



2022
**Remuneration
Report**



Santam

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Part 1: Letter from the human resources and remuneration committee (“committee”) chair

Dear Shareholders,

Santam achieved a strong and resilient set of results, despite 2022 being one of the most challenging periods in our company’s history. We garnered this performance during a period that saw an increase in claims inflation, which had escalated ahead of premium increases, we experienced higher-than-expected large fire losses and an increase in power surge and crime-related claims. All of these were combined with a turbulent investment market environment.

The passion and commitment of our employees to always deliver **Insurance good and proper**, shone, enabling the group to face these headwinds and deliver a decent set of results. It is for this reason and to ensure we retain our critical talent that we continued to implement remuneration initiatives and employee experience enhancements aligned with our people strategy. Some key initiatives and enhancements were:

- Applause, our recognition platform, empowered leaders and peers to recognise employees who live our values and promise. During 2022, R3.8 million of recognition points were sent and redeemed through the platform
- Yell for Yellow, our lifestyle programme, focused on saving our employees time and money through its concierge, price negotiator, discount and subsidised offerings continued to add value to the lives of our employees. The value and savings for our employees through the programme amounted to R4.2 million for 2022
- Our holistic wellness programme continued to deliver targeted interventions to assist our employees. Lifestyle and nutrition programmes, mental resilience webinars, financial coaching and psychosocial support programmes through qualified counsellors and psychologists were some of these interventions
- In March 2022, performance bonuses across the group were paid to employees based on business and individual outcomes. In April 2022, increases in the salary base of 5.0% and a further 0.8% for market alignment and retention of key performing talent were awarded
- In September 2022, junior employees were paid once-off relief allowances (over and above their annual remuneration) to the value of R5 000 to aid with the rising cost of living ahead of the April 2023 annual increase

These initiatives were well received by our employees and reflected positively in our 2022 engagement results showing that we have a highly engaged workforce who would recommend Santam as a place to work to their friends and family. To ensure we continue to deliver a world-class employee experience, Santam once again participated in the Top Employer certification process. The Top Employer certification celebrates excellence in employment practices and is bestowed on those organisations that lead the way in outstanding ‘people-first’ HR practices. Through the Top Employers Institute Certification Programme, participating companies can be validated, certified, and recognised as an employer of choice. In 2022, the Institute certified over 2 052 organisations in 123 countries, which impact the lives of over 8 million employees globally. Santam not only achieved Top Employer certification for the 7th consecutive year but was ranked 10th (out of 128 participating companies) in South Africa. Furthermore, Santam was the only insurance company in the South African top 10.

The 2022 financial year was a timely reminder that the insurance industry has evolved, and we have a responsibility to ensure we respond positively to these monumental changes. Our success and relevance in the future depend on us embracing these changes. We recently embarked on a journey to refresh our strategy and operating model. Our data-driven, client-focused, multi-channel approach primes us for future success.

The committee believes that our broader people and remuneration strategy is supportive and well positioned to build and maintain a transformed, diverse, high performing and inclusive culture where our employees are inspired to deliver meaningful work that makes a difference in the lives of our clients, intermediaries, and other stakeholders. In this report, we explain our remuneration policy and the application thereof. This includes the implementation of key policy changes to short- and long-term incentive schemes, which creates greater alignment with shareholder interests and forward looking policy amendments aimed at driving the financial and strategic aspirations of our business.

Reflecting on 2022 financial performance

Santam’s solid financial results in one of the most challenging underwriting periods in Santam’s history are testament to the resilience of our people, the agility of our strategy and the strength of our brand.

The group achieved strong gross written premium growth in line with targets set. The net insurance result was under pressure, with the net underwriting margin at the bottom end of the group’s target range of 5% to 10%. Adverse weather conditions in the first three months of the year and the devastating floods in the KwaZulu-Natal province (KZN floods) during early April 2022 significantly impacted the underwriting results. Other contributing factors to the lower underwriting margin were increased claims inflation, which escalated ahead of premium increases, higher-than-expected significant fire losses, and increased power surge and crime-related claims. These were offset to some extent by a reduction in the COVID-19-related contingent business interruption (CBI) claims provisions. The group achieved a return on capital (ROC) of 18.8%, below the medium-term target of 24%.

The full financial and strategic results are explained in detail in our integrated report, and relevant aspects are highlighted later in this report.

Our 2022 remuneration decisions and the 2023 forward looking policy align directly with the business strategy and the performance of the past year.

Part 1: Letter from the human resources and remuneration committee (“committee”) chair (continued)

2022 remuneration outcomes and decisions

In April 2022, base salary increases of 5% (on average) were awarded to employees. An additional 0.8% was approved by the HRRC to align salaries closer to the market and address retention of key performing talent.

For 2023 an overall 5.75% uplift in the guaranteed pay base has been approved, with differentiation based on performance and market competitiveness. 5.25% will be used for annual increases effective 1 April 2023 and 0.5% for interim adjustments and promotions during the course of 2023.

For the 2022 financial year, the group underperformed against its net insurance result financial target and marginally underperformed on its preferential procurement target. The group outperformed on its growth, management expense ratio, employment equity, financial inclusion, and skills development targets. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 35% for Santam Limited employees.

A below-par bonus outcome in the context of an overall resilient performance creates significant retention risk in respect of key employees. The HRRC approved a top-up of the bonus pool to 50% of on-target achievement, equating to R62 million, which was added to the calculated pool amount of R119 million. The total pool (R181 million) is 50% lower than the 2021 pool of R352 million. In approving this bonus pool top-up, the HRRC applied its discretion considering the competitiveness of the market, talent retention, ensuring the sustainability of the business and rewarding employees for the good financial turnaround in the second half of the year.

The last few years have seen an increase in volatility of the net insurance results, driven by a series of events such as COVID-19 in 2020, the civil unrest in 2021 and in 2022, the factors expanded on earlier. In addition, following the 2023 reinsurance renewal, the higher net retention of the group will further increase future earnings volatility. To limit the impact of the volatility on our bonus achievement, key amendments in line with market best practice will be made to the group performance bonus scorecard for 2023. High-level details of these amendments are outlined in the forward looking policy section of this report. For 2023, the group CEO bonus metrics will be fully aligned with the group performance bonus scorecard.

As reported in last year’s report, in June 2022 we only awarded performance deferred shares (PDSPs) to executive committee members and senior management employees. All PDSPs awarded carry the same performance conditions of group return on capital (RoC) performance of between 16% (threshold) and 24% (stretch), measured over the performance and vesting periods of three, four and five years. No deferred shares (DSPs), with only individual performance conditions, were awarded to executive committee members and senior management. DSPs are reserved for emerging talent, succession planning and retention at levels below senior management.

We kept close to market developments and carefully reviewed all aspects of remuneration to ensure Santam remains competitive, while our remuneration policy is bespoke and agile to enable our unique business strategy.

Key executive changes

Kevin Wright (chief information officer) and Ebrahim Asmal (Executive head: group sourcing and transformation) retired with effect from 31 December 2022. Mokaedi Dilotsotthe (chief marketing officer) also left the group at the end of December 2022, opting to take early retirement. The recruitment process for their replacements under the revised Santam operating model has commenced. We sincerely thank Mokaedi, Kevin and Ebrahim for their contribution and commitment to Santam and wish them well in their future plans.

All retirements were treated in accordance with the approved remuneration policy insofar as it relates to unvested bonuses and long-term incentives (LTIs).

Key policy changes implemented

The forward looking policy changes communicated in the 2021 remuneration report were implemented. These changes are:

- Bonus deferral for executive committee members. Further detail is disclosed on page 9 of the remuneration policy and implementation thereof on page 16. This supports the alignment of remuneration with the risk horizon of the business
- Simplification of the Performance Deferred Share Plan (PDSP), which includes a shift to awarding only performance shares to both executive committee members and senior management. Further detail is disclosed on page 11 of this report

Part 1: Letter from the human resources and remuneration committee (“committee”) chair (continued)

Forward looking policy

In the context of the group’s refreshed FutureFit strategy, the group’s short-term incentive scorecard will be amended for 2023:

- To enhance focus on strategic execution, a 50/50 weighting has been introduced between financial and strategic performance conditions
- Additional financial performance metrics have been added, linked to the key drivers of shareholder value. These include absolute and relative total shareholder return metrics based on the performance of the listed Santam share

From 2023, executive committee members will have up to 10% of their key performance metrics for their annual performance contracts linked to ESG metrics. In addition, as people and social imperatives are critical for our business, at least 10% will be based on culture, transformation and talent management metrics.

Furthermore, an appropriate and aspirational long-term incentive (up to six years) will be put in place for the Santam group CEO to drive the key aspirations of the business aligned to the refreshed FutureFit strategy. The full details of this incentive, the relevant company financial performance conditions and strategic targets set will be explained and disclosed in the 2023 Remuneration Report.

The committee will continue to review value drivers in the group to ensure that incentives are directly aligned and address the integration of acquired businesses. The principles of simplification and transparency will inform any forward looking policy decisions made.

Shareholder engagement and voting outcomes

Through our individual engagements with shareholders, we received positive feedback on the consultations, actions taken to simplify remuneration design and increased disclosure.

At the 2022 AGM (relating to the 2021 financial year), our remuneration policy received a positive vote of **92.02%**, while our Implementation Report received a positive vote of **92.45%**.

We welcome ongoing engagement with shareholders and extend a standing invitation to shareholders to engage with us on our remuneration policy and the implementation thereof throughout the year. We also actively strive to incorporate our remuneration policy approach and the link to business strategy in our shareholder dialogues.

Regards

MLD Marole

Chair: human resources and remuneration committee

Part 2: Overview of remuneration policy

Remuneration governance and committee responsibilities

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

The group pays attention to correctly positioning the nature and the scale of remuneration relative to appropriate comparator groups, governance standards and international best practice. These include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act in South Africa) and King IV™. The group conforms to the remuneration principles contained in the Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice, issued by the South African Department of Trade and Industry (dti) in accordance with the BBBEE Act, 46 of 2013.

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

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

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

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

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

Part 2: Overview of remuneration policy (continued)

Remuneration governance and committee responsibilities (continued)

During 2022, the HRRC considered the following matters and approved (where relevant):

- Changes to the remuneration approach based on feedback received from shareholders, investors and proxy voting advisor engagements
- Benchmarking remuneration levels and practices to local comparator groups
- Monitoring and approving STIs and LTIs, as appropriate
- Benchmarking Santam executive directors and Santam executive committee members' remuneration against a suitable market
- Benchmarking Santam non-executive directors' remuneration against a suitable market and recommended fee proposals to be considered by shareholders at the 2022 AGM
- Review of Santam's remuneration policy and practices in South Africa against prudential standards, King IV™, applicable governance principles and market best practice
- Remuneration design for heads of control functions and persons whose actions may have a material impact on the organisation's risk exposure
- The remuneration review/annual increases and STI and LTI awards of the Santam executive committee
- STI measures achieved for accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs
- Findings and analysis on race and gender pay equity across all levels in the group and appropriate actions in this regard
- Considering measures to support existing strategies to address people transformation at all levels of the organisation
- Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards
- A review of executives' minimum shareholding requirements against market best practice to ensure appropriate investment levels and aid risk alignment for remuneration

Remuneration philosophy

Santam has a total reward strategy for our people. This offering comprises remuneration (which includes cash remuneration, STI and LTI), benefits (retirement fund, medical aid, risk benefits, group life, etc.), learning, development and career growth and a balanced working environment with a range of lifestyle benefits.

Our remuneration philosophy sets out to:

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

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

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

Part 2: Overview of remuneration policy (continued)

Design principles for our remuneration policy

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

The primary objectives of the remuneration policy are to:

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

The key principles of our policy are:

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

Part 2: Overview of remuneration policy (continued)

Remuneration overview

Structure

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

| Element | Purpose | Potential | Design | How delivered? |
|--|---|---|--|--|
| Total guaranteed package ("TGP") | Reflects market value of role and individual performance. | Market benchmark for comparative role. | Annual benchmarking against market surveys. | Cash salary and a mix of compulsory and discretionary benefits. |
| Short-Term Incentives ("STIs") | Rewards performance over 12-month period (financial year). | For Exco STI on-target ranges between 75% and 100% of TGP. Maximum STI caps are set at 200% of TGP. | Quantum for Exco based on individual, business and group performance. | Cash settlement generally capped at 200% of TGP. For Exco deferral principles apply at a minimum of 30% of STI. |
| Long-Term Incentives ("LTIs") | Rewards company performance over a three- to five-year period. Long-term value creation for shareholders. | <u>Total</u> LTI award levels range between 35% and 275% of TGP (based on unvested awards). These percentages as an indicative annual award comprise approximately 10% to 70% of TGP. | Vesting in tranches in years 3 (40%), 4 (30%) and 5 (30%). | Vesting is based upon reaching individual/strategic performance targets and meeting relevant company performance hurdles where relevant. Potential is capped at a maximum of 275% of total guaranteed package. |
| Restricted Santam shares ("RSPs") | For attraction and retention of key talent, as well as the mechanism for the partial deferral of Exco STIs. | Potential is linked to market benchmarks for attraction and retention. For STI deferral shares, 30% of the annual bonus for Exco is granted in RSPs. | Vesting profiles are dependent on the sign-on agreement and the delivery of strategic initiatives in case of attraction and retention. STI deferral shares vest after three years. | Vesting is subject to strategic and other performance conditions, employment and malus and clawback in the case of attraction and retention. For STI deferral shares, vesting is subject to continued employment and maintaining individual performance. |
| Outperformance Plan ("OPPs") | Focused and bespoke incentives for a specific period (long-term), aligned to the Santam business strategy and key strategic projects. | 100% to 200% of TGP per annum. | Performance conditions are set considerably more stretching than LTIs. Due to the outperformance targets set, the probability of vesting is lower than LTIs. | Outperformance Plan (OPP) Value measured and delivered in Santam shares to align with shareholders. By exception (and if good rationale exists) may be settled in cash, but this will be disclosed. |

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Total guaranteed package (TGP)

Purpose

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

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

- Retirement funding
- Group life cover
- Medical aid/insurance

Process and benchmarking

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

HRRC's role

Upon completion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the HRRC. The HRRC also reviews and approves the adjustments to TGP for each Santam executive director, executive committee member and head of control function.

Levels

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

Short-term incentives

Purpose

The purpose of the annual bonus plan is to align employees' performance with the group's goals and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise profitability, to grow the business and to ensure strategic execution in a sustainable manner. The design and quantum of the annual performance bonus are regularly reviewed against market best practice, and the quantum is benchmarked against the market using a relevant comparator group.

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

HRRC's role

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

- Determine the overall structure of the annual performance bonus plan, ensuring 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 performance bonus plan, as well as the percentage of TGP that can be earned at each level by each group of employees
- In respect of Santam executive directors and executive committee members:
 - » Agree on the performance drivers for their annual bonus plan
 - » Agree on the relative contribution of business, group and individual/strategic performance criteria
- Consider and approve proposals regarding annual bonuses for Santam executive committee members and heads of control functions
- Determine, within its discretion, the final quantum of performance bonus payments to avoid any unintended consequences of bonus design principles and to support risk alignment

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Short-term incentives (continued)

STI potential and weightings for Executive Directors

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

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

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

| Individual | Potential (% of TGP) | | Weightings for STI | |
|-------------------|----------------------|---------|--------------------|-------------|
| | On-target | Maximum | Business % | Strategic % |
| Tavaziva Madzinga | 100 | 200 | 50% | 50% |
| Lizé Lambrechts | 112 | 160 | 50% | 50% |
| Hennie Nel | 85 | 170 | 50% | 50% |

Exco STI payment and deferral

For Exco, the performance bonus is paid partly in cash in March (following the prior year-end) and partly deferred into restricted Santam shares (deferred bonus shares). The current split is 70% (cash)/30% (minimum deferral). Bonus shares have no further forward looking performance conditions and vest subject to continued employment and satisfactory individual performance (based on non-financial KPAs only) after three years. Malus and clawback principles apply.

Executive directors' STI principles

The annual performance bonus targets for executive directors incorporate several financial and strategic performance measures that are directly linked to the group strategy and key performance indicators. Key business performance metrics and strategic targets for 2022 included:

Business performance metrics

1. **Santam group net insurance result (NIR):** Needed to pay dividends to our shareholders.
2. **Growth in gross written premium (GWP):** Indication of future earnings growth potential.
3. **Management expense ratio:** Indication of efficiency.
4. **Return on capital (RoC):** Measuring financial performance and capital efficiency.

Strategic targets

1. **Extend leadership position in South Africa** through digital innovation, merger and acquisition opportunities, and partnerships.
2. **Investor and stakeholder confidence:** Most trusted, relevant and purpose-driven brand.
3. **Refreshed 2030 FutureFit strategy:** Delivery of a clear and concise sustainable growth strategy for the Santam business addressing growth, diversification, ESG, digitisation and data driven insights.
4. **International and African diversification:** Building the Pan-African specialist business and selectively build other international business through Santam Re and Specialist business.
5. **Help build resilient societies:** through transformation, financial inclusion, P4RR. Measure transformation (EE, preferential procurement, skills development, financial inclusion, number of supporting black brokers) BEE scorecard level 1 maintained.
6. **Talent and culture:** Empowering our people and evolving our culture to be competitive in a rapidly changing world.
7. **Build technology** as an enabler and driver of innovation, efficiency, and optimal decision making.
8. **Enable insights driven insurance** and inform strategic direction through trusted data.
9. **Optimise our financial performance:** Deliver sound results, stewardship, and diversification – over and above business performance metrics. Sound governance, risk management and compliance; capital optimisation, optimise return on insurance funds and investment income, financial and operational delivery; IFRS reporting, management and board reporting (forecasting, budgeting, and scenario planning process).
10. **Client experience:** creating intuitive client journeys enabled by technology.

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Short-term incentives (continued)

Discretionary bonuses

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

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

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

Retention arrangements

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

Where bonuses are forfeited by incoming senior and key employees upon sign-on with the group, it may be necessary to agree on a sign-on bonus or restricted share award (subject to a retention period) with such employees.

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

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

Long-term incentives

Overview and general policy

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

The primary LTI is the deferred share plan in terms of which deferred shares (DSPs) (with strategic and individual performance conditions for vesting) for junior and middle whereas the performance shares (PDSPs) is the mechanism to retain and incentivise senior and executive management.

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

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

HRRC's role

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

- Ensure their structure contributes to shareholder value, employee retention and the group's long-term sustainability
- Approve award levels
- To set appropriate performance measures for each award and to review and approve vesting outcomes versus performance conditions set. Where performance conditions are not met, to ensure forfeiture of awards

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

The scheme has 12 million available shares.

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Long-term incentives (continued)

Participation

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

Award policy and vesting for DSPs/PDSPs

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

As Santam's LTI awards vest **over five years** based on the vesting profile of 40% in year 3, 30% in year 4 and 30% in year 5, the total multiple per level should be annualised (generally divided by 3.9) to compare it to competitor companies' awards.

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

| Level | % of TGP (Total unvested LTI multiple awarded over two to three years, <u>NOT</u> annual awards) |
|---|---|
| Exco | 170% – 275% ¹ |
| Senior management | 120% ¹ |
| Specialists/Middle management and emerging and succession | 35% – 70% ² |

¹ PDSP awards only.

² DSP awards only.

As participants' DSPs/PDSPs vest after three years (and thereafter in years 4 and 5) or participants receive TGP increases, replacement awards are made to ensure key and critical talent remains locked in at the total LTI multiple (as % of TGP).

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

From the 2022 awards, the total LTI multiple was adjusted slightly (on average 14%) for PDSP awards to provide for the higher risk of forfeiture, as **all** awards to Exco and senior management are PDSPs going forward.

Deferred share plans

From 2022 only performance shares will be awarded to senior management and Exco.

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

For Santam executive committee members who received awards prior to 2022, these hurdles are derived from business scorecards reflecting key strategic objectives.

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Long-term incentives (continued)

Deferred share plans (continued)

The former group CEO (Lizé Lambrechts) and group CFO had the following strategic metrics for vesting of historic DSPs:

| Strategic metrics supporting the group's strategy | Group CEO | Group CFO |
|--|-----------|-----------|
| Extend leadership position in South Africa | ✓ | ✓ |
| Deliver Insurance good and proper by being the most trusted, relevant and purpose-driven brand | ✓ | ✓ |
| Client experience – creating intuitive client journeys enabled by technology | ✓ | |
| Help build resilient societies | ✓ | |
| International and African diversification | ✓ | ✓ |
| Talent and culture – empowering our people and evolving our culture to be competitive in a rapidly changing world | ✓ | ✓ |
| Build technology as an enabler and driver of innovation, efficiency and optimal decision making | ✓ | |
| Enable insights-driven insurance and inform strategic direction through trusted data | | ✓ |
| Optimise our financial performance | ✓ | ✓ |
| Optimise collaboration with the Sanlam Group to create mutual value | ✓ | |
| Successful implementation of alternative risk transfer (ART) strategy, achievement of budgeted net profit after tax, expense optimisation, financial inclusion, and preferential procurement | | ✓ |

Outcomes of testing of DSP vesting conditions for executive directors are disclosed on page 19 of the implementation report.

The 2022 DSP award (issued to middle management/specialists and emerging talent only) is eligible for vesting after year 3 (40%), 4 (30%) and 5 (30%), subject to individual performance and continued employment.

Awards granted under the DSP scheme for middle management/specialists and emerging talent in 2022 have a face value of up to 70% of TGP.

Performance deferred share plans

Santam has a five-year tranche vesting profile.

Performance hurdles are reviewed carefully each year to ensure they are competitive, create value for shareholders, motivate key employees who participate in LTIs and should be flexible enough to address extraordinary events.

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

The use of RoC as a performance condition is considered appropriate as this is the key performance indicator of the group's strategy and long-term sustainability, and the use of this measure means a direct link between the LTI reward, group strategy and shareholders' interests. See page 19 of the implementation report regarding the achievement of RoC targets for the three-, four- and five-year measurement periods and the applicable tranches.

The 2022 PDSPs are eligible for vesting after year 3 (40%), 4 (30%) and 5 (30%) and the RoC will be tested over the financial years applicable to these vesting periods. Performance conditions for the 2022 PDSP award are as follows:

2022 Performance conditions

2022 allocations are subject to RoC performance conditions of between 16% (threshold) and 24% (stretch).

Historic performance conditions were disclosed in detail in the remuneration reports, but for completeness, the detail is included below.

2021 Performance conditions

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

2020 Performance conditions

Following the economic downturn due to COVID-19 and the lower interest rate environment, the RoC performance conditions for the 2020 award were reviewed. Measurement of the 2020 awards will commence on 1 January 2021, to take cognisance of the extraordinary effect of the COVID-19 pandemic on the 2020 financial results. The allocations for 2020 are subject to RoC performance conditions of between 16% (threshold) and 24% (stretch).

2020 allocations to the former group CEO which exceeds 1.75 times annual TGP are subject to RoC performance conditions of 20% (threshold) to 25% (at stretch target) applied on an interpolated basis.

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Long-term incentives (continued)

Performance deferred share plans (continued)

Performance conditions prior to 2020

Prior to 2020, the RoC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. No adjustments will be made to any of the historical measurements or targets for PSDP allocations prior to 2020.

Discretion of the HRRC in relation to long-term incentive performance conditions

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

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

Outperformance plan (OPP)

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

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

Use of Santam shares subject to vesting conditions

To support the attraction and retention of key talent and to support long-term alignment with shareholders where remuneration payable in cash is deferred (for example, deferred bonuses) or for sign-on arrangements, Santam restricted shares may be awarded. Such shares are purchased in the market and will be held by the individual in a restricted account and will become unrestricted only if vesting conditions (strategic and appropriate conditions) and continued employment conditions are met.

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

LTI Award limits

For the year ended 31 December 2022, allocations in respect of 292 536 shares (2021: 394 017) were made to 320 participants (2021: 329) under the Santam DSP.

For the year ended 31 December 2022, allocations in respect of 275 423 shares (2021: 9 649) were made to 51 participants (2021: six) under the Santam PDSP. The increase in number of participants in the PDSPs is due to all grants to senior and executive management being made under the PDSP from 2022, as highlighted above.

Former group CEO retirement arrangement

Lizé Lambrechts retired on 30 June 2022. Her remuneration arrangement upon retirement is governed by the rules of the performance bonus plans and the LTIs applicable to her. The salient features hereof are:

- Total guaranteed pay (TGP) until 30 June 2022
- The short-term incentive (STI) is payable subject to normal performance testing for the six-month period January 2022 to 30 June 2022
- Details of her annual bonus targets and achievement are disclosed on page 17 of the Implementation Report
- Good leaver status provisions for retirement were applied to the participation in all LTIs, i.e. DSP, PDSP and restricted shares, and the rules of performance testing will apply in the same manner as they apply to all LTI participants in the group

It is in the best interest of all stakeholders to protect Sanlam's interests by enforcing restraint of trade conditions on the former group CEO for 12 months as provided for in her remuneration agreement (based on 12 months' TGP to the value of R6 165 500).

The restraint was settled by transferring Santam shares to a restricted account for the duration of the restraint period. The number of restricted shares was determined at a five-day VWAP prior to 30 June 2022, and release will only happen after the expiry of the restraint period of 12 months. If any of the restraint of trade conditions are breached, the restricted shares will be forfeited.

The restricted shares provide a holding condition of 12 months post-30 June 2022 until 30 June 2023 and provide natural alignment with shareholders post-retirement.

Part 2: Overview of remuneration policy (continued)

Remuneration overview (continued)

Group CEO remuneration

Tavaziva Madzinga was appointed as executive director and group CEO designate on 1 April 2022 and assumed the role of group CEO on 1 July 2022, when Lizé Lambrechts retired.

The summary of his remuneration structure (in line with the Santam policy principles) is as follows:

Sign-on arrangements

Santam provided sign-on arrangements to compensate the group CEO for compensation forgone at his previous employer upon joining Santam.

The group CEO received a 12-month retention sign-on, payable in cash, amounting to R3.8 million to compensate for contractual clawbacks upon exiting his prior role. He was also awarded R7.5 million in restricted Santam shares upon appointment, these shares vesting 12, 24 and 36 months after award date (in equal tranches), to compensate him for remuneration forfeited upon joining Santam. The restricted shares awarded directly align the group CEO with the shareholder's interests from the outset.

Remuneration structure

The group CEO's total guaranteed pay (TGP) comprised R7.5 million for the year (pro-rated) and is benchmarked to companies of similar size and complexity. Chosen company benefits such as medical aid, retirement and risk benefits are funded from his TGP and are not additional.

In terms of variable pay, the group CEO annual performance bonus potential of 100% of TGP (if annual performance targets are met at an on-target level) is applicable and is capped at 200% of TGP for stretch company and strategic performance. This is aligned with market benchmarks. A minimum of 30% of his performance bonus is automatically deferred every year into restricted Santam shares (vesting three years after award date), which allows for malus and clawback principles and risk alignment.

Long-term incentive awards (LTI), i.e. deferred share awards subject to company financial performance and strategic conditions were awarded in line with Santam's LTI policy up to 275% of TGP in total (awarded over two years and not as an annual award). These LTIs vest only if company performance conditions of ROC are met, three years (40% of the award), four years (30% of the award) and five years (30% of the award) after the award date.

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
- Minimum shareholding requirements which require executives to hold a percentage of vested LTIs as shareholders and not to sell LTIs upon vesting
- Partial deferral of bonuses for Exco into restricted Santam shares for three years
- A measurement period of three to five years for LTI performance hurdles, before vesting takes place
- Malus and clawback 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 group attributable to the employee
- In assessing whether defined trigger events have taken place, the HRRC committee 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
- Compliance with legislation and governance best practice standards in the financial services industry

Executive contracts

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

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

Part 2: Overview of remuneration policy (continued)

Minimum shareholding requirement (MSR)

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

| Level | Minimum level | Previous minimum level |
|-------------------------|---------------|------------------------|
| Group CEO | 150% | 100% |
| Other Executive Members | 75% | 50% |

There is no limit on the MSR holding of participating executives.

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

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

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

Non-executive directors' fees

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

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 fees and retainers. In addition, a fee is paid for attending board and committee meetings. Santam pays for all travel and accommodation expenses in respect of board meetings. The chair of the board receives a fixed annual fee that is inclusive of all board and committee attendances, as well as all other services performed on behalf of the group.

Part 3: Implementation report

Remuneration details for executive directors

Executive remuneration summary

Remuneration earned by executive directors was as follows:

Table 1

Remuneration for the year ended 31 December 2022

For purposes of total remuneration, the vesting value of LTIs is disclosed in the table below. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year (refer page 20).

| Individuals | Months in service | Salary R | Contribution to retirement fund ⁵ R | Sub-total guaranteed package R | Performance bonus ² | | | Attributable value of LTIs ¹ R | Other R | Total remuneration R |
|-----------------------------------|-------------------|-------------------|--|--------------------------------|--------------------------------|------------------------|------------------|---|----------------|----------------------|
| | | | | | Cash R | Deferred R | Sign-on bonus | | | |
| Tavaziva Madzinga ³ | 9 | 5 362 500 | 262 500 | 5 625 000 | 5 250 000 | 2 250 000 ³ | 3 800 000 | | | 16 925 000 |
| Lizé Lambrechts ⁴ | 6 | 2 907 750 | 175 000 | 3 082 750 | 2 000 000 | | | 6 938 103 | 883 665 | 12 904 518 |
| Hennie Nel | 12 | 3 520 562 | 350 000 | 3 870 562 | 1 232 527 | 528 226 | | 1 473 684 | | 7 104 999 |
| Total: executive directors | | 11 790 812 | 787 500 | 12 578 312 | 8 482 527 | 2 778 226 | 3 800 000 | 8 411 787 | 883 665 | 36 934 517 |

¹ Vesting value.

² Bonus in respect of 2022 paid in 2023.

³ Appointed on 1 April 2022 as executive director at Santam and group CEO of Santam effective 1 July 2022. Remuneration pro-rated for the time employed.

⁴ Retired 30 June 2022. Leave payment of R883 665 on retirement.

⁵ Employee contributions to the provident fund was included in salary amount in 2021. For 2022, following a change in the retirement fund rules, a single contribution is made.

Table 2

Remuneration for the year ended 31 December 2021

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

¹ Vesting value.

² Bonus in respect of 2021 paid in 2022.

Total guaranteed package

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

Table 3

| Individual | TGP as at 1 April 2022 R | TGP as at 1 April 2021 R | TGP as at 1 April 2020 R | % increase during 2022 | % increase during 2021 |
|--------------------------------|--------------------------|--------------------------|--------------------------|------------------------|------------------------|
| Tavaziva Madzinga ¹ | 7 500 000 | – | – | – | – |
| Lizé Lambrechts | 6 165 500 | 6 165 500 | 6 165 500 | 0.0 | 0.0 |
| Hennie Nel | 3 917 200 | 3 730 650 | 3 730 650 | 5.0 | 0.0 |

¹ TGP on appointment effective 1 April 2022.

Part 3: Implementation report (continued)

Total guaranteed package (continued)

The average salary increase paid to executives for 2022 was 5.4% (2021: 0%) compared with an average salary increase paid to all employees of 5.8% (2021: 2.5%). The remuneration increase trends for the past three years are as follows:

Table 4

| | 2020 % | 2021 % | 2022 % |
|------------|-----------|-----------|-----------|
| Executives | 4.5 | 0.0 | 5.4 |
| Employees | 4.5 | 2.5 | 5.8 |

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 2022 annual bonus, the split between group and strategic goals for executive directors was as follows:

Table 5

| Individual | Group % | Strategic % |
|--------------------------------|------------|----------------|
| Tavaziva Madzinga ¹ | 50 | 50 |
| Lizé Lambrechts | 50 | 50 |
| Hennie Nel | 50 | 50 |

¹ For 2022 only: Due to time in the role, the group CEO bonus was determined on strategic KPAs only.

Prior group CEO and group CFO 2022 performance outcomes

The prior group CEO performance measures for 2022 and achievement against it are set out below.

Table 6

| Financial metrics (50%) | Weighting | 2022 Target R'm | 2022 Actual R'm | Achievement | Outcome |
|--|-----------|--------------------|--------------------|-------------|------------|
| Santam group net insurance result | 20.0% | 3 001 | 2 084 | 69% | 13% |
| Growth on gross written premium (conventional insurance) | 10.0% | 35 312 | 35 418 | 100% | 10% |
| Management expense ratio | 7.5% | 17.2% | 16.5% | 104% | 8% |
| Return on capital | 12.5% | 24% | 18.8% | 78% | 9% |
| Achievement | | | | | 40% |

| | Weighting | Outcome |
|---|-----------|------------|
| Strategic metrics (50%) applicable to former group CEO and group CFO as appropriate | 50% | 57% |
| <ul style="list-style-type: none"> Extend leadership position in South Africa Deliver Insurance good and proper International and African diversification Talent and culture Optimise our financial performance Data (IFRS 17) Alternative risk transfer (ART) Build technology Help build resilient societies Optimise collaboration with the Sanlam Group to create mutual value | | |
| Total achievement | | 97% |

Part 3: Implementation report (continued)

Group CEO

The group CEO was measured on key performance outcomes, which included:

- A new Santam business strategy, approved by the board
- Securing key talent in critical roles as part of the new target operating model and business strategy
- Increased Santam profit achievement for the second half of 2022
- Ensuring business optimisation, cost efficiencies, controls, and greater collaboration to leverage shared resources in line with the approved business strategy
- Ensuring direct alignment between the new Santam business strategy, the group CEO performance scorecard and the group bonus scorecard for 2023. This will allow effective cascading of goals from the board-approved business strategy to the group CEO, to Exco and to businesses in Santam and ultimately employees

Tavaziva was evaluated on his strategic score for the limited time in the role; this score can range between 0% and 200%. 30% of the bonus outcome will be deferred in Santam restricted shares for three years for further alignment with shareholders

STI outcomes

The table below shows the total bonuses (cash and deferred) to the group CEO, prior group CEO and group CFO in respect of 2022 and comparatives for 2021.

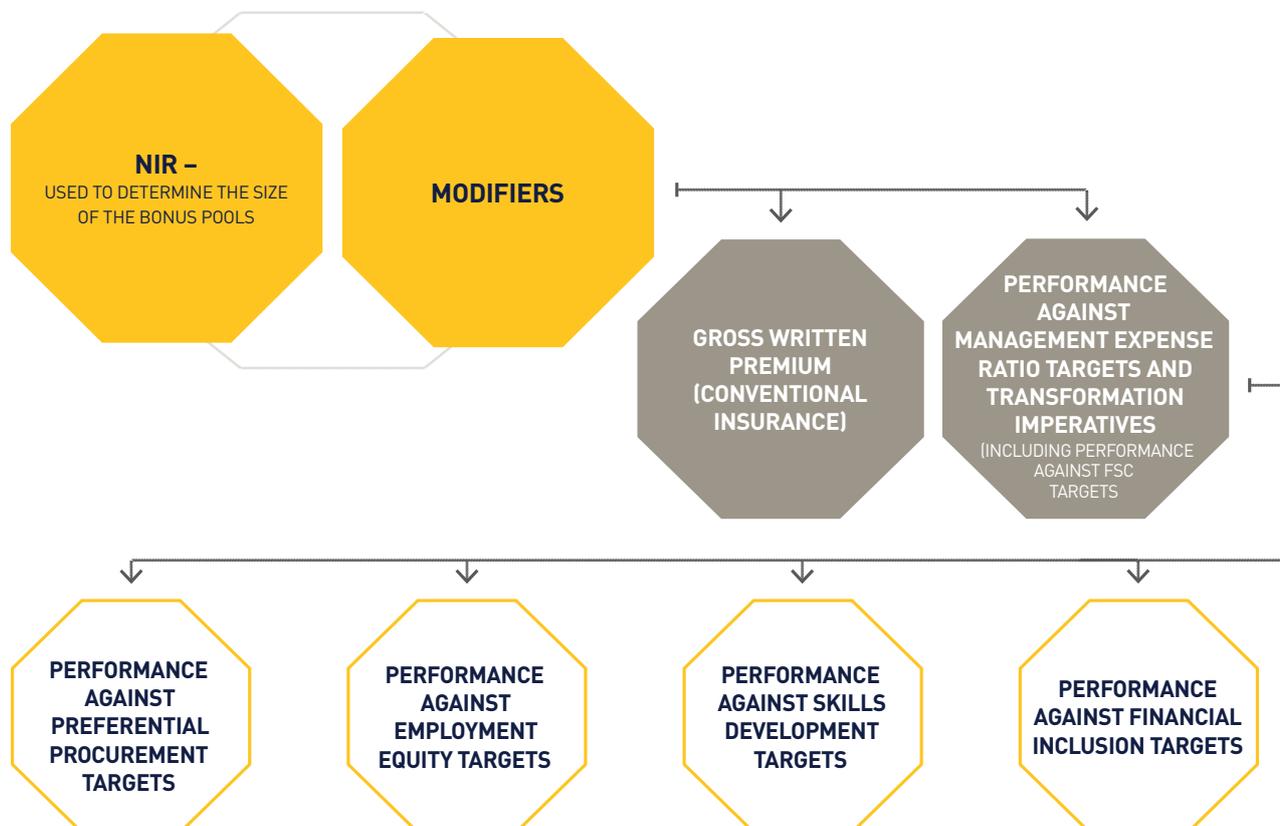
Table 7

| Individual | % of TGP achieved 2022 | Total bonus 2023 R | Cash (70%) R | Deferred (30%) R | % of TGP achieved 2021 |
|-------------------|------------------------|--------------------|--------------|------------------|------------------------|
| Tavaziva Madzinga | 133% ¹ | 7 500 000 | 5 250 000 | 2 250 000 | – |
| Lizé Lambrechts | 65% ¹ | 2 000 000 | 2 000 000 | – | 131.4 |
| Hennie Nel | 45% | 1 760 752 | 1 232 527 | 528 226 | 98.5 |

¹ Pro-rata TGP used based on months in service.

For employees in the group a balanced scorecard, with some differentiation in individual business units, was applied.

The group performance principles that were applied in 2022 consisted of the following



The weighted average performance measure of all the Santam Limited business units was an achievement score of 35%. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 35% for Santam group employees. A below-par bonus outcome in the context of an overall resilient performance creates significant retention risk in respect of key employees. The HRRC therefore approved a top-up of the bonus pool to 50% of on-target, equating to R62 million which was added on top of the calculated pool amount of R119 million. The total pool (R181) is 50% lower than the 2021 pool of R352 million. In approving this performance bonus top-up, the HRRC applied its discretion considering the competitiveness of the market, talent retention, ensuring the sustainability of the business and rewarding employees for the good financial turnaround in the second half of the year.

Part 3: Implementation report (continued)

Long-term incentives

Performance measurement for June 2022 LTI vesting

PDSP subject to company financial performance conditions

Due to Santam's vesting profile, three LTI tranches were performance measured in 2022 for vesting from a financial metric perspective, namely:

- Award 2019 (40% of award and three financial years reviewed for performance testing)
- Award 2018 (30% of award and four financial years reviewed for performance testing)
- Award 2017 (30% of award and five financial years reviewed for performance testing)

A summary of the performance measurement and achievement for LTI vesting in June 2022 is shown below as it pertains to the RoC (for Santam PDSP)

Table 8

| Award year | Award 2019 | Award 2018 | Award 2017 |
|--------------------------------|------------|------------|------------|
| Tranches measured | 1st (40%) | 2nd (30%) | 3rd (30%) |
| Santam PDSP (RoC) ¹ | 100% | 100% | 100% |

¹ Prior to 2020, the RoC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. The historical measurements or targets for PSDP allocations made prior to 2020 will not be adjusted. 2022 allocations are subject to RoC performance conditions of between 16% (threshold) and 24% (stretch).

The outcome of RoC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2022 in relation to the three LTI tranches of the Santam PDSP.

For Sanlam PDSPs (legacy awards to Santam executive directors), the vesting outcome of the relevant tranches is as follows:

Table 9

| Award year | Award 2018 | Award 2017 | Award 2016 |
|---------------------|------------|------------|------------|
| Tranches measured | 1st (40%) | 2nd (30%) | 3rd (30%) |
| Sanlam PDSP (RoGEV) | 100% | 100% | 100% |

Sanlam PDSPs were measured over an additional financial year due to legacy COVID-19 impacts; hence the PDSP tranches of 2016, 2017 and 2018 were eligible for vesting in June 2022.

DSP

For DSP vesting, Santam executive committee members' business scorecard achievement will be evaluated. Refer to page 12 of the remuneration policy for more information in respect of the metrics applied as well as the weighting attributed to Lizé Lambrechts and Hennie Nel.

The executive directors' scorecard achievements were evaluated over the DSP performance period/s for June 2022, vesting as follows:

Table 10

| | Average performance rating over five years (0 – 200% with 100% being target) | % vesting for >100% achieved |
|-----------------|--|------------------------------|
| Lizé Lambrechts | 113% | 100% |
| Hennie Nel | 116% | 100% |

In 2022 DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2017, 2018 and 2019.

Part 3: Implementation report (continued)

Long-term incentives (continued)

The participation by executive directors in the group's LTI schemes (excluding the OPP) at 31 December 2022 was as follows:

Table 11
Number of shares

| | Balance | Awarded | Shares | Shares | Balance | Vesting in | | | | |
|-------------------|---------|---------|--------|--------|---------|------------|--------|--------|--------|--------|
| | 31 Dec | | | | vested | forfeited | 31 Dec | 2023 | 2024 | 2025 |
| | 2021 | in 2022 | 2022 | 2022 | 2022 | | | | | |
| Tavaziva Madzinga | | | | | | | | | | |
| Santam | | 70 888 | | | 70 888 | 8 878 | 8 878 | 26 578 | 13 277 | 13 277 |
| PDSP | | 44 255 | | | 44 255 | | | 17 701 | 13 277 | 13 277 |
| RSP | | 26 633 | | | 26 633 | 8 878 | 8 878 | 8 877 | | |
| Lizé Lambrechts | | | | | | | | | | |
| Santam | 42 005 | 23 298 | 24 012 | | 41 291 | 32 248 | 5 924 | 3 119 | | |
| Sanlam | 21 161 | | 12 729 | | 8 432 | 8 432 | | | | |
| DSP | | | | | | | | | | |
| Santam | 17 420 | 974 | 17 420 | | 974 | 974 | | | | |
| Sanlam | 6 650 | | 6 650 | | | | | | | |
| PDSP | | | | | | | | | | |
| Santam | 24 585 | | 6 592 | | 17 993 | 8 950 | 5 924 | 3 119 | | |
| Sanlam | 14 511 | | 6 079 | | 8 432 | 8 432 | | | | |
| RSP – Santam | | 22 324 | | | 22 324 | 22 324 | | | | |
| Hennie Nel | | | | | | | | | | |
| Santam | 35 748 | 10 613 | 4 240 | | 42 121 | 11 573 | 10 611 | 12 366 | 4 635 | 2 936 |
| Sanlam | 6 896 | | 4 399 | | 2 497 | 2 497 | | | | |
| DSP | | | | | | | | | | |
| Santam | 14 791 | 485 | 3 011 | | 12 265 | 3 918 | 4 319 | 2 800 | 1 228 | |
| Sanlam | 3 666 | | 2 620 | | 1 046 | 1 046 | | | | |
| PDSP | | | | | | | | | | |
| Santam | 20 957 | 10 128 | 1 229 | | 29 856 | 7 655 | 6 292 | 9 566 | 3 407 | 2 936 |
| Sanlam | 3 230 | | 1 779 | | 1 451 | 1 451 | | | | |

Minimum shareholding requirement (MSR)

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

Table 12
Number of shares on 31 December 2022

| Individual | Minimum shareholding requirement | Actual qualifying shareholding | Date at which minimum shareholding must be reached |
|------------------------------|----------------------------------|--------------------------------|--|
| Tavaziva Madzinga | 43 868 | – | 31 December 2027 |
| Lizé Lambrechts ¹ | – | – | – |
| Hennie Nel | 11 456 | 17 377 | 31 December 2024 |

¹ Restriction on MSR lifted upon retirement on 30 June 2022.

Part 3: Implementation report (continued)

Santam share scheme allocation

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

The following table illustrates the movement from 2009 to 2022 and the capacity position as at 31 December 2022:

Table 13

| Individual | Number of shares |
|--|------------------|
| Scheme allocation originally approved | 12 000 000 |
| Allocation under DSP and PDSP from 2009 to 2020 | (4 912 735) |
| Shares forfeited from 2009 to 2020 | 789 302 |
| Balance of scheme carried forward as at 31 December 2020 | 7 876 567 |
| Allocation under DSP and PDSP in 2021 | (403 666) |
| Shares forfeited in 2021 | 45 493 |
| Balance of scheme carried forward as at 31 December 2021 | 7 518 394 |
| Allocation under DSP and PDSP in 2022 | (567 959) |
| Shares forfeited in 2022 | 116 040 |
| Balance of scheme carried forward on 31 December 2022 | 7 066 475 |

Remuneration details for non-executive directors

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

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

Table 14

Non-executive directors' emoluments for the year ended 31 December 2022

| Individual | Board, committee and retainer fees R | Other meetings R | Fees from group R | Total R |
|--------------------------------------|--------------------------------------|------------------|----------------------|-------------------|
| Preston Speckmann ¹ | 897 800 | | 646 690 ² | 1 544 490 |
| Monwabisi Fandeso | 886 600 | | 648 250 ² | 1 534 850 |
| Dawn Marole | 831 400 | | | 831 400 |
| Machiel Reyneke ³ | 427 400 | | | 427 400 |
| Junior Ngulube | 506 300 | | | 506 300 |
| Paul Hanratty ⁴ | 706 200 | | | 706 200 |
| Abigail Mukhuba ⁴ | 762 900 | | | 762 900 |
| Caroline Da Silva | 695 800 | | | 695 800 |
| Debbie Loxton | 926 900 | | | 926 900 |
| Shadi Chauke | 743 200 | | 218 500 ² | 961 700 |
| Nombulelo Moholi | 1 305 000 | | | 1 305 000 |
| Lotz Mahlangeni ⁴ | | | | |
| Total non-executive directors | 8 689 500 | | 1 513 440 | 10 202 940 |

¹ The amounts for Preston Speckmann do not include fees for directorships in the Sanlam Group.

² Board member fees from Santam Limited subsidiaries.

³ Retired June 2022.

⁴ Fees paid to holding company, Sanlam Limited (Lotz Mahlangeni appointed to board with effect December 2022 as NED – no fees payable for the 2022 financial year).

Part 3: Implementation report (continued)

Remuneration details for non-executive directors (continued)

Table 15

Non-executive directors' emoluments for the year ended 31 December 2021

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

¹ The amounts for Preston Speckmann do not include fees for directorships in the Sanlam Group.

² Board member fees from Santam Limited subsidiaries.

³ Fees paid to holding company, Sanlam Limited.

Part 4: Directors' interest in share capital

Table 16

Total interest of all directors in share capital at 31 December 2022

| Individual | Number of Santam shares | | |
|--------------------------------------|-------------------------|----------|----------------|
| | Beneficial | | |
| | Direct | Indirect | Non-beneficial |
| Executive directors | | | |
| Tavaziva Madzinga | 26 633 | | |
| Hennie Nel | 28 282 | | |
| Total executive directors | 54 915 | | |
| Non-executive directors | | | |
| Nombulelo Moholi (chair) | | | |
| Paul Hanratty | | | |
| Dawn Marole | | | |
| Abigail Mukhuba | | | |
| Monwabisi Fandesó | 1 196 | | |
| Junior Ngulube | 5 104 | | |
| Preston Speckmann | | | |
| Mmaboshadi Chauke | | | |
| Lotz Mahlangeni ¹ | | | |
| Total non-executive directors | 6 300 | | |
| Total | 61 215 | | |

¹ Appointed to the board with effect December 2022.

Table 17

Total interest of all directors in share capital on 31 December 2021

| Individual | Number of Santam shares | | |
|--------------------------------------|-------------------------|------------|----------------|
| | Beneficial | | |
| | Direct | Indirect | Non-beneficial |
| Executive directors | | | |
| Lizé Lambrechts | 48 558 | | |
| Hennie Nel | 24 042 | | |
| Total executive directors | 72 600 | | |
| Non-executive directors | | | |
| Nombulelo Moholi (chair) | | | |
| Paul Hanratty | | | |
| Dawn Marole | | | |
| Abigail Mukhuba | | | |
| Monwabisi Fandesó | 1 196 | | |
| Junior Ngulube | 5 104 | | |
| Machiel Reyneke | | 271 | |
| Preston Speckmann | 1 000 | | |
| Shadi Chauke | | | |
| Debbie Loxton | | | |
| Caroline Da Silva | | | |
| Total non-executive directors | 7 300 | 271 | |
| Total | 79 900 | 271 | |



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