



**2021  
REMUNERATION  
REPORT**

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# PART 1: REPORT FROM THE HUMAN RESOURCES AND REMUNERATION COMMITTEE CHAIR

## BACKGROUND STATEMENT

During 2021, the Covid-19 pandemic continued to have a marked impact on our business, our people, our country and the world. Our Santam family has sadly not been spared from the devastation of the pandemic and we have tragically lost colleagues. The pandemic and lockdown have brought about significant physical, psychological, and emotional stress on many of us. The effects of the pandemic were further exacerbated by the social unrest and looting in KwaZulu-Natal (KZN) and Gauteng.

Despite these unprecedented challenges, Santam continued to deliver its promise of **Insurance good and proper** to its clients, stakeholders and society as a whole, producing a solid set of financial results for 2021.

This achievement is as result of the skill, expertise and unwavering commitment of our people. In addition to our pleasing financial results, our people contributed to the following highlights during 2021, namely:

- We celebrated 103 years of successful business in May and continue to deliver results to our shareholders, business partners and for our people and country.
- We have rallied around our clients and focused on paying Contingent Business Interruption (CBI) claims so that those businesses affected by lockdown could continue to operate and contribute to the South African economy.
- In response to the social unrest and looting, Santam worked closely with the SAIA and Sasria to ensure claims are settled promptly so that affected businesses could start rebuilding.
- We continued our investment in technology and digitisation which is enhancing the service to our clients and intermediaries.
- We launched the 2021 Santam Insurance Barometer which measures the concerns of the general insurance market. Extensive research was conducted among various stakeholders including 150 intermediaries, 400 corporate and commercial entities and 401 personal insurance consumers to better understand what is happening in the market and to determine the opportunities that exist for insurers and intermediaries.
- As part of the Global Entrepreneurship Week, Santam kicked off the second edition of SA's Most Loved Local, our popular initiative that celebrates Small and Medium Enterprises (SME's) entrepreneurial successes (both small and big).

Our people remain our most treasured asset without whom we cannot deliver our promise. It is for this reason that our leaders (with the support of our Human Resources Team) continued to lead with empathy. We implemented an enhanced and digitally-enabled wellness programme to support employees and their families. Our leaders and peers were empowered through our recognition programme (Applause) to reward those who have in the face of ambiguity and adversity continued to deliver Insurance Good and Proper with passion, humanity, integrity, excellence, innovative thinking, and tenacity. We partnered with Skillsoft, a leading e-learning provider, to bring a modern learning experience for all our employees and development opportunities for all our employees.

These initiatives were well received by our employees and reflected positively in our improved 2021 engagement results, showing that we have a highly engaged workforce who would recommend Santam as a place to work to their friends and families. We participated in the 2021 Barret Culture survey for the second consecutive year in order to understand how our employees experience our organisational culture, and for us to identify the behaviours and values that we need to build on for our future culture. We achieved an improved culture score which shows that our people continue to experience our culture in a positive manner. Finally, Santam once again participated in the Top Employer certification process. The Top Employer certification celebrates excellence in employment practices and is bestowed on those organisations which lead the way in outstanding "people-first" HR practices. The Top Employer certification process is a voluntary submission to a rigorous assessment of all employee-related practices in our HR value chain. Each company is measured against a set of best practice benchmarks to determine whether it qualifies to be certified as a Top Employer within its industry and within the geographical locations in which it does business. Santam not only achieved Top Employer certification for the sixth consecutive year, but was recognised in the top 20 certified employers in South Africa with a ranking of 18. Furthermore, Santam was the only insurance and financial services company in the South African top 20.

As we embark on a new year, we will continue to support our employees as they navigate the new world of work, so that they can continue to deliver insurance good and proper to our clients, intermediaries and stakeholders.

## REFLECTING ON 2021 FINANCIAL PERFORMANCE

Santam's solid financial results are testament to the expertise of its people, the agility of its strategy and the strength of its brand.

We achieved good profitability, exceeding our net insurance result targets. Growth, however, was under pressure in a very difficult economic environment, which led to the marginal underachievement of the growth targets. The group achieved a return on capital (ROC) of 28.5%, well above the medium-term target of 24%. The full financial and strategic results are explained in detail in our integrated report and relevant aspects are highlighted later in this report.

Our 2021 remuneration decisions and the 2022 forward-looking policy align directly with the business strategy and the performance of the past year.

## 2021 REMUNERATION OUTCOMES AND DECISIONS

- **Total Guaranteed Pay (TGP):** In April 2021, pay increases were generally frozen for senior and executive employees in response to the effects of the pandemic on the business, with inflationary and performance-based increases awarded to junior employees. For 2022, a general 5.25% increase on the guaranteed pay base is mandated, with adjustments and differentiation for market corrections and performance.
- **Performance Bonuses:** The bonus outcomes for 2021 reflect performance relative to business scorecards set, with higher reward in areas where there was out-performance. Details of targets and achievement are outlined on pages 16 and 17 of this report.
- **Long Term Incentives (LTIs)**
  - **Santam and Sanlam PDSP:** The outcome of the ROC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2021 in relation to the three LTI tranches (2016, 2017 and 2018) of the Santam PDSP. For Sanlam PDSPs purposes (small number of legacy shares held by certain Exco members), as we reported in last year's report, for all performance shares, financial year 2020 is removed and replaced by financial year 2021. Therefore, all performance share tranches have an added year of measurement. The first and second tranche of the historic 2016 PDSP award vested in June 2021. The unvested PDSPs (eligible for vesting in 2022) will be measured and finalised in June 2022. Details of performance targets and achievement are outlined on pages 17 and 18 of this report.
  - **Santam and Sanlam DSP:** The executive directors' scorecard achievements were evaluated over the DSP performance periods for 2021. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Santam business strategy. In June 2021, DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs are related to awards made in 2016, 2017 and 2018. Further details are outlined on pages 17 and 18 of this report.

## EXECUTIVE CHANGES

As communicated at the end of 2021, Lizé Lambrechts will retire as chief executive officer of Santam on 30 June 2022 with Tava Madzinga, a highly seasoned leader, being appointed into this role.

All appointments and terminations were treated in accordance with the approved remuneration policy insofar as it relates to on-appointment arrangements, vesting and forfeiture of incentives.

## KEY POLICY CHANGES

To ensure that Santam is aligned with industry best practice, a review against peer companies was conducted to benchmark the Minimum Shareholding Requirement (MSR) for Exco members. The review indicated that the Santam levels are below market on all the levels and the minimum requirement was therefore adjusted to align to the comparator group benchmarks. Further details are disclosed on pages 14 and 19 of this report.

## SHAREHOLDER ENGAGEMENT INITIATIVES

In terms of King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)\*, the company should obtain the endorsement of its shareholders relating to the company’s Remuneration policy and the Implementation report of this policy at the annual general meeting (AGM). If more than 25% of the total votes cast by the shareholders present and by proxy is against either resolution, the company will issue an announcement on SENS inviting shareholders who voted against the resolution to meet with the chair of HRRC. The process to be followed will be set out on SENS if applicable.

At the 2021 AGM (relating to the 2020 financial year), our remuneration policy received a positive vote of **90.56%**, while our Implementation Report received a positive vote of **90.31%**.

See the summary below of shareholder voting outcomes over the past three years.

	For	Against
AGM in respect of 2020 Remuneration Policy	90.56%	9.44%
AGM in respect of 2020 Implementation Report	90.31%	9.69%
AGM in respect of 2019 Remuneration Policy	97.41%	2.59%
AGM in respect of 2019 Implementation Report	97.52%	2.48%
AGM in respect of 2018 Remuneration Policy	91.24%	8.76%
AGM in respect of 2018 Implementation Report	87.64%	12.36%

The human resources and remuneration committee (HRRC) welcomes ongoing engagement with shareholders and extends a standing invitation to shareholders for engagement with us on our remuneration policy and the implementation thereof throughout the year.

We also actively strive to incorporate our remuneration policy approach and the link to business strategy in our shareholder roadshows and dialogues.

Below is a summary of the feedback/key areas discussed and Santam’s proposed actions aligned to market best practice:

Feedback	Response
Weightings and not actual performance measures of the Short-term Incentive (STI) plan was disclosed.	The nature of the performance targets is disclosed below the table on page 17. Where appropriate and to the extent it does not prejudice the company, retrospective minimum and maximum targets have been included.
Minimum hurdle rate for the PDSP reduced.	For the LTI scheme – the revised threshold change to 16% (20% prior year), was to recognise the adverse economic climate, low interest rates, the impact of Covid-19 and the inherent volatility of earnings. Please note that full vesting will still only occur if the average ROC of 24% is achieved over the period.
Discretionary bonuses paid even when profit hurdle not met	The HRRC-approved STI discretionary pool was largely applied to the junior employees. This is because our junior employees do not qualify for an automatic thirteenth cheque and the discretionary bonus pool was used to give our junior employees (who are most vulnerable to the Covid-19 impact) up to a thirteenth cheque in a very difficult year.  In exceptional cases, the pool was used to aid retention of key and very high-performing senior employees. Santam Exco members did not receive any bonuses at all. The discretionary bonus pool was largely funded from bonus reserves from prior years.
Financial metrics for the 2020 DSP vesting measurement was excluded.	2020 was an outlier event where Santam’s financial performance was heavily impacted by a CBI claims provision. Using 2020 financial data in the measurement of the DSP share vesting would create a high degree of volatility in the outcomes which will impact on our ability to retain our high-performing employees.

We received positive feedback from shareholders and proxy voting advisors on the consultations, actions, and increased disclosure. This is an ongoing process and we are committed to open and continuous engagement in this regard.

For the 2022 AGM, the remuneration policy and the implementation report will be tabled separately for non-binding advisory votes by shareholders. In the event that either or both the policy or implementation report are voted against by 25% or more of the voting rights exercised, the ongoing engagement process as outline herein will be followed.

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## **FUTURE AREAS OF FOCUS**

During 2022, the HRRC will continue to focus on a holistic review of variable remuneration design with specific focus on:

- Bonus deferral mechanisms for executive committee members.
- Simplification of the Performance Share Plan (PDSP) which will include a shift to awarding only performance shares to both executive committee members and senior management and a review of the performance conditions and allocation principles.

Looking ahead, subject to the regulations applicable to office work and supported by the Santam Group Mandatory Vaccination Policy, the group intends that all employees move from the remote working model to the New Ways of Work hybrid model from 1 March 2022. The Covid-19 pandemic necessitated the Santam group adapting to the business, health and societal challenges posed by the pandemic. The risks posed by the spread of infection as well as the preventative steps taken by government required us to move to remote working mode very rapidly in 2020, to which our people have adapted very well over the last two years. However, we always knew that remote working would not be a sustainable or optimal long-term working method, and the group has now developed New Ways of Work that combines the best of working in office with remote working in a hybrid model. Each job role has been reviewed to establish the right mix between office and remote work. We have adapted our technology and office space design to suit the New Ways of Work i.e., a hybrid working model. In the long run, the Santam group leadership team strongly believes that we get the best results for our clients and the business through strong relationships and personal interaction with each other, our clients and suppliers and various stakeholder engagements. While electronic communication and remote working are useful and even crucial as a mitigating measure during the crisis, we believe that physical interaction is essential to building and promoting high-performance teams, building strong relationships between colleagues and enhancing team morale, while ensuring the most effective communication. We believe that our New Ways of Work is the best possible way of gradually returning us to normality in a pragmatic and responsible way as we take steps to overcome the incredible economic hardship and the loss of life caused by the pandemic.

It is important that we continue to build strong, ethical leadership to lead Santam's people and embed the Santam Way values. Technology continues to be a key enabler to develop employee experiences that enhance employee engagement and it is suited to the evolved workforce. Finally, we will continue to strive for an employee-led human resources offering and build a personalised reward and recognition offering to create a compelling employee proposition aligned to the achievement of business financial and strategic objectives.

I am pleased to present the remuneration policy and implementation report as set out in this Remuneration Report and trust it will be met with your voting support at the upcoming AGM to be held on 1 June 2022.

The HRRC is committed to ongoing consultations with shareholders and welcome feedback and input from stakeholders throughout the year.

Regards,

**MLD Marole**

**Chair: Human Resources and Remuneration Committee**

# PART 2: OVERVIEW OF REMUNERATION POLICY

## REMUNERATION GOVERNANCE AND COMMITTEE RESPONSIBILITIES

The Santam Limited board (board) is responsible for the governance of remuneration in the Santam group. The HRRC is mandated by the board to ensure that the company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Santam's remuneration philosophy and policy support the group's strategy by incentivising the behaviour required to meet and exceed our predetermined strategic goals. Short- and long-term strategic objectives are measured and rewarded, and this blended approach strongly mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. The remuneration philosophy is therefore also an integral part of the group's risk management structure. In setting up the reward structures, we take cognisance of prevailing economic conditions, as well as local and international governance principles.

The group pays attention to correctly positioning the nature and the scale of remuneration relative to appropriate comparator groups and international best practice. These include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act, 18 of 2017) and King IV™. The group conforms to the remuneration principles contained in the BBBEE Codes of Good Practice, issued by the dti in accordance with the BBBEE Act, 46 of 2013.

Santam is the sole or part owner of several subsidiaries. While compliance with the Santam remuneration strategy and policy is primarily targeted at Santam Ltd and its subsidiary companies, Santam will use its influence to encourage the application of sound remuneration practices in those businesses where it does not hold a controlling interest.

The HRRC is responsible for overseeing and monitoring the development, implementation and execution of the remuneration policy and strategy of the group and ensuring that the policy objectives are met. The HRRC is responsible for presenting the policy to the board for approval. Its activities include approving the guidelines and philosophy to be applied in formulating mandates for all short-term incentive (STI) and long-term incentive (LTI) schemes and setting remuneration packages of the Santam executive directors, the Santam executive committee and the Santam heads of control functions, relative to industry benchmarks. Recommendations made by the business on the remuneration design of key persons (as defined in the Prudential Standards) are reviewed and approved by the HRRC.

The HRRC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to any part of the group's remuneration policy as necessitated by changing circumstances. It makes recommendations to the board regarding the remuneration of Santam's non-executive directors. To fulfil the role described above, the HRRC undertakes the following:

- It oversees and recommends to the board for approval STI and LTI schemes, subject to shareholder approval where applicable. This includes setting guidelines for annual allocations and regularly reviewing the appropriateness and structure of the schemes to ensure alignment with Santam's strategy and stakeholders' interests.
- It sets appropriate performance drivers for STIs and LTIs, as well as monitors and tests those drivers and vesting outcomes.
- It ensures that the remuneration policy applies in a proportionate and risk-based way and contains specific arrangements for the review of remuneration for the roles of the directors, executives, heads of control, key persons and persons whose actions may have a material impact on the insurer or group's risk exposure.
- It reviews the management of employment contracts and determination of remuneration packages (including total guaranteed package, STIs and LTIs) of Santam executive directors, Santam executive committee members and the heads of control to ensure that their remuneration and terms are aligned with good practice principles.
- It reviews the remuneration strategy and finalises the remuneration of Santam executive directors, Santam executive committee members and heads of control, including total guaranteed package (TGP), STIs and LTIs, and other conditions of employment.
- It develops and recommends to the board for approval, STI and LTI schemes for the chief executive officer (CEO) and other Santam executive committee members. It includes setting annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure there is a clear link between the schemes and performance in support of the group strategy. Furthermore, the HRRC ensures that incentives are appropriate, supported by corporate governance standards and that the design thereof is aligned to long-term value creation for shareholders and other stakeholders.
- It reviews the succession plans in place for the CEO and members of the Santam executive committee and provides for succession in emergency situations and over the long term.
- It recommends to the board the fees of the Santam non-executive directors for approval at the annual general meeting (AGM).

*Read more about the HRRC's terms of reference online and about the composition and summarised terms of reference for the HRRC in the corporate governance report.*

**During 2021, the HRRC considered the following matters and approved (where relevant):**

- Changes to the remuneration approach based on feedback received from shareholders, investors and proxy voting advisor engagements.
- Benchmarking remuneration levels and practices to local comparator groups.
- Monitoring and approving STIs and LTIs, as appropriate.
- Benchmarking Santam executive directors and Santam executive committee members' remuneration against a suitable market.
- Benchmarking Santam non-executive directors' remuneration against a suitable market and recommending fee proposals to be considered by shareholders at the 2021 AGM.
- Review of Santam's remuneration policy and practices in South Africa against Prudential Standards, King IV™, applicable governance principles and market best practice.
- Remuneration design for heads of control and persons whose actions may have a material impact on the organisation's risk exposure.
- The remuneration reviews/annual increases and STI and LTI awards of the Santam executive committee.
- STI measures achieved for accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs.
- Findings and analysis on gender pay equity across all levels in the group and appropriate actions in this regard.
- Considering measures to support existing strategies to correct the under-representation of black people at all levels of the company.
- Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards.
- A review of executives' minimum shareholding requirements against market best practice to ensure appropriate investment levels and aid risk alignment for remuneration.

## REMUNERATION PHILOSOPHY

Santam has a total reward strategy for its people. This offering comprises remuneration (which includes cash remuneration, short- and long-term incentives), benefits (retirement, medical, risk, group life, etc.), learning, development and career growth and a balanced working environment with a range of lifestyle benefits.

Our remuneration philosophy sets out to:

- Identify those aspects of the remuneration policy that are prescribed and to which all businesses should adhere in accordance with our group governance policy.
- Provide a general framework for other components of total remuneration across the group.
- Provide guidelines for short- and long-term incentive and retention processes.
- Provide mandates and guidelines about how businesses should apply discretion in awarding remuneration and incentives.

The board recognises certain industry-specific and other relevant differences between Santam businesses and where warranted differentiation in remuneration is applied to enable business to attract, retain and reward their employees appropriately within an overarching policy. In this regard, there are some areas where good corporate governance, the protection of shareholder interests and those of the Santam brand or corporate identity require full disclosure, motivation and approval by subsidiaries' human resources committees, either at group or business level.

The principle of pay for performance and management discretion with regard to individual employees is central to the remuneration philosophy on the basis that all remuneration is based on merit. However, the overarching principles of the Santam remuneration structure are consistently applied, to support a common philosophy and to ensure good corporate governance, with differentiation between businesses/industries where appropriate.



## DESIGN PRINCIPLES FOR OUR REMUNERATION POLICY

Our remuneration policy is a key enabler of the Santam business strategy. It is therefore vital that it is market-competitive and fair and equitable to all stakeholders.

The primary objectives of the remuneration policy are to:

- Attract, motivate, reward and retain key talent.
- Drive the group's strategic objectives, while complying to our risk and governance frameworks.
- Promote an ethical culture and behaviours that are consistent with our values and responsible corporate citizenship.

The key principles of our policy are:

- **Pay for performance:** Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance conditions and the Santam business strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration packages should enable the group and its businesses to attract and retain employees of the highest quality in order to ensure sustainability.
- **Leverage and alignment:** The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:
  - the interests of Santam shareholders (and, where applicable, minority shareholders in subsidiaries);
  - the interests of other stakeholders (for example, employment equity, client service, the community);
  - sustainable performance of Santam as a whole;
  - the performance of any region, business unit or support function; and
  - the employee's own contribution.
- **Consistency and fairness:** The remuneration philosophy strives to provide a framework that encourages consistency, but allows for differentiation where it is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet Santam's objectives and ensure its sustainability.
- **Shared participation in relevant components of remuneration:** Employee identification with the success of Santam is important, owing to the fact that it is directly linked to both Santam's and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to Santam, and, in particular, for achieving excellent performance and results, in relation to Santam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual remuneration levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and Santam's strategic objectives is understood by all employees.
- **Market information:** Accurate and up-to-date market information and information on best practice are important factors in determining the quantum of the remuneration packages.
- **Malus and clawback:** Where defined trigger events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Santam group Malus and Clawback policy, which is a related policy to this group remuneration policy and these provisions will be incorporated in relevant remuneration governance documents/rules.

## EXECUTIVE CONTRACTS

Santam executive directors and executive committee members are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a restraint of trade (12 months) is included, which Santam has the discretion to enforce depending on the circumstances surrounding the individual's departure.

Notice periods regarding termination of employment are three months' written notice. Bonus payments and the vesting of LTIs that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the HRRC based on the recommendations of the chief executive officer (CEO). No clauses are included in employment contracts that relate to any form of payments in the event of a change in control of Santam. In the event of a change in control, the vesting of share awards will only be accelerated if an offer is made that does not substitute unvested LTIs with arrangements on terms similar to the existing terms and conditions.

## REMUNERATION OVERVIEW

### Structure

The different components of remuneration are summarised in the table below. The summary is generic for all South African employees but highlights specific aspects applicable to Exco.

Element	Purpose	Potential	Design	How is it delivered?
<b>Total guaranteed package (TGP)</b>	Reflects market value of role and individual performance.	Market benchmark for comparative role.	Annual benchmarking against market surveys.	Cash salary and a mix of compulsory and discretionary benefits.
<b>Short Term Incentives (STIs)</b>	Rewards performance over 12-month period (financial year).	For Exco STI on-target ranges between 70% – 112% of TGP.  Maximum STI caps are set at 160% of TGP.	Quantum for Exco based on individual, business and group performance.	Cash settlement is capped at a maximum of 160% of TGP.
<b>Long Term Incentives (LTIs)</b>	Rewards company performance over a 3-to-5-year period.  Long-term value creation for shareholders.	<b>Total</b> LTI award levels range between 35% and 245% of TGP (based on unvested awards). These percentages as an indicative annual award comprises approximately 10% to 70% of TGP.	Vesting in tranches in years three (40%), four (30%) and five (30%).	Vesting is based upon reaching individual/strategic performance targets and meeting relevant company performance hurdles where relevant. Potential is capped at a maximum of 245% of total guaranteed package.

## Total guaranteed package (TGP)

### PURPOSE

TGP is the guaranteed component of the remuneration offering. It forms the basis of the group's ability to attract and retain the required skills. To create a high-performance culture, Santam emphasises the variable/performance component of remuneration rather than the guaranteed component. For this reason, TGP is normally positioned on the 50th percentile of the market.

As an integral part of TGP, Santam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- retirement funding;
- group life cover; and
- medical aid/insurance.

### PROCESS AND BENCHMARKING

Average TGP is normally set by reference to the median paid by a comparator group of similarly sized companies which Santam considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that are in the insurance sector (but not limited to this sector), have similar market capitalisation and an international footprint. In terms of the process followed for benchmarking TGP against these comparator companies, Santam obtains and analyses data from several local salary surveys. In addition to this benchmarking process, Santam considers the skills, potential and performance of the individual concerned and the current consumer price index of the country.

#### HRRC's role

Upon completion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the HRRC. The HRRC also reviews and approves the adjustments to TGP for Santam executive directors, executive committee members and heads of control.

### LEVELS

TGP levels are positioned, on average, around the median of the comparator market. Where specific skills dictate, TGP levels may be set in excess of the median. Benefits form part of TGP and in certain instances there may be a salary sacrifice in favour of a flexible benefit.

## Short-term incentives

### PURPOSE

The purpose of the annual bonus plan is to align employees' performance with the group's goals and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise the net insurance result, to grow the business and to ensure that it is managed sustainably. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a relevant comparator group.

Group and business performance measures are multi-dimensional and are required to support positive outcomes on a range of strategic indicators, including economic, social and sustainability metrics.

#### HRRC's role

The HRRC's role regarding the annual performance bonus plan is to:

- Determine the overall structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the group's business strategy.
- Set the overall principle in respect of thresholds, targets and stretch levels for the annual bonus plan, as well as the percentage of TGP that can be earned at each level by each group of employees.
- In respect of Santam executive directors and executive committee members:
  - agree on the performance drivers for their annual bonus plan; and
  - agree on the relative contribution of business, group and individual/strategic performance criteria.
- Consider and approve proposals regarding annual bonuses for Santam executive committee members and heads of control.
- Determine, within its discretion, the final quantum of bonus payments to avoid any unintended consequences of bonus design principles and to support risk alignment.

## STI POTENTIAL AND WEIGHTINGS FOR EXECUTIVE DIRECTORS

The design of the executive directors' bonus structure is driven by simplicity, line of sight and to enable the Santam business strategy as encapsulated in the group measures.

However, STI outcomes are subject to committee discretion to avoid unintended consequences.

The payments that can be achieved by executive directors at the target and stretch levels are indicated below (including weighting of business and strategic objectives). These levels are benchmarked with comparator groups and other components of remuneration.

Individual	Potential (% of TGP)		Weightings for STI	
	On-target	Maximum	Business %	Strategic %
Lizé Lambrechts	112	160	50%	50%
Hennie Nel	84	120	50%	50%

## DISCRETIONARY BONUSES

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

Where the minimum annual business bonus targets are not achieved, a modest amount may be set aside to reward exceptional individual performance at the discretion of the CEO and subject to HRRC approval.

The annual bonus targets at business unit level incorporate financial and non-financial performance measures that are directly linked to the group strategy and key performance indicators, including net insurance result, premium growth, management expense ratio and transformation targets. The specific performance targets and relative weighting are determined per business unit based on the business unit's strategic initiatives. The support functions' targets reflect the group's overall performance.

For the 2021 financial year, the group achieved good profitability, exceeding its net insurance result financial target. Growth was under pressure in the difficult economic environment, which led to the marginal underachievement of the growth targets. The group outperformed on its management expense ratio, employment equity, preferential procurement, financial inclusion targets and underperformed on the skills development target. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 109% for Santam employees.

## RETENTION ARRANGEMENTS

Retention arrangements, typically driven by forfeitable bonus payments upon sign-on or for the retention of specific employees for a specific period, where it is a strategic imperative, may be made to key employees. Such retention payments are subject to a retention period, in certain instances performance or agreed outputs and, where the conditions of continued employment are not met, the payment is repayable in full or shares are forfeited. For senior employees and executives, awarding LTI or deferred shares (with future vesting dates, based on certain performance and employment conditions) is Santam's policy to ensure retention.

Where bonuses are forfeited by incoming senior and key employees upon sign-on with the group, it may be necessary to agree on a sign-on bonus with such employees.

This sign-on bonus will be subject to retention conditions and repayment terms if conditions are not met.

Retention payments/share awards are subject to malus and clawback provisions.

Santam non-executive directors are not eligible for any STIs, performance-based LTIs or retention arrangements.

## Long-term incentives

### OVERVIEW AND GENERAL POLICY

Our LTIs support the company's business strategy and long-term value creation for shareholders and wealth creation for key talent participating in LTIs.

The primary LTI is the Deferred Share Plan in terms of which Deferred Shares (DSPs) (with strategic and individual performance conditions for vesting) for junior, middle and senior management whereas the Performance shares (PDSPs) is the mechanism to retain and incentivise executive management.

The out-performance plan (OPP), although operating over the long term with extremely stretching performance conditions (exceeding those of the PDSPs) is a focused incentive, where the value crystallised is delivered in Santam shares.

All LTIs (i.e. DSP and PDSP) are equity-settled plans from a Santam perspective. OPPs can be cash or share-based plans, however, equity settlement for OPPs is the preferred remuneration approach with cash being the exception.

#### HRRC's role

The HRRC's role as far as the LTI plans are concerned is to:

- Ensure their structure contributes to shareholder value, employee retention and the group's long-term sustainability.
- Set appropriate performance measures for each award and to review and approve vesting outcomes versus performance conditions set, where performance conditions are not to ensure forfeiture of awards.
- Approve award levels and, at vesting, ensure that performance and other vesting conditions are met, or subsequently that incentives are forfeited where conditions are not met.

Prior to 2019, Santam granted executive committee members awards under the Sanlam DSP and the Sanlam PDSP. As a result, certain executive committee members have invested awards under the Sanlam DSP and PDSP.

Long-term incentive awards granted are split between:

- Individual/strategic performance awards granted under the DSP
- Performance awards granted under the PDSP with financial conditions

The scheme has 12 million available shares.

### PARTICIPATION

LTIs are awarded to employees with line of sight to company performance or critical talent employees executing on business strategy. For emerging talent and transformation purposes, shares without financial performance conditions may be awarded in the form of DSPs. LTIs are an essential tool in retaining our key talent and also attracting talent.

Non-executive directors do not participate in any LTIs.

LTIs are awarded in the form of Santam Deferred Share Plans (DSPs) and Performance Deferred Share Plans (PDSPs).

### AWARD POLICY AND VESTING FOR DSPS/PDSPS

For our primary LTI (DSP/PDSP), Santam's award policy is to keep key employees locked in with the face value of unvested LTIs at a specific multiple of TGP (% of TGP). It should be noted that the total award is not made at once – but staggered over a period of two to three years. It therefore differs from market competitors where the same % of TGP is awarded annually.

As Santam's LTI awards vest **over five years** based on the vesting profile of 40% in year three, 30% in year four and 30% in year five – the total multiple per level should be annualised (generally divided by 3.9) to compare it to competitor companies, awards.

The general total DSP/PDSP award levels for employees eligible to receive LTIs are as follows:

Level	% TGP (Total LTI multiple awarded over 2-3 years, NOT annual awards)
Exco	149% – 245%
Senior Management	105%
Specialists/Middle management and emerging and succession	35% – 70%

## Part 2: Overview of remuneration policy *continued*

As participants' DSPs/PDSPs vest after three years (and thereafter in years four and five) or participants receive TGP increases, replacement awards are made to ensure key and critical talent remains locked in at the total LTI multiple (as % of TGP).

**Differentiation and discretion** are key principles of our remuneration philosophy and therefore leaders apply both when awarding LTIs. LTIs are variable pay instruments and therefore the levels above are firm guidelines for transparency and fairness, but differentiation and discretion can be applied per level and on an individual basis. Therefore, where a specific industry or role warrants it, higher allocations may be made with more stretching performance conditions attached. However, in the case of executive directors, this will be transparently disclosed.

For the 2022 awards, the total LTI multiple will be adjusted slightly to provide for the higher risk in forfeiture as **all** awards to Exco and senior management will be PSDPs.

### DEFERRED SHARE PLANS

Awards granted in terms of the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The award has individual performance hurdles attached to it.

For Santam executive committee members, these hurdles are derived from business scorecards reflecting key financial and strategic objectives.

The CEO and CFO have the following financial and strategic metrics for vesting of DSPs:

		CEO	CFO
<b>Financial: group and business level</b>			
Achieve Santam group net insurance result (NIR) target	<b>50% Weighting</b>	✓	✓
Improve/achieve growth targets		✓	✓
Achieve management cost ratio target		✓	✓
Improve/achieve return to shareholders in excess of target ROC		✓	✓
<b>Strategic measures supporting the group's strategy</b>			
Extend leadership position in South Africa	<b>40% Weighting</b>	✓	✓
Deliver <b>Insurance good and proper</b> by being the most trusted, relevant purpose-driven Brand		✓	✓
Client experience – creating intuitive client journeys enabled by technology		✓	
Help build resilient societies		✓	
International and African diversification		✓	✓
Talent and culture – empowering our people and evolving our culture to be competitive in a rapidly changing world		✓	✓
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.		✓	✓
Optimise our financial performance		✓	✓
Optimise collaboration with the Santam group to create mutual value	<b>10% Weighting</b>	✓	
Successful implementation of Alternative Risk Transfer (ART) strategy, achievement of net profit after tax budget, expense optimisation, financial inclusion and preferential procurement			✓

The 2021 DSP award is eligible for vesting after year three (40%), four (30%) and five (30%).

For the purpose of determining the vesting of DSP's per executive director, the five-year rolling average of their performance assessments is used as a measure of achievement that warrants a vesting. The performance score is a rating out of 5 and full vesting will occur at an average of 3 or higher and no vesting occurs where the average is 2.5 or lower, with a sliding scale applied between 2.5 and 3.0.

Outcomes of testing of DSP vesting conditions for executive directors are disclosed on page 17 of the implementation report.

**For 2020 financial year only:** Given the extraordinary circumstances of 2020 and the resultant financial impacts of the Covid-19 pandemic, only individual/strategic performance achievement for 2020 will be used for purposes of measuring individual performance under the DSP schemes (i.e. no financial performance).

Typically, awards granted under a DSP scheme have a face value of up to 105% of TGP as part of the total multiple, with awards higher than 105% of TGP granted as PSDPs (see below).

As per our future focus areas, from 2022 only performance shares will be awarded to senior management and Exco.

## PERFORMANCE DEFERRED SHARE PLANS

Santam has a five-year tranche vesting profile. There are therefore unvested performance awards from 2017, 2018, 2019, 2020 and 2021.

Performance hurdles are reviewed carefully each year to ensure they are competitive, create value for shareholders, motivate key employees who participate in LTI and should be flexible enough to address extraordinary events, like the Covid-19 pandemic.

The HRRC will set the performance conditions for every PDSP to ensure they are relevant, support Santam's business strategy and are stretching.

The use of ROC as a performance condition is considered appropriate as this is the key performance indicator of the group's strategy and long-term sustainability, and the use of this measure means a direct link between the LTI reward, group strategy and shareholders' interests. See page 17 of the implementation report regarding the achievement of ROC targets for the three-, four- and five-year measurement periods.

The PDSPs are eligible for vesting after year three (40%), four (30%) and five (30%) and the ROC will be tested over the financial years applicable to these vesting periods.

### 2021 Performance conditions

2021 allocations are subject to ROC performance conditions of between 16% (threshold) and 24% (stretch).

### 2020 performance conditions

Following the economic downturn due to Covid-19 and the lower interest rate environment, the ROC performance conditions for the 2020 award were reviewed. Measurement of the 2020 awards will commence on 1 January 2021, to take cognisance of the extraordinary effect of the Covid-19 pandemic on 2020 financial results. Furthermore, the HRRC and board may exercise discretion over any impacts in the 2021 financial year arising from the CBI claims of 2020, adjusting for this item (if deemed appropriate) and taking into account management responses in 2021 to finalising this matter. This will allow the impact of the 2020 CBI matter to potentially be confined to the 2020 year. Finally, a revision to the long-term ROC hurdles was done reflecting the inherent volatility of the earnings of the business. Although full vesting will still only occur if the average ROC over the period of vesting is 24%, the threshold below which no vesting will occur has been reduced from 20% to 16%, with a sliding scale applied between 16% (threshold) and 24% (stretch).

2020 allocations to the CEO which exceed 1.75 times annual TGP are subject to ROC performance conditions of 20% (threshold) – 25% (at stretch target) applied on a linear basis.

### Performance conditions prior to 2020

Prior to 2020, the ROC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. We will not adjust any of the historical measurements or targets for PSDP allocations made prior to 2020.

## DISCRETION OF THE HRRC IN RELATION TO LONG-TERM INCENTIVE PERFORMANCE CONDITIONS

In order to ensure that performance conditions do not result in unintended consequences, the HRRC can apply discretion in reviewing performance condition outcomes when considering/approving vesting of DSPs and PDSPs. In applying its discretion, the HRRC will recognise external factors that significantly impact on the calculation of ROC such as the impact of extraordinary currency, bond and equity market movements, which may be totally beyond the control of management. The HRRC has the discretion to exclude the impact of such extraordinary events (both positive and negative) and determine that a percentage of the award may vest, subject to any additional conditions which may be determined.

Where HRRC discretion is exercised, it will be fully disclosed in the annual Remuneration Report to shareholders.

## OUT-PERFORMANCE PLAN

The purpose and strategic intent of OPPs are explained in the remuneration overview. Where they support the Santam business strategy and after review and approval by the committee, OPPs may be granted to individual Exco members. These Exco members are typically leaders of the group's main operating businesses. The committee will set relevant and stretching targets applicable to the business area, the group and most importantly to align to the strategic targets of the Santam business strategy. At the discretion of the committee, OPPs may be extended (by exception) to business leaders below Exco.

The OPP rewards exceptional performance over a three to five-year period and we believe it is effective as it is focused and bespoke. No value is earned in terms of the OPP unless minimum targets over the period are exceeded and full value is only delivered at stretch. OPPs are designed to be fully self-funded. As a principle, all policy principles applicable to performance share awards consistently apply (where relevant) to OPPs.

There were no OPPs for executive management including executive directors in place for 2021.

## USE OF SANTAM SHARES SUBJECT TO VESTING RESTRICTIONS

To support long-term alignment with shareholders where remuneration payable in cash is deferred, subject to certain conditions, cash amounts are converted into Santam shares. Such shares will be held by the individual in a restricted account and will become unrestricted, only if vesting and continued employment conditions are met.

These Santam shares are also subject to malus and clawback provisions, per the Malus and Clawback policy.

## LTI AWARD LIMITS

For the year ended 31 December 2021, allocations in respect of 394 017 shares (2020: 365 626) were made to 329 participants (2020: 304) under the Santam DSP.

For the year ended 31 December 2021, allocations in respect of 9 649 shares (2020: 37 472) were made to six participants (2020: 10) under the Santam PDSP.

## RISK ADJUSTMENT

Provision is made to protect the company from inappropriate risk-taking behaviour in relation to remuneration. These include:

- The nature of the performance hurdles for STIs and LTIs;
- A measurement period of up to five years for LTI performance hurdles, before vesting takes place;
- Malus and clawback of remuneration for “trigger events”<sup>1</sup>; and
- Compliance with legislation and governance best practice standards in the financial services industry.

## Minimum shareholding requirement (MSR)

During 2021, Santam’s MSR levels were reviewed against market best practice and minimums on all levels were increased.

MSR is to drive alignment between executive and shareholder interests. Santam applies a minimum shareholding policy to all current and future members of the Santam executive committee, including Santam executive directors (“participating executives”). In terms of these arrangements, minimum shareholding levels, expressed as a percentage of annual TGP, must be reached by the later of 31 December 2024 or within six years from the date of appointment of a participating executive.

Level	Minimum Level	Previous minimum Level
CEO	150%	100%
Executive Heads (Including CFO)	75%	50%

Participating executives and executive heads are required to maintain the target shareholding throughout their tenure with the group. Unvested shares under any LTI arrangement or deferred STI structure will not be considered when assessing compliance with the MSR policy.

Incentive arrangements implemented after 1 January 2019 may include MSR terms and conditions as determined by the HRRC to ensure compliance with the prescribed levels in the prescribed periods, as well as the implications of not adhering to the MSR.

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

## Remuneration details for non-executive directors

Fee structures are reviewed annually based on data from independent service providers and, where applicable, external advice. Recommendations are reviewed for reasonableness by the HRRC and the board and are then proposed to shareholders for approval at the AGM. See details of proposed fees in the AGM Notice.

The fee structure will remain in place for one year, from 1 July until 30 June in the following year. Non-executive directors receive annual board fees and retainers. In addition, a fee is paid for attending board and committee meetings. Santam pays for all travel and accommodation expenses in respect of board meetings. The chair of the board receives a fixed annual fee that is inclusive of all board and committee attendances, as well as all other services performed on behalf of the group.

<sup>1</sup> Defined “trigger events” include dishonesty, fraud, misrepresentation, gross misconduct, misstated financial results and actions resulting in reputational damage for the company attributable to the employee. In assessing whether defined trigger events have taken place, the HRRC will work with the relevant board committee, the board, professional advisors and/or any other department within the group to ensure that any assumptions are correct.



# PART 3: IMPLEMENTATION REPORT

## REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS

### Executive remuneration summary

Remuneration earned by executive directors was as follows:

**Table 1**  
**REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2021**

For purposes of total remuneration, the vesting value of LTIs is disclosed in the table below. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year (refer page 18).

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus <sup>2</sup> R	Attributable value of LTIs <sup>1</sup> R	Total remuneration R
Lizé Lambrechts	12	5 955 500	210 000	6 165 500	8 100 000	3 234 064	17 499 564
Hennie Nel	12	3 519 650	211 000	3 730 650	3 675 000	1 427 237	8 832 887
<b>Total: executive directors</b>		<b>9 475 150</b>	<b>421 000</b>	<b>9 896 150</b>	<b>11 775 000</b>	<b>4 661 301</b>	<b>26 332 451</b>

<sup>1</sup> Vesting value.

<sup>2</sup> Bonus in respect of 2021 paid in 2022.

**Table 2**  
**REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2020**

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus <sup>2</sup> R	Attributable value of LTIs <sup>1</sup> R	Total remuneration R
Lizé Lambrechts	12	5 889 125	210 000	6 099 125	–	4 717 315	10 816 440
Hennie Nel	12	3 445 852	208 636	3 654 488	–	1 768 926	5 423 414
<b>Total: executive directors</b>		<b>9 334 977</b>	<b>418 636</b>	<b>9 753 613</b>	<b>–</b>	<b>6 486 241</b>	<b>16 239 854</b>

<sup>1</sup> Vesting value.

<sup>2</sup> Bonus in respect of 2020 paid in 2021.

### Total guaranteed package

The TGP (in rand) of the executive directors is reflected in the table below. Due to increases (if any) in TGP being granted during the year (i.e. April), the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above, which relates to the financial year January – December.

**Table 3**

Individual	TGP as at 01 April 2021 R	TGP as at 01 April 2020 R	TGP as at 01 April 2019 R	% increase during 2021	% increase during 2020
Lizé Lambrechts	6 165 500	6 165 500	5 900 000	0.0	4.5
Hennie Nel	3 730 650	3 730 650	3 570 000	0.0	4.5

No increases were granted to executives in 2021 (2020: 4.5%) compared with an average salary increase paid to all employees of 2.5% (2020: 4.5%). The remuneration increase trends for the past three years are as follows:

**Table 4**

	2019 %	2020 %	2021 %
Executives	5.5	4.5	0.0
Employees	5.4	4.5	2.5

## Short-term incentives

### PERFORMANCE TARGETS

The performance targets for the annual bonus plan are set by the HRRC on an annual basis for executive directors. In respect of the 2021 annual bonus, the split between group and strategic goals for executive directors was as follows:

Table 5

Individual	Group %	Strategic goals %
Lizé Lambrechts	50	50
Hennie Nel	50	50

The group performance measures that were applied in 2021 consisted of the following:

- NIR – used to determine the size of the bonus pools
- Modifiers:
  - Gross written premium
  - Performance against management expense ratio targets
  - Transformation (Performance against FSC targets)
    - Performance against skills development targets
    - Performance against employment equity targets
    - Performance against preferential procurement targets
    - Performance against financial inclusion targets

Table 6

The actual achievement of the Santam group office (Corporate Pool) performance measure for 2021 is as follows:

Santam group	Weight %	Threshold %	Target %	Stretch %	Score %
Adjusted operating profit <sup>1</sup>	100	70	100	130	102
Modifiers <sup>2</sup>					
Gross written premium (Conventional insurance)	15	(15)	0	15	(1)
Transformation	10	(10)	0	10	1
Management expense ratio	7.5	(7.5)	0	7.5	3
					105

<sup>1</sup> **Adjusted operating profit is defined as follows:** Net insurance result (conventional insurance) plus profit before tax for Centriq plus profit after tax for Santam Structured Insurance's Alternative Risk Transfer business plus Santam's share of the net insurance result for the SEM and SAN JV General Insurance businesses.

<sup>2</sup> **Modifiers are defined as follows:** The base bonus pool as determined by the adjusted operating profit will be increased or decreased by up to the modifier % based on the actual performance against the individual modifier targets.

The weighted average performance measure of all the Santam Limited business units was an achievement score of 109%.

Part 3: Implementation report *continued*

The following performance measures applied to Lizé Lambrechts (CEO) and Hennie Nel (CFO):

**Table 7**  
CEO and CFO 2021 performance bonus

KPI	Weight %	Minimum hurdle	Hurdle for target achievement	Stretch hurdle	Actual Achievement	Achievement rating
<b>CEO</b>						
<b>Group operational and financial performance</b>	<b>50</b>					
Santam Group Net Insurance Result	20	R2 152 million	R3 074 million	R3 997 million	R3 150 million	3.0
Growth in gross written premium	10	R32 059 million	R32 804 million	R33 341 million	R32 745 million	3.0
Management expense ratio	7.5	18.1%	17.4%	16.7%	16.7%	5.0
ROC target	12.5	16%	20%	24%	28.5%	5.0
<b>Strategy: Identification and implementation</b>	<b>50</b>					
Extend leadership position in South Africa	10					3.0
Deliver Insurance good and proper by being the most trusted, relevant and purpose driven Brand	5					4.0
Client experience - creating intuitive client journeys enabled by technology	5					3.5
Help build resilient societies	2.5					3.5
International and African diversification	5					3.5
Talent and culture - empowering our people and evolving our culture to be competitive in a rapidly changing world	7.5					4.0
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.	5					3.5
Optimise collaboration with the Sanlam group to create mutual value	10					5.0
<b>Total: CEO (out of 5)</b>						<b>3.8</b>
<b>CFO</b>						
<b>Group operational and financial performance</b>	<b>50</b>					
Santam Group Net Insurance Result	20	R2 152 million	R3 074 million	R3 997 million	R3 150 million	3.0
Growth in gross written premium	10	R32 059 million	R32 804 million	R33 341 million	R32 745 million	3.0
Management expense ratio	7.5	18.1%	17.4%	16.7%	16.7%	5.0
ROC target	12.5	16%	20%	24%	28.5%	5.0
<b>Strategy: Identification and implementation</b>	<b>50</b>					
Extend leadership position in South Africa	10					3.5
Deliver Insurance good and proper by being the most trusted, relevant and purpose driven Brand	2.5					3.5
International and African diversification	5.0					3.5
Talent and culture - empowering our people and evolving our culture to be competitive in a rapidly changing world	7.5					3.5
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.	7.5					3.0
Optimise our financial performance	7.5					3.5
Successful implementation of Alternative Risk Transfer (ART) strategy, achievement of net profit after tax budget, expense optimization, financial inclusion and preferential procurement	10					5.0
<b>Total: CFO (out of 5)</b>						<b>3.8</b>

<b>Key to achievement rating:</b>	<b>Rating</b>
<i>Unsatisfactory/No progress made</i>	1
<i>Satisfactory progress/Not fully meeting expectations</i>	2
<i>In general meeting expectations</i>	3
<i>In general exceeding expectations</i>	4
<i>Highly successful/Most expectations exceeded</i>	5

## PAYMENTS

The table below shows that no annual bonus was payable to the CEO and CFO in respect of the performance achieved in 2021.

Table 8

Individual	% of TGP achieved 2021	Payment 2022 R	% of TGP achieved 2020	Payment 2021 R
Lizé Lambrechts	131.4	8 100 000	-	-
Hennie Nel	98.5	3 675 000	-	-

## Long-term incentives

### PERFORMANCE MEASUREMENT FOR JUNE 2021 LTI VESTING

#### PDSP subject to company financial performance conditions

Due to Santam's vesting profile, three LTI tranches were performance measured in 2021 for vesting from a financial metric perspective, namely:

- Award 2018 (40% of award and three financial years reviewed for performance testing)
- Award 2017 (30% of award and four financial years reviewed for performance testing)
- Award 2016 (30% of award and five financial years reviewed for performance testing)

A summary of the performance measurement and achievement for LTI vesting in June 2021 is shown below as it pertains to the ROC (for Santam PDSP) and return on group equity value (RoGEV) (for Sanlam PDSP) condition:

Table 9

Measurement period	Award 2016 5 years	Award 2017 4 years	Award 2018 3 years
<b>Target</b>			
Santam PDSP (ROC) <sup>1</sup>	14.4	14.4	14.6
<b>Actual achievement</b>			
Santam PDSP (ROC)	18.8	21.4	21.2
<b>Vesting achievement</b>	100%	100%	100%

<sup>1</sup> Prior to 2020, the ROC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. We will not adjust any of the historical measurements or targets for PSDP allocations made prior to 2020. 2021 allocations are subject to ROC performance conditions of between 16% (threshold) and 24% (stretch).

The outcome of ROC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2021 in relation to the three LTI tranches of the Santam PDSP. For historic Sanlam PDSPs awarded to executive directors, the outcome of RoGEV achievement resulted in the vesting of 70% (first and second tranches) of the 2016 awards in June 2021. The last tranche of 2016 (30%), second tranche of 2017 (30%) and first tranche of 2018 (40%) of the PDSP awards will be tested in June 2022 for vesting. As part of the Covid-19 adjustments adopted last year, the 2020 financial will be excluded from the measurement, but an additional year of measurement was introduced.

### DSP

For DSP vesting, Santam executive committee members' business scorecard achievement will be evaluated. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Santam business strategy. Refer to page 12 of the remuneration policy for more information in respect of the financial and strategic metrics applied as well as the weighting attributed to Lizé Lambrechts and Hennie Nel. See page 13 for the threshold applied for DSP vesting.

The executive directors' scorecard achievements were evaluated over the DSP performance period/s for June 2021 vesting as follows:

Table 10

	Average performance rating over 5 years	% vesting
Lizé Lambrechts	3.3	100%
Hennie Nel	3.4	100%

In 2021, DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2016, 2017 and 2018.

**THE PARTICIPATION BY EXECUTIVE DIRECTORS IN THE GROUP'S LTI SCHEMES AT 31 DECEMBER 2021 WAS AS FOLLOWS:**

**Table 11**  
Number of shares

	Balance 31 Dec 2020	Awarded in 2021	Shares vested 2021	Shares forfeited 2021	Balance 31 Dec 2021	Vesting in				
						2022	2023	2024	2025	2026
<b>Lizé Lambrechts</b>										
Santam	52 799	0	10 794	0	42 005	11 747	14 960	9 981	5 317	0
Sanlam	26 368	0	5 207	0	21 161	15 466	5 695	0	0	0
DSP										
Santam	22 787	0	5 367	0	17 420	5 156	6 009	4 057	2 198	0
Sanlam	11 857	0	5 207	0	6 650	4 485	2 165	0	0	0
PDSP										
Santam	30 012	0	5 427	0	24 585	6 591	8 951	5 924	3 119	0
Sanlam	14 511	0	0	0	14 511	10 981	3 530	0	0	0
RSP – Sanlam	0	0	0	0	0	0	0	0	0	0
<b>Hennie Nel</b>										
Santam	34 132	5 533	3 917	0	35 748	4 240	11 215	10 372	8 261	1 660
Sanlam	12 914	0	6 018	0	6 896	5 377	1 519	0	0	0
DSP										
Santam	13 639	3 964	2 812	0	14 791	3 012	3 695	4 184	2 711	1 189
Sanlam	8 181	0	4 515	0	3 666	2 618	1 048	0	0	0
PDSP										
Santam	20 493	1 569	1 105	0	20 957	1 228	7 520	6 188	5 550	471
Sanlam	4 733	0	1 503	0	3 230	2 759	471	0	0	0

**Minimum shareholding requirement**

The table below reflects the actual qualifying Santam shares held by executive directors and members relative to the minimum shareholding requirement.

**Table 12**  
NUMBER OF SHARES AS AT 31 DECEMBER 2021

Individual	Minimum shareholding requirement	Actual qualifying shareholding	Date at which minimum shareholding must be reached
Lizé Lambrechts	34 380	41 921	31 December 2024
Hennie Nel	10 401	13 137	31 December 2024

**SANTAM SHARE SCHEME ALLOCATION**

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Santam approved a scheme allocation of 12 million ordinary shares available to be utilised for LTI purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 2 million ordinary shares.

The following table illustrates the movement from 2009 to 2021 and the capacity position as at 31 December 2021:

**Table 13**

	Number of shares
<b>Scheme allocation originally approved</b>	<b>12 000 000</b>
Allocation under DSP and PDSP from 2009 to 2018	(4 156 686)
Shares forfeited from 2009 to 2018	706 110
Balance of scheme carried forward as at 31 December 2018	8 549 424
Allocation under DSP and PDSP in 2019	(352 951)
Shares forfeited in 2019	31 357
Balance of scheme carried forward as at 31 December 2019	8 227 830
Allocation under DSP and PDSP in 2020	(403 098)
Shares forfeited in 2020	51 835
Balance of scheme carried forward as at 31 December 2020	7 876 567
Allocation under DSP and PDSP in 2021	(403 666)
Shares forfeited in 2021	45 493
<b>Balance of scheme carried forward as at 31 December 2021</b>	<b>7 518 394</b>

## REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

The policy for non-executive directors' fees is summarised under the remuneration policy part of this report.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

**Table 14**

### NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Individual	Board, committee and retainer fees R	Fees from Santam subsidiary companies R	Total R
Bruce Campbell	491 907		491 907
Vusi Khanyile	466 589		466 589
Preston Speckmann <sup>1</sup>	1 074 000	630 000 <sup>2</sup>	1 704 000
Monwabisi Fandeso	1 021 600	315 000 <sup>3</sup>	1 336 600
Dawn Marole	941 000		941 000
Machiel Reyneke	1 205 300		1 205 300
Junior Ngulube	675 100		675 100
Paul Hanratty <sup>4</sup>	859 200		859 200
Abigail Mukhuba <sup>4</sup>	839 000		839 000
Caroline Da Silva	396 900		396 900
Debbie Loxton	502 000		502 000
Shadi Chauke	534 600		534 600
Pinky Moholi	700 200		700 200
<b>Total non-executive directors</b>	<b>9 707 396</b>	<b>945 000</b>	<b>10 652 396</b>

<sup>1</sup> Excluding fees for directorship and forum chairmanship roles in the Sanlam group.

<sup>2</sup> Centriq and MiWay fees.

<sup>3</sup> Santam Structured Insurance and BroLink fees.

<sup>4</sup> Fees paid to holding company, Sanlam Limited.

**Table 15**

### NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Individual	Board, committee and retainer fees R	Fees from Santam subsidiary companies R	Total R
Bruce Campbell	905 400		905 400
Junior Ngulube	519 200		519 200
Paul Hanratty <sup>4</sup>	324 667		324 667
Machiel Reyneke	1 084 700		1 084 700
Vusi Khanyile	1 077 500		1 077 500
Ian Kirk <sup>4</sup>	316 700		316 700
Dawn Marole	828 300		828 300
Preston Speckmann <sup>1</sup>	905 300	615 000 <sup>2</sup>	1 520 300
Monwabisi Fandeso	853 900	197 500 <sup>3</sup>	1 051 400
Abigail Mukhuba <sup>4</sup>	155 250		155 250
<b>Total non-executive directors</b>	<b>6 970 917</b>	<b>812 500</b>	<b>7 783 417</b>

<sup>1</sup> The numbers for Speckmann do not include fees for directorships in the Sanlam group.

<sup>2</sup> Centriq and MiWay fees.

<sup>3</sup> Santam Structured Insurance and BroLink fees.

<sup>4</sup> Fees paid to holding company, Sanlam Limited.

## PART 4: DIRECTORS' INTEREST IN SHARE CAPITAL

Table 16

### TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2021

Individual	Number of Santam shares		
	Beneficial		
	Direct	Indirect	Non-beneficial
<b>Executive directors</b>			
Lizé Lambrechts	48 558		
Hennie Nel	24 042		
<b>Total executive directors</b>	<b>72 600</b>		
<b>Non-executive directors</b>			
Nombulelo Moholi (chairperson)			
Paul Hanratty			
Dawn Marole			
Abigail Mukhuba			
MP Fandesó	1 196		
Junior Ngulube	5 104		
Machiel Reyneke		271	
Preston Speckmann	1 000		
M Chauke			
Debbie Loxton			
Caroline Da Silva			
<b>Total non-executive directors</b>	<b>6 104</b>	<b>271</b>	
<b>Total</b>	<b>79 900</b>	<b>271</b>	

Table 17

### TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2020

Individual	Number of Santam shares		
	Beneficial		
	Direct	Indirect	Non-beneficial
<b>Executive directors</b>			
Lizé Lambrechts	37 764		
Hennie Nel	20 125		
<b>Total executive directors</b>	<b>57 889</b>		
<b>Non-executive directors</b>			
Bruce Campbell	8 370		
Paul Hanratty			
Monwabisi Fandesó	1 196		
Vusi Khanyile (chairperson)		200	
Dawn Marole			
Abigail Mukhuba			
Junior Ngulube	5 104		
Machiel Reyneke		271	
Preston Speckmann	1 000		
<b>Total non-executive directors</b>	<b>15 670</b>		
<b>Total</b>	<b>73 559</b>	<b>471</b>	