

Santam Group **Compliance Policy**

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Compliance Policy

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1. Purpose of the document

- 1.1 The Santam Board has approved the Santam Group Governance Policy in November 2012 which is aimed at providing the minimum requirements that must be complied with to ensure that appropriate governance structures are in place thereby reducing risks to the Santam Group. Included in the Group Governance Policy, entities within the Santam Group are required to have appropriate compliance governance structures in place to reduce the risk of non-compliance with ethical, legal, regulatory, internal policy and industry code requirements.
- 1.2 To this end, this document is specifically aimed at providing the high-level criteria ("tight principles") that must be adhered to across the Santam Group in respect of the management of the compliance risks which include penalties that may be imposed, sanctions that may be imposed against key personnel, institution of third party legal action due to non-compliance and industry sanctions due to non-compliance with industry codes.
- 1.3 This document is also aimed at aligning entities within the Santam Group with the Santam Group Compliance Policy.

2. Santam Group and Santam Limited Compliance Policy Statement and Philosophy

- 2.1 The Santam Board is accountable and responsible for ensuring that the Santam Group complies with its relevant legal, regulatory and ethical, internal policy and industry code obligations and that compliance risks within the Group are appropriately managed.
- 2.2 This Group Compliance Policy has been developed to ensure adequate oversight and clear accountability of the Santam Group compliance activities that are performed within the Santam Group.
- 2.3 The Santam Group and Santam Limited are committed to complying with all compliance obligations which includes compliance with all legal, regulatory, ethical and internal policy obligations and industry codes applicable to the Santam Group.
- 2.4 The Santam Board upholds the core values of integrity, fair dealing and accountability to all stakeholders and as such regard compliance with these obligations and relevant codes as an imperative to its business and will therefore not tolerate any non-compliance. All employees and entities within the Santam Group are obliged to comply with legal, regulatory, ethical and internal policy obligations and industry codes applicable to the Santam Group.

3. Application/Scope

- 3.1 **The policy applies to:**
 - 3.1.1 Any entity within the Santam Group, in possession of its own life, non-life insurance license issued under the Insurance Act and/or Financial Advisory and Intermediary Services Act.
 - 3.1.2 Any entity within the Santam Group that is required to have a compliance monitoring responsibility in place which addresses compliance risks in terms of legislation other than those listed in clause 3.1.1 above.
 - 3.1.3 Any entity within the Santam Group that is subject to foreign jurisdictions and regulatory authorities. Where the foreign jurisdictions places more stringent requirements on the entity, the more stringent requirements will apply.
- 3.2 Entities within the Santam Group must align its own Compliance Policy with the Santam Group Compliance Policy. The principles and requirements contained within this document will apply and should be adopted. Where full adoption is not possible, an explanation needs to be provided to the Head of the Santam Group Compliance Function.
- 3.3 Compliance with the "tight" principles that need to be addressed varies according to the ownership structure and regulatory status of businesses within the Santam Group. Santam holds and/or manages interests in various entities.
- 3.4 Santam Group standards and policies are applicable in areas defined as 'tight'. The scope and the application of these areas of 'tight' governance are as set from time to time by the Group CEO in consultation with Santam Exco and should be applied in line with the Santam Group Governance Policy as approved by the Board. Refer to paragraphs 6 and 7 of the Santam Group's Governance Policy on the extent to which entities within the Group are to apply governance principles.

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- 3.5 The Compliance Function is regarded as a control function for the purposes of the Prudential Standards on Outsourcing as contemplated under the Insurance Act of 2017 and where such function or compliance service or the Head of the Function is outsourced then such outsourcing must comply with the Santam Group Outsource Policy and the Standards in order to address the Outsourcing Risk.

4. Definitions

Below is a summary of the most important definitions used throughout the policy:

- 4.1 **The Board** refers to the relevant legal entity's board for the different businesses within the Santam Group unless specifically indicated that a requirement applies to the Santam Limited Board.
- 4.2 **Businesses or "the business"/entity (entities)** refer to either statutory entities with separate boards and governance structures (e.g. the Underwriting Managers) and/or business divisions with only a Manco/Exco (e.g. Broker Solutions, Specialist Solutions, Partner Solutions, Client Solutions etc.).
- 4.3 **Compliance Function** is an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk in the entity as contemplated in the Insurance Act 2017 and the standards issued thereunder.
- 4.4 **Compliance risk** is the risk of damage to the entity's business model or objectives, reputation and financial soundness arising from non-compliance with legal, regulatory, ethical, internal policy- and industry code obligations. Compliance risk does not include fines, civil claims, loss of license to operate, criminal sanctions on officers, but also to reputational damage.
- 4.5 **Control function** is defined in the Insurance Act of 2017 read with the relevant standards issued thereunder.
- 4.6 **Outsourcing risk** is the risk of loss (financial or otherwise) to the company because of the existence of an outsourcing arrangement. Outsourcing risk can be seen as a potentially significant source of reputational or operational risk. The sub-categories of outsourcing risk are explained in Appendix C of the Outsourcing Policy.
- 4.7 **Santam Group** refers to Santam, and any entity in which Santam Limited ("Santam") holds the majority of voting rights and has sole control over such rights by way of agreement, has control of the board of such entity, the right to appoint the majority of directors to the board of such an entity or any entity which Santam regards as strategic.
- 4.8 **Santam Group Compliance Function** refers to the Santam Compliance Control function contemplated under the Insurance Act of 2017 read with the relevant standards issued thereunder.

5. Santam Group "Tight" principles for the management of compliance risks

- 5.1 The Santam Group Compliance Policy sets out the overall "tight" principles which entities within the Santam Group must comply with and are categorised as follows:

5.1.1 Governance

The Board of Directors is ultimately accountable for managing compliance risks. The Executive Management is ultimately responsible for establishing, maintaining and operating an effective framework of business controls, risk management and corporate governance. Any governance structure must ensure that the management of compliance risk is adequately addressed.

5.1.2 Compliance statement

The Group Compliance Policy must be communicated to the employees of the entity as it sets out the Santam Group's approach to management of compliance risk. It must therefore be widely distributed to foster a compliance culture.

5.1.3 Responsibilities of management

Management's responsibility must be clearly understood in respect of managing compliance risk.

Management retains the primary role of management and other risk-taking functions to ensure that the Compliance requirements are met.

Management must ensure that there is a clear distinction between the role of individuals in the compliance function as assurance providers (2nd line) and the roles of management and other risk-taking functions (1st line) and that the distinction is clearly reflected in the naming protocols applied in respect of the respective job titles and job descriptions used across the Santam Group.

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Management must obtain the advice and inputs of the compliance function at the outset in the development of any new products, new acquisitions or initiatives considered by the entity or any other significant organisational developments involving the entity to facilitate the early identification of compliance risks.

5.1.4 Establishment of a compliance function

A formal Compliance Function must be established which is responsible for identifying, assessing, advising on, monitoring and reporting on the compliance risk in the entity and which is aligned with the entity's risk management framework. The Santam Compliance Function shall be regarded as the Santam Group Compliance Function and shall assume the responsibility of compliance across the group for purposes of group oversight.

5.1.5 Status and Authority of the Compliance Function

The Compliance Function must be given the appropriate status and authority within the entity. The Board and Executive Management must therefore formally endorse the Compliance Policy and Function.

5.1.6 Independence

The Compliance Function must be sufficiently independent of business activities in order to discharge its responsibilities objectively.

5.1.7 Roles and responsibilities of the Compliance Function

The Compliance Function is responsible for assisting, the Board, Executive Management in discharging their responsibility to comply with applicable legal, regulatory, ethical, internal policy requirements and industry code obligations by providing compliance services.

5.1.8 Role and appointment of the Head of the Compliance Function

The Board is responsible for ensuring that the Head of Compliance Function is appointed who is responsible for the day-to-day management of the compliance function including identifying and assessing the regulatory requirements, designing and implementing controls to minimise compliance risk, monitoring the effectiveness of the compliance systems, reporting to management and the regulators, providing advice, guidance, training and record-keeping and as set out under the Insurance Act of 2017 and the standards issued thereunder.

5.1.9 Fit and properness

Compliance staff must have the necessary qualifications, experience and personal qualities to perform their duties effectively and must meet the fit and proper requirements as determined by the Regulator from time to time.

5.1.10 Resources

The Compliance Function must have unfettered access to the various resources which includes access to all staff, committees, and committee reports which are required to effectively fulfil its roles and responsibilities. The Compliance Function should be appropriately staffed and have sufficient capacity in line with the entity's nature, scale and complexity of respective regulatory and compliance risks.

5.1.11 Appointment and termination of the Head of the Compliance Function

Appropriate procedures must be in place which addresses the appointment and termination of appointment of the Head of the Compliance Function. The Santam Head Group Compliance needs to review the appointment of compliance officers of Category 1 and 2 entities as referred to in the Santam Group Governance Policy, to ensure that Group requirements will be met and synergy achieved across the Group.

5.1.12 Culture and behaviour

An appropriate ethical behaviour must be promoted throughout the entity. The compliance functions assist management in the promotion of ethical behaviour and must therefore promote recognition of compliance risk identification, awareness, monitoring and reporting as part of employees' daily activities.

5.1.13 Independent review

The Compliance Function must undergo independent review every three years to ensure that it is operating effectively and as intended.

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5.1.14 Reporting lines to the Santam Group Compliance Office and to Regulators

To manage the compliance risks across the Santam Group, Executive Management and/or Head of Compliance of the entities must ensure that the Santam Group Compliance Function is formally consulted prior to the submission of any report of non-compliance to any regulator.

The Head of the Compliance Function, (the Compliance Officer, or the manager responsible for the management of the compliance risks, where such Head or Compliance Officer does not exist) must submit compliance reports to Santam Head Group Compliance prior to submission to the respective Boards for sign-off and comment.

- 5.2 The Santam Group Executive Committee and the Executive Committees of the applicable entities must determine whether it is appropriate to outsource the Compliance Function or any compliance service for which the Compliance Function is responsible in respect of their own environment. Where such outsourcing is undertaken, the requirements of the Santam Group Outsource Policy and standards relating to outsourcing as contemplated under the Insurance Act of 2017 must be complied with to address outsourcing risks.

6. Compliance Management and Risk Management

The Santam Group Compliance Function (which includes the Santam Limited) forms part of the overall enterprise risk management function and framework to address all material risks holistically facing the entity. To this end, Santam Group Compliance Function adopts the similar methodology in respect of the identification, assessment and monitoring of risks.

7. Compliance structure for Santam Group

- 7.1 The Santam Board has delegated the management of compliance risks to the Head of the Santam Group Compliance Function. The Santam Group Compliance Function is headed by the Head Group Compliance Function and who also acts as the Santam Group Compliance Officer. The Head of Group Compliance (and Group Compliance Officer) reports to the Santam Risk Committee and is supported by relevant compliance staff as determined from time to time.

Management is responsible for ensuring that appropriate processes are in place to reduce the risk of non-compliance with policies, regulatory obligations and industry codes.

- 7.2 The Compliance Function reports administratively to the Group Chief Risk Officer but formally to the Santam Risk Committee. The Head of the Group Compliance Function has direct access and a direct reporting line to the Risk Committee.
- 7.3 Compliance officers throughout the Santam Group, where Santam has majority control/share holding, have a dual reporting line to their respective boards and management teams and to the Santam Group Compliance Function.

8. Independence

The Santam Group Compliance Function operates independently from business operations to ensure that it discharges its responsibility in an objective manner. Where a conflict of interest arises between business and the Compliance Function in the discharge of the compliance function's responsibilities, the Head of Group Compliance shall refer such conflict to the Executive Head of the relevant business unit for resolution and where resolution is not possible, it shall be referred to the Chairperson of the Risk Committee after consultation with the Head of Risk Management, Group Chief Risk Officer and Chief Executive.

9. Roles and responsibilities of the Compliance Function

- 9.1 The Santam Group Compliance Function is responsible for:
- 9.1.1 Identification and assessment of compliance obligations and risks across the group.
 - 9.1.2 Development and implementation of policies, procedures and controls to meet ethical, legal, regulatory, internal policy and industry codes requirements across the group.
 - 9.1.3 The formulation of Group Compliance Principles and Standards for recommendation and approval by the Santam Group Executive and which will be applied across the Santam Group.
 - 9.1.4 Monitoring adherence to the Group Compliance Principles and Standards within the Santam Group and to report on the status thereof to the Santam Group Executive.

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- 9.1.5 Facilitating the resolution of any inconsistent compliance practices or conflicts by entities within the Santam Group.
- 9.1.6 Establishing and maintaining an integrated view of Santam Group Compliance Risk and compliance management activities to assess the extent thereof and provide assurance on its adequacy to the Board.
- 9.1.7 Initiating and co-ordinating generic compliance projects in respect of compliance requirements set by legislation from time-to-time which applies across the group.
- 9.1.8 Monitoring the effectiveness of the compliance systems and process based on a formal monitoring plan. Adopting a risk-based approach to monitoring compliance. The monitoring plan must be approved by the board.
- 9.1.9 Reporting to Santam Executive Management and the Board compliance status and incidence of non-compliance on a quarterly basis.
- 9.1.10 Communicating, advising, and providing guidance and training in respect of regulatory and all compliance- related matters.
- 9.1.11 Acting as the liaison between the entity and the regulator.
- 9.1.12 Ensuring that an updated register is maintained containing all the regulatory engagements across the Group and within the entity.

9.2 The Head of the Compliance Function is responsible for:

- 9.2.1 Designing the compliance framework, including the Compliance Policy.
- 9.2.2 Establishing, implementing and maintaining a risk-based compliance plan.
- 9.2.3 Designing and maintaining a consistent methodology and processes to be followed by the Compliance Function and Santam Group, thereby ensuring a consistent application throughout the organisation thereby ensuring the integrity of the methodology and processes.
- 9.2.4 Independently monitoring and reporting to Executive Management and the Board on the effectiveness of the Compliance Functions within the Group.
- 9.2.5 Developing and implementing systems for sourcing information, such as complaints, whistle blowing, media reports, feedback from employees with clients on a day-to-day basis, participation in industry groups.
- 9.2.6 Recruiting appropriate staff for the Compliance Function who meets the fit and proper requirements.
- 9.2.7 Facilitating a compliance culture.
- 9.2.8 Ensuring that the policy is communicated to all employees.

10. Specific reporting requirements

The following specific reporting requirements must be adhered to:

10.1 Outsourcing of Compliance Function and/or services

Businesses must define what compliance services are to be outsourced and must adhere to the detailed requirements outlined in the Outsource Standards. **The Compliance Function must be consulted and notified of these outsourced activities/functions prior to commencement of the outsource agreement.**

10.2 Quarterly reporting of compliance risk to Santam Group Compliance

The Head of the Compliance Function, (and where no such Head of Compliance is appointed, the compliance officer or the senior manager responsible for the managing of compliance risks) must submit quarterly reports, as prescribed by the Santam Group Compliance Office, to the Santam Group Compliance Office which shall include at least the following:

- 10.2.1 The strategy of the compliance function.
- 10.2.2 The compliance plan, including specific annual or other short-term goals being pursued and the performance against such goals.
- 10.2.3 Number of incidences of non-compliance with regulatory requirements for the quarter.
- 10.2.4 Brief description of the nature of the non-compliance, the cause of the non-compliance including the remedial action taken or to be taken to address the non-compliance and due date by when such non-compliance shall be rectified.

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- 10.2.5 Number and type of sanctions or pending sanctions to be imposed by any regulator due to non-compliance.
- 10.2.6 Whether any non-compliance has been reported to the entities external and/or internal auditors.
- 10.2.7 Whether any non-compliance has been reported to any regulatory authority by an external third party and to which regulatory authority.
- 10.2.8 Confirmation that the senior management of the entity is aware of the items listed under clause 10.2.3 to 10.2.7 and has signed off on them.
- 10.2.9 Whether any non-compliance is required to be reported to the regulator. Where reports are to be submitted to the regulator, the provisions of clause 5.1.14 above must be followed.
- 10.2.10 Information on its resources, including an analysis on the appropriateness of those resources.
- 10.2.11 An assessment of the key compliance risks the company faces and the steps taken to address them.
- 10.2.12 An assessment of how the company is performing against compliance standards and goals.
- 10.2.13 Any compliance issues involving management or persons in positions of major responsibility within the Santam Group, and the status of any associated investigations or other actions being taken.
- 10.2.14 Material instances of non-compliance or concerns involving any other person or part of the Santam Group and the status of any associated investigations or other actions being taken.
- 10.2.15 Material fines or other disciplinary actions taken by any regulatory authority in respect of the company or any of its employees.

10.3 Quarterly reporting of non-compliance to regulators

- 10.3.1 When deciding to report any incidence of non-compliance or irregularity to any regulator the compliance officer and/or Executive Management of the entity after consultation with the Santam Group Compliance Office must consider the following factors:
 - 10.3.1.1 Whether the non-compliance or irregularity is material or not.
 - 10.3.1.2 The impact of the non-compliance or irregularity has or may have on the entity's ability to render the services in terms of its licensing conditions.
 - 10.3.1.3 The impact of the potential or actual financial loss to clients of the entity.
 - 10.3.1.4 Number and frequency of similar incidences.
 - 10.3.1.5 The impact on the fair treatment of clients due to non-compliance or irregularity.
 - 10.3.1.6 The impact on the integrity of the entity arising out of non-compliance and/or irregularity.

11. Deviations from the Group Policy

Applications and requests for deviations from the tight governance principles of the Santam Group, including the Group Compliance Policy, are governed by the Group Governance Policy, as amended from time to time, and must be dealt with in the manner described in that Policy.

12. Review of the policy

The Group Compliance Function will be responsible for the administration and annual review of the Group Compliance Policy.