Club

Field of expertise: General business; Sustainability; Governance; Legal

4.3 *Ordinary Resolution No 4.3 – Re-election of CG Swanepoel as director*
To re-elect CG Swanepoel who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Chris Swanepoel (65)

Independent non-executive director since 2011

Qualifications: BSc (Hons), FASSA

Sanlam and Sanlam Life committee memberships: Risk and Compliance (Chairman), Sanlam Customer Interest (Chairman), Non-executive directors

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Credit Conduit, Channel Life, Sanlam Developing Markets, Sanlam Personal Finance (Divisional Board), Sanlam Employee Benefits (Divisional Board)

Field of expertise: Actuarial; Risk Management; Financial Markets and Investments

5. Ordinary Resolution No 5 – Re-election of executive director

To re-elect the following executive director (Ordinary Resolution 5.1 below) appointed to the Board, being eligible and offering himself for re-election.

Reason and effect

It had been agreed by the Board that in the interest of good governance, executive directors would also rotate on a voluntary basis as per a predetermined schedule of rotation. The reason for and effect of Ordinary Resolution No 5.1 is to re-elect an executive director appointed to the Board.

5.1 Ordinary Resolution No 5.1 – Re-election of IM Kirk as an executive director

Ian Kirk (58)

Executive director since July 2015

Qualifications: FCA (Ireland), CA(SA), HDip BDP

Group Chief Executive Officer of Sanlam since 1 July 2015

Sanlam Group directorships:
Santam, Shriram Capital, Afrocentric, Sanlam Personal Finance, Sanlam Investments, Sanlam Emerging Markets, Sanlam Life and other subsidiary boards in the Sanlam Group

Major external positions, directorships or associations:
ASISA (Association of Savings and Investment South Africa), Beaux Lane (SA) Properties.

Field of expertise: Financial Markets and Investments; General and International Business.

The Board recommends the re-election of this director.

6. Ordinary Resolution No 6 – Election of the members of the Sanlam Audit, Actuarial and Finance committee (Audit committee)

To individually elect the following independent non-executive directors (Ordinary Resolutions 6.1 to 6.3) of the Company as the members of the Sanlam Audit committee until the conclusion of the next AGM of the Company. The Board recommends the election of these members.

Reason and effect

The reason for and effect of Ordinary Resolutions 6.1 to 6.3 are that the members of the Audit committee of the Company, being a statutory committee, are required in terms of section 94(2) of the Companies Act to be appointed by the shareholders.

6.1 Ordinary Resolution No 6.1 – Appointment of PR Bradshaw as a member of the Audit committee

Paul Bradshaw (65)

Independent non-executive director since December 2013

Qualifications: BSc (Nottingham Univ), FIA

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance, Risk and Compliance, Sanlam Customer Interest, Non-executive directors

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments and Sanlam Private Wealth Holdings UK

Major external positions, directorships or associations: River & Mercantile plc (Chairman) and Integrated Protection Solutions

Field of expertise: Actuarial; Financial Markets and Investment; International Business; Risk Management

6.2 Ordinary Resolution No 6.2 – Appointment of KT Nondumo as a member of the Audit committee

*Karabo Nondumo (37)**

Independent non-executive director since December 2015 (member since 2016)

Qualifications: BAcc, HDipAcc, CA(SA)

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors

Major external positions, directorships or associations: Harmony Gold, Merafe Resources, Rolfes Holdings, Senatla Capital

Field of expertise: Accounting; Financial Markets and Investments; Risk Management

**Subject to the passing of ordinary resolution number 3.1.*

6.3 Ordinary Resolution No 6.3 – Appointment of P de V Rademeyer as a member of the Audit committee

*Flip Rademeyer (68) (Chairman of the Audit committee)***

Independent non-executive director since 2011 (member since 2011)

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee memberships: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Collective Investments, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board), Safrican and Sanlam Developing Markets

Field of expertise: Accounting; Financial Markets and Investments; General business; Risk Management

***Subject to the passing of ordinary resolution number 4.1.*

7. Ordinary Resolution No 7 – Advisory vote on the Company's Remuneration Policy

Shareholders are requested to cast a non-binding advisory vote on the Company's Remuneration Policy and implementation thereof, set out on pages 116 to 117 of the Sanlam Annual Report.

Reason and effect

In terms of the Code of Governance principles dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and their implementation.

The remuneration report is contained on pages 114 to 147 of this Annual Report.

Ordinary Resolution No 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Human Resources and Remuneration committee and the Board will take the outcome of the vote and any comments raised by securities holders into consideration when considering the Company's Remuneration Policy.

8. Ordinary Resolution No 8 – To note the total amount of non-executive directors and executive directors' remuneration for the financial year ended 31 December 2015.

To note the total amount of directors' remuneration set out in the Sanlam Annual Report on pages 114 to 147 (non-executive directors' information is on page 143 and executive directors' information is stated on page 127) for the financial year ended 31 December 2015.

Reason and effect

The reason for and effect of Ordinary Resolution No 8 is to note the remuneration of directors for the financial year ended 31 December 2015.

9. ***Ordinary Resolution No 9 – To place unissued ordinary shares under the control of the directors***

   To place all the unissued ordinary shares of the Company under the control of the directors of the Company, who are hereby authorised, subject to the provisions of the Companies Act and the JSE Listings Requirements, to allot and issue such shares in their discretion on such terms and conditions as and when they deem it fit to do so, until the next AGM, provided that: the aggregate number of ordinary shares to be allotted and issued in terms of this resolution and ordinary resolution number 10 is limited to 5% of the number of ordinary shares in issue at 18 March 2016; and any issue of ordinary shares as an issue for cash as defined in the JSE Listings Requirements is in accordance with the restrictions contained in Ordinary Resolution No 10.

   Reason and effect

   The reason for Ordinary Resolution No 9 is that the Board requires authorisation from shareholders in terms of the Company's Memorandum of Incorporation to issue shares in the Company. This general authority, once granted, allows the Board from time to time, when it is appropriate to do so, to issue shares as may be required, *inter alia*, in terms of capital raising exercises and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue as at 18 March 2016 on the terms more fully set out in Ordinary Resolution No 10.

10. ***Ordinary Resolution No 10 – General authority to issue shares for cash***

   To grant to the directors of the Company, subject to the JSE Listings Requirements, the general authority to issue ordinary shares of one (1) cent each (or options to subscribe for, or securities that are convertible into such ordinary shares) as an issue for cash as defined in the JSE Listings Requirements as and when suitable situations arise and on such terms and conditions as they deem fit, provided that the aggregate number of ordinary shares to be allotted and issued in terms of this resolution and ordinary resolution number 9 is limited to 5% of the number of ordinary shares in issue at 18 March 2016, being the date of the notice of the AGM.

   For the avoidance of doubt, it is recorded that a pro rata rights offer to shareholders is not an issue for cash as defined in the JSE Listings Requirements and therefore this resolution and the restrictions contained herein do not apply to any such pro rata rights offer to shareholders.

   It is recorded that the JSE Listings Requirements currently contain the following requirements:

   - that this general authority shall be valid until the Company's next AGM or for 15 months from the date of adoption of this resolution, whichever occurs first;
   - that the equity securities be issued to persons qualifying as public shareholders as defined in the JSE Listings Requirements, and not to related parties;
   - that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities; and
   - that after the Company has issued equity securities in terms of an approved general issue for cash representing, on a cumulative basis within a financial year, 5% or more of the number of equity securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue.

Reason and effect
To grant to the directors of the Company, the general authority to issue ordinary shares as an issue for cash as defined in the JSE Listings Requirements.

Percentage voting:
In order for Ordinary Resolution No 10 to be adopted, the support of more than 75% (seventy-five per cent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required.

11. Ordinary Resolution No 11 – To authorise any director of the Company, and where applicable the secretary of the Company (Company Secretary), to implement the aforesaid ordinary and the undermentioned special resolutions

To authorise any director of the Company and, where applicable, the Company Secretary, to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid Ordinary and undermentioned Special Resolutions.

Reason and effect
The reason for and effect of Ordinary Resolution No 11 is to grant the authorisation to any director of the Company, and where applicable the Company Secretary, to implement the Ordinary and Special Resolutions.

SPECIAL RESOLUTIONS

To consider and, if approved, to pass, with or without modification, the following three Special Resolutions:

Percentage support required for Special Resolutions Numbers A to C
In order for these Special Resolutions to be adopted, the support per Special Resolution of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this AGM are entitled to cast, is required.

A. Special Resolution No 1 – Approval of non-executive directors' remuneration for their services as directors

Resolved that:
"In terms of section 66(9) of the Companies Act, payment of the remuneration for their services as non-executive directors of Sanlam is approved for the period 1 July 2016 until 30 June 2017 as set out in the following table. These increases represent an average increase of 6,5% on the fees applicable in respect of the 12 months to 30 June 2016 for South African based directors other than those fee increases recommended as a result of an independent survey of the Sanlam Board Fees.

Directors/committees	Annual fee 2015/16	Attendance fee per meeting 2015/16	Annual fee 2016/17	Attendance fee per meeting 2016/17
Chairman	2 471 150	None	2 631 775	None
Deputy chairman	439 910	25 667	468 504	27 335
Non-executive directors	293 274	25 667	307 938	26 950
Non-resident Non-executive directors*			585 082	51 205
Audit, Actuarial and Finance committee Chairman	353 543	None	376 523	None
Audit, Actuarial and Finance committee member	176 772	None	188 262	None
Audit, Actuarial and Finance committee member Non-resident*			357 697	
Risk and Compliance committee Chairman	269 604	None	376 523	None
Risk and Compliance committee member	134 802	None	188 262	None
Risk and Compliance committee member non-resident*			357 697	
Human Resources committee Chairman	269 604	None	287 128	None
Human Resources committee member	134 802	None	143 564	None
Customers Interest committee Chairman	199 604	None	212 578	None
Customer Interest committee member	99 802	None	106 289	None
Customer Interest committee member non-resident*			201 949	
Social Ethics and Sustainability committee Chairman	199 604	None	212 578	None
Social Ethics and Sustainability member	99 802	None	106 289	None
Nominations committee Chairman	133 068	None	141 717	None
Nominations committee member	66 534	None	106 289	None
Committee of non-executive directors Chairman	None	None	None	None
Committee of non-executive directors members	None	None	None	None
Special *ad hoc* committees	None	18 166	None	19 347

** Fees increased as per an independent fees benchmark commissioned by Sanlam.*

Reason and effect
The reason for and effect of Special Resolution No 1 is to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period 1 July 2016 to 30 June 2017. Executive directors of the Company do not receive any fees for their services as directors of the Company.

B. *Special Resolution No 2 – To approve the cancellation of the authorised but unissued "A" and "B" deferred shares in the Company's authorised share capital.*

Resolved that
"The Company shall decrease its authorised share capital in terms of section 36(2)(a) read with section 16(1)(c) of the Companies Act by:
(a) cancelling the authorised, but unissued 56 500 000 (fifty-six million five-hundred thousand) "A" convertible participating Deferred Shares;
(b) cancelling the authorised, but unissued 56 500 000 (fifty-six million five-hundred thousand) "B" convertible participating Deferred Shares; and
(c) amending its Memorandum of Incorporation by deleting clauses 42 and 43 and replacing the existing clause 8.1 with the following clause 8.1:
"8.1 The Company is authorised to issue 4 000 000 000 (four billion) ordinary Shares with a par value of R0,01 (one cent) each, which shall have Voting Rights in respect of every matter that may be decided by voting, shall rank *pari passu* (as contemplated in paragraph 3.29 of the Listings Requirements) in all respects and which shall be entitled to receive the net assets of the Company upon its liquidation."

Reason and effect
The authorised share capital of the Company currently consists of:
(a) 4 000 000 000 (four billion) ordinary Shares with a par value of R0,01 (one cent) each (Ordinary Shares);
(b) 56 500 000 (fifty-six million five-hundred thousand) "A" convertible participating Deferred Shares with a par value of R0.01 (one cent) each ("A" Deferred Shares); and
(c) 56,500,000 (fifty six million five hundred thousand) "B" convertible participating Deferred Shares with a par value of R0,01 (one cent) each ("B" Deferred Shares).

The "A" Deferred Shares and "B" Deferred Shares (collectively the Deferred Shares) which were issued by the Company to Ubuntu-Botho Investments (Pty) Limited (UB) and which qualified for reclassification to Ordinary Shares in accordance with their terms, were reclassified in 2014.

The Deferred Shares were originally included in the Company's authorised share capital for the purpose of the Company's broad-based black economic empowerment transaction concluded with UB in 2003. This transaction reached its final date with the reclassification of the issued Deferred Shares to Ordinary Shares in 2014, with no Deferred Shares currently in issue. It is proposed that the Company amend its Memorandum of Incorporation so as to cancel the authorised, but unissued "A" Deferred Shares and "B" Deferred Shares as the intended purpose of the Deferred Shares is no longer applicable.

The effect of the above will result in the authorised share capital of the Company comprising 4 000 000 000 (four billion) Ordinary Shares only.

C. Special Resolution No 3 – Authority to the Company or a subsidiary of the Company to acquire the Company's securities

Resolved that:

"Pursuant to the Memorandum of Incorporation of the Company, the shareholders of the Company hereby approve by way of a general approval, whether by way of a single transaction or a series of transactions:

(a) the purchase of any of its securities by the Company or any subsidiary of the Company; and

(b) the purchase by and/or transfer to the Company of any of its securities purchased by any of its subsidiaries pursuant to (a) above,

upon such terms and conditions and in such amounts as the Board of the Company or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities of the Company may be quoted or listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, provided that:

- authority shall only be valid up to and including the date of the Company's next AGM, on condition that it does not extend beyond 15 (fifteen) months from the date of this Special Resolution;
- ordinary shares to be purchased pursuant to (a) above may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase securities in the Company pursuant to (a) above be limited in any 1 (one) financial year to a maximum of 5% (five per cent) of the Company's issued share capital of that class at the time the authority is granted;
- purchases pursuant to (a) above must not be made at a price more than 10% (ten per cent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of the repurchases;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries;
- the Board of the Company has resolved (i) to authorise a purchase of securities in the Company, (ii) that the Company has passed the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the Company and its subsidiaries (the Group);
- the Company or its subsidiaries may not repurchase securities during a prohibited period unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% (three per cent) of the number of ordinary shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% (three per cent) in

aggregate of the initial number of ordinary shares in issue as at the time the general authority was given, acquired by the Company and/or its subsidiaries; and
- details of equity securities repurchased during the period under review will be disclosed in the annual financial statements in accordance with paragraph 8.63(o) of the JSE Listings Requirements.

Reason and effect

The reason and effect of Special Resolution No 3 is to grant a general authority to enable the Company, or any subsidiary of the Company, to acquire securities which have been issued by the Company including the subsequent purchase by or transfer to the Company of such securities held by any subsidiary.

Statement of intent

The Board shall authorise and implement a purchase of the Company's securities only if prevailing circumstances warrant same, and should the Board, having considered all reasonably foreseeable financial circumstances of the Company at that time, reasonably conclude that the following requirements have been and will be met:
- after an acquisition, the Company will continue to comply with the JSE Listings Requirements concerning shareholder spread requirements;
- the Company and the Group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the Board considers that the purchase will satisfy the immediately preceding requirement and this requirement;
- the issued share capital and reserves of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM of the Company; and
- the Company and the Group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice.

Disclosures in the Annual Report in terms of paragraph 11.26(b) of the JSE Listings Requirements

The following disclosures are required in terms of paragraph 11.26 (b) of the JSE Listings Requirements, which appear in the Sanlam Annual Report and are provided for purposes of this Special Resolution No 3:
- major shareholders (page 211);
- share capital of the Company (page 338); and
- material changes (page 363).

Directors' responsibility statement

The Board, whose names appear on pages 230 to 238 of the Sanlam Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution No 3, and certify that:
- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above Special Resolution contains all information required.

Social, Ethics and Sustainability committee report

The Social, Ethics and Sustainability committee report is set out more fully in the sustainability report, which is available on the Company's website (www.sanlam.co.za). This is tabled in terms of Regulation 43(5)(c) of the Companies Act.

General notes

1. The record date for the distribution of the notice of the AGM was set as at the close of business on Friday, 18 March 2016.
2. The record date to participate in, attend and vote at the AGM was set as at the close of business on Friday, 27 May 2016. Therefore, the last day to trade in the Company's shares on the JSE in order to be recorded in the share register on the record date is Friday, 20 May 2016.
3. A shareholder entitled to participate in, attend, speak and vote at the AGM may appoint a proxy to participate in, attend, speak and vote in his or her stead.
4. The votes of shares held by the Sanlam Share Incentive Trust and subsidiaries of the Company will not be taken into account at the AGM for approval of any resolution proposed in terms of the JSE Listings Requirements.
5. Sanlam shareholders who hold share certificates for their Sanlam ordinary shares or have dematerialised their Sanlam ordinary shares and have them registered in their own name (which includes Sanlam ordinary shares held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited), but who are unable to attend the Meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (Private Bag X105, Marshalltown, 2107). The form of proxy is requested to be received by no later than 14:00 on Monday, 6 June 2016.
6. Sanlam ordinary shareholders who hold their dematerialised Sanlam ordinary shares through a CSDP, bank or broker nominee (Sanlam dematerialised shareholders) must provide their CSDP, bank or broker nominee with their voting instructions, in accordance with the agreement between them and their CSDP, bank or broker nominee. Should Sanlam dematerialised shareholders wish to cast their votes at the AGM in person, they must contact their CSDP, bank or broker nominee to issue them with the appropriate letter of representation. Sanlam does not accept the responsibility for any failure on the part of the CSDP, bank or broker nominee with regard hereto.
7. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the form of proxy. Such person enjoys the same rights at the AGM as the shareholding corporation/company.
8. A shareholder whose shares are held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited is entitled to act and vote at the AGM.
9. On a show of hands, every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.
10. On a poll, every shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam share held by such shareholder.
11. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the AGM. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.
12. The Company's Memorandum of Incorporation provides for an electronic voting process, for which purposes electronic handset devices will be used.

13. Electronic participation – Shareholders are advised that they, or their proxies, will be able to participate in the Meeting by way of electronic communication but will not be able to vote during the Meeting. Such shareholders, should they wish to have their votes counted at the Meeting, must act in accordance with the general instructions contained within this notice. Telephone lines will be made available for this purpose. Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary (sana-ullah.bray@sanlam.co.za) by no later than 12:00 on Friday, 3 June 2016. The cost of the shareholder's phone call will be for his/her own expense. The shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any claim arising in any way from the use or possession of the telecommunication lines. We kindly request shareholders to dial in from 13:50 on the day of the AGM. All shareholders who would like to call into the AGM should dial +27 (0)21 916 3323.

By order of the Board

Sana-Ullah Bray
Group Company Secretary
Bellville
March 2016

* *The Meeting will start promptly at 14:00. Due to the electronic voting system, no late registrations will be allowed.*

Shareholders' diary and administration

SHAREHOLDERS' DIARY

Financial year-end	31 December
Annual general meeting	8 June 2016

REPORTS

Interim report for 30 June 2016	September 2016
Announcement of the results for the year ended 31 December 2016	March 2017
Annual report for the year ended 31 December 2016	March 2017

DIVIDENDS

Dividend for 2015 declared	10 March 2016
Last date to trade for 2015 dividend	1 April 2016
Shares will trade ex-dividend from	4 April 2016
Record date for 2015 dividend	8 April 2016
Payment of dividend for 2015	11 April 2016
Declaration of dividend for 2016	March 2017
Payment of dividend for 2016	April 2017

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Monday, 4 April 2016 and Friday, 8 April 2016, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

ADMINISTRATION

Registered name

Sanlam Limited
(Registration number 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660
Incorporated in South Africa

Group Company Secretary

Sana-Ullah Bray

Registered Office

2 Strand Road, Bellville, 7530
South Africa
Telephone +27 (0)21 947 9111
Fax +27 (0)21 947 3670

Postal address

PO Box 1, Sanlamhof 7532,
South Africa

Sponsor

Deutsche Securities (SA) Proprietary Limited

Internet address

http://www.sanlam.co.za

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001,
South Africa
PO Box 61051, Marshalltown 2107, South Africa
Telephone +27 (0)11 370 5000
Fax +27 (0)11 688 5200

Directors

DK Smith (Chairman), PT Motsepe (Deputy Chairman), Ian Kirk(1) (Group Chief Executive), MM Bakane-Tuoane, CB Booth(2), AD Botha, PR Bradshaw(2), JP Möller(1), MV Moosa, TI Mvusi(1), SA Nkosi, K Nondumo(3), P Rademeyer, Y Ramiah(1), RV Simelane, CG Swanepoel, PL Zim

(1) *Executive*
(2) *British*
(3) *Appointed 3 December 2015*

BASTION GRAPHICS

www.sanlam.com