

# **SANTAM LIMITED**

## **HUMAN RESOURCES & REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. Introduction**

The Human Resources and Remuneration Committee (the Committee) is constituted as a committee of the board of directors of Santam Limited (“the Company”). The duties and responsibilities of the members of the Committee are in addition to those as members of the board.

The Committee shall assist the board in ensuring that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive performance outcomes in the short, medium and long term. The Committee is principally concerned with matters of remuneration and succession although its ambit extends to all Human Capital matters. The Committee consults with the Social, Ethics & Sustainability Committee regarding transformation imperatives, skills development and employment equity initiatives in particular.

The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their statutory obligations.

These terms of reference are subject to the provisions of the Companies Act 2008, the Insurance Act, 2017, the JSE Listings Requirements, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

#### **2. Purpose of the terms of reference**

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

#### **3. Composition**

- 3.1 The Committee comprises at least three non-executive directors, a majority of whom is independent non-executive directors. Members of this Committee and its chair are nominated by the board. The members of the Committee as a whole must have sufficient qualifications and experience to fulfil their duties.
- 3.2 The Chairperson of the Committee must be an independent non-executive director. The Chairperson of the Board may not chair the Committee.
- 3.3 The company secretary is the secretary to this Committee.
- 3.4 The Chairperson of the Committee may co-opt an independent non-executive board member to attend a meeting of this committee in the event of a member of the Committee being unable to attend such meeting.

#### **4. Role**

The Committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval.

The Committee does not assume the functions of management, which remain the responsibility of the executive directors, top management (EXCO) and other members of senior management.

#### **5. Responsibilities**

In terms of the Santam Board Delegation of Authority, the Committee is delegated by the board to perform the following functions and to make recommendations to the board on these issues:

##### **5.1 Composition of top management and heads of control functions**

The committee shall ensure that the actions relating to the appointment, dismissal and succession of managing executives and heads of control functions are implemented in consultation with the Committee.

The committee must annually review the size, composition and effectiveness of the top management structure (EXCO). Together with the CEO, the committee must identify and nominate candidates for top management positions as well as terminate service where appropriate. Changes in the composition of EXCO must be recommended to the board for approval. The committee must ensure that there is an effective management succession process for top and senior management and that the long-term availability of management expertise is to be evaluated on a regular basis.

##### **5.2 Remuneration Policy & Implementation report**

- The Committee must ensure that an appropriate remuneration policy is developed in alignment with Santam's overarching business strategy that gives effect to the board's direction on fair, responsible and transparent remuneration. The remuneration policy should be designed to achieve the following objectives: (i) to promote the achievement of strategic objectives within the Company's risk appetite; (ii) to attract, motivate and retain human capital; (iii) to promote positive performance outcomes; and (iv) to promote an ethical culture and responsible corporate citizenship. The Committee is responsible for monitoring the implementation and effectiveness of the remuneration policy and must regularly review the suitability thereof. The review shall include compliance with the Prudential Standards relating to remuneration policies. The remuneration policy shall demonstrably support prudent decision making, shall not induce excessive or inappropriate risk taking and shall be consistent with the Company's risk appetite, short, medium and long-term interests of the Company. The remuneration policy should address organisation-wide remuneration and should set out all elements of remuneration offered in the Company and the mix of these.

- The remuneration policy should record the remedial measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised by shareholders at the AGM.
- The committee shall oversee the preparation of and recommend to the board the remuneration report, to be included in the annual integrated report. This report must comply with applicable laws, regulations or governance codes applicable to the Group and shall include a background statement, an overview of the main provisions of the remuneration policy and an implementation report.
- The Committee deliberates over the principles for the Group's remuneration philosophy in line with approved business strategy and objectives, and makes recommendations in this regard to the board. The committee is responsible for making annual recommendations to the board of directors on the remuneration of the CEO, EXCO members, non-executive directors, heads of control functions and other key persons whose activities may affect the financial soundness of the Company or have a material impact on the risk exposure of Santam, including persons to whom functions are outsourced. The Committee will consider the remuneration of senior managers who report directly to the CEO.
- For Company employees, the Committee considers the nature and composition of total remuneration packages, consisting of guaranteed income, benefit options available, the choice of benefit service providers, short-term incentives, long-term incentives, retention mechanisms and retirement schemes. The Committee shall ensure that remuneration awarded to executives of the Company is fair and reasonable in the context of overall employee remuneration and will disclose the criteria used as a basis for awarding variable remuneration to executives.
- Where remuneration includes both fixed and variable components, the Committee must ensure that:
  - the fixed portion represents a sufficiently high portion of the total remuneration to avoid over-dependence on the variable components;
  - the variable component is based on a combination of the assessment of the individual and the collective performance, such as the performance of the business units and the overall results; and
  - the payment of the major part of a significant bonus, irrespective of the form in which it is paid, contains a flexible, deferred component that considers the nature and time horizon of the Company.
- The Committee manages the employment contracts of the executive directors, heads of control functions and EXCO members so that their terms are compliant with good practice principles.
- The Committee will use every endeavour to promote a culture that supports enterprise and innovation with appropriate short and long-term incentives that are fair and achievable. Targets must be stretching, verifiable and relevant and must avoid duplication of performance drivers.
- The Committee, in fulfilling its duties, shall give consideration to industry, local and international benchmarks and trends, as appropriate. At all times, it shall pay due attention to succession plans and the retention of key executives.

- Where necessary the committee shall make recommendations to the board about general (mostly annual) adjustments in remuneration packages and in determining incentives.
- The committee will recommend adjustments to the remuneration packages of the CEO and individual members of EXCO for approval by the Board.
- The committee sets performance criteria and recommends performance bonuses for the CEO and EXCO that supports the positive outcomes across the triple context in which the Company operates and all the capitals that the Company uses and effects. The performance of the CEO and EXCO members are considered relative to performance criteria which has been set by the Committee, taking into account the prevailing business climate, market conditions as well as annual evaluations to assess the level of achievement of key predetermined objectives. Bonuses paid to the CEO and EXCO members are a reflection of the performance of each individual and the company as a whole. The committee would make the necessary recommendations on the above for approval by the Board.
- The committee makes an annual recommendation to the board in respect of non-executive directors' remuneration, for approval by the shareholders.
- The committee shall assist the board to ensure that disclosure of directors' remuneration is accurate, complete and transparent.

### 5.3 Annual General Meeting and Shareholders

Whilst the committee manages stakeholder and investor relationships throughout the year, the AGM is a key stakeholder interaction and is characterised by the following:

- The Committee will ensure that the chairperson (or in his/her absence, a member) of the Committee attends Santam's Annual General Meeting to answer questions concerning HR policies and practices within the Santam Group, and on developments and/or implementation.
- The Committee shall ensure that the remuneration policy and implementation report must be tabled every year for separate non-binding advisory votes by the shareholders at the AGM. The Committee shall ensure that the remuneration policy must record the measures that the board of directors of the Company commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised. In order to give effect to the minimum measures referred to in the King Code currently applicable, in the event that either the remuneration policy or the implementation report, or both are voted against by the shareholders exercising 25% or more of the voting rights exercised, the Committee must ensure that the Company will in its voting results announcement provide for: (a) an invitation to dissenting shareholders to engage with the company; and (b) the manner and timing of such engagement.
- The Committee will be responsible for ensuring that remuneration paid to executive directors will be in accordance with the remuneration policy as set out to, and as voted on by the shareholders.

#### 5.4 Share based and other long-term incentives

- The committee must regularly review the incentives schemes to ensure their continued contribution to shareholder value.
- The committee shall set appropriate limits for participation and disclose these to shareholders.
- The committee shall ensure that the vesting of rights is based on performance conditions measured over a period appropriate to the strategic objectives of Santam.

The committee shall guard against highly leveraged schemes that expose Santam to excessive cost or risk.

#### 5.5 Monitoring of key human capital indicators

The committee shall regularly monitor key human capital indicators.

#### 5.6 Oversight of HR Risks

The committee is required:

- To ensure that significant risks associated with the management of Human Resources throughout the Santam Group are considered and that management implements appropriate risk responses and treatment strategies to manage these risks.
- To review the key risks that have materialised for the period under review.
- To liaise closely with the Risk Committee with a view to exchanging relevant HR information and escalating any critical concerns to them.
- To provide recommendations on any potential conflict of interest or questionable situations of a material nature, or any other Human Resources Risks.

#### 5.7 Personal expenditure of Directors and Executive Committee Members

The Committee will annually have sight of and ratify a report coming from the Audit and Assurance function with regard to the separation of personal and business expenditure of Santam Directors and Executives.

#### 5.8 Fit & Proper criteria

As part of Santam's overarching risk-management strategy, the Committee shall review the Santam Fit and Proper policy at least annually. Recommended amendments to the policy will be referred to the Santam Board for ultimate approval.

## **6. Authority**

- 6.1 The Committee acts in terms of the delegated authority of the board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- 6.2 The Committee, in the fulfilment of its duties, may call upon the chairpersons of the other board committees, any of the executive directors, officers or company secretary to provide it with information, subject to following a board approved process.
- 6.3 The Committee has reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 6.4 The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee. The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to following a board-approved process.
- 6.6 The Committee makes the recommendations to the board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

## **7. Meeting procedures**

### **7.1 Frequency**

The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year. Meetings in addition to those scheduled may be held at the request of the chief executive officer, head of human resources or other members of senior management or at the instance of the board.

The chairperson of the Committee may meet with the chief executive officer, head of human resources and/ or the company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

### **7.2 Attendance**

The Chief Executive Officer and Executive Head: Human Resources have a standing invitation to attend the Committee's meetings but may not vote regarding decisions made by the Committee. Other members of senior management can be invited to attend Committee meetings either by standing invitation or on an ad hoc basis, as may be required. Such invitees will recuse themselves from proceedings when requested by the Committee.

Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or company secretary.

If the nominated chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as chair.

### 7.3 Notice of meetings, agenda and minutes

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of the items to be discussed, will other than under exceptional circumstances be forwarded to each member and invitee of the Committee not less than five working days prior to the date of the meeting.

The minutes must be completed as soon as possible after the meeting and circulated to the Chair of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

The Chair of the committee will present a report to the board on the deliberations and recommendations of the committee. The minutes shall be provided to the members of the board.

### 7.4 Quorum

A representative quorum for meetings will be more than one-half of the members of the Committee.

Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

## **8. Evaluation**

The Committee shall have its collective performance and that of its individual members formally evaluated at least every two years. Members of the Committee should continually seek to develop and refresh their knowledge of current remuneration practices to ensure that they have the requisite skills and knowledge to carry out their role.

## **9. Procedure for reporting to the Board**

The Chair of the committee will present a report to the board on the deliberations and recommendations of the committee. The proceedings of the committee meetings shall be minuted and the Chair of the committee will sign the minutes once they have been approved by the Committee. The minutes shall be provided to the members of the board.

**10. Approval of these terms of reference**

These terms of reference were approved by the board on 27 November 2019.

## ANNUAL WORKPLAN AND SCHEDULE OF REPORTS TO HRRC

Item	Feb	May	Aug	Nov	
<u>Executive performance</u>	Approve annual performance review of the executive directors.	X			
	Review results of the annual performance review of executive heads.	X			
	Approve performance criteria of the Group CEO, executive directors and other Executive Heads.	X			
<u>Governance</u>	Provide feedback on the Committee's deliberations to the Board.	X	X	X	
	Perform annual self-assessment of Committee's activities.			X	
	Review results of annual Board effectiveness review as applicable to the HR Committee.	X			
	Review Committee's terms of reference and action plans.			X	
	Review and ratify a report on personal and business expenditure separation from the Audit and Assurance function in respect of directors and executive committee members.				X
	Review Fit & Proper policy and annual Fit & Proper assessments of the directors, execs and heads of control functions.				X
	Review the design of remuneration, pay mix, key performance measures and achievement against metrics for key persons.		X		
<u>Fixed remuneration</u>	Approve mandate for salary negotiations.			X	
	Monitor the distribution of salary increases by reviewing the report on completed annual package increases.		X		
	Approve remuneration packages for executive directors and executive heads.	X			
	Determine remuneration packages for non-executive directors.	X			
	Make recommendations to the Board and ultimately to the AGM regarding the remuneration of the Chairperson of the Board.	X			

	Item	Feb	May	Aug	Nov
<u>Key people indicators</u>	Monitor key Human Resources indicators as provided in the Human Capital Report.	X		X	
	People transformation update		X		X
	Approve EE plan based on DoL guidelines.				X
<u>Leadership</u>	Approve appointments/terminations of senior executives and heads of control functions.	X	X	X	X
	Review senior management succession planning, including the position of the CEO.			X	
<u>LTI</u>	Approve long-term incentive allocations to executives and quantum available to be awarded to other participants.		X		
	Ensure that the long-term incentive schemes continue to contribute to shareholder value by setting appropriate limits and performance conditions.		X		
	Monitor the allocation of long-term incentives by reviewing completed share awards.			X	
<u>Reward strategy</u>	Review Group remuneration strategy, philosophy and principles, and make recommendations to the Board.			X	
<u>Risk</u>	Consider significant risks associated with the management of Human Resources throughout the Santam Group and ensure that management implements appropriate risk responses and treatment strategies to manage these risks.		X		X
<u>Short term incentives</u>	Approve bonus pool.	X			
	Monitor the distribution of short-term incentives by reviewing the report on completed performance bonus payments.		X		
	Approve bonus table for the year.		X		
<u>General</u>	Note what the incentive pool (actual short term and long-term incentives) comprise as a percentage of profit and of guaranteed/fixed remuneration.		X		