santam

INTEGRATED REPORT 2013

THE UMBRELLA

Humble, hard-working and loyal. We trust it to protect us in both cloudbursts and blazing sun and when folded neatly, to support us into old age, up stairs and down. It is something our hands know well, believe in and hold onto. And although simple, it is the apex of design, with all the colours and patterns in the world to allow for individualism and self-expression but never forgetting its reason for being. To support. To protect. To always keep us safe out there.

Santam Ltd (Santam or the group) is a company listed on the JSE under the insurance (non-life) sector. This integrated report reviews the financial year for the 12 months ended 31 December 2013. It aims to present a balanced and succinct analysis of all social, economic, environmental, risk and governance, operational and stakeholder engagement aspects that are material to the long-term sustainability of the group. The group operates mainly in South Africa.

GUIDING FRAMEWORKS, REGULATIONS AND PRINCIPLES

The report conforms to reporting requirements and principles, which include:

- King Report on Governance for South Africa (King III)
- International Financial Reporting Standards (IFRS)
- South African Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- Global Reporting Initiative (GRI) sustainability reporting guidelines
- United Nation Environment Programme Finance Initiative: Principles for Sustainable Insurance (PSI)

We have also considered the International Integrated Reporting Council's (IIRC) <IR> framework, released in December 2013, in the compilation of the report. As recommended by the IIRC, we have considered and applied the six capitals according to our business model.

ELEMENTS AND STRUCTURE

Stakeholders can access the elements of our 2013 annual reporting suite in the following ways:

ELEMENT	PRINT	ONLINE	TARGET AUDIENCE
2013 integrated report (including sustainability and abridged financials)	✓	http://www.santam.co.za/financial-information/financial-results	All stakeholders
Notice and proxy of annual general meeting	✓	http://www.santam.co.za/financial-information/financial-results	Shareholders
Full financial statements	✓	http://www.santam.co.za/financial-information/financial-results	Shareholders, analysts and investors
Sustainability related information and downloads	×	http://www.santam.co.za/about-us/sustainability	All stakeholders

Requests for printed copies of elements, additional documents such as board and committee charters as well as feedback on the reports can be submitted to the company secretary, Masood Allie at masood.allie@santam.co.za or 021 915 7000.

The structure of the 2013 integrated report is different to previous integrated reports in that sustainability data is embedded throughout the report and not in a separate report. This was done to present Santam as a fully integrated organisation to all stakeholders.

SUSTAINABILITY REPORTING

Our sustainability approach is covered predominantly in "Santam group strategy" and "Our stakeholders", whereas examples of sustainability initiatives can be found in the case studies and operational reviews.

The operational reporting structure has also changed:

FROM	TO
Operational reviews	Operational reviews
Personal lines	Santam Commercial and Personal
Commercial lines	Santam Specialist
Alternative risk transfer	MiWay
Santam Re	Santam Re
Support services	

All information was collected and prepared on the same basis as in the previous report in terms of entities covered, measurement methods and time frames used. The information covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders. Cross-references to notes in this report are made with reference to the full set of financial accounts. All statistics in the stakeholder section relating to employees and communities refer to Santam Ltd excluding subsidiaries.

References to the Santam branded business (for example in the Santam brand section) include Santam Commercial and Personal, Santam Specialist and Santam Re. MiWay, the specialist subsidiaries and international joint ventures operate under their own individual brands.

For details on the assurance and verification of financial and non-financial data included in the report, refer to the statement on page 133.

FORWARD-LOOKING STATEMENTS

In this report, we make certain statements 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 gross premium growth levels, underwriting margins and investment returns. These are forward-looking statements as defined in the United States 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 the underlying assumptions prove incorrect, actual results may differ from those that were anticipated. Forward-looking statements apply only as of the date on which they are made, and Santam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

APPROVAL OF THE INTEGRATED REPORT

The board acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the integrated report and believe it addresses the material issues and is a fair representation of the integrated performance of the group. Therefore, the board has approved the 2013 integrated report for publication.

GRANT GELINK
Chairman
26 February 2014

IAN KIRK
Chief Executive Officer
26 February 2014

The health of the South African economy depends on a robust, inclusive and responsible short-term insurance industry where insurance offers policyholders real value. This is particularly the case in challenging economic times marked by financial market volatility, slowing of domestic and personal income growth, growing competition, a weakening rand, higher motor repair and other costs, and increasing systemic risk. The pooling of risk is essential to the financial security of individuals and businesses.

At Santam, we believe in the simple principle that insurance should add value, not questions and uncertainty. This has been our philosophy since we first opened our doors 95 years ago on 1 May 1918.

Santam's success has been, and will continue to be, determined by our ability to adapt to a dynamic systemic risk landscape. Over the years, Santam has been able to continually reposition and improve itself in the changing business environment, to employ the best people, to provide a relevant offering to clients, and to optimise systems to drive efficiency. This is and will remain at the core of our value proposition.

INVESTMENT CASE

As an investment, the group offers the following:

- Access to the largest general insurance group in Africa with a market share in excess of 22% in South Africa.
- A group insuring 80 of the top 100 companies listed on the Johannesburg Stock Exchange.
- Diversified insurance product offering and distribution channels.
- Efficient capital management and a stable dividend policy.
- A group well-positioned to deal with and benefit from regulatory changes.
- Good transformation credentials supported by three empowerment trusts and the recent establishment of the Santam Resilient Investment Fund.
- A strong, stable and strategically aligned core shareholder in Sanlam (holding a 59.3% interest in Santam).
- International diversification through the new Sanlam Emerging Markets partnership, Santam Re and Santam Specialist.

Santam has managed to build a diverse group that encompasses four business units and an international investment portfolio. This diversity, coupled with a world-class scientific underwriting capability, enables the group to steer its way through the ups and downs of the typical underwriting cycle.

The group, with its underwriting managers and the wholly owned subsidiaries, MiWay and Centriq, offers a diversified range of general insurance solutions. These solutions include engineering, guarantee, liability, miscellaneous, motor, property, transport, agriculture, hospitality, alternative risk transfer and cell captive facilities.

The group operations consist of the following:

SANTAM COMMERCIAL AND PERSONAL

For commercial insurance, we offer a business portfolio in South Africa and Namibia that serves small to large enterprises by providing flexible and unique commercial insurance solutions that are tailored to suit the needs of entrepreneurs and businesses. We follow a client-centric approach by rating commercial risks according to tailored risk profiles.

For personal insurance, we have a broad and sophisticated multiproduct and multichannel distribution offering that provides our clients with comprehensive cover through a wide range of value-add products. Our policies offer unique benefits to their target segment and can be tailored through flexible excess structures and policy benefits to suit each client's needs.

Indwe Risk Services (Indwe) is a wholly owned subsidiary of Santam and is managed independently as an insurance intermediary, which offers a wide range of products to more than 100 000 individual, commercial and corporate clients. The Indwe Group also owns Orico, an administrator that renders services to Indwe, other brokers and insurance companies.

Santam Commercial and Personal lines distribution channels include:
- Intermediary services
- Outsourced portfolio administrators
- Referral business
- Affinity business

SANTAM SPECIALIST

Santam Specialist focuses on the insurance of complex and niche market risks. Underwriting these classes requires skilled resources to assess and quantify the risk and exposure, and is evaluated through our underwriting managers and business units. Our strategic intent is to provide specialist products that are client-driven and supported by bespoke underwriting criteria to manage and quantify their risks.

The Santam Specialist business unit includes:
- Underwriting managers and niche business units
- Centriq Insurance Group (Centriq) incorporating alternative risk transfer and cell captive facilities
- Agriculture crop insurance

Santam Specialist business units
- *Centriq:* A specialist cell captive insurer that focuses on alternative risk transfer, underwriting management and affinity insurance sectors.
- *Associated Marine Underwriting:* The leading marine underwriter in terms of premium, footprint throughout South Africa, and capability to leverage group distribution.
- *Corporate Sure Underwriting Managers (C-Sure):* Created exclusively for residential and commercial sectional title and share block properties and designed to give intermediaries and clients comprehensive and innovative insurance solutions.
- *Emerald Risk Transfer:* Provider of property insurance solutions for large industrial and commercial businesses in South Africa and other emerging markets.
- *Echelon Private Client Insurance:* Focused on professionals, executives and business owners, who demand cost-effective and personalised risk solutions.
- *Hospitality and Leisure Underwriters:* Caters for the needs of the hospitality sector, from the smallest to the largest risks including retail businesses such as restaurants and caterers.
- *Mirabilis Engineering Underwriting Managers:* Offers a comprehensive range of engineering insurance solutions in South Africa and other emerging markets.
- *Santam Aviation:* Specialises in general aviation for commercial and private sector insurance including hull, third-party and passenger insurance.
- *Santam Bonds and Guarantees:* Provides a wide range of surety solutions including construction guarantees, contract bonds and court bonds.
- *Santam Transport:* The leading heavy commercial vehicle insurer in South Africa offering comprehensive cover to transport contractors.
- *Stalker Hutchison Admiral (SHA):* Provides insurance against broad-form liability, bankers blanket and computer crime, directors' and officers' liability, profession indemnity for traditional and emerging professions, as well as personal accident and motor fleet insurance.
- *Travel Insurance Consultants (TIC):* South Africa's largest travel insurance provider that offers specialised travel insurance solutions, including emergency medical, loss of money or baggage, travel supplier insolvency for both the leisure and corporate traveller.
- *Vulindlela Underwriting Managers (VUM):* Specialises in providing a range of insurance solutions for owners of minibus, midibus and metered taxis in South Africa. VUM has recently entered the SMME (small, medium and micro enterprises) market to expand the relationship off the taxi base to include other assets and motor vehicles in the emerging market space.
- *Legal Exchange Corporation (LEXCorp):* Legal expense insurance and related classes of business.
- *Santam Agriculture:* The leading crop insurer in South Africa with an estimated 50% market share, focusing on named peril insurance and multi-peril crop insurance.

MIWAY

MiWay is the direct insurer in the group, underwriting predominantly personal lines short-term insurance business. MiWay offers a different business model, segmentation, risk profile, lapse percentages and churn rates to the intermediated businesses. This supports Santam's strategy of growth through diversification and enables it to coexist well with, and complement, the intermediary business model within the group.

The MiWay philosophy is to empower clients by providing value-for-money products with a hands-on approach to service delivery. The MiWay brand is innovative and client-centric. It communicates short-term insurance solutions to consumers with fresh, tongue-in-cheek messages through a variety of channels. MiWay was named best medium-sized company in the Deloitte's Best Company to Work For survey in 2011 and 2012, and achieved second place in 2013.

The company employs state-of-the-art call centre and information technology. Current services include:

- short-term insurance (motor, home owners and home contents)
- motor warranty
- credit life
- accidental death and disability
- other value-added products

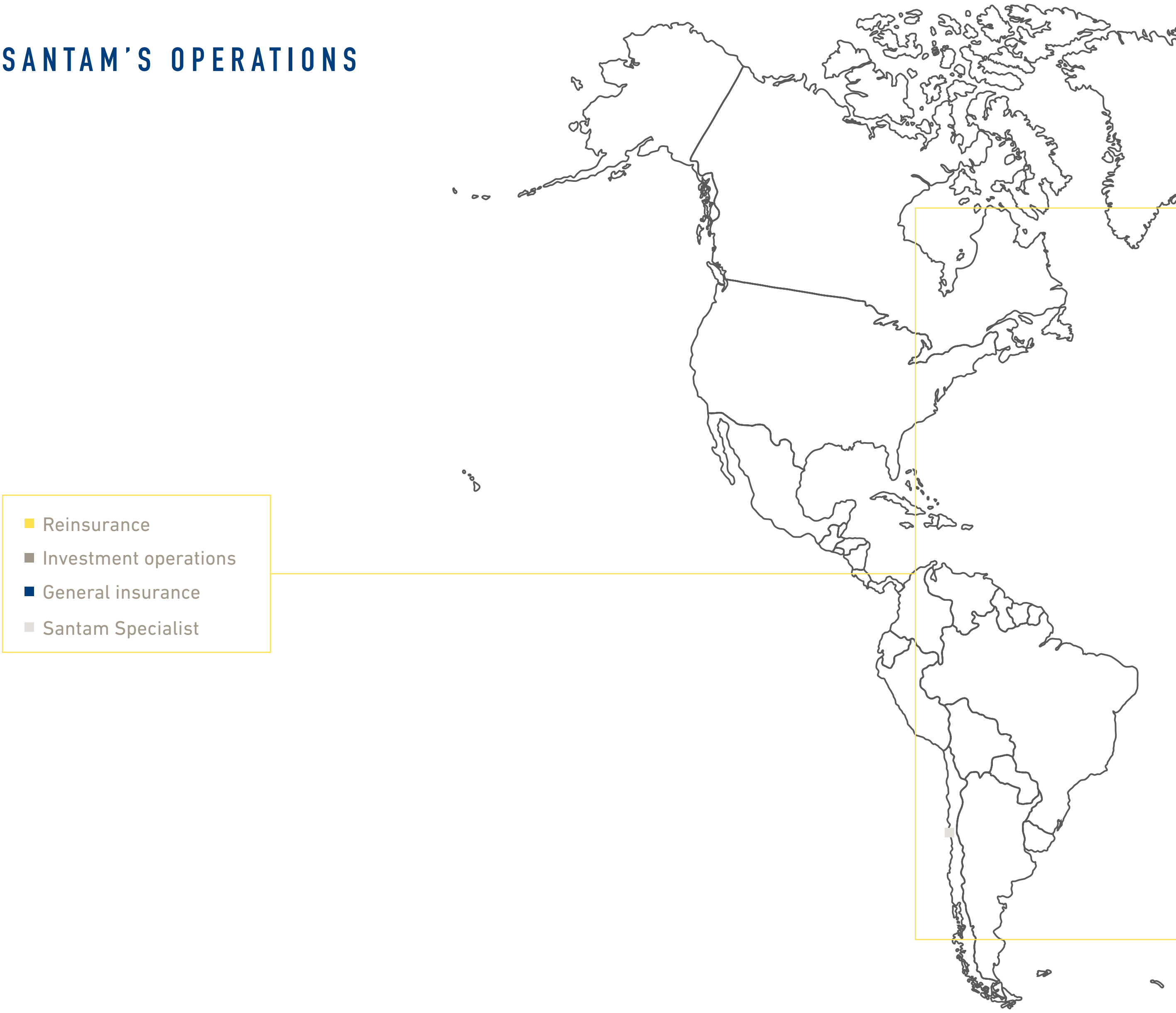
SANTAM RE

Santam Re is a wholesale reinsurance service provider for Santam/Sanlam group general insurance businesses and independent general insurers in South Africa, Africa, India and Southeast Asia. Santam Re operates on the Santam short-term insurance licence. Santam Re enables the group to optimise the size, quality and diversity of its overall risk pool, relative to its capital resources and risk appetite. The strategic intent is to write inwards reinsurance profitably by delivering a value-adding service to the group and external insurer clients in targeted territories. Santam Re's aim is to be a significant contributor to the group's premium and earnings growth in future, while at the same time providing diversification by geography and distribution channel.

INTERNATIONAL

The group's international diversification strategy is driven through its partnership with Sanlam Emerging Markets (SEM) in a series of general insurance businesses in emerging markets, as well as the international operations of Santam Re and Santam Specialist. This forms part of the group's multi-channel and multi-territory strategy through different business units. The main areas of focus are Africa, India, Southeast Asia and China.

SANTAM'S OPERATIONS



CLASSES OF PRODUCTS

SANTAM COMMERCIAL AND PERSONAL	SANTAM SPECIALIST	MIWAY	SANTAM RE
Accident	Accident and health	Motor	Accident
Aviation	Alternative risk transfer	Property	Aviation
Engineering	Aviation		Engineering
Guarantee	Crop		Guarantee
Liability	Engineering		Liability
Marine	Guarantee		Marine
Motor	Liability		Motor
Property	Marine		Property
	Motor		
	Property		

KEY FINANCIAL GOALS

MEASUREMENT	ACHIEVED IN 2013	LONG-TERM GOAL
Return on capital	20%	23.5% after tax
Gross written premium growth (including cell insurance)	6%	In line with GDP and CPI
Gross written premium growth (excluding cell insurance)	9%	
Acquisition cost ratio	27.9%	27%
Underwriting margin	2.8%	4 – 6% (2012 – 2014: 5 – 7%)
Float return	2.2%	2.5% of NEP through the cycles
Solvency ratio	42%	35 – 45%

GDP = Gross domestic product
CPI = Consumer price index
NEP = Net earned premium

KEY FACTS

	2013	2012
Gross written premium	R20.6 billion	R19.4 billion
South African market share	>22%*	>22%
Claims ratio	69.3%	68.3%
Return on shareholders' funds	20%	19.3%
Headline earnings per share	1 033 cents	994 cents
Number of group employees	4 779	4 696
BBBEE level	3	3
Black ownership percentage	31.3%	29.6%
Global credit rating company	AAA claims paid ability	AAA claims paid ability
Fitch rating	AA+ Insurer Financial Strength	AA+ Insurer Financial Strength
Standard & Poor's rating	A- International rating	A- International rating

** As per 2012 publicly available data*

Insurance good and proper is about being there for our clients when they need us most: at claims stage. But it is also about helping clients to prevent things from going wrong in the first place.

Santam used its solid brand platform of insurance good and proper during 2013 to engage with clients on a topic that is relevant to all South Africans: safety of the individual and of the people they care about.

In this phase of the brand journey, Santam is showing people how they put themselves at risk every day – and how the smallest change in thinking can make them safer. To illustrate this creatively, we partnered with world-renowned hypnotist Keith Barry to show that people become extra careful when they believe they are more vulnerable.

In a fully integrated campaign, Santam engaged with clients on the topic of safety by sharing interesting findings based on our experience and claims data. Santam processes more than 30 000 claims a month. This was combined with preventative hints and tips to show people how to live safer lives, day by day.

The message was well received in the market and the campaign continues to achieve its objectives.

SANTAM BRAND AND SERVICE ACCOLADES

Clio Awards, USA: Silver Clio (*Back at Ya*)

Midas Awards, New York: Grand Midas: best financial services advertising in the world for 2012 (only one Grand Midas is awarded annually – *Back at Ya*)

The One Show Awards: Silver Pencil – Film for Santam's *Back at Ya*

2013/14 Ask Afrika Orange Index: Winner – short-term insurance industry

2013 Ombudsman Annual Report – Claims complaints: Leading insurer on turnover rate at the Ombud for Short-term Insurance per thousand claims received

SAcsi survey: Rated South Africa's top insurer in the 2013 South African Customer Satisfaction Index (SAcsi) survey and exceeded the industry and competitor average in various categories including customer expectations, overall quality, and customer loyalty

Readers Digest South Africa's Most Trusted Brands Survey 2013: Winner

JSE SRI Index: Qualified for 2013 SRI Index

CASE STUDY:

SANTAM RESILIENT INVESTMENT FUND

Santam, in its group investment policy, subscribes to the United Nation's principles for sustainable insurance as well as the Code of Responsible Investing in South Africa. Through our investment partners Sanlam Investment Management (SIM), Santam launched its R20 million Santam Resilient Investment Fund in January 2013. Its overall aim is to maximise financial return while addressing social challenges. The fund focuses on investments in companies that have a direct impact on environmental, social and governance (ESG) risks that affect Santam's operating environment.

SIM and Santam's systemic risk committee have joined efforts to identify enterprises in Santam's value chain that require funding for expansion, growth and job creation. Potential investments are identified according to (i) their ability to repay, (ii) their contribution to the Santam value chain and (iii) the impact on socially responsible factors, for example, BBBEE ownership.

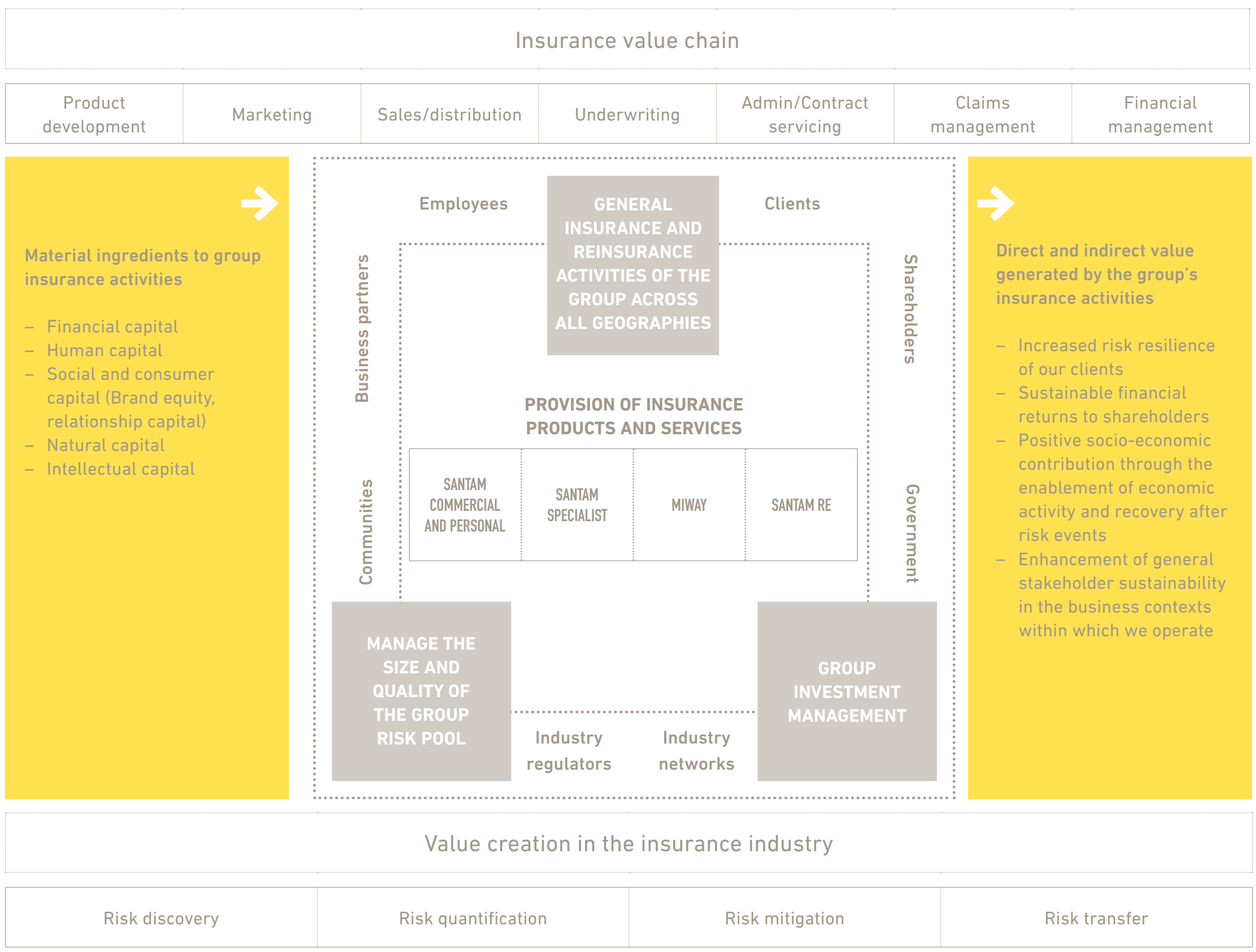
Investments are subject to rigorous due diligence procedures and performance is closely monitored. Four investments were approved during 2013:

INVESTMENT TARGET	ESG IMPACT AND FOCUS
Salvage industry	This investment focuses on the recycling of vehicle salvage parts for resale to panel beaters. The aim is to create a franchise model, with the intent to move to a 51% black-ownership structure.
Solar industry	Support is provided to a business that specialises in homeowner financing to install energy-efficient devices that are beneficial to the environment. The business is currently 24% owned by black woman with the intent to increase this to 30%.
Financial industry	The focus is on social upliftment by preventing loss of primary residence through financial education. The business aims to provide debt consolidation loans backed by a first mortgage bond. The intent is to drive black ownership towards the end of 2014.
Information and communications technology (ICT) industry	The focus in this investment in a 51% black-owned ICT company that is currently a Santam supplier. The aim is to drive preferential procurement.

Santam's business model is based on its core competency of managing the size, quality and diversity of the risk pool in which it operates. It has been able to develop this competency through the application of five capitals that are key to the business:

- The ability to apply and invest financial resources (financial capital)
- The input of specialist technical skills and expertise (human capital)
- The legacy and strength of a 95-year-old brand, as well as strong systems and knowledge (intellectual capital)
- A social contribution through employment, transformation and stakeholder engagement (social and consumer capital)
- The ability to manage systemic risk and resources in co-operation with communities (natural capital)

The socio-economic and ecological landscape

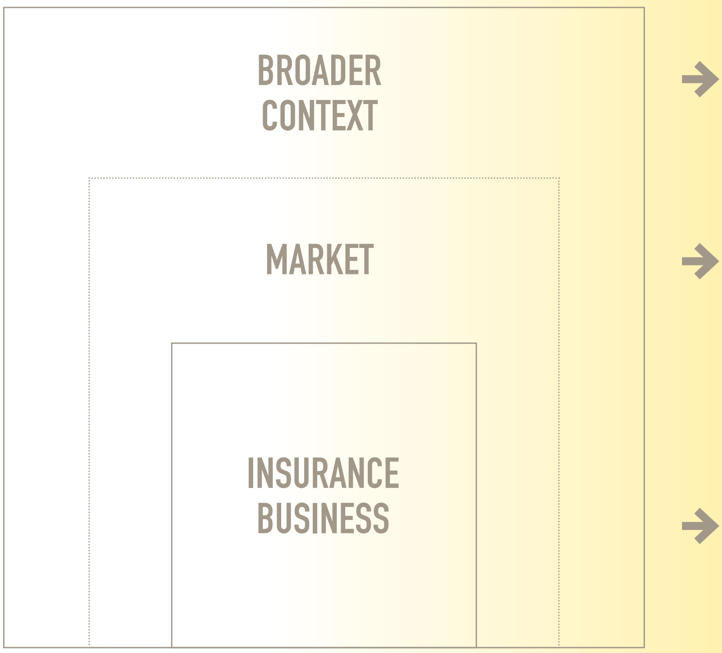


The Santam group follows a regular and robust strategic review process, involving environmental scanning, executive dialogue, and goal and target setting. The strategy process culminates in the plans and budgets of the group as a whole and the respective business units.

The environmental scanning and analysis conducted during 2013 highlighted important future shaping forces and strategic issues, which have a direct and material impact on the global context within which the group operates, namely the short-term insurance industry sector we participate in and the management of the business. These matters were considered and addressed by the executive management team during the strategy review.

The group is confident that the three-pillar group strategy, which has been a focal point over the last two years, remains appropriate to create sustainable value for the group and its stakeholders over the next three years.

BUSINESS ENVIRONMENT



- Low growth
- Weak exchange rate
- Interest rates at 40-year low
- Financial stability and systemic risk
- Catastrophe risk exposure and capital adequacy
- Increasing risk on the ground (environmental, social and governance)

- Regulatory pressure
- Skills scarcity
- Managing the risks to capital and investment
- Emerging market opportunities

- Difficult decisions on pricing and operating approaches in a very competitive market
- Technological imperative
- Focus on client experience/ client-centricity
- Response to increase in climatic events

This strategy sums up the key elements for the success of the group's business model and informs the sustainability framework. As an insurance group, the size, quality, diversity and balance of the risk pool is critical to value creation and sustainable performance as it has direct bearing on the profitability and growth possibilities of our general insurance and reinsurance businesses.

The health of our risk pool is not only affected by how well we assess, quantify, mitigate and transfer risk, but also by external factors such as climate change and local municipality efficacy which are outside of our sphere of control. It follows then that the improvement of our risk assessment capability, while promoting collaboration on proactive risk management with important stakeholders, is necessary. A holistic approach is critical to reducing the levels of risk in our business context and for our clients, while also delivering the long-term underwriting margin of 4% – 6% to service our capital and remain an effective and efficient business. Furthermore, it is this responsible management of the group's risk pool that enables us to continue providing affordable insurance to our individual and business clients and to contribute positively to socio-economic development – a key role of the insurance industry in society at large.

The diversity of our risk pool is enhanced by our growing geographical footprint, multiple distribution channels to reach clients, broad product class offerings, segmented underwriting and marketing approach, and multiple revenue streams.

Our size and focus on diversified growth is a positive factor in helping us achieve economies of scale and improving our cost-efficiency across the group – an important aspect given the increasingly difficult and competitive business environment – while maintaining our service level towards clients and business partners. An example of this would be our group sourcing function, which services the procurement needs across the Sanlam group to realise scale benefits, promote better cost-efficiency and enhance client experience in the claims process. Furthermore, we continue actively managing our capital efficiency – a journey that started in 2004 – that helped us deliver an average return on capital of 26.3% and a stable dividend yield and special dividend track record in the last eight years.

The group's strategies and plans are made reality by our people, employees and other partners across the extended value chain of our businesses. Over the past year, our focus on people, particularly employees and clients, was recognised through several awards and accolades. As the largest African-based general insurer we also play a leadership role by contributing to local and international activities that are important to the insurance industry and the world agenda, hence we actively engage with

THE GROUP IS CONFIDENT THAT THE THREE-PILLAR GROUP STRATEGY REMAINS APPROPRIATE TO CREATE SUSTAINABLE VALUE.

stakeholders who have vested interests in the risk and resilience of the socio-economic and ecological landscape in which we operate. Examples of this include our engagement with the local government (see the Business Adopt-a-Municipality (BAAM) initiative on page 21) and industry bodies such as the South African Insurance Association (SAIA) through various initiatives (e.g. the strategic risk forum and the green geyser replacement project). We also actively contribute to global insurance networks such as:

- ClimateWise where we are a member of its management committee; and
- the Principles for Sustainable Insurance (PSI) board, facilitated by the United Nations Environment Programme Finance Initiative (UNEP FI), where we are also a board member.

Other broader involvements include our participation in the recently formed Network for Business Sustainability, an initiative that aims to influence academic research to a relevant business agenda, as we believe that cross-sector collaborations are important in addressing the systemic risks and opportunities we face.

BUSINESS UNITS' GO-TO-MARKET STRATEGIES

The four business units of the group are responsible for the implementation of their competitive plans, which collectively contribute to the success of the group strategy.

Their core focus areas are summarised as follows:

GROUP

International diversification

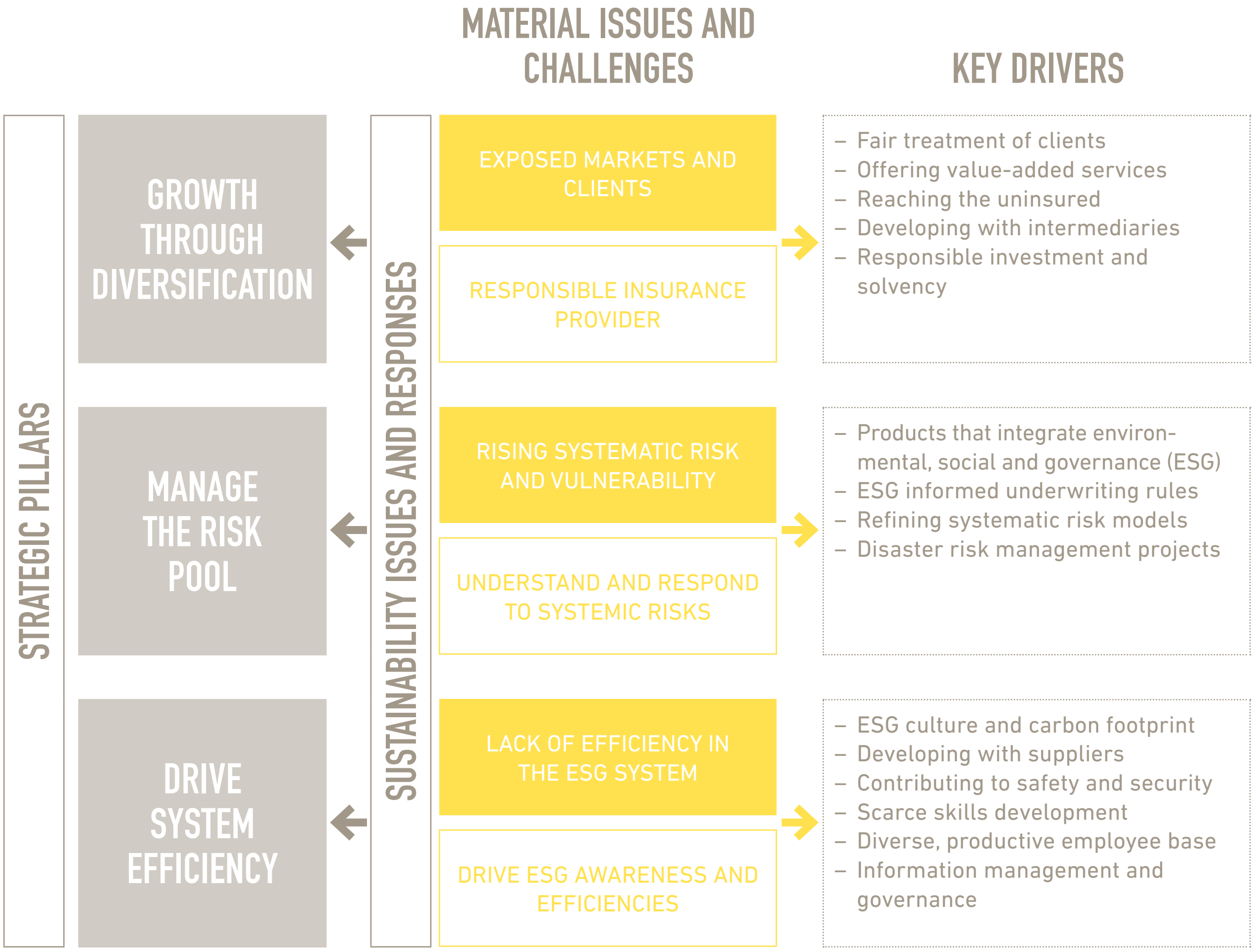
- Investment and technical partnership
- Santam Re
- Santam Specialist

SANTAM COMMERCIAL AND PERSONAL	SANTAM SPECIALIST	MIWAY	SANTAM RE
– Profit actions: to achieve target margin – Additional growth from existing and new intermediated channels – Opportunities that will arise in the challenging market conditions – Retain and develop our best people – Ongoing efficiency drive to reduce expense base – Strategic project implementation	– Assist UMAs with growth plans – New business sources through alternative risk transfer – Address systemic underwriting concerns – Diversify through affinity and value-added products – International expansion	– Mature and deliver on profit and growth forecasts – Tight control on underwriting margin and claims expense value chain – Innovation in claims	– Profitable diversification through inward reinsurance in South Africa and emerging markets – Leverage strong credit rating – Ongoing development of underwriting, actuarial modelling and review process – Expansion of SEM partnership

Our focus will remain on the implementation of the three-pillar group strategy in the medium term as detailed above. We will monitor our strategic progress against selected material financial and non-financial capital indicators. We are confident that we will maintain our leadership position in the South African market, capture new opportunities abroad, and play an important leadership role in promoting sustainable insurance in our business contexts. We will continue working with a broad spectrum of stakeholders to deliver the returns we promised and we intend to make a positive contribution to the socio-economic and ecological contexts in which we do business.

OUR SUSTAINABILITY APPROACH

Embedded in the three-pillar strategy is our approach to ensure a sustainable business. During the year, the group reviewed its sustainability process and framework, with strategy and enterprise risk management processes offering integral input into the revised sustainability framework.



Underpinning the framework are sustainability principles that support Santam's strategy:

- Insurance is a key part of an economically prosperous society.
- Santam understands that it is part of national, regional and global ecological systems.
- Santam aims to play a leadership role with respect to responsible business.
- Awareness and understanding is key to the management of ESG.
- Through transformation, we strive to unlock the human capital created through diversity.

The focus for our 2013 reporting relates to this framework and includes the following drivers:

DRIVERS	FOCUS	MORE INFORMATION
FAIR TREATMENT OF CLIENTS	– Ensuring that Santam complies with legislation when dealing with clients – Ensuring complaints are dealt with effectively – Ensuring a client-centric experience	– Chairman's report – CEO's report – CFO's report – Our stakeholders
OFFERING VALUE ADDED SERVICES	– Meeting our responsibility through offering value-added services to clients to mitigate against risk events – Offering financial education initiatives to LSM 1 – 8 groups – Offering a positive product experience	– This is Santam – Our stakeholders
RESPONSIBLE INVESTMENT AND SOLVENCY	– Attaining healthy solvency ratios informed by legislation and best practice	– Case study: Santam Resilient Investment Fund – Our stakeholders – CFO's report
CONTRIBUTING TO SAFETY AND SECURITY	– Safer and well-maintained communities – Addressing economic crime and fraud	– Chairman's report – Our stakeholders
DISASTER RISK MANAGEMENT PRIVATE PUBLIC PARTNERSHIP (PPP) PROGRAMMES	– Supporting local government in addressing disaster risk management and economic crime – Developing risk models to identify and manage Santam claims exposure in high disaster/crime risk areas – Identifying opportunities to insure previously uninsurable assets	– Santam group strategy – Chairman's report – CEO's report – Our stakeholders
SCARCE SKILLS DEVELOPMENT	– Developing scarce skills required to offer good and proper insurance – Transforming our workforce to meet the demands of a changing market	– Operational reviews – Our stakeholders
DIVERSE AND PRODUCTIVE EMPLOYEE BASE	– Focusing on the mental, physical and socio-economic wellness of employees and their families with the aim of creating a productive workforce – Creating a happy/energetic/effective workforce that can respond to change	– Santam group strategy – Our stakeholders

As the preferred short-term insurer for approximately a million policyholders and the country's leading short-term insurer, Santam provides relief for policyholders in time of hardship. However, the world of insurance is rapidly changing and over the past years, the company's view of its stakeholder environments and its ability to have a positive impact on them has evolved.

Increasingly, this has allowed Santam to work with interested and affected parties to improve its understanding of systemic and insurance risks, and to implement proactive strategies where possible. We acknowledge that the relationship between government, society and our industry is mutually dependent, and we will take a leading role in sharing positive outcomes.

People are the foundation of the group strategy. The people element of our strategy consists of all stakeholders including clients, employees, society, intermediaries and government. Santam regards stakeholders as any group or individual who can affect, or be affected by the achievement of the group's objectives.

Santam's social, ethics and sustainability (SES) board committee is mandated to monitor all activities and impact that relate to stakeholder management and engagement in the group.

Stakeholder engagement is integrally linked to the group business strategy, with the following goals:

– A well-entrenched governance framework that renders compliance with King III, builds Santam's capacity to effectively engage, and provides the required quality of stakeholder reporting.

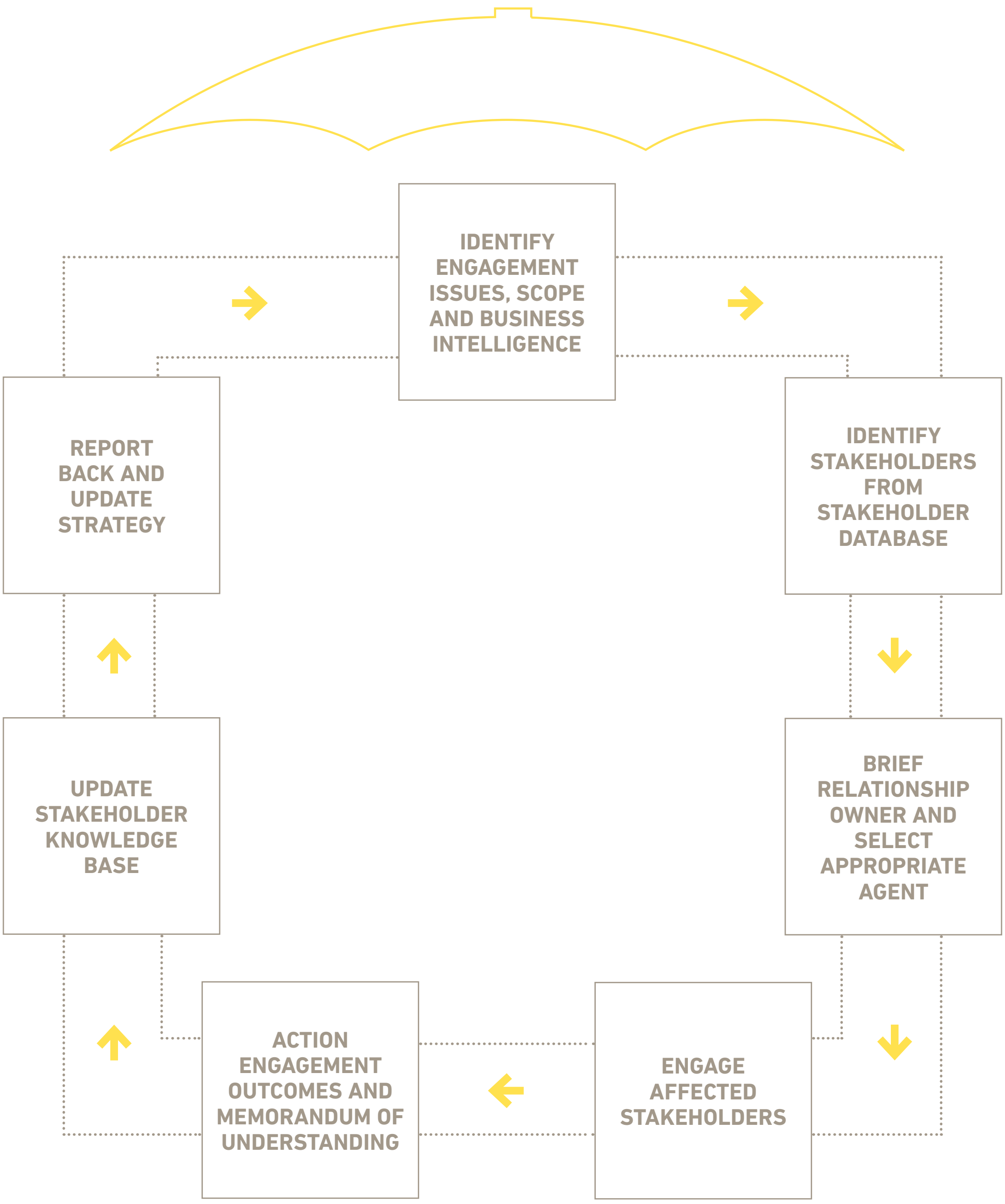
- Proactive risk management through large-scale formalised collaboration with local government on the risk drivers that are within their control.
- Use appropriate platforms to influence and lobby key stakeholders with effective participation in every phase of public policy formulation.
- Demonstrated responsiveness to key stakeholder expectations with visible alignment with national priorities and the transformation of Santam's value chain, supply chain and business offerings.

The engagement process is based on the steps in the diagram below.

The stakeholder engagement process is informed by the guidelines of King III and is built around areas of mutual benefit for business and the community as well as alignment with the priorities on the National Agenda.

This involves reduction of Santam's overall risk exposure in local municipalities, reduction of loss of life in communities due to impact of disasters, assistance to municipalities in answering their service delivery mandates (through Business Adopt-a-Municipality (BAAM)), while providing education and creating employment for the youth through the Santam Black Broker Development Programme (SBBDP). The engagement

THE ENGAGEMENT PROCESS



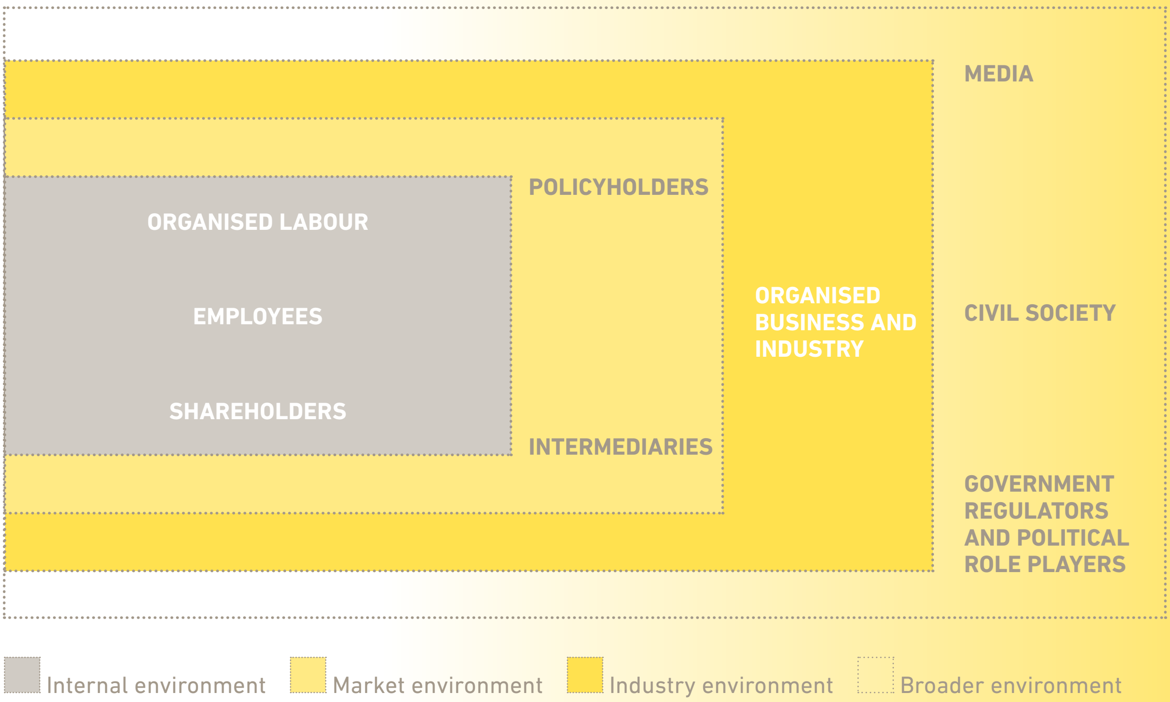
WE LAUNCHED MIWHEELS LIMITED PRODUCT AS A GROWTH INITIATIVE FOR THE UNINSURED MARKET.

process involves mapping these key priorities with the decision influencers and developing partnerships and programmes of action to address issues of common interest.

The stakeholder engagement process facilitates the integration of all environmental, social and governance (ESG) issues at appropriate levels and segments of the business. It also contributes to the identification of the sustainability drivers (see detail on page 16).

Santam's environment comprises a complex network of stakeholders spread over 9 stakeholder categories:

SANTAM'S ENVIRONMENT



For the purpose of this report, we are highlighting our engagement activities and issues for clients, employees, intermediaries and communities. Our primary interaction is through operations (see operational reviews from page 60 to 67).

CASE STUDY:

SANTAM SUPPORTS VULNERABLE MUNICIPALITIES

Santam's interaction with government is mainly through the Business Adopt-a-Municipality (BAAM) initiative to support vulnerable municipalities. Santam's objective with this initiative is to assist in strengthening the institutional and participatory development capacity of local municipalities to combat poverty on the ground. We do this by assisting service delivery and providing support to local government infrastructure, economic development and governance.

Santam's Emthunzini Trust made funds available from 2011 to support five municipalities:

- Eden District Municipality (Western Cape)
- Thulamela Local Municipality (Limpopo)
- Ulundi Local Municipality (KwaZulu-Natal)
- Mahikeng (Mafikeng) Local Municipality (North West)
- Mbombela Local Municipality (Mpumalanga)

These municipalities were selected based on the vulnerability levels related to government requirements as well as potential impact on our business in terms of fire, flood and storm surge perils. Phase 1 of BAAM focused on providing essential firefighting equipment and fire prevention training for the identified municipalities.

During 2013, our BAAM sponsorship delivered firefighting equipment and training to the value of R2.3 million.

CLIENTS

The group serves policyholders through an intermediated, affinity or direct general insurance model. The classes of insurance in which short-term insurance products are sold are set out on page 7. Our mechanisms for interacting with clients range from online and self-service to call centres, face-to-face interactions, branches and drive-in assessment centres.

Innovations such as our award-winning claims card also add value to our clients through convenience and the chance to earn cash back should they use the card at a Santam preferred supplier.

Client service

Client-centricity is integral to Santam's business strategy. With well-skilled and committed employees, delivering excellent service contributes to the loyalty of our clients and intermediaries. Satisfied clients have a high retention rate and are more likely to refer new clients.

We believe in recruiting, developing and retaining employees that subscribe to our culture of treating customers fairly. Our ability to recognise when change is necessary has resulted in transformation projects that are built around our clients' requirements. During the year a service request management system was implemented to improve operational efficiencies and the effectiveness of our service delivery. We also focus on the morale and general wellbeing of our employees because we believe that happy employees ensure happy clients.

Complaints

Feedback from clients is critical to continue improving our service and product offering. Santam has detailed, transparent and robust complaints and claims handling policies, which support the fair treatment of clients. Client complaints are tracked and trends are identified – these are reported to the Santam board's risk committee.

Complaint channels for group clients include:

- Client-care contact centres
- Internal arbitrator
- The Ombud for Short-term Insurance (OSTI) and FAIS Ombuds
- The Santam and MiWay websites, other business unit and consumer websites and social media channels

During 2013, 308 complaints (2012: 203) were referred to Santam's internal arbitrator. Santam complaints, dealt with by the client care department, represent 1.21% of policyholders and 1.28% of all claims registered.

Regulation

Our interactions with our clients are regulated by the provisions of the Short-term Insurance Act, 53 of 1998, the Consumer Protection Act (CPA), 68 of 2008, the Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002, and the FSB's Treating Consumers Fairly Principles (TCF).

Santam collects and stores a significant amount of information in the course of doing business. We have an ethical and legal duty to safeguard client information. Failure to do so would put us in contravention of the Electronic Communications and Transactions Act, 25 of 2002, and the Protection of Personal Information Act (PoPI), 4 of 2013.

Santam developed an extensive framework for the implementation and monitoring of the principles of TCF. We are embedding the TCF approach into the culture of the group and in all aspects of business interactions with clients. Initiatives aligned with TCF launched during the year include:

- Approval of the TCF framework by the board in November 2013
- In-house development of online TCF training material and assessment ability
- Development of customised training for MiWay and Centriq
- Completed TCF employee training in the majority of our businesses
- Product training to intermediaries has been scheduled for early 2014

Consumer education

Santam's consumer education initiatives are aimed at increasing client's knowledge and understanding of the financial sector and its products and services, including developing their skills and attitudes. Consumer education also assists in increasing access to financial services in general, and to the products offered by Santam.

Santam is represented on the consumer education committee of South African Insurance Association (SAIA), which runs various education initiatives to communicate the value of short-term insurance. Our entry-level market team is active in these committee meetings to ensure that education takes place in the areas where it is needed to develop new markets.

Our "be safe out there" marketing campaign during 2013 has also been instrumental in engaging clients and creating awareness of insurance pitfalls and how to address them. Santam's intermediary network remains central to our client messaging and education.

CASE STUDY:

SANTAM'S INTERNAL ARBITRATOR

Santam has an internal arbitrator to assist with client dispute resolution. This strategic initiative is in keeping with international best practice. The internal arbitrator's role constitutes the highest decision-making process within the group in settling client disputes.

The internal arbitrator enhances and complements the current effective internal dispute resolution mechanisms and provides an informal, easily accessible alternative to other remedies available to the policyholder.

The internal arbitrator's primary objective is to manage Santam's reputational risk, to ensure fairness and equitable business conduct when dealing with policyholders and to remain impartial in resolution of disputes, taking into account the interests of both the policyholder and Santam.

Any ruling made by the Santam internal arbitrator is binding on the group and its intermediaries.

The internal arbitrator responds only to written complaints and investigates to the extent it deems necessary. The arbitrator is entitled to elicit and collect information from any internal or external structure of the group.

The internal arbitrator maintains confidentiality concerning the identity of the complainant as far as possible.

EMPLOYEES

Our people strategy reflects our aspiration to become a brand that can attract, engage and retain diverse people who have the energy, willingness, skills and competence required to sustainably execute our business strategies. It focuses on creating an enabling environment for employees to achieve their highest level of excellence. In 2013, we continued with various initiatives to drive employee engagement and to develop the change leadership capability required to manage the ongoing transformation of our business. These initiatives were supported by our InsideOut campaign which encouraged employees to be brand ambassadors through a purpose-driven mind-set that reflects our ongoing efforts to deliver ***insurance good and proper.***

Employee engagement

The extent to which our employees are rationally and emotionally committed to Santam is an important factor that drives productivity, performance and critical skills retention. Therefore, we see employee engagement as a source of enduring competitive advantage. The level at which our people engage reflects the effectiveness of our people management practices and we measure our culture and engagement capital on an annual basis. The results of each measurement enable us to reinforce good practices and to address areas of concern. Following a successful survey in 2012, we implemented Santam-wide and business unit-specific engagement action plans in partnership with management and employees throughout the year. Actions included:

- bottom-up processes to develop and adopt employment equity targets and implement actions to achieve them;
- introduction of diversity workshops;
- rollout of management development programmes;
- management and technical skills training;
- performance management and various other management skills focused training;
- physical renovations in certain offices;
- various team building interventions across the different business units; and
- launch of our wellness programme bWell.

We enhanced the format of our culture and engagement survey and ran our 2013 feedback campaign during November 2013. Feedback from the 2013 survey is again positive and indicates consistent levels of employee engagement. The key highlights from the 2013 survey include:

- A participation rate of 86% (2012: 78%).
- 77% human capital index (this reflects positive sentiments related to active engagement at a personal, manager and workplace level. We are therefore pleased that our employees generally hold positive perceptions about their work environment and are rationally and emotionally committed to our business, intermediary partners and policyholders).
- Employee advocacy remains strong overall and this bodes well for our competitiveness as an employer of choice.
- Retention risks increased from the previous year and this is an area that we will particularly focus on in the new year.

Changes to people policies and practices

As a leading employer, we make every effort to ensure that the policies that govern our people practices remain relevant given the dynamic nature of our operating environment. We therefore review our policies annually and where necessary make changes to ensure that they remain competitive and compliant. During 2013 changes were made to the following policies:

- **Remuneration policy** was reviewed to provide clarity regarding Santam's approach to rewarding employees, non-executive directors, executive directors and other executive members within the group. The policy is now more aligned with the requirements of King III and the practice notes thereto, solvency assessment management (SAM) governance framework, Treating Customers Fairly (TCF), the JSE Listings Requirements as well as relevant tax and labour legislation. We have also ensured that our remuneration practices are underpinned by the key principles that drive performance excellence and retain key skills with due regard for the risks associated with industry.
- **Functional vehicle policy** provides for the allocation of tool-of-trade vehicles to employees for whom mobility is an inherent requirement of their roles (e.g. assessors and relationship managers). Enhancements to this policy were made to ensure clarity around issues of eligibility, reasonable fuel usage and controls.

STAKEHOLDER ENGAGEMENT IS INTEGRALLY LINKED TO THE GROUP BUSINESS STRATEGY.

- **The sick leave policy** was amended to manage the potential negative impact of high sick leave incidents in some of the business units. While the policy provisions for sick leave days remain unchanged, the revised policy is more explicit about the management of sick leave particularly through stricter notification requirements, medical certificates and the application of the eight-week rule according to the Basic Conditions of Employment Act, 75 of 1997.
- **The disciplinary code** was rewritten to improve its structure and flow and thus enable ease of reference for both managers and employees. It emphasises the distinction between misconduct and incapacity in more detail. The updated code also addresses the impact of FAIS legislation in managing discipline.

Enhancements to employee value proposition
During 2013 we strengthened our employee offering through various initiatives which included:

Employee wellness
Santam's employee value proposition is based on financial and non-financial elements, with employee wellness being an important element of the latter. We recognise the benefits of encouraging employees to adopt healthy lifestyles in terms of both the high levels of productivity and the need to manage the rising costs of healthcare. We also customise wellness programmes to the nature of work done in a way that enables us to maintain quality and scale.

Our bWell wellness offering was launched during 2013 and offers solutions that are tailored to each employee's needs to motivate them to improve their lifestyle behaviour. We communicate the offering on an ongoing basis to encourage employees to adopt and maintain healthy behaviour by prioritising wellness and make decisions that reduce real and perceived barriers to improving and maintaining this behaviour.

Performance management
All employees are required to have a performance contract in place for each performance year, with clear key performance areas (KPAs), weightings, targets and measurements set for that period. These KPAs must align with the broader team/divisional focus areas and/or must be in line with the direct manager's performance expectations.

In this way, the top-level organisational strategy is driven down into executive and business unit scorecards, and ultimately cascaded into individual performance contracts. Employees are formally appraised at least once a year and informally given feedback on a regular basis. This provides assurance that the individual performance management of employees and the infrastructure of the performance management system are aligned with the group strategy.

Industrial relations
Santam engages with the recognised union, Sasbo, formally according to the recognition agreement (for example during annual wage negotiations) and informally for purposes of sharing business updates and developments that affect employees. These sessions have thus far resulted in a healthy relationship with Sasbo. Approximately 38.4% of employees who fall within the group's bargaining unit are union members.

Ethics

In 2013, we participated in the Ethics Institute (Ethics SA) South African Business Ethics Survey benchmarking study to assess ethics capability and practices. Santam achieved an overall rating of 'A', indicating that the group has strong ethical business conduct. It is somewhat susceptible to risk, but well equipped to manage the ethics risks to which it is exposed.

Santam advocates zero tolerance towards fraud and corruption and employees are kept appraised of the latest trends in fraud and crime, both locally and internationally through our 'Integrity' publication.

Annual employee turnover

Annualised employee turnover for the period January 2013 to December 2013 amounts to 10.2%. For the same period in 2012 the annualised turnover was 9.6%. This compares well to turnover in the financial services industry, which is reported as 14% according to the Remchannel labour turnover survey (September 2013). Moreover our black representation within the group was maintained at 59.9% in 2013 (2012: 59.8%) of which 34.7% are black women.

COMMUNITIES

Santam's stakeholders form part of communities that provide resources and input to every aspect of the group's business. Our community involvement is shaped most significantly by Santam's corporate social investment (CSI) initiatives, which seek to create a stable and prosperous society, thereby contributing to the three strategic pillars. Accordingly, Santam's CSI strategy focuses on safe and secure community schools by aiming to improve the safety and security of schools and learners.

Our approach to CSI is formalised in our CSI strategy and aligned with the group's BBBEE requirements. Delivery on our projects takes place through partnerships with non-profit organisations, non-governmental organisations and public benefit organisations. Project management is closely monitored and all beneficiary organisations have signed memoranda of agreement.

During 2013, 1.2% (based on new Financial Services Sector Charter) of the net profit after tax was awarded to social economic development projects, compared to 1.51% (based on dti codes) in 2012.

Current projects

Santam collaborated with the following organisations during 2013:

- *Santam Child Art project* celebrated 50 years during which more than 80 000 children have participated in the project. This includes informal art classes for young children in disadvantaged areas, the compilation of Santam's own annual art calendar, and the training of grade 4-7 art teachers across the country. The project also hosts an annual national art competition.
- *UNICEF's Safe and Caring child friendly schools programme* to improve learning achievements by improving the quality of education and promoting social cohesion in a safe, secure learning environment in school districts that experience extreme levels of violence, substance abuse, gang participation, learner pregnancy and poor academic performance.
- *NICRO's the Safety Ambassador programme* to empower the selected programme participants to identify and deal with personal and social issues affecting young people; to work with the teachers and parents to develop a sustainable school-based support programme focusing on reducing the risk factors that young people are exposed to; and strengthening factors of resilience to reduce victimisation.
- *City of Cape Town School Resource Officer programme* is a pilot project where Cape Town metro police officers assist in preventing and managing crime and violence in schools by fostering a positive relationship between policing staff, teachers, communities and the learners. Solutions resulting from this proactive policing philosophy will be shared and further implemented with the ultimate goal of uplifting communities and school environments.

Our employees in their communities

Employees make direct monetary contributions through direct deductions from their salaries to a wide range of charities. More than 275 employees contributed R118 825 during 2013 (2012: R124 735).

Many employees are also active within their own communities. Where appropriate, Santam supports these efforts by contributing to the achievement of their goals.

During 2013, 21 organisations benefited from the volunteer work performed by Santam Community Heroes. Projects range from small ad hoc projects to big projects supported by individual employees, departments or business units as a gesture of goodwill. As part of the Mandela Day celebration a further 31 organisations benefited from Santam teams who performed numerous activities ranging from donating books, cooking and sharing meals with the underpriviledged to cleaning campaigns.

MAJOR SPONSORSHIPS AND DONATIONS

FOCUS AREA	AMOUNT
Social economic development	R6.0 million
Consumer education	R3.3 million
Overheads	R1.7 million
Total	R11.0 million

CASE STUDY:

PROJECT EDEN (RISK MANAGEMENT)

Extreme weather conditions are becoming more frequent and Santam believes it is important for the South African insurance industry to develop meaningful ways of working with local and national government and for authorities to help communities to deal with increasing number of weather disasters.

In a continuation of Santam's work to help develop climate-resilient communities, we sponsored an early warning disaster system and Polycom (electronic message board) to the municipality in George in the southern Cape. The sponsorship is part of the next phase of the Eden Study (reported on in our 2011 and 2012 sustainability annual reports), a research study on how climate change affects local communities. The system will assist with the transmission of warnings of severe weather conditions and disaster notifications.

The Polycom is linked to the Eden Disaster Management Centre in George and will give the local businesses and community access to emergency messages/alerts in English, Afrikaans and Xhosa.

Broad-based black economic empowerment (BBBEE) trusts

The Santam BBBEE scheme consists of three components:

- The Emthunzini Black Economic Empowerment Staff Trust (the Staff Trust)
- The Emthunzini Black Economic Empowerment Business Partners Trust (the Business Partners Trust)
- The Emthunzini Broad-based Black Economic Empowerment Community Trust (the Community Trust)

The total value of the scheme at 31 December 2013 was R959 million. The value of the scheme is proportionally allocated to these three trusts. Of the scheme's current value, 49% (R470 million) is attributable to the Business Partners Trust, 26% (R249 million) to the Staff Trust and 25% (R240 million) to the Community Trust. During 2013 the dividend income received by the BBBEE structured entity, Central Plaza Investments 112 (Pty) Ltd, was sufficient to fully service the senior debt facility and make a proportional payment towards the mezzanine debt.

Within the trusts, allocations are made to beneficiaries according to the specific rules in the respective trust deeds. To date, more than 50% of the scheme's value has been allocated to participants.

During 2013, the scheme made further unit allocations to new and existing black employees.

In total, 25% of the scheme's value will be allocated to specific projects within previously disadvantaged communities. The scheme allocated R6.8 million to the Community Trust for distribution to identified beneficiaries during 2013.

Santam's CSI team provides administrative support to The Emthunzini Broad-based Black Economic Empowerment Community Trust, managing grant applications and monitoring the progress of funded projects. Beneficiary organisations are also supported by an external consultancy that teaches them to develop targets and monitor outcomes.

Access to insurance

The new Financial Sector Charter (FSC) legislation provides a number of opportunities and challenges for insurers, particularly in terms of providing insurance for the emerging and uninsured. Santam views the FSC scorecard targets as an opportunity to review its current products to service this market. Creating access products is not new for Santam – we made our first attempt in the form of a house content and structure cover in 2005 and further to this have expanded products specifically for Taxi, low-end motor, legal, and liability insurance targeting this market. We continue our plans to penetrate this market through our associated businesses and are currently developing a consolidated plan of action on how to target and service this market more effectively.

INTERMEDIARIES

Santam's South African intermediated business model relies on a network of intermediaries and underwriting managing agents (UMAs) and forms the core of the Santam Commercial and Personal business unit. Santam Specialist enters into insurance partnerships with UMAs and affinity partners as front office and claims administration service providers.

Santam's intermediated business has a network of over 2 600 intermediaries who add value to policyholders by offering advice, and by the strong relationships they build through the insurance lifecycle. The intermediary relationship is built on good corporate governance and ethical business practices.

We compete with other short-term insurers for our intermediaries' business. We aim to entrench ourselves as the insurance provider of choice through:

- providing products that best suit clients' needs at competitive prices;
- providing superior service, effective risk management and maintaining excellent relationships with our intermediaries; and
- delivering excellence in technical underwriting ability, business acquisition, policy administration, claims handling and client service.

How we manage relationships with intermediaries

Intermediary relationships are managed by relationship managers, who interact directly with intermediaries on a regular basis to update them on product and service developments and to obtain feedback on their service experience and market developments. These take the form of electronic mails, newsletters, one-on-one engagements, workshops, forums and conferences.

Support services are provided through a number of channels including centralised contact centres. These include provision of quotes to intermediaries, policy administration, renewals and claims processing for the personal and commercial business units.

During the year, the intermediaries participated in pilot programmes and focus groups to ensure the effective implementation of an online platform through which clients, intermediaries, suppliers and business partners can interact with us. In November 2013, the new online services were successfully launched to a select group of intermediaries across the country.

Growing a diversified intermediary base

We remain committed to growing the number of black intermediaries in our intermediary base to meet the transformation objectives of the country and to align with the emerging market for future growth. This is critical to ensure that Santam further develops its ability to enter new markets (including the uninsured).

The process of building a "pipeline" for new black intermediaries for Santam and the insurance industry has increased in momentum and scale after the formalisation of the agreement between Santam and INSETA.

The agreement entails the progressive increasing of the number of black entrepreneurs, who, through the intermediary learnership acquires a professional qualification, which enables them to sell short-term insurance successfully. The programme is supported by a two-year apprenticeship with an existing intermediary. INSETA provides the stipend and Santam and the intermediary provides the training, coaching and mentorship support.

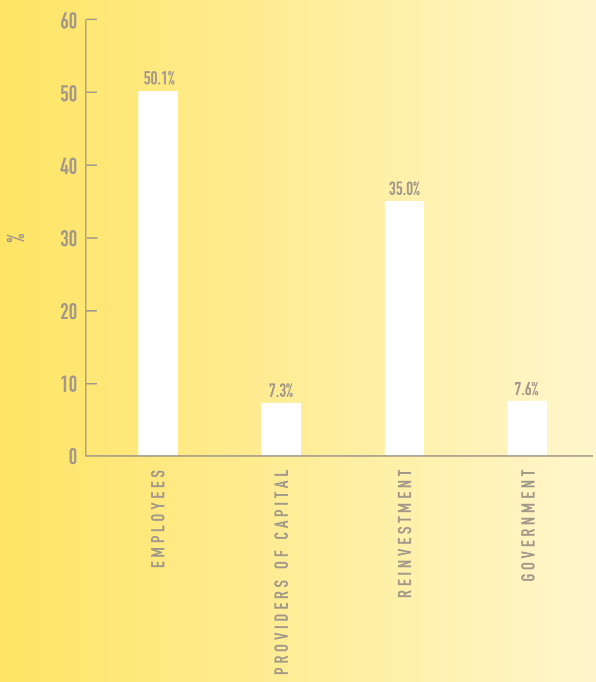
Following the launch of a black intermediary programme, a target of 30 black intermediary leaners has been set for 2014. We have already managed to place learners with established intermediaries for 2014 and the demand for these young learner/graduates is increasing.

Intermediary compliance with industry standards and government regulations

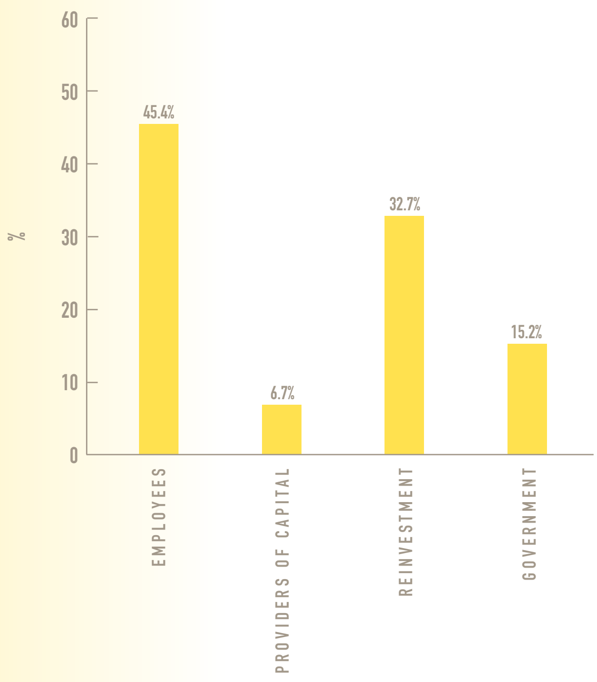
The FAIS Act (the Act) requires financial service providers to meet the Fit and Proper Requirements under the Act (the deadline for writing the Regulatory Exam 1 was 31 March 2013). All intermediaries are required to write regulatory examinations to ensure standards are upheld in the insurance industry and consumers are offered professional advice and service. Santam provides workshops and study materials to its intermediaries including training, CDs, study materials and workshops. All primary employees that deal with clients must write and pass the mandatory regulatory exam. Our product training business unit provides external business partners and intermediaries with training to assist them to become FAIS accredited.

VALUE ADDED	Group 2013 R million	Group 2012 R million
Gross written premium	20 631	19 386
Claims paid and cost of other services	17 796	16 461
	2 835	2 925
Investment income net of fees	1 125	1 242
	3 960	4 167
VALUE DISTRIBUTED		
Employee benefits	1 984	1 866
Government	300	624
Direct taxation on income	299	481
STC	1	143
Providers of capital	289	763
	2 573	3 253
Retained for reinvestment and future support of business	1 387	914
Depreciation and amortisation of intangible assets	152	160
Retained income before transfer to reserves	1 081	1 995
Compulsory reserves for future support of business	154	(1 241)
	3 960	4 167

VALUE DISTRIBUTED 2013



VALUE DISTRIBUTED 2012



		SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2013	2012	2011	2010	RESTATED 2009	RESTATED 2008	RESTATED 2007
PERFORMANCE PER ORDINARY SHARE									
Cents per share									
Headline earnings		2.7	**1 033**	995	1 216	1 367	906	373	881
Continuing operations			**1 033**	995	1 216	1 367	906	408	1 029
Discontinued operations			**–**	–	–	–	–	(35)	(148)
Dividends			**675**	640	555	510	466	430	410
Special dividends			**–**	–	850	500	–	–	2 200
Net asset value			**5 360**	4 840	5 329	4 535	4 012	3 548	3 585
INSURANCE ACTIVITIES*									
Net claims paid and provided (%)	Avg	68.2	**69.3**	68.3	68.3	64.1	70.6	68.4	68.2
Cost of acquisition (%)	Avg	26.7	**27.9**	27.7	27.7	27.3	25.8	25.2	25.6
Net commission paid (%)	Avg	13.9	**12.7**	13.0	13.0	15.3	14.9	14.3	13.9
Management expenses (%)	Avg	12.9	**15.2**	14.7	14.7	12.0	10.9	10.9	11.7
Combined ratio (%)	Avg	94.9	**97.2**	96.0	96.0	91.4	96.4	93.6	93.8
Underwriting result (%)	Avg	5.1	**2.8**	4.0	4.0	8.6	3.6	6.4	6.2
Earned premium (%)			**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
** Continuing activities expressed as a % of net earned premium*									
INVESTMENT ACTIVITIES									
Interest and dividends net of asset management fees			**635**	722	554	484	568	771	595
Net gain/(loss) on financial assets and liabilities at fair value through income			**449**	480	189	537	479	(721)	454
RETURN AND PRODUCTIVITY									
Earnings expressed as a % of average shareholders' funds (%)	Avg	23.2	**20.0**	19.3	25.0	37.1	26.6	18.1	16.6
Pre-tax return on total assets (%)	Avg	8.9	**6.5**	8.6	10.1	13.7	8.9	5.0	9.1
Effective tax rate (%)#	Avg	29.1	**20.4**	36.7	25.7	26.3	26.5	36.1	31.9
Gross premium per employee (R000)*#			**3 913**	3 680	3 608	5 116	4 883	4 436	4 012
# Continuing activities									
** Alternative Risk Transfer premiums excluded*									
SOLVENCY AND LIQUIDITY									
Dividend cover (times)	Avg	2.4	**1.5**	3.9	2.2	3.1	2.1	1.5	2.3
Solvency margin (%)	Avg	43.1	**42.3**	41.4	47.7	44.8	41.7	41.7	42.0
OTHER STATISTICS									
Number of permanent employees			**4 779**	4 696	4 375	2 757	2 742	2 807	2 840
Staff composition (% of black employees)			**59.9**	59.8	56.8	54.4	50.8	49.7	46.1
Number of shareholders			**5 530**	5 565	5 169	4 616	4 303	3 871	4 552
BBBEE rating (2013 unverified)*			**3**	3	3	3	3	A	A
Corporate social investment spend (% of NPAT)**			**1.2**	1.5	0.8	0.7	0.8	1.0	0.3
** Financial Services Sector Charter 2007 to 2008; dti codes from 2009*									
*** Financial Services Sector Charter 2007 to 2008; dti codes from 2009 to 2012; Financial Services Sector Charter 2013*									
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS									
Market price per share (cents)									
Closing			**18 628**	19 025	14 231	13 050	10 850	7 930	10 400
Highest			**19 074**	20 112	15 500	13 547	11 000	9 500	13 720
Lowest			**18 291**	13 950	11 707	9 710	7 000	6 200	8 202
Market capitalisation (R million)			**21 306**	21 651	17 555	14 750	12 245	8 934	11 656
Santam share price index**			**2 384**	2 437	1 967	1 640	1 347	957	1 287
FTSE – JSE financial index**			**953**	821	597	578	506	394	610
Closing price/earnings (times)			**18.0**	19.1	12.7	9.5	12.0	13.5	11.5
Closing price/equity per share (times)			**3.5**	3.9	2.9	2.9	2.5	2.1	2.9
Closing dividend yield (%)			**3.6**	5.5	3.6	3.9	4.3	5.4	3.9
Number of shares issued (million)			**114.4**	113.8	113.3	113.0	112.9	112.7	112.1
Number of shares traded (million)			**13.4**	12.1	12.6	18.5	21.9	24.4	39.3
Number of shares traded as a % of total number of shares in issue			**11.7**	10.6	11.1	16.3	19.4	21.7	35.1
Value of shares traded (R million)			**2 538.8**	2 018.6	1 674.4	2 039.5	1 915.6	2 019.8	4 270.9
*** Base year 1992*									

Results for 2008 and 2007 are shown for continuing operations only.

Restatement for 2009, 2008 and 2007 relates to a income tax adjustment.

	SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2013	2012	2011	2010	RESTATED 2009	RESTATED 2008	RESTATED 2007
STATEMENTS OF COMPREHENSIVE INCOME								
Gross premium income	7.8	20 631	19 386	17 707	15 855	15 026	14 179	13 173
Net premium income	7.6	16 900	15 822	14 674	13 519	12 894	11 873	10 919
Underwriting result	(5.4)	477	623	1 186	1 161	466	752	664
Investment return on insurance funds		374	415	388	396	420	540	319
Net insurance result		851	1 038	1 574	1 557	886	1 292	983
Investment income and associated companies		752	827	440	915	670	(520)	805
BEE costs and MiWay deferred bonus plan expense		(30)	(57)	(55)	(15)	(13)	(13)	–
Amortisation of intangible asset/Impairment of goodwill		(100)	(108)	(68)	(29)	(25)	(7)	(2)
Income before taxation		1 473	1 700	1 891	2 428	1 518	752	1 786
Taxation		300	624	486	639	402	271	570
Non-controlling interest		53	49	29	27	34	21	26
Net income from continuing operations		1 120	1 027	1 376	1 762	1 081	460	1 190
Results from discontinued operations		–	–	–	–	–	25	(168)
Net income attributable to equity holders	1.5	1 120	1 027	1 376	1 762	1 081	485	1 022
STATEMENTS OF FINANCIAL POSITION								
Property and equipment		95	99	80	88	47	42	38
Intangible assets		1 072	990	994	988	143	155	135
Deferred tax asset		188	221	207	251	88	81	40
Investments in associates		318	261	274	211	198	175	215
Financial assets	9.7	12 757	10 538	10 057	8 090	6 337	5 955	7 315
Technical assets		2 713	2 095	1 832	1 518	2 070	2 252	2 265
Current assets		5 058	5 533	5 245	6 589	8 199	7 724	5 419
Non-current assets held for sale		415	–	–	–	–	–	2 060
Total assets		22 616	19 737	18 689	17 735	17 082	16 384	17 487
Shareholders' funds	8.2	6 532	5 617	6 141	5 219	4 672	4 135	4 079
Equity – non-current assets held for sale		–	–	–	–	–	–	71
Non-current liabilities		2 252	2 030	1 723	1 787	1 517	1 666	1 907
Technical provisions		10 862	9 805	8 577	7 803	8 316	8 238	7 729
Current liabilities, provisions		2 970	2 285	2 248	2 926	2 577	2 345	2 095
Non-current liabilities held for sale		–	–	–	–	–	–	1 606
Total equity and liabilities		22 616	19 737	18 689	17 735	17 082	16 384	17 487
STATEMENTS OF CASH FLOWS								
Cash generated from operating activities after finance costs	(5.4)	1 498	2 256	2 403	2 020	1 725	1 375	2 094
Income tax paid		(221)	(521)	(813)	(755)	(115)	(669)	(288)
Net cash from operating activities		1 277	1 735	1 590	1 265	1 610	706	1 806
Cash (utilised)/generated in investment activities		(945)	935	201	(270)	(1 477)	921	12
Net disposal/(acquisition) of associated companies		(25)	(6)	–	(17)	26	(55)	21
Acquisition of subsidiary		(105)	–	(343)	(357)	(11)	(3)	(61)
Cash acquired through acquisition of subsidiary		15	–	3	262	(23)	(1 139)	52
Cash utilised in additions to property and equipment		(106)	(93)	(66)	(27)	(36)	(47)	(29)
(Acquisition)/disposal of book of business		(9)	(81)	–	–	54	51	(2)
Net cash used in investing activities		(1 175)	755	(205)	(409)	(1 467)	(272)	(7)
Proceeds from issuance of ordinary shares		–	–	–	–	–	2	34
Net purchase of treasury shares		–	–	(33)	(23)	(33)	(19)	(726)
Proceeds from issuance of target shares		277	–	–	–	–	–	–
Increase in debt securities		–	–	–	–	–	–	964
Increase in investment contract liabilities		29	(17)	(413)	129	(101)	(138)	230
Increase in collateral guarantee contracts		7	(39)	–	–	–	–	–
Dividends paid		(782)	(1 674)	(618)	(1 113)	(513)	(476)	(2 977)
Increase in cell owners' interest		111	90	26	42	87	111	8
Purchase of subsidiary from non-controlling interest		–	–	–	(90)	–	–	–
Net cash used in financing activities		(358)	(1 640)	(1 038)	(1 055)	(560)	(520)	(2 467)
Net (decrease)/increase in cash and cash equivalents		(256)	850	347	(199)	(417)	(86)	(668)
Cash and cash equivalents at beginning of year*		2 471	1 598	1 143	1 379	1 938	1 983	2 659
Translation (losses)/gains on cash and cash equivalents		128	23	108	(37)	(142)	41	(8)
Cash and cash equivalents at end of year		2 343	2 471	1 598	1 143	1 379	1 938	1 983
Non-current assets classified as held for sale		–	–	–	–	–	–	(812)
Cash and cash equivalents at end of year – Continuing operations		2 343	2 471	1 598	1 143	1 379	1 938	1 171

*** From 2007 Cash and cash equivalents were restated to exclude short-term money market instruments*

Results for 2008 and 2007 are shown for continuing operations only.

OPEN AND HONEST

From left: Y Ramiah, J van Zyl, MD Dunn, B Campbell, MLD Marole, IM Kirk, JP Möller, GG Gelink, HD Nel, MJ Reyneke, MP Fandeso
Absent: BTPKM Gamedze

GG GELINK (64)

Independent non-executive chairman
BComm (Hons), CA(SA), HEd, BAcc (Hons)
Appointed 1 June 2012

Chief executive officer of Deloitte Southern Africa from 2006 to 2012. Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron), Eqstra Holdings Ltd and MTN Zakhele.

B CAMPBELL (63)

Independent non-executive director
BA, MBL, ACII & FCII (UK)
Appointed 4 October 2010

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

MD DUNN (69)

Independent non-executive director
FCA, CA(SA)
Appointed 16 April 2010

Director of Munich Reinsurance Company of Africa Ltd, Munich Mauritius Reinsurance Company Ltd and the Vumelana Advisory Fund NPC.

MP FANDESO (55)

Independent non-executive director
BSc (Hons), MBA
Appointed on 10 October 2011

Previous chief executive officer of the Land and Agricultural Development Bank of South Africa. Director of SA Breweries (Pty) Ltd.

BTPKM GAMEDZE (55)

Non-executive director
BA (Hons), MSc, FASSA
Appointed 16 October 2006

Director of Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Management (Pty) Ltd, Exoport 12 (Pty) Ltd, Alt-e Technologies (Pty) Ltd, AE-AMD (Pty) Ltd, Pan African Holdings (Kenya) and Botswana Insurance Holdings Ltd. President of the Actuarial Society of South Africa and chairman of the South African Insurance Association.

IM KIRK (55)

Chief Executive Officer
FCA (Ireland), CA(SA), HDip BDP (Wits)
Appointed 14 June 2007

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd and SAIA.

MLD MAROLE (55)

Independent non-executive director
BComm, Dip Tertiary Education, MBA
Appointed 13 December 2011

Director of MTN Group Ltd, Mobile Telephone Networks Holdings (Pty) Ltd, MTN International (Pty) Ltd, Eyomhlaba Investment Holdings Ltd, Richards Bay Minerals (Pty) Ltd and Development Bank of Southern Africa.

JP MÖLLER (54)

Non-executive director
CA(SA)
Appointed 16 October 2006

Executive director of Sanlam Ltd and Sanlam Life Insurance Ltd. Director of Sanlam Emerging Markets (Pty) Ltd, Sanlam Capital Markets Ltd, Sanlam Investment Holdings (Pty) Ltd, Genbel Securities Ltd and Ubuntu-Botho Investment Holdings (Pty) Ltd.

HD NEL (45)

Chief financial officer, Executive director
CA(SA)
Appointed 17 September 2012

Director of Centriq group of companies, Censeo (Pty) Ltd, Emerald Risk Transfer (Pty) Ltd, MiWay group of companies, Stalker Hutchison Admiral (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Swanvest 120 (Pty) Ltd and Sanlam Emerging Markets (Pty) Ltd.

Y RAMIAH (46)

Executive director
BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney)
Appointed 13 December 2011

Director of Sanlam Ltd, Sanlam Life Insurance Ltd, Sanlam Investment Management (Pty) Ltd, Sanlam Investment Holdings Ltd and Adopt a School Foundation.

MJ REYNEKE (56)

Non-executive director
CA(SA)
Appointed 26 August 2003

Director of Credit Guarantee Insurance Corporation of Africa Ltd, Indwe Broker Holdings Ltd, MiWay group of companies, Centriq group of companies, Santam Namibia Ltd and Central Plaza Investments 112 (Pty) Ltd.

J VAN ZYL (57)

Non-executive director
PhD, DSc (Agric)
Appointed 1 August 2001

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd. Director of Channel Life Ltd, Sanlam Developing Markets Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings Ltd, Sanlam UK Ltd and Sanlam Netherlands Holding BV. Chairman of Association of Savings and Investment South Africa and Vumelana Advisory Fund NPC.

IAN KIRK (55)

Chief Executive Officer
FCA (Ireland), CA(SA), HDip BDP (Wits)
Appointed 2007

Responsible for executing strategic plans and policies approved by the board of directors; provides leadership and direction in realising the company's philosophy and achieving its mission, strategy, annual goals and objectives; and ensures the group meets or exceeds its targets, thereby growing profitability and sustainability over the medium to long term.

EBRAHIM ASMAL (49)

Group sourcing
Appointed 2009 (Appointed to executive management 2012)

Responsible for Santam and Sanlam group sourcing and facilities, leveraging the entire group's procurement spending power to deliver synergy and manage efficiency in the supply chain, and drive the business opportunities and change management related to new initiatives. Further responsible for the attainment of the financial sector charter procurement dimensions.

LINDIWE DLAMINI-SEBESHO (41)

Human resources
BComm (HRM), Postgraduate Diploma (Labour Law), MBA
Appointed 2013

Responsible for employee well-being and development in their broadest form and staying abreast of international best practice in talent management.

EDWARD GIBBENS (44)

Santam Commercial and Personal
AIISA, BComm, MBA
Appointed 1992 (Appointed to executive management 2005)

Responsible for growing gross premium income and underwriting profit through the company's intermediated commercial and personal lines distribution channels; manages the efforts of business partners and intermediary distribution employees, analyses the competitive environment and develops future strategies to strengthen the company's competitive position.

QUINTEN MATTHEW (50)

Santam Specialist
FIISA
Appointed 2003 (Appointed to executive management 2010)

Responsible for developing and expanding the underwriting manager model, niche segments, affinity markets and specialist insurance (including Centriq); provides strategic input to each business; promotes growth and profit objectives; and focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, building on the synergy and support of Santam.

JOHN MELVILLE (48)

Risk services
BBusSc (Hons), FIA, FASSA, MCR (IMD)
Appointed 2010

Responsible for the underwriting function (including strategy and pricing); product solutions; actuarial services (including rating, capital modelling and solvency management); developing and implementing reinsurance strategy; and developing Santam Re into a growth and profit contributor for the group. Oversees the development and maintenance of systems and processes to support the operation of these functions.

TEMBA MVUSI (58)

Market development
BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)
Appointed 2008

Responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets and explores new intermediary opportunities in unserviced markets; drives group-wide transformation to ensure company sustainability, setting targets and ensuring the company meets its broad-based black economic empowerment responsibilities.

HENNIE NEL (45)

Chief financial officer
CA(SA)
Appointed 2012

Responsible for the finance function of the company, including financial reporting, corporate finance, investments, tax, internal audit, enterprise risk management, sustainability and corporate legal services.

HENNIE NORTJÉ (50)

Operations
M Compt, CA(SA)
Appointed 2008

Responsible for the management of the claims value chain, including client services, processing and procurement for superior delivery of client service and optimal insurance results. Further ensures efficient policy administration and operation of sales and administration contact centres.

RENÉ OTTO (55)

Chief executive officer of MiWay
BLC LLB, LLM, Admitted Advocate of the Supreme Court
Appointed 2007 (appointed to executive management 2012)

Responsible for executing strategic plans and financial performance of MiWay as founding head and current chief executive officer.

YEGS RAMIAH (46)

Brand and marketing
BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney of the High Court of South Africa)
Appointed 2009

Responsible for brand development, marketing and communications with a strong focus on client attraction, retention and satisfaction.

KEVIN WRIGHT (48)

Information management
BComm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS
Appointed 2014

Responsible for information technology (IT); tactically enables the achievement of business strategy by leveraging information and technology; oversees the building of systems capabilities to enhance Santam's agility and operational effectiveness; and ensures the efficient operation of the company's IT infrastructure.


SAFE AN


D SOUND

I am pleased to present my first report as Chairman of Santam in a year that has been testament to the resilience, stability and expertise of Santam's management and employees.

The group delivered encouraging growth in a market under significant social and economic pressure. Net underwriting margins were disappointing following an unrelenting series of weather-related disasters. The loss ratio was also significantly impacted by the devaluation of the rand. Even though Santam experienced a setback in the short term, many of our policyholders, small businesses and corporates, survived their own particular challenges because we could absorb the impact and pay out claims to the value of R11.6 billion.

As a board, we are conscious of the way in which economic, social, political and environmental factors affect the group. We consider, monitor and mitigate these by means of a mature and robust strategy, governance and risk management framework.

One of our flagship initiatives by means of which we address these systemic factors is through our participation in and sponsorship of the Business-Adopt-A-Municipality (BAAM) programme. The programme continues improving and creating awareness around disaster management and recovery. This year, we supported the five municipalities we adopted in assessing and readying themselves to manage fire disasters through firefighter training and supplying first line equipment. We also completed the installation of an early warning disaster notification system in the municipality of George in the southern Cape.

This system formed part of the group's communication campaigns to better assist our clients in making choices about their safety through the 'Be Safe Out There' campaign. In addition, SMS alerts are sent to clients, warning them of imminent dangerous weather conditions in areas where they live and work.

These initiatives serve as risk management and stakeholder engagement tools, and they entrench the Santam brand in a competitive marketplace, characterised by new entrants and technological innovation.

The board continues to provide strategic and ethical leadership. We keep a particularly close watch on the three strategic projects (see the Santam Commercial and Personal review for details) that are currently at different stages of implementation. These projects demand major investment, but will bolster Santam's ability to deliver on client service, improve interaction with intermediaries and clients and allow us to better price the risks that we underwrite.

REGULATORY ENVIRONMENT

There is a plethora of current and proposed regulation that affects the insurance industry, including Treating Customers Fairly regulations, the solvency assessment management framework, and the Protection of Personal Information Act. The board is kept appraised of these regulatory developments throughout the year from a compliance and risk perspective, and by recognising the opportunities for the group to differentiate itself through the application of these regulations.

INTERNATIONAL

The board focuses on international expansion opportunities for the group. This is a key long-term growth driver, and will provide a hedge against the impact of a weakening exchange rate in the short term.

The transaction with Sanlam Emerging Markets (SEM) in December 2013 is a significant step for the group and signals the start of an important collaborative growth initiative. We believe that the strategic fit and combined expertise of Sanlam and Santam will enhance SEM's offering and sustain our efforts to grow our position in new markets such as Africa, Southeast Asia and India.

TRANSFORMATION

Santam is making steady progress on our transformation journey. Our approach is holistic and integrated in nature, with the inclusion of all stakeholder perspectives (i.e. employees, suppliers and business partners). The board, with the assistance of the social and ethics committee, closely monitors the overall transformation commitments, the application of which is driven by focused management plans and overseen by the transformational structures set in the business. These include the transformational advisory group and the National Employment Equity Forum.

Our focus for 2013 was on the development of black intermediaries and empowering our supplier base. We also launched the Santam Resilient Investment Fund in January 2013, and approved four investments.

The group's transformation efforts extend into the market, where new products launched during 2013 offer growth opportunities for Santam, and introduce the previously uninsured market segment to financial services products. The group's current BBBEE status is level 3.

OUTLOOK FOR 2014

The group remains in a solid position to deliver sustainable growth and sound financial results. We rely on the vision of the executive, their ability to implement this through our strategy and to continue adapting to the dynamics of the world in which we operate. Santam has the expertise, knowledge and experience to meet challenges and explore sustainable opportunities.

Our continued focus in 2014 will be to balance growth and profitability as well as the international diversification through Santam Re, growth opportunities for Santam Specialist and the support of our SEM business partners.

APPRECIATION

I would like to thank my predecessor, Vusi Khanyile, whose leadership provided me with an excellent platform from which to confidently steer the board on its onward journey. I want to thank my fellow board members for their support during my first year as Chairman. I extend my thanks and appreciation to Ian Kirk and his executive management team for their tenacity and commitment during this challenging year.

Finally to all employees, intermediaries, our controlling shareholder and stakeholders: thank you for your support and loyalty throughout the year – it is sincerely appreciated.

GRANT GELINK
Chairman

A resilient insurance industry and a well-regulated financial services sector, is the backbone of a stable and successful economy. When an economy is under pressure, these institutions are relied on even further to provide certainty and to remain sustainable and supportive.

As the largest Africa-based general insurance group in emerging markets, the group has played an important role in the lives of all of its stakeholders for 95 years. We believe that Santam enables individuals and businesses to be sensitive to and improve the management of their own risks, thereby preventing loss and unnecessary disruption of lives. As a major investor, we also play a role in stimulating the economy and creating stakeholder value in the short, medium and long term.

The soft market conditions that characterised our industry for the past few years tightened up significantly during the 2013 financial year. Systemic risk issues such as a weak exchange rate, significant weather-related incidents, and a significant number of commercial property fires negatively affected the business, especially in the core commercial and personal lines.

Gross written premiums excluding cell insurance showed satisfactory growth (+9%) while the underwriting margin was significantly impacted by difficult underwriting conditions, achieving only 2.8% against a target of between 5% and 7%. As was the case in 2012, the group experienced positive investment returns in a volatile market.

The depreciation of the rand offered a severe macro-economic challenge to overall results. Between January and December 2013, the rand weakened by 24%, which feeds directly into the group's claims cost. For example, the price of imported parts accounts for 55% of the cost of motor claims.

We continue actively managing the lag between cost and premium increases – a period during which Santam has to absorb the exchange rate differential cost.

OUR BUSINESS ENVIRONMENT

The global insurance groups performed well in 2013, with a generally benign natural catastrophe experience.

Gross domestic product growth in South Africa performed well below the conservative 2% expected at the beginning of the financial year. In turn, headline CPI of 5.4% was also lower than the expected 6% – 7%.

The general insurance industry reached the end of a soft underwriting cycle during 2013 following the weather catastrophes in the last quarter of 2012 and the consequent reassessment of underlying risks.

Restoring our underwriting margin was a priority, which demanded that the group increase premiums during 2013. Premium increases were managed selectively through our market and risk segmentation approach.

The combination of achieving target premium levels for new and existing business, and maintaining acceptable churn and conversion rates should result in steadily improving loss ratios and targeted premium growth. Further renewal increases are expected in 2014.

During the first part of the year, hail damage to summer crops in the eastern region of the country and drought insurance input claims in the central and western regions, severely affected underwriting results. In November 2013, heavy flooding in the Western Cape caused damage to houses, roads and businesses, and farmers were faced with heavy crop losses, while hailstorms in Gauteng caused a wave of destruction that damaged cars and properties. Total claims for the year have been estimated at R11 607 million compared to R10 679 million in 2012.

The payment of claims from the catastrophes at the end of 2012 negatively affected cash flow in 2013, resulting in cash generated from operations of R1 616 million compared to R2 362 million in 2012.

STRATEGY AND SUSTAINABILITY

We remain committed to the three-pillar strategy and constantly investigate how we apply and implement these in a dynamic industry and competitive landscape. To ensure the sustainability of all aspects of our business, and all products in our portfolio, we affirmed the following during our strategic review in 2013:

- Achieve growth responsibly.
- Build environmental, social and governance intelligence into the way we manage risk.
- Drive efficiencies within in the environmental, social and governance system.

These statements have a profound impact on how we do business and how we engage with our stakeholders. Read more about this in the stakeholder section, page 18.

Santam's key strengths remain its size, industry leadership and the diversity of its portfolio of businesses and products. We also have a strong competitive advantage in the people we employ. They have strong technical expertise and competence, as well as the ability to maintain and grow relationships, especially with our intermediaries.

The fact that Sanlam is a 59.3% shareholder, gives the group a strong and stable shareholder base.

INTERNATIONAL EXPANSION

There are three elements to Santam's international expansion approach (which supports its strategic objective of growing through diversification):

- Investment in international partnerships
- Reinsurance activities
- Following our intermediated network in Santam Specialist as they expand, predominantly into Africa

A highlight for the year was the finalisation of a series of transactions with Sanlam Emerging Markets (SEM) to formalise our collaborative international expansion into emerging markets. Santam and SEM will participate on a 35%/65% basis in the Sanlam group's current and future short-term insurance businesses specifically in India, Southeast Asia and Africa.

This transaction enables Santam to achieve its international investment objective, provides the opportunity to unlock value in partner investments with SEM, and gives us access to SEM's growing footprint in some significant emerging markets.

Santam's international expansion is also driven by our aim to be where our clients are and by offering a seamless service into Africa and Southeast Asia. In sub-Saharan Africa, growth is focused in areas that have a stronger growth rate than South Africa and where the insurance penetration rate is still substantially lower than in South Africa.

FINANCIAL AND OPERATIONAL PERFORMANCE

The 2013 financial results are discussed in detail in the chief financial officer's report on page 50. The details of the operational performance for each business unit are set out from pages 60 to 67.

In summary, the business units performed as follows:

Santam Commercial and Personal

The commercial and personal lines business unit remains at the core of the group. However, they were also under the most pressure during 2013. Intermediaries had to deal with premium increases, binder fees, further regulatory changes as well as new technology and platforms. The latter relates to some of our strategic projects, which aim to create online administration platforms to increase Santam's ability to price and underwrite risk, improve service levels and reduce cost in the system.

During 2013, we invested R287 million in the strategic projects to update and reconfigure our legacy systems to improve efficiency and create automation. A further R240 million has been allocated in 2014. However, the real benefits of the new systems will only be realised in 2016, as the next two years will require the new and old systems to be run in parallel and to be maintained until we can fully transfer all operations.

SANTAM'S KEY STRENGTHS REMAIN ITS SIZE, INDUSTRY LEADERSHIP AND THE DIVERSITY OF ITS PORTFOLIO.

Santam Specialist

The Santam Specialist business includes agriculture and crop insurance in its portfolio from 2013 (previously with commercial lines). The Santam Specialist business was under pressure this year with many of the specialist lines struggling to write the same levels of business as previously at acceptable technical rates. Gross written premiums were negatively affected by the unit's decision to exit unprofitable business, most notable its reduced exposure to medical malpractice insurance.

The agriculture section of the portfolio reported a net loss of R142 million following significant hail damage on summer crops and multi-peril claims due to drought.

MiWay

MiWay has performed and grown well during 2013 (gross written premium +22.2%). It has been able to maintain its loss ratio at 62.2% net of catastrophe reinsurance recoveries due to a strong focus on the claims management process. MiWay is currently the fastest growing direct insurer in South Africa, writing 37% of new business generated. The business has been running for five years and the brand has been received especially well in the emerging market.

Santam Re

The reinsurance business has been under pressure following significant claims events in India and Indonesia and the impact of hail in South Africa. Therefore, we are expanding conservatively and cautiously – judiciously taking on partnerships in target emerging markets such as India, China, Vietnam and Indonesia.

INNOVATION

The uptake on the Santam SOS services launched in 2012 exceeded our expectations during 2013, as did the response from clients to our mobile alert weather warnings for high-risk areas. During the year, we also continued encouraging the use of alternative certified parts as a viable and more cost-effective alternative during the repair process of vehicles outside of warranty.

In the commercial insurance space, we are now offering fleet company owners a telematics system that uses camera devices to monitor driver behaviour in real-time, thereby improving performance and reducing losses.

REGULATION

We continue implementing regulatory changes required by the Financial Services Board (FSB) to both improve the supervision by regulators and bring South African regulations in line with international standards. We take a pragmatic approach to ensure that all the relevant stakeholders, specifically policyholders, are protected, and that we comply proactively with all new legislation.

The group is embedding the Financial Services Board's prescribed standards and principles of Treating Customers Fairly (TCF) into its culture as the cornerstone of its commitment to policyholders. We recognise the importance of promoting the fair treatment of clients throughout the life cycle of their relationship with Santam and acknowledge that all clients must realise value in their insurance purchase. This commitment to fair, proper and ethical behaviour is part of how the group fundamentally operates. See "Our stakeholder" section on page 18 for details on our progress with TCF.

PARTNERSHIPS AND ACQUISITIONS

In addition to the SEM transaction mentioned earlier, Santam acquired 100% of Travel Insurance Consultants (TIC). TIC forms part of the Santam Specialist business unit and is one of the top travel insurance providers in South Africa.

Santam also acquired 40% of Western Group Holdings (Western) in 2013. Western focuses on commercial insurance in southern Africa.

OUTLOOK

Following extreme weather events in two consecutive years, our group's biggest challenge in the short term will be to balance growth and profitability.

We expect sluggish economic growth for the next financial year and uncertainty related to the interest rate level to prevail. Investment returns are therefore at risk, driving even more focus on the improvement of underwriting margins.

The exchange rate will be a critical factor in determining future performance – the impact of which can be mitigated by improved procurement practices and through our international expansion plans – particularly where we have partnered with SEM. Despite the financial strain on clients, we are confident that penetration and diversification in South Africa will continue growing the total market.

In addition to our premium actions we also continue intensifying our approach to addressing multi-claimants, acting on policies with below minimum rates and reviewing the existing portfolio for poor risks that might have been taken in on book transfers.

The information referred to above has not been commented on or reviewed by the company's auditors and is an opinion of how we expect the financial environment to play out.

APPRECIATION

On 29 May 2013, Vusi Khanyile stepped down after three years as Chairman of the group – a role he played with grace and dedication. We thank him for his contribution. Grant Gelink was appointed as the new Chairman with effect from 30 May 2013. We look forward to his leadership and direction in this position.

There were two changes to the executive team during 2013: we appointed Lindiwe Dlamini-Sebesho as the new executive head of human resources. Yegs Ramiah's role changed to accommodate all brand and marketing activities for both Santam and Sanlam, while relinquishing her executive duties regarding human resources. Kevin Wright as the new chief information officer with effect from 1 January 2014, following the resignation of Jan de Klerk.

The board and the executive team offered great support and stability for the group during a difficult year. I believe that we have kept our eye on the ball and will keep on doing so in facing the challenges and opportunities in the new year.

IAN KIRK
Chief Executive Officer

OVERVIEW

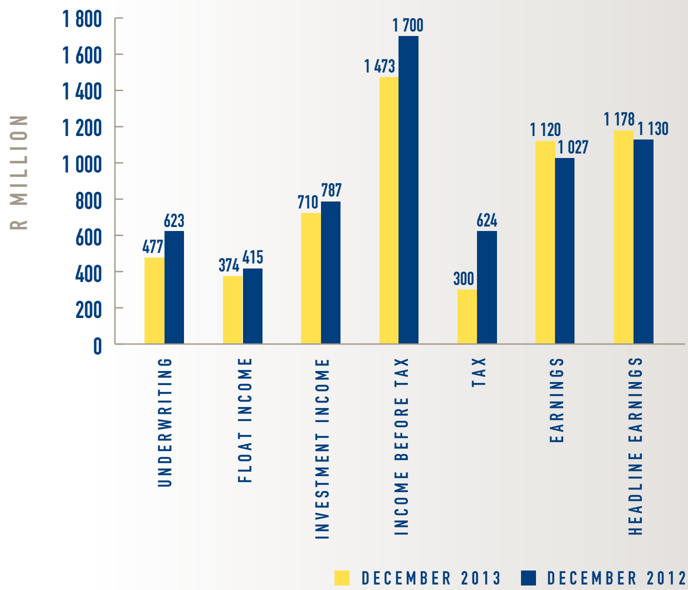
The Santam group experienced a difficult underwriting year, characterised by a number of significant adverse weather events exacerbated by the weakening rand exchange rate. Under these tough operating conditions, the group achieved a 2.8% (2012: 4.0%) net underwriting margin while gross written premium excluding cell insurance grew by 9% (2012: 10%).

The investment portfolio performed in line with the positive market movements experienced during 2013. However, fair value movements on equities were limited due to the downside protection taken out over equities to the value of R2 billion during March 2013.

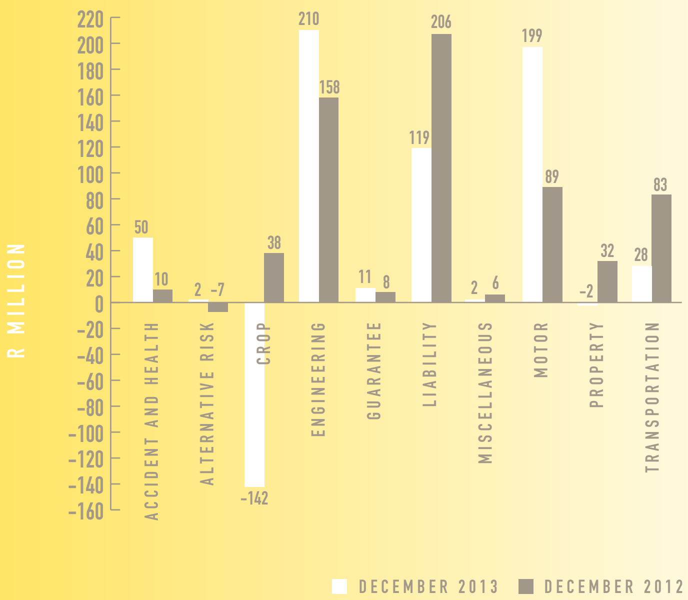
The income tax charge decreased by 52% compared to 2012. The 2012 tax charge was impacted by the non-recurring secondary tax on companies (STC) on the special dividend and the increase in the capital gains tax (CGT) inclusion rate.

Headline earnings increased by 4% compared to 2012. Cash generated from operations declined to R1.6 billion (2012: R2.4 billion) following the impact of catastrophe claims being paid during 2013. The solvency margin of 42% remains within our long-term target range of 35% to 45%. The return on capital (ROC) was impacted by the adverse underwriting conditions and was reduced to 20.0% (2012: 22.6% excluding the impact of the STC charge on the special dividend and the higher CGT inclusion rates).

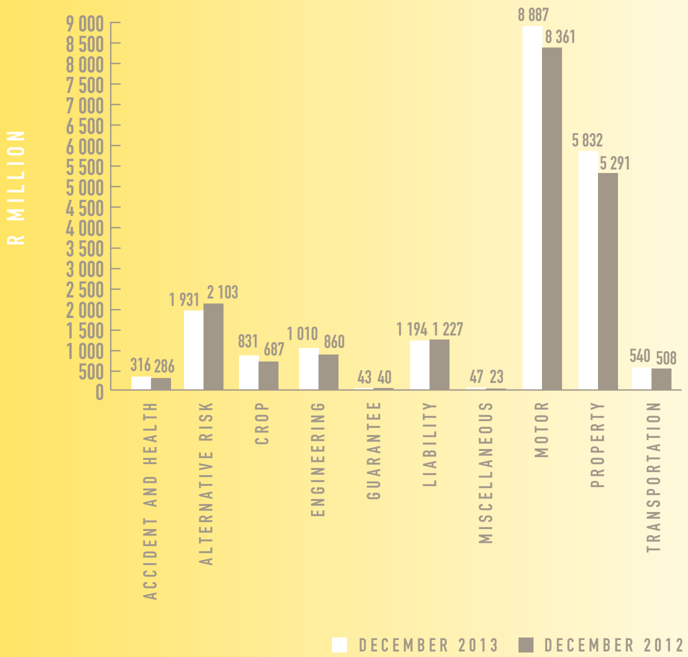
MAIN VARIANCES



UNDERWRITING SURPLUS PER INSURANCE CLASS



GROSS WRITTEN PREMIUM PER INSURANCE CLASS



FINANCIAL RESULTS

A summary set of financial statements for 2013, prepared in accordance with IAS 34, has been included in the integrated report. The full annual financial statements are available on our website at www.santam.co.za, or in printed format on request from the company secretary.

The salient financial statistics are set out on page 8.

Economic environment

The economic environment in 2013 provided tough operating conditions for the short-term insurance industry. Real annual GDP slowed to 1.9% for 2013, which equates to low growth for the insurance industry. The low interest rate environment continued, with no changes to the repo rate during 2013, resulting in reduced interest income. The rand depreciated by 24% against the US dollar since January 2013 which posed a significant strain on the group's insurance results as the weakened rand directly affects the claims cost (mainly imported motor parts).

Underwriting performance

In addition to the negative effect of the depreciation of the rand, the South African insurance industry was significantly impacted by a number of catastrophe events for the second consecutive year, most notably the floods in Limpopo (January 2013) and in the Western Cape (November 2013) and two significant hailstorms in Gauteng during November 2013, the second being one of the most severe catastrophe events experienced in South Africa to date. Total gross claims from these catastrophe events amounted to R420 million compared to R400 million in 2012. The group purchased additional reinsurance sideways cover during 2013, which resulted in increased catastrophe reinsurance recoveries of R192 million, compared to R93 million in 2012. The underwriting results were also negatively impacted by losses on crop insurance of R142 million (2012: profit of R38 million).

Santam's continued focus to optimise the claims and procurement processes and our diversified business lines, including our specialist insurance products, ensured that the group achieved a 2.8% (2012: 4.0%) net underwriting margin in these challenging underwriting conditions.

NET INSURANCE RESULTS UNPACKED

	2013 RM	RATIOS	2012 RM	RATIOS
Net earned premium	16 750		15 626	
Claims incurred	11 607	69.3	10 679	68.3
Commission	2 121	12.7	2 024	13.0
Expenses	2 545	15.2	2 300	14.7
Underwriting surplus	477	2.8	623	4.0
Interest on insurance funds	374	2.2	415	2.6
Net insurance result	851	5.0	1 038	6.6

NET UNDERWRITING MARGIN VS TARGET

	SIX MONTHS TO 30 JUNE 2013	YEAR TO 31 DEC 2013
Midpoint of medium-term target	6.0%	6.0%
Losses on crop business due to hail and drought	(1.8%)	(1.1%)
Flood-related claims in Limpopo in January	(0.8%)	(0.4%)
Catastrophe events in November 2013	–	(1.0%)
Increased average claims cost and claims frequency in traditional business, rand weakness impact as well as net shortfall in specialist business and external reinsurance business	(0.8%)	(0.4%)
Cost of strategic projects not capitalised until key milestones are met	(0.8%)	(0.3%)
Pressure on results mainly due to UPP strain on Santam Re	(0.5%)	–
Net underwriting margin achieved	1.3%	2.8%

MARGINS WERE SIGNIFICANTLY IMPACTED BY MULTIPLE ADVERSE WEATHER EVENTS DURING 2013.

	2013		2012	
	GROSS WRITTEN PREMIUM RM	NET UNDER-WRITING RESULT RM	GROSS WRITTEN PREMIUM RM	NET UNDER-WRITING RESULT RM
Commercial insurance	10 697	520	9 660	767
Personal insurance	8 003	(45)	7 623	(137)
Alternative risk	1 931	2	2 103	(7)
Total	20 631	477	19 386	623

Our medium-term targeted net underwriting margin over our current strategic planning cycle up to 2014 is 5% to 7%. Following the significant catastrophe events in 2012 and 2013 we have not achieved this target. Our long-term net underwriting margin target is therefore reduced to 4% to 6% from 2015 onwards.

As indicated above and discussed in the operational reviews, margins were significantly impacted by multiple adverse weather events during 2013, which reduced the underwriting margin by 2.5%.

The group achieved satisfactory growth in its commercial and personal lines business and MiWay contributing to the increase in gross written premium. However, gross written premium growth was negatively impacted by the loss in cell business in Centriq, as well as a relative increase in investment contracts, not disclosed as gross written premium for IFRS purposes. Gross written premium growth excluding cell insurance grew by 9% compared to 2012.

The net acquisition cost ratio of 27.9% increased from 27.7% in 2012. The increase in management expenses from 14.7% in 2012 to 15.2% in 2013 can be ascribed to continued investment in strategic projects to improve our online interaction capability, centralise our back-office processing and the development of a new core underwriting and product management platform. Significant start-up cost was incurred in the first phase of the latter project. This resulted in a project cost ratio of 1.4% of net earned premium, exceeding the target of 1%.

The first development phase of the new underwriting platform was successfully completed in December 2013 and development cost of R56 million was capitalised during the second half of 2013. We are confident that these projects will add to Santam's future competitive advantage and will enable the group to target an acquisition cost ratio of 27% from 2016 onwards.

The commission expenses ratio declined by 0.3% to 12.7% due to the increased impact of MiWay, where no commission expenses are incurred.

WE WILL CONTINUE WORKING WITH A BROAD SPECTRUM OF STAKEHOLDERS TO DELIVER THE PLANNED RETURNS.

Our aim is to retain an optimum amount of risk after reinsurance, taking into account the group's risk appetite and the cost of reinsurance. The level of reinsurance earned premium as a percentage of gross earned premium decreased from 18% in 2012 to 17.4% in 2013. When excluding cell business, the percentage increased from 11.0% to 11.8%. The increase is mainly attributable to an increase in the reinsurance purchased by certain of our specialist insurance businesses and an increase in the cost of Santam Re's retrocession.

Net insurance result

Investment returns on insurance funds of R374 million decreased from the R415 million earned in 2012, resulting mainly from ongoing lower interest rates in 2013, the negative performance of the bond market and reduced float margins on alternative risk transfer business.

The combined effect of insurance activities resulted in a net insurance income of R851 million or a 5.0% margin, compared to R1 038 million and a margin of 6.6% in 2012.

INVESTMENT INCOME

Santam achieved satisfactory investment results relative to the market. Santam entered into three derivative fence structures with a downside protection of 10% and an upside participation of between 9.5% and 9.7% on equities to the value of R2 billion in March 2013. An unrealised fair value loss of R204 million was recorded on the structure. The investment results were supported by a preference dividend of R51 million that was received on the Sanlam Emerging Markets (SEM) preference share linked to the Shriram General Insurance business in India.

The weakening of the rand during 2013 had a positive impact on the valuations of our foreign currency assets held by our local operations of R91 million (2012: R14 million).

Net earnings from associated companies of R86 million was on par with 2012, mainly from Credit Guarantee Insurance Corporation of Africa Ltd.

The group realised a non-headline loss of R18 million on the sale of its associate investment in NICO Holdings Ltd (NICO Holdings). The loss arose due to a debit foreign currency translation reserve of R34 million that was previously recognised in the statement of changes in equity in respect of NICO Holdings, relating to the depreciation of the Malawian kwacha against the rand. Accounting standards require that such reserve be reclassified to earnings upon Santam's disposal of NICO Holdings.

Investment approach

Santam follows a policy of managing its investment portfolios in a diversified manner. Our aim is to optimise investment income within the approved risk appetite profile. Detail on risk management practices can be found in note 3 to the annual financial statements.

The asset allocation is also managed and monitored from an asset/liability perspective. This ensures that there are sufficient liquid funds available to meet Santam's insurance liabilities, to ensure that the subordinated debt obligations are adequately covered by matching interest-bearing instruments and that the shareholders' funds are not unduly exposed to investment risk.

Investment management is outsourced to Sanlam Investment Management (SIM), an external fund manager under predetermined mandates, which consists of a combination of various benchmarks, inter alia, SWIX and SteFi. The overall performance of the fund manager against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis. The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with relevant FSB regulations.

The composition of Santam's total investments was as follows as at 31 December 2013:

ASSET CLASS COMPOSITION

	2013 RM	2013 %	2012 RM	2012 %
Equities	4 011	26.4	3 551	25.1
Debt securities	7 306	48.0	6 957	49.1
Derivatives	(203)	(1.3)	6	0.1
Cash and short-term money market	3 767	24.8	3 388	23.9
Associated companies	318	2.1	261	1.8
Total	15 199	100.0	14 163	100.0

CAPITAL MANAGEMENT

Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk appetite framework. The aim is to increase shareholder wealth by assisting management in making informed, strategic business decisions around the following:

- The amount and sources of capital in the business. This is also linked to the current and future regulatory capital requirements in terms of the existing and the newly formulated solvency assessment and management (SAM) requirements.
- The allocation of capital between business units.
- The amount and type of risk that the company is willing to assume in the pursuit of value creation.

DIVIDENDS

The company paid an interim dividend of 242 cents per share, which was 5% higher than the 230 cents per share in 2012. Santam declared a final dividend of 433 cents per share for 2013 (2012: 410 cents per share) resulting in a total dividend of 675 cents per share for the year (2012: 640 cents per share). This represents an increase of 5.5%.

Santam's dividend policy aims for stable dividend growth in line with the company's long-term sustainable business growth. When special dividends are being considered, we take into account capital levels (as informed by the solvency margin target range of 35% to 45%) and potential investment opportunities.

ISSUE OF SHARES

The company did not issue any new shares during the year.

Treasury shares

The number of treasury shares reissued during 2013 amounted to 575 745 shares. The total number of treasury shares held at the end of 2013 was 4 969 126. The company has the right to reissue these shares at a later date, subject to approval by the JSE and the Regulator.

CREDIT RATING

Following the implementation of Standard & Poor's (S&P) revised criteria on rating companies above the sovereign level, S&P affirmed Santam's A- (A minus) international and AA+ (double A plus) national scale long-term counterparty credit and insurer financial strength rating on 20 February 2014. The current outlook is negative, reflecting their outlook on the sovereign rating.

The group entered into a credit-wrap facility with Allianz Re, should Santam lose its A- international S&P rating due to a sovereign downgrade or the application of the new stress test methodology by S&P. As part of the credit-wrap arrangement Santam entered into a quota share agreement with Allianz Re to reinsure R1 billion of non-motor risk premiums to Allianz Re in 2014.

DISCRETIONARY CAPITAL AND SOLVENCY LEVEL

Santam's board of directors has targeted a solvency level in the range of 35% to 45% of net written premium for the group. From a pure economic risk capital perspective, the current solvency requirement is close to 25%. The excess is maintained for the following reasons:

- To fund new business growth
- To maintain Santam's insurer financial strength credit rating
- To allow for any potential investment opportunities

The group solvency ratio of 42% at 31 December 2013 was within our targeted solvency range. Net asset value per share increased from 4 840 cents at the end of 2012 to 5 360 cents at the end of 2013 mainly driven by the growth in premiums and income from associates. We will continue monitoring our solvency levels and required solvency range in light of industry changes and regulatory requirements. We remain committed to efficient capital management.

REGULATORY SOLVENCY AND CAPITAL REQUIREMENTS

One of the most important regulatory developments is the new solvency regime that the FSB is in the process of developing for the South African long-term and short-term insurance industries to be in line with international standards. This will be done under the new SAM banner.

The basis of the SAM regime will be the principles of the Solvency II Directive as adopted by the European Parliament, but will be adapted to South African-specific circumstances where necessary. The target date for implementation of the final requirements under the new regime, including the internal model approach for short-term insurers is 1 January 2016.

As previously reported, Santam operates an internal capital model in line with best practice to assist management with capital management, risk quantification and decision-making. Santam is in the process of applying to the FSB to use this internal model for determining its capital requirements once SAM has been enacted. We expect that capital requirements for Santam under this approach will be slightly lower than the current interim measures solvency requirement, of 28%.

SANLAM EMERGING MARKETS (SEM) PARTICIPATION TRANSACTION

Santam entered into a series of transactions with SEM in December 2013 in terms of which Santam acquired participation interests in SEM's emerging markets short-term insurance investments for R509 million by subscribing for shares of separate classes in SEM with each separate class linked to one of the following participation interests:

- A 15.4% participatory interest in Pacific & Orient Insurance Co. Berhad (P&O), incorporated in Malaysia. SEM acquired its stake in P&O in May 2013.
- A 7% participatory interest in Shriram General Insurance Company Ltd (SGIC), incorporated in India.
- A 18.6% participatory interest in BIHL Insurance Company Ltd (BIHL Sure), incorporated in Botswana.
- A 8.7% participatory interest in the short-term insurance subsidiaries of NICO Holdings in Malawi, Zambia and Uganda, and 5.7% in Tanzania.

Santam will account for these investments as fair value through income financial instruments, the changes in market value will be included in the income statement.

SEM subscribed for shares in a wholly owned Santam subsidiary linked to a 37.4% participatory interest in Santam Namibia for R277 million.

Santam disposed of its 25.1% direct interest in NICO Holdings to SEM for R64 million.

Santam will render technical services to the SEM short-term insurance partner companies.

The transaction positions SEM as a single investor for the Sanlam group's short-term insurance businesses in emerging markets while enabling Santam to share in the economic interest of the current and future short-term insurance expansion in these markets. In principle, SEM and Santam will participate on a 65%/35% basis, respectively, in the Sanlam group's short-term insurance businesses in emerging markets. Through its participation in the Sanlam group's emerging market short-term insurance investments, Santam obtains exposure to the Indian, Malaysian and African emerging markets, and has the opportunity to participate in the Sanlam group's future emerging markets short-term insurance investments.

Santam previously held an entitlement to participate in the appreciation of SGIC above agreed minimum hurdle rates through a preference share issued by SEM, which has been redeemed at SEM's election. Santam will now participate in 7.0% of the economic benefits of SGIC in terms of the participation transaction.

OTHER CORPORATE ACTIONS

Santam concluded the acquisition of a 100% interest in Travel Insurance Consultants (TIC) in June 2013 for R95 million. The transaction will enable TIC to continue building its leadership position through its relationships within the travel market and leverage off Santam's support.

Santam also acquired a 40% interest in Western Group Holdings, a short-term insurance business, from PSG Konsult for R88 million in September 2013.

Full details of the company's holdings in subsidiaries and associated companies are contained in note 46 to the annual financial statements.

REGULATORY ENVIRONMENT

The regulatory environment remains dynamic with a number of developments in progress, including the promulgation of Treating Customers Fairly regulations and the SAM framework. Our approach to legal compliance and the philosophy is discussed in detail in the corporate governance report and further details on these regulatory developments are included on page 70.

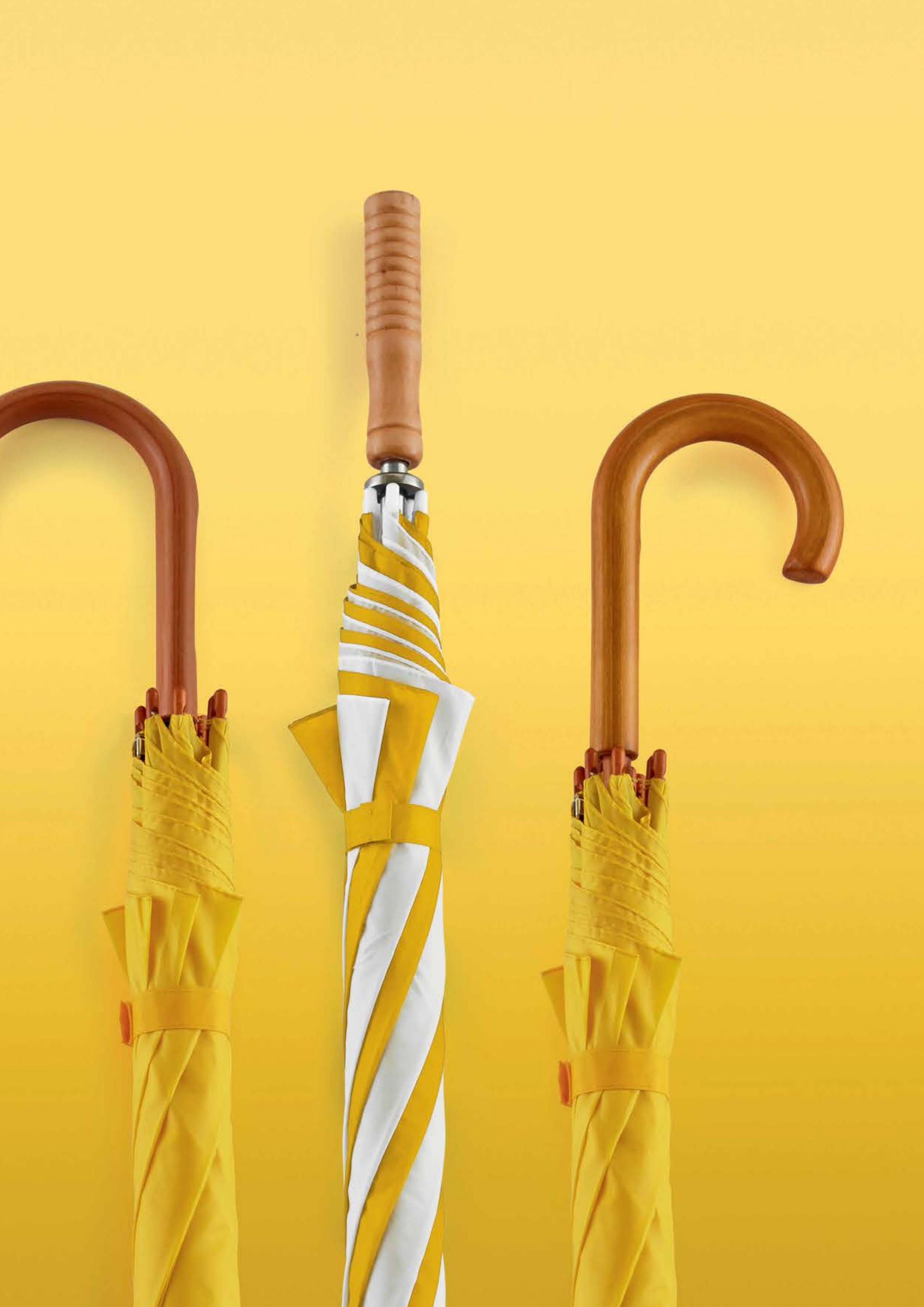
LOOKING AHEAD

In 2014, the group will in all likelihood be faced with a challenging operating environment as detailed in the "Outlook" section of the Chief Executive Officer's report.

Our focus will be on balancing growth and profitability, while expanding our international diversification strategy further through the SEM international partnership.

HD NEL
Chief financial officer

THERE WHEN YOU NEED IT



Performance overview

Growth in Santam's core intermediated commercial and personal lines business was mainly driven by premium increases and new business written. Personal lines implemented double-digit increases on a segmented basis due to a strong focus on improving profitability. As a result the churn rate increased, but within the predicted range.

Commercial lines underwriting results were under pressure during 2013 due to:

- floods in Mpumalanga and the Western Cape;
- commercial fires;
- hailstorms in Gauteng; and
- increased costs per claim in motor repairs.

Under the prevailing economic conditions, Santam has to manage an increasing number of emerging risks – especially in the personal lines environment. More attention was paid to addressing multi-claimants, reviewing rating structures, risk selection, and the application of sound risk management processes.

Claims volumes grew by 5.5% year-on-year, mainly due to adverse weather experienced in Gauteng and the Western Cape in the latter part of 2013.

The average cost per claim increased by 12.3% for a motor claim and by 17.2% for a non-motor householders' claim. This was mainly due to the higher cost for imported car parts, as a result of the weakening rand.

The contact centres servicing personal and commercial business achieved or exceeded service-level targets in terms of number of telephone calls, speed of answer and email responses.

During 2012 the investment in Indwe was impaired due to increased competition and low premiums resulting in a slowdown in its growth rate. Management actions have, however, been put in place to address performance by implementing a new software system and specific growth initiatives. The new software system is on track to be implemented in 2014, which will yield various efficiencies and system enhancements. The growth initiatives include the ORICO Broker Network that was launched in 2013, with a specific focus on expansion into Africa and new arrangements to grow the commercial and personal insurance books of business.

CASE STUDY:

HAIL CATASTROPHE MANAGEMENT

Three major consecutive hailstorms in Gauteng in October and November 2012 resulted in an extensive review of Santam's claims operating model and its ability to deliver a quality service under catastrophe circumstances.

During such events, there is pressure on the claims system. Resources are exhausted by the demand in the market, there is an increase in costs (operational and claims cost) due to supply and demand pressure and service delivery is challenged. It was estimated at the time that more than 30 000 hail damaged vehicles needed repair in the East Rand of Johannesburg alone.

As a result of an extensive hail catastrophe review, Santam developed a hail claims management standard operating procedure. Santam assessors were put through specialised training to understand best practice paintless dent repair technology. The value of the intelligent write-off model, which was created in 2012 to make informed choices about the threshold for economic reports compared to optimum salvage recovery, was also evident in dealing with catastrophe events.

A further outcome of the review was the implementation of a pre-warning SMS alert system to policyholders and improved communication platforms with intermediaries.

With the hailstorms in November 2013, Santam immediately initiated the new hail catastrophe management plan. Resources were mobilised from across the country and the assessment process was underway immediately. The contracted repairers were engaged and the repair process was activated. Our dedicated process and resources are coping very well and our new plan has been executed successfully.

STRATEGIC ALIGNMENT AND FOCUS AREAS

STRATEGY ELEMENT	CONTRIBUTION AND FOCUS AREAS FOR 2013	SHORT-TERM GOALS
GROWTH THROUGH DIVERSIFICATION	– Renewed focus on cross-selling from a Sanlam group perspective by allocating resources, crafting a collective strategy and setting goals. – Developed black intermediaries – making progress but it remains a slow process.	– Balance profitability and growth. – Create additional distribution channels.
MANAGE THE RISK POOL	– Maintained and focused on profitability. – Managed the average cost per claim and premium per policy. – Fine-tuned our segmentation models. – Continued investing in the management of systemic risk through the Eden project. This project deals with the key systemic drivers of fire, flood and sea surge risk in the southern Cape. – Continued active involvement with ClimateWise, which is considering the renewal of reporting standards and collaborating on climate risk management for resilient cities.	– Improve quality of the business underwritten by Santam. – Manage profit margins according to a full recovery plan.
DRIVE SYSTEM EFFICIENCY	– Implemented and progressed the three strategic projects: 1. To provide clients, intermediaries, suppliers and business partners with an effective online presence and platform to interact with us. The project also optimises internal processes to reduce operational and transactional costs. 2. To improve service quality, quote volumes and conversion rates by centralising back-office processing and enhance the regional service structure of the commercial and personal lines contact centres. 3. To be more responsive to client, intermediary and market demands by implementing a core underwriting and product management technological capability. – Increased control of outsourced business. – Improved access to data – enabling better rating and risk management capability. – Implemented several initiatives to contain costs, including a dedicated focus on motorcycle claims and the intelligent write-off model, which determines the threshold for economical repairs compared to optimum salvage recovery.	– Roll strategic projects out according to planned timelines and budgets. – Expect the strategic projects to reach a stage of implementation where some benefits will become evident.
PEOPLE	– Recruited 29 learners for the 2013 Santam black intermediary development programme. These learners gained work place experience at 17 intermediaries that were selected to act as mentors. – Focused on the development of employees and management of performance.	– Retain and develop employees and business partners. – Build people practices that will increase the sustainability of the business.

Performance overview

The Specialist business was under pressure mainly due to challenges in the crop insurance business and several niche businesses such as C-Sure, Echelon and Marine. Challenges ranged from increased pricing competition and adverse weather conditions to higher claims volumes within certain niche sectors. The Stalker Hutchison Admiral (SHA) growth and underwriting results were curtailed due to reduced exposure to unprofitable lines of business. The uniquely diversified nature of the specialist business mitigated these difficulties, with the transport, aviation, Emerald, Mirabilis and travel insurance units doing well and continuing to report strong results.

Premium growth was below target mainly due to lower growth at SHA and transport to ensure sustainable underwriting margins. These businesses are still experiencing soft market conditions and are struggling to write the same levels of business at acceptable technical rates as in previous years.

Santam's agricultural crop insurance, previously included under commercial and personal lines, now forms part of the Santam Specialist business unit. During 2013, the crop insurance business was adversely affected by hail damage to summer crops in the eastern region of South Africa, and it experienced drought insurance claims in the central and western regions. This resulted in a net underwriting profit of R142 million (2012: profit of R38 million). To address this, Santam increased its hail rates across the major crop groups and implemented stricter underwriting measures in respect of multi-peril crop insurance. Strong growth in gross written premiums was experienced which resulted mainly from an average increase of 34% in rates and a slight increase in commodity prices.

Centriq, Santam Specialist's cell captive subsidiary, delivered a solid result in 2013 despite coming under pressure from investment income and underwriting margins. Premium growth remains a challenge. Combined insurance and investment premiums grew by 6.5% (only insurance premiums were included in gross written premiums for the year).

STRATEGIC ALIGNMENT AND FOCUS AREAS

STRATEGY ELEMENT	CONTRIBUTION AND FOCUS AREAS FOR 2013	SHORT-TERM GOALS
GROWTH THROUGH DIVERSIFICATION	– Diversified income streams with new business in target countries outside South Africa. – Worked with intermediary networks locally and internationally. – Acquired the 100% TIC travel insurance in which we previously had a minority interest. – Retained and accessed current specialist blocks of business through transformation. – Engaged actively with intermediaries regarding opportunities in the 18 infrastructure development projects identified by the National Planning Commission. – SHA launched two new products in the liability environment, namely cyber liability and gradual pollution liability. – Vulindlela (taxi) launched their new SME product, which is a fully automated and issued product, into the market via the intermediary channel online. – Mirabilis launched a comprehensive "green" engineering insurance policy.	– Grow the group's African niche market. – Meet our profit and growth objectives through acquisitions, expansion into Africa and by supporting SEM partner businesses. – Grow Centriq's life business through UMA and affinity arrangements.
MANAGE THE RISK POOL	– Understood our exposures and identify possible commercial product offerings. An environmental liability workshop was held in collaboration with ENS Africa and other liability experts. – Increased hail rates across the major summer crop groups, and increase multi-peril rates. – SHA reduced its exposure to unprofitable segments of its business, including medical malpractice portfolios and selected professional indemnity sectors. – Assisted Emerald in completing their first Carbon Footprint report, which they will use as a baseline to set their own targets. – Improved our understanding of the needs of vast African markets (outside of South Africa) and provide improved technical knowledge and expertise, while recognising that there is still work to be done in realising the opportunities that exist. – Focused our African markets on primarily agriculture, property, marine, liabilities and construction, particularly in the mining environments in Central Africa.	– Obtain 15% of our revenue from outside of South Africa within three to five years. – Look for opportunities to partner with and acquire businesses and intellectual capital that will support the objectives of expanding our interests and accessibility in Africa, and in new areas of interest in South Africa. – Expand Centriq's underwriting manager and risk financing capabilities and increase its presence in affinity insurance.
DRIVE SYSTEM EFFICIENCY	– Replaced legacy IT systems in some of our businesses. – Improved efficiency in the decentralised model by implementing visual management tools.	– Have 90% of our premium volume on one of three core IT platforms by the end of 2014, which will allow ease of data sharing and business continuity. – Implement Centriq's efficient complaints feedback system to monitor its TCF obligations.
PEOPLE	– Implemented leadership changes at SHA and Emerald. – Focused on attracting and retaining skills, and succession planning. Retention is achieved through unique remuneration models with incentive schemes that provide for phantom shareholding in the underlying businesses through deferred cash bonus schemes. – Focused on attracting the right talent, as we need entrepreneurs who fit the specialist "franchise" model. – Introduced a quarterly online newsletter to update business partners on developments within the industry and in the group.	– Improve transformation across the business with a particular focus on management levels. – Expose employees to global best practice through engagements with London and Europe-based insurance and reinsurance companies to foster continuous learning and core relationships. – Attract established professionals into Centriq's alternative risk transfer area to grow this segment.

Performance overview

In a market where industry conditions are tough for intermediated general insurance players, direct insurers are in a better position to deal with challenges due to a tighter business model. This was clearly illustrated in MiWay's performance, with an increase in gross written premium revenue of 22% during 2013. The MiWay loss ratio was 62.2% (2012: 62.8%) including the effect of catastrophic events in November 2013. The acquisition-cost ratio improved to 33.7% (excluding deferred bonus plan charges) (2012: 36.3%), driven mainly by good growth in income and cost containment.

MiWay implemented premium increases during 2013, mainly following the impact of the weakening rand on costs of motor vehicle repair. As is the case in the rest of the group, MiWay's focus is on profitable and responsible growth.

Claims frequency remained stable; however, the cost of claims has increased from R661 million to R825 million (including November catastrophe claims of R45 million). In addition, fraudulent claims are on the increase as a result of the tough economic times faced by clients.

During the year 120 522 new policies were added and the number of policyholders increased to 202 740. Employee numbers increased by 12.4% to 1 149.

MiWay still operates independently from the Santam branded businesses, but collaborated in areas such as procurement, where economies of scale provide additional benefit.

STRATEGIC ALIGNMENT AND FOCUS AREAS

STRATEGY ELEMENT	CONTRIBUTION AND FOCUS AREAS FOR 2013	SHORT-TERM GOALS
GROWTH THROUGH DIVERSIFICATION	– Launched the MiXpress claims process by means of which clients can purchase and administer their policies, and submit claims online. The first phase of the online referral system will be ready for launch in November. A Mobi app was launched early in 2014. – Launched MiWheels Ltd (aimed at clients with unfinanced vehicles) in July 2013, as a growth initiative in support of Santam's efforts to create access for the uninsured market. – Generated new business through inbound activity, driven by advertising and dealership referrals as well as outbound activity where we approach potential clients with competitive offerings.	– Grow gross written premium while managing risk.
MANAGE THE RISK POOL	– Balanced acquisition cost with competitive and lapse rates. – Focused on accurate rates. – Focused on product risk selection.	– Improve underwriting margin.
DRIVE SYSTEM EFFICIENCY	– Launched new online claims process. – Managed data availability and quality proactively through relationships with data providers. – Offered claims support to other group entities, thereby improving economies of scale and cost management.	– Drive down loss and expense ratios.
PEOPLE	We focused on culture and values to create an environment where people enjoy coming to work: – MiWay awarded second place in the Deloitte Best Company to Work for survey (rating improved, but ranking dropped from first place in 2011 and 2012). – Present a weekly 'Samurai Sword' award to the employee who best represents the MiWay values. Employees are nominated by their peers.	– Continued focus on values-driven culture.

Performance overview

Gross written premiums (for external business) grew by 25% compared to the prior period. Good progress was made in growing premiums in the international portfolio, following new business secured in India and China in 2012.

The net underwriting results came under pressure due to first-year retrocession costs for the multi-territory catastrophe programme purchased for Santam Re's activities in India, Southeast Asia and China. The impact of this will reduce in 2014 after a significant improvement in terms was achieved.

There is tight exposure management in place across the portfolios of businesses that are written. Due to Santam Re's diversified country risk approach, the overall risk exposure remains within the group's risk appetite.

The underwriting processes were developed further, enabling detailed and effective reporting against the group's risk tolerances for Santam Re. Actuarial models were developed and implemented for all underwriting decisions.

STRATEGIC ALIGNMENT AND FOCUS AREAS

STRATEGY ELEMENT	CONTRIBUTION AND FOCUS AREAS FOR 2013	SHORT-TERM GOALS
GROWTH THROUGH DIVERSIFICATION	– Continued building a strong reputation for Santam Re in emerging markets. – Worked closely with Sanlam to leverage off their international investment/footprint. – Achieved new non-group business of R259 million in 2013. – Secured a strategic partnership with an international financial services company.	– Focus on selecting profitable and sustainable new business opportunities while retaining and growing existing relationships.
MANAGE THE RISK POOL	– Mitigated credit-rating risk and exposure to a downgrade of South Africa's sovereign rating by means of a credit wrap agreement with Allianz Risk Transfer (rated AA- by S&P). – Implemented rigorous process of scientific analysis, underwriting analysis and referral. – Continued tight underwriting limitations. – Broadened internal technical expertise and knowledge.	– Continue building our international technical skills set to better assess risks in new territories. – Activate Allianz credit wrap agreement in the event of a downgrade.
DRIVE SYSTEM EFFICIENCY	– Bedded down the reinsurance administration system (iRe), which is proving to be robust in handling the business volumes. – Introduced new levels of financial control through iRe, which is boosting system efficiencies.	– Enhance financial, risk and exposure reporting capabilities of iRe further.
PEOPLE	Appointed two new specialist employees: – A senior reinsurance specialist, who focuses on building a presence in South Africa, the rest of Africa and the Middle East. – A formerly London-based actuary and climatologist with extensive international reinsurance experience to boost underwriting skills further.	– Retain and source appropriate skills ensured by a great working environment.


TIME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STATEMENT OF COMMITMENT

Santam's board of directors is committed to the highest level of effective corporate governance, integrity and ethics.

The company is subject to the Listings Requirements of the JSE Ltd and the guidelines contained in the King Report on Governance for South Africa (King III). The Santam board endorses the principles contained in King III. The board is of the opinion that Santam has applied the significant governance principles in King III and that the company has complied with the JSE Listings Requirements and Companies Act, 71 of 2008, during 2013. In instances where the company has elected not to apply certain recommendations contained in King III the rationale has been explained in the relevant sections of this report. The company has applied all the principles contained in chapter 2 of King III. A register detailing the company's application of all 75 principles set out in King III is available on the company's website.

Santam's commitment to good governance is formalised in its charters, policies and operating procedures. Governance processes are regularly reviewed to take into account the evolving regulatory environment and best practice.

During the year, Santam continued to review its governance processes to enhance alignment with legislative and regulatory changes and to reflect best industry practice. The board and board committee charters were reviewed as recommended by King III. Santam's Internal Control Policy was formally approved by the board in May 2013. During 2013, certain amendments were also made to Santam's governance structure to enhance compliance with King III. Significant changes include the replacement of the human resources committee with two committees as from May 2013:

- the human resources and remuneration committee (HRRC); and
- the nominations committee.

Prior to May 2013, the human resources committee had combined the roles of these newly formed committees.

COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

Santam is responsible for conducting its affairs with prudence and to safeguard the interests of all its stakeholders.

The board is accountable for:

- allocating major roles and responsibilities according to the company's delegation of authority framework;
- adopting clear and formal procedures;
- ensuring there are clear and formal procedures in key areas, so that regulators and auditors can readily review decisions and actions, both internally and externally; and
- conducting business in accordance with the company's code of ethics.

SANTAM'S BOARD IS COMMITTED TO THE HIGHEST LEVEL OF EFFECTIVE CORPORATE GOVERNANCE.

Santam's code of ethics prescribes that all employees must comply strictly with all relevant legal requirements and regulations that apply to their area of work. The code of ethics also regulates conflict of interest in the company.

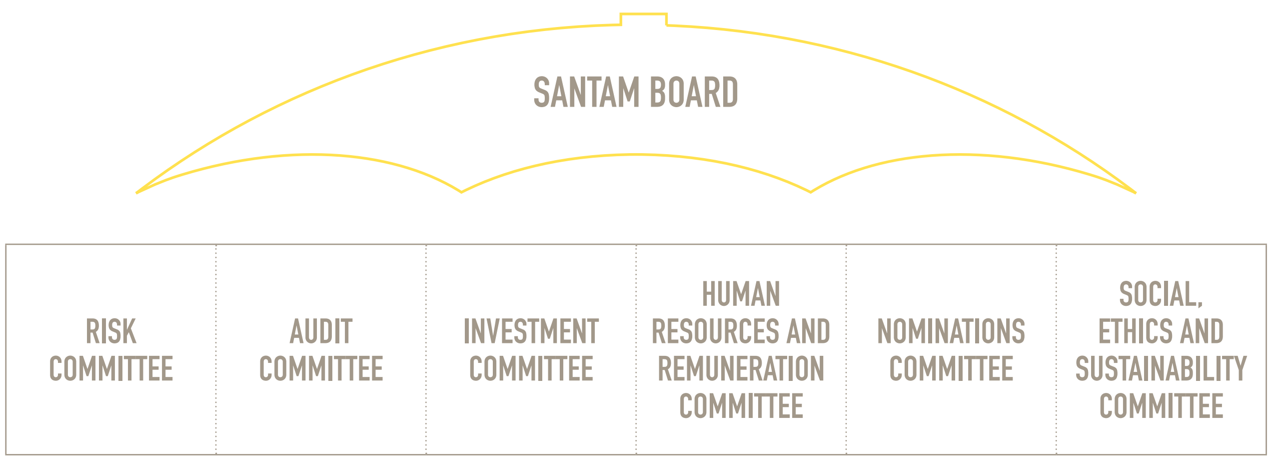
The board does not intend to institute a formal dispute resolution process as recommended by King III in the foreseeable future. The existing processes operate satisfactorily and do not require a more formal mechanism. In the event that disputes with shareholders should arise, shareholders have remedies in terms of the Companies Act at their disposal.

BOARD AND COMMITTEES

The board is responsible for directing, administering and controlling the affairs of the company in a transparent, fair and responsible manner. The board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring the company conducts its activities according to best practice.

The board is supported by various committees to carry out the oversight role of ensuring that the activities of the company are managed in the manner that is consistent with the ethical leadership and values of Santam. The roles and responsibilities of each board committee are set out in charters that are reviewed annually by the board.

Directors have unrestricted access to all company information as well as access to the advice and services of the group company secretary. Directors are entitled to seek independent professional advice, at the company's expense (after consultation with the chairman of the board), as and when required in fulfilling their duties. No directors exercised this right during the period under review.



As at 31 December 2013, the board comprised 12 directors, of which three are executive directors. Of the nine non-executive directors, the majority (five) are independent. There is a formal, transparent board nomination process, in terms of a policy detailing procedures for appointment to the board. This policy is reviewed annually. Appointments to the board are formal and transparent and are a matter for the board of directors as a whole, assisted by the nominations committee as required by section 3.84 of the JSE Listings Requirements. Directors are appointed, subject to re-election by the shareholders at the company's annual general meeting (AGM) and to the Companies Act provisions relating to their removal. In accordance with the company's memorandum of incorporation (MOI), one-third of non-executive directors shall retire at the AGM each year. Executive directors retire on the third anniversary of their appointment or re-election to the board. All retiring directors are eligible for re-election, if deemed as such by the nominations committee. Reappointment of directors is not automatic.

The board charter depicts a clear balance of power and authority at board level, to ensure that no individual director has unfettered powers of decision-making or influence over the board.

The chairman, who is an independent non-executive director, is principally responsible for the effective operation of the board. There is a clear division of responsibility between the various roles within the company's corporate governance structure. The responsibilities of the chairman and chief executive officer have been clearly defined and are separate.

The non-executive directors on the Santam board can all influence decision-making. They have experience from various industries, and bring a wide range of skills and expertise to the board (see the board members' profiles on page 36). It is their responsibility to ensure their judgement is exercised freely and independently. In the board's opinion, there is no business or other relationship within the current structure that could materially interfere with the impartial judgement of any of the non-executive directors.

When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics. The effectiveness of the board composition and the performance of all its directors are assessed annually.

NAME	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT NON-EXECUTIVE	RACE	GENDER
B Campbell			*	W	M
MD Dunn			*	W	M
MP Fandeso			*	B	M
BTPKM Gamedze		*		B	M
GG Gelink (Chairman from 29 May 2013			*	B	M
VP Khanyile (Chairman until 29 May 2013)			*	B	M
IM Kirk	*			W	M
MLD Marole			*	B	F
JP Möller		*		W	M
HD Nel	*			W	M
Y Ramiah	*			B	F
MJ Reyneke		*		W	M
J van Zyl		*		W	M

Key:
W = White
B = Black
M = Male
F = Female

Changes to the board during 2013

- Mr Gamedze became a non-executive director in March 2013, as he is no longer independent in terms of King III.
- Mr Gelink was appointed as chairman of the board on 29 May 2013.
- Mr Khanyile resigned as chairman and from the board on 29 May 2013.

Board charter

The board's responsibility to ensure best practice in company conduct is entrenched in the board charter, which is reviewed annually to ensure alignment with the principles of good governance. The charter delineates the powers of the board, which ensures an appropriate balance of power and authority. Only minor amendments were made to the charter during the year under review.

The board charter sets out, inter alia, the composition, meeting frequency and the specific responsibilities to be discharged by the board as a whole and by the directors, executives and officers individually. These responsibilities are determined in terms of:

- the company's MOI;
- the Companies Act, 71 of 2008;
- the JSE Listings Requirements;
- King III; and
- the Short-term Insurance Act, 53 of 1998.

These documents are a reference point for directors, executives and officers on how to conduct their affairs and dealings in respect of, and on behalf of, the company.

The board charter prescribes that directors should conduct themselves in the best interest of the company and take special care to ensure that there is no conflict between their own interest and the company's interest. All board members are required to declare any potential conflict of interest between their obligations to the company and their personal interests. In the event that a potential conflict of interest arises, an affected director is required to recuse himself accordingly from the part of the meeting where the matter in which he has an interest is being discussed.

Through its charter, the board has reserved matters specifically for its attention to ensure it exercises full control over significant matters including strategy, finance, and compliance. The board is regularly advised and updated on the activities of the company. An ongoing director development programme focuses on existing board members and aims to create an evolving understanding of the business, governance and compliance environment in which it operates. The director development programme includes regular updates and information sessions. New directors complete a formal induction programme and receive appropriate training, documents and guidance on their duties, responsibilities, Santam's business environment and sustainability issues relevant to the business.

A copy of the board charter is available on request from the group secretary.

Salient features of the board charter

The board's key purpose is to ensure the company's prosperity by collectively directing its affairs, while acting in the best interests of its stakeholders.

The MOI sets out the powers of the board of directors, while the Companies Act and the delegation of authority document govern the exercise of these powers.

The matters are reserved for the board include:

1. Approval of:
   - the company's vision, mission and values;
   - the company's strategic objectives, business plans, annual budget, dividend policy and the monitoring of the company's performance against set objectives;
   - all dividends;
   - the annual integrated report;
   - circulars to shareowners, including notices of shareholder meetings;
   - financial risk management and capital policies, including funding and the issue of ordinary shares and loan capital;
   - capital expenditure, acquisitions, joint ventures and disposals in excess of the limits set out in the delegation of authority document and the memorandum of incorporation; and
   - significant changes in accounting policy.
2. Recommending changes to the memorandum of incorporation of the company, remuneration of directors, and remuneration policy to shareholders for approval.
3. Composition of the board committees, electing a chairman of the board, approval of the appointment of the chief executive officer, executive directors and the company secretary.

4. Monitoring of and reporting on sustainability management.
5. Ultimate responsibility for IT governance.
6. Commencing business rescue proceedings as soon as the company is financially distressed.

The board is satisfied that it has discharged its duties and obligations as contained in its charter during the year.

RESPONSIBILITY AND ACCOUNTABILITY

Delegation of authority

The company's group governance policy and delegation of authority provides an approval framework to ensure the company is optimally managed within a decentralised management environment. The board delegates the power to run the day-to-day affairs of the company to the chief executive officer, who may delegate some of these powers. The delegation of authority document codifies and regulates any such delegation of authority within the company. The board reviews its delegated authorities annually. There are a number of policies, which complement the delegation of authority, and are reviewed on a regular basis by the board.

Chairman

The chairman provides overall objective leadership of the board of directors. The chairman's primary function is to preside over meetings of directors and shareholders, and to ensure the smooth functioning of the board and that it receives timely and accurate information in order for the directors to perform effectively.

Chief executive officer

The chief executive officer is in charge of managing the execution of the strategic direction of the company as approved by the board.

Executive and non-executive directors

The directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the company. In doing so, the directors will ensure they act in the best interest of the company at all times, and do not derive any profit as a result of their fiduciary relationship with the company.

Board committees

The committees assist the board in discharging its duties and responsibilities. Ultimate responsibility rests with the board and the board does not abdicate its responsibility to the committees. The committees report quarterly to the board as to how they carried out their responsibilities and the minutes of the committee meetings are provided to all board members. Notwithstanding the delegation of functions to the committees, the board remains ultimately accountable for the proper fulfilment of such functions, except for the statutory functions of the audit committee relating to the appointment, fees and terms of engagement of the external auditor.

All committees are chaired by independent non-executive directors, except for the human resources and remuneration committee, which is chaired by a non-executive director who is not independent, Dr J van Zyl. Although he is not independent, the board is supportive of his chairmanship of this committee given his knowledge of the business, his commercial experience and the necessity to align the company's remuneration approach with corporate strategy.

In terms of King III, the integrated report should disclose the terms of reference of the board committees. However, only a summary of these terms of reference are contained in this integrated report. The complete terms of reference are available from the company secretary.

Company secretary

The group company secretary provides guidance to the board collectively and to individual directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the company. The directors have unlimited access to the advice and services of the group secretary. The company secretary further ensures that board procedures, regulations and governance codes are observed. The company secretary is responsible for director training and induction, as well as the annual board evaluation process.

The group secretary is not a director of the company. During the year under review, the board concluded after due assessment and following a review of the company secretary's qualifications, experience and performance, that the company secretary is competent and has the appropriate qualifications and experience and that he has maintained an arm's length relationship with the board and its directors. The company secretary also acts as secretary for the committees of the board.

BOARD COMPOSITION AND MIX

The efficacy of the board depends on its composition. There is an appropriate balance of power and authority on the board. The independent non-executive directors have a standing closed-session agenda item to deliberate on any issues that they may want to discuss with the chairman or the chief executive officer and/or any other directors.

BOARD EVALUATION

The board reviews the range of skills, experience and effectiveness of its directors annually. This is done using a formal evaluation process developed according to the recommendations of King III. The nominations committee considers the results of the evaluation and makes recommendations to the board as appropriate. An independent service provider conducts the evaluation every two years due to the significant amount of time that is required for the process. An internal assessment was conducted during 2013.

During the year, the board and all of its committees measured their effectiveness. The directors have the opportunity to convey any concerns that they might have in respect of the performance and conduct of their peers to the chairman. The assessments included an effectiveness assessment of the board itself collectively, an appraisal of the key board committees and the chairman. The evaluations conducted for the year found no significant matters or material concerns in respect of the board and board committee performance. The results indicated that the core board processes were working well.

An informal review, conducted by the nominations committee takes place for all directors prior to their standing for re-election at the AGM. This evaluation is shared with the board. The performance of all directors standing for election at the AGM in May 2014 has been considered by the board, and their re-election is supported.

DEALING IN SECURITIES

In accordance with the JSE Listings Requirements, Santam has adopted a policy that sets out the procedure directors have to follow before they, or any of their associates, deal in the company's securities.

Directors and the company secretary must obtain prior written authorisation from the chairman to deal in company securities. The company secretary retains a record of all such share dealings and approvals. Senior management and designated employees that are exposed to unpublished, price-sensitive information in relation to the company's shares by virtue of their positions are prohibited from trading in Santam securities during the company's closed periods, which lasts from the end of a financial reporting period until the publication of the results for that period. In terms of the policy, and in compliance with the Listings Requirements, directors' dealings in securities are disclosed to the JSE via the company's sponsor.

INTEGRATED SUSTAINABILITY REPORTING

The board recognises that there are qualitative issues, which influence the ability of the company to create value in the future. These relate to investment in human and other intellectual capital, the extent of the company's social transformation, ethical, safety, health and environmental policies and practices.

The social, ethics and sustainability committee convenes regularly and reports directly to the board on, inter alia, the issues listed above.

LEGAL COMPLIANCE

Santam acknowledges the importance of compliance with the regulatory framework affecting its operations, and its accountability to all its stakeholders in this regard. The company has given substantial focus to legislative compliance during the reporting period. Santam's legal compliance philosophy encapsulates integrity, fair dealing, accountability, objectivity, independence, good governance, transparency and collaboration.

In response to the regulatory environment within which it operates, Santam has a full-time legal compliance function in place, which bears the responsibility of implementing the legal compliance framework. This function identifies legislation applicable to the group, informs business of pertinent regulatory requirements (and amendments thereto), analyses their impact on business operations, facilitates the introduction of controls aimed at ensuring compliance and monitors compliance. For increased efficiency and effectiveness, the legal compliance function collaborates with other risk assurance providers on certain matters, and works closely with other entities within the group. In implementing the compliance framework, a risk-based approach is adopted. In addition, Santam complies with mandatory industry codes.

Given the resources that strict compliance with non-mandatory industry codes would require, Santam adopts such codes, to the extent that they enhance good governance, efficiency and effectiveness.

BOARD MEETINGS

The board met five times at scheduled meetings in 2013. The board meets at least once every quarter and holds a strategy meeting in August to approve the strategic direction of the company.

ATTENDANCE SCHEDULE

	27/02/2013	29/05/2013	27/08/2013 (STRATEGY SESSION)	28/08/2013	27/11/2013
B Campbell	*	*	*	*	*
MD Dunn	*	*	*	*	*
MP Fandeso	*	*	*	*	*
BTPKM Gamedze	*	*	*	*	A
GG Gelink	*	*	*	*	*
VP Khanyile	*	*	Res	Res	Res
IM Kirk	*	*	*	*	*
MLD Marole	*	A	*	*	*
JP Möller	*	*	*	*	*
HD Nel	*	*	*	*	*
Y Ramiah	*	*	*	*	*
MJ Reyneke	*	*	*	*	*
J van Zyl	*	*	*	*	*

Key:
(*) = Present
(A) = Apology
(Res) = Resigned

Appointment and re-election of directors

The nominations committee ensures that the board's composition reflects demographic and gender diversity, and the appropriate mix of skills and experience.

Non-executive directors are subject to rotation every three years. Shareholders have the right to nominate a director and five other shareholders must second the nomination. Abridged CVs of nominated directors are sent to shareholders with the notice of AGM. The company's shareholders therefore have the opportunity to participate continually in the election and re-election process for directors.

At the AGM, shareholders vote by a single resolution to determine whether the director will be appointed. Directors appointed by the board after the AGM are required to retire at the following AGM and stand for election by shareholders. The appointment of non-executive directors are formalised in a letter of appointment between the company and the non-executive director.

The board has recommended that Messrs MD Dunn, MP Fandeso and IM Kirk, and Ms MLD Marole stand for re-election at the company's AGM in 2014. A summary of their CVs is contained on page 36 of this report.

SANTAM ADVOCATES ZERO TOLERANCE TOWARDS FRAUD AND CORRUPTION.

BOARD COMMITTEES

Risk committee

ATTENDANCE SCHEDULE

	12/02/2013	19/03/2013 (AD HOC MEETING)	13/05/2013	19/06/2013 (AD HOC MEETING)	12/08/2013	13/11/2013
B Campbell	*	*	*	*	*	*
MD Dunn (chairman)	*	A	*	*	*	*
MP Fandeso	*	A	*	*	*	*
BTPKM Gamedze	A	*	A	*	A	A
GG Gelink	*	*	*	*	*	*
IM Kirk	*	*	*	*	*	*
JP Möller	*	*	*	*	*	A
HD Nel	*	*	*	*	*	*
MJ Reyneke	*	*	*	*	*	*

Key:
(*) = Present
(A) = Apology

The risk committee assists the board in fulfilling its responsibility for governance (from a risk and control perspective), compliance and risk management. The committee is responsible for ensuring that all significant risks are identified, evaluated and effectively managed, and that there is adequate oversight over Santam's own risk and solvency assessment and internal model processes. Compliance with relevant laws and regulations is integral to Santam's risk management process and is monitored on a continuous basis. The committee operates in terms of a formal charter approved by the Santam board.

The functions of the risk committee include assisting the board in ensuring that:

- the company has implemented an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives;
- the maturity and effectiveness of the risk management processes and activities are continuously monitored, maintained and improved as required;
- the overall risk profile, including significant risks Santam faces are monitored and reviewed and the response to address these key risks are appropriately defined and resolved by management; and
- the disclosure regarding risk is comprehensive, timely and relevant.

The risk committee is satisfied that it has fulfilled its responsibility in terms of its charter during the year. The committee is satisfied of the adequacy of the governance, compliance and risk management structures and processes in place at Santam.

Audit committee

ATTENDANCE SCHEDULE

	12/02/2013	13/05/2013	12/08/2013	13/11/2013
MD Dunn (chairman)	*	*	*	*
B Campbell	*	*	*	*
MP Fandeso	*	*	*	*
BTPKM Gamedze	A	Res	Res	Res
GG Gelink	*	*	*	*

Key:
(*) = Present
(A) = Apology
(Res) = Resigned

The audit committee is constituted as a statutory committee of Santam in respect of its statutory duties in terms of the Companies Act and a committee of the Santam board in respect of all other duties assigned to it by the board. The committee consists of four independent non-executive directors. The committee ensures, inter alia, that the company's financial standing is sound and that the internal financial controls and financial processes are effective. The committee reviews the overall quality and integrity of financial reporting and integrated and sustainability reporting disclosures.

The audit committee is appointed by shareholders, at the AGM. Its primary function, in addition to those required by the Companies Act, is to help the board oversee financial matters. The committee operates in terms of a formal charter and annual work plan approved by the board. The audit committee is chaired by an independent non-executive director. The independent chairman of the board, Mr GG Gelink is a member of the audit committee. Although this is not in line with the recommendation contained in chapter 3 of King III, the board is supportive of his membership, given his substantial experience in audit process, international financial reporting standards and internal financial controls. Mr Gelink does not chair the audit committee. The committee also consists of three other independent non-executive directors, and exceeds the minimum recommended number of members.

The functions of the audit committee include:
- Overseeing integrated reporting.
- Reviewing and recommending for approval by the board, the annual financial statements, the interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.
- Recommending the integrated report for approval by the board.
- Reviewing and recommending the disclosure of sustainability issues in the integrated report for approval by the board, to ensure that it is reliable, does not conflict with the financial information, and provides a balanced view.
- Recommending to the board whether or not to engage an external assurance provider on material sustainability issues.
- Reviewing accounting policies and practices and consider any significant changes or departure from accounting policies and practices.
- Reviewing the basis on which the company has been determined a going concern.
- Considering changes to the dividend policy and recommending dividend declarations to the board.
- Nominating the external auditor of the Santam group and its subsidiaries (who in the opinion of the committee is independent of the company) for appointment by the shareholders.
- Approve the terms of engagement and remuneration for the external audit and ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Define a policy for non-audit services to be rendered by the external auditor to the company or a related company and pre-approving the contracts for non-audit services to be rendered by the external auditor.
- Assisting the board in carrying out its IT responsibilities.

During the year under review, the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. In line with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which requires an individual partner not to be a key audit partner for more than seven years for a public interest entity, and the transitional

WE BELIEVE IN RECRUITING, DEVELOPING AND RETAINING EMPLOYEES THAT SUBSCRIBE TO OUR CULTURE OF TREATING CUSTOMERS FAIRLY.

provisions of the Companies Act, 71 of 2008, the audit committee has recommended that Ms C van den Heever of PwC be appointed as the individual and designated auditor who will undertake the company's audit for the financial year ending 31 December 2014. Although King III recommends that rotation of an individual engagement partner, at least every five years, enhances independence; the committee is satisfied that the company's external auditors are independent of the company. The committee also considered and determined the fees and terms of engagement of the external auditors.

As required by JSE Listings Requirement 3.84, the audit committee considered the expertise and experience of the chief financial officer during November 2013 and the committee has satisfied itself that the appropriate requirements have been met. The audit committee is also satisfied that the expertise and adequacy of resources of the finance function.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman at all times, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity of addressing the audit committee at each of the meetings without management being present.

Audit committee members are encouraged to keep up to date with developments affecting their required skill set. The audit committee has considered factors and risks that may affect the integrity of the Santam integrated report and has reviewed the disclosure of sustainability issues in the report to ensure that it is reliable and does not come into conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board as it is of the view that the assurance provided is adequate, given the maturity of the processes in place.

The audit committee is satisfied that it has fulfilled its responsibility during the year in terms of its charter. The committee believes that it has complied with its legal and regulatory responsibilities for the year. The committee reviewed the company's integrated report and recommended it to the board for approval.

Human resources committee

ATTENDANCE SCHEDULE

	7/02/2013
J van Zyl (chairman)	*
VP Khanyile	*
MLD Marole	*

Key:
(*) = Present

The human resources committee was replaced by the human resources and remuneration committee and nominations committee from 7 May 2013. Prior to May 2013, the human resources committee fulfilled a combined role of remuneration and nominations committee.

Human resources and remuneration committee
(convened for the first time on 7 May 2013)

ATTENDANCE SCHEDULE

	07/05/2013	05/08/2013	04/11/2013
J van Zyl (chairman)	*	*	*
GG Gelink	*	*	*
VP Khanyile	*	Res	Res
MLD Marole	*	*	*

Key:
(*) = Present
(Res) = Resigned

Executive and board remuneration is overseen by the human resources and remuneration committee. The committee comprises only non-executive directors. The chief executive officer attends committee meetings by invitation but excuses himself from all discussions regarding his own remuneration and benefits.

The committee monitors the development and implementation of the group's remuneration philosophy. The total reward of executives is designed to ensure that a substantial portion is dependent on performance, both company performance and individual performance. The attainment of appropriate individual and group targets governs the eligibility of executives for annual performance bonuses and the vesting of their long-term incentive awards.

The committee has the responsibility and authority to consider and to make recommendations to the board on, inter alia, the following:

- Development of the remuneration strategy for executive directors and members of the executive committee
- Development of short-term incentive plans for board approval. It sets annual targets, monitors progress towards targets and reviews the incentive plans regularly to ensure that a strong link with performance is maintained
- Development of long-term incentive schemes for board approval. It sets individual and group performance hurdles as well as guidelines for annual allocations it performs regular reviews of the structure of the schemes
- Development, monitoring and testing of appropriate performance drivers for both short-term and long-term incentives
- Management of the contracts of employment of executive directors and executive committee members ensuring that their terms are compliant with good practice principles
- The individual remuneration packages for executive directors and executive committee members including total cost to company, benefits, short-term incentives, long-term incentives and conditions of employment
- The remuneration of non-executive directors
- Succession planning
- Human capital imperatives

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. In accordance with King III recommendations, the company's remuneration policy is to be tabled for shareholders to make a non-binding advisory vote at the AGM. This vote enables the shareholders to express their views on the remuneration policies adopted and their implementation.

Nominations committee

(convened for the first time on 7 May 2013)

ATTENDANCE SCHEDULE

	07/05/2013	05/08/2013	04/11/2013
GG Gelink (chairman from August 2013)	*	*	*
VP Khanyile (chairman until May 2013)	Res	Res	Res
MLD Marole	*	*	*
J van Zyl	*	*	*

Key:
(*) = Present
(Res) = Resigned

The nominations committee considers board succession and recommends candidates for board vacancies based on skill, experience and the need to ensure diversity and balance in the composition of the board. The committee comprises only non-executive directors and is chaired by the chairman of the board. The chief executive officer attends committee meetings by invitation. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Social, ethics and sustainability committee report

ATTENDANCE SCHEDULE

	06/02/2013	07/05/2013	08/08/2013	04/11/2013
MLD Marole (chairman)	*	*	*	*
BTPKM Gamedze	*	*	A	A
Y Ramiah	*	*	*	*

Key:
(*) = Present
(A) = Apology

The board has established a social, ethics and sustainability committee to perform, inter alia, the functions prescribed by the Companies Act. The committee also assists the board in ensuring that the sustainability strategy and objectives are effectively integrated into the business. The committee assists the board in monitoring Santam's performance as a good corporate citizen. The committee, in addition to performing the function for Santam Ltd, accepted the role of the social and ethics committee for all South African subsidiaries who have a public interest score of 500 or more in the past two years.

The responsibilities of the committee are as follows:

- Monitoring Santam's activities relating to social and economic development, broad-based black economic empowerment, and employment equity
- Monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour and managing environmental impact
- Monitoring changes in empowerment charters and codes
- Monitor functions required in terms of the Companies Act and its regulations

The committee is also responsible for actively managing the material matters that affect the sustainability of the business, including:

- Minimising the risk associated with social, economic and environmental impact including stakeholder activism and government regulation.
- Ensure that the business aligns with legislative requirements such as King III, JSE Listings Requirements, broad-based black economic empowerment, and other applicable legislation.
- Adding value by monitoring and guiding management on:
    - developing and retaining a sustained client base;
    - developing solutions to accommodate change – inclusive of societal and environmental change;
    - developing and retaining a sustained supplier base;
    - having appropriate human capital processes and systems in place;
    - having a transformed business;
    - cultivating an ethical culture and combating/ curbing economic crime effectively;
    - applying environmental impact management and practices;
    - having a sustained intermediary base;
    - extending influence to the benefit of society; and
    - applying responsible investment practices.

During 2013, the committee recommended the targeted level BBBEE contributor status and reviewed the strategy, plans and progress made towards achieving Santam's BBBEE targets. The committee further reviewed the report compiled by the company's appointed BBBEE verification agency, which confirmed that Santam had maintained a level 3 BBBEE contributor status.

The committee comprises three suitably skilled and experienced directors, and is chaired by an independent non-executive director. The majority of members of the committee are non-executive directors. The committee is supported in its tasks by members of senior management, including human resources, sustainability, stakeholder relations, risk services, corporate social investment, the company secretary and finance. In terms of its board-approved charter, the committee meets formally at least twice per annum, or as required for the effective performance of its duties. The committee met four times during 2013. The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year. In the execution of its duties, the committee reviewed, inter alia, ethics, compliance, stakeholder relations and corporate social investment. The committee members believe that the group is substantively addressing the issues the committee is required to monitor in terms of the Companies Act.

The committee, together with the audit committee reviewed the sustainability disclosures contained in the integrated report and recommended it for approval to the board.

Investment committee

ATTENDANCE SCHEDULE

	19/03/2013 (AD HOC MEETING)	29/04/2013	31/10/2013
GG Gelink (chairman)	*	*	*
IM Kirk	*	*	*
JP Möller	*	*	*
HD Nel	*	*	*
MJ Reyneke	*	*	*

Key:
(*) = Present

The investment committee meets to evaluate and monitor the investment portfolio and the performance of investment managers. These meetings comprise quarterly feedback sessions with investment analysts and two formal investment committee meetings a year. The investment committee guides the board on the mandates of investment managers, and makes recommendations regarding the company's investment philosophy. The committee reviewed the Santam group investment policy during 2013 and recommended it to the board for approval.

The committee is chaired by an independent non-executive director. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Ad hoc subcommittees

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

Other committees

Executive committee

The chief executive officer, assisted by the executive committee, is mandated by the board, through the company's delegation of authority, to deal with the day-to-day running of the affairs of the company. The chief executive officer chairs the committee, which comprises the executive management of all the significant business units of the company. It meets and deals with all matters relating to:

- the implementation of agreed strategy;
- the monitoring of performance; and
- the consideration of the company's policies.

The board regularly reviews the levels of delegated authority to the chief executive officer.

STAKEHOLDER RELATIONS

Regular communication is maintained with various stakeholders such as:

- institutional investors and investment analysts;
- shareholders;
- employees;
- clients;
- intermediaries;
- suppliers; and
- communities at large.

The board encourages shareholders to attend the AGM and provides a full explanation of the implications of the proposed resolutions.

Various methods of communication are used to keep employees, and other stakeholders, informed of company and group activities (see "Our stakeholders" section of the report on page 18).

CASE STUDY:

SANTAM EMPLOYEES REWARDED FOR VIGILANCE

At Santam, we support International Anti-Corruption Day and we urge all employees to join us: "Say No to Corruption". One of the ways in which Santam draws attention to eradicating fraud is through its annual fraud reward draw, which was initiated in 2006 as a way to reward and recognise employees for their contribution in exposing economic crime within Santam.

All reports received from employees are vetted according to specific criteria and the names of all eligible entrants are placed in a box. A winner is randomly selected. Most of the reports submitted in the past resulted from employees spotting an irregularity while carrying out their daily functions. These queries were then reported to Santam's forensic services.

The prize money, awarded again in November 2013, is R50 000.

TRANSFORMATION REPORT

Transformation is a key strategic driver for Santam. In supporting the principles underlying transformation, we contribute to social upliftment, bring in the skills needed for future growth, develop intermediaries, affiliates and portfolio managers that align with these markets and extend our influence to suppliers, business partners and government. Raising the standard of living in the country should also help reduce crime, break-ins and robberies and reduce the number of man-made risks we cover.

How we manage transformation

Santam's transformation strategy is implemented by the transformation subcommittee. This subcommittee comprises senior change agents that address broader transformation issues and is headed by the chief executive officer. The transformation advisory group reports to the transformation subcommittee which is assisted by the National Employment Equity Forum (NEEF) that is responsible for driving employment equity in the group.

The human resources executive head oversees the transformation management function on behalf of the social, ethics and sustainability committee.

The transformation strategy aligns with the requirements of the BBBEE Act, the Department of Trade and Industry Code of Good Practice (dti CoGP) and the financial services sector charter. Transformation progress is tracked during the year and independently verified in terms of the dti CoGP once a year.

The group's verified BBBEE status is level 3 and is valid until 4 August 2014. The activities and initiatives supporting our BBBEE status are set out predominantly in the operational reviews and the stakeholder section of this integrated report.

Santam has been verified in terms of the dti Code for the last three years. However, in future the group will be assessed against the FSC Code only. Below is Santam's expected BBBEE against the FSC criteria.

ELEMENT	WEIGHTING DTI	SCORE 2012 (DTI) VERIFIED	WEIGHTING FSC	SCORE 2012 COMPARATIVE FSC	SCORE 2013 PREDICTED (FSC) UNVERIFIED
Ownership	20.00	19.60	14.00	15.40	15.33
Management control	10.00	7.82	8.00	6.28	6.54
Employment equity	15.00	5.12	15.00	7.02	7.77
Skills development	15.00	12.04	10.00	9.01	8.93
Preferential procurement	20.00	16.97	16.00	12.62	13.31
Enterprise development	15.00	15.00	15.00	15.00	15.00
Socio-economic development	5.00	5.00	3.00	3.00	3.00
Consumer education	n/a	n/a	2.00	2.00	2.00
Access to financial services	n/a	n/a	12.00	–	–
Total	**100**	**81.55**	**95**	**70.33**	**71.88**
Total out of 100		**81.55**	**100**	**74.03**	**75.66**
Contributor level		**3**		**4**	**3**

REMUNERATION REPORT

This report consists of two parts:

- A policy report, explaining the principles Santam employs in managing remuneration.
- An implementation report, which details the results of how the policy is applied in executive remuneration at Santam.

Remuneration philosophy

The company's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the human resources and remuneration committee takes appropriate market benchmarks into account, ensuring an emphasis on pay for performance. This approach helps to attract, engage, retain, and motivate key employees, while ensuring their behaviour remains consistent with Santam's values. The guiding principles for managing remuneration are as follows:

- *Total rewards mindset* – Reward is viewed in a holistic manner comprising a range of monetary (fixed and variable) and non-monetary components.
- *Performance differentiation* – There is a strong differentiation based on performance, particularly for senior specialist and leadership categories of employees where line of sight to strategic imperatives is evident.
- *Manager discretion* – Management discretion is central to Santam's remuneration philosophy and is based on the requirement that reward must always be based on merit.
- *Variable pay component increases with seniority* – The variable pay component of total reward increases with seniority (organisational level), as the ability to impact business results increase. This is reflected in the different quantum of the incentive opportunity offered by the performance bonus plan and long-term incentive scheme on more senior levels compared to more junior employees.
- *Performance aligned with strategy* – Performance is the cornerstone of reward practices and there is clear differentiation between performers and non-performers. The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by the interests of the shareholders, the performance of the company as a whole and the individual's contribution.
- *Risk containment* – Reward plans are structured to mitigate against excessive risk taking.
- *Consistency* – The reward philosophy strives to be both consistent and transparent. Benchmarking is performed annually using consistent and recognised methodologies and the differential market value of various skill groups and roles is reflected in pay practices.
- *Attraction and retention* – The focus is on competitive remuneration practices that attract, engage and retain talent to deliver on the business strategy.

THE COMPANY'S REMUNERATION POLICY ENSURES THAT ALL EMPLOYEES ARE REWARDED FAIRLY AND APPROPRIATELY.

- *Share participation* – Where available, high-performing employees are encouraged to identify with the success of the business through share participation as it establishes a clear link between their personal efforts and the company's longer-term success.
- *Best practice* – Reward packages and people practices are geared to reflect local and international best practice.
- *Benchmarking* – Pay practices are underpinned by globally recognised job and role evaluation processes, enabling us to draw valid comparisons to reputable surveys.
- *Communication* – A range of channels are used to increase employees' understanding of pay practices.
- *Risk management* – Persons who receive equity or equity-linked deferred remuneration are prohibited from hedging their economic exposure to the resultant equity price risk.

Remuneration structure

Total remuneration comprises fixed pay and variable performance-related pay, which is further divided into short-term incentives (with a one-year performance period) and long-term incentives (with three to five year performance periods).

Total guaranteed package (TGP) is a fixed cost for the company, and is set at around median for the relevant market, with a significant proportion of variable performance-related pay to incentivise and reward performance measured over the short term (one year) and long term (three to five years).

Short-term incentives are structured to reward the delivery of annual financial performance balanced with the achievement of strategic priorities, ensuring that the achievement of short-term financial performance is not at the expense of future opportunities.

Long-term incentives are an integral part of the company's approach to competitive performance-based pay, and are aligned with shareholder returns to ensure a clear line of sight between pay and long-term value creation for shareholders.

When determining pay, consideration is given to the total remuneration (being fixed pay plus short-term and long-term incentives) that may be earned for each level of performance. Furthermore, when determining the specific performance measures for each incentive plan, with particular regard to environmental, social and governance issues, to ensure that the incentive arrangements do not inadvertently motivate or reward inappropriate outcomes or excessive risk.

Before the quantum of awards is determined, extensive modelling of the potential outcomes is undertaken, and adjustments made, so that remuneration remains appropriate in all the circumstances.

At the end of each performance period, before any variable payments are confirmed, the remuneration receivable is compared to the expected level of pay for actual performance achieved, to ensure that any payments remain appropriate to overall business performance and shareholder returns.

The table below summarises the structure of Santam's remuneration arrangements:

ELEMENT	PURPOSE	PERFORMANCE PERIOD AND MEASURES	OPERATION AND DELIVERY
Guaranteed package	To compensate the employee for time and competence at a market-related rate, taking into account individual performance and contribution.	Guaranteed package is reviewed annually based on individual performance and market benchmarks.	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits (all benefits are funded from guaranteed package).
Performance bonus (short-term incentives)	To create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. To retain and motivate key talent.	Performance is evaluated annually against contracted deliverables.	Performance is measured at company, business unit and individual level against predetermined performance targets. All bonuses are funded from a central bonus pool, based on financial targets agreed at board level.
Share participation (long-term incentives)	To increase employee motivation and thereby create alignment between employee's interests and shareholder interests. To retain the services of valuable and highly skilled individuals who are performing exceptionally.	Vesting takes place over a five-year period and is subject to certain criteria: – Vesting for all participants is subject to acceptable individual performance in terms of the company's performance rating scale. In addition, for participants with a share multiple exceeding three times annual remuneration package, a company performance hurdle applies: – The company hurdle requires return on capital to exceed the cost of capital by at least 2% for multiples between three and five and 6% for multiples in excess of five.	Awards are made annually based on seniority, performance and contribution. The size of awards aims to maintain an appropriate level of employee retention value.

Alignment of strategy, pay and performance

The company's key strategic drivers aim to deliver a significant return to shareholders compared to other financial industry companies.

Accordingly, the performance measures for executive reward are linked to those same strategic drivers, as captured in the performance contracts of all executive level employees. For the year ended 31 December 2013, the key strategic drivers and performance measures were linked to the group's financial, strategic and leadership targets or indicators derived from the group's strategy.

Service contracts and termination agreements

Executive directors have service contracts with the company, which may be terminated with no less than three months' notice as set out below. Non-executive directors do not have service contracts, but are appointed in terms of formal letter of appointment.

	DATE FIRST APPOINTED TO THE BOARD	NOTICE PERIOD	TERMINATION PAYMENT	RESTRAINT OF TRADE
Executive directors				
Ian Kirk Hennie Nel Yegs Ramiah		3 months 3 months 3 months	Total guaranteed package is paid for the remainder of the notice period. Short-term incentives: Not contractual, but normal practice is to forfeit bonus for the year in which an employee departs due to resignation. If an employee leaves due to retirement, injury, disability, ill health or redundancy, bonus is pro-rated. Long-term incentives: In the event of a voluntarily resignation or a termination on disciplinary grounds or for reasons of poor performance prior to the vesting of the awarded shares, such shares will be forfeited. In the event of retirement, retrenchment, death, or permanent disability, the remaining awarded shares will be deemed to have vested on the date of the termination of services.	Executive directors have a 12-month restraint of trade included in their employment contracts.

The company's practice on service contracts and termination arrangements is set out above. The company's overriding principle is that there should be no reward for failure. The committee's approach, when considering payments in the event of termination, is to take account of the individual circumstances including the reason for termination, any contractual obligations, and the relevant share plan and pension scheme rules.

IMPLEMENTATION REPORT

Role of the human resources and remuneration committee

In terms of the Santam's delegation of authority document, the committee is delegated by the board to perform the following functions and to make recommendations to the board on these issues:

Remuneration policy

- The committee shall oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- The committee deliberates over the principles for the group's remuneration philosophy in line with approved business strategy and objectives, and make recommendations in this regard to the board. The committee reviews not only the remuneration of Exco and employees, but also that of the non-executive directors.
- For company employees, the committee considers the nature and composition of total remuneration packages, consisting of guaranteed income, benefit options available, the choice of benefit service providers, short-term incentives, long-term incentives, retention mechanisms and retirement schemes.
- The committee manages the employment contracts of the executive directors and Exco members so that their terms are compliant with good practice principles.
- The committee uses every endeavour to promote a culture that supports enterprise and innovation with appropriate short and long-term incentives that are based on fair and achievable performance objectives. Performance targets must be stretching, verifiable and relevant and must avoid duplication of performance drivers.
- The committee, in fulfilling its duties, shall give consideration to industry, local and international benchmarks and trends. At all times, it shall pay due attention to succession plans and the retention of key executives.
- Where necessary, the committee shall make recommendations to the board about general (mostly annual) adjustments in remuneration packages and in determining incentives.
- The committee will recommend changes to the level of remuneration packages of the chairman, if full-time, the chief executive officer and individual members of Exco for approval by the board.
- The committee sets performance criteria and recommends performance bonuses for the chief executive officer and Exco. The performance of the chief executive officer and Exco members are considered relative to performance criteria set by the committee, taking into account the prevailing business climate, market conditions and annual evaluations to assess the level of achievement of key predetermined objectives. Bonuses paid to the chief executive officer and Exco members are a reflection of the performance of each individual and the company as a whole. The committee would make the necessary recommendations on the above for approval by the board.

- The committee makes an annual recommendation to the board in respect of non-executive directors' remuneration, for approval by the shareholders.
- The committee assists the board to ensure that the disclosure of directors' remuneration is accurate, complete and transparent.
- The committee oversees the preparation of and recommend to the board the remuneration report, to be included in the integrated report. This report must comply with applicable laws, regulations, or governance codes applicable to the group.

Annual general meeting and shareholders

- The committee will ensure that the chairperson (or in his/her absence, a member) of the committee attends Santam's annual general meeting to answer questions concerning HR policies and practices within the Santam group, and on developments and/or implementation.
- The committee shall ensure that a shareholders' resolution is tabled at each annual general meeting, such resolution to constitute a non-binding advisory vote on the group's remuneration policy, as set out in the remuneration report, and its application over the previous 12 months.
- The committee will be responsible for ensuring that remuneration paid to executive directors will be in accordance with the remuneration policy as set out, and as voted on by the shareholders.

Share-based and other long-term incentives

- The committee regularly reviews the incentives schemes to ensure its continued contribution to shareholder value.
- The committee sets appropriate limits for participation and discloses it to shareholders.
- The committee ensures that the vesting of rights is based on performance conditions measured over a period appropriate to the strategic objectives of Santam.
- The committee guards against highly leveraged schemes, which expose Santam to excessive cost or risk.

Personal expenditure of directors and Exco members

The committee reviews and ratifies an annual report by the audit and assurance function regarding the separation of personal and business expenditure of Santam directors and executives.

Executive directors' emoluments for the year ended 31 December 2013

	Salary R000	Performance bonus* R000	Other benefits R000	Total R000
Executive directors and prescribed officers				
2013				
Paid by the company				
IM Kirk	3 337	2 300	691	**6 328**
HD Nel	2 085	1 100	389	**3 574**
Y Ramiah	2 321	500	12	**2 833**
	7 743	3 900	1 092	12 735
2012				
Paid by the company				
IM Kirk	3 222	2 500	578	**6 300**
HD Nel (appointed 17 September 2012)	685	500	1 612*	**2 797**
Y Ramiah	1 769	1 200	173	**3 142**
MJ Reyneke (resigned as executive director on 17 September 2012)	1 604	1 500	2 262*	**5 366**
	7 280	5 700	4 625	17 605

** HD Nel: Includes retention payment of R1.5 million.*
MJ Reyneke: Includes a restraint of trade payment of R2 million.

Non-executive directors' emoluments for the year ended 31 December 2013

	Directors' fees 2013 R000	Directors' fees 2012 R000
Non-executive directors		
Paid by the company		
B Campbell	**456**	381
MD Dunn	**509**	447
MP Fandeso	**439**	381
BTPKM Gamedze*	**350**	331
GG Gelink	**683**	261
VP Khanyile**	**322**	750
MLD Marole	**404**	397
JP Möller*	**438**	397
YG Muthien*	**–**	188
MJ Reyneke	**1 583**	438
J van Zyl*	**351**	331
BP Vundla	**–**	8
	5 535	4 310
Total directors' remuneration	**18 270**	21 915

** Fees were paid to the holding company, Sanlam Ltd.*
*** Resigned 29 May 2013.*

Total shareholdings of directors

Directors' and prescribed officers' interest in the shares of the company

	Beneficial holding at 31 December 2013	Beneficial holding at 31 December 2012
Executive directors and prescribed officers		
IM Kirk	**2 265**	42 265
HD Nel	**–**	–
Y Ramiah	**100**	100
Non-executive directors		
B Campbell	**100**	100
MD Dunn	**100**	100
MP Fandeso	**103**	103
BTPKM Gamedze	**200**	200
VP Khanyile	**–**	110
JP Möller	**108**	108
GG Gelink	**–**	–
MJ Reyneke (became a non-executive director on 17 September 2012)	**25 771**	56 351
J van Zyl	**108**	108
	28 885	99 545

Shares granted under the deferred share plan to executive directors and prescribed officers

The deferred share plan (DSP), was implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period (refer note 17).

DEFERRED SHARE PLAN (DSP) – DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION

2013	As at 31 December 2012	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2013
Santam shares						
IM Kirk	2 747		(2 747)	176.20	01/06/08	–
	32 882		(16 441)	176.20	01/06/09	16 441
	8 364		(3 346)	176.20	01/06/10	5 018
	10 481				01/06/11	10 481
	6 551				01/06/12	6 551
		19 092			01/06/13	19 092
	61 025	19 092	(22 534)			57 583
MJ Reyneke*	904	–	(904)	169.69	01/06/2008	–
	17 862	–	(17 862)	180.37	01/06/2009	–
	1 195	–	(1 195)	182.49	01/06/2010	–
	930	–	(930)	191.05	01/06/2011	–
	20 891	–	(20 891)			–
HD Nel	15 174				17/09/12	15 174
		625			01/06/13	625
	15 174	625	–	–	–	15 799
Y Ramiah	22 655		(9 061)	176.2		13 594
	1 733					1 733
	659					659
	25 047	–	(9 061)			15 986
TOTAL	122 137	19 717	(52 486)			89 368

** Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

2012	As at 31 December 2011	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2012
IM Kirk	5 212	283	(2 748)	167.00	01/06/08	2 747
	51 928	2 876	(21 922)	167.00	01/06/09	32 882
	7 910	454			01/06/10	8 364
	9 890	591			01/06/11	10 481
		6 551			01/06/12	6 551
	74 940	10 755	(24 670)			61 025
MJ Reyneke*	1 695	91	(1 786)	167.00	01/06/07	–
	1 716	93	(905)	167.00	01/06/08	904
	28 209	1 562	(11 909)	167.00	01/06/09	17 862
	1 130	65			01/06/10	1 195
	878	52			01/06/11	930
	33 628	1 863	(14 600)			20 891
HD Nel	–	15 174			17/09/12	15 174
Y Ramiah	21 425	1 230			01/06/10	22 655
	1 636	97			01/06/11	1 733
		659			01/06/12	659
	23 061	1 986	–			25 047
TOTAL	131 629	29 778	(39 270)			122 137

** Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

2013	As at 31 December 2012	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2013
Sanlam shares						
IM Kirk	55 640		(27 820)	47.04	01/06/09	27 820
	14 375		(5 749)	47.04	01/06/10	8 626
	19 536					19 536
	14 221					14 221
		32 099				32 099
	103 772	32 099	(33 569)			102 302
MJ Reyneke*	1 504	–	(1 504)	46.0	01/06/08	–
	30 224	–	(30 224)	46.0	01/06/09	–
	31 728	–	(31 728)			
HD Nel	32 028					32 028
		1 051				1 051
	32 028	1 051	–	–	–	33 079
Y Ramiah	38 937		(15 575)	47.04	01/06/10	23 362
	3 217					3 217
						–
	42 154	–	(15 575)			26 579
TOTAL	**209 682**	**33 150**	**(80 872)**			**161 960**

** Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

2012	As at 31 December 2011	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2012
IM Kirk	92 736		(37 096)	33.30	01/06/09	55 640
	14 375				01/06/10	14 375
	19 536				01/06/11	19 536
		14 221			01/06/12	14 221
	126 647	14 221	(37 096)			103 772
MJ Reyneke*	2 701		(2 701)	33.30	01/06/07	–
	3 008		(1 504)	33.30	01/06/08	1 504
	50 376		(20 152)	33.30	01/06/09	30 224
	56 085	–	(24 357)			31 728
HD Nel	–	32 028			01/10/12	32 028
Y Ramiah	38 937				01/06/10	38 937
	3 217				01/06/11	3 217
	42 154	–	–			42 154
TOTAL	**224 886**	**46 249**	**(61 453)**			**209 682**

** Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

OUTPERFORMANCE PLAN (OPP)

The Santam Ltd human resources committee has extended an OPP to the Chief Executive Officer to reward superior performance over a five-year measurement period. No payment is made under the OPP unless expected growth in net insurance results over hurdle for the period is exceeded and full payment is only made if the stretch performance targets are met. The maximum payment that can be made under the OPP is 200% of annual guaranteed package over the five-year measurement period.

	Measurement period	Achievement	Reward
IM Kirk	1 January 2010 – 31 December 2014	56%	Final measurement and payment on 1 April 2015

Remuneration received by Santam directors from other Sanlam group companies for services provided to these companies (disclosed in accordance with section 30(5)(b) of the Companies Act 2008).

Emoluments for the year ended 31 December 2013

	Salary R000	Performance bonus* R000	Other benefits R000	Total R000
2013				
JP Möller	3 475	3 700	662	7 837
Y Ramiah	2 597	300	166	3 063
J van Zyl	4 452	–	848	5 300
MJ Reyneke	450	–	–	450
BTPKM Gamedze	2 500	–	–	2 500
	13 474	4 000	1 676	19 150
2012				
JP Möller	3 292	3 200	583	7 075
Y Ramiah	396	–	20	416
J van Zyl	4 502	–	798	5 300
	8 190	3 200	1 401	12 791

** Performance bonus in respect of 2012 paid in 2013 (2011 paid in 2012)*

Deferred share plan
Sanlam shares

	Balance 31 December 2012	Awarded in 2013	Shares vested	Balance 31 December 2013
J van Zyl	163 930	1 975	(108 199)	57 706
JP Möller	189 442	31 271	(56 638)	164 075
Y Ramiah	–	34 391	–	34 391
BTPKM Gamedze	–	61 823	–	61 823
Total	353 372	129 460	(164 837)	317 995

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	289 060	–	(125 130)	163 930
JP Möller	203 525	35 605	(49 688)	189 442
Total	492 585	35 605	(174 818)	353 372

Performance deferred share plan

	Balance 31 December 2012	Awarded in 2013	Shares vested	Balance 31 December 2013
J van Zyl	373 750	4 501	(155 570)	222 681
JP Möller	210 681	34 803	(54 779)	190 705
Y Ramiah	–	32 940	–	82 940
Total	584 431	72 244	(210 349)	446 326

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	470 889	–	(97 139)	373 750
JP Möller	221 502	44 146	(54 967)	210 681
Total	692 391	44 146	(152 106)	584 431

Restricted share plan

	Balance 31 December 2012	Awarded in 2013	Shares vested	Balance 31 December 2013
J van Zyl	908 824	–	(439 152)	469 672
JP Möller	384 963	41 850	(152 086)	274 727
Y Ramiah	–	–	–	–
Total	1 293 787	41 850	(591 238)	744 399

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	1 607 832	–	(699 008)	908 824
JP Möller	556 607	62 093	(233 737)	384 963
Total	2 164 439	62 093	(932 745)	1 293 787

Santam's board recognises and acknowledges that it is accountable for the establishment and maintenance of an effective risk management system, comprising the totality of strategies, policies, and procedures for identifying, measuring, monitoring, managing, and reporting of all material risks to which the group may be exposed, as well as the system of internal control.

Enterprise risk management (ERM) process

Internal control

To enable the directors to meet their responsibilities, management implemented a system of internal control. The internal control system provides the board of directors with reasonable assurance that the business is operated consistently with:

- the strategy as determined by the board of directors;
- the business objectives;
- the policies and processes; and
- the laws and regulations that apply to the group.

The board is supported by the control functions within Santam, which include the internal audit, enterprise and financial risk management, and compliance functions. The functions are reviewed regularly as agreed with the board of directors.

Control opinion

The board reviewed the effectiveness of controls principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Consideration was given to other relevant input, including combined assurance reports, reports from internal and external auditors, compliance and the enterprise risk management process.

Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which include the internal financial controls) occurred during 2013.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring employees are suitably qualified, that there is appropriate segregation of duties, and that appropriate reviews are performed.

The internal financial controls in the most significant accounting cycles in Santam were documented and tested. No significant deficiency was found. Results of this review were reported to executive management and the group audit committee in February 2014. The adequacy and effectiveness of the internal financial controls of the licensed subsidiaries was also documented and tested by internal audit in 2013.

Internal assurance providers

The main internal independent assurance provider in Santam is the internal audit and forensic service (A&FS) business units. Internal audit provides objective and independent assurance to management and the board of Santam, via the audit committee, about risk management, control and governance processes. Internal audit is governed by an internal audit charter, approved by Santam's audit committee, and is reviewed annually. The charter defines the purpose, authority and responsibility of the function.

The head of internal audit reports back at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. The committee operates independently of executive management but has an administrative reporting line to the chief financial officer and unrestricted access to the chief executive officer and/or any other member of executive management.

Internal audit conducts a robust risk-based planning process, which incorporates various criteria to prioritise and classify the subsidiaries, strategic business units and functions in the group. All material subsidiaries and business units are included in the audit universe on a two or three-year cycle.

Outsourced processes were included in the planning process and included in the audit universe, where appropriate.

The annual plan is reviewed regularly to ensure it remains relevant and responsive to changes in the operating environment. The Santam audit committee approves the internal audit plan for the group. Detailed audit plans for subsidiaries with separate licences are approved by their respective finance and risk committees.

Internal audit systematically analysed and evaluated the significant risks and associated controls in the audit universe and, in terms of their agreed scope, they have not identified any material breakdown in internal control.

Internal audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the ever-increasingly demanding corporate governance and regulatory environment, including the requirements of King III and the FSB's solvency assessment and management (SAM) project.

The compliance function is incorporated in the enterprise risk and compliance business unit. The risk committee approves its assurance plan and findings from examinations.

External audit

The external auditors, PricewaterhouseCoopers Inc, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group.

To ensure that there is no duplication of effort, regular liaison takes place with internal audit to understand the scope of their work and the results of their audits.

Santam has a formal pre-approval policy on the use of external auditors for non-audit services. The services rendered by the auditors are monitored by the audit committee on a quarterly basis. Non-audit services rendered by the group's external auditors amounted to R4 million.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman at all times, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity of addressing the audit committee at each of the meetings without management being present.

Other assurance

There is regular interaction and consultation between internal audit and other internal assurance providers, for example, the quality assurance functions in the distribution, claims and underwriting business units, and the compliance officer.

Please refer to "Our stakeholders" on page 18 for more detail regarding Santam's ethical culture.

Risk management

The objective of risk management is to create and protect value for legitimate stakeholders, improve decision-making and contribute to retaining and building Santam's leadership position in terms of financial performance, reputation/brand, market share and the protection of policyholders.

The board also ensures that the risk management and internal control systems are regularly reviewed for effectiveness. While the board is responsible for the overall governance of risk, it is assisted by the risk committee in discharging this responsibility.

The financial risk management function assists in the review and quantification of financial risk. The enterprise risk management function provides independent oversight and systems for the management of all categories of risks. Both these functions have direct reporting lines to the Santam risk committee to ensure independent and objective oversight over risks. An executive risk committee consisting of the chief financial officer, the executive head of risk services, the head of enterprise risk and compliance, the head of financial risk management, and the head of corporate finance has been implemented to assist these functions in the review and challenge of material risks for the group.

SANTAM PROMOTES COLLABORATIVE AND PROACTIVE RISK MANAGEMENT WITH IMPORTANT STAKEHOLDERS.

Executive management remains accountable to the board in ensuring that suitable risk management and internal control processes are embedded and integrated into the strategic and operational management of the company.

Risk management policies and processes were updated to include new legislation and regulatory requirements (especially regarding SAM) and to consider the evolving scope of the group's business. The policies form part of the group's governance framework and encompasses the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all material risks to which the group may be exposed.

Risk monitoring and management is a continuous process. However, to enable transparency and adequate oversight, formalised risk reporting structures and requirements are defined and aligned with the Santam risk committee responsibilities and requirements.

Various processes are implemented to ensure all aspects and categories of risks are covered, assessed and monitored to ensure that risks are managed within the overall Santam board's risk appetite.

The group monitors specific risks on a regular basis through the group risk monitoring framework. Business units are required to disclose to the group risk function all material risks, along with information on likelihood and severity of risks, and the mitigating actions taken or planned. This enables the group to assess its overall risk exposure and to develop a group-wide risk map, identifying any concentration of risk that may exist, and to define which risks and what level of risk the group is prepared to accept. The risk map is reviewed quarterly, and business units are required to escalate material changes intra-quarter.

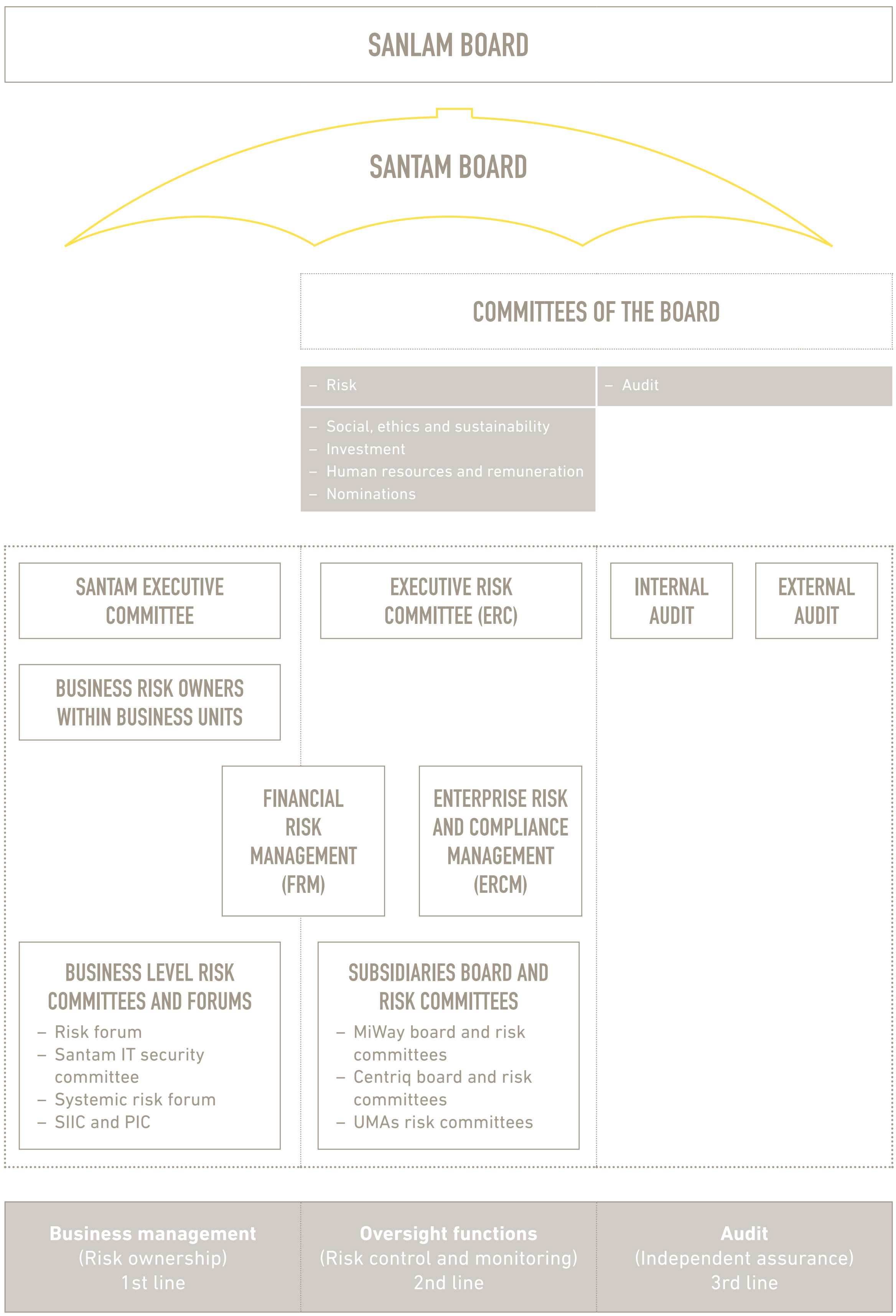
Alignment between risk management and other assurance providers, including internal and external audit, compliance and quality assurance functions, is important to ensure that adequate assurance is provided over significant risks and any gaps identified and addressed. This process is referred to as the "combined assurance process". The combined assurance model documents and summarises the assurance provided over significant risks and are reported and reviewed by the audit committee at least on an annual basis.

The following board committees monitor specific risks with overall oversight and review provided by the risk committee:
- Human resources and risk committee
- Social, ethics and sustainability committee
- Investment committee

Risk disclosure
The integrated ERM process is mature and is applied consistently throughout the group. Having considered independent reviews and maturity assessments presented to the risk committee, the board is confident that the integrated ERM programme is adequate in identifying current and emerging risks and ensuring that these risks are managed appropriately. The most significant risks currently being managed by executive and senior management, together with key initiatives, form part of the material issues as set out on page 16.

Business continuity
A key operational risk, which spans Santam's business, is the potential impact of a major disaster and/or disruption. The group has responded to this threat by continually improving the group-wide business continuity framework to ensure that people are prepared, crisis infrastructure is tested, and meaningful recovery plans are in place. A steering committee is responsible for overseeing, reviewing and monitoring Santam's business continuity capability.

The diagram below represents Santam's risk management organisational structure:



The following diagram illustrates the top risks that the group faced in 2013:

SANTAM'S GROUP RISK THERMOMETER: TOP-DOWN RESIDUAL RISK VIEW

VERY HIGH	No change	Balancing profit and growth to achieve the target margin	Inability to balance profit and growth to achieve our target margin, while retaining market share.
VERY HIGH	No change	Operational capability and change management	Impact of changes (including strategic projects/regulation) on the group's operational capabilities.
VERY HIGH	No change	Effective transition to new technology platforms	Ability to cost-effectively transition to new technology platforms (specifically the replacement of key legacy systems for intermediated businesses).
VERY HIGH	No change	Cost management	Inability to manage cost increases which prevent the realisation of scale benefits and make us less competitive.
VERY HIGH	No change	Geographic diversification introduces new risks	Increased geographic underwriting risk.
VERY HIGH	No change	Underwriting risk (operational)	Underwriting risks on our book through insufficient capturing and quantification of risk attributes and factors, or incorrect pricing of the risk and our ability to establish the appropriate rate for the risk.
HIGH	No change	Transformation and diversity	Inability to transform and embrace diversity within Santam and intermediaries.
HIGH	No change	Political and country	Overexposure to South Africa.
HIGH	↑ Increased ranking	Performance culture	Inability to achieve/maintain a high performance and service culture and execution mindset.
HIGH	↑ Increased ranking	Talent	Inability to attract and retain the desired skills and to develop dynamic leadership.
HIGH	↓ Decreased ranking	Regulatory compliance	Increased cost of compliance and reporting due to the impact of changing regulation.
MODERATE HIGH	↓ Decreased ranking	Reputational damage	Damage to Santam's brand and reputation, both externally to our policyholders and intermediaries, as well as internally to our employees and business partners.
MODERATE HIGH	↓ Decreased ranking	Investment performance	Volatile and unpredictable investment performance affecting solvency and profitability.
MODERATE HIGH	↓ Decreased ranking	Outsourced business (UMAs and intermediaries)	Dependencies on, and risk of, specialised and outsourced business, access to the client and underwriting data, as well as their operational risks.
MODERATE HIGH	↓ Decreased ranking	Overexposure to intermediated distribution channels	Inability to effectively manage the move to multi-channel distribution, hampering the achievement of targets and affecting the growth trajectory of all channels.
MODERATE HIGH	Decreased ranking	Claims leakage	Exposure to claims leakage including claims handling costs and merit assessment.
MODERATE HIGH	Decreased ranking	Reinsurance risk (operational)	Operational risk (people, processes, systems) around placement of facultative cover and accumulation risks.

Key:

- No change
- Increased ranking
- Decreased ranking

The Santam board is responsible for the governance of IT, as recommended by the King III. The board has mandated the executive team to implement the Santam IT governance framework and reporting system to monitor the risks and effective control of IT within the group.

The governance framework is directed by the Santam IT charter, which describes the IT governance mechanisms, principles and responsibilities within the group. The IT charter will be updated to incorporate a summary/overview of the Santam Information Governance Authority (SIGA). Santam IT is also in the process of reviewing and aligning a number of IT policies with Sanlam group policy standards.

SIGA is a new governance forum, established in 2013 and mandated to govern the information management strategy, information management policies, procedures and guidelines. SIGA will facilitate a standard set of corporate-wide data conventions including business rules, data definitions, formulae and will focus on data quality and facilitate the resolution of information issues between systems and business areas.

The group IT strategy aims to develop and implement business application platforms that will enable the overall Santam strategy to deliver products more speedily to the market, reduce Santam's exposure due to incorrect risk calculations, move closer to our partners and clients through different user experience platforms, and reduce the overall operational cost of our contact centres. Furthermore, from a group perspective there is a significant focus from the business to increase operating profit and reduce operational expenses. The IT strategy is also aligned with this strategic focus by reducing the complexity and number of applications within Santam, which should ultimately reduce the total cost of ownership of IT by 2018.

The main challenge for IT during 2013 was to get the business, business change and IT teams in line to deliver quality solutions for strategic programmes within contracted timelines, budget requirements, and agreed scope. Going forward, designing, developing, implementing and supporting IT solutions according to the 2018 application portfolio roadmap and total cost of ownership targets will remain key challenges.

The major IT investments for 2013 and 2014 will remain developing and delivering the three strategic solutions set out in the operational review for Santam Commercial and Personal.

TRIED AND TRUSTED

APPROVAL OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

RESPONSIBILITY FOR AND APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group financial statements of Santam Ltd. 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 financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the summary consolidated financial statements fairly present the financial position, the results of the operations and cash flows in accordance with IAS 34 – Interim Financial Reporting.

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The summary consolidated financial statements have accordingly been prepared on this basis.

The summary consolidated financial statements were approved by the board and signed on their behalf by:

GG GELINK
Chairman
26 February 2014

IM KIRK
Chief Executive Officer

PREPARATION AND PRESENTATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the summary consolidated financial statements was supervised by the Chief financial officer of Santam Ltd, HD Nel. The full set of annual financial statements are published on our website at www.santam.co.za or can be requested from the company secretary.

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

M ALLIE
Group secretary
26 February 2014

INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 108 to 127 of the integrated report, which comprise the summary consolidated statement of financial position as at 31 December 2013, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd the year ended 31 December 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 26 February 2013. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Santam Ltd.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 26 February 2013 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2013, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC
Director Chantel van den Heever
Registered Auditor
Cape Town

26 February 2014

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
ASSETS			
Non-current assets			
Property and equipment		95	99
Intangible assets		1 072	990
Deferred income tax		188	221
Investments in associates		318	261
Financial assets – at fair value through income			
Equity securities	6	4 011	3 551
Debt securities	6	7 306	6 957
Derivatives	6	1	6
Reinsurance assets	7	117	137
Current assets			
Cell owners' interest		15	24
Financial assets – at fair value through income			
Short-term money market instruments	6	1 424	917
Reinsurance assets	7	2 227	1 618
Deferred acquisition costs		369	340
Loans and receivables including insurance receivables	6	2 684	2 088
Income tax assets		31	57
Cash and cash equivalents		2 343	2 471
Non-current assets held for sale	8	415	–
Total assets		22 616	19 737
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		107	107
Treasury shares		(520)	(579)
Other reserves		224	77
Distributable reserves		6 321	5 904
		6 132	5 509
Non-controlling interest		400	108
Total equity		6 532	5 617
LIABILITIES			
Non-current liabilities			
Deferred income tax		315	284
Financial liabilities – at fair value through income			
Debt securities	6	997	1 034
Investment contracts	6	126	83
Cell owners' interest		814	712
Insurance liabilities	7	1 595	1 340
Current liabilities			
Financial liabilities – at fair value through income			
Debt securities	6	24	24
Investment contracts	6	–	12
Derivatives	6	204	–
Financial liabilities – at amortised cost			
Collateral guarantee contracts		82	75
Insurance liabilities	7	9 096	8 318
Deferred reinsurance acquisition revenue		171	147
Provisions for other liabilities and charges		84	161
Trade and other payables		2 561	1 886
Current income tax liabilities		15	44
Total liabilities		16 084	14 120
Total shareholders' equity and liabilities		22 616	19 737

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million	Change %
Gross written premium		20 631	19 386	6%
Less: Reinsurance premium		3 731	3 564	
Net premium		16 900	15 822	7%
Less: Change in unearned premium				
Gross amount		334	323	
Reinsurers' share		(185)	(127)	
Net insurance premium revenue		16 751	15 626	7%
Investment income	9	782	859	(9%)
Income from reinsurance contracts ceded		600	516	
Net gains on financial assets and liabilities at fair value through income	9	449	480	
Net income		18 582	17 481	6%
Insurance claims and loss adjustment expenses		13 807	12 167	
Insurance claims and loss adjustment expenses recovered from reinsurers		(2 200)	(1 488)	
Net insurance benefits and claims		11 607	10 679	9%
Expenses for the acquisition of insurance contracts		2 721	2 540	
Expenses for marketing and administration		2 562	2 349	
Expenses for asset management services rendered		29	31	
Amortisation and impairment of intangible assets		114	116	
Expenses		17 033	15 715	8%
Results of operating activities		1 549	1 766	(12%)
Finance costs		(118)	(106)	
Net income from associates		86	83	
Net loss on sale of associate		(18)	–	
Impairment on net investments and loans of associates		(26)	(43)	
Profit before tax		1 473	1 700	(13%)
Income tax expense	10	(300)	(624)	
Profit for the period		1 173	1 076	9%
Other comprehensive income				
Currency translation differences		143	23	
Total comprehensive income for the period		1 316	1 099	
Profit attributable to:				
– equity holders of the company		1 120	1 027	9%
– non-controlling interest		53	49	
		1 173	1 076	
Total comprehensive income attributable to:				
– equity holders of the company		1 263	1 050	20%
– non-controlling interest		53	49	
		1 316	1 099	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		982	904	8%
Diluted earnings per share		973	895	9%
Weighted average number of shares – millions		114.12	113.56	
Weighted average number of ordinary shares for diluted earnings per share – millions		115.12	114.81	

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	R million	R million
Balance as at 1 January 2012	107	(635)	1 492	5 072	105	6 141
Profit for the period	–	–	–	1 027	49	1 076
Other comprehensive income:						
Currency translation differences	–	–	23	–	–	23
Total comprehensive income for the year ended 31 December 2012	–	–	23	1 027	49	1 099
Sale of treasury shares	–	56	–	–	–	56
Loss on sale of treasury shares	–	–	–	(57)	–	(57)
Transfer to reserves	–	–	(1 438)	1 438	–	–
Share-based payments	–	–	–	50	–	50
Dividends paid	–	–	–	(1 626)	(48)	(1 674)
Interest acquired from non-controlling interest	–	–	–	–	2	2
Balance as at 31 December 2012	107	(579)	77	5 904	108	5 617
Profit for the period	–	–	–	1 120	53	1 173
Other comprehensive income:						
Currency translation differences	–	–	143	–	–	143
Total comprehensive income for the year ended 31 December 2013	–	–	143	1 120	53	1 316
Issue of target shares	–	–	–	–	277	277
Sale of treasury shares	–	59	–	–	–	59
Loss on sale of treasury shares	–	–	–	(60)	–	(60)
Transfer to reserves	–	–	4	(4)	–	–
Share-based payments	–	–	–	106	–	106
Dividends paid	–	–	–	(745)	(37)	(782)
Acquisition of subsidiary	–	–	–	–	(1)	(1)
Balance as at 31 December 2013	**107**	**(520)**	**224**	**6 321**	**400**	**6 532**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
Cash generated from operations		1 616	2 362
Interest paid		(118)	(106)
Income tax paid		(221)	(521)
Net cash from operating activities		1 277	1 735
Cash flows from investing activities			
Cash (utilised in)/generated from investment activities		(945)	935
Acquisition of subsidiary	11	(105)	–
Cash acquired through acquisition of subsidiary	11	15	–
Purchases of equipment		(36)	(63)
Purchases of software		(71)	(31)
Proceeds from sale of equipment		1	1
Acquisition of associated companies		(88)	(6)
Proceeds from sale of associated companies		63	–
Acquisition of book of business		(9)	(81)
Net cash from investing activities		(1 175)	755
Cash flows from financing activities			
Proceeds from issue of target shares		277	–
Increase/(decrease) in investment contract liabilities		29	(17)
Increase/(decrease) in collateral guarantee contracts		7	(39)
Dividends paid to company's shareholders		(745)	(1 626)
Dividends paid to non-controlling interest		(37)	(48)
Net increase in cell owners' interest		111	90
Net cash used in financing activities		(358)	(1 640)
Net (decrease)/increase in cash and cash equivalents		(256)	850
Cash and cash equivalents at beginning of period		2 471	1 598
Exchange gains on cash and cash equivalents		128	23
Cash and cash equivalents at end of period		2 343	2 471

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd Listings Requirements and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require summary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2013:

- Amendment to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Revised IAS 28, Investments in Associates and Joint Ventures

There was no material impact on the summary consolidated financial statements identified based on management's assessment of these standards.

3. Estimates

The preparation of summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2012.

4. Risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management policies since the previous year-end.

5. Segment information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer, supported by the group executive committee.

The group consists of two core operating segments, i.e. insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and comprise commercial insurance, personal insurance and alternative risks. Insurance activities are also further analysed by insurance class. The performance of insurance activities is based on gross written premium as a measure of growth; with net underwriting result and net insurance result as measures of profitability.

Investment activities are all investment-related activities undertaken by the group. Investment activities are measured based on net investment income and net income from associated companies.

Given the nature of the operations there is no single external client that provides 10% or more of the group's revenues.

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay and the Santam BEE transaction costs are unrelated to the core underwriting, investment or strategic diversification performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of gross written premium and non-current assets and liabilities are based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and target shares (included in financial instruments).

5.1 For the year ended 31 December 2013

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	20 631	942*	–	21 573
Gross written premium	20 631	–	–	**20 631**
Net written premium	16 900	–	–	**16 900**
Net earned premium	16 750	–	–	**16 750**
Claims incurred	11 607	–	–	**11 607**
Net commission	2 121	–	–	**2 121**
Management expenses	2 545	–	–	**2 545**
Underwriting result	477	–	–	**477**
Investment return on insurance funds	374	–		**374**
Net insurance result	851	–	–	**851**
Investment income net of management fee and finance costs	–	710	–	**710**
Income from associates net of impairment and losses on sale	–	42	–	**42**
MiWay DBP and Santam BEE transaction costs	–	–	(30)	**(30)**
Amortisation of intangible assets	(100)	–	–	**(100)**
Income before taxation	751	752	(30)	1 473

** Finance cost is not included in 2013 revenue.*

Insurance activities

The group's insurance activities are spread over various classes of short-term insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	316	50
Alternative risk	1 931	2
Crop	831	(142)
Engineering	1 010	210
Guarantee	43	11
Liability	1 194	119
Miscellaneous	47	2
Motor	8 887	199
Property	5 832	(2)
Transportation	540	28
Total	**20 631**	**477**
Comprising:		
Commercial insurance	10 697	520
Personal insurance	8 003	(45)
Alternative risk	1 931	2
Total	**20 631**	**477**

Investment activities

For detailed analysis of investment activities refer to notes 6 and 8.

5.2 For the year ended 31 December 2012

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	19 386	858	–	**20 244**
Gross written premium	19 386	–	–	**19 386**
Net written premium	15 822	–	–	**15 822**
Net earned premium	15 626	–	–	**15 626**
Claims incurred	10 679	–	–	**10 679**
Net commission	2 024	–	–	**2 024**
Management expenses	2 300	–	–	**2 300**
Underwriting result	623	–	–	**623**
Investment return on insurance funds	415	–	–	**415**
Net insurance result	1 038	–	–	**1 038**
Investment income net of management fee and finance costs	–	787	–	**787**
Income from associates	–	40	–	**40**
MiWay DBP and Santam BEE transaction costs	–	–	(57)	**(57)**
Amortisation of intangible assets	(108)	–	–	**(108)**
Income before taxation	930	827	(57)	**1 700**

Insurance activities
The group's insurance activities are spread over various classes of short-term insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	286	10
Alternative risk	2 103	(7)
Crop	687	38
Engineering	860	158
Guarantee	40	8
Liability	1 227	206
Miscellaneous	23	6
Motor	8 361	89
Property	5 291	32
Transportation	508	83
Total	**19 386**	**623**
Comprising:		
Commercial insurance	9 660	767
Personal insurance	7 623	(137)
Alternative risk	2 103	(7)
Total	**19 386**	**623**

Investment activities
For detailed analysis of investment activities refer to notes 6 and 8.

5.3 Geographical analysis

	Gross written premium		Non-current assets	
	2013 R million	2012 R million	2013 R million	2012 R million
South Africa[1]	**19 585**	18 665	**1 393**	1 310
Rest of Africa[2]	**845**	695	**117**	40
South East Asia and India	**123**	18	**484**	–
China	**78**	8	**–**	–
Group total	**20 631**	19 386	**1 994**	1 350

[1] *Included all gross written premium managed by specialist business units.*
[2] *Included gross written premium relating to Santam Namibia of R812 million (2012: R682 million).*

6. Financial assets and liabilities

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
The group's financial assets are summarised below by measurement category.		
Financial assets at fair value through income	**12 742**	11 431
Loans and receivables	**2 684**	2 088
Total financial assets	**15 426**	13 519

Financial assets and liabilities at fair value through income – fair value estimation

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2012. The different levels have been defined as follows:

– **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
– **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
– **Level 3:** Input for the asset or liability that is not based on observable data (that is, unobservable input)

There were no transfers between the different levels defined above during the period.

All derivative instruments are classified as investments held for trading. The rest of the investment portfolio is designated as financial assets at fair value through income based on the principles that the entire portfolio is managed on a fair value basis.

Financial assets at fair value through income

December 2013	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 350	–	–	3 350
Unitised funds	–	130	–	130
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	529	529
Total equity securities	3 352	130	529	4 011
Debt securities				
Quoted				
Government and other bonds	1 607	178	–	1 785
Redeemable preference shares	–	288	–	288
Money market instruments > 1 year	–	1 636	–	1 636
Unquoted				
Government and other bonds	–	54	–	54
Money market instruments > 1 year	–	3 520	–	3 520
Redeemable preference shares	–	–	23	23
Total debt securities	1 607	5 676	23	7 306
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 424	–	1 424
	4 959	7 230	553	12 742

December 2012	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 183	–	–	3 183
Unitised funds	–	94	–	94
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	272	272
Total equity securities	3 185	94	272	3 551
Debt securities				
Quoted				
Government and other bonds	1 644	87	–	1 731
Redeemable preference shares	–	275	–	275
Money market instruments > 1 year	–	1 513	–	1 513
Unquoted				
Government and other bonds	–	31	–	31
Money market instruments > 1 year	–	3 378	–	3 378
Redeemable preference shares	–	–	29	29
Total debt securities	1 644	5 284	29	6 957
Derivatives				
Interest rate swaps	–	–	6	6
Total derivatives	–	–	6	6
Short-term money market instruments	–	917	–	917
	4 829	6 295	307	11 431

In the current year, the unquoted equity instruments recognised as level 3 instruments consist mainly of the participation instruments issued by Sanlam Emerging Markets (Pty) Ltd (SEM). The prior year balance consisted mainly of the investment in Cardrow Insurance Ltd, which has been classified as held for sale.

In December 2013 Santam subscribed in separate classes of target shares issued by SEM, with each separate class linked to a participatory interest in the target companies listed below. The total fair value of these investment at year-end was R528 million.

a) A 15.4% interest in the fair value of Pacific & Orient Insurance Co. Berhad (P&O), incorporated in Malaysia. P&O is a niche short-term insurer based in Kuala Lumpur, Malaysia.

b) A 7.0% interest in the fair value of Shriram General Insurance Company Ltd (SGIC), incorporated in India. SGIC is the short-term insurance business of the Shriram Group, a financial conglomerate based in India. SGIC is positioned to be a market leader in motor insurance.

c) An 18.6% interest in the fair value of BIHL Insurance Company Ltd (BIHL Sure), incorporated in Botswana. BIHL Sure is a subsidiary of Botswana Insurance Holdings Ltd, a company listed on the Botswana Stock Exchange. BIHL Sure is a start-up short-term insurer providing a variety of insurance products.

d) An 8.7% interest in the fair value of the short-term insurance subsidiaries of NICO Holdings in Malawi, Zambia and Uganda, and 5.7% in Tanzania (collectively the NICO subsidiaries), following the disposal of Santam's direct interest in NICO Holdings in terms of the NICO Holdings transaction. The NICO subsidiaries offer predominantly personal and commercial insurance products.

Santam previously held an entitlement to participate in the appreciation of SGIC above agreed minimum hurdle rates through a preference share issued by SEM, and which has been redeemed at SEM's election and paid a dividend of R51 million. Santam will now, in terms of the participation transaction, participate in 7.0% of the economic benefits of SGIC.

The net fair value movements recognised on level 3 instruments amounted to -R196 million for the year ended 31 December 2013 (2012: -R176 million).

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R108 million (2012: R110 million) of fixed interest securities 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 30 September 2016 and 10 June 2017.

Financial liabilities at fair value through income

December 2013	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 021	–	–	1 021
Investment contracts	–	126	–	126
Derivatives – Fence structure	–	–	204	204
	1 021	126	204	1 352
December 2012				
Debt securities	1 058	–	–	1 058
Investment contracts	–	95	–	95
	1 058	95	–	1 153

During 2007, the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranche of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date is 15 September 2017. Between the optional redemption date and final maturity date of 15 September 2022, a variable interest rate (JIBAR-based plus additional margin) will apply.

Per the conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income.

During the first half of 2013, Santam entered into three derivative fence structures on 28 March 2013, 3 April 2013 and 8 May 2013 covering equities to the value of R700 million, R700 million and R600 million respectively. The implementation level of the first tranche was 7593 (SWIX40 index) with downside protection of 10% from a market level of 7441 and upside participation of 9.7%. The implementation level of the second tranche was 7515 with downside protection of 10% from a market level of 7365 and upside participation of 9.6%. The implementation level of the third tranche was 7694 with downside protection of 10% from a market level of 7540 and upside participation of 9.5%. The upside participation is calculated from the implementation level and the average duration of the structures is 12 months.

At 31 December 2013, the SWIX40 index closed at 9000 and the structures had a fair value of negative R204 million.

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
7. Insurance liabilities and reinsurance assets		
Gross		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	–
– claims incurred but not reported	22	14
Short-term insurance contracts		
– claims reported and loss adjustment expenses	5 520	4 948
– claims incurred but not reported	1 427	1 311
– unearned premiums	3 719	3 385
Total insurance liabilities – gross	10 691	9 658
Non-current liabilities	1 595	1 340
Current liabilities	9 096	8 318
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	1	–
– claims incurred but not reported	4	2
Short-term insurance contracts		
– claims reported and loss adjustment expenses	1 315	977
– claims incurred but not reported	207	192
– unearned premiums	817	584
Total reinsurers' share of insurance liabilities	2 344	1 755
Non-current assets	117	137
Current assets	2 227	1 618
Net		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	2	–
– claims incurred but not reported	18	12
Short-term insurance contracts		
– claims reported and loss adjustment expenses	4 205	3 971
– claims incurred but not reported	1 220	1 119
– unearned premiums	2 902	2 801
Total insurance liabilities – net	8 347	7 903

8. Non-current asset held for sale

Santam Ltd initially set-up the Santam International Group to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd and Beech Hill Insurance Ltd, respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2013. This process is expected to be concluded during 2014.

Once the assets have been realised, management will commence a process to unwind the Santam International group. The investment in Santam International as well as the loan to Santam International have therefore been classified as current assets on a company level. The completion of the unwinding process is subject to Regulatory approval.

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
Assets that are classified as held for sale		
Financial assets – at fair value through income		
Equity securities	299	–
Loans and receivables including insurance receivables	116	–
	415	–

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process. It was therefore also recognised within level 3 of the fair value hierarchy.

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
9. Investment income and net gains/(losses) on financial assets and liabilities at fair value through income		
Investment income	782	859
Dividend income*	177	342
Interest income	514	503
Foreign exchange differences	91	14
Net realised gains on financial assets	368	358
Net fair value gains/(losses) on financial assets designated as at fair value through income	240	360
Net fair value gains/(losses) on financial assets classified as held for sale	13	(166)
Net fair value losses on short-term money market instruments	(3)	–
Net realised/fair value (losses)/gains on derivatives	(209)	5
Net fair value gains on financial liabilities designated as at fair value through income	40	(77)
Net fair value gains/(losses) on debt securities	37	(70)
Net fair value gains/(losses) on investment contracts	3	(7)
	1 231	1 339

** 2012 dividend income includes a dividend of R181 million from Santam's International run-off business.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
10. Income tax		
South African normal taxation		
Current year	259	499
Charge for the year	258	360
STC	1	139
Prior year	(4)	10
Recovered from cell owners	(66)	(66)
Foreign taxation	40	38
Income taxation for the year	229	481
Deferred taxation	74	143
Current year	75	139
STC	–	4
Prior year	(1)	–
Income tax recovered from cell owners	(3)	–
Deferred taxation for the year	71	143
Total taxation as per statement of comprehensive income	300	624
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjust for		
– Exempt income	(3.4)	(2.6)
– Investment results	(2.0)	(3.2)
– Change in CGT inclusion rate	–	4.7
– STC	0.1	8.4
– Disallowable expenses	0.9	1.0
– Income from associates	(1.6)	(0.7)
– Prior year (overs)/unders	(0.3)	0.6
– Other	(1.3)	0.5
Net (reduction)/increase	(7.6)	8.7
Effective rate	20.4	36.7

11. Business combinations

2013

Additions

Travel Insurance Consultants (Pty) Ltd

Santam Ltd has acquired 100% of the shareholding in Travel Insurance Consultants (Pty) Ltd (TIC) with effect from 1 June 2013. TIC is one of the leading travel insurance underwriting managers and have been in operation for over 25 years. The purchase price amounted to R95 million. The goodwill of R76 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R16 million, brandname of R1 million and an additional deferred tax liability of R6 million were recognised on acquisition.

	At 31 Dec 2013 R million
Details of the assets and liabilities acquired at fair value are as follows:	
Intangible assets	22
Loans and receivables (including tax receivables)	1
Cash and cash equivalents	15
Deferred taxation	(7)
Trade and other payables	(12)
Net asset value acquired	19
Goodwill	76
Purchase consideration paid	95

Beyonda Group (Pty) Ltd

Centriq Insurance Holdings Ltd acquired the additional 51% of the shareholding in Beyonda Group (Pty) Ltd for an amount of R8 million with effect 1 March 2013. Intangible assets of R15 million, net assets of R1 million as well as a profit on the sale of the investment in associate previously held of R1 million was recognised. The fair value of the investment in associate previously held was R7 million.

2012

Additions

Riscor Underwriting Managers (Pty) Ltd

The group acquired 100% of Riscor Underwriting Managers (Pty) Ltd (Riscor) on 1 September 2012 for a nominal amount. Riscor acquired from Topexec Management Bureau (Pty) Ltd and Combined Administration Management Services (Pty) Ltd their broker administration businesses, comprising fixed assets and intangible assets on 1 September 2012 and 1 November 2012 respectively. The merged Riscor entity will operate as an independent administration business.

The total purchase price amounted to R29 million. Intangible assets of R39 million and deferred taxation of R10 million were recognised. Net operating assets amounted to approximately R1 million.

Disposals

Stilus Underwriting Managers (Pty) Ltd

On 1 January 2012, the Santam group sold its 60% interest in Stilus Underwriting Managers (Pty) Ltd.

	At 31 Dec 2012 R million
Details of the assets and liabilities sold are as follows:	
Deferred taxation	(2)
Trade and other payables	4
Net asset value sold	2
Plus: Non-controlling interest	(2)
Purchase consideration received	–

	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	1 120	1 027
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Earnings per share (cents)	982	904
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	1 120	1 027
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Adjusted for share options	1.00	1.25
Weighted average number of ordinary shares for diluted earnings per share (million)	115.12	114.81
Diluted basic earnings per share (cents)	973	895
Headline earnings per share		
Profit attributable to the company's equity holders	1 120	1 027
Adjust for:		
Impairment on net investment and loans of associates	26	43
Impairment of goodwill	5	35
Impairment of software	–	25
Net loss on sale of investment in associate	18	–
Tax charge	9	–
Headline earnings (R million)	1 178	1 130
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Headline earnings per share (cents)	1 033	995
Diluted headline earnings per share		
Headline earnings (R million)	1 178	1 130
Weighted average number of ordinary shares for diluted earnings per share (million)	115.12	114.81
Diluted headline earnings per share (cents)	1 023	984
13. Dividends per share		
Dividend per share (cents)	675	640

(I) ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	908	16.42%	65 300	0.05%
101 – 1 000 shares	2 864	51.78%	1 217 887	1.02%
1 001 – 50 000 shares	1 684	30.45%	8 811 262	7.38%
50 001 – 100 000 shares	28	0.51%	1 931 769	1.62%
100 001 – 10 000 000 shares	44	0.80%	27 176 476	22.77%
More than 10 000 000 shares	2	0.04%	80 143 723	67.16%
Total	5 530	100.00%	119 346 417	100.00%
Type of shareholder				
Individuals	3 716	67.20%	3 869 592	3.24%
Companies	434	7.84%	90 094 862	75.49%
Growth funds/unit trusts	108	1.95%	10 359 396	8.68%
Nominee companies or trusts	1 196	21.63%	3 891 821	3.26%
Pension and retirement funds	76	1.38%	11 130 746	9.33%
Total	5 530	100.00%	119 346 417	100.00%

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
Shareholder spread	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	5 361	25.76%	155	1	5 516	28.52%
Directors	10	0.14%	–	–	10	0.14%
Trustees of employees' share scheme	1	0.00%	–	–	1	0.00%
Holdings of 5% or more	3	74.10%	–	–	3	71.34%
Sanlam Ltd	1	60.07%	–	–	1	57.83%
Central Plaza Investments 112 (Pty) Ltd*	1	9.71%	–	–	1	9.35%
Guardian National Insurance Ltd**	1	4.32%	–	–	1	4.16%
Total	5 375	100.00%	155	100.00%	5 530	100.00%

The analysis includes the shares held as treasury shares.

* *BEE special-purpose company*
** *Owner of treasury shares*

(II) ANALYSIS OF DEBT SECURITY HOLDERS

	Number of debt security holders	% of total debt security holders	Number of units	% Interest
Analysis of debt security holders				
1 – 50 000 units	–	0.00%	–	0.00%
50 001 – 100 000 units	3	3.19%	283 300	0.03%
100 001 – 1 000 000 units	32	34.04%	19 263 000	1.93%
1 000 000 – 10 000 000 units	43	45.75%	174 412 433	17.44%
More than 10 000 000 units	16	17.02%	806 041 267	80.60%
Total	94	100.00%	1 000 000 000	100.00%
Type of debt security holder				
Intermediaries	2	2.13%	53 597 700	5.36%
Endowment funds	5	5.32%	13 458 600	1.35%
Insurance companies	11	11.70%	338 792 800	33.88%
Medical aid schemes	2	2.13%	1 150 000	0.12%
Mutual funds	35	37.23%	210 033 900	21.00%
Nominees and trusts	2	2.13%	1 490 000	0.15%
Pension funds	34	36.17%	355 667 000	35.56%
Private companies	3	3.19%	25 810 000	2.58%
Total	94	100.00%	1000 000 000	100.00%

	Debt security holders in South Africa	
Debt security holder spread	Nominal number	% Interest
Government Employees Pension Fund	215 996 877	21.60%
Old Mutual Life Assurance Company (South Africa) Ltd	145 051 400	14.51%
Momentum Group Ltd	125 000 000	12.50%
RMB Capital Markets	53 500 000	5.35%
Other	460 451 723	46.04%
Total	1 000 000 000	100.00%


PROTECTIVE
AND PRACTICAL

acquisition costs	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premium and referred to as the acquisition cost ratio.
BBBEE	broad-based black economic empowerment
binder	An authority issued by an insurer to another party to: enter into, vary or renew a short-term policy on behalf of that insurer; determine the wording of a short-term policy; determine premiums under a short-term policy; determine the value of policy benefits under a short-term policy; or settle claims under a short-term policy.
catastrophe (short-term)	Fire, earthquake, windstorm, explosion and other similar events that result in substantial losses.
cell captive insurer	An insurer that is structured with separate independent cells. The assets and liabilities of the cells are ringfenced. Profits and losses from business introduced by the cell owner to the insurer are attributable to the cell owner.
churn rate	The proportion of policyholders who leave a supplier during a given time period.
claim (short-term)	A demand in the insurer for indemnification for a loss incurred from an insured peril.
claims incurred	Claims cost for an accounting period made up of: – claims paid for the period, including claims handling expenses, – less outstanding claims at the end of the preceding accounting period, including IBNR, plus outstanding claims at the end of the current accounting period, including IBNR.
claims incurred but not reported (IBNR)	Claims resulting from events which have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
claims ratios	Ratios expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is taken into account. Also referred to as loss ratios.

CPI	consumer price index
CSI	corporate social investment
deferred acquisition costs (DAC)	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's statement of financial position.
earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
ERM	enterprise risk management
ESG	environmental, social and governance
FAIS	Financial Advisory and Intermediary Services
FSB	The Financial Services Board, the regulator of insurance companies in South Africa.
GDP	gross domestic product
GRI	Global Reporting Initiative
gross written premiums	Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustment to premiums from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
IFRS	International Financial Reporting Standards
intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
loss ratio	Refer to "claims ratios".
net written premiums	Gross premiums written or received on all business less return premiums and premiums ceded to reinsurers.
reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured.
short-term insurance	Defined in the Short-term Insurance Act as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
Solvency assessment management (SAM)	The project launched by the FSB to develop a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards and specifically the Solvency II initiative under way in Europe.

SBI	Sustainable Business Initiative
SEM	Sanlam Emerging Markets
solvency margin	Is a measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
TCF	Treating Customers Fairly
UMA	Underwriting management agencies
underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, to change the proper premium for each.
underwriting cycle	The regular pattern of rising profits and increasing premiums and reduced profits/losses, and decreased premiums experienced in short-term insurance. The cycle starts when insurers' underwriting standards become more stringent and premiums increase. This happens once underwriting losses reach unacceptable levels.
underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.
UNEP FI	United Nations Environment Programme Finance Initiative
WMO	World Meteorological Organization

Santam's 2013 integrated report is the result of combined input from all the different business units reporting on their activities and achievements for the year. Our external auditors, PricewaterhouseCoopers Inc, provide assurance over the abridged financial statements included in this report. Data relating to transformation and broad-based black economic empowerment (BBBEE) have been verified by AQRate and is valid until 4 August 2014 (see http://www.santam.co.za/about-us/sustainability for the certificate).

Santam's 2013 carbon footprint will be verified by Ernest & Young and the assurance statement will be available by 31 March 2014. (see www.santam.co.za for the verification statement).

Santam has not obtained full independent third-party assurance on the other non-financial data included in the report. However, internal audit carried out verification in accordance with the professional standards of the Institute of Internal Auditors. The internal audit team followed an internal review process that includes approval by management, the executive team and the board and its committees. See the risk management report on page 96 for more detail on Santam's approach to combined assurance.

The 2013 integrated report was reviewed by the Santam audit committee and recommended for approval to the board that provided final approval. Therefore, we believe that this report offers stakeholders the necessary basis to make considered evaluations of the performance and sustainability of the company.

NON-EXECUTIVE DIRECTORS

B Campbell, MD Dunn, MP Fandeso, BTPKM Gamedze, GG Gelink (chairman), MLD Marole, JP Möller, MJ Reyneke, J van Zyl

EXECUTIVE DIRECTORS

IM Kirk (Chief Executive Officer), HD Nel (Chief financial officer), Y Ramiah

SPONSOR

Investec Bank Ltd

TRANSFER SECRETARIES

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COMPANY SECRETARY

Masood Allie

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Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM

INSURANCE GOOD AND PROPER

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