

REMUNERATION REPORT

BACKGROUND STATEMENT

In our 100th year of doing *Insurance good and proper*, it is with great pleasure that we present the remuneration report for the year ended 31 December 2018. It has been a busy year for the group human resources and remuneration committee (HRRC) of the Santam Ltd board (the board) with the introduction of the Prudential Authority Standards (Governance and Operational Standards for Insurers) (GOIs).

We have completed an extensive review of our remuneration policy, strategy and HRRC charter to ensure alignment to the GOIs where applicable or to put a transition plan in place to ensure compliance. In this regard, we are adopting a Minimum Shareholding Requirement (MSR) for the Santam executive committee (Santam Exco) and malus (pre-vesting forfeiture) and clawback (post-vesting forfeiture) provisions for Santam Exco and Santam heads of control functions (actuarial control, internal audit, compliance and risk management), effective 1 January 2019. In line with the requirements of the amended Johannesburg Stock Exchange (JSE) Listings Requirements, we will be putting both the remuneration policy (in part 1) and the implementation report (in part 2) to shareholders for a non-binding vote. The notice of the annual general meeting (AGM) will be available on our website.

INTRODUCTION

The board has responsibility 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 strategy by incentivising the behaviour required to meet and exceed pre-determined strategic goals. Both 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, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Those specifically include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act, 18 of 2017) and King Report on Corporate Governance for South Africa, 2016 (King IV™)*, while also conforming to the remuneration principles contained in the codes of good practice which support employment equity legislation.

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, Santam encourages the application of sound remuneration practices in subsidiary companies and influences those businesses where it does not hold a controlling interest.

GROUP HUMAN RESOURCES AND REMUNERATION COMMITTEE

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- and long-term incentive schemes and setting remuneration packages of the Santam executive directors, the Santam Exco and the Santam heads of control functions, relative to industry benchmarks. Recommendations made by businesses 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 also makes recommendations to the board regarding the remuneration of Santam non-executive directors. To fulfil the role described above, the HRRC undertakes the following:

- Develops and recommends to the board for approval short- and long-term incentive schemes, subject to shareholder approval where applicable. This includes the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes to ensure alignment with the strategy and shareholder and other stakeholder interests.
- Sets appropriate performance drivers for short- and long-term incentives, as well as monitoring and testing those drivers.
- Ensures that the remuneration policy is applied 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 functions, key persons and persons whose actions may have a material impact on the insurer or group's risk exposure.
- Develops and recommends to the board for approval the remuneration strategy as far as the remuneration of Santam's executive directors, Santam Exco members and heads of control functions are concerned.
- Reviews the management of the contracts of employment and determination of remuneration packages (incl. total guaranteed package and short- and long-term incentives) of Santam executive directors, Santam Exco members and heads of control functions to ensure that their remuneration and terms are aligned with good practice principles.
- Develops and recommends to the board for approval short- and long-term incentive schemes for the chief executive officer (CEO) and other Santam Exco members. It includes the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance in support of the group strategy. Further to this, 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.
- Reviews the succession plans in place for the CEO and members of the Santam Exco and provides for succession in both emergency situations and over the long term.
- Recommends to the board the fees of the Santam non-executive directors for approval at the AGM.

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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 2018, the HRRC considered the following matters:

- Benchmarking of remuneration levels and practices with local comparator groups
- Monitoring and approval of short- and long-term incentives
- Alignment of Santam's remuneration policy and practices in South Africa with prudential standards that provide a risk-based governance framework for the regulation of life and general insurers and with further enhancements from King IV™ governance principles and practices
- Review and approval of the remuneration design of heads of control functions and persons whose actions may have a material impact on the company's risk exposure
- Ratifying appointments to the Santam Exco
- Approval of remuneration review, short- and long-term incentive awards of the Santam Exco
- Considering measures to support existing strategies to correct the underrepresentation of black people at all levels of the company
- Approval of malus and clawback policy
- Approval of minimum shareholding requirement policy

SHAREHOLDER VOTING

The group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the AGM of Santam Ltd. At the 2018 AGM, a total of 97 446 894 votes (2017: 99 676 790) were cast on the advisory vote on the group's remuneration policy, while 97 401 404 votes were cast on the implementation of the policy with the clear majority of shareholders supporting the group's remuneration policy and practices. The result of the voting was as follows:

	For	Against	Total
AGM 2018 Remuneration policy	89.80%	10.20%	100%
AGM 2018 Implementation report	86.84%	13.16%	100%
AGM 2017 (One advisory vote)	86.90%	13.10%	100%

OVERVIEW OF REMUNERATION POLICY REMUNERATION PHILOSOPHY

The board recognises that appropriate remuneration for executive directors, members of the Santam Exco and other employees is inextricably linked to the attraction, development and retention of top-level talent and intellectual capital within the group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance company, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

The primary objectives of the policy are to:

- attract, motivate, reward and retain key talent;
- promote the company's strategic objectives within its risk appetite;

- promote positive outcomes across the capitals which the group uses or affects; and
- promote an ethical culture and behaviour that are consistent with our values and which encourage responsible corporate citizenship.

Santam's remuneration philosophy aims to:

- inform stakeholders of Santam's approach to rewarding its employees;
- identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- provide a general framework for all the other elements of the reward philosophy;
- offer guidelines for short- and long-term incentive and retention processes; and
- offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The Santam board recognises certain industry-specific and other relevant differences between group businesses and, where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Santam brand or corporate identity require full disclosure, motivation and approval by the human resources committee, either at group or business level.

The principle of management discretion with regard to individual employees is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Santam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own remuneration or human resources committees will play in ensuring good governance. The group has continued to apply a total reward strategy for its employees, as far as practicable. This offering comprises remuneration (which includes cash remuneration, short-term incentives and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

DESIGN PRINCIPLES

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **Pay for performance:** Performance is a key guiding principle of the remuneration philosophy and, as such, all remuneration practices are designed to create clear differentiation between individuals with regard to performance. Remuneration practices are also designed to create a clear alignment between performance hurdles and the achievement of the group strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration package levels should enable the group and its businesses to attract and retain highly talented employees in order to ensure the performance and growth of the group.

- **Leverage and alignment:** The reward impact for individual employees is, as far as possible, aligned with and influenced by:
 - the interests of Santam shareholders (and, where applicable, minority shareholders in group subsidiaries);
 - performance of the group as a whole;
 - the performance of any region, business unit or support function; and
 - the employee's own performance contribution.
- **Consistency and fairness:** The reward philosophy strives to be both consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is, however, necessary and differentiation concerning performance is imperative. Unfair discrimination is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as key instruments in attracting and retaining the required talent to meet the group's objectives and ensure its sustainability over the long term.
- **Long-term incentive 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 success.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process, the link between remuneration and the group's strategic objectives is clarified to all employees.
- **Benchmarking:** Accurate and up-to-date market data and trend information from reputable sources is crucial in determining the quantum of 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 the group remuneration policy and these provisions have been incorporated in relevant remuneration governance documents/rules.

For the group to remain competitive, remuneration policies and practices are evaluated regularly against both local and international remuneration trends and governance frameworks, most notably King IV™.

EXECUTIVE CONTRACTS

Santam executive directors and Exco 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 long-term incentives 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 CEO.

REMUNERATION OVERVIEW STRUCTURE

The different components of remuneration for all employees of the group applied are summarised in the table below.

A detailed description of each component follows in the next section.

Where applicable, the quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term incentive component of remuneration is based on a combination of individual and business performance during the performance measurement period (January to December).
- The long-term incentive allocations are based on the individual's performance, potential and overall value to the group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile of the insurance market	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (performance bonus)	Creates a high-performance culture through a cash bonus in relation to performance against pre-determined outputs	Annual, based on short-term performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and pre-determined performance hurdles for business and personal targets. Cash settlement capped at a maximum of 160% of total guaranteed package
Long-term incentives (share-based awards)	Alignment with shareholder interests	Annual grants vesting over five years	Vesting based upon satisfaction of individual performance targets and meeting relevant company hurdles where relevant

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. In order to create a high-performance culture, the emphasis is placed on 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
- Medical aid and medical health insurance

PROCESS AND BENCHMARKING

Average TGP is normally set by reference to the median paid by a 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 have similar characteristics to Santam in terms of market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Santam obtains and analyses data from a number of local salary surveys. In addition to this benchmarking process, Santam also considers the skills, potential and performance of the individual concerned. Where specific skills dictate, TGP levels may be set in excess of the median.

The HRRC's role

Upon conclusion 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 total guaranteed package for each of the Santam executive directors, Exco members and heads of control functions.

SHORT-TERM INCENTIVES

PURPOSE

The purpose of the annual bonus plan is to align the performance of employees with the goals of the group 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 in a sustainable way. 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 robust comparator group.

The HRRC's role

The HRRC's role with regard to the annual 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 total guaranteed package that can be earned at each level by each group of employees;
- agree on the performance drivers for their annual bonus plan, and agree on the relative contribution of business, group and personal performance criteria in respect of Santam executive directors and Exco members; and
- consider and approve proposals regarding annual bonuses for Santam Exco and heads of control functions.

VESTING LEVELS

The annual bonus plan is a cash-based bonus scheme. Where the annual business and individual bonus targets are achieved in full, 50% of the maximum (cap) bonus will be paid to employees. For certain senior leaders up to 70% of the maximum bonus will be paid on achievement of targets.

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 both individual and business level).

Where the minimum annual business bonus targets are not achieved, an 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 a number of financial and non-financial performance measures that are directly linked to the group strategy and key performance indicators, including net insurance result, premium growth, skills development and employment equity. The specific performance targets and relative weighting is determined per business unit based on the business unit's strategic initiatives. The support functions' targets reflect the overall performance of the group.

For the 2018 financial year, the group achieved good profitability, exceeding its net insurance result financial target. Growth was, however, under pressure in the difficult economic environment which led to the underachievement of the growth targets. The group outperformed on its Financial Services Charter (FSC), employment equity and skills development targets. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 128% (2017: 96%) for Santam Ltd employees.

The HRRC's role

The HRRC's role as far as the long-term incentive plans are concerned is to:

- ensure that their structure contributes to shareholder value, employee retention and the long-term sustainability of the group;
- set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers; and
- approve award levels and at vesting ensure that vesting conditions have been met.

RETENTION PAYMENTS

Retention payments, typically driven by forfeitable bonus payments upon sign-on or for retention of specific employees for a specific period of time, where it is a strategic imperative, may be made to key employees. Such retention payments or share awards are subject to a retention period, in certain instances performance, and where the condition of continued employment is not met the payment is repayable in full or shares are forfeited.

Retention arrangements are also subject to malus and clawback provisions.

Sanlam's non-executive directors are not eligible for any short-term incentives or retention arrangements.

LONG-TERM INCENTIVES (LTIs)

OVERVIEW AND GENERAL POLICY

As of 2019, Santam will grant awards under the following LTIs:

- Santam Deferred Share Plan (Santam DSP)
- Santam Performance Deferred Share Plan (Santam PDSP)
- Santam Outperformance Plan (Santam OPP)

Prior to 2019, Santam granted Exco members awards under the Sanlam Deferred Share Plan (Sanlam DSP) and the Sanlam Performance Deferred Share Plan (Sanlam PDSP). As a result, Exco members still have unvested awards under the Sanlam DSP and PDSP Share Plans.

With the exception of the OPP, these long-term incentive plans are equity-settled. The OPP is a cash- or share-based plan, which rewards long-term performance.

In respect of the DSP and the PDSP, Santam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade and performance impact on the group. In addition, transformation considerations and the role and performance of an individual and the need to attract and/or retain key talent are considered when determining the final multiple. In general, the award level ranges from 70% to 245% of TGP but may exceed this in the specific circumstances referred to above.

Individual strategic performance hurdles are set for the DSP long-term incentive awards while both individual and business related performance hurdles are applicable to the PDSP long-term incentive awards.

The total number of shares available in the scheme is 12 million.

PARTICIPATION

The LTIs are aimed at attracting and retaining key employees. While participation is available to all employees of the Santam group, the practice is to target allocations to employees in management or key functional roles. Non-executive directors do not participate in any of the LTIs.

During the November 2018 meetings, the HRRC and board approved a proposal to change from awarding Santam Exco members a mix of Santam and Sanlam shares to 100% Santam shares only.

DEFERRED SHARE PLANS (DSPs)

The Sanlam DSP and Santam DSP design features are materially aligned.

For all shares awarded under the DSP pre-2017, the measurement period is five years and early vesting may occur as follows, provided that all the vesting conditions have been met:

- After three years – 40%
- After four years – 70% less any portion that vested earlier
- After five years – 100% less any portion that vested earlier

A rule change in the DSP schemes was approved by the HRRC and implemented in 2017 to address shareholder concerns regarding retesting. All new share awards under DSP schemes will, with effect from 2017, be subject to the following measurement of performance conditions:

- 40% of the award to be measured after three years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after four years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after five years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse

Awards granted under the DSP schemes are not subject to the satisfaction of the group performance conditions but do require meeting individually contracted performance hurdles. If these contracted individual strategic hurdles are not met, shares are forfeited, and performance cannot be retested at a later stage.

Typically, awards granted under a DSP scheme has a face value of up to 105% of TGP. To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

For the year ended 31 December 2018, allocations in respect of 276 019 shares (2017: 332 332) were made to 283 participants (2017: 283) under the Santam DSP.

For the year ended 31 December 2018, allocations in respect of 45 553 shares (2017: 38 280) were made to 9 participants (2017: 9) under the Sanlam DSP.

PERFORMANCE DEFERRED SHARE PLANS (PDSPs)

The Sanlam PDSP and Santam PDSP design features are materially aligned; however, the financial performance conditions for the two companies differ (see details below).

To the extent that the face value of the awards granted under a DSP scheme does not satisfy the specified multiple of TGP to be granted as long-term incentive awards, the individual may be granted an award under a PDSP scheme. Awards granted under a PDSP are conditional rights to acquire shares for no consideration subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of a Santam PDSP award is also subject to the condition that the Santam group's return on capital (ROC) exceeds its cost of capital for the relevant measurement period, as finally determined by the directors. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP.

For Sanlam PDSP awards, in addition to continued employment by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the PDSP is also subject to the condition that the Sanlam Group's RoGEV (Return on Group Embedded Value) exceeds the cost of capital for the measurement period by an agreed margin. The exact performance conditions are set by the HRRC at the relevant date of grant.

The use of ROC or RoGEV 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 long-term incentive reward, group strategy and shareholders' interests.

A change in performance measurement period similar to that proposed for awards under the DSP from 2017 applies to awards made under the PDSP with effect from 2017 to address shareholder concerns around retesting (refer above).

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

For the year ended 31 December 2018, allocations in respect of 13 740 shares (2017: 8 985) were made to 8 participants (2017: 9) under the Santam PDSP.

For the year ended 31 December 2018, allocations in respect of 24 406 shares (2017: 14 290) were made to 8 participants (2017: 9) under the Sanlam PDSP.

OUTPERFORMANCE PLAN (OPP)

From time to time, at the discretion of the HRRC, participation in an individual OPP is extended to the CEO and in very limited circumstances to senior leaders within the main businesses. The OPP rewards superior performance over a three- to five-year measurement period. OPPs are designed to be fully self-funded from exceptional income generated over the OPP vesting period.

No reward is delivered under the OPP unless the agreed performance target over the period is exceeded, and full reward is made only if the stretch performance target is met. The general principle is that the maximum reward that can be made in terms of any agreed OPP is 200% of annual TGP per annum calculated over the respective three- to five-year measurement period (e.g. maximum of six to ten times the annual TGP of the final measurement year) if the payments are made in cash. In the event that the OPP is equity-settled, the number of shares is calculated with reference to the TGP at the date that the award is made. Where targets are not achieved, OPP shares are forfeited upon final measurement.

OPPs are contracted on an individual level and the earning potential per year (cumulated over the total OPP period) may be considerably less than the maximum reward parameters outlined above.

In exceptional circumstances, a collective OPP arrangement may be extended to senior leaders. Current OPPs include Santam Exco (excluding the CEO) and selected senior leaders. The maximum payment that can be made under the existing OPP is 488% of the annual TGP in the final year calculated over the respective five-year measurement period (e.g. 4.8 times the annual TGP of the final measurement year).

The detail of the OPP terms applicable to the CFO are detailed in the implementation report (see page 8). The CEO had no OPP for the 2018 financial year.

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, the preference is to convert such cash amounts into Santam shares. Such shares will be held by the individual in a restricted account and will become unrestricted subject to employment and other conditions being met.

These Santam shares are also subject to continued employment for vesting as well as malus and clawback provisions.

Risk adjustment

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

- The mix of short-term and long-term financial performance conditions, combined with a material weighting towards non-financial/strategic conditions, ensures that risk taking behaviour is not encouraged;
- The nature of the performance hurdles for short- and long-term incentives;
- A measurement period of up to five years for long-term incentive performance hurdles, before vesting takes place;
- As of 2019, malus (pre-vesting forfeiture) and clawback (post-vesting recovery) of remuneration for "trigger events". 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; and
- Compliance with legislation and governance best practice standards in the financial services industry.

Minimum shareholding requirement (MSR)

To encourage alignment between executive and stakeholder interests, as of 2019 Santam will apply a minimum shareholding policy to all current and future members of the Santam Exco, including Santam executive directors (participating executives). In terms of these arrangements, the following 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:

Group CEO	100%
CFO	50%
Executive heads	50%

Participating executives and executive heads are required to maintain the target shareholding throughout their tenure with the group. Unvested shares under any long-term incentive arrangement will not be taken into account 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 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.

Participating executives are able to maintain a maximum shareholding of up to double their minimum requirement applicable to MSR

As a result of the above, the current 25% Sanlam MSR requirement for the Santam CEO will fall way.

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

Non-executive directors are not eligible to participate in incentive plans (whether short-term or long-term) and do not receive fees that are linked to the share price growth or corporate performance hurdles.

Fee structures are reviewed annually with the assistance of the external service providers who provide independent 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 the proposed fees in the notice of AGM. The fee structure will remain in place for one year from 1 July until 30 June the following year. Non-executive directors receive annual board 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 chairman receives a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the group. Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed in the section that follows.

IMPLEMENTATION REPORT

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS EXECUTIVE REMUNERATION SUMMARY

Remuneration earned by executive directors was as follows:

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2018

For purposes of total remuneration, the fair value of LTIs on award date is included for awards made during the year, assuming a 100% vesting, instead of the fair value of LTIs that vested during the period. This ensures consistency with market practice to benchmark total remuneration based on fair value on award date for LTIs. The vesting value of LTIs are influenced by numerous factors (including political, economic and investment market factors) and therefore does not provide a reasonable measure for remuneration. 2017 numbers have therefore been restated. Separate disclosure is provided in respect of the number and value of LTIs that vested in the year (refer to page 10).

Remuneration for the year ended 31 December 2018

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus ² R	Attributable value of LTIs ¹ R	Cash-settled OPP payment R	Total remuneration R
Lizé Lambrechts	12	5 330 000	210 000	5 540 000	6 900 000	4 200 000		16 640 000
Hennie Nel	12	3 046 000	268 000	3 314 000	3 300 000	1 120 000		7 734 000
Total: executive directors		8 376 000	478 000	8 854 000	10 200 000	5 320 000	-	24 374 000

¹ Fair value of LTIs on award date.

² Bonus in respect of 2018 paid in 2019.

Remuneration for the year ended 31 December 2017

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus ² R	Attributable value of LTIs ¹ R	Cash-settled OPP payment R	Total remuneration R
Lizé Lambrechts	12	5 000 050	201 200	5 201 250	6 300 000	2 469 094	19 000 000	32 970 344
Hennie Nel	12	2 869 621	285 380	3 155 001	3 000 000	1 389 711	-	7 544 712
Total: executive directors		7 869 671	486 580	8 356 251	9 300 000	3 858 805	19 000 000	40 515 056

¹ Fair value of LTIs on award date.

² Bonus in respect of 2018 paid in 2019.

TOTAL GUARANTEED PACKAGE (TGP)

The TGP (in rand) of the executive directors are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

Individual	TGP as at 1 April 2018 R	TGP as at 1 April 2017 R	TGP as at 1 April 2016 R	% increase during 2018	% increase during 2017
Lizé Lambrechts	5 620 000	5 300 000	4 905 000	6.04%	8.05%
Hennie Nel	3 400 000	3 200 000	3 020 004	6.25%	5.96%

The average salary increases paid to executives for 2018 was 6.1% (2017: 7.0%) compared with an average salary increase paid to all employees of 6.0% (2017: 6.0%). The remuneration increase trends for the last three years are as follows:

	2016	2017	2018
Executives	6.9%	7.0%	6.1%
Employees	6.5%	6.0%	6.0%

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 2018 annual bonus, the split between group and strategic goals for executive directors was as follows:

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

The payments that can be achieved by executive directors at the target and stretch levels are as indicated below. These levels are benchmarked with comparator group, together with other components of remuneration.

Individual	% of TGP at target performance	Performance bonus cap as % of TGP
Lizé Lambrechts	112	160
Hennie Nel	84	120

The group performance measures that were applied in 2018 consisted of the following:

- Net insurance result – used to determine the size of the bonus pools
- Modifiers:
 - Gross written premium
 - Transformation
 - Performance against FSC target
 - Performance against skills development targets
 - Performance against employment equity targets

The actual achievement of the group performance measure for 2018 is as follows:

Santam group	Minimum target	Maximum target	Target achieved
Net insurance result (NIR)	70%	130%	108%
Modifiers	Modifier impact on bonus		
	Maximum detractor	Maximum multiplier	
Gross written premium	{15%}	15%	98%
Transformation	{15%}	15%	108%

The following performance measures applied to Lizé Lambrechts and Hennie Nel as chief executive and chief financial officer respectively:

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER 2018 PERFORMANCE BONUS

KPI	Weight	Minimum hurdle	Hurdle for target achievement	Maximum
Achieve group Net Insurance Result (NIR) target (adjusted for ART businesses)	20%	R1 972 million	R2 817 million	R3 661 million
Growth in Gross Written Premium (adjusted for ART business)	10%	R27 275 million	R28 377 million	R29 171 million
Financial performance of SEM general insurance businesses (Santam share of NIR)	7.5%	Aligned to SEM target and performance		
Share price performance (charge relative to FINI index)	5%	95%	100%	105%
Return on Capital (ROC) target	7.5%	19.2%	24%	28.8%
Strategic initiatives	50%	Progress with strategic initiatives and material sustainability themes, including capital and cost efficiencies, driving operational and system efficiency, transformation and sustainability drive (including Treating Customers Fairly), growing and diversifying the business, optimising investment return and the review of the Santam international strategy. Different weightings for each strategic initiative apply between the group chief executive and the chief financial officer. Achievement is measured by the HRRC		

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors in respect of the performance achieved in 2018. Final individual payments are based on the outcome relative to the set performance criteria, but may be adjusted by the HRRC within a small discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are paid in 2019:

Individual	% of TGP achieved 2018	Payment 2019 R	% of TGP achieved 2017	Payment 2018 R
Lizé Lambrechts	123%	6 900 000	119%	6 300 000
Hennie Nel	97%	3 300 000	94%	3 000 000

LONG-TERM INCENTIVES

PERFORMANCE MEASUREMENT FOR JUNE 2018 LTI VESTING

PDSP subject to company financial performance conditions

Due to Santam's vesting profile, three LTI tranches were performance-measured in 2018 for vesting from a financial metric perspective, namely:

- Award 2015 (40% of award and three financial years reviewed for performance testing)
- Award 2014 (30% of award and four financial years reviewed for performance testing)
- Award 2013 (30% of award and five financial years reviewed for performance testing)

A summary of the performance measurement and achievement for LTI vesting in June 2018 is shown below as it pertains to the ROC (for Santam PDSP) and RoGEV (for Sanlam PDSP) condition:

Measurement period	Award 2013 5 years	Award 2014 4 years	Award 2015 3 years
Target			
PDSP Santam (ROC)	13.5	13.7	13.8
PDSP Sanlam (RoGEV)	13.1	13.6	13.8
Actual achievement			
PDSP Santam (ROC)	23.3	24.2	24.0
PDSP Sanlam (RoGEV)	15.4	16.6	16.2
Vesting achievement	100%	100%	100%

The outcome of ROC (for Santam PDSP) and RoGEV (for Sanlam PDSP) achievement resulted in 100% LTI vesting in June 2018 in relation to the three LTI tranches where performance measurement was applied in respect of ROC and RoGEV.

DSP

We reported comprehensively on the strategic progress and achievements of the group over the past 5 years in the annual Santam integrated reports. Based on this performance, the DSP awards made in 2013, 2014 and 2015 vested 100% in the reporting period.

In 2018, DSPs vested for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2013, 2014 and 2015.

The participation by executive directors in the group's long-term incentive schemes (excluding the OPP) at 31 December 2018 was as follows:

	Balance 31 Dec 2017	Awarded in 2018	Shares vested 2018	Shares forfeited 2018	Balance 31 Dec 2018	Vesting in				
						2019	2020	2021	2022	2023
Lizé Lambrechts										
Santam	52 125	10 686	12 156		50 655	14 716	16 411	10 794	5 528	3 206
Sanlam	73 761	18 982	39 571		53 172	21 880	4 924	11 287	9 387	5 694
DSP										
Santam	20 338	4 063	3 147		21 254	5 404	6 586	5 367	2 678	1 219
Sanlam	28 014	7 218	13 809		21 423	6 473	3 092	5 208	4 485	2 165
PDSP										
Santam	31 787	6 623	9 009		29 401	9 312	9 825	5 427	2 850	1 987
Sanlam	16 937	11 764	8 218		20 483	4 141	1 832	6 079	4 902	3 529
RSP – Sanlam	28 810	0	17 544		11 266	11 266	0	0	0	0
Hennie Nel										
Santam	16 296	2 850	2 992		16 154	4 130	5 090	3 917	2 162	855
Sanlam	23 624	5 062	4 030		24 656	5 815	7 430	6 294	3 598	1 519
DSP										
Santam	11 722	1 967	2 112		11 577	2 916	3 680	2 812	1 578	591
Sanlam	17 020	3 493	2 845		17 668	4 104	5 382	4 515	2 619	1 048
PDSP										
Santam	4 574	883	880		4 577	1 214	1 410	1 105	584	264
Sanlam	6 604	1 569	1 185		6 988	1 711	2 048	1 779	979	471

It is anticipated that long-term incentive awards will be granted in 2019 to executive directors and members of the Santam Exco on a basis consistent with that described above.

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period and description of minimum and maximum potential*	Performance measures	Achievement in 2018	Payment R
Lizé Lambrechts*	-	-	-	-
Hennie Nel	<p>1 January 2015 to 31 December 2019</p> <p>Minimum earning potential on final measurement: 0% of final measurement year TGP</p> <p>Maximum earning potential on final measurement: 488% of the final measurement year TGP</p> <p>The maximum payment that can be made under the OPP is 488% of the annual TGP in the final year calculated over the respective five-year measurement period (e.g. 4.8 times the annual TGP of the final measurement year).</p>	<p>Outperformance of net insurance result targets over the measurement period</p> <p>Minimum hurdle: annualised real growth of 6% based on NIR for 2014</p> <p>Hurdle for 100% vesting: annualised real growth of 9%</p>	N/A	-

* No OPP participation for CEO in 2018.

To the extent that any awards are granted under the OPP in 2019, it will occur on a basis consistent with the approved policy on OPP.

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 160 million ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 million ordinary shares.

The following table illustrates the position as at 31 December 2018:

Santam share scheme allocation	Number of shares
Scheme allocation originally approved	
Net movement during 2010	572 732
Net movement during 2011	417 480
Net movement during 2012	392 261
Net movement during 2013	374 892
Net movement during 2014	348 196
Net movement during 2015	361 886
Net movement during 2016	61 939
Balance of scheme carried forward as at Dec 2016	1 390 934
Allocation under DSP and PDSP in 2017	341 317
Shares vested/issued 2017	(332 404)
Shares forfeited in 2017	(54 878)
Balance of scheme carried forward as at Dec 2017	1 344 969
Allocation under DSP and PDSP in 2018	289 759
Shares vested/issued 2018	(323 319)
Shares forfeited in 2018	(94 011)
Balance of scheme carried forward as at Dec 2018	1 217 398

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 2018

Individual	Directors' retainer fees R	Board and committee fees R	Fees from group R	Total R
B Campbell	258 500	509 350		767 850
BTPKM Gamedze	258 500	314 650	274 500	847 650
GG Gelink* (previous chairman)	489 200			489 200
VP Khanyile (chairman)	547 450	80 050		627 500
IM Kirk	258 500	348 050		606 550
MLD Marole	258 500	487 100		745 600
NV Mtetwa	258 500	465 650		724 150
JJ Ngulube	180 450	95 400		275 850
MJ Reyneke	258 500	625 450		883 950
PE Speckmann	258 500	464 500	549 000	1 272 000
HC Werth	258 500	324 200		582 700
Total non-executive directors	3 285 100	3 538 950	823 500	7 333 800

* GG Gelink resigned in 2018.

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 2017

Individual	Directors' retainer fees R	Board and committee fees R	Fees from Group R	Total R
B Campbell	243 900	438 100	-	682 000
GG Gelink (chairman)	951 100	-	-	951 100
MLD Marole	243 900	383 900	-	627 800
NV Mtetwa	218 274	371 900	-	590 174
MJ Reyneke	243 900	546 900	-	790 800
PE Speckmann	218 274	371 900	83 333	678 507
BTPKM Gamedze	243 900	307 100	-	551 000
IM Kirk	243 900	328 300	-	572 200
HC Werth	243 900	305 800	-	549 700
Y Ramiah	243 900	176 100	-	420 000
T Nyoka	39 575	-	-	39 575
MP Fandesio	39 575	84 800	-	124 375
Total non-executive directors	3 174 098	3 314 800	83 333	6 577 231

INTEREST OF DIRECTORS IN SHARE CAPITAL

TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2018

Individual	Number of Santam shares		Non-beneficial
	Beneficial		
	Direct	Indirect	
Executive directors			
L Lambrechts	6 637	-	-
HD Nel	10 905	-	-
Total executive directors	17 542	-	-
Non-executive directors			
B Campbell	8 370	-	-
BTPKM Gamedze	4 932	-	-
VP Khanyile (chairman)	-	1 286	-
IM Kirk	21 831	-	-
MLD Marole	-	-	-
NV Mtetwa	-	-	-
JJ Ngulube	2 556	-	-
MJ Reyneke	-	211	-
PE Speckmann	1 000	-	-
HC Werth	-	-	-
Total non-executive directors	38 689	1 497	-
Total	56 231	1 497	-

TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2017

Individual	Number of Santam shares		Non-beneficial
	Beneficial		
	Direct	Indirect	
Executive directors	-	-	-
L Lambrechts	-	-	-
HD Nel	9 271	-	-
Total executive directors	9 271	-	-
Non-executive directors			
B Campbell	8 370	-	-
GG Gelink (chairman)	-	-	-
MLD Marole	-	-	-
NV Mtetwa	-	-	-
MJ Reyneke	-	10 711	-
PE Speckmann	1 000	-	-
BTPKM Gamedze	200	-	-
IM Kirk	16 663	-	-
HC Werth	-	-	-
Y Ramiah	1 433	-	-
Total non-executive directors	27 666	10 711	-
Total	36 937	10 711	-