



## Santam Limited King IV Application Register

*This document demonstrates Santam’s application of the King IV Code Principles during the year ending 31 December 2019.*

*Details in the register pertaining to the composition of the board and its committees are as at 4 March 2020, which is the date this document was approved by the Santam Board.*

Principle	Application
<p><b>1. <i>The governing body should lead ethically and effectively.</i></b></p>	<p>The board of directors is the governing body and committed to the good corporate governance principles as set out in King IV, these being the overarching principles for an ethical foundation. The directors hold one another accountable for decision-making based on integrity, competence, responsibility, fairness and transparency. The Chairman oversees this process on an ongoing basis.</p> <p>Santam has adopted a Code of Ethics, which applies to all directors and staff in order to ensure that the company maintains the highest level of integrity and ethical conduct.</p> <p>The Board charter also outlines the policies and practices of the Board on matters such as directors’ dealings in the securities of the Company and declarations of conflicts of interest. The Nominations Committee assists the Chairman of the Board to oversee the board assessment process.</p>
<p><b>2. <i>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</i></b></p>	<p>The Board, assisted by the Social, Ethics &amp; Sustainability Committee, oversees the governance of ethics in the Group, which is detailed in the Code of Ethics that was approved by the Board. The Code of Ethics guides the interaction between employees, clients, stakeholders, suppliers and the communities within which it operates.</p> <p>The Group’s management is responsible for the implementation of the Code of Ethics and will report material breaches to the Social, Ethics &amp; Sustainability Committee. Employees are required to confirm their knowledge and understanding of the Code on a regular basis. Several initiatives are used to entrench the Code’s principles, and build and maintain a values-based culture beyond compliance, including training interventions and employee surveys.</p>

	<p>The mandate of the company’s Business Integrity, Compliance and Forensics function includes investigating instances of fraud, theft, corruption, unethical behavior and irregularities, and providing pertinent information on these issues to the Social, Ethics &amp; Sustainability Committee.</p> <p>Mechanisms are in place for stakeholders to report any such instances, and the anonymity of reporters is protected. Group Forensics evaluates all reported incidents to ensure proper investigation and action.</p> <p>As part of ongoing efforts to raise awareness of the importance of ethical behavior, constant focus is placed on relevant training.</p>
<p><b>3. <i>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</i></b></p>	<p>The Board, assisted by the Social and Ethics Committee, oversees the governance and activities relating to demonstrating that the Group is a good corporate citizen, including compliance with the applicable laws, standards and own policies and procedures, as well as consistency with the Group’s purpose, strategy, and Code of Ethics.</p> <p>The Social and Ethics Committee monitors the activities that demonstrate the Group’s commitment to being a good corporate citizen. These include the Group’s ongoing corporate social investment, Partnership for Risk and Resilience (in terms of which vulnerable municipalities and communities are benefitted).</p> <p>Santam has a comprehensive Delegation of Authority, which has been approved by the Board. The Group Governance Policy, updated during 2019, also assists with managing corporate citizenship in the group.</p> <p>The Board has established various board committees, which are legally compliant and constituted, in order to assist it to effectively discharge its duties. No individual(s) dominate decision-making within the governance structures.</p>

<p><b>4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</b></p>	<p>The Group has a clearly set out strategy with the associated risks. The Board meets annually with the executive team to review the strategy and any proposed changes.</p> <p>The Board has delegated to management the detailed formulation and implementation of the approved strategy and the realisation of the expected returns. The Board has approved the strategy, key performance measures and targets for management.</p> <p>The Board oversees the implementation of the strategy and plans carried out by management against the agreed performance measures and targets. Any acquisitions, investments or disposals take place in terms of an approved delegation of authority.</p> <p>The Risk Committees assists with the governance of risks and monitors the effects of the identified risks and the mitigating controls. The responsibility for risk management is detailed in the Risk Committee's charter.</p> <p>The Group is aware of the general viability, reliance and effect of its activities on its six capitals, solvency, liquidity and its going concern status.</p>
<p><b>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</b></p>	<p>The Board, assisted by its committees, oversees that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of the stakeholders.</p> <p>The Board, assisted by the Audit Committee, ensures that the Integrated Report issued is in line with the Companies Act and the JSE Listings Requirements.</p> <p>The Audit Committee approves the basis for determining materiality for the purposes of inclusion in reports. The Board, assisted by the Audit Committee, ensures the integrity of external reports.</p>

	<p>The Board delegates to management the publication (and uploading to the company website) of the relevant disclosure requirements, which include the Integrated Report, Annual Financial Statements, King IV disclosures and other external reports.</p> <p>PwC issued an unqualified audit report on the Group annual financial statements for the year ended 31 December 2019.</p>
<p><b>6. <i>The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</i></b></p>	<p>The Board serves as the focal point and custodian of corporate governance. Its role and responsibilities and the way it executes its duties and decision-making are set out in the Board charter. The Board is supported by various committees, which have delegated responsibility to assist the Board to fulfill specific functions. Each Board committee is governed by a charter. The Board committees report to the Board at every Board meeting.</p> <p>The governance structures have been aligned to King IV and the group has materially applied all the principles.</p>
<p><b>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</b></p>	<p><b><u>Composition of the governing body</u></b></p> <p>The Board is satisfied that the current composition of the Board is appropriate taking into account the size of the Group. An optimal mix of knowledge, skills, experience and independence is present. The Board has set diversity objectives that it will seek to achieve during 2020 in order to improve the gender and age diversity of its members.</p> <p>The CEO and CFO are members of the Board.</p> <p>The majority of 10 Board members are non-executive directors (two board members are executive directors). Of the 8 non-executive directors, the majority (6) are independent.</p> <p>The board annually assesses the independence of non-executive directors serving on the board for longer than 9 years. Non-executive directors serving on the board for longer than 9 years who have been assessed by the board as being independent are required to retire at the company's AGM every year in order to enable shareholders to express their view regarding the independence of these directors. In its independence assessment of the two directors serving on</p>

the board for longer than 9 years conducted in March 2020, the board concluded that there are no relationships or circumstances likely to affect, or appearing to affect the two directors' objectivity and judgement.

**Nomination, election and appointment of members to the governing body**

The Nominations Committee recommends the appointment of directors to the Board for approval when the need to fill vacancies on the Board arises.

The Board charter includes a formal and transparent process for the nomination, election and appointment of directors to the Board.

**Independence and conflicts**

The Board members formally update the register of directors' interests annually or when a change is required. In the event of a conflict of interest arising, conflicted directors are required to recuse themselves from discussions.

**Chair of the governing body**

The Chair of the Board is an independent non-executive director.

The role and responsibilities of the Chair is documented in the Board Charter.

The Chair of the Board is not a member of the Audit Committee.

The Chair of the Board is a member of but not the Chair of the Remuneration Committee.

The Chair of the Board is the Chair of the Nominations Committee.

**Lead independent director**

The board has appointed a lead independent director with effect from 4 March 2020.

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

The Board determines delegation to individual members, groups of members, standing or ad hoc committees.

The composition of the Board and its committees are in line with King IV. There is a clear balance of power to ensure that no individual has undue decision-making powers.

Each committee has a formal charter or terms of reference, approved by the Board, recording the responsibilities delegated to it.

Each committee has a minimum of three members and sufficient capability and capacity to function effectively.

Any member of the Board is entitled to attend any committee meeting as an observer. Board committees may allow management to attend by standing or ad hoc invitation.

The Board and its committees fully complied with their terms of reference during the reporting period.

#### **Audit Committee**

The Audit Committee provides independent oversight of the assurance functions and on the integrity of the AFS and other external reports. All members of the Audit Committee are independent directors.

The Audit Committee oversees risks that may affect the integrity of external reports.

The Audit Committee is satisfied that it has the necessary financial literacy, skills and experience, and that all members are independent non-executive directors.

The Chairman of the Audit Committee is an independent non-executive director.

#### **Risk Committee**

The Risk Committee provides independent review and oversight of the risks of all business units, including the IT function and the IT risks.

The Risk Committee monitors all potential and legal actions that the Group is involved in.

The members of the Risk Committee all have the requisite skills and experience. As at the time of publication of this document, 4 members are independent directors and two members are executive directors.

The Chair of the Risk Committee is an independent non-executive director.

**Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee has oversight of remuneration governance and implementation. The Human Resources and Remuneration Committee consists of three non-executive directors, the majority of whom are independent. The Committee is chaired by an independent non-executive director.

**Social, Ethics & Sustainability Committee**

The Social, Ethics & Sustainability Committee has been established to carry out its statutory duties of the Social and Ethics Committee in terms of the Companies Act. The Committee also has oversight of environmental, social and governance (ESG) matters as well as stakeholder relations and transformation.

The Chair of the Social and Ethics Committee is an independent non-executive director of the Board. The other members of the Committee comprise one independent non-executive director and one non-executive director of the Board.

**Nominations Committee**

The Nominations Committee is responsible for recommending the succession planning in respect of Board members, evaluation of the performance of the Board, and the process for nominating and electing directors of the Board.

The Committee consists of three non-executive directors, of whom two are independent. The Committee is chaired by the Chairman of the Board, who is an independent non-executive director.

**Investment Committee**

The Investment Committee assists the Board in its portfolio and cash investment responsibilities. Chair of the Investment Committee is an independent non-executive director of the Board. The other members of the Committee comprise two executive directors of the Board.

<p><b>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</b></p>	<p>The Board conducts a formal, externally facilitated evaluation process of the Board, the Chairman, its committees and individual directors at least every two years. The Board, through the assistance of the Nominations Committee and Company Secretary, conducts an internal evaluation process of the Board, its committees and the individual directors in the intervening years.</p> <p>The 2019 Board assessment (which was an internal evaluation) showed that the Board, committees and directors are effective in discharging their duties. The company secretary’s performance was also evaluated and was found to be competent. It was displayed that there was an arm’s length relationship between the Board and the company secretary in that the objectivity of the company secretary was not unduly influenced.</p>
<p><b>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</b></p>	<p>The Board has appointed a CEO, who is responsible for leading strategy implementation and who regularly reports to the Board on the progress thereof.</p> <p>The Board has approved and implemented a Delegation of Authority, which details the powers and matters reserved for itself and those to be delegated to management via the CEO.</p> <p>The Board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced.</p> <p>The Human Resources and Remuneration Committee reviewed and assessed the competency and performance of the members of executive management.</p>

**11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

The Board has direct responsibility for the governance of risk and approved the risk appetite on a regular basis. The Board acknowledges the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. The Board, via the Audit and Risk Committees have delegated to management the implementation of processes to ensure that the risks to the sustainability of the business are identified and managed within acceptable parameters.

The Board delegates to management to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigating controls are in place to address these risks, which are monitored on a continuous basis.

The members of the Audit Committee are also members of the Risk Committee, thereby ensuring that there is coordination in respect of the evaluation and reporting of risks. One member of the Risk Committee is also a member of the Social, Ethics and Sustainability Committee, whilst two members of the Risk Committee are members of the Investment Committee. One member of the Social, Ethics and Sustainability Committee is also a member of the Human Resources and Remuneration Committee and Nominations Committees. This arrangement facilitates the co-ordination of risk management across the committees.

Santam prepares and Own Risk and Solvency Assessment (ORSA) which provides a holistic view of the risk exposures in the group and how these risks affect capital, solvency and business strategy.

<p><b>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</b></p>	<p>The Board, together with the Audit and Risk Committees, oversees the governance of IT. The Board is aware of the importance of technology and information in relation to the achievement of the Group’s strategy. The Risk committee has increased its focus on technology, information, compliance, maximizing of opportunities which also managing risk factors.</p> <p>The IT Steering Committee is integral to the IT Governance Framework, and has the overall responsibility for recommendations IT priorities, funding and security requirements.</p> <p>There is appropriate management of cyber and data risks and an effective implementation of the IT Risk management plan.</p>
<p><b>13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</b></p>	<p>The Board, with the assistance of the Audit and Risk Committees, ensures that the Group complies with applicable laws, adopted non-binding rules, codes and standards. Compliance is monitored by the Risk Committee. This Committee considers the compliance landscape, assesses the impact of new laws and regulations, and keeps the board apprised of material developments. The Group has identified all of the laws, codes and standards that impact its operations.</p> <p>During 2019, an associate company in Namibia was fined for contravening the Competition Act in Namibia. In the rest of the group, there were no material penalties, sanctions, fines for contraventions of or non-compliance with regulations during the period under review.</p> <p>The Board has delegated the responsibility for implementing compliance to management.</p>

<p><b>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long-term.</b></p>	<p>The Board, assisted by the Human resources and Remuneration Committee, ensures that executives and general staff are remunerated fairly and responsibly in line with industry standards with a view to promoting the creation of value in a sustainable manner.</p> <p>The Group’s remuneration policy is reviewed by the Human Resources and Remuneration Committee and approved by the Board. The policy is designed to attract and retain human capital, promote the achievement of strategic objectives, positive outcomes, an ethical culture and responsible corporate citizenship. The Human Resources and Remuneration Committee oversees the implementation of the policy to ensure achievement of the policy objectives.</p> <p>91,2% of shareholders present at the 2019 AGM voted in favour of the remuneration policy, while 87,6% of shareholders voted in favour of the company’s implementation report regarding its remuneration policy. Both the remuneration policy and implementation report are available on the company’s website. During 2019, the company also conducted an engagement process to discuss improvement areas regarding its remuneration practices and disclosures.</p> <p>The Board is satisfied that the remuneration policy and its implementation reflect appropriate alignment between the group’s strategic objectives and stakeholder interests.</p>
<p><b>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports.</b></p>	<p>The Board, assisted by the Audit and Risk Committees, ensures that there is internal or external assurance to review and report on:</p> <ul style="list-style-type: none"> <li>- the internal control environment;</li> <li>- integrity of information for management decision making; and</li> <li>- external reporting.</li> </ul> <p>The committees and the Board receive regular reports from the external audit engagement partner, Chief Risk Officer, Head of Internal Audit, the Head of Enterprise Risk, Head of Compliance and the Group Company Secretary in respect of the issues as set out above.</p>

	<p>The combined assurance model is implemented throughout Santam.</p> <p>The Audit Committee annually reviews the expertise, resources and experience of the company's finance function, financial director, chief risk officer, head of internal audit, head of financial risk management, head of compliance and head of enterprise risk management. The performance and expertise of these functions were found to be appropriate.</p> <p>The Audit committee is satisfied that the external auditor is independent. The appointment of the external audit firm was confirmed by resolution at the 2019 annual general meeting and the re-appointment of the external auditors with the designated partner having oversight of the audit process will be tabled for shareholder approval at the 2020 AGM.</p> <p>The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision making.</p> <p>No key governance or control failures were experienced in the period under review</p>
<p><b><i>16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</i></b></p>	<p>The Board understands the risk of reputation, and there is regular engagement with stakeholders through various platforms and forums. A dedicated Stakeholder Relationship unit also exists within Santam.</p> <p>The Company has a Board-approved Stakeholder Engagement Policy which governs Santam's stakeholder engagement towards the desired governance outcomes of reputation, legitimacy and relationship health. The Policy also aims to ensure a consistent, principled approach to stakeholder engagement across the group. The policy is applicable to all directors and employees of Santam and its subsidiaries. It is binding on service providers of Santam, in so far as they engage stakeholders on behalf of the group.</p> <p>The Social, Ethics and Sustainability Committee assists the Board with monitoring stakeholder management and with setting the direction for how stakeholder relationships should be approached. Stakeholder relations is a recurring item on the agenda of the Social, Ethics and Sustainability Committee.</p> <p>The responsibility for proactive and constructive stakeholder engagement is delegated to management. Santam encourages proactive engagement with shareholders, including engagement at the AGM. All directors are present at the AGM to respond to shareholder queries on how the Board executed</p>

	<p>its governance duties. The designated partner of the audit firm also attends the AGM.</p>
<p><b><i>17. The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</i></b></p>	<p>Sustainable and responsible investment practices are a material factor underpinning Santam’s long-term success. Santam regularly engages with its investment outsourcing partner, Sanlam Investments to discuss Sanlam Investment’s investment approach. As part of this process, Santam reviews the Responsible Investment policies and procedures and Annual Responsible Investment Report of Sanlam Investments. Santam’s formal investment management agreement mandates also incorporate adherence to the Responsible Investment Policy. Engagement is one of the important goals within Santam’s responsible investment initiative. This requires on-going interaction with the service providers in order to keep them accountable.</p>