



2022
**King IV™
Disclosure
Report**



The objective of this report is to provide a synopsis of Santam's application of the 17 principles that are set out in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™)*

Santam at a Glance

Santam was founded and incorporated in 1918. It is a leading South African general insurer of more than 104 years' standing and does business in selected emerging markets. The group listed on the Johannesburg Stock Exchange (JSE) in 1964 under the insurance (non-life) sector and has secondary listings on the Namibian Stock Exchange and the A2X Markets Exchange.

With its head office based in Tygervalley, Cape Town, Santam is South Africa's leading general short-term insurer and the largest by premium size on the African continent. It specialises in proactive risk management and insurance solutions and covers a diverse portfolio of personal and specialist business products and financial services.

Santam is of the view that the implementation of sound, responsible, ethical, and transparent governance practices will support the group in delivering on its brand promise of **Insurance good and proper** – while, at the same time, creating value and a sustainable yet responsible company.

Santam is a subsidiary of South African financial services group Sanlam Limited, which held an effective 62.22% interest in Santam as at the end of December 2022.

During the 12 months ended 31 December 2022 (the reporting period), the Group continued to illustrate its dedication towards making sure that Santam implements and reflect appropriately on all the core corporate governance principles as outlined in King IV™. The company remains committed to adhering to the essential standards and requirements and it continues to be focused on creating value for all its stakeholders, through a stakeholder-inclusive approach.

Herein below is an overview of the Santam's application and response to the 17 principles on good corporate governance as provided for under King IV™. This is in addition to the mandatory corporate governance disclosure requirements as outlined in the JSE Listings Requirements and the Prudential Standards and Framework for Governance and Operational Standards for insurers and insurance groups.

* Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Santam's key corporate governance pillars include among others, the following salient aspects:

- Responsible and effective leadership
- Sound and ethical governance practices
- Effective control and decision-making
- Creating value and sustainability in a responsible manner
- A heightened approach to transparency, accountability and legitimacy
- Stakeholder inclusivity and client centricity
- Continuous performance evaluation and monitoring
- Conducting business in a responsible and ethical manner, while fulfilling a meaningful role in society

The Santam board of directors (the board) confirmed its satisfaction with the manner in which governance was approached and applied throughout the Group during the period under review. Continuous efforts are, however, made to identify areas for improvement to ensure that the business' methodology remains relevant and pragmatic – i.e. considering global governance related trends, the legitimate (and increasing) expectations of stakeholders as well as the governance related risks that the company and the industry at large are exposed to on an ongoing basis.

Reporting scope and boundary

Santam's King IV™ disclosure report (the report) forms part of the Group's 2022 integrated annual reporting suite, which summarises the activities of Santam for the financial year ended 31 December 2022. The scope of this report, therefore, extends to Santam and its subsidiaries whereas the content covers Santam's general insurance and investment operations.

Noteworthy to highlight is that the board acknowledges its responsibility to ensure the integrity of the company's disclosures. These include Santam's integrated annual report, its annual financial statements, the remuneration report, the Group's corporate governance report as well as this King IV™ disclosure report for the 12 months ended 31 December 2022 (01 January 2022 – 31 December 2022). With the support and assistance of Santam's audit committee, the risk committee, the investment committee, the nominations, the human resources and remuneration committee (HRRC) as well as the social, ethics and sustainability (SES) committees, the board ensures that appropriate governance process and controls are in place to verify, enhance and safeguard the quality and integrity of the information contained in the reporting suite.

The board further appreciates that the Group's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are integrated and inseparable elements that are being applied to create value for Santam's core stakeholder groups.

Santam's core values



Santam's King IV™ application process

The board is pleased to confirm that during the reporting period, implementing and promoting sound corporate governance practices continued to form an integral part of Santam's way of doing business. This is evident in the way the Group demonstrated its efforts during the 2022 financial year as well as its ongoing commitment to continuous improvement in alignment with sound corporate governance business practices.

Given Santam's robust approach towards corporate governance, specific key deliverables and actions have been identified during the period under review. Significant progress had since been made in the execution thereof which assisted the company to, among other, ensure compliance with the minimum requirements and the recommended practices that are set out in King IV™. To the Board's knowledge, Santam complied with the requisite disclosure requirements imposed by the King Report on Corporate Governance™ for South Africa, 2016.

Principle

Santam's response and application of the King IV principles

Leadership, ethics and corporate citizenship

Leadership

Application of Principle 1

"The governing body should lead ethically and effectively"

Developing stakeholder trust by conducting business ethically and in a responsible manner, remain at the core of how Santam conducts its business. Ethical leadership, therefore, forms an integral part of the Group's corporate governance practices. The shareholders of Santam have the authority to appoint the governing body's members (the board of directors), in alignment with the requirements set out in the company's memorandum of incorporation (MoI). These appointments to the board (the election, appointment, re-appointment and rotation of directors) are governed by a formal and rigorous process which is informed and guided by the recommendations made by the nominations committee and the board. At each annual general meeting (AGM) of the company, shareholders are requested to cast a vote on any proposed changes to the composition of the board. In addition, as a norm, regulatory approval is sought prior to proposing any new appointments to the board. The rest of the company's leadership team (the members of the Group Executive Committee (Group Exco)) are appointed upon the recommendations made by the human resources and remuneration committee (HRRC) who follows a similar process to ensure that skilled, experienced and high calibre individuals are appointed to the necessary leadership portfolios.

Santam's governing body comprise a diverse group of 13 skilled and experienced directors who each contributes to the competencies required to fulfil and discharge the board's duties in an ethical and responsible manner. The board exercises effective and ethical leadership by promoting good corporate governance practices, whilst honouring their fiduciary duties.

The board is committed to the highest standards of governance and ethics. The directors hold one another (individually and collectively) accountable for decision-making based on integrity, competence, responsibility, accountability, fairness and transparency. A group governance policy was furthermore adopted by the board, with the objective to codify the framework for sound and ethical governance practices applied across the business. The board also assumes responsibility and accountability for steering and guiding Santam's strategic objectives, approving the company's corporate strategy, overseeing the monitoring and execution thereof by management as well as ensuring accountability for optimal organisational performance. The board is at the forefront, setting the tone for the company by acting with due care, skill and diligence and taking the necessary steps to act in an ethical yet responsible manner.

The board charter and its annual plan, which are both reviewed on an annual basis, guide the board in a structured manner to ensure that each of its core deliverables are attended to. It also outlines the process for policies and practices such as dealing in securities, the declaration of conflicting interests and those matters delegated to management. The board, through the office of the group company secretary, duly considers and deliberates on each declaration of interest that is disclosed as and when a perceived, actual or potential conflict of interest occur. Santam's board members, its prescribed officers, executives and senior employees are, furthermore, prohibited from dealing in Santam securities during specified closed periods. The office of the group company secretary regularly issues notices to advise the affected stakeholders of the relevant closed period/s. A report on directors' dealings in Santam's shares is also tabled at each quarterly Board meeting and the same is publicly disclosed in terms of the applicable JSE Listings Requirements via SENS.

In addition, to ensure that the governing body functions optimally and effectively, the board and the board committees annually assesses its performance. The outcome of these evaluations is considered by the board (and the nominations committee) for the purposes of identifying board and/or board committee training needs.

Further information regarding how the board and the board committees executed its mandates effectively during the reporting period, is available in Santam's 2022 Corporate Governance Report.

Principle

Leadership, ethics and corporate citizenship

Organisational ethics

Application of Principle 2

“The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture”

Santam’s response and application of the King IV principles

Santam’s board is committed to ensuring that its corporate strategy is executed based on an ethical foundation that supports the business in a sustainable manner. The company’s board authorisation framework, the group governance policy, the code of ethics as well as the charters that govern the board and board committees’ roles and responsibilities, are annually being reviewed. These governance related protocols define among others those matters that are reserved for the board’s attention and decision-making authority and it enables the board to exercise effective control whilst leading the business in an ethical way.

Worth mentioning is that the board continues to exercise the responsibility for setting and guiding Santam’s ethical values and how it conducts business. This underpins Santam’s continuous strive to operate as a responsible corporate citizen. Even though the Board, as a collective, remains accountable for the application of ethics across the Group, it delegated the oversight and governance of ethics including the monitoring and implementation of Santam’s activities against the company’s code of ethics, to the social, ethics and sustainability (SES) committee. This committee is a statutory governance body and is required to report at every Board meeting on the activities and actions that were executed in line with its Board approved mandate and statutory obligations.

Furthermore, a group ethics management committee (GEMC) has been established as a sub-committee of Santam’s Group Exco. The GEMC assists the board and the SES committee with the management of ethics while continually monitoring Santam’s response to principled business practices. The GEMC meets approximately three to four times per annum and is chaired by the group executive custodian who are responsible for ethics management across the organisation. The company’s ethics office supports the GEMC and fulfils the role of its secretariat. All major areas of the business are represented on the GEMC given its diverse stakeholder groups. The ethics office also forms part of Santam’s business integrity unit, which reports directly to the group’s chief risk officer. Among others, the business integrity unit is responsible for managing the ethics helpdesk and the group’s confidential reporting mechanism. Reports can be made anonymously, and all allegations received are investigated by trained professionals. Important to also note is the escalation protocols that have been implemented insofar all ethics related trends, risks and reportable incidents. These are reported regularly to the GEMC, Group Exco, the SES committee and the board – i.e. based on relevance and materiality.

Santam also has a well-established code of ethics that includes the standards and norms of acceptable behaviour. The code is reviewed and approved by the board on a regular basis. It is further underpinned and supported by policies relating to specific areas which includes the group’s business integrity policy, anti-bribery and anti-corruption policy, conflict of interest policy and whistleblowing policy to mention a few.

Following an ethics survey that was conducted in 2021, Santam’s ethics management strategy was since also updated to ensure that it remains relevant and pragmatic. The company’s strategy focuses on ethical outcomes for employees, suppliers and the broader environment in which Santam operates. The ethics office was furthermore tasked to work together with the human capital business units to improve the shared mindset and behavioural norms relating to the principles of *fairness, accountability, authenticity and transparent expression (by word or conduct)* as well as *dignity and respect*. Awareness in this regard is being created on a continuous basis as well as relevant training material that is made available in support of embedding an ethical culture within Santam. Feedback on these initiatives is reported on at the SES committee meetings.

Stakeholders are advised that dedicated efforts are made on a continuous basis to create awareness and visibility of the Group’s ethics related protocols and enablers. This, including Santam’s internal controls that are designed to detect, prevent and respond to ethical breaches and anti-corruption conduct – i.e. all contributing to an enhanced and effective ethical culture being embedded across the organisation. Furthermore, Santam continues to follow a stakeholder-inclusive approach, ensuring that relevant information is disseminated in an appropriate way, as and where need. The key ethics related focus areas that were attended to by the Santam group during the reporting period, have been reported on in further detail in the 2022 Corporate Governance Report.

Principle

Santam's response and application of the King IV principles

Leadership, ethics and corporate citizenship

Responsible Corporate Citizenship

Application of Principle 3

“The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen”

Santam believes that the implementation of sound and ethical governance practices will support the group in delivering on its brand promise of **Insurance good and proper**, while at the same time ensuring the sustainability of the company. It is the board's responsibility to ensure that Santam conducts itself as a good corporate citizen. It hence continues to provide strategic support to management in implementing the strategy through ongoing, regular interaction and progress evaluations. The primary objective remains to create value for all Santam's stakeholders in a sustainable and responsible manner. This includes balancing the needs and expectations of the company's diverse group of stakeholders. Given the nature of the products and services that Santam specialises in, establishing and maintaining healthy relationships with the company's broad stakeholder groups result in increased confidence and trust, especially in uncertain and challenging times.

The board (with the assistance of the SES committee, the HRRC, the investment committee and the risk committee) oversees and monitors Santam's processes and its activities that are associated with its corporate citizenship responsibilities. This is measured against pre-determined performance targets agreed with management, in support of Santam's FutureFit strategy.

Apart from the various mediums and platforms that Santam uses to engage and communicate with its key stakeholder groups, an opportunity is also afforded to Santam's shareholders and other interest parties at each AGM, for them to voice any concerns or challenges that they might have. The board welcomes feedback from its key stakeholders and afford further consideration to same when reviewing company policies and procedures. In addition, the Chair of the SES committee attends the AGM with the objective to respond to any enquiries or questions that shareholders and/or other stakeholders might have regarding how Santam conducts itself as a responsible corporate citizen.

Principle

Santam's response and application of the King IV principles

Strategy, performance and reporting

Strategy

Application of Principle 4

“The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process”

The Board confirms and acknowledges its responsibility to ensure that Santam's strategic objectives are aligned to the Group's vision, purpose, and values. How the company goes about in order to create value for its stakeholders in a sustainable and responsible manner, is reported on in further detail Santam's 2022 integrated annual reporting suite. Santam's board, with the support and assistance of its committees, monitor on an ongoing basis and in a structured manner, the execution of the Group's strategic objectives. The robust process that is being followed, is testimony of the fact that at Santam's core purpose, the risks and the opportunities that the company is exposed to, its business model, its strategic objectives and the Group's performance in general are all regarded inseparable in creating value for its stakeholders.

The Board is committed to making sure that Santam takes responsibility and accounts for its performance. This includes the targets and the performance measurement criteria that were agreed upon over the short, medium, and long term. One of the recent milestones that had been achieved during the 2022 reporting period, was the introduction of a clearly defined evaluation criteria relevant to key environmental, social and governance (ESG) related aspects. These were incorporated and provided for, in each of the members of Group Exco's key performance areas.

In response to Principle 4 referred to herein, the board further provides assurance that Santam's disclosures are credible, accurate and that it enables Santam's key stakeholders to make an informed assessment of the Group's performance and how it conducts its business. Further detail of Santam's performance in response to its strategic objectives are reported in the annual reporting suite.

Reporting

Application of Principle 5

“The governing body should ensure that reports issued by the company enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects”

Santam's board of directors has a clearly defined mandate which is summarised in the board's charter that is annually reviewed. However, without abdicating any accountability assigned to it, the board, from time to time, delegates some of its responsibilities to its board committees and/or management. In this regard, Santam's audit committee, the risk committee, the investment committee, the HRRC, the nominations committee as well as the SES committee ensure that the required controls are in place and that the requisite combined assurance is provided where necessary, to verify and safeguard the integrity of Santam's integrated annual reporting suite. The respective committees highlighted herein warrant that all printed information or reports issued, comply with the necessary legal requirements, and/or meet the legitimate and reasonable information needs of material stakeholders, prior to board approval.

The board committees further assist the board by providing guidance in setting Santam's reporting frameworks as well as how disclosures should be approached and conducted. These committees are also providing assurance as and where required on the quality, integrity, completeness, and accuracy of the content recorded in the integrated annual reporting suite. The latter includes the group's audited annual financial statements, and other relevant information that are published from time to time on Santam's website (www.santam.co.za) and other mediums as deemed appropriate.

Consideration is furthermore afforded to the feedback shared by Santam's stakeholders from time to time, with the aim to enhance the quality and relevance of the company's disclosures. This is also to provide comfort to stakeholders to make the needed informed assessments of the organisation's performance, inclusive of its short, medium and long-term prospects.

Principle

Santam's response and application of the King IV principles

Governing structures and delegation

Primary role and responsibilities of the board

Application of Principle 6

“The governing body should serve as the focal point and custodian of corporate governance in the organisation”

The Board operates in accordance with a clearly defined charter which is reviewed at least once per annum. This charter defines, among others, the board's governance responsibilities, its role, composition, and membership requirements as well as the procedures applicable to conducting Board matters.

Through its committees, the board oversees the implementation of governance practices throughout the Santam Group. This includes monitoring the implementation of the group governance policy as well as the adherence to the board authorisations framework.

During the year under review, Santam's operating model and organisational structure continued to underpin and support the execution of the Group's corporate strategy. The latter remained as is although with effect from 01 January 2023, Santam's new organisational structure made a clear distinction between the Group's client facing business units versus those divisions that perform enabling and shared services functions.

The Group's approach therefore enables and allows the respective businesses at a subsidiary level to be individually responsible for applying the Group governance, risk and compliance management policies and frameworks within their respective businesses. Each of the client facing businesses is managed by a chief executive officer (CEO) who is supported by a cluster executive management team and several support functions that are appropriate to the cluster's particular operational requirements. These CEOs form part of Santam's Group Exco and are regarded as the designated "key persons" in terms of the Prudential Standards and Framework for Governance and Operational Standards for insurers and insurance groups.

The subsidiaries' business strategies are furthermore developed and aligned to Santam's board approved Group strategy, inclusive of its approved policies and a set of tight governance and management principles. In addition, statutory and non-statutory governance structures exist at an operational level with a set of clearly defined roles and responsibilities. Depending on its mandates, the governance structures that are implemented at a subsidiary level, comprise a combination of non-executive and executive directors. The non-executive directors include members of the Santam Board, key persons and where appropriate, expert external appointees.

The Santam board therefore confirmed that it was satisfied that it fulfilled its primary role and responsibilities in relation to corporate governance and in alignment with its approved charter. This was verified by the outcome of the 2022 board effectiveness evaluation that was conducted with the assistance of an external service provider. The Group's governance principles are disclosed in further detail in the 2022 Corporate Governance Report.

Principle

Santam's response and application of the King IV principles

Governing structures and delegation

Composition of the board

Application of Principle 7

“The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively”

The Board is responsible for setting the direction and approves the process for the Board to attain an appropriate balance of knowledge, skills, experience, diversity, and independence to discharge its governance role and responsibilities objectively and effectively. The nominations committee makes recommendations to the Board in discharging the process of nominating, electing and appointing members of the board. This includes taking into account skills retention at a Board level as well as succession planning in respect of new appointments to the Board and/or its committees. The nominations committee follows a formal, transparent, and robust process to review the balance, effectiveness and representivity of the Board and its committees as well as the cluster governance structures. This is being done whilst considering the requisite requirements outlined in Santam's Mol. The skills required, and those individuals that are seen to provide such expertise in a fair and thorough manner, are considered and identified as and when required.

A comprehensive review of the independence of non-executive directors is conducted on a continuous basis and, in particular, those directors serving on the Board for a tenure of longer than nine years. This has been discussed in further detail in the 2022 Corporate Governance Report. The capacity and independence of each director are therefore categorised and assessed in alignment with the criteria provided for in King IV™, the Companies Act, the JSE Listings Requirements as well as the Prudential Governance and Operational Standards for insurers and insurance groups.

Cognisance is also taken of other factors documented in the board charter, the company's Mol and recommended practices in relation to non-executive directors who held a long tenure.

During the 2022 financial year, an additional independence assessment was performed by reviewing in particular the independence of Santam's lead independent director's (LID) independence due to the nature of his role and designation as well as the chair of the HRRC given her tenure on the board being longer than 9 years. The outcome of these independence reviews was reflected on in the Group's 2022 Corporate Governance Report.

The Board is satisfied that its composition during the reporting period and beyond, reflects an appropriate balance of knowledge, skills, experience, race and gender diversity, inclusivity as well as independence. One of the significant changes that were made to the Board during the 2021 financial year, was the appointment of four additional independent (female) non-executive directors. These appointments followed a rigorous evaluation and approval process. The same process was applied when Santam recruited its new Group CEO between 2021 and 2022. Mr Madzinga took office after his appointment as an executive director on the Board in April 2022, whereafter he assumed his new role as Group CEO of Santam Limited with effect from 01 July 2022. Recently, the board also appointed Mr Mahlangeni as an additional non-executive director due to his skills and expertise. More detail regarding the changes that occurred at a Santam Board level during the 2022 reporting period, can be found in the 2022 Corporate Governance Report. In addition, a brief curriculum vitae for each director standing for election or re-election at Santam's 2023 AGM, accompanies the notice of its next AGM.

Principle

Santam's response and application of the King IV principles

Governing structures and delegation

Composition of the board

Application of Principle 7 (continued)

The Nominations committee also assists the board in reviewing succession planning on an annual basis. This includes the identification, mentorship and development of future candidates. The board further considered its composition in alignment with its policy on the promotion of diversity attributes. During the period under review, this policy had been reviewed by the nominations committee after which a recommendation was made to the Board for its approval. The policy continues to be consistent with the Amendments Schedule relevant to the JSE Listings Requirements. The board is of the view that the stance that was adopted by Santam in this respect, goes beyond the minimum regulatory requirements and it acknowledges the value that it contributes to the Group's diversity-related objectives and overall sustainability. The board composition and the statement thereto on its composition are disclosed in further detail in the 2022 Corporate Governance Report.

Apart from the chair of the board being classified as independent, Santam also has a LID appointed to the board. His role and mandate are clearly defined in a board approved LID charter, which is being reviewed annually. Santam's LID's primary role and objective is to enhance independence at a board level as well as supporting and assisting the chair to facilitate the exercise of independent and objective decision making. His role is also instrumental in the event when the chair would be conflicted, or her independence is debated or being jeopardised in any way. Following the annual board effectiveness evaluation that was conducted during the 2022 reporting period, the board reached consensus on the performance and services delivered by Mr Monwabisi Fandesio. The board confirmed that it was satisfied that Mr Fandesio (in his capacity as the LID) operated effectively, independently, and consistently with the skills, experience and attributes required to execute his delegated mandate.

As a standing item on the board agendas, a closed session is provided for at each board meeting that affords the independent non-executive directors to have deliberations. This platform is also used to discuss (if and when required) any related-party transactions, including but without limitation to any financial, economic interest, position, association or relationship, which when judged from the perspective of a reasonable and informed third party, could unduly or cause bias in decision-making processes.

A formal process is also being implemented at Santam to manage and facilitate any actual, perceived, or potential conflicts of interest that may occur. The latter is in addition to the company's standard protocol which requires each of the board members having to declare their respective interests quarterly in writing as well as at every meeting that they are attending – i.e. taking into account the discussion points that are listed on the meetings' agendas. Board members are furthermore encouraged to update their declaration registers at any time and communicate the same to the group company secretary should any changes in their profiles or interests become evident.

The following are also applicable requirements:

- JSE 3.84(a): the process to ensure clear balance of power and authority at board of directors' level
- JSE 3.84(b): appointment of chief executive officer and board chair: JSE 3.84(d): CV of each director standing for election or re-election
- JSE 3.84(e): categorisation of directors. SE 3.84(i) and (j): policy on the promotion of gender and race diversity on the Board and remuneration policy and the implementation report be tabled for non-binding vote by shareholders at the annual general meeting.

Principle

Governing structures and delegation

Committees of the board

Application of Principle 8

“The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties”

Santam’s response and application of the King IV principles

The board has six established committees to support and assist it in discharging its role and responsibilities. The board committees comprise of an audit committee, a risk committee, an investment committee, a HRRC, a nominations committee and a SES committee. Each committee’s role and associated responsibilities (as approved and delegated by the Board), its composition, meeting protocols, quorum requirements, decision-making powers and delegation of authority have been summarised in the Group’s integrated annual report and the 2022 Corporate Governance insert.

Worth highlighting is that each of the board’s committees are appropriately constituted, and each member is appointed by the board as per the recommendations made by the nominations committee. This, however, excludes the members appointed to the audit committee, who are nominated by the board and afterwards annually elected by Santam’s shareholders at the AGM. The nominations committee also assists the Board by evaluating and presenting suitable, prospective candidates for recommendation to the shareholders for their election or re-election at the AGM. This process is in alignment with Santam’s Mol and other applicable regulatory requirements.

The Board further ensures effective leadership in its committees by allowing collaboration between the relevant governance structures through cross membership as recommended by King IV™. This is primarily aimed at preventing duplication and a fragmented functioning between the various committees. In addition, external advisers and members of management attend board and committee meetings by invitation only, with no voting or decision-making powers.

A balanced distribution of power in respect of membership across the board committees, remain a key focus of the Board. The objective is to ensure that no individual member is allowed to dominate any decision-making exercises and that no undue reliance is placed on any particular individual. The governance structures and the various levels of decision-making powers are, furthermore, defined in the Group’s board approval framework and the group governance policy which is reviewed and approved on an annual basis. It aims to regulate decisions on the following levels:

- Decisions of the board that require ratification or approval from Santam’s shareholders in terms of the Companies Act, 71 of 2008, as amended (the Companies Act)
- Decisions of the Board that the Mol provided for based on good governance principles
- Decisions reserved for formal approval by the board and/or those which are delegated to its committees; and
- Decisions of the board that have been delegated to Santam’s Group CEO. The Group CEO may, in turn, consult with any representatives of management across the organisation as required from time to time and he may also delegate his decision-making authority to the respective subsidiaries’ governance structures and/or Group executives as appropriate.

Any delegation of responsibilities to a board committee or to the Group CEO of Santam, will, however, not constitute a discharge of the board’s accountability. The board remains accountable to apply its collective mind to the information, opinions, recommendations, reports and statements presented and recommended by its committees.

A brief overview of each board committee is included in the 2022 Corporate Governance Report. In addition, a statement confirming that each committee was satisfied that it fulfilled its responsibilities during the period under review and in accordance with its respective board approved terms of reference, is also disclosed in the abovementioned 2022 Corporate Governance Report.

The following are also applicable requirements:

- JSE 3.84(c): Audit committee, remuneration committee and SES committee
- JSE 3.84(g) (i) to (iii): expertise and experience of the Financial Director, appropriate financial reporting and assessment of audit firm and designated individual audit partner suitability.

Principle

Santam's response and application of the King IV principles

Governing structures and delegation

Evaluations of the performance of the board

Application of Principle 9

“The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness”

A Board effectiveness evaluation is conducted on an annual basis with the assistance of an external service provider, through the office of the Group company secretary. The chair of the board, with the support of the group company secretary and the nominations committee, leads the evaluation process. The board is satisfied with the outcome of the 2022 board evaluation process that was conducted during the previous financial year. It has been confirmed that the Board continued to operate effectively and efficiently in creating value for Santam's stakeholders. Consensus had been reached on the continuous commitment, competence and experience exercised at a board and board committee level.

The board, with the assistance of the nominations committee, also determines the number of external directorships and other positions a director may hold, considering the relative size and complexity of Santam. Annually, the nominations committee considers all other commitments of Santam's board members and whether each director has sufficient time to fulfil his/her responsibilities towards Santam.

When the nominations committee is of the view that a director is over-committed or has an unmanageable conflict, the chair of the board would meet with the director to discuss a resolution on the matter to the satisfaction of the nominations committee. The results of 2022 board effectiveness assessment had been reported in the 2022 Corporate Governance Report.

The board confirms that it executed its responsibilities under the evaluation policy.

Appointment and delegation to management

Application of Principle 10

“The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities”

The Group CEO is appointed by the board based on the recommendation of the nominations committee and the HRRC. The role and responsibilities of the Group CEO are specified and defined in the approved board charter. The board, supported by the nominations committee and the HRRC, evaluates the performance of the Group CEO on an annual basis against an agreed set of performance measures and targets. The nominations committee, in consultation with the HRRC, is also responsible for ensuring that adequate succession plans are in place for the 2 *ex officio* executive directors serving on the board. The Group CEO, furthermore, appoints the members of the Group Exco – i.e. after consulting the HRRC. The board approves and regularly reviews the Group governance policy and Santam's authorisations framework.

The Group CEO, supported by the Group Exco, is accountable to the board for the successful execution of Santam's strategic objectives and the overall management and performance of the company. The respective business clusters within Santam, each develops their own authorisation framework in alignment with Santam Limited's board approved group governance policy and framework. It needs to be noted that the Group CEO is not a member of the HRRC, the nominations committee or the audit committee. He, however, attends any of the board committee meetings or parts thereof by invitation only – i.e. if and when required, with no voting rights to exercise.

The board agrees upfront with the Group CEO on whether he and/or other directors may take up additional professional positions, including membership on other governing bodies outside Santam. Time constraints and potential conflicts of interests are considered and balanced against the opportunity for professional development. The Board confirmed its satisfaction with the approach that is being applied.

The Group company secretary has a direct channel of communication to the chair of the board, while maintaining an arm's-length relationship with the other directors as far as is reasonably possible. The role and responsibilities of the group company secretary are described in further detail in the boards' charter as well as summarised in the 2022 Corporate Governance Report. The group company secretary's performance and independence is assessed on an annual basis by the Board.

The following are also applicable requirements: JSE 3.84(h): the Company Secretary

- The Company Secretary is appointed by the Board in accordance with the Companies Act. The board considers and evaluates the competence, qualifications, and experience of the group company secretary on an annual basis and is satisfied that she is competent and has the appropriate qualifications and experience to fulfil her role and responsibilities.

Principle

Santam's response and application of the King IV principles

Governance functional areas

Risk governance

Application of Principle 11

“The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives”

The board has the ultimate responsibility for the governance of risk. The risk committee advises and assists the board in discharging its roles and responsibilities. The Group Exco, in turn, ensures that the business achieves its strategic objectives in a manner that optimises the company's risk-adjusted return performance. It also has the executive responsibility to provide assurance to the board and the risk committee, that Santam's risk management practices are governed effectively and that it continuously supports the Group to achieve its strategic objectives. The board also approves Santam's enterprise risk management framework which reaffirms the Group's commitment towards ensuring effective risk management practices in pursuit of Santam's strategic deliverables. It includes identifying and monitoring the key risks (internally and externally) that the company is exposed to. Consideration is also being afforded to converting risks into opportunities with the aim to create sustainable value for Santam and its stakeholders. An overview of how risk governance is being managed, the list of key focus areas that are relevant to the reporting period as well as how the company's risk exposure is being responded to on an ongoing basis, are disclosed in the annual reporting suite. During the 2022 financial year, the board approved the Santam's risk appetite and risk tolerance levels which are deliberated on at each Board meeting especially in these challenging operating times.

The members of the audit committee are also members of the risk committee, thereby ensuring that there is some degree of coordination in respect of the evaluation and reporting of risks. Two members of the risk committee are also members of the SES Committee, whilst five members of the risk committee are also members of the Investment Committee. One member who serves on the SES committee is also a member of the HRRC and nominations committee. This arrangement facilitates the co-ordination of risk management across the committees.

Technology and information governance

Application of Principle 12

“The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives”.

The accountability associated with the management and governance of technology and information, ultimately resides with the Board. The Board fulfils an oversight role and directs Santam's strategic and operational use of technology and information. This is to ensure that the use of technology and information complements, maximises and supports the Group's strategic objectives. It is also to make sure that the benefits are realised in the respective subsidiaries within an acceptable and articulated level of risk.

Santam's risk committee is responsible for IT governance, and it oversees management's response to the company's key technology and information-related risks. This is assessed based on materiality and aligned with the group's risk appetite and risk management framework. The risk committee also oversees the development and review of Santam's technology strategy and the Group's digital transformation roadmap. It also oversees technology architecture and the operational excellence of the company's shared IT infrastructure. In alignment with Santam's combined assurance model, all significant technology, governance and information-related audit findings are reported to the *audit committee*. The audit committee, in turn, aims to ensure the integrity of the information disclosed and reported on from time to time. In addition, the board (via the risk committee) will consider the need to receive periodic independent IT assurance on the effectiveness of Santam's risk management practices and will consider the recommendations of same. The Risk Committee provides feedback on the related matters to the Board for approval.

Management provides assurance to the risk committee and the board that effective IT governance practices are in place and that material IT-related risks are mitigated appropriately. These are all well-articulated in Santam's risk register with appropriate mitigations being implemented and reported to the board.

Santam's group internal audit function exercises oversight of the management of technology and information risks and the effectiveness of the controls that were identified and implemented. The requisite assurance is further provided to the audit committee, which satisfies itself as to the effectiveness of the group IT governance system and applied controls.

Santam's group IT (GIT) steering committee was specifically established as a sub-committee of the risk committee. It assists the risk committee in fulfilling its duties of strategic oversight on digital transformation and IT. The GIT steering committee furthermore co-ordinates and provides oversight for digital transformation activities (strategy, governance, compliance and risk) within Santam by liaising with the respective business clusters directly as and when required.

External audit frequently performs reviews and assessments as part of its IT management and governance audits.

The group policies that are applicable to the IT environment include the Santam IT policy, Santam's information and data policy, its IT cyber security policy as well as the Santam digital behaviour and security policy. These policies are reviewed and approved by the board on a frequent basis to ensure that its content and the application thereof remain pragmatic, value-adding and aligned to best practices.

Principle

Santam's response and application of the King IV principles

Governance functional areas

Compliance governance

Application of Principle 13

“The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen”

Santam is a financial services industry player that operates in a highly regulated environment due to the nature of the products and services that it offers. Regulatory compliance is hence an important and key focus area of the board. The board (with the assistance of the risk committee) has oversight over the implementation of Santam's corporate culture and its business strategies. This includes the Group's compliance strategy and its risk appetite in alignment with Santam's long-term interests and viability. The risk committee further assists the board with exercising its oversight role over the governance of compliance by setting the direction for how compliance should be approached and addressed across the organisation.

The Group has unequivocally no appetite for deliberate, ignorant, or premeditated violations of applicable legislative requirements or non-compliance with company standards, internal policies or governance principles. This is due to Santam striving to conducting its business with due skill, care and diligence to minimise violations and non-compliance incidents arising from negligence.

As per Santam's board approved Group compliance policy, all the governance structures operating at a Group and a subsidiary level (as well as all employees) are mandated and obliged to comply with the applicable laws, non-binding rules, codes and standards that support Santam being a responsible and good corporate citizen. Important to note is that the establishment of a sound governance and compliance culture in Santam evidently means that compliance is well understood across the business for the obligations it creates and for the rights and protection that it affords for the Santam Group and its key stakeholders.

Management is responsible for the implementation of the business objectives and strategies that are developed in line with the Group's compliance strategy, its risk appetite and risk tolerance levels. Santam's design and implementation of sound compliance management practices and procedures are aimed at detecting, preventing and mitigating compliance risks. This includes managing the compliance risks facing the business and continuously seeking ways to improve Santam's internal processes and controls so that these are appropriately aligned to the applicable legislative requirements. Through the process of continuous enhancement of Santam's internal processes, dedicated efforts are made to mitigate any risks facing Santam's policyholders. The Group compliance policy furthermore seeks to encourage compliance with all applicable laws and nonbinding rules, codes and standards in the jurisdictions within which Santam operates. The group compliance office is the responsible business functionary that develops procedures to facilitate the implementation and the monitoring of the Group compliance policy in respect of compliance practices across the Santam Group.

At Santam, the head: group compliance reports directly to Santam's chief risk officer. The group compliance function is furthermore responsible for promoting and monitoring Santam's compliance culture. The group compliance office (supported by the various compliance functions within the subsidiaries) also facilitates the management of compliance through analysing statutory and regulatory requirements as well as monitoring the implementation and execution thereof. To this end, the risk committee and the board receive regular feedback reports on material compliance matters through the group compliance officer, who is suitably skilled and experienced.

An overview of governance and compliance management, the key focus areas thereof, the arrangements and initiatives embarked on and how the compliance related risks have been addressed during the period under review, have been disclosed in the 2022 Corporate Governance Report and the 2022 Risk Report that forms part of the integrated annual reporting suite. In compliance to the Prudential Authority's governance standards relating to key persons, yearly performance assessments are conducted on the head of control function: compliance to review his services rendered during the reporting period.

Principle

Governance functional areas

Remuneration governance

Application of Principle 14

“The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of its strategic objectives and positive outcomes in the short, medium, and long term”

Santam’s response and application of the King IV principles

The board’s list of key responsibilities includes being accountable for ensuring that Santam remunerates fairly, responsibly, and transparently for the achievement and promotion of Santam’s strategic objectives over the short, medium and long term. The company’s remuneration philosophy and policy support the Group’s FutureFit strategy by incentivising the desired behaviour required to meet and/or exceed predetermined strategic goals. Both short and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance.

Worth highlighting is that Santam’s remuneration policy and its remuneration implementation report have been included as a supplement in the Group’s 2022 integrated annual reporting suite. The HRRC is responsible for matters relating to the development of an appropriate remuneration policy, the monitoring of the implementation thereof and regularly reviewing the suitability of the policy. The primary objectives of the policy are to:

- attract, reward and retain key talent;
- motivate and incentivise performance;
- support and promote the Group’s strategic objectives, within its risk board approved appetite and risk tolerance levels;
- promote positive outcomes across the inputs and resources which the Group uses or affects; and
- promote an ethical culture and behaviour that are consistent with Santam’s core values which encourage responsible corporate citizenship.

Furthermore, Santam’s remuneration philosophy aims to:

- inform its key stakeholders of the company’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 abovementioned philosophy is fully aligned to the approach that the Santam Group is applying with regards to remuneration and reward.

Santam’s objective, however, remains rewarding performance in an ethical, fair, responsible and transparent manner. It also makes a concerted effort to ensure that its approach and business practices are being benchmarked and reviewed on a continuous basis. Through the auspices of the HRRC’s mandate, dedicated efforts are made to obtain a better understanding of shareholders’ contributions and recommendations. Input received from key stakeholders is thus thoroughly being considered and taken into account when Santam’s policies and procedures are being reviewed.

In addition, Santam discloses the remuneration of each non-executive director and prescribed officer individually in its integrated annual reporting suite. In line with the recommended practices in King IV™, Santam’s remuneration policy and its implementation report will, similar to 2022, be tabled for a separate non-binding advisory vote by the shareholders at the next AGM scheduled to take place on 31 May 2022. The Group’s remuneration policy and the HRRC charter provide for the measures that Santam commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the AGM. These measures include undertaking an engagement process to ascertain reasons for dissenting votes and to thereafter address legitimate and reasonable objections and concerns.

The following are also applicable requirements: JSE3.84(k): the remuneration policy and the implementation report

Principle

Santam's response and application of the King IV principles

Governance functional areas

Assurance

Application of Principle 15

“The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports”

The integrity, completeness, and accuracy of the Company's disclosures form part of the mandate delegated to the audit committee, the risk committee and the SES committee. Even though the board assumes overall responsibility for assurance and the integrity of information reported on, the audit committee (assisted by several assurance providers internally and externally), was delegated the responsibility for overseeing the Group's approach towards combined assurance and how it is being managed and facilitated across the business. This is to ensure that it incorporates and optimises the various assurance services and lines of defense within Santam.

The audit committee ensures that appropriate assurance is obtained that covers the significant risks that the business is exposed to and other material matters that had been identified. This is done through a combination of reporting by first line management functions that own and manage risks, specialist risk functions that oversee risk management and compliance as well as independent assurance providers such as internal and external audit.

The board confirmed that it was satisfied with how the audit committee executed its mandate and responsibilities in relation to combined assurance. The Board was also satisfied with the quality and integrity of the Group's combined assurance model – i.e. noting that it is effective and suitably robust. It further enables the board to place reliance on the Group's response to combined assurance, which support and inform the disclosures that the board makes concerning the integrity of Santam's external reports.

The board furthermore approved the Group's internal audit function's charter and satisfied itself that group internal audit is suitably staffed with the necessary skills and resources in 2022. The Chief Audit Executive (“CAE”) is not a member of Santam's Group Exco. She does, however, attend the Group Exco meetings by invitation. Given the highly regulated environment of Santam's operations and the nature of the role that the CAE fulfills, the board ensures that the performance of the CAE is assessed on an annual basis (i.e. as a head of control function and in alignment with the definition of the Prudential Authority's recommendations).

Principle

Santam's response and application of the King IV principles

Stakeholder relationships

Stakeholders

Application of Principle 16

“In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time”

At Santam, the governing body accepts responsibility for overseeing the strategic risks and opportunities that relate to the interface between Santam and its key stakeholders. This includes balancing the needs, interests and legitimate expectations of all material stakeholders. As a result, Santam adopted a stakeholder-inclusive and stakeholder-centric approach by means of affording its consideration to all its stakeholders as an integral part of how Santam conducts its business as a corporate citizen. The company's objective is to proactively communicate and engage its key stakeholders on material and relevant aspects that affect them directly and/or indirectly. This is achieved through a broad range of communication channels and mediums to encourage stakeholders to respond and provide feedback in a pragmatic manner.

During the reporting period, the board reviewed and approved the Group stakeholder management policy that was developed in alignment with the principles and recommendations in King IV™. The purpose of the policy is to define Santam's key stakeholder groups as well as to outline the basic principles and requirements that need to be complied with. The policy further highlights how stakeholder management should be approached across the business and how stakeholder engagements and initiatives will be governed, monitored and reported on. The SES committee (as delegated by the board), oversees and monitors the implementation and compliance to the Group stakeholder management policy. This is primarily achieved through quarterly reporting on stakeholder management initiatives and engagements by the different business clusters to the committee.

The Group stakeholder management policy, furthermore, enables Santam to communicate with its diverse group of stakeholders in the most appropriate and effective manner. The company annually invites all shareholders to attend its AGM and facilitates participation by way of focused proxy solicitation and electronic means. The Group chief executive and Group finance director also conducts regular presentations and roadshows on the Group's performance and strategy to analysts, institutional investors and the media.

Notable to mention is that Santam built a strong culture of interactive stakeholder liaisons, which serves as a platform to engage and share information with its diverse group of stakeholders. The Group's objective is to, at the same time, understand its stakeholders' needs, the risks that they are exposed to as well as to receive regular feedback from stakeholders that enables amicable and positive outcomes for those concerned. More information of Santam's approach towards stakeholder management and some of the key initiatives embarked on during the 2022 reporting period, are available in the integrated annual reporting suite and published on Santam's website.

Principle

Stakeholder relationships

Responsibilities of institutional investors

Application of Principle 17

“The governing body of an institutional investor company should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests”

Santam’s response and application of the King IV principles

The Board is ultimately accountable to ensure that the Group promotes good governance by investing responsibly. It has an oversight role and exercises its ethics related responsibilities, rights and obligations through elected representatives in the various companies that the Group invest in. Santam’s objectives that are associated with responsible investing, are achieved through its investment committee, Santam’s Group Exco and the respective governance structures within each business cluster. The business clusters’ executive committees are responsible for ensuring that Santam’s investments are managed according to formal policies and board-approved investment mandates. As a minimum, the Board requires that these governance practices should always:

- promote responsible investment
- achieve and maintain sound governance practices
- promote an ethical culture; and
- enhance effective control, good performance and legitimacy.

The Board is of the view that the Group’s approach to responsible investment will improve Santam’s ability to meet its commitments to beneficiaries and, notably, better align its investment activities with the broader interests of society.

Santam, including its fund manager, subscribe to the United Nations’ Principles of Responsible Investment (PRI) and the Code of Responsible Investing by Institutional Investors in South Africa (the Responsible Investing Codes”). During the year under review, Santam (through its investment committee) reviewed and amended its internal governance structures’ terms of reference to ensure alignment to CRISA 2 after it was launched in September 2022. This was followed by the board granting its approval in November 2022 of the proposed amendments that were incorporated in the Group’s responsible investing policy. This policy, in turn, forms an integral part of Santam’s group investment policy.

The Group’s responsible investing policy aims to ensure alignment between Santam’s investment practices, and the principles outlined in the Responsible Investing Codes as well as in King IV™. At the same time, Santam’s overall investment objective is to maximise its after-tax investment returns within the approved Santam group risk appetite framework – i.e. subject to the Group’s investment management principles. It, however, remains key that the Board-approved Group investment strategy considers (and protects) at all times the interests of the Group’s policyholders. To this end, no strategy that might adversely affect the Santam group’s ability to repay its insurance obligations, as and when they become due, will be considered.

Further information pertaining to Santam’s responsible investment is available in the company’s 2022 integrated annual reporting suite.