

Sanlam Limited
(Incorporated in the Republic of South Africa)
Registration number 1959/001562/06
JSE share code: SLM
NSX share code: SLA
A2X share code: SLM
ISIN: ZAE000070660
("Sanlam" or "the Company")

Sanlam Life Insurance Limited
(Incorporated in the Republic of South Africa)
(Registration No. 1998/021121/06)
Bond Issuer Code: SMT1
("Sanlam Life")

ACQUISITION BY A SUBSIDIARY OF SANLAM OF THE A PREFERENCE SHARES IN SU BEE FUNDING SPV (RF) PROPRIETARY LIMITED ("FUNDING SPV") FROM THE STANDARD BANK OF SOUTH AFRICA LIMITED ("SBSA")

1. INTRODUCTION AND BACKGROUND

On 11 March 2019 ("**Subscription Date**") Sanlam concluded a transaction to issue 111 349 000 new Sanlam ordinary shares, constituting 5% of the Sanlam ordinary share capital net of treasury shares, to SU BEE Investment SPV (RF) Proprietary Limited ("**Subscription SPV**") following approval by shareholders of Sanlam on 12 December 2018 ("Broad-Based Black Economic Empowerment (**B-BBEE**) **Transaction**"). Shareholders are referred to the B-BBEE Transaction circular dated 12 November 2018 and available at www.sanlam.com for further information.

The B-BBEE Transaction was implemented by way of a subscription for Sanlam shares by Subscription SPV at R70.00 per share representing a discount of 9.88% to the 3-day volume weighted average price of R77.67 per Sanlam ordinary share on 8 March 2019 ("**Subscription Price**"). Subscription SPV is a wholly owned subsidiary of Funding SPV. 80% of the ordinary shares in Funding SPV are held by a trust ("**Master Trust**") that allows for five classes of beneficiaries, whereas 20% is held by a company ("**UBI Subscriber**") in which Ubuntu-Botho Investments Pty Ltd ("**UBI**") holds an 80% interest and the Sanlam Ubuntu-Botho Development Community Trust, the remaining 20%.

The Subscription Price was funded as follows:

- Approximately 50% through a combination of 1 million First Ranking Preference Shares ("**A Preference Shares**") in the amount of R2,421 million issued by Funding SPV to SBSA (secured by 85 million Sanlam shares) and collar funding in the amount of R1,196 million provided by SBSA to Subscription SPV (secured by 26 million shares) ("**Standard Bank Funding Package**"); and

- 50% through 1 million Second Ranking Preference Shares in the amount of R3,897 million issued by Funding SPV to Sanpref Proprietary Limited (“**Sanpref**”), a wholly owned subsidiary of Sanlam (“**Sanlam Vendor Funding**”).

2. UPDATE ON THE B-BBEE TRANSACTION

A year following the implementation of the B-BBEE Transaction, the operating environment deteriorated significantly as a result of a number of adverse events including the impacts of the Covid-19 pandemic, resulting in equity market volatility and a decline in the Sanlam share price. Equity market volatility has persisted due to the further effects of, among others, surging inflation and interest rates and geopolitical conflict, impacting recovery in the Sanlam share price.

The creation of any value for beneficiaries of the B-BBEE Transaction is dependent on the net equity position of Funding SPV, which in turn is dependent on the Sanlam share price, and after the repayment of all funding. Due to the negative impacts on the Sanlam share price, the Funding SPV remains in a negative equity position, a situation which has existed since March 2020 and is likely to persist in the short-term until the repayment date of the funding in March 2024.

Given the unlikely benefit to any beneficiary, as well as the potential negative impact for Sanlam shareholders and Sanpref as provider of funding for Funding SPV, in the event of further equity market volatility, it is anticipated that the Funding SPV structure may be unwound following its maturity in March 2024. Steps to achieve such an unwind may require the consent of affected parties (including Funding SPV and UBI) as well as the approval of Sanlam shareholders (to the extent required).

As a first step in the process to unwind the Funding SPV, a wholly owned subsidiary of Sanlam will acquire the A Preference Shares from SBSA, the details of which are set out in section 3 below.

Sanlam will continue to consider alternatives in the best interest of stakeholders to implement the orderly unwinding of Funding SPV in the lead up to its maturity in March 2024, and will, at the appropriate time, communicate any further steps to shareholders, including a possible repurchase of Sanlam shares from Subscription SPV.

3. PROPOSED TRANSACTION

U.R.D. Beleggings Proprietary Limited (“**URD**”), a wholly owned subsidiary of Sanlam will acquire the A Preference Shares in Funding SPV from SBSA, for R2,421 million (“**the Purchase Consideration**”), (“**the Proposed Transaction**”). The Purchase Consideration will be rolled forward by an agreed interest factor for the period between 30 June 2023 (being the date on which the last dividend on the A Preference Shares was paid) up to the implementation date of the Proposed Transaction.

The Proposed Transaction will be funded by URD from existing cash resources.

4. RATIONALE FOR THE PROPOSED TRANSACTION

The A Preference Shares are secured by Sanlam shares. Declines in the Sanlam share price increases the risk that debt covenants on the A preference shares are breached. In such a scenario the Subscription SPV will be obliged to dispose of a large block of Sanlam shares, which is likely to negatively impact the Sanlam share price. This will have a negative impact on Sanpref as provider of funding to Funding SPV.

The maturity date of the A Preference Shares is 8 March 2024, with the Sanlam Vendor Funding redeemed thereafter. These redemptions will require Subscription SPV to dispose of its shares in Sanlam (85 million) in the open market, further negatively impacting the Sanlam share price.

The Proposed Transaction creates flexibility in managing the exposure to volatility in the Sanlam share price in the short-term and mitigates the negative impact of a potential forced disposal of a large block of Sanlam shares in a short period of time and will contribute to an orderly unwinding of the Funding SPV in the lead up to its maturity in March 2024.

5. SALIENT TERMS OF THE PROPOSED TRANSACTION

SBSA, Funding SPV, Subscription SPV, Sanpref and URD have entered into a share sale agreement ("**Agreement**") in relation to the Proposed Transaction.

Pursuant to the Agreement, SBSA will sell the A Preference Shares ("**Sale Shares**") to URD for the Purchase Consideration. URD will also accede to the security documents in respect of the A Preference Shares pursuant to which Subscription SPV will guarantee in favour of URD the discharge by Funding SPV of all its obligations in respect of the A Preference Shares and provide security to URD in the form of cash and Sanlam shares as security for its guarantee.

6. SUSPENSIVE CONDITIONS TO THE PROPOSED TRANSACTION

The Proposed Transaction is subject to certain suspensive conditions, including a positive fairness opinion, as required by the Listings Requirements of the JSE, in respect of a small, related party transaction. See section 7 below for the related party considerations.

The Agreement, to give effect to the Proposed Transaction, contains warranties and indemnities customary for transactions of this nature.

7. RELATED PARTY CONSIDERATIONS

In terms of the paragraph 10.7 of Listings Requirements of the stock exchange operated by JSE Limited ("**JSE**"), the Proposed Transaction is deemed a small, related party transaction, as it will result in a preference share funding arrangement between URD and Funding SPV. Funding SPV is an associate,

as defined in the JSE Listings Requirements, of UBI, a material shareholder of Sanlam, holding more than 10% of the shares in Sanlam thus making UBI a related party to Sanlam.

Accordingly, the board of directors of Sanlam (“**Board**”) is required to provide the JSE with written confirmation from an independent professional expert confirming that the terms of the Proposed Transaction are fair insofar as Sanlam shareholders are concerned (the “**Fairness Opinion**”).

The Board appointed Deloitte & Touche (South Africa) (“**Deloitte**”) as an independent professional expert to provide it with the Fairness Opinion.

Deloitte has furnished an opinion to the Board confirming that the terms of the Proposed Transaction are fair insofar as the shareholders of Sanlam are concerned. This opinion has been provided to the JSE.

The Fairness Opinion of Deloitte is available for inspection at Sanlam’s registered office, 2 Strand Road, Bellville Cape Town, 7530, for a period of 28 days from the date of release of this announcement. It will also be made available during this period on request by email from Sanlam’s Company Secretary at secretariat@sanlam.co.za.

8. INVESTOR AND ANALYST TELECONFERENCE

A teleconference for analysts and investors will take place at 15h30 (South African time) today, 14 August 2023. Investors and analysts who wish to participate in the conference call should register via the link indicated below.

<https://www.diamondpass.net/4415983>

Please note that registered participants will receive their dial in number upon registration. For further details on how to participate, please visit www.sanlam.com.

Bellville

14 August 2023

Equity Sponsor to Sanlam

The Standard Bank of South Africa Limited

Debt Sponsor to Sanlam Life Insurance Limited

Absa Bank Limited, acting through its Corporate and Investment Banking division

Legal Advisor

Norton Rose Fulbright South Africa

Independent Expert

Deloitte & Touche