

**Sanlam Limited**

(Incorporated in the Republic of South Africa)

Registration number 1959/001562/06

JSE share code: SLM

A2X share code: SLM

NSX share code: SLA

ISIN: ZAE000070660

("Sanlam")

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**ANNOUNCEMENT RELATING TO THE PROPOSED TRANSACTION IN RESPECT OF SANLAM'S THIRD PARTY ASSET MANAGEMENT BUSINESS**

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**1. INTRODUCTION**

Sanlam shareholders ("**Shareholders**") are referred to the announcement made on the Stock Exchange News Service ("**SENS**") of the JSE Limited on 31 October 2018 when Sanlam announced its package of broad-based black economic empowerment ("**B-BBEE**") transactions. As part of the package of B-BBEE transactions, Sanlam also announced that it was in the process of a reorganisation of its third party asset management business in order to enhance the competitiveness and empowerment of the business.

The board of directors of Sanlam (the "**Sanlam Board**") is pleased to announce that agreement was reached in respect of a transaction to establish a leading South African black-owned asset management company (the "**Transaction**"). The Transaction will support Sanlam to grow and enhance its position in this important market, whilst also building on the Sanlam philosophy of mutually beneficial partnerships in pursuit of shareholder value creation.

The Transaction will entail:

- (i) the creation of a new investment holding company ("**NewCo**"), in which Sanlam will initially hold 100%. NewCo will hold 100% of the interest in Sanlam Investment Holdings Proprietary Limited ("**SIH**") which will, in turn, hold the Sanlam Investment Group's interests in third-party asset management businesses in South Africa, other than the investment management business conducted by Sanlam Private Wealth Proprietary Limited and the Sanlam Specialised Finance division; and
- (ii) African Rainbow Capital Financial Services Holdings Proprietary Limited ("**ARC FS**") purchasing shares in NewCo which will give it an effective economic interest of 25% in SIH (the "**ARC Transaction**").

Sanlam will own the remaining economic interest in SIH and following implementation of the Transaction, the SIH shareholders may allow senior management of SIH to participate in up to 5% of the effective economic interest in SIH on market related commercial terms. This is a possible transaction and the details will be communicated in the future.

The Transaction will result in a combined direct and indirect black economic interest in SIH in excess of 51% in terms of the Amended Financial Sector Code.

African Rainbow Capital Proprietary Limited ("**ARC**") is a wholly-owned subsidiary of Ubuntu-Botho Investments Proprietary Limited ("**UBI**") which is a material shareholder in Sanlam and accordingly deemed a related party in terms of the JSE Listings Requirements. ARC holds 50.1% in ARC FS.

## 2. RATIONALE FOR THE TRANSACTION

Promoting inclusive wealth creation in all of the markets where Sanlam operates is a key driver of Sanlam's long-term prosperity and ability to create value for all stakeholders. In the South African context, institutional clients require participants in the financial services industry to contribute to inclusive wealth creation in a number of ways, including direct B-BBEE ownership. Within the asset management industry, empowerment credentials at the entity level where institutional investors transact, is an important consideration for clients when awarding business mandates. As a result, it is in Sanlam's business and commercial interest to transform in line with the needs and preferences of its current and potential clients by creating a leading black-owned asset management business. Given the broad-based black shareholding of Sanlam's B-BBEE partner, UBI, it will also benefit society by increased participation of these shareholders in the success of SIH.

For Sanlam, the Transaction will contribute to the realisation of its strategy to protect and enhance its leadership position in South Africa through inter alia a leading empowerment status and appropriate partnerships. This will enhance the long-term sustainability and competitiveness of SIH, positioning it for future growth and enabling long term value creation for stakeholders. This is particularly relevant in the current challenging operating environment, which is likely to persist in the near term as the country recovers from the severe impact of the Covid-19 pandemic.

Being South Africa's leading black-owned asset manager, will position SIH favourably to attract strong institutional investment flows. Furthermore, this transaction will act as a catalyst to establish SIH as a strong independent asset manager and will create optionality to enhance the performance of the business over time through attracting affiliated managers. Sanlam and SIH therefore expect to realise significant synergies through attracting incremental flows to SIH and partnering with ARC FS on other value-accretive initiatives.

## 3. OVERVIEW OF ARC TRANSACTION

### 3.1. Background to ARC FS

ARC FS, which is 50.1% owned by ARC and 49.9% owned by the ARC Fund; is the entity that holds all the financial services investments in the UBI Group other than the investment in Sanlam which is held directly by UBI. The strategic objective of ARC FS is to establish a black-controlled diversified financial services group with exposure to key sub-sectors in the financial services sector.

### 3.2. Price

ARC FS will purchase shares in NewCo representing 25% of all shares in issue at a price calculated with reference to a base value of R787.5 million (the "**ARC FS Base Value**"). The ARC FS Base Value allows for a 25% minority and marketability/liquidity discount, which is appropriate for transactions of a similar nature. The ARC FS Base Value will be adjusted with a factor equal to the UBI Facility (see 3.3.below) funding rate up to the ARC Transaction effective date in order to determine the purchase price payable by ARC FS (the "**ARC FS Purchase Price**").

Based on an anticipated effective date of 1 December 2020, the expected maximum ARC FS Purchase Price would be R815.2 million at the current prevailing prime rate.

If the assets under management of SIH decline by any amount or increase by more than 14% before the ARC Transaction effective date, either party may request an adjustment of the ARC FS Purchase Price. An adjustment will only be made if agreed and will be done in compliance with the JSE Listings Requirements.

### 3.3. Settlement of the ARC FS Purchase Price

The ARC FS Purchase Price will be settled by ARC FS in part by utilising a portion of the preference share facility made available to UBI ("**UBI Facility**"), which was approved by Shareholders in December 2018, for up to 80% of the ARC FS Purchase Price, and from its own resources for the remaining portion.

### 3.4. Independent fairness opinion

In terms of paragraph 10.7 of the Listings Requirements, the ARC Transaction is categorised as a small related party transaction.

Accordingly, the Sanlam Board is required to provide the JSE with written confirmation from an independent professional expert confirming that the terms of the ARC Transaction are fair insofar as the Shareholders are concerned (the "**Fairness Opinion**"). A positive Fairness Opinion is one of the conditions to the ARC Transaction.

In compliance with paragraph 10.7 (b) of the Listings Requirements, the Sanlam Board appointed BDO Corporate Finance (Pty) Ltd ("**BDO**") as independent expert to provide it with the Fairness Opinion.

BDO has furnished an opinion to the Sanlam Board confirming that the terms of the ARC Transaction are fair insofar as the Shareholders are concerned. This opinion has been provided to the JSE.

The opinion of BDO will be available for inspection at Sanlam's registered office, 2 Strand Road, Bellville, Cape Town, 7530, for a period of 28 days from the release of this announcement. It will also be made available during this period on request from Sanlam's Company Secretary. Please email request to Sana-Ullah.Bray@sanlam.co.za.

### 3.5. Conditions and other key terms to the ARC Transaction

In addition to receipt of a positive Fairness Opinion, the ARC Transaction is subject to certain suspensive conditions, including (but not limited to) approvals from the relevant regulatory authorities (including the Prudential Authority).

The definitive transaction agreements to give effect to the ARC Transaction contain warranties and indemnities customary for transactions of their nature. The definitive agreements include a shareholders' agreement in respect of NewCo which incorporates non-compete undertakings given by ARC FS to NewCo and SIH, reserved matters in respect of which shareholders will need to agree and customary pre-emptive rights and deemed offer provisions.

### 3.6. Independent Committee Recommendation

The Sanlam Board established the Committee of Independent Non-Executive Directors, comprising of all non-executive Directors who are independent of Sanlam and UBI, to evaluate matters involving the Company and the UBI Group which may give rise to conflicts of interest. Following their consideration of these matters in the context of the Transaction, they recommended to the Sanlam Board that Sanlam enter into the ARC Transaction. The chairman of the Committee of Independent Non-Executive Directors is Mr. E Masilela.

## 4. FINANCIAL EFFECTS OF THE TRANSACTION

As per the latest audited financial statements for the year ended 31 December 2019 prepared in terms of IFRS, the segmental net result from financial services for the period was R352 million. SIH's contribution to the consolidated Sanlam Group net asset value was R348 million.

The net proceeds of the ARC Transaction will be received on the effective date of the ARC Transaction. Sanlam would seek to reinvest such proceeds to support its broader strategy including that of SIH.

Sanlam will consolidate its effective economic interest in NewCo and SIH.

## 5. EFFECTIVE DATE

The effective date of the ARC Transaction will be dependent on the fulfilment of the suspensive conditions to the Transaction and is expected to occur during the last quarter of 2020.

## 6. CONFERENCE CALL

A conference call for analysts, investors and the media will take place at 17h00 (South African time) today. Investors and media who wish to participate in the conference call should dial the numbers indicated below.

### Audio dial-in facility

A dial-in facility will be available. Please register at <https://www.diamondpass.net/7706977> for the call. Registered participants will receive their dial-in number upon registration. We kindly advise callers to dial in 5 to 10 minutes before the start of the conference call at 17h00 (South African time). For assistance, please contact Sanlam Investor Relations at +2721 947 8455.

Recorded playback will be available after the conference call until 25 August 2020.

### Access Numbers for Recorded Playback:

Access code for recorded playback: **36751**

South Africa	010 500 4108
USA and Canada	1 412 317 0088
UK	0 203 608 8021
Australia	073 911 1378
Other Countries	+27 10 500 4108

Bellville  
20 August 2020

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### Sponsor to Sanlam

The Standard Bank of South Africa Limited

### Independent Expert

BDO Corporate Finance (Pty) Ltd

### Legal Adviser to Sanlam

Glyn Marais Incorporated