2019

INTEGRATED REPORT

BUILDING A FUTUREFIT SANTAM

Our group strategic framework "Building a FutureFit Santam" sets out the building blocks to achieve our strategic intent: to deliver on stakeholder expectations now and into the future. We will maintain and extend our leadership position in South Africa, build up a Pan-Africa specialist class business, and will selectively build out our international business. Our plans are client-centric and our foundation remains our brand promise: ***Insurance good and proper.***

OUR PURPOSE

Safeguard what is important to our clients in a manner that enables wealth protection and creation for all our stakeholders.

OUR AIM

Narrow the risk protection gap in the markets where we do business through collaborative, proactive risk management activities and the provision of reliable, inclusive risk solutions.

THE SANTAM WAY

Integrity | **Passion** | **Humanity** | **Innovation** | **Excellence**

CONTENTS

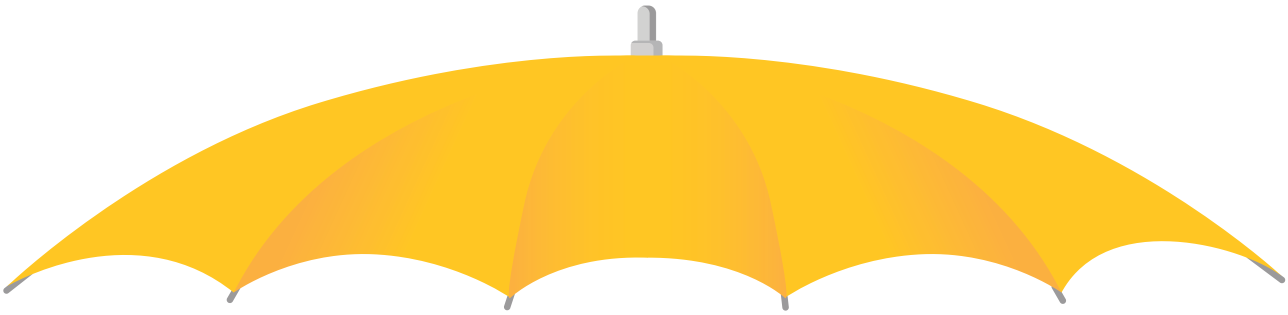
ABOUT US

OUR BUILDING PLAN FOR THIS REPORT

Santam Ltd (Santam or the group) is a South African company that was founded in 1918. Its headquarters are in Cape Town, South Africa. The group listed on the JSE in 1964 under the insurance (non-life) sector and effected a secondary listing on the A2X Markets exchange in 2019. Santam is a subsidiary of the South African financial services group, Sanlam, which holds 61.5% of Santam's shares.

This integrated report (report) reviews the financial year for the 12 months ended 31 December 2019 (reporting period or year). Our report covers general insurance and investment operations, and applies to Santam Ltd and its subsidiaries, which make up the Santam business portfolio (see below).

THE SANTAM BUSINESS PORTFOLIO



Insurance operating segments:	Conventional insurance				Alternative Risk Transfer	Sanlam Emerging Markets (SEM) partner businesses
Business units:	Santam Commercial and Personal	Santam Specialist	Santam re	MiWay	Centriq and Santam Structured Insurance	Santam's investments and strategic partnerships including Sanlam Pan-Africa

There were no material events that impact comparability with our previous report.

OUR SUITE OF PUBLICATIONS

This report is part of a suite of publications we produce to best meet our stakeholders' needs and expectations.

This integrated report, including our summary consolidated financial statements. It is Santam's primary report to our stakeholders and highlights our value creation story.

The annual general meeting (AGM) notice and proxy form, which provide information to enable shareholders to participate in the AGM.

Our complete annual financial statements, a comprehensive report of the group's financial performance for the year.

The group's full remuneration report, aimed at shareholders making an advisory vote at the AGM. The full remuneration report will be published on 13 March 2020.

(Summary consolidated financial statements included in this report)

Our King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)[1] application register.

These publications are available at https://www.santam.co.za/investor-relations/integrated-report/financial-results-and-reports/.

HOW OUR REPORTING ELEMENTS ARE ASSURED

Santam's 2019 integrated report is the result of combined material input from business units reporting on their activities and achievements.

- PricewaterhouseCoopers Inc (PwC) provided assurance of the summary consolidated financial statements (See page 103).
- PwC reviewed our annual ClimateWise report as part of the global ClimateWise assurance process.
- Ernst & Young (EY) provided assurance on carbon emission data as part of Sanlam's CDP (formerly the Carbon Disclosure Project) assurance process.
- Data relating to BBBEE was verified by AQRate.
- Non-financial indicators were reviewed by an internal process that included approval by the executive committee and the board.

THE SANTAM BOARD APPROVED THIS REPORT

The report was reviewed by the audit and the social, ethics and sustainability (SES) committees. The reviewed report was recommended to the board of directors (board), who approved it on 4 March 2020.

On this basis, the board is satisfied that the report addresses all material matters, whether positive or negative, and offers the necessary substance for the providers of financial capital and other stakeholders to make considered evaluations about the performance and sustainable value creation ability of the group.

READERS' REFERENCES

Santam's performance over seven years, classified per key performance indicators, is set out on page 132.

A glossary of insurance and financial terms, as well as abbreviations are on page 136.

Details regarding reporting frameworks, guidelines and standards are on page 139 and content assurance on page 3.

For more information, please visit www.santam.co.za.

Please share your experience of reading this report by emailing us on: investor.relations@santam.co.za. Readers can also interact with us on the following social media platforms:

OUR YEAR AT A GLANCE

SALIENT FEATURES

Total dividend growth of
8%
to 1 110 cps

Conventional insurance: **investment return on insurance funds** of
2.4%
Long-term goal: 2.5% of net earned premium (NEP) through the cycles

GWP conventional insurance growth of
7% TO R29.7 BILLION
Long-term goal: ≥ GDP + CPI growth

Conventional insurance: **acquisition cost ratio** of
30.2%

Alternative risk transfer (ART) operating result
R171 MILLION

Gross claims paid
R18.9 BILLION
(2018: R18.0 billion)

Santam's share of the operating result of Sanlam Emerging Markets (SEM) and SAN JV
R495 MILLION

GWP outside South Africa
R3.9 BILLION
(2018: R3.4 billion)

Headline earnings per share decreased by 1% to

2 069 CENTS

Return on capital of

22.2%

Long-term goal: >24%

Standard & Poor's Global rating

BB+ LOCAL CURRENCY, GLOBAL SCALE; zaAAA SOUTH AFRICAN NATIONAL SCALE

(2018: BB+ local currency, global scale; zaAAA South African national scale)

Economic capital coverage ratio of

160%

Target range: 150% to 170%

Included in the

FTSE/JSE

Responsible Investment Top 30 Index

"We are pleased with a solid set of results in a year where growth in premiums was challenging due to the strained South African economy. These results reflect the quality and dedication of our people and business partners."

– Lizé Lambrechts,
Chief executive officer

DOING MORE THAN JUST INSURANCE

All activities in our value chain are performed in a responsible and forward-looking way. As South Africa's leading short-term insurer, we take environmental, social and governance (ESG) matters seriously. Through risk prevention and reduction, and by sharing risks with stakeholders, we help protect society, foster innovation and aid environmental, social and economic sustainability.

We help support
46
municipalities through Partnership for Risk and Resilience (P4RR) initiatives (2018: 43)

We secured employment for
6 177
people in South Africa and Namibia (2018: 6 043)

We maintained a
LEVEL 1
broad-based black economic empowerment (BBBEE) rating according to the Financial Sector Charter (FSC) (2018: level 1)

We were certified as a
TOP EMPLOYER
for the fourth consecutive year by the Top Employer Institute

To date, the group invested
R56 MILLION
with the Association for Savings and Investment South Africa (ASISA) Enterprise and Supplier Development (ESD) Fund

We increased our investment to
R95 MILLION
(2018: R80 million) in the Resilient Investment Fund

184
learners were trained through the Black Broker Development learnerships and internships between 2016 and 2019

"Economic transformation in South Africa requires the general insurance industry, and Santam as a leader in the industry, to proactively mitigate the risk factors that inhibit growth and resilience."
– Vusi Khanyile, chairman of the board

The group was named
TOP BUSINESS INSURER
in South Africa: 2019 Sunday Times Top Brands Survey

We invested in
10
students through full bursaries
50
trainees through our graduate programme
127
learnerships

We reached over
1 MILLION
people via Consumer Financial Education (CFE) initiatives (2018: over 1 million)

We commissioned and published a report called ***The Knysna fires of 2017: Learning from this disaster*** which synthesises technical reports by the Research Alliance for Disaster and Risk Reduction (RADAR), the Council for Scientific and Industrial Research (CSIR) and Stellenbosch University's Fire Engineering Research Unit.

Santam donated **R1.8 million** to the **Agri SA Drought Relief Fund**, which aims to provide relief to farmers, farm workers and communities affected by severe drought.

BUILDING A RESPONSIBLE BUSINESS

As a business, we will continue to enhance our responsible investment impact and ensure safety, fairness and inclusion for all our stakeholders.

OUR INSURANCE ACTIVITIES

Santam is a general insurance group offering a range of policies against eventualities such as property damage, motor accidents and loss of income. The group's more than 1 million policyholders range from individuals to commercial and corporate business owners and institutions. We provide products and services through a network of direct channels and intermediaries.

In South Africa, we have increased our market share to 24.3%*. Our international diversification strategy focuses on reinsurance business, specialised insurance products, and our role as technical partner and co-investor in SEM's general insurance businesses.

We write insurance business through our business portfolio:

INSURANCE OPERATING SEGMENT: CONVENTIONAL INSURANCE

Santam Commercial and Personal

Our multi-channel insurance business in South Africa and Namibia

Santam Commercial and Personal serves retail and commercial markets by providing appropriate insurance solutions that suit the needs of entrepreneurs and businesses. For personal insurance, the business unit offers a multi-product and multi-channel distribution portfolio that covers various classes of general insurance.

Santam Commercial and Personal offers independent administration through Brolink.

Santam Commercial and Personal lines distribution channels

- National and independent intermediaries
- Direct contact centre
- Outsourced portfolio administrators
- Referral business
- Affinity business
- Sanlam agency network

Classes of general insurance products

- Accident and health
- Engineering
- Guarantee
- Liability
- Marine
- Motor
- Property

Santam re

Our reinsurance business in South Africa and international markets

Santam re is a wholesale reinsurance service provider for the Santam group general insurance businesses and independent general insurers in Africa, India, the Middle East and Asia. Santam re operates under the Santam general insurance licence, which enables it to optimise the size, quality and diversity of the overall risk pool relative to capital resources and risk appetite.

Santam re writes proportional and non-proportional reinsurance on marine and non-marine classes.

Classes of general insurance products

- Accident and health
- Engineering
- Guarantee
- Liability
- Marine
- Motor
- Property

MiWay

Our direct insurance business in South Africa

MiWay is a direct insurer that underwrites predominantly personal lines general insurance business through direct selling. This is supported by a smaller intermediated personal lines business and a suite of direct business insurance products.

Classes of general insurance products

- General insurance (motor, homeowners and household contents)
- Other value-added products
- Business insurance

* BASED ON 2017 REGULATORY RETURNS DATA. SANTAM GROUP HAS BEEN CONSOLIDATED TO ELIMINATE (NOT DOUBLE COUNT) INTERNAL REINSURANCE ARRANGEMENT.

Santam Specialist

Our specialist insurance business portfolio in Africa, India and Southeast Asia

Santam Specialist insures against large and complex risks in niche market segments. Products are client-driven and supported by specialist underwriting. Underwriting these classes of insurance requires skilled resources to assess and quantify the risk and exposure as provided by the unit's underwriting managers and niche business units.

Santam Specialist businesses

- ***Santam Marine*** is a leading marine underwriter covering cargo, hull and liabilities.
- ***Santam Specialist Real Estate*** was created exclusively for residential and commercial sectional title and share block properties, and is designed to give intermediaries and clients comprehensive and innovative insurance solutions.
- ***Emerald Risk Transfer*** provides property insurance solutions for large industrial and corporate businesses in South Africa and developing markets.
- ***Echelon Private Client Insurance*** focuses on the high-net-worth personal lines segment of the market.
- ***Hospitality and Leisure Underwriters*** caters for the needs of the hospitality sector from the smallest to the largest risks, including retail businesses; from restaurants and caterers to game lodges and hotels.
- ***Mirabilis Engineering Underwriting Managers*** offers a comprehensive range of engineering insurance solutions in South Africa and other developing markets.
- ***Santam Aviation*** specialises in general aviation for commercial and private sector insurance including hull, third-party and passenger liability insurance.
- ***Santam Bonds and Guarantees*** provides a wide range of surety solutions, including construction guarantees, contract bonds and court bonds.
- ***Santam Transport*** is the leading heavy commercial vehicle insurer in South Africa and offers comprehensive cover to transport contractors.
- ***Stalker Hutchinson Admiral (SHA)*** provides insurance against broad-form liability, banker's blanket, cyber and computer crime, directors' and officers' liability, professional indemnity for traditional and emerging professions, as well as personal accident, kidnapping and ransom, and motor fleet insurance.
- ***Travel Insurance Consultants (TIC)*** is South Africa's largest travel insurance provider that offers specialised travel insurance solutions including emergency medical, loss of money or baggage, and travel supplier insolvency for leisure and corporate travellers.
- ***Vulindlela Underwriting Managers (VUM)*** specialises in providing a range of insurance solutions for owners of minibus, midibus and metered taxis in South Africa. VUM has recently entered the small, medium and microenterprises (SMME) market to expand the relationship of the taxi base to include other assets and motor vehicles in underinsured markets.
- ***Santam Agriculture*** is the leading crop insurer in South Africa, focusing on named peril insurance and multiperil crop insurance.

Classes of general insurance products

- Accident and health
- Aviation
- Crop
- Engineering
- Guarantee
- Liability
- Livestock and game
- Marine
- Motor
- Property

INSURANCE OPERATING SEGMENT: ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Santam ART

Our risk transfer solutions business

ART solutions use techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection. Tailored solutions allow clients access to multi-peril cover and aim to reduce the cost of risk to clients over the medium to long term. Business is written on the insurance licences of:

Centriq

A specialist cell captive insurer that offers alternative risk finance solutions.

Centriq offers access to insurance licences to affinity groups, underwriting management agencies (UMAs) and corporates. The in-house team of specialists offer the following:

- Conventional and structured insurance policies
- Multi-year funded insurance structures
- Blended risk transfer/retention insurance policies
- First-party cells
- Specialist UMA solutions via cell captive structures
- Alternative distribution/brand affinity third-party cells

Santam Structured Insurance (SSI)

An industry innovator in specialist insurance structuring that offers individually designed domestic and cross-border risk finance solutions to partners and clients.

SSI's client base includes consumers; small, medium and large corporates; and entities such as banks and agricultural businesses.

Post-retirement medical aid products are written on both general and life insurance to successfully build up fully-funded solutions for clients.

The risk finance division offers insurance solutions to SMME clients via a unique distribution model.

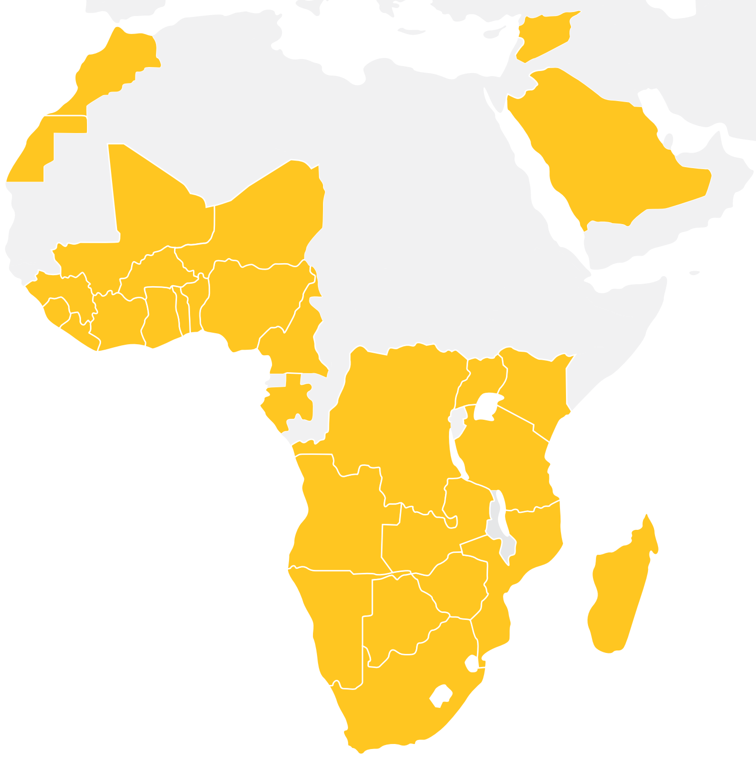
INSURANCE OPERATING SEGMENT: SANLAM EMERGING MARKETS (SEM) PARTNER BUSINESSES

Santam's investments and strategic partnerships including Sanlam Pan-Africa

Our investments in emerging markets

SEM is responsible for Sanlam's financial business services in emerging markets outside South Africa. Through our partnership with SEM, Santam has economic participation in 33 countries.

- Africa
- India
- Middle East
- Southeast Asia



THE GROUP'S INTERESTS IN SEM PARTNER BUSINESSES

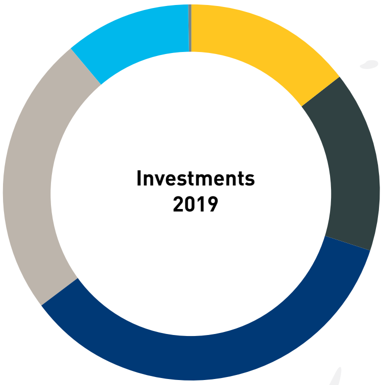
	Santam effective interest %	Carrying value R million
Saham via SAN JV	10.0	2 323
Other SEM target shares	2.9 – 9.5	91
Shriram General Insurance Company Ltd (SGI) (India)	15.0	1 226
Pacific & Orient Insurance Co. Berhad (P&O) (Malaysia)	15.4	157

OUR INVESTMENTS

We manage our investment portfolios responsibly and invest in a diversified portfolio.

Our investment charter recognises the importance of responsible investment and Sanlam Investments, our primary asset manager, is a member of the Principles for Responsible Investment (PRI) and signatory to the Code for Responsible Investing in South Africa (CRISA).

Our investment portfolio spread

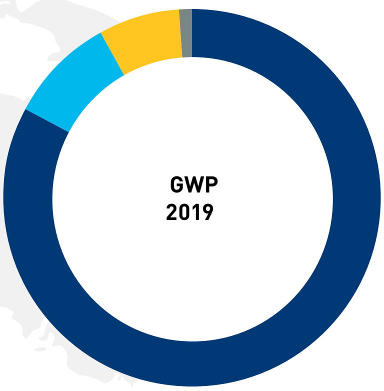


Listed equities	14.6%
SEM participation investments	15.5%
Interest-bearing instruments and preference shares	34.8%
Investment in Saham through SAN JV	24.4%
Other assets	10.6%
Cash and money market instruments	0.1%

WHERE WE DERIVE OUR INCOME FROM

We are building a responsible business across borders and boundaries.

Our GWP per region (including SEM businesses)



South Africa	83%
Rest of Africa	9%
Southeast Asia, India, Middle East	7%
Other	1%

OUR LEADERSHIP POSITION

Our South African business generates 89% of Santam's revenue (excluding SEM businesses) and it remains a priority for the group to improve our leadership position locally.

WHY INVEST IN SANTAM?

INVESTMENT CASE

WE ARE A LEADING SOUTH AFRICAN GENERAL INSURER WITH A PRESENCE IN SELECT EMERGING MARKETS

Leading brand

Santam is the market leader in South Africa, with a market share of 24.3%. Our brand positioning, ***Insurance good and proper***, means we are a fair and ethical business with credibility and an excellent reputation.

WE TAKE PRIDE IN OUR WORLD-CLASS SCIENTIFIC UNDERWRITING CAPABILITY

Our capabilities include diverse and specialist insurance skills which enable us to consistently achieve an underwriting margin within our target range of 4% to 8% of net earned premiums. The average net underwriting margin over the past 5 years was 7.9%.

SANTAM HAS A SKILLED AND EXPERIENCED MANAGEMENT TEAM

Executive management collectively hold more than a century of insurance industry experience. They have appropriate accountabilities and incentives linked to financial and non-financial indicators to drive high performance.

WE HAVE A STABLE DIVIDEND POLICY AND AN ACTIVE CAPITAL MANAGEMENT POLICY

We increase our dividends in line with the growth of our insurance book. We achieved ordinary dividend per share compounded growth of 9%, over 10 years. Special dividends are paid as part of the strategy to maintain our economic capital within a target range of 150% to 170%.

WE ARE A SUSTAINABLE BUSINESS

Managing long-term sustainability and community resilience supports our ability to continue to pay claims and ensure that individuals and communities recover from adverse incidents. Santam is a founding signatory of the UN Environment's Principles for Sustainable Insurance (UNEP PSI). We are a constituent of the FTSE4Good index series and FTSE/JSE Responsible Investment Top 30 index.

SANTAM HAS DELIVERED STRONG GROWTH

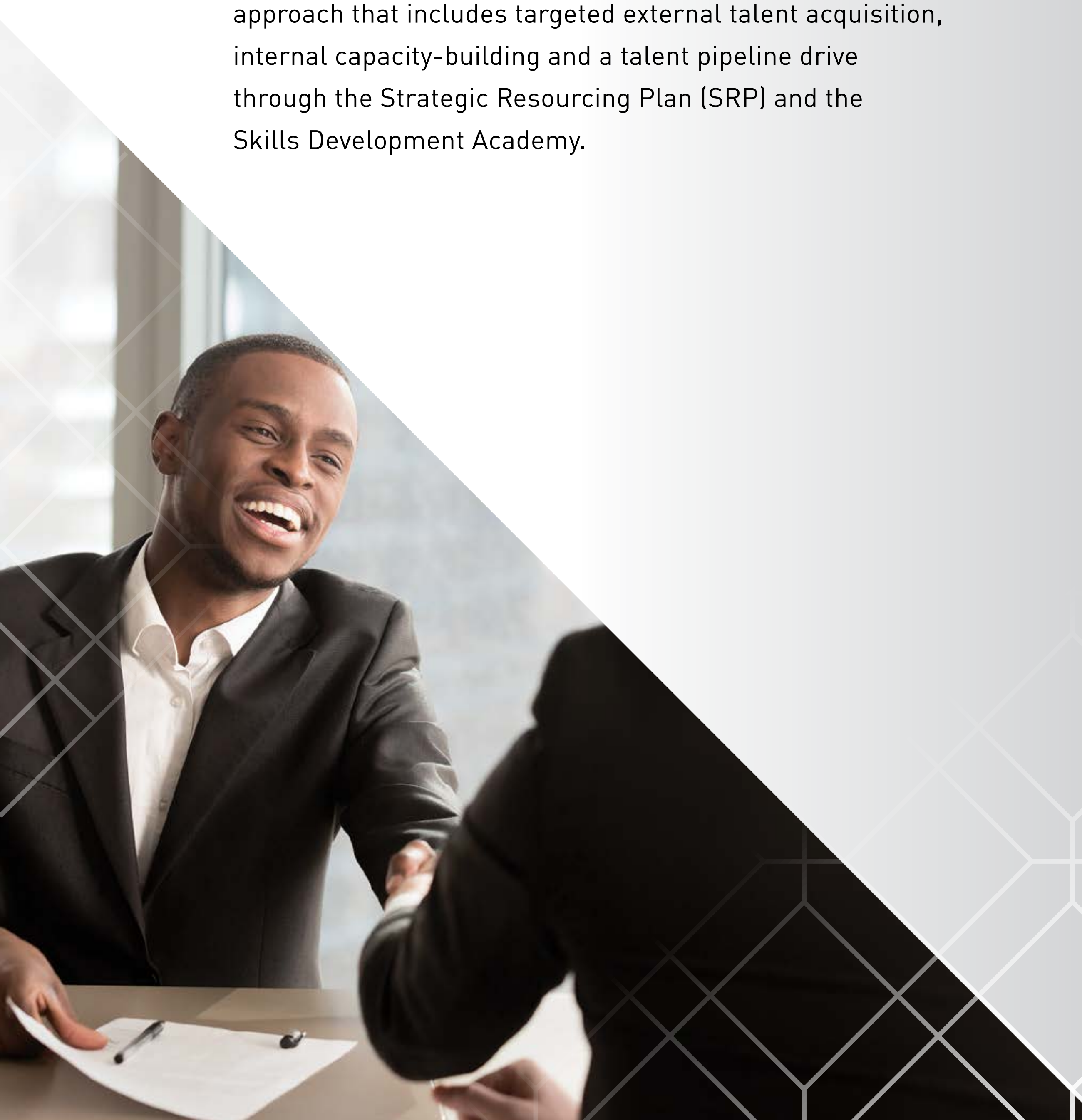
We consistently achieve real growth in excess of South African GDP. The group is highly cash generative.

AS A PROUDLY SOUTH AFRICAN COMPANY, WE ARE COMMITTED TO GIVING BACK

Insurance good and proper means we look for reasons to pay claims, rather than reasons not to. We paid gross claims of R18.9 billion in 2019. Santam continues to empower black-owned suppliers.

DEVELOPING HUMAN CAPITAL

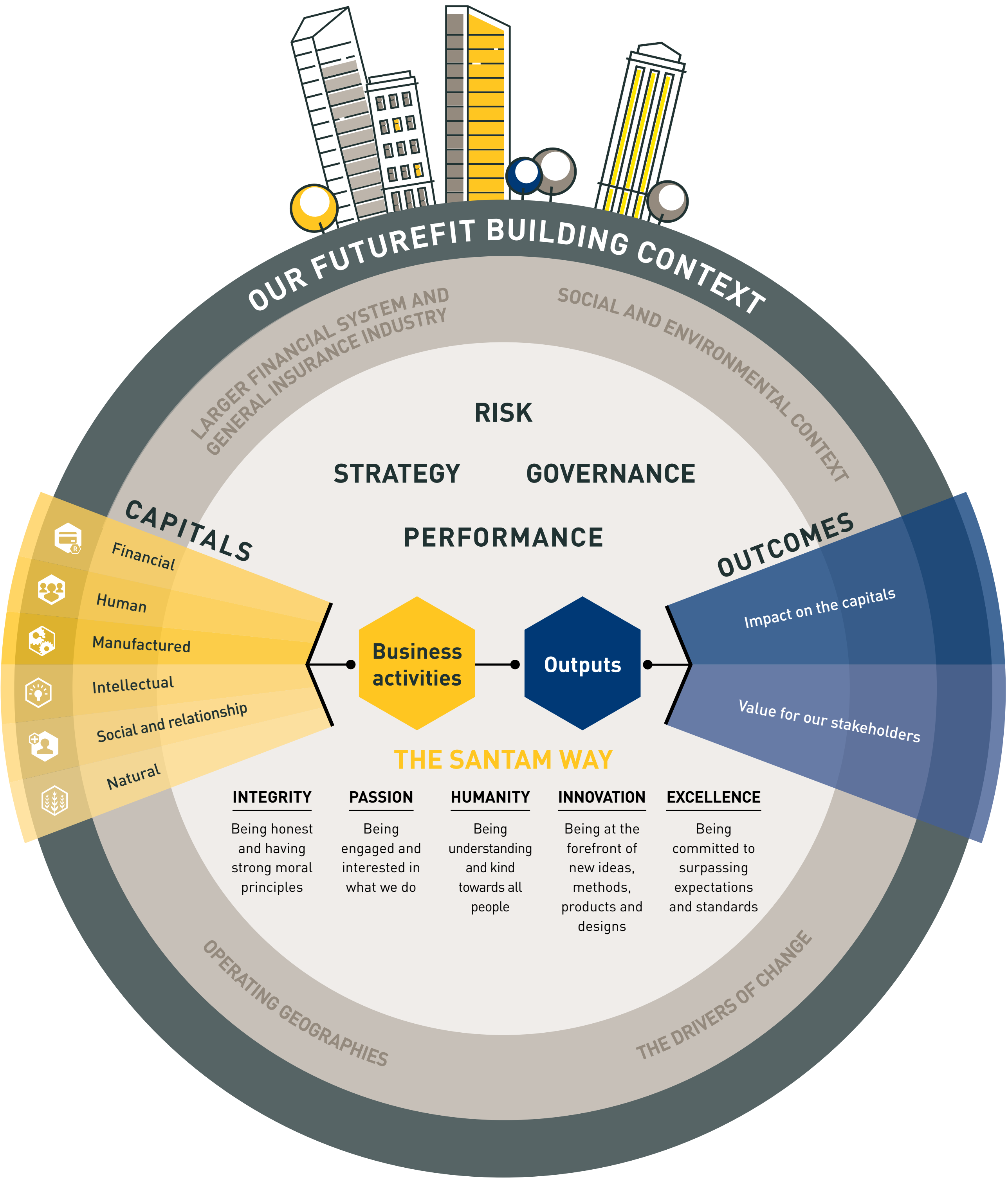
To attain world-class human capital, we use a multipronged approach that includes targeted external talent acquisition, internal capacity-building and a talent pipeline drive through the Strategic Resourcing Plan (SRP) and the Skills Development Academy.



OUR ROLE AND PURPOSE AS INSURANCE SERVICE PROVIDER

SANTAM'S VALUE CREATION MODEL

Santam operates in a dynamic environment. To ensure sustainability, success and good outcomes for all our stakeholders, we must continuously change. We deliberately fit and form our building blocks to be efficient, innovative and relevant to the changing environment.



OUR STRATEGIC CONTEXT

Economic systems are interconnected with natural, social and political systems. Any economy requires a functioning, stable financial system to work effectively. Financial systems are complex and economic stability depends on a wide network of players, including insurance companies. A developed financial sector fosters productivity through:

- available credit, equity, debt, insurance and other financial products; and
- mitigating excessive risk taking and opportunistic behaviour through regulation.

In the larger financial system, Santam acts as a conduit for households and businesses to transfer their risks. We share risk, thereby enabling society to innovate and initiate projects that would otherwise be less feasible. In fulfilling our core business mandate, we contribute to economic growth and sustainability.

Therefore, it is vital that we understand rapidly changing ESG trends, including climate change. Sustainable business practices support financial growth by increasing efficiencies, reducing cost and enabling us to comply with regulations.

OUR OPERATING GEOGRAPHIES

South Africa

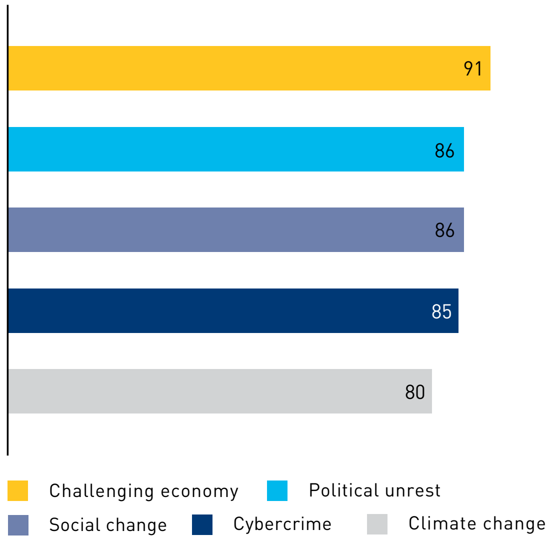
The South African operating environment is characterised by subdued growth across most sectors, reflecting the larger-than-anticipated impact of energy supply issues, together with weak agricultural production. National Treasury released its economic growth strategy for public comment in August 2019. Proposals include the modernisation of state-owned enterprises, strengthening competition, support for agriculture and tourism, greater use of Special Economic Zones and improved trade policies.

Moody's Investors Service, which rates South Africa Baa3, one step above speculative grade, changed its outlook to negative on November 1, 2019.

In 2019, several factors impacted the underwriting environment for the South African insurance industry:

- A lack of commitment to risk reduction and mitigation is rendering certain clients, individuals and businesses, increasingly uninsurable. The continued tough economic climate has caused a rise in fraudulent claims and increased challenges to recover from uninsured third parties.
- The effects of climate change have resulted in an increase in extreme weather events including hail, drought and floods. The frequency and severity of events have increased over recent years, most notably in KwaZulu-Natal.
- Business interruption, like exposure to emerging risks such as cybercrime, is a concern compounded by increased exposure to traditional risks.

The biggest risks South Africans face over the next two years, as ranked by consumers (% of consumers concerned about the risk)



SOURCE: SANTAM INSURANCE BAROMETER REPORT 2019

International

According to the World Economic Outlook (WEO) published by the International Monetary Fund in January 2020, global growth prospects are projected at 3.3% for 2020. However, there are downside risks to growth estimates with growth forecasts likely to be revised down due the impact of COVID-19.

GLOBAL GROWTH ESTIMATIONS AND CHANGES

	Years			
	Projections		Estimate	Actual
Regions or countries	**2021**	**2020**	**2019**	**2018**
World output	3.4%	3.3%	2.9%	3.6%
Advanced economies	1.6%	1.6%	1.7%	2.2%
Emerging and developing economies	4.6%	4.4%	3.7%	4.5%
Emerging and developing Asia	5.9%	5.8%	5.6%	6.4%
Sub-Saharan Africa	3.5%	3.5%	3.3%	3.2%
Middle East and North Africa	3.2%	2.8%	0.8%	1.9%
South Africa	1.0%	0.8%	0.4%	0.8%

SOURCE: INTERNATIONAL MONETARY FUND WEO 2020

OUR STRATEGIC RISKS

In determining Santam's risks, the group and each business unit has detailed risk appetite policies with criteria that consider strategic and operational risk. This indicates how much risk Santam is willing to take in the pursuit of our objectives. It also quantifies the amount of capital we are willing to put at risk to create value. Our material risks are detailed in the risk management report on page 91. They are:

- Santam's ability to achieve premium growth and net underwriting targets
- Political and social risks, including the impact of load shedding on economic growth
- Failing infrastructure and lack of maintenance in South Africa impacting claims
- Climate risk, including catastrophe events and extreme weather
- The ability to achieve certain components of the FSC BBBEE Act
- Performance of our strategic investments in Saham and Sanlam Emerging Markets (SEM)
- Cyber risk
- Skills shortage, including attracting and retaining top talent
- Exchange rate volatility impacting earnings
- Reputational damage and brand association risk

IN **2019 ...**

WE LAUNCHED THE FIRST SANTAM THOUGHT LEADERSHIP REPORT

Santam released South Africa's first landmark survey on insurance trends in November. The Santam Short-Term Insurance Barometer (Barometer) is the result of a survey that polled more than 400 respondents, including intermediaries, corporates, commercial entities and consumers.

The report explored the prevailing perceptions on a broad range of challenges that must be carefully navigated for future sustainability. The survey enabled us to gain valuable insight into how the various markets view their most prominent risks, how well their actual exposures are managed, and the gaps that we as insurers must address. Combining this with expert insights from Santam experts, we believe we produced a report that provides a holistic view of the insurance sector today and what lies ahead.

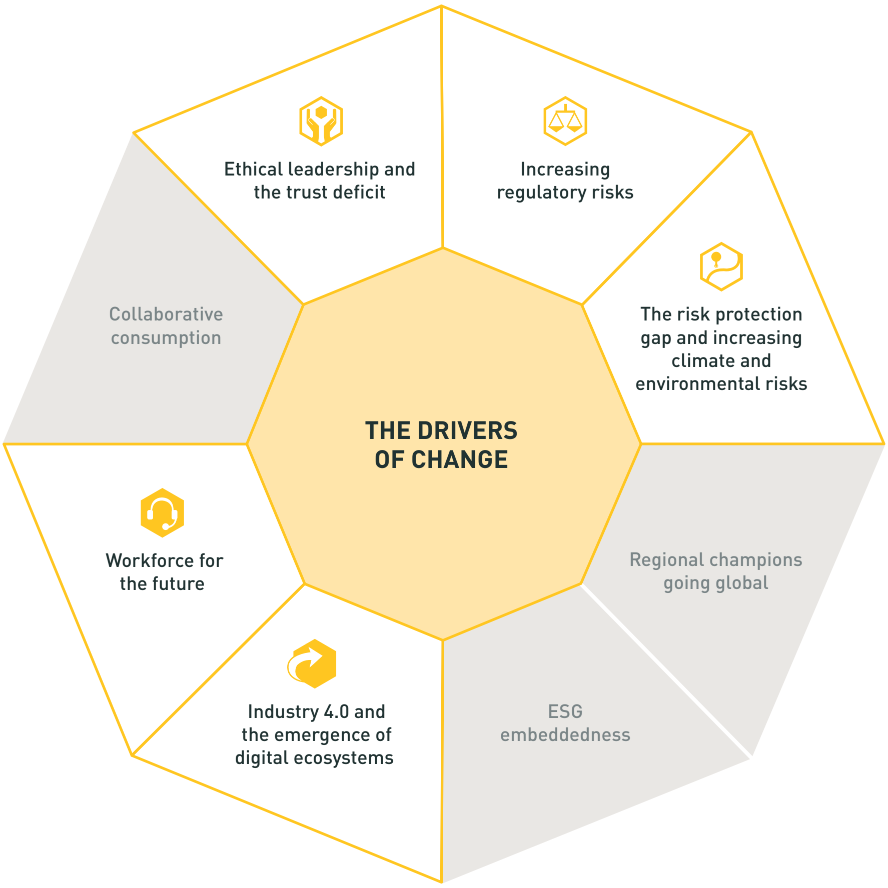
Santam's aim is to take the collective "temperature" of consumers, intermediaries and corporates annually and to draw seminal conclusions which will highlight the contribution the insurance industry brings to the country, besides protecting the assets of consumers.

We hope that by highlighting trends and insights, we can convince more people to ensure they are adequately covered. In so doing, the Barometer will play a role in minimising the impact of extreme weather events, accidents and crime on the economy.

OUR MATERIAL MATTERS: THE DRIVERS OF CHANGE

Santam's material matters, or "drivers of change" are overarching themes that shape the future of insurance. They are relevant to the group and our stakeholders, now and into the future, and shape our strategy, which is described on page 44.

We conducted broad and forward-looking contextual scanning as part of the group's strategic review to identify the material matters driving change in the insurance sector. We identified key drivers of change which were stress-tested against current external and internal developments and debated by the executive committee and the board as part of the group's annual strategy review process. As a result, they were refined. Although all the drivers remain relevant to the future of general insurance, some were combined and five were foregrounded for specific attention in the group's strategic framework to ensure Santam's continued FutureFitness and sustainability.



ETHICAL LEADERSHIP AND THE TRUST DEFICIT

Consumers and employees are increasingly mindful of ethics-related considerations when spending money or choosing where to work. They expect business leadership to drive change rather than waiting for a government to impose it. A perceived lack of ethical leadership could damage Santam's reputation and influence our clients' choices.

To safeguard Santam's reputation, we monitor and manage it in the following ways:

- Santam's code of ethics entrenches ethical leadership principles
- We expect Santam's leadership to act with integrity and promote transparency and trust
- We are currently the only general insurer in South Africa supporting UNEP PSI, which enables us to take a leading position on key ESG policy matters
- We adhere to the transformation code (FSC BBEE Act) and through our transformation strategy we prioritise our journey and communicate progress with our stakeholders. Refer to page 87 for our BBBEE scorecard.

INCREASING REGULATORY RISKS

Regulation continues to be more stringent given the global trust deficit and the resultant rise in consumer protection. Recent regulatory developments are intended to enhance financial stability, to protect consumer data and to address the risk protection gap. Greater public awareness of climate risk impacts also increase the appetite for regulation to hold both governments and businesses to account.

Intermediaries are faced with rising business and compliance costs due to increasingly onerous regulatory requirements.

Santam ensures that we understand the regulatory landscape thoroughly, meet all regulatory requirements and effectively implement relevant regulations.

Regulation in South Africa

Several regulatory developments took effect in 2019.

- The Financial Intelligence Centre Amendment Act scrutinises risks in the non-life industry to ensure that money laundering is appropriately addressed.
- The Conduct of Financial Institutions Bill (COFI) was released for comment and aims to provide a framework for the Financial Sector Conduct Authority (FSCA) to monitor conduct risks in the financial services sector.
- Amendments to the Short-term Insurance Regulations dealing with premium collection and handling are being implemented to provide for more stringent oversight requirements.
- Retail Distribution Review (RDR) developments including several documents relating to standards, categorisation, segmentation and reward principles have been released for comment.
- Guidelines on the Protection of Personal Information Act (POPI) for developing codes of conduct have been released for consideration.

THE RISK PROTECTION GAP, AND INCREASING CLIMATE AND ENVIRONMENTAL RISKS

The risk protection gap is the difference between total economic losses and insured losses. Economic losses include damaged infrastructure, clean-up costs, emergency relief, and forgone revenues. The larger the gap, the more difficult it is for a society to recover from losses. This can make individuals, households, companies and the public sector vulnerable and lack resilience in the face of unforeseen events.

Santam employs technologies to address risk protection gaps by promoting affordability, awareness and product appeal. This includes developing products to reach the lower income markets, in alignment with FSC targets and criteria.

However, truly addressing this issue needs a collaborative effort that involves all stakeholders, including government. Santam partners with the Emthunzini Community Trust and SASRIA on P4RR initiatives, a long-running example of such collaboration. Read more about these initiatives in the value we create section on page 24.

Climate and environmental risks exacerbate the risk protection gap

Environmental risks, like extreme weather events and large-scale fires, have become more prominent in recent years. Consequently, insurers are compelled to consider how they cover these catastrophe event risks, and how they price the coverage.

The risk protection gap affects emerging and developed countries. However, catastrophe events can cause more damage in emerging markets where city infrastructure is underdeveloped or in poor condition.

This also presents opportunities. A 2018 report for the Inter-American Development Bank, exploring "private markets for climate resilience" in South Africa's agriculture and roads sectors, revealed numerous small-scale innovations that farmers and engineers already apply to reduce climate change risk.

Santam is implementing the industry-led Financial Stability Board's Task Force for Climate-Related Financial Disclosure (FSB-TCFD). These are a set of voluntary, consistent disclosure recommendations for use by companies to provide information to investors, lenders and underwriters about climate-related financial risks. In addition, Santam is a signatory of ClimateWise, a global insurance industry leadership group driving action on climate change risk. We participate with Sanlam in CDP (previously Carbon Disclosure Project), which supports companies to disclose their climate action. Both ClimateWise and CDP are now aligned with TCFD.

Industry 4.0 and the emergence of digital ecosystems

A digital ecosystem is a client-centric model, where users have an end-to-end experience of a wide range of services and products. These are provided through a single-access platform. Industry 4.0 is reshaping the expectations of Santam's clients. Hyper-personalisation and artificial intelligence (AI) will shape the future of how we engage with clients.

The emergence of digital ecosystems is an opportunity for the general insurance industry to develop new products, open new distribution channels and include prediction, prevention and assistance. New entrants to the insurance industry use value-added services and reward programmes to attract clients. Traditional insurers risk being marginalised as providers of capital to shrinking risk pools.

Santam has responded to this driver of change, as evidenced by our strategic theme of building technology as an enabler and/or driver of innovation and efficiency. Read the case study on page 22.

Workforce for the future

In Santam's context, the workforce is changing in three ways:

- Our industry is entering a new era of AI-assisted or AI-enhanced productivity. As technology develops and becomes more modular and user-friendly, cognitive abilities and tasks that were once thought to be reserved for humans are increasingly performed by machines. Santam aims to protect people, not jobs. As such we need to hone uniquely human skills, and develop skills around user experience and agility, such as robotics, analytics and change management.
- There is a shift away from the traditional nine-to-five, in-office career towards one that affords more flexibility. We must ensure that our human resources processes and policies align with the changing workforce.
- For many consumers, it is important that brand values align with their own. The internet and social media play a meaningful role in demanding that unfair or harmful behaviour is addressed. Unethical individuals and organisational cultures are called out. Santam has a diverse and inclusive group culture, which we must nurture and develop.

See the case study on our strategic theme of building human capital on the next page.

Regional champions going global

Projected slower growth in developed economies pressures regional and global insurers to expand internationally, with a focus on higher-growth emerging markets. Regional champions are developing global ambitions and increasing their international presence.

As a regional leader, Santam addresses this driver of change through our investments and strategic partnerships with SEM, including Sanlam Pan-Africa (see page 10).

ESG embeddedness

ESG frameworks and guidance are becoming common practice. They are used by regulators, rating agencies and policymakers. We recognise that our businesses operate within ESG thresholds. The ESG performance of our extended value chain is increasingly relevant for doing business, including in supplier selection and consumer ESG risk management.

Collaborative consumption

Disruption of ownership narrows consumer focus to access rather than ownership. This concept is known as the sharing economy or collaborative consumption. The insurance industry is seeing growth in micro-insurance, usage-based and peer-to-peer (P2P) business models. This is driven by InsurTech start-ups and mobile network companies who selectively target parts of the value chain.

Traditional insurers like Santam must adapt to collaborative consumption and embrace the sharing economy by collaborating with or investing in start-ups. Innovation is at the centre of what we do at Santam, and we are always on the lookout for new distribution channels and ways to innovate.

See the chief executive officer's report on page 39 for detail on our investment in the InsurTech start-up, Ctrl.

IN **2019 ...**

WE HELPED BUILD YOUNG BUSINESSES

We believe that simple, smart ideas have the power to improve the welfare of South Africans. Santam's annual "Safety Ideas" challenge, in partnerships with LaunchLab, challenges South Africans to submit innovative InsurTech solutions that promote safety. In 2019, two start-up businesses, Cloudline and DeepData won the respective top honours for new concept start-ups and mature start-ups. The judges felt they both had the best potential to significantly impact insurance risk management and underwriting.

Cloudline offers 24-hour remotely operated long range autonomous airships, which can be used for data gathering, maintenance inspections and surveillance. DeepData provides real-time video and imagery data collection, analysis and security alerts using artificial intelligence and machine learning.

THE CAPITAL INPUTS TO SANTAM'S BUSINESS MODEL

Santam depends on six capital inputs to be able to safeguard what is important to our clients. We also impact the six capitals, as they are affected or transformed by the group's business activities and outputs.

FINANCIAL CAPITAL

Santam has three main sources of financial capital:

- Upfront premiums, which means the group has strong operating cash flow without requiring alternative funding
- Investment income on insurance funds from insurance activities
- Investment returns on shareholder investments

We maintain our financial capital through efficient treasury and investment initiatives, effective risk management and use of our internal model.

We use financial capital to fund business activities, including acquisitions and investments in technology. This generates more financial capital over the long term, which is distributed as claims, dividends, taxes or other expenses, such as salaries. Santam uses its financial capital for initiatives to improve socio-economic conditions, particularly in South Africa. This is our duty as a corporate citizen, and a way to preserve financial capital by ensuring we sustain a viable, stable client base.

See the chief financial officer's report on page 46 for more.

HUMAN CAPITAL

Human capital is our:

- employees;
- intermediaries; and
- supply chain partners.

Many of the skills required by the group are scarce. We must invest in, expand and transfer skills to safeguard the availability of appropriate human capital.

We contribute to the development of human capital in South Africa by improving employee diversity, developing supply chain preferential partners, and collaborating with industry associations, such as SAIA and the Financial Intermediaries Association of Southern Africa (FIA).

As a multi-national group, we use our strong position to transfer skills through board memberships, secondments and group-wide training initiatives.

Read more about Santam's employees in the stakeholder section on page 26.

IN **2019 ...**

WE INVESTED IN CRITICAL SKILLS

The critical skills requirements in the insurance industry are becoming much clearer through research conducted by SAIA and INSETA, in which Santam is a participant and contributor.

Through our Leadership Excellence Programme, in partnership with the UCT Graduate School of Business, we trained 28 emerging talent leaders across the group, 86% were black and 46% female. Our Senior Leadership Programme, in partnership with Duke Corporate Education, trained 18 emerging "FutureFit" leaders across the group, of which 89% were black and 44% female.

We also invested in 127 learnerships, 50 trainees through our graduate programme and 10 students through full bursaries.

Placement rates from our Skills Development Academy are: 82% for learnerships, 40% of whom are in permanent positions; and 80% for graduates, 92% of whom are in permanent positions. Of our 10 bursary recipients, four are continuing their studies and six were placed onto the 2020 graduate programme.

In 2020, we will continue to build our workforce of the future by establishing a technical skills academy to re-skill and upskill employees with capabilities like:

- analytical thinking and data analytics;
- innovation management;
- complex problem solving;
- active learning; and
- emotional intelligence.

MANUFACTURED CAPITAL

Santam's manufactured capital comprises:

- the infrastructure of our offices, other buildings and systems; and
- the insured physical assets of our clients.

We provide insurance cover for manufactured capital, as physical assets constitute a large portion of the risk pool. Therefore, the group invests funds and time in infrastructure development projects and influences spatial planning, green design and developing capabilities such as geocoding, which assist in protecting and maintaining manufactured capital.

INTELLECTUAL CAPITAL

Santam's industry-specific expertise and knowledge are impacted by scientific developments, social innovation and technology-driven change. This capital manifests in product development, distribution, pricing and client-centricity, and provides a competitive advantage through:

- industry and underwriting experience and knowledge;
- the improved ability to price risk; and
- innovative risk and claims management capabilities.

SOCIAL AND RELATIONSHIP CAPITAL

To sustain our business model and deliver on promises, we rely on relationships of trust with our clients, intermediaries, suppliers, and the communities where we operate. Instances of fraud or dissatisfaction harm this capital, and transformation initiatives expand it.

The stakeholder section on page 24 gives examples of initiatives that strengthen social and relationship capital.

NATURAL CAPITAL

Santam impacts the use, transformation and destruction of natural capital through investment activities, risks insured, and claims settlement and procurement activities.

Our portfolios have an impact on the health of natural capital stocks, and the group depends on natural capital and the supply and demand of ecosystem services (ecosystem service flows), which are directly material to investment risk and returns. Climate risk, ecological degradation and increasing extreme weather events can significantly impact Santam's financial capital and long-term viability.

See the SES committee report on page 84 for more.

IN **2019 ...**

WE LAUNCHED A NEW TEAM TO STEER TECHNOLOGY AS AN ENABLER AND DRIVER OF INNOVATION AND EFFICIENCY

These are exciting times of change at Santam: Teams are experimenting with how the group can apply technology to better serve our clients and intermediaries. We invested in automated decision-making software and robotic process automation capability. Digital platforms for intermediaries and policyholders have become our most widely used applications.

As a result, the IT, business change and digital management teams formulated a new purpose and set of objectives to ensure we enable innovation and efficiency. In October 2019, the group launched business information and technology solutions [B·IT·S].

The purpose of [B·IT·S] is to enable the Santam group to deliver ***Insurance good and proper*** by providing advice, insights and information and technology solutions to enhance client and ntermediary experience. The team's objectives are to ensure we:

- Become a trusted strategic business partner providing insights, direction and solutions
- Provide proactive, stable, secure and frictionless solutions across the full client insurance cycle
- Create a consistent client experience across all channels
- Remain cost-competitive, innovative, efficient, fast and agile
- Attract, grow and retain high-performing, diverse and engaged people

OUR BUSINESS ACTIVITIES

As we build toward the future, our day-to-day activities make us resilient and reliable.

Santam's business activities include the following:

- **Client contracting and communication through the distribution network (intermediaries and direct)**
- **Managing claims costs with a reliable network of suppliers**
- **Designing risk solutions or policies to cover risks, including diversified and bespoke solutions**
- **Carrying and diversifying risk through reinsurance**
- **Underwriting and pricing of risks through specialised skills, such as actuarial analysis and underwriting**
- **Marketing and branding**
- **Sophisticated administration systems and administrative support for distribution and claims management**
- **Claims payment and assistance, with associated implementation of prevention initiatives**
- **Investment management and capital allocation**

Clients select a policy based on the cover they require and their trust in our brand. They can purchase their cover through several channels, including an intermediary. Complex commercial or specialist insurance choices depend on advisory input from intermediaries.

Underwriting is the key determinant of the group's profitability. It is the process of evaluating and pricing the risk posed by each prospective client. A good underwriting process allows us to optimise the balance between a policy premium and potential claims against the policy. Policies are priced using several modelling techniques to predict client behaviour. ESG-sensitive underwriting is part of our Building a FutureFit Santam strategy, as described on page 44.

In the contracting process, Santam's clients agree to share risk with the group. For our clients, risk sharing takes the form of an excess payment in the event of a claim.

When a client suffers an insured loss, they lodge a claim and Santam reimburses the client. Initiating a claim is often called the "moment of truth". A positive claims experience encourages client loyalty and persistence, whereas a negative experience can cause reputational damage to the group.

Reinsurance is a form of insurance cover for insurance companies, whereby a portion of risk is transferred to the reinsurer. Reinsurance is a safety net in that it reduces risk resulting from large claims and helps balance available financial capital.

We invest income generated through premiums to generate a return for shareholders, and to provide a capital buffer that enables the group to maintain liquidity to cover liabilities associated with claims made against underwritten policies.

THE VALUE WE CREATE

THE OUTPUTS AND OUTCOMES OF OUR BUSINESS ACTIVITIES

The outputs and outcomes of Santam's business activities include:

- our range of products and services, as listed under our insurance activities on page 8;
- how we increase, decrease or destroy the capitals listed in the previous section; and
- the value we create for our stakeholders, as described here.

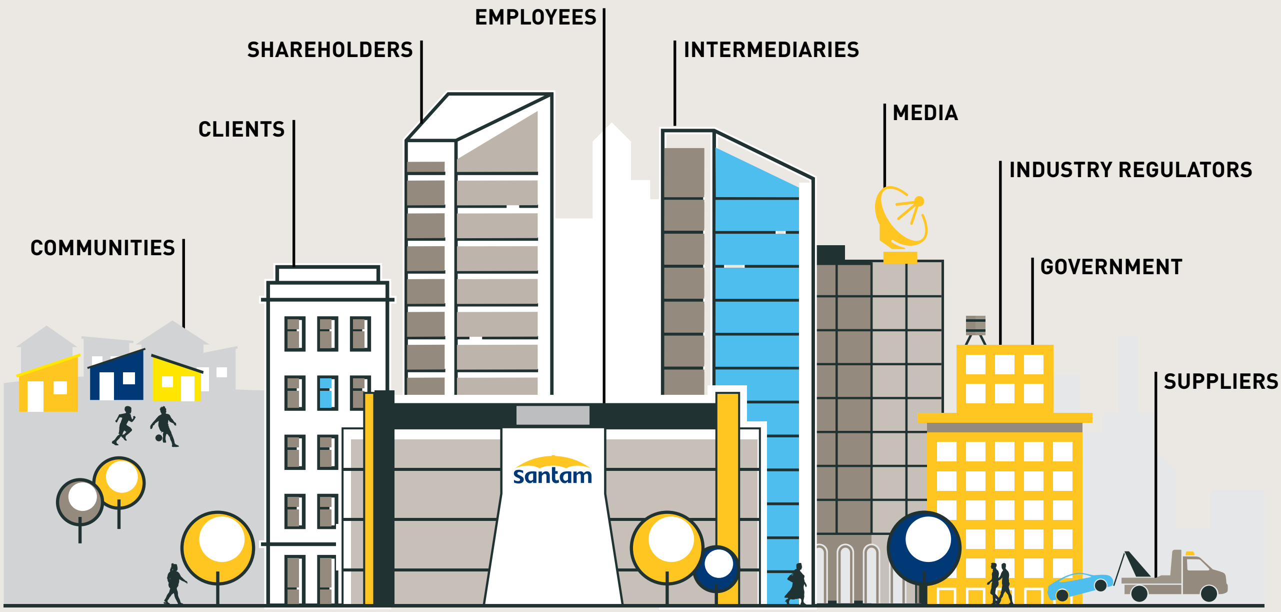
SANTAM'S MATERIAL STAKEHOLDERS

A FutureFit Santam has many building partners: our stakeholders are the hands that we hold to make it happen.

We build and maintain quality relationships with material stakeholders. Each material stakeholder grouping is assigned to an executive. These executives provide quarterly feedback to the head of stakeholder relations. Issues arising from these stakeholder reports are presented to the SES committee and the board. We review our stakeholder universe annually to ensure that new and emerging stakeholders are included.

The chief executive officer's report from page 39 provides detail on specific stakeholder concerns and initiatives in 2019.

CLIENTS



Our clients want the assurance that we will pay legitimate claims. Santam's priority is to retain existing clients and acquire new clients by improving their experience across the entire client journey.

HOW WE MANAGE THIS RELATIONSHIP

Strategic and operational client matters are driven through Santam's client experience working group, made up of key individuals from various divisions. The working group maps the client journey for each business unit, considers client experience gaps and opportunities and delivers actions to address these.

We have also set up an overarching client excellence board, mandated by the Santam group executive committee. It has oversight of strategic as well as operational matters related to client experience. The board's objective is to:

- establish, maintain and enhance the Santam client agenda;
- recommend and monitor client initiatives; and
- escalate matters of concern or deliberation to the executive committee or the Santam board.

The primary function of the client excellence board is to constantly evaluate whether we are delivering on our brand promise of ***Insurance good and proper***.

HOW WE ENGAGE

Santam follows a multi-channel approach. We rely mainly on our intermediary network for client engagement, and expect them to deliver an experience that is aligned to Santam's brand promise of ***Insurance good and proper.*** In turn, we empower and assist intermediaries to deliver the best client experience possible.

Ongoing client surveys, market research and strategic reviews help us anticipate trends that influence client expectations.

We monitor client perceptions and expectations through a complaints process and via social media. The processes throughout our value chain handle on-demand service requests or faults.

The metrics Santam uses to measure client satisfaction include Voice of the Client (VoC), complaints managed by the Santam client care division, Ombudsman for Short-Term Insurance (OSTI) findings, and the South African customer satisfaction index (SAcsi) metrics.

Treating Customers Fairly (TCF)

TCF is a regulatory and supervisory approach. It is driven by principles that address the consistent delivery of fair client outcomes throughout the client relationship life-cycle. Santam's conduct is assessed for fairness to identify and reduce the risk of client dissonance.

The group's conduct of business framework considers all relevant governance frameworks and policies and is approved by the board. A pragmatic approach is applied for TCF implementation, balancing TCF outcomes and fairness with business sustainability.

Santam achieved an 82.4% rating in the Treating Customers Fairly-South Africa- Customer Service Index (TCF-SA-CSI) published in 2018, compared to the industry average of 78.8%.

IN **2019 ...**

WE INVESTED IN CONSUMER FINANCIAL EDUCATION (CFE)

CFE is applied at group level by targeting the Santam emerging client market and through funding provided to SAIA to deliver CFE to the public.

We invested R10 million in CFE initiatives that reached over 1 million people, including small business owners and emerging farmers. SAIA targeted educational institutions, small businesses and the general public through awareness campaigns and radio advertising. We are standardising and digitising the group's CFE training material to allow for blended learning, consistency of material and portability.

Value added

CLAIMS PAID

Santam paid R18.9 billion in claims in 2019.

↑5%

Claims paid (R billion)

EMPLOYEES

Our employee value proposition considers the employee of the future and is grounded in inclusivity, passion, personalised rewards and a purposeful life for each employee.

HOW WE MANAGE THIS RELATIONSHIP

The group has a targeted people strategy, which involves talent management, a transformative culture, mentorships and a wellness programme:

- Santam's diversity policy and strategy put a framework in place to create a culture that values diversity and inclusivity.
- Talent management segments talent into five pools. Once talent reviews are completed, outcomes are analysed to inform distinct engagement plans for each pool.
- Robust succession planning is embedded in our talent review process. To ensure enough depth of succession at top and senior management levels, we focus on building a more diverse pipeline for these levels.
- Our employee wellness offering includes physical, emotional, financial and professional health dimensions.

Our employees have freedom of association. Some employees are represented by the national employment equity forum (NEEF) or the workers' union, Sasbo, which is affiliated with the financial services industry.

Santam's approach to occupational health and safety ensures compliance with the Occupational Health and Safety Act and Regulations No. 85 of 1993, the Compensation for Occupational Injuries and Disease Act No. 130 of 1993 and local bylaws. An independent, accredited company conducts formal audits at Santam head office in Cape Town and at our offices at Alice Lane in Johannesburg.

HOW WE ENGAGE

Group engagement with employees includes town hall sessions, business unit conferences, the chief executive officer roadshow and the management conference. These events also provide opportunities for face-to-face engagement.

Online communications include regular electronic messages from our chief executive officer and the respective business unit heads.

We conduct an annual employee engagement survey that provides feedback on how engaged our employees are, practices that require improvement and how effectively our leaders are keeping teams engaged. Our participation rates are over 80%, well above industry standards.

IN **2019 ...**

WE IMPLEMENTED MYWORKSPACE

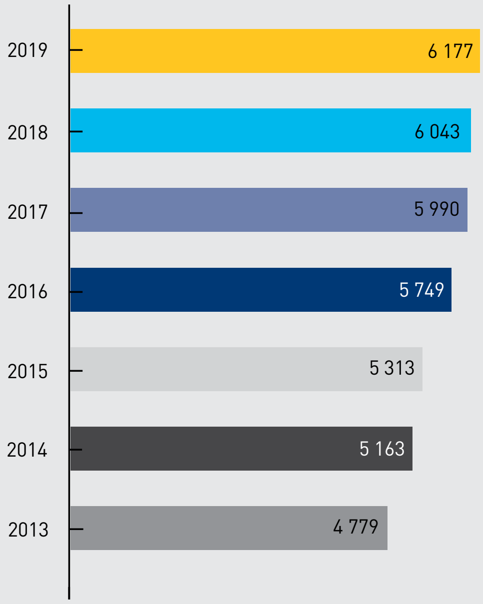
The myWorkSpace system went live at the end of March 2019. It is a cloud-based HR solution that integrates and standardises all our talent processes. This will enhance the experience of our employees by enabling them to digitally interact with the group. Capabilities of the system include workforce planning, performance management, succession, learning and remuneration.

The gender pay gap

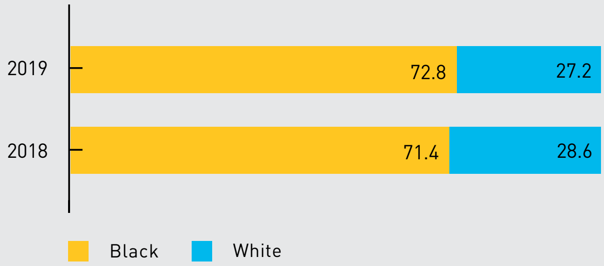
Santam adheres to "Equal Pay for Work of Equal Value" principles and where shortcomings are recognised these are addressed to ensure pay equity. We differentiate between the gender pay gap and equal pay: the former is the difference in average earnings between men and women employees (without distinguishing for level of seniority and job size), whereas Equal Pay for Work of Equal Value, as the legislation is known in South Africa, requires that men and women doing the same job are paid the same.

A profile of Santam's employees

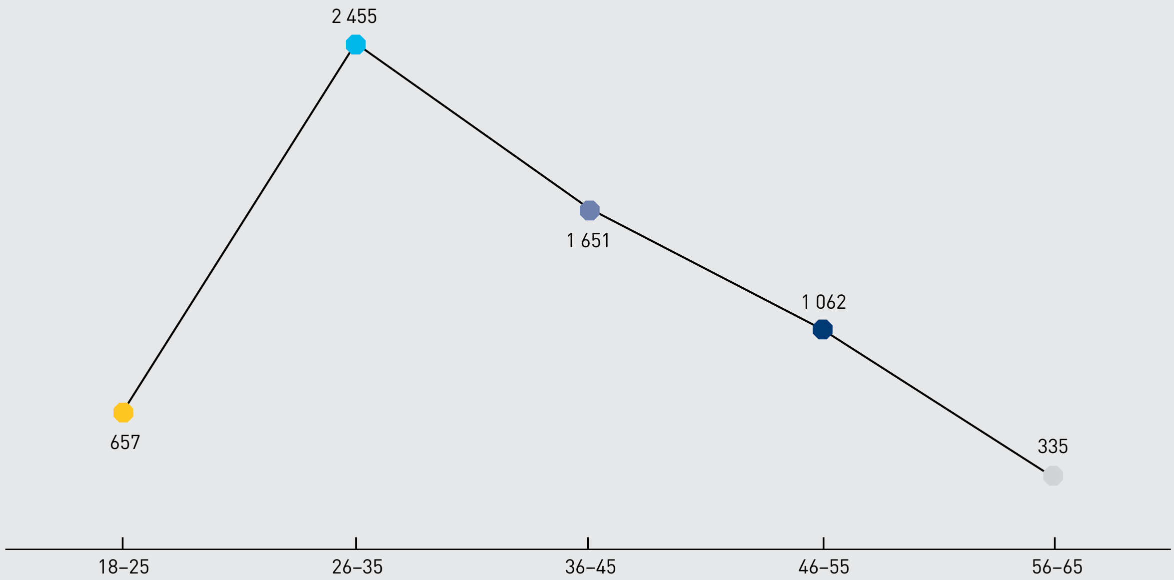
Number of permanent employees



Diversity of race (%)

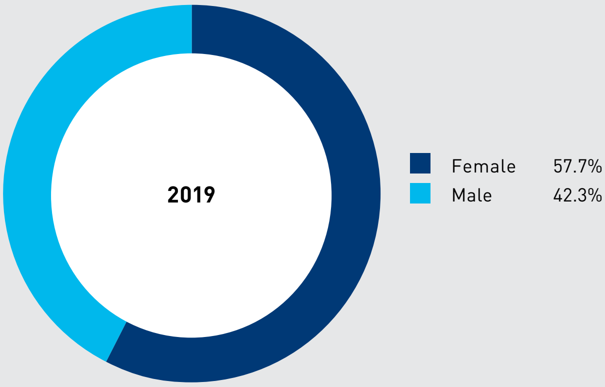


Diversity of age (years)



EMPLOYEES (continued)

Diversity of gender



IN 2019 ...

WE FOCUSED ON GENDER DIVERSITY

Santam's diversity policy was extended to focus on other dimensions of diversity such as gender identity and multiple generations in the workplace. The changing nature of our workforce profile, together with a greater openness in our organisational culture, require that these topics become key to the diversity and inclusion agenda.

Gender equality initiatives undertaken included:

- A pilot project called "Lean In Circle Sessions" to build a network of people at Santam who are interested in gender.
- Self defence sessions to empower employees in response to incidents of gender-based violence in South Africa. Close to 700 employees attended these sessions.

Both these projects will be expanded in 2020.

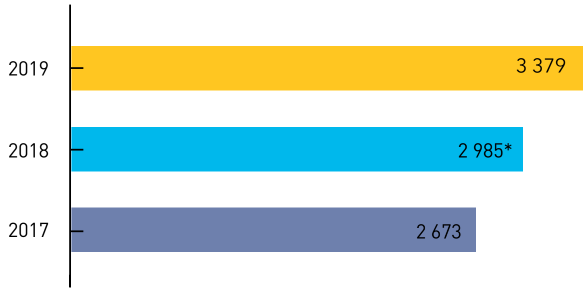
Value added

EMPLOYEE BENEFITS

Santam paid R3 383 million to employees in salaries, short-term and long-term incentives and employee benefits.

↑13%

Employee benefits (R million)



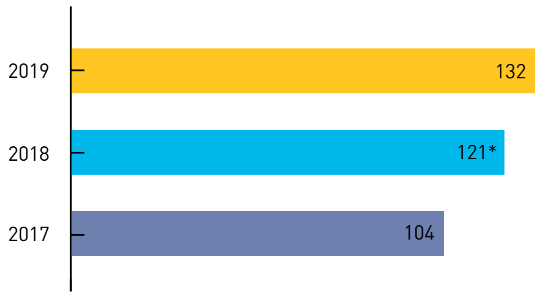
* THE 2018 AMOUNT HAS BEEN RESTATED FROM 2 857 TO 2 985. THIS IS DUE TO THE RESTATEMENT OF SKILLS DEVELOPMENT.

EMPLOYEE DEVELOPMENT

Santam spent R128 million on training and skills development which improved competencies, capabilities and career prospects for employees.

↑9%

Employee development (R million)



* THE AMOUNT HAS BEEN RESTATED FROM 249 TO 121. THE 249 DISCLOSED IN THE PRIOR YEAR INCLUDED SALARY SPEND RELATED TO SKILLS DEVELOPMENT.

SHAREHOLDERS

Our success as a group directly impacts shareholders. Thus, they are invested and interested in the group's performance and its sustainable growth over the short, medium and long term.

HOW WE ENGAGE

We regularly engage with our large shareholders, including Sanlam, our strategically aligned core shareholder, through the annual general meeting (AGM), results presentations, investor conferences, one-on-one meetings and reports.

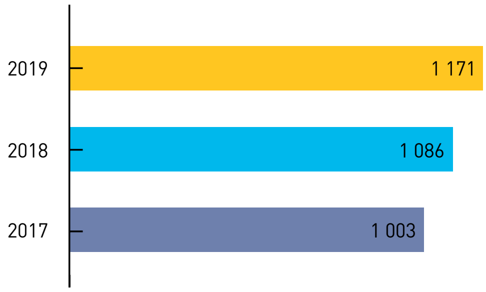
Value added

DIVIDENDS

Santam paid R1 171 million in dividends to shareholders.

↑8%

Dividends (R million)



SUPPLIERS

Small to medium enterprises are the foundation of the South African economy. We address social and empowerment challenges in South Africa by steadily increasing procurement from black-owned suppliers and contribute financially to supplier development initiatives in the industry. Our focus remains on the implementation of Santam's preferential procurement objectives to support empowered suppliers, by increasing our procurement spend with these suppliers.

HOW WE SUPPORT SUPPLIERS

The money that Santam invests in the ASISA ESD fund creates access to loan funding for new and small BBBEE suppliers in our industry. This programme includes business assessment, incubation, support and mentoring, and aims to prepare small black businesses for targeted procurement spend from the group.

HOW WE ENGAGE

The group regularly engages with stakeholders such as the South African Auto Repairer and Salvage Association and South African Building Contractors and Civils Association to increase our support of supplier development initiatives.

Compliance and ethical conduct by suppliers are non-negotiable. The group will engage suppliers and various associations to ensure adherence to our contracts and procurement processes.

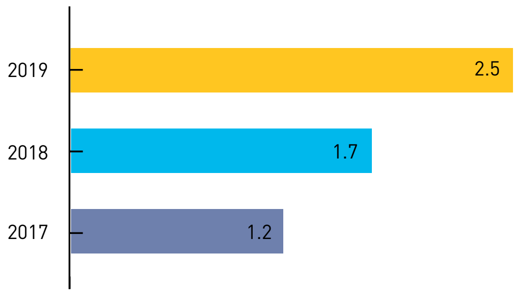
Value added

PREFERENTIAL PROCUREMENT SPEND

Santam paid R2.5 billion in procurement spend to black-owned suppliers thereby growing their businesses and ensuring their resilience.

↑47%

Preferential procurement spend (R billion)



SUPPLIERS (continued)

IN 2019 ...

WE WERE RECOGNISED FOR OUR CONTRIBUTION TO THE SUSTAINABILITY OF MOTOR BODY REPAIRERS

The group won the prestigious SA Motor Body Repairer's Association (SAMBRA) insurer of the year award for the second consecutive year.

SAMBRA represents most accredited motor body repairers in the country, and advocates for sustainability in the industry by setting best practice benchmarks that go beyond regulatory compliance. SAMBRA provides a platform for collaboration between industry players and encourages participants to measure their service against top performers.

The award is based on an annual survey, which is independently managed and audited. It rates insurers, original equipment manufacturers and paint and equipment suppliers on factors including relationship satisfaction, quality of vehicle damage assessment, interaction with claims employees, payment speed, client service, green practices, training programmes and product support.

The SAMBRA award recognises Santam for being a vital stakeholder in the motor body repair industry and helping to prepare the industry for new technologies. This tackles one of the greatest threats to South Africa – unemployment.

INTERMEDIARIES

Intermediaries guide clients through the structure of policies and offer advice, information and assistance regarding risk management strategies and claims processes. Intermediaries add value through active risk management and claims advocacy.

THE VALUE OF INTERMEDIARIES	HOW WE ENGAGE
At Santam, we believe that the intermediary's value proposition is not only entrenched in the sales process; it is equally embedded in the claims handling and risk management process. Advocacy for the client at claims stage is crucial. In the Santam Insurance Barometer Report, published in November 2019, 63% of businesses ranked efficient claims handling as the fourth leading benefit of using an intermediary, while consumers ranked removing claims hassle fifth at 36%. Standing on behalf of the client ensures equitable treatment at policy renewal stage and aids greatly in client retention. The intermediary fulfils a vital role at renewal stage – when the discussion should be centred on finding out how a client's risks have evolved.	We engage with intermediaries through roadshows and extensive training initiatives. We engage with the FIA and black intermediaries regarding industry transformation imperatives.

Value added

INTERMEDIARY SPEND

Santam paid R5 002 million in commission to intermediaries.

↑9%

Intermediary spend (R million)

Santam's black broker development programme

With the black broker development programme, Santam sets clear objectives to grow our number of contracts with black intermediaries. To do this effectively, we also need to expand our client base in order to have the required numbers to support these individuals in their respective regions.

The programme provides black intermediaries with the support and assistance to address challenges. For example, regulatory changes, though beneficial in many ways, have brought new challenges for emerging intermediaries and many of the new entrants are not yet Financial Advisory and Intermediary Services Act (FAIS) compliant. This is where joining an agency model such as Sanlam Blue Star is beneficial. We facilitate this process by providing the necessary training.

IN **2019 ...**

WE HELPED DEVELOP AND SUPPORT BLACK INTERMEDIARIES

To help develop black intermediaries, we established 15 target regions and appointed a relationship manager for each region. The mandate for these relationship managers is to provide the necessary administrative support, so that intermediaries can focus on servicing and securing new clients.

To establish open lines of communication, we held regional engagement forums. These sessions helped the group to better understand black intermediaries' specific challenges and frustrations. We realised that many of the common assumptions regarding risk profiles in underserviced areas are inaccurate. For example, it is becoming clear that theft risk is much lower than expected in certain regions, while risks such as fire and floods rate significantly higher. This new information prompted us to re-evaluate certain aspects of our geographic rating models.

This process gave us invaluable insights to help Santam structure products and services that meet the needs of this new market and drive our transformation programme forward.

COMMUNITIES

Santam is a responsible corporate citizen that supports the South African societal development imperative.

HOW WE MANAGE THESE RELATIONSHIPS

The group's corporate social investment (CSI) initiatives focus on supporting community-led disaster prevention and management. This is strategically focused and aligned to Santam's core business objectives and priorities. We invest in initiatives that enable more effective management of the group's risk pool and help us develop new markets and appropriate products for these markets.

To identify community partnering programmes, like P4RR and our CSI initiatives, we ask ourselves the following questions:

- Is the initiative strategically relevant to Santam and is it feasible?
- How can Santam make a tangible contribution?
- Where should we focus and what are the needs?
- Who do we need to work with and how?
- How will we assess whether the impact of initiatives is material?

We partner with SAIA to offer consumer financial education programmes, which introduce more people to the benefits of insurance and other social investment initiatives. The Santam employee volunteerism programme is a platform encouraging Santam employees to become more involved in their communities.

COMMUNITIES (continued)

Partnering for shared value

In South Africa's unique risk landscape, vulnerable communities face major challenges in dealing with natural disasters. Municipalities are often incapable of managing large-scale incidents of fire and flooding. Through P4RR, the Emthunzini Community Trust invests in risk reducing interventions that are managed by Santam and other willing partners, like SASRIA.

The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to proactively reduce the impact of disasters. We do this by assisting service delivery and providing support to local government infrastructure, economic development, and governance.

Municipalities are selected based on vulnerability levels related to government requirements as well as potential impact on Santam in terms of fire, flood and storm surge perils. The P4RR programme has supported 46 municipalities and is on track to support 53 municipalities by 2020.

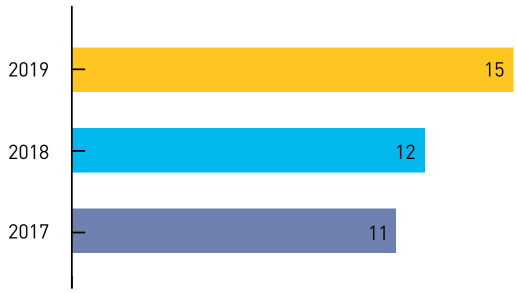
Value added

CSI AND DEVELOPMENT (EXCLUDING P4RR)

Santam contributed R15 million to initiatives that create social and environmental impact, like disaster prevention and consumer financial education.

↑25%

CSI and development (R million)



IN 2019 ...

WE CONTINUED TO HELP BUILD COMMUNITIES THROUGH CSI INITIATIVES

- In partnership with the NSRI, our waterwise programme in primary schools trained 49 759 learners in the Sarah Baartman and Sedibeng district municipalities to know how to respond when flood disaster occurs.
- 521 people benefited from the smoke detectors installed in 14 homes (homes for older persons, children and homes for persons with disabilities) in Emfuleni Local Municipality.

  Santam further serviced the smoke alarms at 46 homes (homes for older persons, children and homes for persons with disabilities) in Sedibeng District Municipality to ensure that they were functioning properly.
- In partnership with the Department of Basic Education and the National Disaster Management Centre, we held a risk assessment workshop for the managers of 21 schools for learners with special education needs. We also conducted a risk assessment at the Thiboloha school for the deaf and blind.
- In partnership with the South African Red Cross we trained 317 people across four municipalities in disaster risk and recovery responses and first aid.
- Our employee volunteerism programme saw 260 employees contribute from their salaries, and delivered 29 "Santam Community Heroes" projects and 34 Mandela day projects.
- Santam's Child Art Project offered workshops to 1 377 teachers and informal art classes to 208 children. The theme for the 2019 child art competition was "I spy with my little eye". We received 4 325 entries from all over the country. Thirteen artworks will feature on the 2020 calendar and 287 entries were selected for the online exhibition.

INDUSTRY REGULATORS

Regulation secures a reliable insurance sector, which reduces systemic risk and promotes a functioning economy. It further increases client confidence and reduces the potential for reputational risk.

HOW WE ENGAGE

Regulatory developments were described in the preceding material matters section on page 18. In this regard, Santam's engagement with regulators is meaningful and constructive.

With the implementation of the twin peaks framework for insurance regulation in South Africa, both the Prudential Authority and the Financial Sector Conduct Authority (FSCA) have become more proactive in their engagement with Santam. Regular meetings were held in 2019 on a broad array of topics.

Santam appreciates the increase in engagement as it allows us to share our business practices with our regulators as well as gain insight from them on topics and themes on which they are focusing their attention.

GOVERNMENT

Santam views the government as a partner to help us navigate the challenges and opportunities of the market. We act as a risk management partner for government by forging affiliations with local, provincial and national government to ensure resilient communities. Looking ahead, we will strengthen our relationship with the Department of Cooperative Governance to assist in building capacity in local and district municipalities and metros to improve risk reduction and build resilience.

HOW WE ENGAGE

Together with Sanlam, Santam regularly engages with governmental stakeholders in South Africa to help drive government's social agenda of job creation and empowerment. We have frequent discussions with government representatives, legal entities and institutions, both locally and abroad. We partner with government departments through P4RR.

IN **2019 ...**

WE COMMITTED TO CONTINUOUSLY INCREASE THE IMPACT OF P4RR OVER THE NEXT FIVE YEARS

The group pledged to continuously increase the impact of initiatives to reduce risks at municipal level through increased financial contributions and operational support.

In 2019:

- **We partnered with SASRIA in the Cape Winelands District Municipality to reduce social risks.**
- **Following fires in St Francis Bay in August, we engaged with the local municipality on practical ways to reduce fire risk, like installing fire drencher systems at homes and clearing alien vegetation.**
- **We sponsored the Disaster Management Institute of South Africa Conference in September.**

GOVERNMENT (continued)

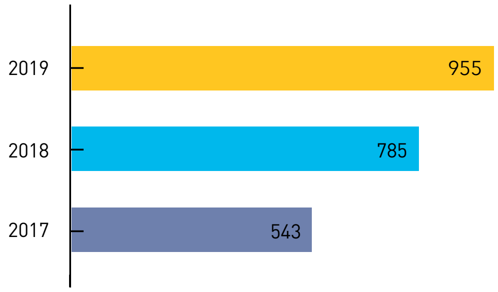
Value added

TAXES

Santam paid R955 million to the South African government in direct taxation on income.

↑21.7%

Taxes (R million)



IN **2019 ...**

WE LEARNT FROM THE 2017 KNYSNA FIRES

Understanding the risks posed by volatile climate conditions and mitigating these risks effectively is crucial for the insurance industry and all spheres of government.

From a South African perspective, we cannot speak of disaster risk and not mention the Southern Cape (Knysna) fires of 2017, with their R2 billion cost to the South African insurance industry. This disaster, alongside the protracted drought in many parts of the country, and floods and storm damage in others, present a major threat to the lives and livelihood of citizens and the sustainability of businesses.

It is in this context that Santam commissioned a report published in 2019 from the Council for Scientific and Industrial Research (CSIR), the Research Alliance for Disaster and Risk Reduction (RADAR) and the Fire Engineering Research Unit (FireSUN) at Stellenbosch University. ***The Knysna Fires of 2017: Learning from this disaster*** report includes recommendations for government, communities, the insurance industry and other stakeholders to mitigate the increasing risk of fires at the urban-wild interface, and remedial steps to reduce the social and financial impact of such disasters should they occur.

The report will go a long way in providing a better understanding of the conditions that prevailed prior to and during the Southern Cape fires. More importantly, it also provides recommendations on how we can all use the lessons from this tragedy to mitigate against future fire risks. This report will also act as a guide to the insurance industry on how we can provide proactive support to mitigation actions for municipalities and other spheres of government.

MEDIA

Santam's "always on" approach to the media means that we aim to be constantly visible as a brand, on television, radio, digital platforms, print and outdoor advertising. We follow a robust campaign calendar and media plan to achieve this. Santam's short- to medium-term priority is to maintain the good relationship the group has with the media. We host an annual media lunch with key financial services media personalities to strengthen relations and create awareness on key matters of insurance.

HOW WE ENGAGE

We regularly share thought leadership articles and news on corporate developments with journalists and accommodate requests for information from South African and other media organisations. We also engage the media around advertising campaigns, product launches and significant research findings.

BUILDING RESILIENT SOCIETIES

Santam remains committed to building a more resilient society by redistributing risk. The more people we insure, the more financially resilient societies become in an uncertain world.

LEADERSHIP REPORTS

CHAIRMAN'S MESSAGE

The board is cognisant of South Africa's unique challenges, and we recognise that Santam has a responsibility to support its stakeholders towards a healthy, prosperous, safe, empowered and FutureFit society.

SANTAM'S WORLD IN 2019

Santam delivered strong results in a tough operating environment. The global and local economy has been subdued. There is pervasive economic uncertainty, consumers are under pressure and local unemployment is high. This does not bode well for growth prospects or expansion in the insurance industry.

Economic transformation in South Africa requires the general insurance industry, and Santam as a leader in the industry, to proactively mitigate the risk factors that inhibit growth and resilience. Through strategic partnerships and improved products, the group can help clients and communities mitigate risks in small and large ways every day, while growing the business.

The group's contribution to economic growth in South Africa includes the P4RR programme initiatives. These assist municipalities in building capacity to combat the risks of fire and flooding in vulnerable communities.

SANTAM TAKES GOVERNANCE SERIOUSLY

Santam's commitment to the highest standards of corporate governance has contributed to sustainable value creation for 101 years. Corporate governance recognises that Santam is an integral part of society and therefore has accountability towards current and future stakeholders. The board further believes that sound corporate governance is an essential element of good corporate citizenship. As a board, we therefore exercise our leadership role to ensure the governance outcomes of an ethical culture, good performance and effective control at Santam. Bearing this in mind, the key board topics for 2019 were:

Building a FutureFit Santam strategy review

King IV provides for the board to delegate the implementation and execution of approved strategy, through policy and operational plans, to management. Executive management developed the Building a FutureFit Santam strategy to address industry challenges, such as insurance penetration, affordability, access, transformation and skills development. This paves the way for Santam to help build resilient societies and focus on narrowing the risk protection gap.

To guide and monitor the Building a FutureFit Santam strategic direction, the board held a strategy day where we considered the strategic themes and outcomes through the lens of various ESG factors.

Deliberations at the Santam board are always robust – which is preferred. The board challenges proposals made by executive management. As in the past, there were instances where the board requested executive management to provide additional information before a decision was made.

Reduced expenditure given the tough economic environment

It has been satisfying for the board to see that Santam group executives and business unit management controlled expenses to limit margin compression. Santam's internal cost management process includes quarterly expense forum meetings, which monitor expense trends and drive cost savings. The group's approach considers cost management from policy formulation through to cultural and behavioural drivers.

> The board believes that Santam's new strategy is challenging but attainable.

The board considered key stakeholder matters

Santam's success is linked to the success of its stakeholders. Therefore, the board has accountability to shareholders and, importantly, also current and future stakeholders. The most material stakeholder matters we considered were:

- Santam made significant progress in setting up the further development of black suppliers. As part of the Building a FutureFit Santam strategy, the group set specific goals to further improve Santam's relationship with, and procurement from, black-owned suppliers.
- The Prudential Authority (PA) and the FSCA met with the board in May 2019 to engage on governance, and on the approval of Santam's internal capital model.
- Santam's remuneration policy is routinely enhanced to help meet the expectations of shareholders. King IV prescribes that, if shareholders exercise at least 25% of voting rights against either the remuneration policy or the implementation report, or both, the board should engage with dissenting shareholders to understand their concerns and objections. At the Santam AGM, shareholders voted 91.24% in favour of Santam's remuneration policy, and 87.64% for the implementation report. The board and executive management nevertheless engaged with key shareholders to ascertain their views and possible improvement areas in terms of remuneration.

Establishing and demonstrating an ethical corporate culture

As a good corporate citizen in South Africa, Santam's governance processes, ethics and oversight mechanisms receive substantial focus. The Santam board is committed to creating and demonstrating an ethical culture in the group. Our ethical conduct must be beyond reproach and we have a zero-tolerance stance when matters of ethical misconduct are brought to our attention.

Santam acted to strengthen governance and ethics during the year:

- The vetting and approval processes for the entities with whom Santam does business were improved.
- To enhance governance, the board resolved that the chairperson of the human resources and remuneration committee (HRRC) must be an independent director. Previously, this was not a requirement.
- The board approved the conflict of interest policy, which is intended to help regulate potential conflicts of interest in the group.

Risk management

Santam's board is committed to governing risk in a way that supports the group in setting and achieving strategic objectives. The group's risk management function is mature and based on an approved risk management framework. To give the board comfort that it governs risk and compliance adequately, governance, risk and compliance functions across the group report to the risk committee.

Santam partners with SEM to grow general insurance in Africa. In 2019, we put in place the building blocks to develop a Pan-African specialist insurance business. The risk committee focused specifically on risks related to the Pan-African specialist insurance business and on underwriting concentration risks across the group.

IN **2019 ...**

SANTAM'S PARTIAL INTERNAL CAPITAL MODEL WAS APPROVED BY THE PA

To ensure that Santam's regulatory solvency capital requirement appropriately reflects the group's risk profile, we applied to use a partial internal model for regulatory capital calculation purposes. This is in line with best practice to assist with capital management, risk quantification and decision-making. The PA approved the partial internal model application for the Santam Limited licence in the second half of 2019.

The capital requirements using a partial internal model are lower than those based on the solvency assessment and management (SAM) standard formula. The PA has granted Santam approval to incorporate 80% of the capital reduction from using our partial internal model as well as given us clear guidelines on how we can improve this to 100% over time. As at 31 December 2019, the capital requirement under the regulatory internal model was R1.2 billion lower than required under the standard formula.

BOARD COMPOSITION AND SUCCESSION PLANNING

Themba Gamedze, Heinie Werth and Gugu Mtetwa resigned from the Santam board during the year.

- Themba served on the board from 2006. He resigned on 28 February 2019, indicating that his other board responsibilities would require a substantial amount of time going forward. He continues to serve as director on a Santam subsidiary, and the group still has access to his wealth of experience.
- Heinie resigned from 1 August 2019, because his executive responsibilities at the Sanlam Group have changed.
- Gugu commenced an executive role at another financial services group, rendering her unavailable to serve in non-executive roles. She resigned effective 31 August 2019.

The board wishes to thank them for their contribution to the group's success during their tenure as directors.

Monwabisi Fandeso was appointed to the board with effect 15 January 2020.

The board considers the succession grid of executive management annually. Although no stakeholders engaged with Santam on diversity, the board considered reports from executive management regarding employee diversity.

We are satisfied that the succession pipeline is adequate.

> The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2019 financial year.

OUTLOOK AND APPRECIATION

Santam has opportunities for growth as it embarks on the next strategic cycle to 2025. Out of the group's strategic themes, the board will prioritise extending Santam's leadership position in South Africa. Breaking into new and underserved markets present a challenge and an opportunity.

We welcome innovative ideas within the group, and will use technology as an enabler, both in South Africa and to build a Pan-African specialist insurance business with SEM.

The board would like to thank Santam's executive management, employees and intermediaries. The group cannot fulfill its promise of ***Insurance good and proper*** without your individual and collective contributions. To our clients, thank you for choosing Santam to safeguard what is important to you.

Vusi Khanyile
Chairman of the board

CHIEF EXECUTIVE OFFICER'S REPORT

SANTAM IN 2019

We are pleased with the group's solid set of results in a difficult year. These results reflect the dedication of our people.

The group produced good underwriting results despite a global economic slowdown, which is particularly pronounced in South Africa.

However, tough conditions also create opportunities for Santam, as clients and intermediaries seek to partner with a reliable insurer to safeguard and protect their assets and retain their insurance portfolios.

In a low premium growth environment, expense management is critically important. We reduced our expense ratio year-on-year, while continuing to invest for growth and long-term efficiency.

The SEM general insurance business delivered overall acceptable operating results. SGI in India achieved excellent net insurance results, which mainly offset continued high insurance claims experience in the Saham territories.

Highlights for the year

The group made progress on our journey to digitalisation: We enhanced the digital features available to intermediaries and clients and improved internal efficiencies. Santam Commercial and Personal completed the migration of personal business to our new underwriting platform. This enables us to underwrite with more granularity and insure risks at the right price.

Despite low consumer confidence and pressure on disposable income, Santam Commercial and Personal increased policy count. This followed a concerted effort to improve quote conversion rates.

Santam's partial internal capital model was approved by the PA in August 2019. This is a vote of confidence in Santam's ability to understand and manage its risks. See page 55 for details.

MiWay's strong performance was a highlight. The entrepreneurial nature of the business served it well to ensure good growth, despite difficult economic conditions leading to decreased collection rates and above-average lapse rates. We are confident that MiWay's plans will continue this performance trend in 2020.

Santam Conventional Insurance achieved a net underwriting margin 7.7%. We paid out R18.9 billion in claims this year, 5% more than in 2018.

Santam Agriculture had a difficult year with high claims due to hail and drought conditions. The business was able to pay gross claims of more than R800 million, assisting and protecting farmers from financial loss and bankruptcy. Claims and acquisition costs exceeded premium income, with the difference effectively part of Santam's contribution to sustain the economy and food security.

The regulatory landscape

Regulatory oversight is increasing with new developments every year. As discussed on page 19, increased regulatory risk is one of the key focus areas in the insurance industry. Santam has created a regulatory steering committee, comprising representatives from across the group, which addresses regulatory compliance requirements. Santam engages with the industry and regulators on new developments to align implementation efforts.

Partnering for resilience

We are encouraged by the impact made by P4RR over the past 9 years in South Africa's most vulnerable communities. Through these initiatives, we build strong partnerships with local municipalities. We also align our CSI contributions to our work at municipal level. We are engaging business units to consolidate and align CSI spend across the group for greater impact on the ground.

Helping to build resilient societies is one of our future strategic themes, as discussed on page 44. More detail on P4RR and our CSI initiatives can be found in the SES committee report in the value we create section on page 24.

We continue to lead on climate change

Together with the risk protection gap, increasing climate and environmental risk is one of the key drivers in the insurance industry. Worldwide, general insurance risk assessment and underwriting is affected by climate change and other environmental factors. Large-scale natural catastrophes have increased, such as extensive wildfires, typhoons, flooding, storms and hail. This increases risks for insurers and premiums for insurance and reinsurance policyholders.

South Africa recently witnessed an increase in climate change regulation, with greenhouse gas regulation, a climate change bill and carbon tax being introduced. The Carbon Tax Act came into effect from June 2019.

Santam continues to lead in climate-related risk analysis through research and investment in risk assessment initiatives, which are detailed in the SES committee report on page 84.

As climate change continues to affect our clients and the broader economy in unpredictable ways, it will become increasingly necessary to evaluate risk not only at an issue (for example water) or sector (for example agriculture) level, but also at group level.

Our people

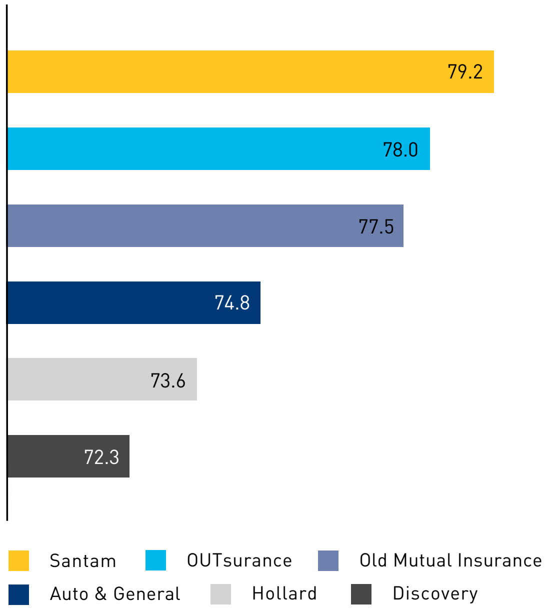
Santam's employees are critical to the group's success and we are proud to have the best people. Employee satisfaction is measured across the group through engagement surveys, which showed a marked overall improvement. This means our employees remain happy and engaged, even in a difficult year. Santam again received the Top Employer 2019 certification, which is an acknowledgement that our HR practices are on par with the best in world.

Our employee wellness initiatives focus on employees' physical, emotional, financial and professional health and include counselling, financial planning, health screenings and assistance with personal errands.

Brand and market development

Santam's reputation continues to benefit from integrated brand and marketing initiatives, like the widely publicised "Say I" in 2019. This positioned the group as modern and relevant, while reaffirming our leadership credentials and claims paying capabilities.

Customer satisfaction index (SAcsi)
(Full service insurers)



In the latest Consulta consumer satisfaction index (SAsci) results, Santam emerged as the leader among conventional insurers with a score of 79.2, ahead of the industry average score of 76.6. Santam maintained high satisfaction levels amongst consumers. We also share the highest Net Promoter Score (NPS) at 41.1%, compared to the industry average (25.1%), meaning that our clients actively promote and recommend the brand to others.

Information technology and business change

Innovation is at the centre of what we do at Santam. One of our "FutureFit" strategic themes is to build technology as an enabler and driver of innovation and efficiency. Santam has an expanding portfolio of digital assets and innovation is driven largely at business unit level. We are always on the lookout for new distribution channels and ways to innovate. To this end, we made minority investments in two InsurTech start-ups:

- Ctrl, a software development and financial intermediary business; and
- JaSure, which offers on-demand, app-based insurance for personal items including cell phones, laptops, photography equipment, bicycles and other sports equipment, eyewear, camping gear and musical instruments.

Santam continues to support the Astute Short Term Switch (ASTS) electronic interchange. This helps ensure industry data standards that allow for easier integration of data between insurers, intermediaries and other third party suppliers.

REFLECTING ON VISION 2020

In 2015, Santam set an ambitious target – Vision 2020: to be the leading general insurer in selected emerging markets.

We are at the end of this five-year journey to Vision 2020 and are confident of the group's ability to create shared value for stakeholders, despite the challenging context and competitive market conditions.

How we measured our performance against Vision 2020

A dashboard tracked strategic implementation against key metrics and was shared with the board on a quarterly basis. It focused on significant financial metrics and available, relevant non-financial metrics. The dashboard also measured the broader contextual business impacts of the group in a consistent and robust manner. This supported the evaluation of our strategic progress both from:

- a traditional strategic point of view related to commercial and market objectives; and
- the broader citizenship and sustainability strategic point of view related to non-market objectives and material environmental, social and governance (ESG) stakeholder issues.

A five-year view: how we performed against Vision 2020

Insurance good and proper

We are satisfied that we delivered on our promise to clients in a way that creates value for all stakeholders. The Santam brand is well positioned. We are known to support our clients by paying claims and to partner with government and communities to reduce risk.

Growth through innovation and diversification

We achieved responsible, profitable and sustainable growth in South Africa and internationally. While the South African economy has hampered our local growth, international growth in the reinsurance and specialist streams exceeded expectations. The conventional insurance segment achieved growth in gross written premiums of 7.5% on average over the five years.

Manage the risk pool

Due to good people, good data and good discipline, Santam ensures proactive, sustainable risk management while promoting dialogue and collaboration on risk and resilience. We have become more diligent about increasing premiums where necessary and exiting uninsurable risks, while investing where we think we can make profit. For example, we managed to turn the struggling portfolio administration and commercial property books around, and both are now contributing to profitability. We achieved an average net underwriting margin in conventional insurance of 7.9% over the five years.

Continually increase efficiency

The group invested in new technologies and digital systems to maintain our high standards of operational efficiency and ultimately create more robust and sustainable stakeholder outcomes. We implemented our new core underwriting platform while running the legacy system in parallel. Reliance on the legacy system will gradually decrease over the next three to five years, when we expect to see cost savings. We created an AI and robotics process centre of expertise that will assist with the role this technology plays across the group.

The right people

Besides meeting all our employment equity targets and investing in skills development, Santam employed engaged and competent people and partners who contributed to Vision 2020's success. We are proud to say that we attract and retain the best talent in the industry.

Vision 2020 sustainability focus areas

As part of Vision 2020, we identified key sustainability focus areas. These are linked to initiatives with accountabilities assigned to relevant executives.

REACHING THE INSURED AND UNINSURED MARKETS

We developed and implemented our emerging market strategy through appropriate channels in the group to support growth and diversification. This includes the development of products to reach the emerging market in alignment with the Financial Services Charter's (FSC) targets and criteria.

RESILIENCE THROUGH SHARED VALUE PARTNERSHIPS

P4RR has gone from strength to strength working with municipalities to specifically reduce potential disasters that may arise due to fire and flood risk. We see this as one of the foremost ways to ensure that South Africa is protected in instances of unforeseen risk for generations to come.

DEVELOP SUSTAINABLE BUSINESS EFFICIENCIES

Internally, we managed the quality and impact of our own risk pool. Externally, we addressed pressures on human, social and environmental capital through strategic partnerships and our brand promise, ***Insurance good and proper***.

RESPONSIBLE INVESTMENT

We influenced responsible systemic risk responses through vehicles such as the Santam Resilient Investment (SRI) Fund, the South African SME Fund, enterprise and supplier development, and CSI initiatives. Sanlam Investments, our primary asset manager, is a signatory to the Code for Responsible Investing in South Africa (CRISA).

INTRODUCTION TO BUILDING A FUTUREFIT SANTAM

In 2018, the year Santam turned 100, we initiated a strategy review called "Building a FutureFit Santam". Not many companies can celebrate 100 years of successful operation. We want to lay the building blocks to allow future generations at Santam to be equally successful. The group needs to continually evolve to achieve this. Building a FutureFit Santam must embed the culture of continuous evolution to remain relevant.

The strategy process visualised "future fitness" for the group over a five-year planning horizon. The review, which included all business and support units, aimed to ensure long-term business sustainability and created the strategic framework against which plans can be made and actions taken to ensure a FutureFit Santam.

Our group-level ESG strategic focus areas are integrated into Santam's next strategic cycle:

- **Help build resilient societies:** We support societies to be resilient and to be able to deal with unforeseen events. We invest in risk readiness and risk prevention.
- **Run a responsible business:** As a resilient, FutureFit group we guarantee long-term sustainability, which means we are a stable, solvent employer and a positive socio-economic contributor.

Building a FutureFit Santam is outlined in the next section of this report. The board approved the strategy in August 2019 and will monitor progress based on the metrics to be agreed on in 2020.

OUTLOOK AND APPRECIATION

I am excited by the opportunities presented by Building a FutureFit Santam and the initiatives we will begin to undertake to implement the strategy.

Operationally, we will continue the digital initiatives for efficiency and growth. Internationally, working with SPA GI on specialist insurance offerings is a great opportunity. In South Africa we will continue to provide our clients with what we call "the Santam experience".

Thank you to all Santam employees for their contribution to our results. It has been a tough year and we all had to tighten our belts. Thank you to executive management for their dedication and the board for their support. From the group, thank you to all our other partners, intermediaries, suppliers and clients for contributing in unique ways to ***Insurance good and proper***.

Lizé Lambrechts
Chief executive officer

HARNESSING TECHNOLOGY TO DRIVE INNOVATION AND EFFICIENCY

Santam has an expanding portfolio of digital assets and innovations, which include embedding AI, automation and telematics in our solutions. In our drive to remain future-fit, we also partner with fintech start-ups and experiment with new business models.

BUILDING A FUTUREFIT SANTAM

Building is a deliberate process of fitting, stacking and shaping. We use building blocks to give form to our strategic intent: to continue delivering on stakeholder expectations.

Our Building a FutureFit Santam strategy is a response to:

- our operating context, including the general insurance drivers of change, as described from page 16;
- the expectations and concerns of our stakeholders, as outlined from page 24; and
- our material risks and opportunities, as disclosed in the risk management report on page 91.

WHY WE BUILD
to deliver on stakeholder expectations:
Agreed financial and non-financial key performance indicators with a focus on growth and profitability.

OUR STRATEGIC THEMES

- **A responsible business – *Insurance good and proper***
- **Help build resilient societies**
- **Our overall leadership position in South Africa**
- **A Pan-African specialist class business with SEM**
- **Selectively build our international business**
- **Technology as enabler and driver of innovation and efficiency**
- **Build and improve human capital in the Santam group**

OUR BUILDING BLOCKS

The strategic imperatives underpinning a FutureFit Santam

OUR STRATEGIC THEMES

We continue to build a responsible business – *Insurance good and proper*

Stakeholders increasingly want confirmation that Santam is a responsible corporate citizen, with sound governance practices and a measured, positive impact on society. This means that we must:

- Enhance our responsible investment impact by working with our primary asset manager, Sanlam Investments
- Ensure our stakeholders experience safety, fairness and inclusion
- Ensure that sensitive risks in underwriting are appropriately dealt with in line with global industry norms
- Practice good and proper governance
- Understand and manage the group's socio-economic, climate and environmental risk exposure

We are helping to build resilient societies

Santam helps build resilient societies by:

- Redistributing risk. This is our core business. The more clients we insure, the more financially resilient societies become in a turbulent and risky world. In addition, we develop new markets, including new and innovative business solutions to address the risk protection gap.
- Helping to mitigate risk. We partner for resilience where we can materially impact improved risk management. We work with local municipalities through P4RR and focus on disaster risk management, prevention and mitigation. We are experimenting with a Climate Change Community of Practice with three metros in South Africa (who signed up to C40, a network of the world's megacities), the National Business Initiative, WWF(SA) and others to support climate action.
- Through Santam's transformation strategy, we help build a sustainable and transformed South African economy.

We are extending our overall leadership position in South Africa

Our South African business generates 89.2% of Santam's revenue. As such, it is a priority for the group to improve on our overall local leadership position. We will achieve this by:

- Retaining our clients
- Unlocking new markets to attract new clients
- Innovating to satisfy existing and new clients
- Maintaining optimal underwriting efficiency
- Investing for growth and possible disruption
- Investing in partnerships

We are building a Pan-African specialist class business with SEM

With SEM, Santam is building a Pan-African specialty class business. We are expanding our operational capability as a multi-national specialist business, to transition into a continent-wide solution.

We are building our international business selectively

Santam is building a diversified business in emerging markets through our specialist risk and reinsurance offerings. Outside Africa we offer reinsurance and partner with SEM in India and Malaysia. Looking ahead, we will selectively explore opportunities.

We are building technology as an enabler and driver of innovation and efficiency

Santam has an expanding portfolio of digital assets. Innovation is driven largely at business unit level. We are working on:

- Data capability skills, including new employees and upskilling
- AI and automation
- Pilot studies with the Internet of Things (IoT) and telematics
- Involvement with fintech start-ups
- Experimental new business models

We are building and improving human capital in the Santam group

Through Santam's committed and capable people, and the value they bring to the group, we are well positioned to continue creating value for our stakeholders. To build world-class human capital, we will employ a multi-pronged approach:

- Targeted external talent acquisition
- Deploying internal talent through promotions, assignments and secondments within Santam and Sanlam Group
- Internal capacity-building through development programmes that grow the talent pipeline over time
- An external talent pipeline drive via the Strategic Resourcing Plan (SRP) and the Skills Development Academy

We continually adjust to provide a diverse employee complement that suits the contexts in which we conduct business, which helps us meet our transformation targets.

Looking ahead, we will continue to build strong, ethical leadership to lead Santam's people and embed the Santam Way values. We will continue to strive for an employee-led human resources offering and build a personalised reward and recognition offering to create a compelling employee proposition. We will use technology to develop employee experiences that enhance employee engagement and are aligned with the workforce of the future.

We are busy developing a strategic performance scorecard, including targets and milestones to track the group's performance against our ambitions as part of our new strategic framework: Building a FutureFit Santam.

CHIEF FINANCIAL OFFICER'S REPORT

OVERVIEW

The Santam group delivered robust financial results for the year under review. The key highlights and challenges for the year were:

HIGHLIGHTS	CHALLENGES
Conventional insurance underwriting margin of 7.7%	Saham results impacted by difficult trading conditions in Morocco and Côte d'Ivoire, as well as currency weakness in Angola and Lebanon
ART operating result of R171 million	Low growth in South African and Namibian intermediated business due to impact of economic constraints
International diversification with gross written premium growth of 25% from business outside of South Africa and Namibia	Discontinuance of trade credit insurance
Excellent underwriting results of Shriram General Insurance in India	

The Santam group reported strong operational results for the year under difficult economic circumstances.

The group's conventional insurance book achieved gross written premium growth of 7% and a net underwriting margin of 7.7% (2018: 9.2%) of net earned premiums, at the high-end of the group's target range of 4% to 8%. The Alternative Risk Transfer (ART) business segment reported strong operating results of R171 million (2018: R96 million). The Sanlam Emerging Markets (SEM) general insurance businesses delivered acceptable operating results. Shriram General Insurance Company Ltd (SGI) in India achieved excellent net insurance results, which mainly offset continued persistent high general insurance claims experienced in the Saham territories.

Net investment income attributable to shareholders, inclusive of investment return on insurance funds of R1 396 million (2018: R1 105 million) was reported. Fair value gains on financial assets and increased interest income were key contributors to the improved performance. Negligible gains on foreign exchange differences were recognised in 2019 compared to R376 million reported in 2018. Equity-accounted earnings from associates amounted to a loss of R42 million (2018: R291 million) and was negatively impacted by below par operating results and goodwill impairment recorded by SAN JV, the investment holding company of Saham.

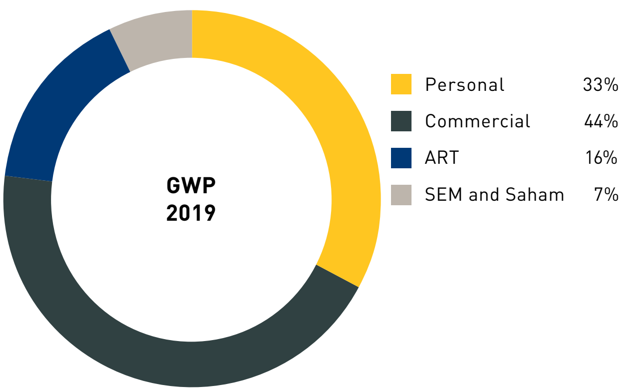
Cash generated from operations increased to R5.8 billion (2018: R5.5 billion), due to better investment returns realised.

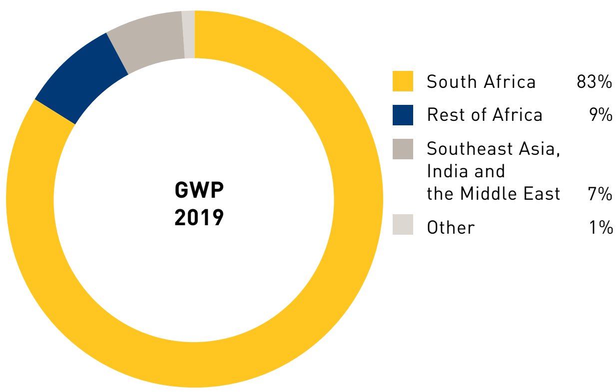
Headline earnings decreased to 2 069 cps compared to 2 099 cps in 2018. Increased investment income attributable to shareholders were partially offset by the lower underwriting results achieved.

A return on capital (ROC) of 22.2% was achieved, below the ROC threshold of 24%. The lower ROC was negatively impacted by foreign currency translation losses of R315 million, mainly relating to Saham's businesses in Angola and Lebanon. ROC was previously calculated as the profit attributable to equity holders of the company divided by the average equity balance (excluding non-controlling interests). Due to the impact of the foreign currency translation reserve relating to SAN JV, it was deemed more appropriate to use total comprehensive income attributable to equity holders of the company instead of only profit. In addition, the investment in Saham is included at fair value for purposes of ROC calculation to better reflect the economic return on the capital to shareholders. The seven-year review on page 132 reflects the restated percentages.

The economic capital coverage ratio was 160% – the midpoint of the target range of 150% to 170%.

Lines of business and geographic diversification (including SEM partner businesses)



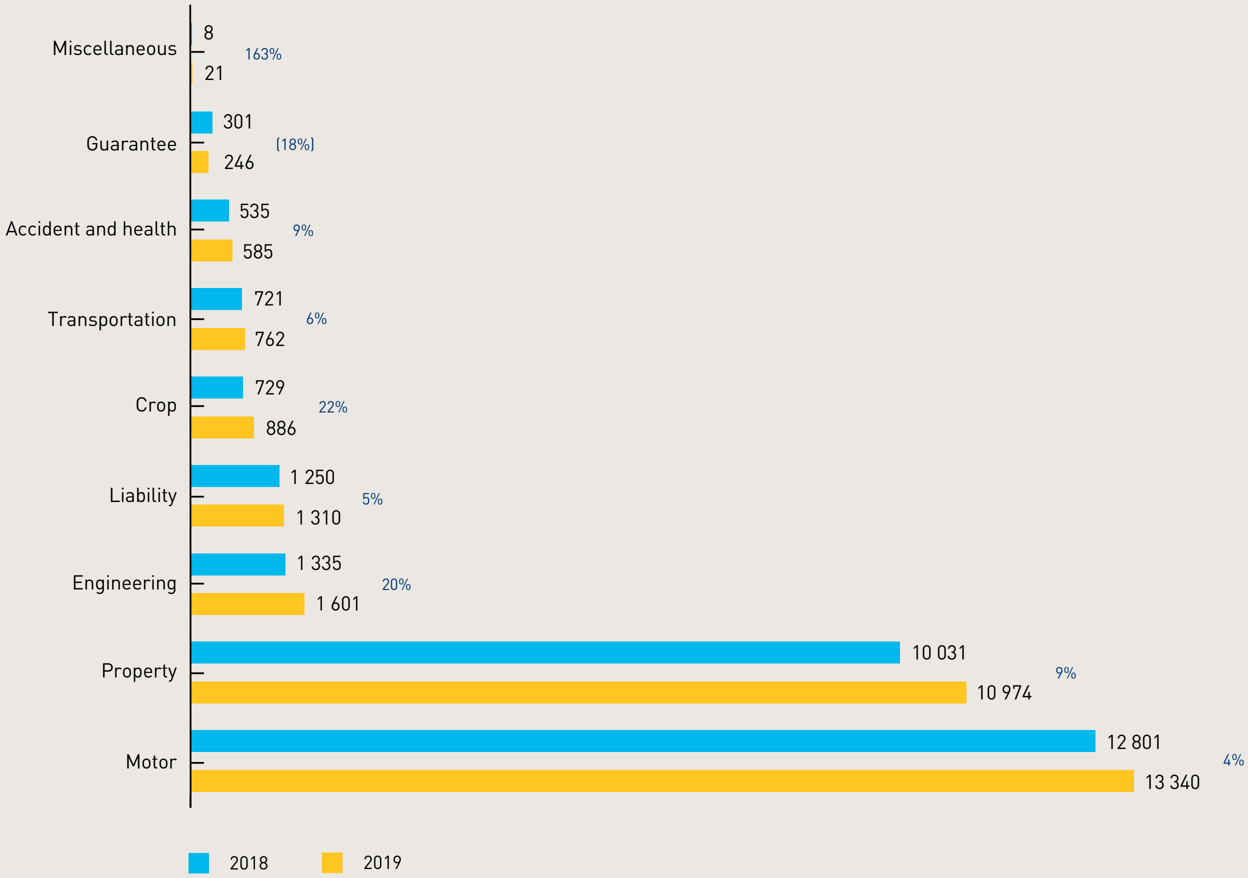


The ART line of business achieved strong growth in 2019.

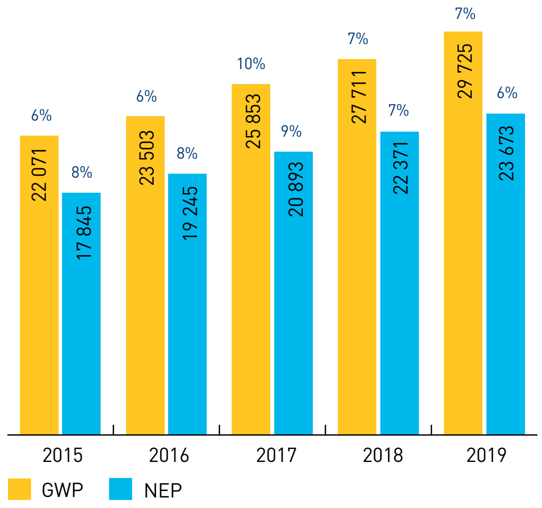
Strong growth in Specialist Business as well as Santam re outside South Africa contributed to geographic diversification.

Gross written premium growth

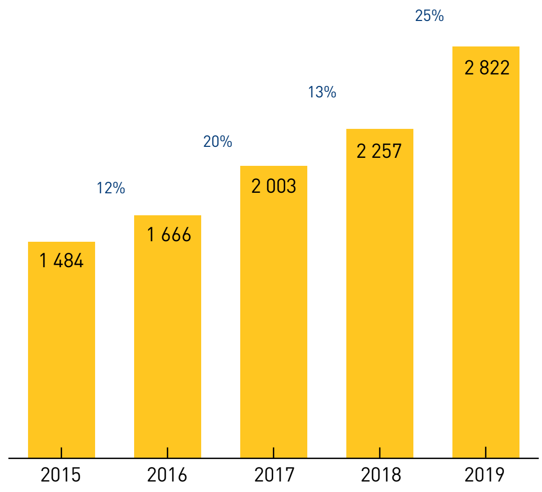
Conventional insurance, gross written premium per insurance class (R million)



Conventional insurance: historic GWP and NEP (R million)



Conventional insurance: gross written premium written outside SA and Namibia (R million)



Conventional insurance reported satisfactory growth of 7%. The Santam Commercial and Personal intermediated business achieved growth in line with the nominal gross domestic product growth in a difficult economic climate. The Santam Specialist business experienced continued strong growth in the property, heavy haulage and engineering classes, with acceptable growth in the other specialist classes.

MiWay maintained its growth momentum from the first half of 2019 and reported gross written premium growth of 10%. Santam re achieved excellent growth in its third-party business.

Gross written premiums from outside South Africa amounted to R3 866 million (2018: R3 367 million), equating to 15% growth. Strong growth was achieved by corporate property and engineering businesses in Africa, as well as strong growth in Santam re in Southeast Asia, India and the Middle East. Santam Namibia growth was negatively impacted by weak economic conditions. Continued progress was made in establishing a Pan-African Specialist Insurance business with Saham, and the benefits from this cooperation should start to realise from 2020 onwards.

The property class reported growth of 9% on the back of strong growth in the specialist property business following lower reinsurance capacity available in the market. Crop insurance gross written premiums grew by 22%, supported by weak competitor capacity, a change in the mix of farming crop types that increased insured values in South Africa, as well as reinsurance partner business.

The motor class grew by 4%, with MiWay reporting 10% growth (gross written premium of R2 751 million; 2018: R2 496 million). The commercial motor intermediated business experienced significant strain on growth due to difficult market conditions as well as loss of business due to underwriting actions.

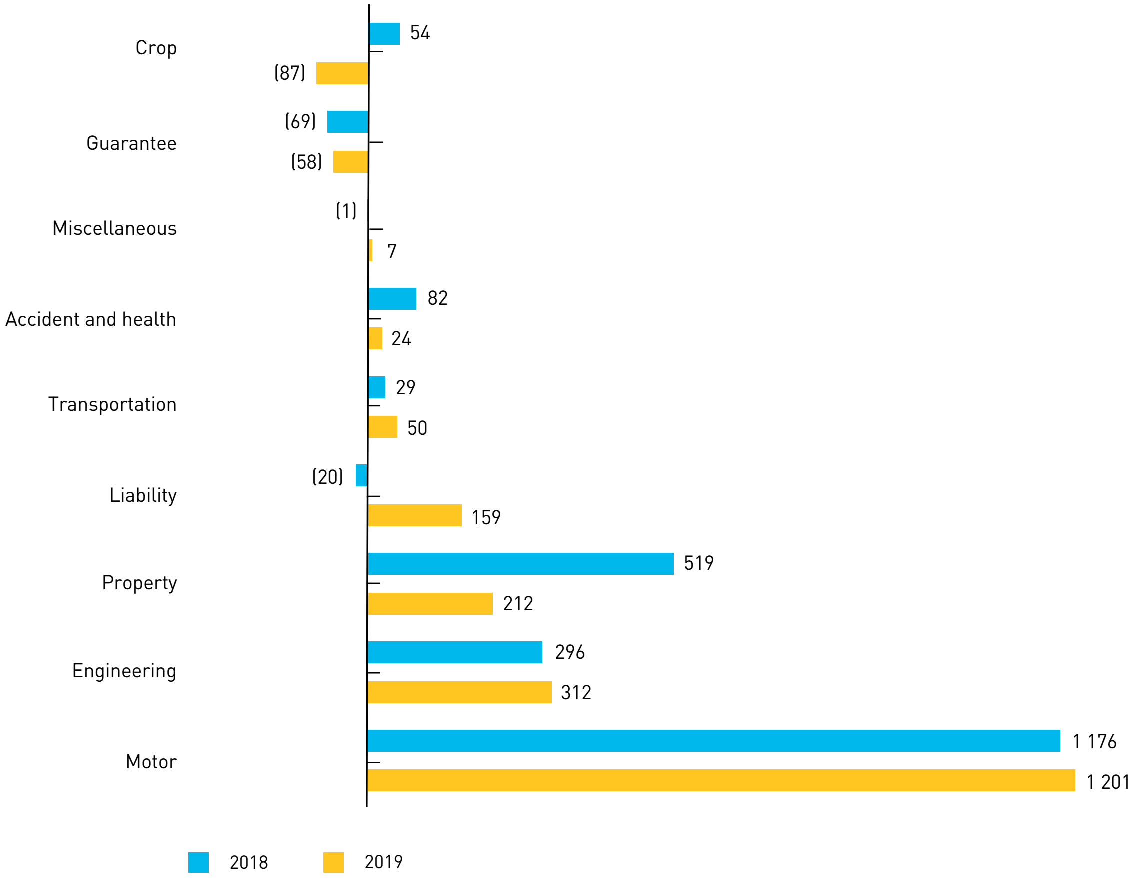
The engineering class benefited from a number of large construction projects, mainly outside South Africa, and reported excellent growth of 20%.

The liability class continued to experience competitive pressure and focused on improved profitability, resulting in growth of 5% (2018: 2%) reported during the period.

The accident and health class reported growth of 9%, with pressure experienced in the travel insurance business offset by strong growth reported by Santam re.

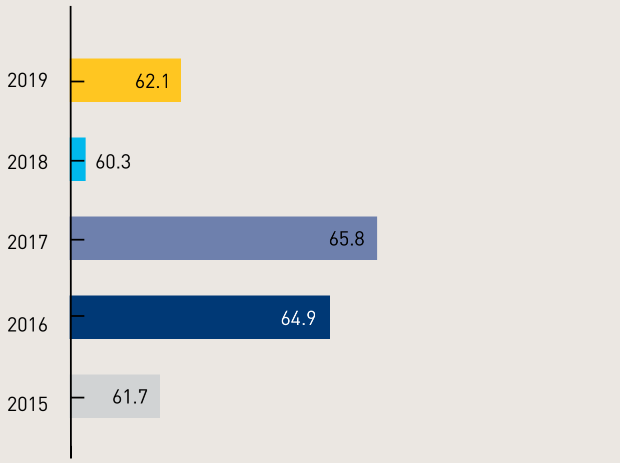
Underwriting result

Conventional insurance, net underwriting surplus per insurance class (R million)

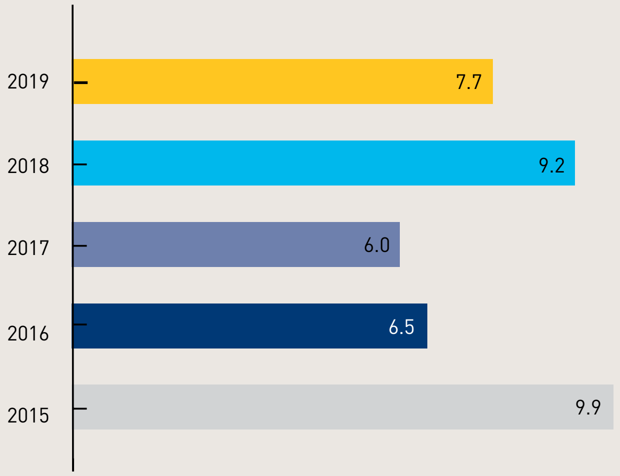


Historic conventional insurance results:

Claims ratio (%)

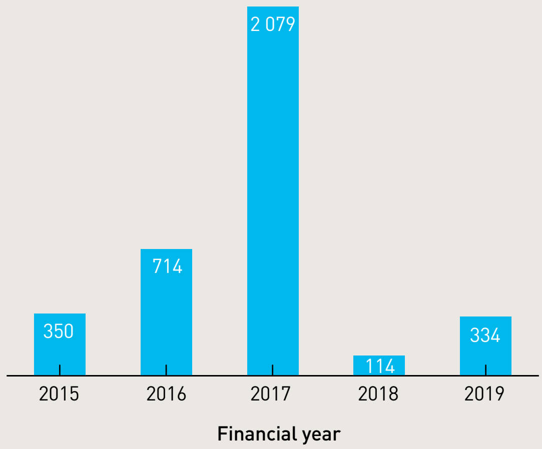


Net underwriting ratio (%)



Catastrophe claims

Gross total catastrophe claims: all perils (R million)



ALL YEARS EXPRESSED IN EQUIVALENT VALUES AS AT 1 DECEMBER 2019.

The conventional insurance business reported a net underwriting margin of 7.7% compared to the exceptional 9.2% reported in 2018. The underwriting results in the current period were negatively influenced by the impact of increased catastrophe claims compared to 2018, as well as losses incurred in the crop business due to hail and frost damage.

Following a difficult start to 2019, with a number of catastrophe events (impact of R334 million compared to R114 million in 2018) and significant crop insurance losses, the business experienced a subdued claims environment for the remainder of the year, resulting in a strong underwriting performance.

The Santam Commercial and Personal intermediated business reported excellent underwriting results, although lower than its exceptional 2018 results. The business benefited from the new underwriting, administration and product platform as well as disciplined underwriting actions.

The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The MiWay underwriting results were not significantly impacted by the catastrophe events during the period, resulting in an improved loss ratio of 54.2% (2018: 55.2%) and an underwriting profit of R393 million (2018: R334 million).

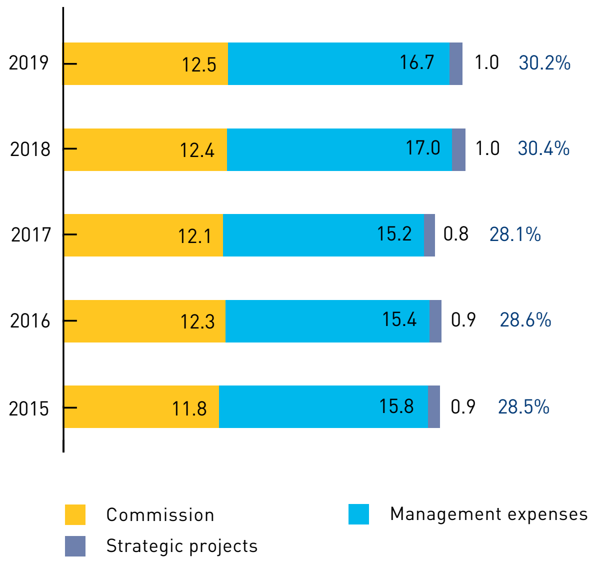
The property class reported an underwriting result of R212 million, compared to the R519 million reported in 2018, negatively impacted by catastrophe events in South Africa. Santam re also experienced claims from natural disasters in territories outside of South Africa.

The Specialist business benefited from the strong underwriting results achieved by the property and engineering classes of business. The liability results improved significantly from the 2018 position, which was negatively impacted by the product recall claims relating to the listeriosis outbreak.

The Specialist business results were negatively impacted by the continued underwriting losses reported by the Trade Credit Business that is in run-off since August 2019. The crop insurance class was negatively impacted by significant hail and frost-related claims resulting in a net underwriting loss of R87 million (2018: net underwriting profit of R54 million).

Santam re achieved acceptable net underwriting results, despite the impact of international catastrophes.

Net acquisition cost ratio (%)



The net acquisition cost ratio of 30.2% decreased from 30.4% in 2018. The net commission ratio was 12.5% compared to 12.4% in 2018.

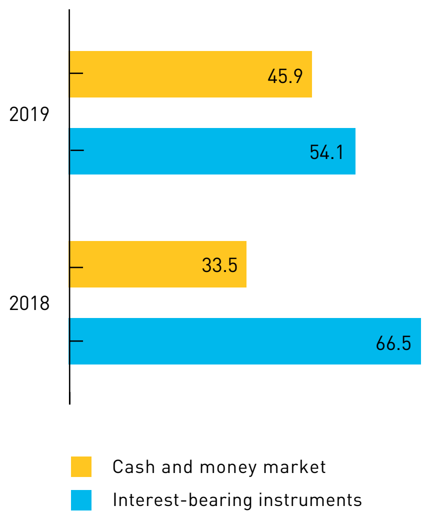
The management expense ratio of 17.7% reduced from the 18.1% reported in 2018. The 2019 expenses increased by R46 million following the adoption of the new International Financial Reporting Standard on leases (IFRS 16 *Leases*). The 2018 expense ratio was negatively impacted by a provision raised to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship.

Strategic project costs, included as part of management expenses, amounted to 1% (2018: 1%) of net earned premium. These costs relate to the final phase of migration to a new core underwriting, administration and product management platform for the Santam intermediated business, the development of a new claims platform, project costs relating to IFRS 17, data enhancements and future digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.4% of net earned premium was on par with the 2.4% reported in 2018. More than 20% of the insurance funds are held in foreign currency investments (mainly US dollar denominated) to ensure appropriate asset liability matching. Good progress was made during 2019 to improve the investment returns on the dollar denominated investments.

Assets backing net insurance funds (%)
The assets backing the net insurance funds were invested as follows:



Currency mix of assets backing net insurance funds % (conventional insurance)		2019 R million	2018 R million
Cash and other short-term interest-bearing instruments	Rand	6 308	5 973
	US dollar	1 435	1 357
	Euro	193	335
	Other currencies	284	214
Total		**8 220**	**7 879**

Alternative Risk Transfer

Alternative Risk Transfer insurance (ART) operating result

	2019 R million	2018 R million	2019/2018 %
Income from clients	331	236	40.3
Participation in underwriting results	59	60	(1.7)
Administration expenses	(219)	(200)	9.5
Operating result	**171**	**96**	**78.1**

The ART business reported excellent operating results of R171 million (2018: R96 million). Centriq and Santam Structured Insurance benefited from increased fee income and improved investment margins. Strong growth was achieved in the risk finance and alternative distribution businesses.

Sanlam Emerging Markets (SEM) general insurance businesses

The emerging markets general insurance business portfolio includes investments in Saham (based in Morocco with subsidiaries in 26 countries in Africa and the Middle East); Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia; SGI in India; and a further 11 general insurance businesses throughout Africa which are held in conjunction with SEM, excluding South Africa and Namibia.

Effective 1 January 2019, Santam's economic participation via the SEM African Target Share portfolio was amended to reduce the participation percentage from 35% to 10%. Santam increased its effective interest in Saham from 6.97% to 10% on 1 October 2018.

The Saham general insurance portfolio achieved overall gross written premium growth on a comparable basis of 13%, broadly in line with the target for the year. SGI experienced strong growth of 18% in gross written premiums, while P&O contributed 7% growth, which was below expectations.

Saham held through SAN JV

ANALYSIS OF 100% OF SAHAM'S OPERATING RESULT BEFORE TAXATION AND MINORITIES

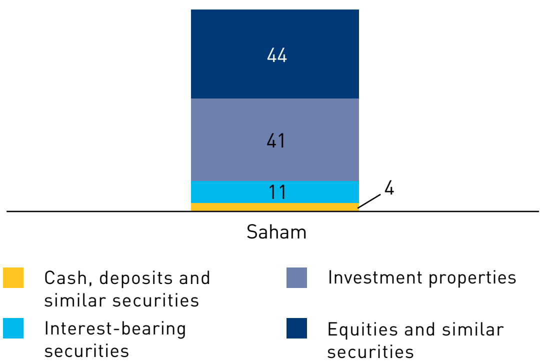
The table below provides an analysis of 100% of Saham's earnings for both years.

Saham 100%	31 Dec 2019 R million	31 Dec 2018 R million
Financial service income	15 597	13 159
Long-tern, insurance contracts	1 139	987
General insurance contracts	12 248	10 666
Investment return on insurance funds	1 524	874
Other	686	632
Sales remuneration	(1 829)	(1 471)
Underwriting policy benefits	(8 133)	(7 112)
Administration cost	(3 875)	(3 221)
Gross results from financial services	1 760	1 355
Tax	(548)	(285)
Profit after tax	1 212	1 070
Non-controlling interest	(398)	(324)
Net results from financial services	814	746
Net investment return on shareholders' funds	(211)	12
Amortisation of intangibles	(39)	(56)
Foreign currency translation differences	(116)	(124)
Attributable earnings	**448**	**578**

During May and September 2019, a pro rata recapitalisation took place in terms of which Santam injected a further total of R158 million into SAN JV (RF) (Pty) Ltd.

Assets backing net insurance funds (%)

The assets backing the net insurance funds were invested as follows:



Santam's effective interest in Saham for the 2018 and 2019 financial years was as follows:

	Sanlam Group	SEM	Santam
1/1/2018 – 30/9/2018	46.6%	39.63%	6.97%
1/10/2018 – 31/12/2019	100%	90%	10%

The Saham portfolio had a difficult year with claims experience remaining elevated across the general insurance portfolio. A net underwriting margin of 2% was achieved, well below the 5% to 9% target range. Good return on insurance funds, in particular in Morocco, supported a net insurance margin of 13.9%, which exceeded the lower end of the net insurance result target range of 12% to 18%.

High motor claims experience persisted in Morocco, in line with industry experience. Repricing and claims management improvement processes implemented during the year will take some time to reflect in the underwriting margin. The return on insurance funds exceeded targets for the year, with the equity and bond portfolios outperforming benchmarks. This contributed to a net insurance margin of 17%, well within the target range, despite a below par underwriting margin of 0.8%. The Moroccan life business performed well in excess of its target for the year, benefiting from good group life mortality profit and positive investment variances.

Operating earnings from Côte d'Ivoire disappointed. A number of mid-size fire claims, elevated medical inflation and a strengthening in claims reserves impacted on the Côte d'Ivoire general insurance underwriting results. The life insurance business also experienced lower than expected profitability due to negative investment variances, the combination of negative equity market returns and an underperformance against benchmark.

Angola had a weak 2019 with a combined ratio in excess of 100%. The significant devaluation of the Angolan currency resulted in increased cost of imported motor parts and medical inflation, placing significant pressure on claims experience. Repricing and a stabilisation in the currency should improve earnings in 2020.

A deterioration in Saham Re's claims ratio reflected the second order impact of the elevated claims experience in Morocco, Angola and Côte d'Ivoire.

Operating conditions deteriorated significantly in Lebanon towards the end of 2019 in the face of a major slowdown in the economy and widespread social unrest. Positive claims experience enabled the general insurance business, which contributes some 80% of the Lebanese profit, to outperform its target for the year, despite the economic challenges. Given the difficult operating environment, these results are not regarded as sustainable. Attractive interest rates offered by local banks and pressure on disposable income contributed to low new life business volumes and weak persistency. Life insurance profits were commensurately under pressure.

SEM investment holdings

	Incorporated in	Carrying value 2018 R million	Fair value release R million	Net disposals R million	Changes in exchange rate %	Changes in valuation %	Carrying value 2019 R million
Pacific & Orient (P&O)	Malaysia	213			(3)	(53)	157
Shriram General Insurance (SGI)	India	846			(56)	436	1 226
Other SEM investment holdings	Africa	264	(55)	(105)	(23)	10	91
Total investment		**1 323**	**(55)**	**(105)**	**(82)**	**393**	**1 474**

SGI delivered exemplary performance with a net insurance result margin of 48% (2018: 24%). This is due to a major improvement in the performance of the third-party motor book. This line of business benefited from lower claims frequency (an improving trend over the last few years) as well as strategic focus on claims management that is yielding results through better fraud detection and faster settlement of claims at a lower ultimate cost per claim. This contributed to a lower reserving basis in 2019.

High claims experience persisted at P&O. Management expenses grew due to increased marketing expenditure and system development costs incurred to support an expansion in the number of agents in pursuit of its motor strategy. This contributed to a decline in net insurance result.

INVESTMENT RESULTS

Investment income

Santam's listed equity portfolio achieved a return of 10% for the year ended 31 December 2019, relative to the SWIX benchmark (60% SWIX and 40% Capped SWIX) which delivered a return of 8.3%.

The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and exceeded their STeFI-related benchmarks.

An exchange rate loss of R82 million, relating to currency movements on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia was incurred compared to a R104 million gain reported in 2018.

Santam used the opportunity to lock in some of the foreign currency gains on R500 million worth of exposure against the US dollar, which realised a profit of R5 million on 12 December 2019. A further foreign currency collar on R500 million worth of exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR against the US dollar.

As at 31 December 2019, the instrument's valuation amounted to R34 million. The maturity date for the collar is 19 May 2020.

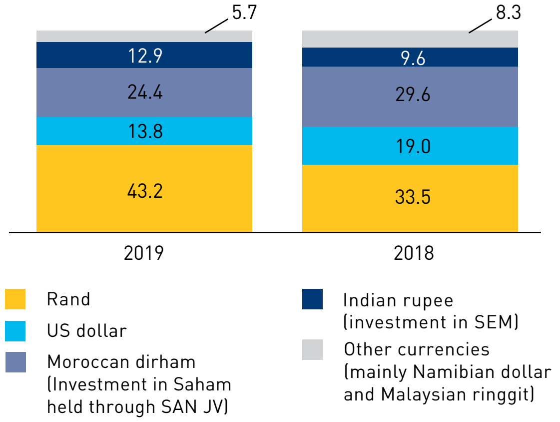
Exchange rate information for key currencies impacting the results were:

Currency	Closing rate 2019	Average rate 2018	Average rate 2019
US dollar	13.98	13.17	14.43
Pound sterling	18.52	17.60	18.42
Indian rupee	0.20	0.19	0.21
Moroccan dirham	1.47	1.42	1.52
Malaysian ringgit	3.44	3.28	3.49

Positive fair value movements (excluding the impact of currency movements) of R393 million (2018: R130 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance. The main driver of the fair value movements was an increase in the value of SGI of R436 million which was mainly attributed to improved loss ratios and a decrease in the corporate tax rate.

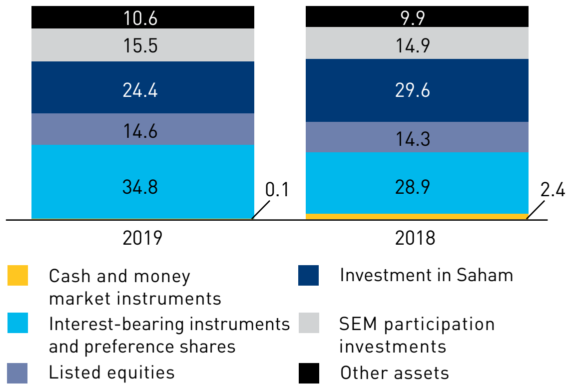
Net losses from associated companies of R42 million included an operating profit of R33 million, the amortisation of value of business acquired (VOBA) of R42 million and an IFRS impairment of goodwill of R80 million from Saham (held through SAN JV). The other key contributor to earnings from associated companies was Western National Insurance Ltd. The 2018 net earnings from associated companies of R291 million included a profit on deemed disposal of associate of R164 million from Saham.

Shareholder funds currency mix (%)



INCLUDES FOREIGN-DENOMINATED ASSETS, AS WELL AS ASSETS WITH FOREIGN CURRENCY EXPOSURE.

Shareholder funds asset mix (%)



INVESTMENT APPROACH

Santam follows a policy of managing its investment portfolios in a diversified manner. Our aim is to optimise investment income within the approved risk appetite profile. Detail on risk management practices can be found in note 3 to the annual financial statements.

The asset allocation is also managed and monitored from an asset/liability perspective. This ensures sufficient liquid funds are available to meet Santam's insurance liabilities, subordinated debt obligations are adequately covered by matching interest-bearing instruments, and shareholders' funds are not unduly exposed to investment risk. Foreign currency assets are also held to back foreign currency insurance business conducted by Santam, thus managing the currency risk.

As at 31 December 2019, funds to the value of R2.8 billion (2018: R3.1 billion) were invested in foreign currency bank accounts and global fixed income portfolios. These funds provide backing for insurance liabilities and capital relating to the business written in foreign currency.

Investment management is mostly outsourced to Sanlam Investments, a subsidiary in the Sanlam Group. The fund manager has predetermined mandates, whose performance is measured against a combination of benchmarks, inter alia, SWIX- and STeFI-related benchmarks. The overall performance of the fund managers against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis.

The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with responsible investment policies and procedures.

CAPITAL MANAGEMENT AND SOLVENCY

Capital management philosophy

Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk appetite framework. The aim is to increase shareholder wealth by actively managing the amount and sources of capital in the business while continuously ensuring that the highest level of policyholder security is maintained. This is linked to both internal economic capital requirements, as well as regulatory capital requirements in terms of the solvency assessment and management regime (SAM). Santam actively manages the key drivers of its capital requirements such as its mix of business, asset allocation, counterparty exposure and reinsurance program.

Santam targeted a threshold return on capital hurdle rate of 24% in 2019. Capital is allocated to the various businesses in the group and the returns on these businesses are measured against the threshold hurdle rate.

Discretionary capital and solvency level

Santam's board of directors targets an economic capital coverage ratio of between 150% and 170% and has stated that it is comfortable operating at the lower end of this range. In addition, the regulatory capital coverage ratio must exceed predefined threshold levels.

The group economic capital requirement at 31 December 2019, based on the internal model, amounted to R7.3 billion (2018: R6.9 billion), or an economic capital coverage ratio of 160%. Excess capital is maintained for the following reasons:

- to make an allowance for model risk based on the complexity of the underlying business;
- to maintain a margin over the current regulatory capital requirements;
- to maintain Santam's insurer financial strength credit ratings; and
- to fund business growth and allow for any corporate actions.

We remain committed to efficient capital management.

REGULATORY SOLVENCY AND CAPITAL

Requirements

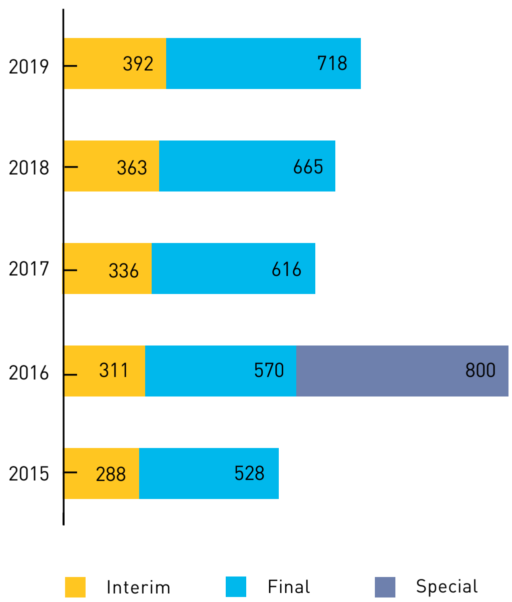
The Santam Ltd licence received approval from the Prudential Authority on 27 August 2019 to use its partial internal model for determining regulatory capital. A condition attached to the approval is that Santam will, initially, be required to hold a capital add-on equal to 20% of the benefit obtained from using the partial internal model instead of the standard formula. Santam will be able to reduce the capital add-on over time by complying with the requirements of the Prudential Authority.

As at 31 December 2019, the capital requirement under the regulatory internal model, after allowing for the capital add-on, was R1.2 billion lower than required under the standard formula.

The group will be comfortable to operate at the lower end of this range and remains committed to efficient capital management.

Dividends

Dividend per share (cents)



The company paid an interim dividend of 392 cents per share, which was 8% higher than the 363 cents per share in 2018. Santam declared a final dividend of 718 cents per share for 2019 (2018: 665 cents per share), resulting in a total dividend of 1 110 cents per share for the year (2018: 1 028 cents per share). This represents an increase of 8%.

Santam's dividend policy aims for stable dividend growth in line with the company's long-term sustainable business growth. When special dividends are being considered, we take into account capital levels, regulatory capital requirements and potential investment opportunities.

OUTLOOK

Trading conditions remain very competitive in a low-growth South African economic environment, where limited growth of insurable assets for the insurance industry is experienced. South Africa's GDP growth rate for 2019 was 0.2%. Inflation (annual CPI) of 4.1% was reported on 22 January 2020.

It is expected that economic activity will, in the near term, be constrained by weak consumer spending and the impact of load shedding as well as the COVID-19 virus.

Our focus during 2020 will remain on achieving profitable growth and taking appropriate underwriting actions to manage the risk associated with weak economic conditions.

The investment market is likely to remain uncertain. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign exchange volatility for the group. Santam will continue to assess the risk and implement appropriate responses, guided by our risk appetite.

IFRS 17 *Insurance Contracts* (effective 1 January 2022 (subject to IASB's due process)) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement;
- Data requirements;
- Operations and the underlying systems; and
- Management reporting.

The group is currently facilitating the transition to IFRS 17 by preparing accounting policies, actuarial methodologies and disclosure requirements that are in line with the requirements of the standard. These policies, methodologies and disclosures will be consistently applied throughout the group to ensure a seamless transition. The group's assessment of the requirements of the standard against current data, processes and valuation models is largely complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Customisations to the acquired integrated system of software that will be used to perform IFRS 17 calculations and related build activities as well as the data acquisition process are tracking in line with the group-wide programme plan.

Hennie Nel
Chief financial officer

BUSINESS UNIT REPORTS

CONVENTIONAL INSURANCE

Santam Commercial and Personal

STRATEGIC INTENT	OUR KEY STRENGTHS
Santam Commercial and Personal's strategic intent is to deliver an experience to all our stakeholders that creates more than insurance and rewards. The objective is to provide excellent risk management while growing the business. This is enabled by our people and improved digital, data, analytics and technology capabilities.	• Relationships with clients, intermediaries, suppliers and regulators • Extensive geographic footprint and distribution network • Technical expertise and claims capabilities, which support a superior product offering

Performance

The business achieved excellent underwriting results in 2019, however premium growth was below expectations, primarily as a result of:

- The South African economic climate, which impacts the affordability of insurance. As a result, renewal rates were under considerable pressure. This widens the risk protection gap when clients reduce or cancel their insurance cover.
- Increased competition, leading to a higher churn rate, particularly among small to medium enterprises.
- The migration of our commercial portfolio to a new administration platform, which impacted internal resources and intermediaries' ease of doing business with us.

In response, we took pricing actions to improve retention. We also increased our focus on cost efficiencies.

We continue to invest in strategic projects to optimise the use of technology. During 2019 we started with the development of a new claims platform, data and service excellence capabilities and future digital solutions.

Outlook

We will improve our clients' experience to include risk prevention in addition to risk management. We will further improve our underwriting capabilities and the claims experience through data analytics, digital initiatives and further synergies with Santam Specialist businesses. In addition, we prioritise the drive to transformation by developing black intermediaries and suppliers.

IN **2019** ...

STORM-HIT KWAZULU-NATAL: WE LOOKED FOR REASONS TO PAY, RATHER THAN REASONS NOT TO

In April 2019, the greater Durban area was harshly affected by a storm that caused loss of life and damage to properties.

Rainfall figures provided by the South African Weather Service estimated an average of between 80 mm and 140 mm for the 36-hour period. To put this into perspective, flood warnings are issued when 50 mm is predicted to fall in a day.

Santam received claims from the Dolphin Coast in the north and as far as Port Edward in the south. In Parker's Valley on the south coast, the combination of a river bursting its banks and water streaming down a hillside caused a few houses to flood almost to ceiling height.

Santam mobilised a team of catastrophe event first responder assessors to waste no time in looking for reasons to pay claims, rather than reasons not to. Our team assessed an average of 10 claims per day. Santam's estimated claims cost from the storm was R63 million.

Santam Specialist

STRATEGIC INTENT	OUR KEY STRENGTHS
Santam Specialist strategic intent is to insure the complex and niche insurance requirements of clients in Africa and selected international markets. We focus on sustainable and profitable growth while leveraging our leadership position to become a Pan-African specialist insurer.	Our leadership position in the specialist insurance market is supported by financial strength, international capabilities, product structuring and an established Pan-African footprint. Our diverse products are backed by strong technical specialist skills and innovation.

Performance

Santam Specialist, excluding Agri insurance achieved satisfactory underwriting results and strong premium growth.

Reduced risk management due to socio-economic pressures impacts underwriting for several Santam Specialist businesses. For example, Santam Transport was materially affected by increased hijackings, trucks set alight and robberies, where Santam often insured the vehicle and its load.

Underwriting results were enhanced through improved risk pricing and the inclusion of more specialised risk management.

Santam Specialist opened an office in London in 2019 to generate business opportunities for our target market.

SANTAM AGRI

Several factors discouraged investment in the agricultural sector. These include drought conditions, hail and uncertainty around land expropriation without compensation. The 2018/19 crop year was significantly impacted by hail and frost damage, resulting in the highest gross claims ratio over the past five years.

We engage with SAIA and National Treasury on the sustainable development of emerging farmers. Santam plays a leading role in the SAIA Agri Technical Committee, an industry body that works closely with National Treasury, and the South African Department of Agriculture. Our aim is to establish a national public-private crop insurance scheme for South African emerging and smallholder farmers.

OTHER SPECIALIST BUSINESSES

We made good progress to define risk appetite and establish working practices between Santam and Saham management to grow the Pan-African specialist business. Our corporate property business, Emerald and engineering business, Mirabilis achieved strong growth in premium flows from outside South Africa, enabled by the access to A-rated paper we have through Munich Re of Africa. From 1 January 2020, Munich Re of Africa was replaced by New Re, a wholly owned subsidiary of the Munich Re Group.

Our commitment to innovation is evidenced by Stalker Hutchison Admiral (SHA). The specialist underwriters built the SHA Pocket Underwriter, which functions in the small to medium enterprise space and enables an online application process.

Despite stringent risk assessments, increased premium pricing and revised policy structuring, we made the decision to exit SSI's credit insurance division (SSI CID) due to underperformance.

We continue to drive transformation across our procurement spectrum.

Outlook

Santam Specialist's ambition is to increase our market share in the South African and African markets. This will require an understanding of the ways of doing business across the continent, and we will be selective in our expansion into international markets.

We will explore InsurTech solutions that support and develop the business and reduce costs.

Santam re

STRATEGIC INTENT	OUR KEY STRENGTHS
Santam re's purpose and business focus is to grow a profitable and sustainable reinsurance business of meaningful value to the Santam group. We provide diversification to the Santam group by participating in reinsurance programs in selected emerging markets.	Santam re has a small and agile team with a flat management structure, which means it reacts quickly. We have strong analytical, statistical and actuarial assessment skills.

Performance

Santam re experienced a stable year in terms of claims and employee movements, and its business increased substantially. Our international portfolio has for the first time become larger than our South African and African portfolio. Eastern Europe and the Middle East offered good growth opportunities.

We continue to invest in developing junior underwriters. This has benefited Santam re in that several candidates are entering the business in junior and middle management positions.

The results from Santam re's partnerships with international reinsurers were affected by large catastrophe losses in America and Japan.

Outlook

Santam re aims to expand the South African book, and target selected regions in Africa. The business is looking to expand on non-proportional business and non-property classes.

MiWay

STRATEGIC INTENT	OUR KEY STRENGTHS
MiWay's vision is to establish a world-class direct financial service business that seeks to: • Offer its clients excellent service, superior value products, and fair treatment • Generate superior return on investment for shareholders • Be an employer of choice • Be a good corporate citizen and play a meaningful role in transforming the financial services industry	MiWay uses data from our underwriting experience with existing and former clients to develop individualised scientific underwriting. We offer an end-to-end online quoting, buying and policy management facility. This means MiWay services the entire value chain, from client acquisition, to ongoing service, to the end of the claims process. MiWay's brand promise is to "enable you to live your way", and client experience is a differentiator. We deliver service in an empathetic, open and transparent manner. Clients can visit a dedicated page on the website to openly comment on their MiWay experiences.

Performance

MiWay achieved strong growth and good underwriting results. This is particularly encouraging considering the state of the economy, which continues to put pressure on the business, especially as a result of depressed collection rates and higher-than-anticipated lapse rates.

Competition for new business remains tough. We continuously seek new distribution channels, and entered into strategic partnerships that provide access to quality sales opportunities.

Highlights in 2019 include:

- MiWay was awarded the prestigious Ask Africa Icon Brand Award for the automotive insurance category
- We achieved 9.9 out of 10 in the Hellopeter Trust Index (HPI) for client satisfaction (2018: 9.8 out of 10)
- MiWay launched a brand campaign named "It's not just…", which was awarded an Orchid by *The Citizen* newspaper
- MiWay received the Best Payer accolade at the SAMBRA awards
- Our engagement with the South African Towing and Repair Transformation Board has been good

Our CSI programme, MiHeart, undertook the renovation of the Moletsane High School library, as part of the Mandela Day initiatives. Almost 1 000 books were donated to the school by MiWay employees and other "friends of MiWay". Several of our suppliers donated time and resources.

Outlook

Several strategic initiatives were launched in 2019 and will continue in 2020. These include studies on the use of AI and machine learning in sales, client services and claims, and the development of a product to reach lower-income markets.

IN **2019 …**

MIWAY USED TECHNOLOGY TO SIMPLIFY CLIENTS' LIVES

MiWay is on a journey to develop technology and innovation inspired by their clients' needs. Their products, services and solutions enable clients to:

- compare multiple vehicle and home insurance quotes through MiXpress;
- customise their insurance cover and excess;
- decide on a preferred way to interact with the company, be it online or by call centre;
- view insured items and account history, and download documents from their insurance profile; and
- submit claims online.

MiWay drove several initiatives to expand their offering:

- researched new rating factors to improve their scientific underwriting process and created strategic partnerships to gain access to new distribution channels;
- started proof of concept projects to use AI and machine learning to enhance customer experiences and drive efficiencies in sales, client services and claims; and
- acquired an intermediated value-added products business with an offering that will be distributed to existing clients in the direct space.

In addition, the annual MiWay 24-hour hackathon challenged students to conceptualise, design and build an actuarial model. They had 24 hours to design and build a predictive customer retention programme. The competition helps MiWay identify the best skills for taking the company into a future that is increasingly technical and focused on producing complex, mathematically-based solutions.

ALTERNATIVE RISK TRANSFER INSURANCE

Santam ART

STRATEGIC INTENT	OUR KEY STRENGTHS
Santam ART's strategic aim is to provide alternative risk transfer solutions to South African corporates and individuals. The business is conducted through the Centriq and Santam Structured Insurance (SSI) groups. Focus areas include risk finance, underwriting solutions, structuring, alternative distribution and underwriting manager agencies.	Santam ART's strengths lie in its strong market position and expert skills. With their strong entrepreneurial skills, this foundation gives SSI and Centriq the flexibility to innovate in the ART insurance space.

Performance

Santam ART achieved excellent growth in client income, driven by increased fees and improved underwriting results. This was buoyed by strong performance in the investment portfolio, which ensured improved investment margins. Management expenses were well controlled.

Challenges included regulatory uncertainty in the cell captive business, as well as increased cancellations in Santam ART's risk finance businesses due to the tough South African economic environment.

Outlook

In 2020 Santam ART will seek clarity on the regulatory environment. We will also consider partnering opportunities and investigate further co-operation between SSI and Centriq, as well as other business units in the Santam group. Centriq will launch a premium finance business and SSI is developing several new products.

SANLAM EMERGING MARKETS (SEM) PARTNER BUSINESSES

Santam's investments and strategic partnerships including Sanlam Pan-Africa

STRATEGIC INTENT	OUR KEY STRENGTHS
Our strategic objective is to be a centre of expertise and technical capability and to utilise our diversified footprint to generate new business flows for Santam. The aim of Santam's international investments, in partnership with Sanlam, is to: • Deliver returns sustainably and meet our return targets across the portfolio of businesses • Generate positive synergies between Santam and the Sanlam Group • Leverage Santam's general insurance thought leaders to transfer the group's experience and capabilities to our partner businesses • Drive innovative new market initiatives • Build leading Pan-African specialist business capabilities, to offer clients one trusted partner across the African continent • Build strong relationships with African governments and regulators • Make a significant contribution to insurance protection, risk management, and economic development in Africa	Santam does not manage these businesses. However, we can influence their direction and management with the skills and resources to provide technical support and propose and participate in projects to improve the businesses. Specific areas of expertise include: • Analytics, pricing and profit management • Capital, risk and financial management • Claims management • Reinsurance optimisation • Research, particularly in areas like climate change and the risk protection gap • Influence strategic direction through SEM and key subsidiary board representatives.

Performance

Santam's investments and strategic partnerships, including with Sanlam Pan-Africa, offer opportunities and challenges. The macro-economic context in many countries remains difficult, specifically in Angola and Lebanon. The performance of the Moroccan motor book, as well as the negative claims experience in Côte d'Ivoire, also negatively impacted the performance of the Saham investment.

The business made progress in bedding down effective reporting structures and systems for collaboration between Santam and SPA GI.

Outside Africa, Shriram General Insurance in India delivered stellar performance, with a substantial improvement in underwriting performance and growth in premiums. Their claims ratio improved because of a lower frequency of claims and better claims management contributing to a significant increase in profitability.

Outlook

We will carefully consider each market to ensure we support businesses in markets that are a strategic fit, with necessary business potential. We will continue to work closely with SPA GI management to unlock synergies and grow the SEM partner businesses.

BUILDING A PAN-AFRICAN SPECIALIST BUSINESS

Santam is proudly building a Pan-African specialist business, in partnership with Sanlam Emerging Markets, by expanding our operational capability across the continent.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

AT 4 MARCH 2020







TOP ROW:

Lizé Lambrechts
Vusi Khanyile
Monwabisi Fandeso
Ian Kirk
Preston Speckmann


BOTTOM ROW:

Machiel Reyneke
Bruce Campbell
Junior Ngulube
Dawn Marole
Hennie Nel

BOARD PROFILES

AT 4 MARCH 2020

VP KHANYILE (69)*

Independent non-executive chairman

BComm (Hons) (Birmingham), Hon PhD

Appointed 23 April 2018

Non-executive chairman of Thebe Investment Corporation (Pty) Ltd; director of Sun International Ltd, Thebe Foundation, WWF South Africa, WeGrow Farming Enterprises (Pty) Ltd and Afrikan Farms (Pty) Ltd

B CAMPBELL (69)*

Independent non-executive director

BA, MBL, ACII and FCII (UK)

Appointed 4 October 2010

Director of Sanlam Emerging Markets (Pty) Ltd, Nicoz Diamond Insurance Ltd (Zimbabwe); previous managing director of Mutual & Federal Insurance Holdings Ltd; previous group chief executive officer of Alexander Forbes

HD NEL (51)

Chief financial officer, executive director

CA(SA)

Appointed 17 September 2012

Director of Centriq group of companies, MiWay group of companies, SSI group of companies, Santam Specialist Underwriting Managers, Swanvest 120 (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Indwe Broker Holdings Ltd, Santam Namibia Ltd

IM KIRK (62)*

Non-executive director

FCA (Ireland), CA(SA), HDip BDP (Wits)

Appointed 14 June 2007

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd; previously chief executive officer of Santam Ltd from 2007 to 2014; director of Sanlam Capital Markets (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings (Pty) Ltd, Shriram Capital Ltd, AfroCentric Investment Corporation Ltd; deputy chairman of ASISA

JJ NGULUBE (62)*

Non-executive director

BSc (Hons) (Agric) (Zimbabwe), MSc (Agric) (Penn State), Dip Financial Management

Appointed 23 April 2018

Vice Chairman of Sanlam Pan-Africa, previous chief executive officer of Sanlam Emerging Markets (Pty) Ltd and Sanlam Corporate cluster and Munich Reinsurance Company of Africa Ltd

L LAMBRECHTS (56)

Chief executive officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed 1 January 2015

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd, SSI group of companies, Saham Reinsurance Ltd and SAIA

** Standing for election or re-election at the company's AGM in June 2020.*

MJ REYNEKE (61)*

Independent non-executive director

CA(SA)

Appointed 26 August 2003

Director of African Rainbow Capital (Pty) Ltd, Ubuntu-Botho Investment Holdings (Pty) Ltd, UBI General Partners (Pty) Ltd, Kropz Plc (UK), Commco Resources Ltd (BVI) and Indwe Broker Holdings (Pty) Ltd

MLD MAROLE (59)

Independent non-executive director

BComm, Dip Tertiary Education, MBA

Appointed 13 December 2011

Director of MTN Group Ltd, Mobile Telephone Networks Holdings (Pty) Ltd, MTN International (Pty) Ltd, South African Post Office SOC Ltd, Richards Bay Minerals (Pty) Ltd and Development Bank of Southern Africa (DBSA); trustee of the Emthunzini BBBEE Community Trust

PE SPECKMANN (63)*

Independent non-executive director

CA(SA)

Appointed 8 February 2017

Director of MiWay group of companies, Centriq group of companies, Sanlam Emerging Markets (Pty) Ltd, BrightRock group of companies, African Rainbow Life Ltd, Sanlam Developing Markets Ltd, Sanlam Investment Management (Pty) Ltd, Safrican Insurance Company Ltd, Channel Life Ltd and Impala Platinum Holdings Ltd; former group financial director of MMI Holdings group

MP FANDESO (61)*

Independent non-executive director

BSC, MBA

Appointed 15 January 2020

Director of Thebe Investment Corporation (Pty) Ltd, Tiger Brands Ltd and Empact Group (Pty) Ltd

M ALLIE (44)

Company secretary

BA, LLB

Appointed as company secretary on 1 February 2011

Admitted attorney with experience in corporate and commercial law, litigation and corporate governance; former roles include company secretary of Oceana Group Ltd and group legal and regulatory affairs manager of Parmalat SA (Pty) Ltd

** Standing for election or re-election at the company's AGM in June 2020.*

From left to right:

Edward Gibbens
John Melville
Mokaedi Dilotsotlhe
Kevin Wright
Lizé Lambrechts
Asher Grevler

Hennie Nel
Temba Mvusi
Enid Lizamore
René Otto
Quinten Matthew
Ebrahim Asmal

EXECUTIVE MANAGEMENT

AT 4 MARCH 2020

EXECUTIVE MANAGEMENT PROFILES

AT 4 MARCH 2020

LIZÉ LAMBRECHTS (56)

Chief executive officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed in 2015

Lizé is responsible for executing strategic plans and policies approved by the board of directors; provides leadership and direction in realising the company's philosophy and achieving its mission, strategy, annual goals and objectives; and ensures the group meets or exceeds its targets, thereby growing profitability and sustainability over the medium to long term.

ASHER GREVLER (45)

Chief risk officer

BBusSc, FIA, FASSA, CERA

Appointed in 2004 (appointed to executive management in August 2018)

Asher is responsible for enterprise risk management, financial risk management, business integrity and forensics, and the internal capital model.

EBRAHIM ASMAL (55)

Executive head of Group Sourcing and Transformation

Appointed 2009 (appointed to executive management in 2012)

Ebrahim is responsible for group sourcing and facilities, leveraging the group's procurement spending power and scale to manage efficiency in the supply chain, as well as enabling operational excellence, developing suppliers, driving opportunities related to new initiatives and developing enterprises. Ebrahim drives group-wide transformation to ensure sustainability by setting targets and ensuring that the group meets its BEE responsibilities.

EDWARD GIBBENS (50)

Executive head of Santam Commercial and Personal

AIISA, BComm, MBA, AMP (Insead)

Appointed in 1992 (appointed to executive management in 2005)

Edward is responsible for growing gross premium income and underwriting profit through the company's commercial and personal lines distribution channels under the Santam brand. Edward manages the efforts of business partners and employees, analyses the competitive environment and develops future strategies to strengthen the group's competitive position.

ENID LIZAMORE (43)

Executive head of Human Resources

BA, Postgrad Dip Human Resource Management

Appointed in 2018

Enid is responsible for human resources, business partnering, talent acquisition, learning and development, talent management, employee relations, employment equity and total rewards.

HENNIE NEL (51)

Chief financial officer

CA(SA)

Appointed in 2012

Hennie is responsible for financial reporting, corporate finance, shareholder investments, internal audit, investor relations and corporate legal services. He also has executive responsibility for the ART business unit.

JOHN MELVILLE (54)

Chief underwriting officer, executive head of Santam re and International

BBusSc (Hons), FIA, FASSA, MCR (IMD)

Appointed in 2010

John is responsible for the underwriting function (including strategy and pricing), product solutions, actuarial services (including rating), developing and implementing the reinsurance strategy and developing Santam re into a growth and profit contributor for the group. John also oversees the development and maintenance of systems and processes to support the operation of these functions and provides technical support to SEM partner businesses. John has been responsible for the SEM international business portfolio (excluding specialist business) since 1 January 2019.

KEVIN WRIGHT (54)

Executive head of Business Information and Technology Services

BComm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS

Appointed in 2014

Kevin is responsible for bolstering the business strategy by leveraging information technology and business change; and oversees the building of systems capabilities to enhance Santam's agility and operational effectiveness. Up to December 2019, he was also responsible for client services, ensuring the efficiency of policy administration and the operation of sales and administration contact centres.

MOKAEDI DILOTSOTLHE (50)

Chief marketing officer

BComm (Hons), MBA

Appointed in 2016

Mokaedi is responsible for the overall management and reputation of the Santam brand, including corporate communication, client care and implementing strategic marketing initiatives to support the various businesses. Mokaedi also has accountability for group CSI and ensures the Santam brand is well positioned across all target market segments.

QUINTEN MATTHEW (56)

Executive head of Specialist Business

FIISA, EDP (Manchester)

Appointed in 2003 (appointed to executive management in 2010)

Quinten is responsible for developing and expanding the specialist underwriting manager model and specialist insurance. Quinten provides strategic input to each business; promotes growth and profit objectives; focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, by building on the synergy and support of Santam and expands SEM partner business and Saham specialist capabilities.

RENÉ OTTO (61)

Chief executive officer of MiWay

BLC LLB, LLM, Admitted Advocate of the High Court

Appointed 2007 (appointed to executive management in 2012)

René is responsible for executing strategic plans and the financial performance of MiWay as founding head and current chief executive officer.

TEMBA MVUSI (64)

Executive head of market development

BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)

Appointed in 2008

Temba is responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets; and explores new intermediary opportunities in unserved markets.

GOVERNANCE REPORT

GOVERNANCE STATEMENT OF COMMITMENT

This report aims to provide Santam's stakeholders with an understanding of Santam's governance structures and processes to enable them to evaluate the ability of the company to create and sustain value.

Santam's board of directors provides ethical and effective leadership through high standards of governance, ethical values and business integrity, while recognising the company's responsibility to conduct its affairs with responsibility and fairness, safeguarding the interests of all stakeholders. The board views governance as being key to the long-term success of Santam and is ultimately responsible for ensuring that corporate governance standards are set and implemented throughout the group. Santam regularly reviews its governance structures and processes to reflect best practice and to facilitate effective leadership, corporate citizenship and sustainability, thereby supporting the group's business strategy.

The board is mindful of the regulatory environment that governs the business landscape.

> The board is of the opinion that, during 2019, Santam complied with the JSE Listings Requirements and Companies Act, 71 of 2008, as amended. The company operated in conformity with its MOI and constitutional documents.

King IV

Santam supports King IV and its emphasis on driving the four governance outcomes of ethical culture, good performance, effective control and legitimacy. Sound corporate governance structures and processes are pivotal to delivering sustainable value in the interest of Santam's stakeholders. The group reviews its corporate governance practices regularly to ensure alignment with internal developments. Ongoing adherence to regulations, the principles of good governance and the implementation of the King IV principles have been rolled out to subsidiaries, joint ventures and associated companies. The group revised its governance policy during 2019 and the company continues to focus on its application.

Details of Santam's application and explanation of the King IV principles are available at santam.co.za/media/2685885/king-iv-register.pdf. In instances where the company has elected not to apply certain recommended practices, the rationale is explained in the relevant sections of the report. Only salient points of the board charter and the terms of reference of the board committees are included in this report. The complete documents are available on the company's website.

> The board is satisfied that Santam has applied the requisite King IV principles during 2019.

GOVERNANCE APPROACH

Santam's commitment to good governance is formalised in its charters, policies and operating procedures.

The board regularly reviews governance processes to consider the evolving regulatory environment and best practice. The board's committees fulfil key roles in applying good corporate governance at Santam.

Santam is responsible for conducting its affairs with prudence and safeguarding the interests of its stakeholders. The board considers the legitimate and reasonable needs, interests and expectations of material stakeholders in the execution of its duties in the best interests of the company over the longer term. The board assumes responsibility for the governance of stakeholder relationships, formalised through a board-approved stakeholder relations policy, which articulates the direction these relationships should take. The policy further assists in monitoring the effectiveness of Santam's stakeholder management.

In 2019 Santam placed additional focus on managing stakeholder risk and on enhancing mechanisms for engagement with stakeholders. The responsibility for the implementation and execution of effective stakeholder relationship management is delegated to management, and the board exercises ongoing oversight. The group's stakeholder universe, engagement focus areas and channels are discussed in detail in the integrated report from page 24.

The board is responsible for setting the direction on the ethical standards, strategy and operations of Santam. This approach is formalised in Santam's code of ethics, Conflict of Interest Policy and its Business Integrity Policy.

Appropriate structures and forums are established to help govern the management of ethics and fraud. The Business Integrity, Compliance and Forensics department assists with governance relating to ethics, compliance, insurance crime and corruption. The ethics management committee is responsible for monitoring the implementation of the various policies and effectiveness of the mechanisms to manage ethics in the organisation.

Santam advocates zero tolerance towards fraud and corruption. Employees are made aware of the latest trends in fraud and crime, locally and internationally, through internal communications. Santam's policies relating to business ethics are available at www.santam.co.za.

Directors are entitled to seek independent professional advice at the company's expense (after consultation with the chief executive officer and the chairman of the board), as and when required, in fulfilling their duties. No directors exercised this right during the period under review.

BOARD AND COMMITTEES

The board is responsible for directing, administering and controlling the affairs of the company in a transparent, fair and responsible manner. The board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring that the company conducts its activities according to best practice.

The board is accountable for, among other things:

Determining Santam's overall objectives, approving strategic plans to achieve the objectives, steering the direction for the realisation of the group's core purposes through its strategy, monitoring operational performance, ensuring effective risk management and internal controls, and monitoring legislative, regulatory and governance requirements.

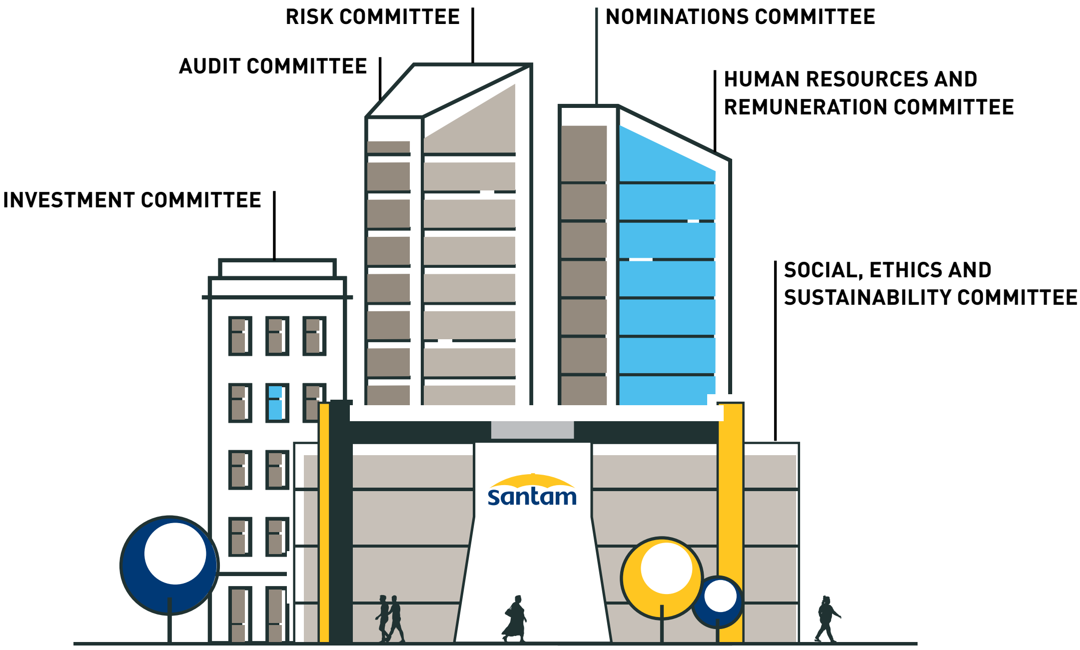
Ensuring that there are clear and formal procedures in key areas so that regulators and auditors can readily review decisions and actions, both internally and externally.

Conducting business in accordance with Santam's code of ethics.

Overseeing the issuance of reports to comply with legal requirements and to meet the legitimate and reasonable information needs of material stakeholders.

Allocating major roles and responsibilities according to the company's delegation of authority framework.

SANTAM'S CORPORATE GOVERNANCE FRAMEWORK



SANTAM BOARD COMMITTEES

The board has delegated specific functions to committees to assist it in meeting its oversight responsibilities. This ensures that the activities of the company are managed in a manner consistent with the ethical leadership and values of Santam. The roles and responsibilities of each board committee are set out in terms of reference that are reviewed by the board annually. The directors confirm that the committees have functioned in accordance with these terms of reference during the year.

All committees are chaired by independent non-executive directors. In 2019 the board resolved that the HRCC, which was previously chaired by a non-executive director who is not independent, be chaired by an independent director from 1 October 2019.

Appointments to the board are formal and transparent and are a matter for the board of directors, assisted by the nominations committee, as required by section 3.84 of the JSE Listings Requirements.

Directors are appointed subject to re-election by the shareholders at the company's annual general meeting (AGM) and subject to the Companies Act provisions relating to their removal.

The board charter depicts a clear balance of power and division of responsibilities and authority at board level. This guarantees an appropriate balance of power and authority, and ensures that no individual director has unfettered powers of decision-making or influence over the board.

The chairman, who is an independent non-executive director, is principally responsible for the effective operation of the board. There is a clear division of authority between the various roles within the company's corporate governance structure. The responsibilities of the chairman (Vusi Khanyile) and the chief executive officer (Lizé Lambrechts) are clearly defined and separate.

The chairman's role is documented in the board charter.

The Santam board at 4 March 2020

	Executive	Non-executive	Independent non-executive
VP Khanyile (chair)			*
B Campbell			*
MP Fandeso (lead independent director)			*
IM Kirk		*	
L Lambrechts	*		
MLD Marole			*
HD Nel	*		
PE Speckmann			*
JJ Ngulube		*	
MJ Reyneke			*

BOARD CHARTER

The board's responsibility to ensure best practice in company conduct is entrenched in the board charter, which is reviewed annually in adherence with the principles of good governance. The charter delineates the powers of the board to achieve an appropriate balance of power and authority. The board charter was amended substantially during the preceding two years in order to align with regulatory changes. During the 2019 review process, the board did not recommend any changes to the charter.

The board charter sets out, among other things, the composition, meeting frequency and the specific responsibilities to be discharged by the board as a whole and by the directors, executives and officers individually. These responsibilities are determined in terms of:

- the company's Memorandum of Incorporation (MOI);
- the Companies Act;
- the JSE Listings Requirements;
- King IV; and
- the Insurance Act, 18 of 2017.

These serve as reference points for directors, executives and prescribed officers for the conduct of their affairs and dealings with respect to, and on behalf of, the company.

The board charter prescribes that directors should behave in the best interests of the company and take special care to avoid any conflict between their own and the company's interest. All board members are required to declare any potential conflicts of interest between their obligations to the company and their personal interests. If a potential conflict of interest arises, any affected director is required to recuse themselves accordingly from the part of the meeting in which the matter in which they have an interest is discussed. Directors are required to submit a declaration of all financial, economic and other interests at least annually, or whenever there are significant changes.

The board charter describes the board's responsibility for the governance of ethics and notes that the board should set the direction for the approach to ethics. The board is therefore responsible for approving codes of conduct and ethics policies that articulate its direction on organisational ethics. The board receives regular reports from the social, ethics and sustainability committee.

The board is responsible for determining the direction of responsible corporate citizenship within the company. The board has delegated the monitoring of the company's corporate citizenship to the social, ethics and sustainability committee.

During 2019, the board considered and approved the budget for 2020 and the new group strategy for the years 2020 to 2025 as formulated and developed by management. The board placed considerable focus on the internal capital model approval process and capital planning. The board reviewed the financial objectives, performance targets and required return on capital and levels of risk tolerance. The board approved the interim and year-end financial results and the 2019 integrated report. The board also approved the appointment of the new director.

In 2020, the board's focus will be on ensuring execution of the new strategy.

Through its charter, the board has reserved matters specifically for its attention to ensure it exercises full control over significant matters, including strategy, finance and compliance.

> The board charter is available online at www.santam.co.za.

SALIENT FEATURES OF THE BOARD CHARTER

The board's key purpose is to safeguard the group's prosperity by collectively directing its affairs, while acting in the best interests of its stakeholders.

The MOI sets out the powers of the board of directors, and the Companies Act and the delegation of authority document govern the exercise of these powers.

> The board is satisfied that it has discharged its duties and obligations as contained in its charter during the reporting period.

The matters reserved for the board include:

- Approval of:
  - The group's vision and values, the group's strategic objectives, business plans, annual budget, dividend policy and the monitoring of the group's performance against set objectives
  - All dividends, the integrated report and annual financial statements
  - Financial risk management and capital policies, including funding and the issue of ordinary shares and loan capital, capital expenditure, acquisitions, joint ventures and disposals above the limits set out in the delegation of authority framework and the MOI, and significant changes in accounting policies
- Monitoring of and reporting on sustainability management
- Ultimate responsibility for IT governance

RESPONSIBILITY AND ACCOUNTABILITY DELEGATION OF AUTHORITY

The company's delegation of authority provides an approval framework to ensure that the business is optimally managed within a decentralised management environment. The board delegates the power to run the day-to-day affairs of the group to the chief executive officer, who may delegate some of these powers. The board reviews its delegated authorities annually.

CHAIRMAN

The chairman, Vusi Khanyile, provides overall objective leadership to the board of directors. The chairman's primary function is to preside over meetings of directors and shareholders, to enable the smooth functioning of the board and to oversee the dissemination of timely and accurate information to allow the directors to perform their duties effectively. The chairman is an independent non-executive director. In line with the recommendations of King IV, Mr Monwabisi Fandeso was appointed as lead independent director on 4 March 2020.

CHIEF EXECUTIVE OFFICER

The chief executive officer, Lizé Lambrechts, reports to the board and is responsible for managing the execution of the strategy as approved by the board. Board authority conferred on management is delegated through the chief executive officer in terms of approved authority levels.

The chief executive officer is contracted as a full-time, permanent employee 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.

The notice period is three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of the termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the HRRC. As with all executive committee members, a succession plan is in place for the chief executive officer. Lizé Lambrechts is a board member of SAIA. Details of the boards she serves on are contained on page 66.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Hennie Nel serves as Santam's full-time executive financial director.

All directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the group. In doing so, the directors act in the best interests of the group at all times, and do not derive any profit as a result of their fiduciary relationship with the group.

BOARD COMMITTEES

The committees assist the board in discharging its duties and responsibilities. Ultimate responsibility rests with the board and the board does not abdicate its responsibility to the committees.

The committees report on their activities to the board every quarter and the minutes of the committee meetings are provided to all board members. Notwithstanding the delegation of functions to the committees, the board remains ultimately accountable for the proper fulfilment of these functions, except for the statutory functions of the audit committee relating to the appointment, fees and terms of engagement of the external auditor.

COMPANY SECRETARY

The company secretary provides guidance to the board collectively and to individual directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the company. The directors have unlimited access to the advice and services of the company secretary.

The company secretary plays a pivotal role in the company's corporate governance and ensures that, in accordance with the pertinent regulations, the proceedings and affairs of the board, the company and, where appropriate, shareholders, are administered properly. The company secretary monitors directors' dealings in securities to ensure adherence to the policy governing directors' dealings in securities. The company secretary attends all board and committee meetings and is responsible for director training and induction, as well as the annual board evaluation process. The company secretary acts as secretary for the committees of the board.

In terms of the JSE Listings Requirements, the board is required to consider and satisfy itself, annually, regarding the competence, qualifications and experience of the company secretary. The board conducted a formal evaluation of the company secretary during 2019 and is satisfied that he has the necessary competence, qualifications and experience to carry out the required responsibilities of his position. The company secretary is a full-time employee and has been involved as a company secretary of JSE-listed companies since 2009. The company secretary is not a director of any group company and the board is satisfied that an arm's-length relationship has been maintained between the company secretary and the board. The directors are satisfied that the company secretary provides a central source of guidance and advice to the board and within the company on matters of good governance.

Read more about the company secretary's qualifications in the profile on page 67.

BOARD COMPOSITION AND MIX

As at 4 March 2020, the board comprised 10 directors, of whom two are executive directors. Of the eight non-executive directors, six are independent. On 15 January 2020, Monwabisi Fandeso was appointed to the board.

Themba Gamedze resigned from the board on 28 February 2019 to focus on his other board appointments. Heinie Werth resigned from the board on 1 August 2019 due to a change in his executive responsibilities in the Sanlam Group. Gugu Mtetwa resigned from the board on 31 August 2019 as she commenced an executive role at another financial services company.

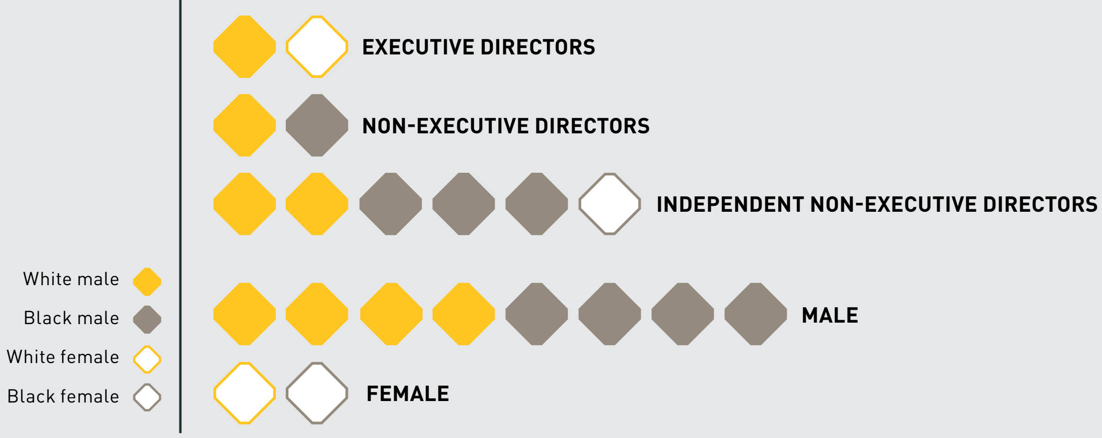
The non-executive directors on the Santam board can all influence decision-making. These directors bring a diverse range of skills and experience to the board and provide insight at and add value to board meetings. It is their responsibility to exercise their judgement freely and independently.

In the board's opinion, there is no business or other relationship within the current structure that could materially interfere with the impartial judgement of any of the non-executive directors.

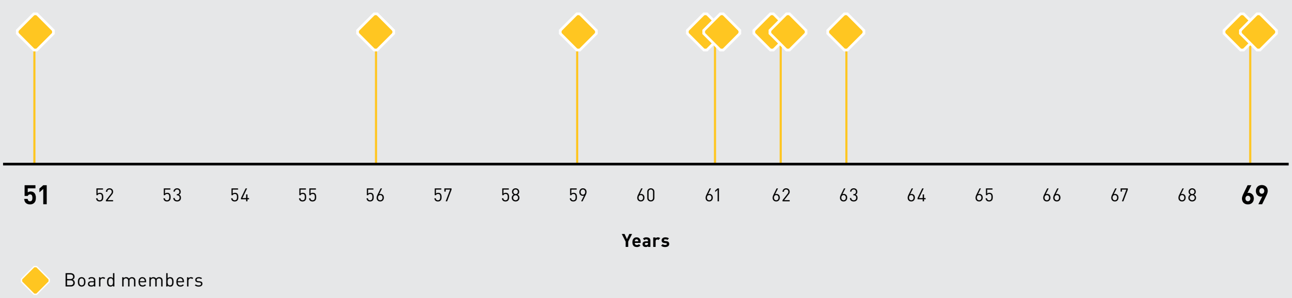
The independent non-executive directors have a standing closed session agenda item at every board meeting to deliberate any issues they wish to discuss with the chairman or the chief executive officer and/or any other directors.

> The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

DIRECTORS AT 4 MARCH 2020



DIVERSITY OF AGE



APPOINTMENT AND RE-ELECTION OF DIRECTORS

The nominations committee ensures that the board's composition reflects demographic and gender diversity and contains the appropriate mix of skills and experience.

When appointing directors, the board considers its needs in terms of skills, experience, diversity, size and demographics. A formal, transparent board nomination process is described in a policy that details procedures for appointment to the board. This policy was reviewed in November 2019. The company supports the principles and aims of appropriate diversity at board level. The board also revised its Board Diversity policy during November 2019.

In terms of this policy, if there is a vacancy on the board or if an additional board appointment is required, the board will consider making an appointment that will attain and maintain the level of race, gender and age diversity that is considered appropriate at the time. Aspects that will be considered include the skills, expertise, experience and background required to fill such a position, the availability of suitable candidates and the development potential of candidates. The board will also consider any additional requirements that may be necessary to ensure a suitable mix of skills and experience on the board and its committees to best serve the interests of the company and its stakeholders. The board duly considered all the diversity requirements when proposing the appointment of independent non-executive director Monwabisi Fandeso in 2019. The board currently meets its race target and will strive to achieve its gender target with future board appointments.

Based on the recommendation from the nominations committee, the board considers the nomination of new directors for appointment, or re-appointment in the case of existing directors, and makes recommendations to shareholders. Directors do not have a fixed term of appointment. In accordance with the company's MOI, a third of the non-executive directors must retire at the AGM annually. Non-executive directors are subject to retirement, by rotation, every three years. In line with company policy, executive directors retire on the third anniversary of their appointment or re-election to the board. During 2019, it was agreed that independent directors who have served on the board for longer than nine years retire voluntarily at every AGM due to their tenure and avail themselves for re-election by shareholders. This provides the opportunity for shareholders to express their view if they have concerns regarding the independence of these directors due to their long tenure. The details regarding the directors standing for re-election at the next AGM are contained in the company's notice of AGM. Directors appointed by the board after the AGM are required to retire at the following AGM and stand for election by shareholders.

Shareholders can nominate a director. Five other shareholders must second nominations of this nature. An abridged CV of the nominated directors is circulated to shareholders with the notice of the AGM. The company's shareholders therefore have the opportunity to participate continually in the election and re-election process of directors.

At the AGM, shareholders vote by a single resolution to determine whether the director will be appointed. The appointment of non-executive directors is formalised by a letter of appointment between the company and the non-executive director.

BOARD EVALUATION AND TRAINING

The board reviews the range of skills, experience and effectiveness of its directors annually.

This is done using a formal evaluation process developed according to the recommendations of King IV. The nominations committee considers the results of the evaluation and makes recommendations to the board, as appropriate.

A formal, externally facilitated evaluation process is conducted at least every two years. Following the 2018 evaluation, which was facilitated by Deloitte, the November 2019 assessment was conducted internally and included an effectiveness assessment of the board collectively and an appraisal of the board committees and the chairman. The evaluation found no significant matters or material concerns in respect of the board and board committees' performance. The results indicated that the board functions effectively, the core board processes work well, and the board is well balanced. The directors believe that board meetings were well organised and efficiently run, and all relevant aspects of the company's business were dealt with by the board and its committees.

The need to improve the diversity of age and gender on the board was identified. The board had previously identified the need to improve the board's collective understanding of information technology and digitisation. This aspect is receiving attention.

The nominations committee conducted an informal review of the individual directors in February 2020, and no concerns were noted. The results of the evaluation were shared and discussed with the board. The performance of all directors standing for election at the AGM in June 2020 was considered by the board, and their re-election is supported. During March 2020, the board assessed the independence of the independent non-executive directors serving on the board for longer than nine years and concluded that there are no relationships or circumstances likely to affect, or appearing to affect the two directors' objectivity and judgement.

> The board is satisfied with the performance of its members.

An ongoing director development programme focuses on existing board members and aims to create an evolving understanding of the business, governance and the compliance environment in which the company operates. The director development programme includes regular training updates and information sessions. New directors complete a formal induction programme designed to meet the individual needs and circumstances of each director. Directors receive appropriate training, reading material and guidance on their duties and responsibilities, Santam's business environment and ESG issues relevant to the business.

DEALING IN SECURITIES

In accordance with the JSE Listings Requirements, Santam adopted a policy that sets out the procedure directors must follow before they, or any of their associates, deal in the company's securities.

Directors and the company secretary must obtain prior written authorisation from the chairman to deal in the company's securities. The company secretary retains a record of all such share dealings and approvals. Senior management and designated employees exposed to unpublished, price-sensitive information in relation to the company's shares by virtue of their positions are prohibited from trading in Santam securities during the company's closed periods, and require written approval from the chief executive officer to deal in Santam shares at all times.

ESG ISSUES

The board recognises that there are qualitative issues that influence the company's ability to create value in the future. These relate to investment in human and intellectual capital, the extent of the company's social transformation, and ethical, safety, health and environmental policies and practices.

Read more about Santam's material matters and key future drivers from page 18 of the integrated report. Further detail in the social, ethics and sustainability committee report on page 84.

COMPLIANCE

Santam's compliance philosophy encapsulates integrity, fair dealing, accountability, objectivity, independence, good governance, transparency and collaboration. The company acknowledges the importance of compliance with its legal, regulatory and ethical obligations and that these affect its operations and accountability to all stakeholders. The Santam group compliance function adopts a risk-based approach that takes into account the nature, scale and complexity of business while enforcing good governance, efficiency and effectiveness.

The group placed substantial focus on legislative compliance during the year. Key focus areas included implementation of the new Policyholder Protection Rules (PPR) which aim to ensure fair outcomes to customers; binder regulations and premium collection processes; and legislation that creates new opportunities for existing insurers and provides for licensed micro-insurance products. The business has also been preparing for regulatory changes in relation to the Protection of Personal Information Act, 4 of 2013.

Santam has a dedicated group compliance function, responsible for implementing the group compliance framework. The compliance function identifies legislation applicable to the group, informs the business of pertinent regulatory requirements (and amendments), analyses the impact of these requirements on business operations, facilitates the introduction of controls and monitors compliance. For increased efficiency and effectiveness, the compliance function collaborates with other risk assurance providers on certain matters and works closely with other entities within the group.

Read more in the risk management report on page 91.

BOARD AND COMMITTEE MEETINGS

The board met five times at scheduled meetings in 2019. These included quarterly meetings and an annual strategy meeting in August to approve the group's strategic direction.

DETAILS OF ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Audit committee	Risk committee	HRCC	Nominations committee	Investment committee	Social, ethics and sustainability committee
Number of meetings held during 2019	5	4	4	4	4	4	3
B Campbell	5 (100%)	4 (100%)	4 (100%)	–	–	–	3 (100%)
PE Speckmann	5 (100%)	4 (100%)	4 (100%)	–			
VP Khanyile	5 (100%)	–	–	4 (100%)	4 (100%)	–	–
BTPKM Gamedze[1]	1 (100%)	–	1 (100%)	–	–	–	1 (100%)
IM Kirk	5 (100%)	–	–	4 (100%)	4 (100%)	–	–
L Lambrechts	5 (100%)	–	4 (100%)	–	–	4 (100%)	–
MLD Marole	5 (100%)	–	–	3 (75%)	3 (75%)	–	2 (66%)
NV Mtetwa[3]	4 (100%)	3 (100%)	3 (100%)	–	–	3 (100%)	–
HD Nel	5 (100%	–	4 (100%)	–	–	4 (100%)	–
JJ Ngulube	5 (100%)	–	–	–	–	–	2 (66%)
MJ Reyneke	5 (100%)	4 (100%)	4 (100%)	–	–	4 (100%)	–
HC Werth[2]	2 (100%)	–	2 (100%)	–	–	2 (100%)	–

[1] MR GAMEDZE RESIGNED ON 28 FEBRUARY 2019 | 2 MR WERTH RESIGNED ON 1 AUGUST 2019 | 3 MS MTETWA RESIGNED ON 31 AUGUST 2019

BOARD COMMITTEES

Risk committee report

The risk committee is chaired by Machiel Reyneke, an independent non-executive director. The committee, supported by the chief risk officer, assists the board in fulfilling its governance from a risk and control perspective, and in executing its compliance and risk management responsibilities. The committee is responsible for identifying, evaluating and effectively managing all significant risks. It must also provide adequate oversight of Santam's own risk and solvency assessment and internal capital model processes.

Compliance with relevant laws and regulations is integral to Santam's risk management process and is monitored continuously. The committee operates in terms of a formal charter approved by the Santam board.

The functions of the risk committee include assisting the board to:

- Implement an effective policy and plan for risk management that enhances the company's ability to achieve its strategic objectives.
- Continuously monitor, maintain and improve the maturity and effectiveness of the risk management processes.
- Disclose risk in a comprehensive, timely and relevant manner.
- Monitor and review the overall risk profile, including the significant risks Santam faces, and see that the response addressing these key risks is appropriately defined and resolved by management.
- Monitor the effectiveness of compliance management and address the outcomes.

The committee met four times during the year. Key areas of focus during 2019 included monitoring Santam's internal model; the internal capital model approval process and reports; capital status; adherence to the company's risk appetite; and reviewing the measures adopted by management to address the key risks facing the organisation, including IT governance and security, financial risk and compliance management. Future areas of focus for the committee include monitoring IT risks and the underwriting risks related to business written in the rest of Africa. Details of attendance at meetings by committee members are provided in the table above. Representatives of the external auditors, internal auditors, financial risk management, enterprise risk management, compliance and the chief risk officer, chief underwriting officer and executive head of IT and operations attend committee meetings.

The committee is satisfied with the adequacy of governance, compliance and risk management structures and processes in place at Santam.

The committee assessed the performance and expertise of the chief risk officer, the head of compliance, the head of financial risk management and the head of enterprise risk management. It found their performance and expertise to be appropriate.

No penalties, fines or sanctions were imposed during 2019, other than for Santam Namibia, who incurred a penalty for Competition Law infringement.

Read more in the risk management report from page 91.

> The risk committee is satisfied that it has fulfilled its responsibilities in terms of its charter.

Audit committee report

Preston Speckmann, an independent non-executive director chairs the audit committee. The committee is constituted as a statutory committee of Santam with respect to its duties in terms of the Companies Act, and as a committee of the Santam board with respect to all other duties assigned to it by the board. The committee is responsible for, among other things, the company's sound financial standing and effective internal financial controls and processes. The committee reviews the overall quality and integrity of financial and integrated reporting disclosures.

The Santam audit committee acts as the audit committee of the MiWay group of companies, the Centriq group of companies and the Santam Structured Insurance group of companies.

In terms of its charter, the audit committee must consist of a minimum of three independent directors who are appointed by shareholders at the AGM. At 31 December 2019, the committee consisted of three independent non-executive directors. Its primary function, in addition to those required by the Companies Act, is to help the board oversee financial matters. The committee operates by formal charter and an annual work plan approved by the board. The chairman of the board attends the meetings of the audit committee by invitation. A further independent non-executive director was appointed to the audit committee in January 2020 in order to fill a vacancy.

The qualifications of the audit committee members are provided in the board profiles from page 66.

The functions of the audit committee include:

- Overseeing integrated reporting.
- Reviewing and recommending for approval by the board the annual financial statements, the interim reports, preliminary or provisional result announcements, the integrated report, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.
- Approving the terms of engagement and remuneration for the external auditor and ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Overseeing the effectiveness of Santam's assurance functions and services.
- Recommending to the board the engagement of an external assurance provider on material sustainability issues, if relevant.
- Defining a policy for non-audit services to be rendered by the external auditor to the company or a related company and pre-approving the contracts for non-audit services to be rendered by the external auditor.
- Considering changes to the dividend policy and recommending dividend declarations to the board.
- Reviewing the basis on which the company has been determined a going concern.
- Nominating the external auditor of the Santam group and its subsidiaries (who, in the opinion of the committee, is independent of the company) for appointment by the shareholders.
- Reviewing and recommending the disclosure of sustainability issues in the integrated report for approval by the board to ensure that it is reliable, does not conflict with the financial information and provides a balanced view.
- Reviewing accounting policies and practices and considering any significant changes to or departure from accounting policies and practices.
- Assisting the board with monitoring the financial assistance provided by Santam to its subsidiaries.

The audit committee has evaluated the performance and independence of the external auditors. It confirmed the independence of the auditors from the organisation and recommended the appointment of the external auditors and audit partner at the company's AGM.

The committee also considered and determined the external auditors' fees and terms of engagement. A policy and controls are in place to address the provision of non-audit services by the external auditor.

During the year under review, non-audit services conducted by PwC included providing tax related advice and services, IFRS 17 advice and advising on the strategy for internal audit. The total fees for non-audit services conducted by the external auditor amounted to R1 million. PwC and its predecessors have served as the company's auditors for 91 years. The current audit partner was appointed as the designated partner in November 2019, following the resignation of the previous audit partner from PwC.

In considering the 2019 annual financial statements, significant matters considered by the committee included reviewing key judgements and the valuation of unlisted investments. The committee considered reports prepared by management to assess whether the issues have been addressed appropriately. The committee considered the relevant audit quality indicators, including the audit firm's system of quality control. It noted that PwC was subject to a review of its quality control practices in terms of the International Standard on Quality Control by the IRBA. No legal or disciplinary proceedings have been concluded against the firm in the past seven years. The proposed individual audit partner for the year ending 31 December 2020, Chantel van den Heever, is a JSE-accredited auditor and does not appear on the JSE's list of disqualified auditors. No matters in terms of paragraph 22 of the JSE Listings Requirements exist that may preclude Ms van den Heever from accepting the appointment as individual auditor.

A future area of focus for the committee will be preparing for the implementation of mandatory audit firm rotation.

> The committee was satisfied with the quality of the audit conducted.

As per JSE Listings Requirement 3.84, the audit committee considered the expertise and experience of the executive financial director during November 2019. The committee is satisfied that the appropriate level of expertise and experience to manage the responsibilities of that position have been met, as required by the JSE. The audit committee is also satisfied with the finance function's expertise and adequacy of resources. The committee is satisfied that adequate financial reporting procedures exist and that they are functioning well.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman. This ensures that their independence is in no way impaired. The external and internal auditors have the opportunity to address the audit committee at each meeting without the presence of management.

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The internal audit function is provided in-house. Its scope and functions are covered in the internal audit section of this report. The committee is satisfied with the effectiveness of the head of internal audit and with the arrangements for internal audit. The committee believes that the design and implementation of the internal financial controls are effective.

Audit committee members are encouraged to keep up to date with developments that affect their required skill set. The audit committee has considered factors and risks that may affect the integrity of the Santam integrated report and has reviewed the disclosure of sustainability issues in the report to verify that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board, as it is of the view that the assurance provided is adequate, given the maturity of the processes in place.

The committee met four times during the financial year. Details of attendance of meetings are provided on page 80. The committee believes it has complied with its legal and regulatory responsibilities for the year. The committee reviewed the company's integrated report and recommended it to the board for approval.

> The audit committee is satisfied that it has fulfilled its responsibility during the year in terms of its charter.

Human resources and remuneration committee (HRRC) report

The HRRC is chaired by Ms Dawn Marole, an independent non-executive director, from 1 October 2019. Prior to this date, the HRCC was chaired by Ian Kirk. The HRRC comprises of three non-executive directors, the majority of whom are independent. The chief executive officer and certain members of management attend committee meetings by invitation, but excuse themselves at the appropriate times.

Read more about the committee members' qualifications in the board profiles from page 66.

The HRRC is responsible for and has the authority to consider and make recommendations on the following, among other things:
• Determining and approving the general remuneration policy that must be tabled at each AGM for a non-binding advisory vote by shareholders.
• Preparing an annual remuneration report.
• Developing the remuneration strategy for executive directors and members of the executive committee.
• Developing short-term incentive plans for board approval by setting annual targets, monitoring progress towards targets, and reviewing the incentive plans regularly to ensure that a strong link with performance is maintained.
• Managing the contracts of employment of executive directors and executive committee members to ensure their terms are compliant with the principles of best practice.
• Developing, monitoring and testing appropriate performance drivers for short-term and long-term incentives.
• Developing long-term incentive schemes for board approval, setting individual and group performance hurdles and guidelines for annual allocations, and performing regular reviews of the structure of the schemes.
• Considering the remuneration of non-executive directors of the board and its committees and making proposals to the board for final approval by shareholders at the AGM.
• Planning for succession.
• Managing human capital imperatives.
• Considering the individual remuneration packages for executive directors and executive committee members, including incentive schemes and increases, to ascertain that they are appropriate.

Read more about Santam's remuneration approach, policy and implementation in the remuneration report online at www.santam.co.za.

The HRRC met four times during the year. Details of attendance at meetings are provided on page 80.

The company's remuneration policy and implementation report were tabled at the AGM in 2019 for shareholders to make separate non-binding advisory votes and to enable the shareholders to express their views on the remuneration policies adopted and their implementation.

In terms of the remuneration policy, if either the remuneration policy or the implementation report is voted against by 25% or more of the voting rights exercised at the AGM, the board will start an engagement process to ascertain the reasons for the dissenting votes and will address reasonable objections and concerns raised appropriately. At the 2019 AGM, 91.2% of the voting rights exercised voted in favour of the remuneration policy, and 87.6% of the votes exercised were in favour of the implementation report. The engagement process was therefore not formally required. Under the guidance of the HRRC, members of the management team nevertheless conducted an engagement process to discuss improvement areas regarding the group's remuneration practices. The enhancement of the disclosure of executives' KPIs for the next year financial year relative to budget and the performance conditions and hurdles applying to the deferred share participation and performance deferred share participation awards were among the identified improvement areas.

Human capital

To align the group's HR practices with the needs of the business, the committee reviewed and approved a revised strategy and operating model for HR.

The affordability of Santam's medical aid offerings posed a significant challenge for employees. In consultation with Sanlam, the committee recommended that employees be allowed to select their own medical aid cover, and a more affordable option is now available.

There was a decrease in the number of learnerships and graduate programmes due the cost of these programmes. The committee requested that executive management explore alternative measures to achieve skills development within budget constraints.

HUMAN CAPITAL SALIENT FEATURES IN 2019

Employees
Employee profile: 72.8% black, 27.2% white
Appointment ratio: 87% black, 13% white
10 bursaries awarded
Learnerships: 123 black learners in progress
Graduates: 61 black graduates in the group
Culture: 74% satisfaction rate for engagement barometer

During 2019, the HRRC also supervised and considered the following matters:

- Benchmarking remuneration levels and practices with local comparator groups for employees, executives and non-executive directors
- Monitoring employee-related metrics, such as head count, employee turnover and transformation
- Contracting deliverables of the executive directors
- Monitoring the talent management strategy and succession planning
- Identifying people-related risks and taking measures to mitigate these risks
- Reviewing Santam's short-term incentive plan
- Monitoring and approving short-term incentives (performance bonuses) and long-term incentives
- Revising the remuneration policy and practices and liaising with stakeholders regarding remuneration-related queries

> The HRRC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Nominations committee report

The nominations committee is chaired by Vusi Khanyile, the independent chairman of the board. In terms of its charter, the committee considers board effectiveness and succession planning, and recommends candidates for board vacancies based on skill, experience and the need to ensure diversity and balance in the composition of the board. The committee comprises of three non-executive directors, the majority of whom are independent. The chief executive officer attends committee meetings by invitation.

Read more about the committee members' qualifications in the board profiles from page 66.

The committee met four times during the year. Details of attendance at meetings are provided on page 80. The committee considered the Board Diversity policy when shortlisting and nominating new directors to the board. As part of the process of reviewing the composition of the board, the committee considered the benefits of all aspects of diversity, including age, gender and skills set. The committee conducted an internal process to review the performance of the board, individual directors and the committees.

> The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Social, ethics and sustainability (SES) committee report

Membership and meetings

The SES committee comprised of three non-executive directors as at 31 December 2019. The committee is chaired by Dawn Marole, an independent director. The majority of the members of the committee are independent. Read more about the committee members' qualifications in the board profiles from page 66. The committee is supported by members of the executive committee and senior management.

According to its terms of reference, the committee meets formally at least twice per year or as required for the effective performance of its duties. The committee met three times in 2019 (see page 80).

Mandate and responsibilities

The SES committee is constituted in terms of the Companies Act and has an independent role. It monitors the group's functions as required by the Companies Act and its regulations, and other regulatory requirements, such as King IV. It assists the board in effectively integrating relevant and material ESG issues (including related corporate sustainability matters) into the group strategy.

In addition to performing this function for the Santam group, the committee fulfil the role of social and ethics committee for all Santam's South African subsidiaries that have the requisite public-interest score.

SES committee responsibilities

- Responsible to recommend for approval, monitor and advise on all material ESG issues that could have a significant impact on the group and its stakeholders
- Consider, monitor and guide strategy and policy decisions with respect to group client interests and fairness, including the impact of group conduct on clients
- Ensure group ethics and governance are managed effectively
- Provide assurance regarding the quality of reporting and disclosures on the group's ESG and responsible citizenship performance
- Ensure group stakeholder relationships are managed effectively
- Provide assurance regarding the management of and reporting on key BBBEE transformation activities

Focus areas in 2019

The committee reviewed the formulation of Santam's material matters, or drivers of change, as discussed on page 18. It also engaged with management on the Building a FutureFit Santam strategy, which is outlined from page 44, with a special focus on the due integration of material ESG issues. The committee believes that the two group-level ESG strategic focus areas – to help build resilient societies and to run a responsible business – are appropriate emphases for the Santam Group.

ORGANISATIONAL ETHICS

The board ensures that ethics are managed effectively at Santam and provides leadership based on an ethical foundation. The implementation and execution of the code of ethics is delegated to management.

In 2019, the SES committee considered the connection between ethics and the law, and determined specific instances where Santam is ethically obliged to go beyond compliance.

One material fraud incident occurred where an organised insurance fraud syndicate attempted a series of fraudulent claims from Santam Commercial and Personal. The committee approved a behavioural analytics and data assessment to help mitigate future risk from other potential syndicates.

As a result, Santam invested in an IT solution to change its process for investigating incidents of fraud from outsourced to internal. The business integrity and ethics team also conducted awareness sessions for employees and service providers on fraud and the handling of fraudulent claims, to further encourage ethical behaviour.

Anti-bribery and corruption risk assessments were conducted by ENSafrica. The findings were presented to the SES committee, which found the risk levels acceptable in relation to Santam's anti-bribery and corruption compliance programme.

RESPONSIBLE INVESTMENT

The Santam board has the ultimate responsibility to ensure that the group promotes good governance by investing responsibly. With the primary asset manager, Sanlam Investments, the committee monitors the application of responsible investment principles and practices.

Santam promotes societal resilience by investing in initiatives that generate social and environmental impact, such as the Santam Resilient Investment Fund, the South African SME Fund, ESD, and CSI initiatives. The SES committee discussed the possible inclusion of negative screening processes for Santam's investment portfolio.

CORPORATE CITIZENSHIP

The board is responsible for determining the direction of responsible corporate citizenship in the group. This function is delegated to the SES committee.

As the leading general insurer in South Africa, it is Santam's responsibility and ongoing challenge to narrow the risk protection gap and to enhance insurance penetration. The provision of good and proper insurance is an important link to responsible citizenship given that insurance underwrites the country's economic activity and thus increases overall societal resilience. Ensuring that products are available to sell into the uninsured market was identified as a key action for the group. The committee highlighted the importance of understanding the needs of this market.

Santam continues to support Consumer Financial Education (CFE) initiatives through SAIA. The CFE programmes target individual and commercial clients. CFE is applied at group level through a two-pronged approach:

- funding is provided to SAIA to deliver CFE to the public; and
- a targeted approach focusing on the Santam emerging client market.

In 2019, municipal service delivery protests were widespread, underscoring the fact that Santam, with SASRIA and other partners, must continue to support improved risk management in local municipalities.

Details of P4RR initiatives for the year can be found in the value we create section on page 24.

RESPONSIBLE CORPORATE CITIZENSHIP SALIENT FEATURES

P4RR	CSI spend	Santam Resilient Investment Fund	CFE and financial inclusion products
The Emthunzini Community Trust invested R9 million in vulnerable communities through P4RR	R15 million Focus areas: • Drive community risk awareness • Increase capacity for disaster response and relief • Address fire related high risk hotspots	Houses built: 2 350 Employment: 63 855 Households assisted: 95 Homes supplied with green energy: 43	Over a million people were reached through CFE initiatives 24 products, verified by the Financial Sector Transformation Council, were approved and are available to emerging clients Santam sold 217 000 policies into the uninsured market

SUSTAINABLE DEVELOPMENT

Santam is guided by the ESG-related standards included in the FTSE/JSE Responsible Investment Index, the UN Environment's Principles for Sustainable Insurance (PSI) and ClimateWise. The PSI is housed by UNEP FI, the finance initiative of the UN and is fully aligned and supportive of the global SDGs.

The SES committee reviewed Santam's ESG performance in this regard and believes that the standards were addressed by the internal controls, policies and procedures governing corporate conduct of the group.

The committee discussed Santam's position regarding climate change risks and concluded that the group is sufficiently aware of the impact of climate change risks for the business:

- Steps were taken to further align group disclosure with the industry-led Financial Stability Board's Task Force for Climate-Related Financial Disclosure (FSB-TCFD). These are a set of voluntary, consistent disclosure recommendations for use by companies to provide information to investors, lenders and underwriters about climate-related financial risks.
- There was an improvement in the group's performance against the revised CDP guidelines. Sanlam Group received a CDP score of B. This is higher than the Africa regional average of B-, and higher than the financial services sector average of C.
- The group submitted a ClimateWise report which communicates the climate risk-related work done by Santam against the seven ClimateWise principles. The final score was released in September 2019 and decreased from 62% to 50%. The decrease is due to the newly introduced ClimateWise principles requiring members to consider certain TCFD recommendations. Internal and external experts were consulted to determine the appropriate group response.
- Climate change related risks have been identified as one of Santam's top risks.

Santam supports the development of the first Global Guidance for ESG issues in non-life underwriting. Input from experienced specialists across the group was shared with the UN Environment's Principles for Sustainable Insurance (PSI) project team. The UN project team, supported by academics and researchers, are processing the data and a final global guide is anticipated in 2020.

An update on Santam's water savings response

The committee is satisfied that the group took the necessary actions to reduce water consumption at head office. Interventions included the use of non-potable water for window washing, the complete cessation of irrigation and the removal of all external taps. Executive management confirmed that risk assessments also include advising clients on water consumption and pressure.

STAKEHOLDER RELATIONS

Santam's engagement with stakeholders is governed by our stakeholder relations policy and strategy. The group implemented a stakeholder information and activity tracker tool, which will enhance compliance with King IV and integrated reporting on stakeholder management.

Treating Customers Fairly (TCF)

The committee considered the TCF report and advised that the Santam business units and outsourcing partners also align to the TCF guidelines in the ordinary course of business for clients. Challenges regarding TCF can occur where Santam does not control the relationship with the client directly.

Following the implementation of the Twin Peaks Prudential legislation, TCF and RDR requirements were incorporated into the Conduct of Financial Institutions Bill. The group was prepared for the transition, following the amendments made for RDR compliance.

TRANSFORMATION

The SES committee oversees transformation governance and reports to the board on progress. The central tenet for transformation at Santam is to create an inclusive environment by conducting our business activities in a manner that resonates with all our stakeholders. Our focused transformation strategy ensures delivery on the following objectives:

- Driving high-impact transformation initiatives for business and societal value
- Creating a diverse and inclusive culture across our value chain
- Driving transformation using innovation
- Leading transformation compliance

The transformation strategy is fully integrated into the group's business functions and responsibilities. Santam executive management is responsible for implementing the transformation strategy. Each executive's transformation accountabilities are included in their respective annual key performance areas.

As part of the Building a FutureFit Santam strategy review, the committee considered a new transformation vision for the group and are satisfied that it suitably outlines plans to achieve Santam's transformation targets. The vision is to create a culture of diversity and inclusion, which will drive sustainable business results, competitive advantage and value for all. The SES committee charter was updated to reflect, among other things, the committee's responsibility for transformation.

On an industry level, and as the leading general insurer in South Africa, Santam plays a key role in SAIA. SAIA facilitates transformation discussions with parliament and regulators and fosters industry cooperation on wider economic transformation.

Santam's transformation hub was launched in June 2019. The aim of the hub is to be a holistic and consolidated communication platform that speaks to Santam's transformation commitments, deliverables and intent. Read more by accessing the following link: http://www.santam.co.za/financial/sustainability/transformation/.

TRANSFORMATION SALIENT FEATURES

Black intermediary growth and diversification initiative	ESD
• 184 graduates (full qualification) were trained through the Black Broker Development learnerships and internships between 2016 and 2019 • 82% of the learners were placed either within Santam or our business partners • 80% of the graduates were absorbed by Santam and 20% are still seeking employment	• 22 jobs were created through the Sanlam, Santam and ASISA Supplier Development programme • SMME average revenue growth: 32% for the year • SMME investment: R56 million was invested in the ASISA ESD fund to date

BBBEE

The committee reviewed the report compiled by the company's appointed BBBEE verification agency.

BBBEE status year-on-year

2019	2018	2017	2016	2015
level 1	level 1	level 2	level 2	level 3

Scorecard 2019

Element	Weighting	Final score
Ownership	23	27
Management control	8	2.99
Employment equity	12	7.16
Skills development	20	17.58
Preferential procurement	20	20.69
Enterprise development	5	6
Supplier development	10	11
Consumer education	2	3
Socio-economic development	3	3
Access to financial services	12	9.81

Element summary feedback

Element	Summary feedback
Ownership	Santam continues to improve its black-owned and black-controlled shareholding, in line with our strategy of retaining highly credible empowerment credentials. The business achieved an overall black ownership representivity of 35% (2018: 34%). This improved the group's FSC ownership score to 27 points (2018: 26.80 points).
Management control and employment equity	Santam continues to drive diversification in its management structures across the group. The group improved its employment equity positioning year on year. At the end of 2018, Santam achieved an 7.16 EE FSC score of points (2018: 6.77). Black Other Executive representivity remains unchanged at 40% (2018: 40%), Black Senior management levels, relative to total staff complement improved to 33.33% (2018: 32.35%), Senior Black Female management improved to 15.28% (2018: 13%). The results are directly aligned to the group's people transformation objectives.
Skills development	Santam improved its FSC skills development score to 17.58 points (2018: 17.36 points). Total skills spend of group leviable amount remained the same as 2018 at 9%.
Preferential procurement	Santam improved its FSC PP score to 20.69 (2018: 20.42). The group improved its preferential spend to 51% black-owned businesses to 38% (2018: 31%), and 30% black women-owned businesses to 16% (2018: 14%).
Enterprise and supplier development	The group continues to invest in small and medium businesses through our investment opportunities and formalized supplier development programmes. Santam achieved 17 points year on year, with clear alignment to its preferential procurement objectives.
Consumer education	The group continued its focus on the small-business emerging market and invested R10 million (2018: R9 million) into CFE initiatives. Santam retained 3 points (2018: 3 points).
Socio-economic development	At the end of 2019, the group had invested R15.5 million (2018: R11 million. Santam retained our 3 points (2018: 3 points).
Access to financial services	Santam sold 217 000 policies into this market in 2019 (2018: 200 000). We improved our FSC Access score to 9.81 points (2018: 9.75 points).

EMPLOYMENT EQUITY

Santam's EE targets for 2019 to 2021 were approved by the executive human resources and remuneration committee, and submitted to the Department of Labour.

For 2020, the SES committee will require Santam's business units to report on initiatives taken to meet EE targets.

THIS INTEGRATED REPORT

Together with the audit committee, the committee reviewed the ESG disclosures contained in this integrated report and recommended it to the board for approval. We are comfortable with the accuracy and level of disclosures.

The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with the committee charter for the year.

Investment committee report

The investment committee was chaired until end August 2019 by Gugu Mtetwa, who was an independent non-executive director. Machiel Reyneke, who is also an independent non-executive director, was appointed by the board as interim chair of the committee from September 2019 until March 2020. The board formally appointed Mr Reyneke as chair of the committee on 4 March 2020. The committee currently comprises two executive directors, and one independent non-executive director. The committee meets to evaluate and monitor the investment portfolio (excluding strategic investments), as well as the performance of investment managers. These meetings comprise quarterly feedback sessions with investment analysts and four formal investment committee meetings a year. The investment committee guides the board on the mandates of investment managers and makes recommendations about the company's investment philosophy. The investment committee charter reflects the company's intention regarding responsible investment.

The investment committee assists the board in practising responsible investment that promotes good governance and value creation by the companies in which Santam invests. The investment committee sets the direction for responsible investing. The outsourced service providers are required to report on their application of the responsible investment principles incorporated in the Santam Group Investment policy, and the investment committee reviews these reports. The investment committee ensures that the outsourced service providers are engaged by means of a formal mandate that gives effect to the Santam Responsible Investment policy.

The committee met four times during the year. Among the matters considered by the investment committee were Santam's capital management plan, investment guidelines for the international debt portfolio, the foreign currency hedge and the potential issuance of subordinated debt. The investment committee also reviewed the investment policy and the foreign currency management policy and the investment committee terms of reference. Details of attendance of meetings are provided on page 80 and details of the investment committee members' qualifications from page 66.

> The investment committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Ad hoc board committees

The board has the right to appoint and authorise special ad hoc board committees to perform specific tasks from time to time. The relevant board members make up these committees. No ad hoc committees were appointed during 2019.

Other committees

Independent committee

The independent committee of the board consists of all the independent directors and convenes on an ad hoc basis to consider board matters pertaining to related parties. No meetings were required during the year under review.

Executive committee

Executive management and the board work closely to determine the group's strategic objectives. The board delegates authority to the chief executive officer and the executive committee for the implementation of the strategy and the ongoing management of the business. The chief executive officer, assisted by the executive committee, are mandated by the board, through the company's delegation of authority framework, to deal with the day-to-day running of the company's affairs. The chief executive officer chairs the executive committee, which comprises the executive management of all the significant business units of the company. It meets and deals with all matters relating to:

- implementing the agreed strategy;
- monitoring performance; and
- considering the company's policies.

The board regularly reviews the levels of delegated authority to the chief executive officer.

IT GOVERNANCE

Santam considers information to be a strategic asset. Our IT systems provide the platform on which the group does business and, combined with technology and data, constitute a source of future business opportunities. IT and digital technology represent a growing source of competitive advantage to enhance our intellectual capital.

We rely on standardised processes and controls to extract and exploit information for decision-making and to maintain data quality at an acceptable level. IT governance drives accountability, responsibility and the effective management of business information across the group.

A key strategic focus for the group is to continuously mature information and cybersecurity processes, and develop and implement business application platforms that will enable Santam to:

- deliver products more speedily;
- reduce exposure resulting from incorrect risk calculations;
- protect Santam and customer data;
- move closer to our partners and clients through different user experience platforms; and
- reduce the overall operational cost of contact centres.

The Santam board is responsible for technology (including digital) and information governance and acknowledges that these aspects are critical to the group. The governance of technology and information is defined in the Santam group IT governance charter, the information governance charter and the information security charter. There are appropriate steering committees for each area.

The IT governance charter

The Santam board manages the execution of IT governance through the IT governance charter, which describes the IT governance principles, mechanisms and responsibilities to be applied within Santam and its subsidiaries, associates, partnerships and joint ventures.

The charter sets out the board's responsibilities relating to the governance of technology; the recognition of the fiduciary duties of the board members of subsidiary companies and business entities; IT governance principles for the group; the recognition of Sanlam Group IT in the Santam governance model; and the various bodies that govern IT in the Santam group. These bodies include:

- Boards of directors
- Business unit chief executive officers
- Audit and risk committees
- Executive management structures
- IT management committees
- Strategic IT investment structures
- Information and IT security governance structures

The information governance charter

The Santam information governance charter sets out the ownership and governance principles of information within the Santam group. To this end, the charter's core purpose is effective information management and governance, which constantly enhance the value and quality of information and direct data usage and information.

Information governance and management are the responsibility of the board and heads of departments, or their designated representatives (data stewards). This warrants a carefully designed system of information governance and management by the Santam Information Governance Authority (SIGA) committee to guarantee optimal attention of key stakeholders and role players.

SIGA reports to the risk and audit committees through the SIGA chairperson (group chief information officer). The SIGA chairperson reports progress to the Santam executive committee.

The information security charter

The information security charter expands on the IT governance charter by describing the governance of information security.

This charter sets out the various information security principles, governing bodies and role players responsible for providing the board with a clear and understandable view of the state of information security and resultant risks within the group.

The information security committee (chaired by the group chief information officer) is responsible for adherence to the information security charter and the implementation of an information security management system to protect Santam's technology and information assets.

IT management and reporting

The charters are implemented through quarterly reporting to the audit and risk committees and the board, which covers all Santam subsidiaries, associates, partnerships and joint ventures. To monitor IT risks and the effective control of IT and information within the group, the board mandates the executive team to implement the IT governance framework. IT governance is managed on a day-to-day basis at a business unit level.

Quarterly reporting to the audit and risk committees includes the appetite of the respective business units for specific strategic, technical, operational and information risks, as well as updates on governance framework implementation, access governance and vulnerability management.

The Santam board delegates the prioritisation and approval of major IT investments to the strategic investment steering committee, which consists of Santam executives. This committee ensures that projects follow the governance framework, oversees the execution of the project life cycle and assesses the value delivered to the organisation.

IT governance in 2019

During the year under review, our IT governance focus areas were to:

- monitor and manage cyber risk;
- assess the risk posture of Santam third parties; and
- develop a detailed information governance framework.

Cyber risk

Reduced exposure to cyber risk and business disruption are key focus areas of the Santam Group Information Security Strategy. Tracking against activities in this strategy are reported on in the quarterly Santam IT Risk, Governance and Information Security Report. This report goes to the Santam risk committee and forms part of the Santam information security committee agenda. Some focus areas for 2019 were:

- Improved user awareness regarding cyber security. The frequency of cyber security awareness training for Santam employees was increased to manage the propensity of people falling victim to cyber attacks
- Improved IT risk management processes in alignment with group reporting requirements
- Improved management and review of privileged accounts

Compliance binder regulations and policyholder protection rules are compliance requirements. No new digital compliance or legal requirements are expected in 2020. However, we await the application of the Protection of Personal Information Act (POPI). POPI mandates the implementation of controls to protect personal information in all its forms in Santam and its subsidiaries. The implementation of these controls was divided into phases that deal with accidental loss of information (phase 1) and malicious leakage of information (phase 2). Initiatives on phase 1 were completed during 2018 and phase 2 started in 2019.

Third-party risk

In 2019 Santam assessed the business continuity and information security posture of its binder holders to effectively manage the risk pertaining to outsource agreements. This third-party risk management capability will be expanded during 2020 to other forms of outsource arrangements.

Information governance framework

IFRS 17 heralds a major overhaul in how the insurance industry accounts for its insurance contracts from a financial perspective. The industry is focused on defining the solution, and analysts are taking a keen interest on how the reporting changes introduced will affect insurers' financial performance.

For Santam, the IFRS 17 project brings about significant change in the way Santam collects, governs, stores and uses data to ensure the way we report results and measure performance comply with the standard.

RISK MANAGEMENT REPORT

Santam's board recognises and acknowledges that it is accountable for establishing and maintaining an effective risk management process, including the system of internal control.

The board is of the opinion that the risk processes at Santam are effective in continuously identifying and evaluating risks, and in ensuring that these risks are managed in line with the business strategy and within the board-approved risk appetite.

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE PROCESSES INTERNAL CONTROL

Santam has a system of internal controls as part of the overall risk management process. The system provides the board with reasonable assurance that the business is operated consistently within:

- the strategy as determined by the board;
- the business objectives;
- the policies and processes; and
- the laws and regulations that apply to the group.

The internal control system aims to detect and prevent any significant risk from materialising and to mitigate any adverse consequences that may arise. The board is supported by the control functions within Santam, which include the internal audit, risk management, actuarial and compliance functions. Several business units have quality assurance functions that continuously identify specific control weaknesses that need to be addressed. The risk and audit units work closely with these functions to ensure that an appropriate system of control is in place.

SYSTEM OF INTERNAL CONTROL

The board is ultimately responsible for the effectiveness of the group's system of internal controls. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The board can only provide reasonable and not absolute assurance against material misstatement or loss.

The board confirms that the process for identifying, evaluating and managing the significant risks faced by the group is effective and ongoing. This process was in place for the year under review and up to the date of approval of the integrated report. The board reviewed and approved the Group Internal Control Policy during the year under review.

In addition to designing and operating suitable internal controls, management is responsible for identifying and evaluating significant risks that apply to its areas of business. Self-assessment and hierarchical reporting processes were established, which generate a trail of accountability regarding internal controls. These procedures are relevant across group operations. They provide for successive assurances to be given at increasingly higher levels of management and, finally, to the board.

This process is facilitated by enterprise risk management (ERM) and group internal audit, that together provide a high degree of assurance about the operationality and validity of the system of internal control. Planned corrective actions are monitored independently for timely completion.

INTERNAL FINANCIAL CONTROLS

The board confirms that effective systems of internal control and risk management are maintained. During the year there were no breakdowns in the functioning of the internal financial control systems that had a material impact on the Santam Ltd group annual financial statements.

The board is satisfied that the annual financial statements fairly present the financial position, changes in equity, results of operations and cash flows for the group in accordance with IFRS, and that these statements are supported by reasonable and prudent judgements that were applied consistently.

INTERNAL ASSURANCE PROVIDERS

The main internal independent assurance provider in Santam is the internal audit department. Through the audit committee, internal audit provides objective and independent assurance to management and the board of Santam about risk management, control and governance processes. Internal audit is governed by an internal audit charter, which is approved by Santam's board and reviewed annually. The charter defines the purpose, authority and responsibility of the function.

The head of internal audit provides a report at each audit committee meeting including an annual written assessment of its scope and findings. The head of internal audit reports to the chairman of the audit committee with administrative reporting to the chief financial officer and unrestricted access to the chief executive officer and/or any other member of executive management.

The group's approach to the governance of its operations is detailed in the board-approved Santam Group Governance Policy. In the policy, it is acknowledged that Santam, at any time, holds material investments (in terms of the level of shareholding and/or the value of the investment) in a number of entities, either through legal entities or other corporate or business arrangements. Internal audit has an audit strategy for each category of entity.

Internal audit plans ensure that all entities are considered in the audit plan based on their size, complexity and risk profile, as well as the nature of the investment and specific legal entity governance requirements. The annual internal audit plan is reviewed regularly so that it remains relevant and responsive to changes in the operating environment.

The Santam audit committee approves the group's internal audit plan. Detailed audit plans for subsidiaries with separate licences are approved by their respective finance and risk committees.

Internal audit proactively reviews its practices and resources for adequacy and appropriateness to meet the increasingly demanding corporate governance and regulatory environment, including the requirements of King IV and other applicable regulation. The head of the internal audit control function was appointed at group level and was outsourced to MiWay Insurance Ltd, Centriq Insurance Ltd, Centriq Life Insurance Ltd, Santam Structured Life Ltd, Santam Structured Insurance Ltd, Santam Structured Reinsurance Ltd PCC and Santam Financial Services Ltd DAC.

EXTERNAL AUDIT

The external auditors, PricewaterhouseCoopers Inc, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group. External audit regularly communicates with internal audit to understand the scope of work and the results of its audits.

Santam has a formal pre-approval policy on the use of external auditors for non-audit services. The policy provides guidelines for dealing with audit, audit-related, tax and other non-audit services that may be provided by the independent auditor to Santam and its entities. It also sets out the services that may not be performed by the auditor. The services rendered by the auditors are monitored by the audit committee on a quarterly basis. Non-audit services rendered by the group's external auditors amounted to R1 million.

The external and internal auditors attend audit committee meetings and have unrestricted access to the committee and its chairman at all times, which ensures their independence is in no way impaired. The external and internal auditors have the opportunity to address the audit committee at each of the meetings without management being present.

Internal audit, other internal assurance providers and control functions regularly interact and consult with each other. For example, the quality assurance functions in the distribution, claims and underwriting business units, and the heads of risk management, actuarial and compliance control functions.

RISK MANAGEMENT

The objectives of risk management are:

- to create and protect value for stakeholders; and
- to improve decision-making; and
- to contribute to retaining and building Santam's leadership position in terms of financial performance, reputation, market share and policyholder protection.

The board regularly reviews the risk management, internal control and compliance systems for effectiveness. The board is responsible for the overall governance of risk, and it is assisted by the risk committee in discharging this responsibility.

The Santam board adopted the three lines of defence model for managing risk. This model defines the roles, responsibilities and accountabilities for identifying, managing, reporting and escalating risks and other matters throughout the group. This approach ensures that there is appropriate oversight of all areas of material risk and that risk management is embedded in the culture and daily activities of the business.

The group operates within a federated business model environment. In terms of this philosophy, the Santam board sets tight principles that need to be applied throughout the group, including adopting the group ERM policies and frameworks. The business units take responsibility for all operational and risk-related matters on an operational level within the limits set by the risk appetite, policies and frameworks.

The risk appetite process is key to the integrated strategic planning process and the continued monitoring of operations. The risk appetite is agreed and set at board level, indicating the overall limits and tolerance levels for the wide variety of risks faced by the organisation.

Risk appetite statements are aligned with the strategy and together provide direction for decision-making and execution in terms of the amount of risk the business can manage. The statements are a combination of quantitative and qualitative measures to provide clear guidance from a top-down perspective. These group statements are cascaded into the various business units, licensed entities and material subsidiaries.

Risk appetites are in place for the main strategic business units. Risk reports are discussed quarterly by the various committees and boards, and ultimately feed into the overall group risk appetite, which is discussed and reviewed by the Santam risk committee. The diagram below depicts the flow of risk management information from the individual businesses to the Santam Ltd board.

RISK GOVERNANCE

The Santam group CRO has an independent line of accountability to the Santam board through the Santam board's risk committee. The primary function of this role is to aid the board in its implementation, review and approval of the enterprise-wide risk governance framework, which includes Santam's risk culture, risk appetite, risk limits and corresponding capital and liquidity needs. This role is supported by Santam's other internal control functions.

In accordance with the Insurance Act of 2017, the heads of all control functions (actuarial, risk management, compliance and internal audit) were appointed for the Santam group and its licensed subsidiaries. The group actuarial, risk and compliance control functions are supported by relevant functional teams at the subsidiaries to ensure adequate on-the-ground expertise and knowledge of the business.

The combined assurance framework brings together the relevant role players to review and update significant risks and establish potential assurance or oversight gaps. Any gaps are escalated to the audit committee. The key risks are jointly assessed by the various assurance providers.

RISK DISCLOSURE

The integrated ERM process is mature and is applied consistently throughout the group. Based on independent reviews and maturity assessments presented to the risk committee, the board is satisfied that the risk management processes are adequate for identifying current and emerging risks and ensuring that these risks are managed appropriately. Santam monitors these risks on a continuous basis and develops appropriate action plans to respond to these risks. The table below provides a summary of Santam's top risks:

Risk category	Risk	Description	Our response
Insurance	Santam's ability to achieve premium growth and net underwriting targets	Santam's ability to grow the group at an acceptable rate is the single biggest risk we face in terms of creating sustainable shareholder value. Santam's management expenses are assessed against net premiums. Expense costs that grow at a higher rate than net premium growth will erode the net underwriting margin.	Business unit specific initiatives for achieving growth and profitability in line with budgets Monthly financial performance reviews measuring actual growth and margins against budget Quarterly performance against strategy reviews Significant focus on managing expense levels
Insurance, market and operational	Political and social risks, including the impact of load shedding on economic growth	Economic conditions directly impact our clients' ability or appetite to spend money on risk mitigation. South Africa's low economic growth exacerbates high unemployment, inequality, and macro-vulnerabilities. Inflation influences consumer spending, which may result in increased cancellations and returned debit orders.	Santam is a committed corporate citizen. See transformation (page 86), the value we create for our stakeholders (page 24) sections for more information Several partnerships with government and industry bodies assist and address certain concern areas proactively Diversifying Santam's business outside South Africa Santam's ability to extract value from the Saham transaction in Africa
Insurance	Failing infrastructure and lack of maintenance in South Africa impacting claims	Failure to adequately invest in, upgrade or secure public infrastructure networks, as well as commercial infrastructure and private property, can lead to pressures or breakdowns with system-wide implications – specifically from an insurance perspective.	Increased underwriting focus on the impact of failing infrastructure on claims experience Through the P4RR and research studies, we provide support to the National Disaster Management Centre and the Municipal Infrastructure Support Agency Santam partners with the Department of Cooperative Governance, the South African Local Government Association, and local district municipalities to support and promote infrastructure maintenance and resilience to mitigate disaster-related risks Our crisis management plan can be applied and adopted for a wide range of crisis scenarios
Insurance	Climate risk, including catastrophe events and extreme weather	Climate change poses serious risks to the stability and quality of human society, and the global economy. The consequences of global warming are already evident in more extreme weather events as highlighted in the Intergovernmental Panel on Climate Change (IPCC) special report released in October 2018. Santam faces the risk of an increase in the frequency and severity of extreme weather events (droughts, floods, wildfires, cyclones) and the consequent impact on its claims experience and business processes.	The Group is working on understanding climate-related risks (physical and transitional) in accordance with the recommendations of the Task Force for Climate-Related Financial Disclosure (TCFD) as these risks affect the underwriting and investment sides of our business We have been a member of ClimateWise since 2009 and a founding member of the UN Environment's Principles for Sustainable Insurance since 2012 We completed our ClimateWise and carbon disclosure reports which respond to the TCFD-aligned questions on the group's climate action initiatives. Find these online, as well as the Group's climate change position statement at http://www.santam.co.za/investor-relations/integrated-report/environmental-social-governance/

Risk category	Risk	Description	Our response
Operational	Ability to achieve Santam's transformation targets	Inclusive economic transformation in South Africa requires contributions from the industry, and Santam as a leader in the industry, to create action plans.	Santam focuses on transformation initiatives that impact our people, intermediaries, suppliers, clients and communities Read more about our transformation initiatives on page 86
Market	Performance of our strategic investments in Saham and Sanlam Emerging Markets (SEM)	Santam has material investments in Saham and other SEM entities (India and Malaysia). The performance of these entities affects Santam's ability to create shareholder value.	Fostering a close working relationship with Saham and SEM We participate at a board level on all material Saham and SEM entities Our technical expertise supports the SEM businesses, combined with specific operational controls around underwriting processes Embedding our partnership model for Santam Specialist in Africa
Operational	Cyber risk	Cyber risk is the risk of a security breach of Santam's information technology (IT) systems affecting the Santam brand, confidentiality, availability and/or integrity of information, resulting in a financial loss and/or business disruption. The predominant risk in this respect lies with business not managed in the Sanlam/Santam controlled environment.	Sanlam and Santam have a shared service approach managing cyber risk By pooling resources, budgets and skills, the group can mitigate cyber risks more efficiently To understand and manage this risk, Santam maintains a cyber resilience framework which identifies material cyber risks and their management, as well as a crisis management guide to deal with cyber risk scenarios Santam employees receive continuous cybersecurity awareness training to improve user awareness of cyber security Access governance processes are in place to ensure privileged accounts are managed properly
Operational	Skills shortage, including attracting and retaining top talent	There are industry challenges regarding shortages of certain skills and, more generally, the quality of skills available. The insurance industry competes with other sectors for suitably qualified and skilled candidates with the appropriate level of performance.	Strong focus on managing Santam's human capital and developing talent pipelines within the company and externally Santam's is successful in retaining key employees Santam invests in the development of leaders to identify and coach emerging talent Santam invests significantly in programmes that introduce learners and graduates to the business We provide an extensive suite of total rewards and benefits to attract, retain and motivate employees We review our talent and develop succession plans We support wider industry initiatives to increase the uptake of professional learning and qualifications

Risk category	Risk	Description	Our response
Market	Exchange rate volatility impacting earnings	International diversification exposes the group to currency volatility and provides a hedge against the rand's devaluation. Investment performance is most significantly impacted by the group's exposure to volatile markets.	We manage our investment portfolio to optimise the return within the agreed risk appetite Monitoring net foreign currency exposures Rebalancing assets when necessary Embedding a treasury function Hedging foreign currency risks where appropriate
Operational	Reputational damage and brand association risk	The damage to a brand's public standing because of a scandal, disaster or accident can be devastating and long lasting. In today's environment, with the explosion of social media platforms and online review sites, reputation has become vulnerable. Difficult economic conditions and the resultant decline in disposable income increases the risk of internal and external fraud.	Organisation-wide focus on delivering our brand promise of ***Insurance good and proper*** Santam's reputation monitoring activities allow for around-the-clock monitoring and timeous, appropriate responses to all events that pose reputational damage to the group or any of our business units Santam is vigilant about fraud detection. Through the combination of technology and human intervention, Santam aims to minimise its exposure to fraudulent activities

The emerging risk associated with COVID-19 has been assessed within the context of Santam's business continuity plans. We will continue to monitor the situation and respond appropriately.

COMPLIANCE

The group operates in a highly regulated environment owing to the nature of its financial services operations. Long-term sustainability is inextricably linked to compliance with all applicable regulations and a productive relationship with the regulators who grant operating licences to the group's businesses. Regulatory compliance is therefore an important operational focus area.

Compliance functions with dedicated compliance officers are established at group and licensed entity level. The terms of reference for these functions focus on regulatory compliance.

These functions provide quarterly reports to the relevant board and executive committees and include updates on regulatory developments, augmented by training sessions to keep members abreast of all legislation applicable to the group.

Changes in South African regulations are monitored by the group compliance function. The compliance function is actively involved in commenting on proposed regulatory changes directly and through industry bodies. The function is responsible for coordinating the implementation of new regulations across affected businesses.

Read more about the regulatory environment in which the group operates in the chief executive officer's report on page 39.

BUSINESS CONTINUITY

A key operational risk that spans Santam's business is the potential impact of a major disaster and/or disruption. The group responded to this threat by continually improving the group-wide business continuity framework to ensure that people are prepared, crisis infrastructure is tested and meaningful recovery plans are in place.

A steering committee is responsible for overseeing, reviewing and monitoring Santam's business continuity capability, specifically prioritising business recovery plans.

In 2019, integrated disaster recovery and business recovery tests were conducted at Santam's off-site premises. The tests were successful, and the learnings were incorporated into business recovery plans. In addition, business continuity plans have been updated for all critical business units with the aim to improve the practical and logical actions and tasks that will be taken in a disaster situation.

REMUNERATION REPORT SUMMARY

OUR APPROACH TO REMUNERATION

The Santam board is responsible for the governance of remuneration. The human resources and remuneration committee (HRRC) is mandated by the board to ensure Santam remunerates fairly, responsibly and transparently.

The board appreciates that appropriate remuneration for executive directors, members of the executive committee and other employees is linked to the attraction, development and retention of top-level talent and human capital within the group.

Santam's remuneration philosophy and policy support the group's strategy by incentivising the behaviour required to meet and exceed our predetermined strategic goals.

In setting up the reward structures, Santam takes cognisance of prevailing economic conditions and local and international governance principles. We take steps to ensure alignment with comparator groups, international best practice and the applicable regulatory and governance requirements in each country in which Santam operates, most notably King IV and Prudential Standards.

While compliance with the Santam remuneration policy is primarily targeted at Santam Ltd and its subsidiary companies, the group will influence the application of sound remuneration practices in those businesses where it does not hold a controlling interest.

The HRRC has the prerogative to make all remuneration decisions it deems appropriate and may propose amendments to any part of the remuneration policy as necessitated by changing circumstances.

Its activities include approving the guidelines and philosophy to be applied in formulating mandates for all bonus and long-term incentive (LTI) schemes, and setting remuneration packages of Santam executive directors, the group executive committee and the Santam heads of control functions (actuarial control, internal audit, compliance, and risk management), relative to industry benchmarks. The HRRC makes recommendations to the board regarding the fees of Santam non-executive directors.

During 2019, the HRRC considered and where applicable approved the following matters:

- 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 short-term incentives (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 recommending fee proposals to be considered by shareholders at the 2019 AGM
- Aligning Santam's remuneration policy and practices in South Africa with prudential standards that provide a risk-based governance framework for the regulation of life and general insurers and with further enhancements from King IV
- Remuneration for heads of control functions and persons whose actions may have a material impact on the organisation's risk exposure
- Approving the remuneration review, 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
- Considering measures to support existing strategies to correct the under-representation of black people at all levels of the organisation.

SHAREHOLDER ENGAGEMENT ON REMUNERATION

The group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the AGM of Santam. At the 2019 AGM, a total of 100 619 243 votes (2018: 97 446 894) were cast on the advisory vote on the group's remuneration policy, and 100 539 777 (2018: 97 401 404) votes were cast on the implementation of the policy with the clear majority of shareholders supporting the Group's remuneration policy and practices. The result of the voting was as follows:

	For	Against	Total
AGM 2019 remuneration policy	91.24%	8.76%	100%
AGM 2019 implementation report	87.64%	12.36%	100%
AGM 2018 remuneration policy	89.80%	10.20%	100%
AGM 2018 implementation report	86.84%	13.16%	100%

During 2019, we engaged with shareholders/investors and proxy voting advisors. In these consultations we solicited feedback and discussion on the Santam remuneration policy, the implementation thereof and the disclosure of both aspects.

> The 2019 online remuneration report contains the feedback discussed and Santam's proposed actions, some of which will form part of our forward-looking focus areas for 2020.

Our approach to engagement

- The HRRC welcomes ongoing engagement with shareholders and encourages shareholders to share their ideas with the company.
- Once shareholders have had time to study the remuneration report, we welcome feedback, preferably in writing. The company will respond to queries and input from shareholders in writing.
- If shareholders would, at other time, like to make recommendations or provide input to the HRCC, such feedback will be appreciated and will be handled in the same manner as set out above.

REMUNERATION OVERVIEW

Philosophy

To meet Santam's strategic objectives given the economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are in place to attract and retain the required skills.

The group's remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time. Santam's remuneration philosophy aims to:

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

The principle of management discretion, regarding individual employees, is central to the remuneration philosophy since all rewards are based on merit.

The board recognises certain differences between group subsidiaries and allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Santam brand require full disclosure, motivation and approval by human resources committees, either at group or business unit level.

Policy

The overarching principles and design of the remuneration policy are consistent across the group, support the remuneration philosophy, and ensure good corporate governance.

Santam applies a total reward strategy for its employees, as far as practical. This offering comprises remuneration (which includes cash remuneration, STIs and LTIs), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment, and a range of lifestyle benefits.

The primary objectives of Santam's remuneration policy are to:

- attract, motivate, reward and retain key talent;
- promote the group's strategic objectives, within its risk appetite;
- promote positive outcomes across the capitals which the group uses or affects; and
- promote an ethical culture and behaviour that are consistent with our values and which encourage responsible corporate citizenship.

Design principles

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

- Pay for performance: Performance is a key guiding principle of the remuneration philosophy and as such all remuneration practices are designed to create clear differentiation between individuals with regard to performance. Remuneration practices are also designed to create a clear alignment between performance hurdles and the achievement of the group strategy.
- Competitiveness: A key objective of the remuneration philosophy is that remuneration package levels should enable the Group and its businesses to attract and retain highly talented employees in order to ensure the group's performance and growth.
- Leverage and alignment: The reward impact for individual employees is, as far as possible, aligned with and influenced by:
  - the interests of Santam shareholders (and, where applicable, minority shareholders in Group subsidiaries)
  - the interests of other stakeholders (for example employment equity and client experience);
  - the performance of the group as a whole;
  - the performance of any region, business unit or support function; and
  - the employee's own performance contribution.
- Consistency and fairness: The reward philosophy strives to be consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Discrimination is unacceptable.
- Attraction and retention: Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the Group's objectives and ensure its sustainability over the long term.
- Shared participation: Employee identification with the success of Santam is important owing to its direct link to Santam's and individuals' performance. All employees should be recognised and rewarded for their contribution and the value they add to Santam, and, in particular, 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 pay levels, are transparent and communicated to all employees. In this process, the link between remuneration and the Group's strategic objectives is clarified to all employees.
- Market information: Accurate and up-to-date market information, information on best practice and trend information from reputable sources are crucial in determining the quantum of remuneration packages.
- Malus and clawback: Where defined trigger events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Santam Group Malus and Clawback Policy, which relates to this group remuneration policy and these provisions have been incorporated in relevant remuneration governance documents/rules.

KEY 2019 REMUNERATION FACTS

Santam delivered a satisfactory performance during the 2019 financial year. The group outperformed on employment equity, skills development and preferential procurement targets, but slightly underperformed on financial inclusion products target. This resulted in a weighted average bonus achievement of 123% (2018: 128%) at a group level.

For the year ended 31 December 2019 the following long-term incentive allocations were made:

- 321 714 shares (2018: 276 019) were made to 315 participants (2018: 300) under the deferred share plan (DSP).
- 31 237 shares (2018: 13 740) were made to 10 participants (2018: 8) under the performance deferred share plans (PDSPs).

LINKING REMUNERATION TO STRATEGY EXECUTION

Awards granted in terms of the deferred share plans are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The award has individual performance hurdles attached to it. For Santam executive committee members, these hurdles are derived from business scorecards reflecting key financial and strategic objectives. Lizé Lambrechts and Hennie Nel have the following financial and strategic metrics for vesting of deferred share plans:

Financial: group and business level		**Lizé Lambrechts**	**Hennie Nel**
Achieve desired market price performance	**50% Weighting**	√	√
Improve/achieve growth targets		√	√
Achieve Santam group net insurance result (NIR) target		√	√
Achieve cost target		√	√
Improve/achieve return to shareholders in excess of target ROC		√	√
Strategic measures supporting the group's strategy			
Capital optimisation	**50% Weighting**	√	√
Growing and diversifying the business		√	√
Achieve ART operating profit and review of ART strategy		N/A	√
Drive optimisation of management expenses (getting the cost base in line)		√	√
Optimise return on insurance funds and investment income		N/A	√
Treating Customers Fairly (TCF)		√	
Achieve employment equity, skills development, preferential procurement and financial inclusion targets		√	√
Review of Santam's strategy (Building a FutureFit Santam)		√	N/A

BUILDING OUR INTERNATIONAL BUSINESS SELECTIVELY

Santam is building a diversified business in emerging markets through our specialist risk and reinsurance solutions. Beyond Africa, we offer reinsurance and partner with Sanlam Emerging Markets in both India and Malaysia.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Responsibility for and approval of the summary consolidated financial statements

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the summary consolidated financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on its behalf by:

VP Khanyile
Chairman
4 March 2020

L Lambrechts

L Lambrechts
Chief executive officer

PREPARATION AND PRESENTATION OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the summary consolidated financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel.

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008 (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

M Allie
Company secretary
4 March 2020

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Opinion

The summary consolidated financial statements of Santam Limited, set out on pages 104 to 130 of the Santam 2019 Integrated report, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 4 March 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Chantel van den Heever

Registered Auditor
Cape Town

12 March 2020

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
ASSETS			
Intangible assets		**948**	885
Property and equipment		**984**	142
Investment in associates and joint ventures		**2 661**	2 927
Strategic investment – unquoted SEM target shares	**5, 6**	**1 474**	1 323
Deferred income tax		**107**	155
Deposit with cell owners		**180**	191
Cell owners' and policyholders' interest		**26**	13
Financial assets at fair value through income	**6**	**24 411**	22 454
Reinsurance assets	**7**	**6 821**	6 487
Deferred acquisition costs		**727**	619
Loans and receivables including insurance receivables	**6**	**6 237**	6 274
Current income tax assets		**16**	10
Cash and cash equivalents		**4 642**	3 618
Total assets		**49 234**	45 098
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(482)**	(467)
Other reserves		**(405)**	(90)
Distributable reserves		**10 326**	9 311
		9 542	8 857
Non-controlling interest		**521**	508
Total equity		**10 063**	9 365
LIABILITIES			
Deferred income tax		**78**	81
Cell owners' and policyholders' interest		**3 964**	3 343
Reinsurance liability relating to cell owners		**180**	191
Financial liabilities at fair value through income			
Debt securities	**6**	**2 080**	2 072
Investment contracts	**6**	**1 618**	1 528
Derivatives	**6**	**–**	4
Lease liabilities	**13**	**978**	–
Financial liabilities at amortised cost			
Repo liability		**785**	759
Collateral guarantee contracts		**120**	158
Insurance liabilities	**7**	**23 207**	20 662
Deferred reinsurance acquisition revenue		**489**	487
Provisions for other liabilities and charges		**123**	162
Trade and other payables including insurance payables	**6**	**5 280**	5 922
Current income tax liabilities		**269**	364
Total liabilities		**39 171**	35 733
Total shareholders' equity and liabilities		**49 234**	45 098

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2019 R million	Restated Audited Year ended 31 December 2018 R million	Change
Gross written premium		**35 852**	33 109	8%
Less: reinsurance written premium		**10 720**	9 041	
Net written premium		**25 132**	24 068	4%
Less: change in unearned premium				
Gross amount		**1 494**	2 019	
Reinsurers' share		**(588)**	(763)	
Net insurance premium revenue		**24 226**	22 812	6%
Interest income on amortised cost instruments	8	**186**	91	
Interest income on fair value through income instruments	8	**1 580**	1 497	
Other investment income	8	**288**	523	
Income from reinsurance contracts ceded		**1 995**	1 889	
Net gains/(losses) on financial assets and liabilities at fair value through income	8	**321**	(428)	
Other income		**271**	246	
Net income		**28 867**	26 630	8%
Insurance claims and loss adjustment expenses		**19 894**	18 442	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(4 813)**	(4 615)	
Net insurance benefits and claims		**15 081**	13 827	9%
Expenses for the acquisition of insurance contracts		**4 878**	4 524	
Expenses for marketing and administration		**4 536**	4 465	
Expenses for investment-related activities		**70**	67	
Amortisation of intangible assets		**79**	69	
Impairment of loans		**–**	5	
Investment return allocated to cell owners and structured insurance products		**614**	179	
Total expenses		**25 258**	23 136	9%
Results of operating activities		**3 609**	3 494	3%
Finance costs		**(368)**	(331)	
Net (loss)/income from associates and joint ventures		**(42)**	291	
Profit on sale of associates	10	**–**	40	
Loss on dilution of associate	10	**–**	(88)	
Reclassification of foreign currency translation reserve on dilution of associate	10	**–**	19	
Impairment of associates and joint ventures		**(4)**	(12)	
Income tax recovered from cell owners and structured insurance products	9	**280**	106	
Profit before tax		**3 475**	3 519	(1%)
Tax expense allocated to shareholders	9	**(874)**	(884)	
Tax expense allocated to cell owners and structured insurance products		**(280)**	(106)	
Total tax expense		**(1 154)**	(990)	17%
Profit for the year		**2 321**	2 529	(8%)
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		**(315)**	143	
Reclassification of foreign currency translation reserve on dilution of associate		**–**	(19)	
Hedging reserve release	10	**–**	(46)	
Hedging reserve movement	10	**–**	46	
Total comprehensive income for the year		**2 006**	2 653	(24%)
Profit attributable to:				
– equity holders of the company		**2 199**	2 427	(9%)
– non-controlling interest		**122**	102	20%
		2 321	2 529	
Total comprehensive income attributable to:				
– equity holders of the company		**1 884**	2 551	(26%)
– non-controlling interest		**122**	102	20%
		2 006	2 653	
Earnings attributable to equity shareholders				
Earnings per share (cents)	11			
Basic earnings per share		**1 990**	2 198	(9%)
Diluted earnings per share		**1 978**	2 182	(9%)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2018	**103**	**(470)**	**(214)**	**7 999**	**7 418**	**506**	**7 924**
Profit for the year	–	–	–	2 427	**2 427**	102	**2 529**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	143	–	**143**	–	**143**
Reclassification of foreign currency translation reserve on dilution of associate	–	–	(19)	–	**(19)**	–	**(19)**
Hedging reserve release	–	–	(46)	–	**(46)**	–	**(46)**
Hedging reserve movement	–	–	46	–	**46**	–	**46**
Total comprehensive income for the year ended 31 December 2018	**–**	**–**	**124**	**2 427**	**2 551**	**102**	**2 653**
Issue of treasury shares in terms of share option schemes	–	94	–	(94)	**–**	–	**–**
Purchase of treasury shares	–	(91)	–	–	**(91)**	–	**(91)**
Share-based payment costs	–	–	–	65	**65**	–	**65**
Dividends paid	–	–	–	(1 086)	**(1 086)**	(100)	**(1 186)**
Balance as at 31 December 2018	**103**	**(467)**	**(90)**	**9 311**	**8 857**	**508**	**9 365**
Profit for the year	–	–	–	2 199	**2 199**	122	**2 321**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	(315)	–	**(315)**	–	**(315)**
Total comprehensive income for the year ended 31 December 2019	**–**	**–**	**(315)**	**2 199**	**1 884**	**122**	**2 006**
Issue of treasury shares in terms of share option schemes	–	91	–	(91)	**–**	–	**–**
Purchase of treasury shares	–	(106)	–	–	**(106)**	–	**(106)**
Share-based payment costs	–	–	–	85	**85**	–	**85**
Share of associates' other movements in retained earnings	–	–	–	(7)	**(7)**	–	**(7)**
Dividends paid	–	–	–	(1 171)	**(1 171)**	(109)	**(1 280)**
Balance as at 31 December 2019	**103**	**(482)**	**(405)**	**10 326**	**9 542**	**521**	**10 063**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2019 R million	Audited Year ended 31 December 2018 R million
Cash flows from operating activities			
Cash generated from operations		**5 831**	5 461
Interest paid		**(339)**	(322)
Income tax paid		**(955)**	(785)
Acquisition of financial assets		**(24 169)**	(19 025)
Proceeds from sale of financial assets		**22 529**	15 807
Net cash from operating activities		**2 897**	1 136
Cash flows from investing activities			
Acquisition of financial assets		**(913)**	(909)
Proceeds from sale of financial assets		**958**	1 166
Acquisition of subsidiaries, net of cash acquired	**10**	**(48)**	(86)
Purchases of equipment		**(53)**	(62)
Purchases of intangible assets		**(67)**	(27)
Proceeds from sale of equipment and intangible assets		**–**	3
Acquisition of associates and joint ventures	**10**	**–**	(923)
Capitalisation of associates	**10**	**(158)**	(15)
Proceeds from sale of associates	**10**	**–**	168
Net cash used in investing activities		**(281)**	(685)
Cash flows from financing activities			
Purchase of treasury shares		**(106)**	(91)
Payment of principal element of lease liabilities		**(173)**	–
Dividends paid to company's shareholders		**(1 171)**	(1 086)
Dividends paid to non-controlling interest		**(109)**	(100)
Net cash used in financing activities		**(1 559)**	(1 277)
Net increase/(decrease) in cash and cash equivalents		**1 057**	(826)
Cash and cash equivalents at beginning of year		**3 618**	4 321
Exchange (losses)/gains on cash and cash equivalents		**(33)**	123
Cash and cash equivalents at end of year		**4 642**	3 618

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2019:
- IFRS 16 – *Leases*
- Amendments to IAS 28 – *Investments in Associates and Joint Ventures*
- Annual improvements 2015 – 2017 cycle
- IFRIC 23 – *Uncertainty over Income Tax Treatments*

Standards effective in 2019

Except for IFRS 16, no material impact on the summary consolidated financial statements was identified. Refer to note 13 for detail on adoption of IFRS 16.

Standards not yet effective in 2019

The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective, management expects IFRS 17 to have a future impact on the group.

IFRS 17 *INSURANCE CONTRACTS*

IFRS 17 *Insurance Contracts* (effective 1 January 2022 (subject to the International Accounting Standards Board (IASB)'s due process)) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:
- Liability measurement;
- Data requirements;
- Operations and the underlying systems; and
- Management reporting.

The group is currently facilitating the transition to IFRS 17 by preparing accounting policies, actuarial methodologies and disclosure requirements that are in line with the requirements of the standard. These policies, methodologies and disclosures will be consistently applied throughout the group to ensure a seamless transition. The group's assessment of the requirements of the standard against current data, processes and valuation models is largely complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Customisations to the acquired integrated system of software that will be used to perform IFRS 17 calculations and related build activities as well as the data acquisition process are tracking in line with the group-wide programme plan.

December 2018 restatement

The December 2018 consolidated statement of comprehensive income was restated as a result of an incorrect allocation between interest income and fair value gains/losses on financial assets of R708 million.

	December 2018 Published R million	Restatement R million	December 2018 Restated R million
Interest income on fair value through income instruments	2 205	(708)	1 497
Net gains/(losses) on financial assets and liabilities at fair value through income	(1 136)	708	(428)

The restatement has no impact on net income, profit after tax, earnings per share or headline earnings per share. It also has no impact on the statements of financial position, changes in equity or cash flows.

3. ESTIMATES

The preparation of summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2019. There have been no changes since 31 December 2018.

4. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The summary consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2019.

There have been no material changes to the risk management policies since 31 December 2018.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

INSURANCE ACTIVITIES:

The group presents its insurance results in the following segments:
- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), credit insurance written by Santam Structured Insurance (SSI), Santam re and MiWay;
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq and SSI; and
- Santam's share of the insurance results of the Sanlam Emerging Markets general insurance businesses (SEM) and SAN JV (Saham).

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Growth is measured for SEM general insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and Saham insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. It is also included as reconciling items in order to reconcile to the summary consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV (Saham).

Insurance business denominated in foreign currencies is covered by foreign denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

INVESTMENT ACTIVITIES:

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income. Revenue is earned from the various investment portfolios managed in the form of interest, dividend and fair value gains or losses, as well as income from associates and joint ventures that are not considered to be strategic investments.

ALL ACTIVITIES:

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

The Santam BEE transaction costs are unrelated to the core underwriting and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets and liabilities is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures and SEM target shares.

During the current year, the segmental disclosure has been adjusted as follows:
- Detail regarding conventional insurance business has been removed from the main table and is included as a subsection.
- The presentation of ART results has been changed to better reflect the management view of the business, due to the fact that the majority of the shareholder's share of profit relates to income from clients and not underwriting results.
- Further information has been provided in relation to the key income statement line items for SAN JV (Saham) as this better reflects how management reviews the results. Previously, results from reinsurance business for SAN JV (Saham) was disclosed separately, but as it relates only to general insurance business and not life business, it has been included with the general insurance business as these businesses are managed together.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report

For the year ended 31 December 2019

Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SEM and SAN JV R million	Total R million
Revenue	**29 725**	**6 127**	**2 771**	**38 623**
External	29 487	6 127	2 771	**38 385**
Intersegment[5]	238	–	–	**238**
Operating result before non-controlling interest and tax[1]	**2 400**	**171**	**495**	**3 066**
Reallocation of operating result	–	–	(495)	**(495)**
Investment income net of investment-related fees	–	614	257	**871**
Investment return allocated to cell owners and structured insurance products	–	(614)	–	**(614)**
Finance costs[2]	–	–	–	**–**
Income from associates and joint ventures including impairment	–	–	(89)	**(89)**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[3]	(34)	(1)	–	**(35)**
Income tax recovered from cell owners and structured insurance products	–	280	–	**280**
Profit before tax	**2 366**	**450**	**168**	**2 984**

[1] *Includes depreciation of R208 million for conventional insurance and R15 million for ART.*
[2] *Finance costs relating to lease liabilities have been included in management expenses.*
[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R12 million has been included in operating result.*
[4] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes, the reallocation of investment revenue for IFRS purposes as well as the elimination of intersegmental revenue.*
[5] *Intersegment revenue includes revenue earned from Santam's share of SEM and SAN JV segment.*

For the year ended 31 December 2018 (Restated)

Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SEM and SAN JV R million	Total R million
Revenue	**27 711**	**5 398**	**2 547**	**35 656**
External	27 711	5 398	2 547	**35 656**
Operating result before non-controlling interest and tax	**2 596**	**96**	**287**	**2 979**
Reallocation of operating result	–	–	(287)	**(287)**
Investment income net of investment-related fees	–	179	234	**413**
Investment return allocated to cell owners and structured insurance products	–	(179)	–	**(179)**
Finance costs	–	–	–	**–**
Income from associates and joint ventures including profit on sale and impairment	–	–	266	**266**
Loss on dilution of associate	–	–	(88)	**(88)**
Reclassification of foreign currency translation reserve on dilution of associate	–	–	19	**19**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[1]	(23)	(1)	–	**(24)**
Impairment of loans	(5)	–	–	**(5)**
Income tax recovered from cell owners and structured insurance products	–	106	–	**106**
Profit before tax	**2 568**	**201**	**431**	**3 200**

[1] *Amortisation of computer software included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R36 million has been included in operating result.*
[2] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes, the reallocation of investment revenue for IFRS purposes as well as the elimination of intersegmental revenue.*

Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
859	**39 482**	**(3 630)**	**35 852**
859	39 244	(3 630)	**35 614**
–	238	–	**238**
–	**3 066**	**(495)**	**2 571**
–	(495)	495	**–**
745	1 616	–	**1 616**
–	(614)	–	**(614)**
(294)	(294)	–	**(294)**
43	(46)	–	**(46)**
–	–	(3)	**(3)**
–	(35)	–	**(35)**
–	280	–	**280**
494	**3 478**	**(3)**	**3 475**

Investment R million	Total R million	Reconciling and unallocated[2] R million	IFRS total R million
725	**36 381**	**(3 272)**	**33 109**
725	**36 381**	(3 272)	**33 109**
–	**2 979**	**(287)**	**2 692**
–	**(287)**	287	**–**
605	**1 018**	–	**1 018**
–	**(179)**	–	**(179)**
(331)	**(331)**	–	**(331)**
53	**319**	–	**319**
–	**(88)**	–	**(88)**
–	**19**	–	**19**
–	**–**	(8)	**(8)**
–	**(24)**	–	**(24)**
–	**(5)**	–	**(5)**
–	**106**	–	**106**
327	**3 527**	**(8)**	**3 519**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

Additional information on conventional insurance activities

	31 December 2019 R million	31 December 2018 R million
Revenue	**29 725**	27 711
Net earned premium	**23 673**	22 371
Net claims incurred	**14 711**	13 499
Net commission	**2 950**	2 764
Management expenses (excluding BEE costs)[1,2]	**4 192**	4 042
Net underwriting result	**1 820**	2 066
Investment return on insurance funds	**579**	532
Net insurance result	**2 399**	2 598
Other income	**93**	187
Other expenses	**(92)**	(189)
Operating result before non-controlling interest and tax	**2 400**	2 596

[1] *Amortisation of computer software has been included in management expenses.*
[2] *Finance costs relating to lease liabilities have been included in management expenses.*

The group's conventional insurance activities are spread over various classes of general insurance.

	31 December 2019		31 December 2018	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**585**	**24**	535	82
Crop	**886**	**(87)**	729	54
Engineering	**1 601**	**312**	1 335	296
Guarantee	**246**	**(58)**	301	(69)
Liability	**1 310**	**159**	1 250	(20)
Miscellaneous	**21**	**7**	8	(1)
Motor	**13 340**	**1 201**	12 801	1 176
Property	**10 974**	**212**	10 031	519
Transportation	**762**	**50**	721	29
Total	**29 725**	**1 820**	27 711	2 066
Comprising:				
Commercial insurance	**17 117**	**928**	15 809	920
Personal insurance	**12 608**	**892**	11 902	1 146
Total	**29 725**	**1 820**	27 711	2 066

Additional information on alternative risk insurance activities

The group's alternative risk insurance activities can be analysed as follows:

	31 December 2019 R million	31 December 2018 R million
Income from clients	**331**	236
Participation in underwriting results[1]	**59**	60
	390	296
Administration expenses	**(219)**	(200)
Operating result before non-controlling interest and tax	**171**	96

[1] *This relates to Centriq Insurance and Santam Structured Insurance's selective participation in underwriting risk across the portfolios of traditional insurance business.*

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

Additional information on Santam's Share of SEM and Saham

	31 December 2019			31 December 2018		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue[1]	1 140	1 631	**2 771**	1 265	1 282	2 547
Operating result before non-controlling interest and tax	319	176	**495**	130	157	287

[1] *In 2019 Revenue includes Gross written premium for general insurance businesses*

Additional information for Santam's share of SEM

	2019[1] R million	2018 R million
Revenue	**1 140**	1 265
Net earned premiums	**879**	923
Net claims	**510**	679
Net commission	**36**	49
Management expenses (excluding BBE costs)	**218**	248
Net underwriting results	**115**	(53)
Investment return on insurance funds	**204**	183
Operating result before non-controlling interest and tax	**319**	130

[1] *On 1 January 2019 Santam decreased it's effective holding in the SEM African target shares to 10%.*

Additional information for Saham's general and reinsurance (100%)

	2019[1] R million	2018 R million
Revenue	**16 310**	14 466
Net earned premiums	**12 248**	10 666
Net claims	**7 757**	6 559
Net commission	**1 617**	1 295
Management expenses (excluding BBE costs)	**2 634**	2 370
Net underwriting results[1]	**240**	442
Investment return on insurance funds	**1 454**	860
Operating result before non-controlling interest and tax	**1 694**	1 302

[1] *The 2019 values include the allocation of SEM group costs to the GI portfolio, the 2018 values do not. Excluding the SEM group cost allocation, the 2019 underwriting margin is 2.8% for the Saham group.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

Additional information for Saham

ANALYSIS OF SAHAM (100%)

	Life business		General insurance[1]		Consolidation and other[2]		Saham total	
	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million
Financial service income	**1 229**	1 038	**14 085**	12 121	**283**	–	**15 597**	13 159
Long-term insurance contracts	**1 139**	987	**–**	–	**–**	–	**1 139**	987
General insurance contracts	**–**	–	**12 248**	10 666	**–**	–	**12 248**	10 666
Investment return on insurance funds	**70**	14	**1 454**	860	**–**	–	**1 524**	874
Other	**20**	37	**383**	595	**283**	–	**686**	632
Sales remuneration	**(212)**	(176)	**(1 617)**	(1 295)	**–**	–	**(1 829)**	(1 471)
Underwriting policy benefits	**(376)**	(553)	**(7 757)**	(6 559)	**–**	–	**(8 133)**	(7 112)
Administration cost	**(468)**	(369)	**(2 947)**	(2 699)	**(460)**	(153)	**(3 875)**	(3 221)
Gross results from Financial services	**173**	(60)	**1 764**	1 568	**(177)**	(153)	**1 760**	1 355
Tax	**(61)**	6	**(504)**	(306)	**17**	15	**(548)**	(285)
Profit after tax	**112**	(54)	**1 260**	1 262	**(160)**	(138)	**1 212**	1 070
Non-controlling interest	**(38)**	24	**(354)**	(338)	**(6)**	(10)	**(398)**	(324)
Net results from financial services	**74**	(30)	**906**	924	**(166)**	(148)	**814**	746
Net investment return on shareholders' funds	**(101)**	42	**(108)**	(4)	**(2)**	(26)	**(211)**	12
Amortisation of intangibles	**(5)**	(7)	**(24)**	(34)	**(10)**	(15)	**(39)**	(56)
Foreign currency translation differences	**–**	(1)	**(76)**	(100)	**(40)**	(23)	**(116)**	(124)
Attributable earnings[3]	**(32)**	4	**698**	786	**(218)**	(212)	**448**	578

[1] General insurance includes the following lines of business: general insurance, health, property, reinsurance and Elite.
[2] Consolidation and other includes the following: central corporate costs, withholding tax incurred by holdings companies in the structure, Netis Group.
[3] This excludes amortisation of R420 million and impairments of R798 million at a consolidated level.

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

Additional information on Investment activities

The group's return on investment-related activities can be analysed as follows:

	31 December 2019 R million	31 December 2018 R million
Investment income	**724**	895
Net gains/(losses) on financial assets and liabilities at fair value through income	**91**	(223)
Income from associates and joint ventures	**43**	53
Investment-related revenue	**858**	725
Expenses for investment-related activities	**(70)**	(67)
Finance costs	**(294)**	(331)
Net total investment-related transactions	**494**	327

For a detailed analysis of investment activities, refer to notes 6 and 8.

5.2 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million
South Africa	**31 986**	29 742	**2 269**	1 109
Rest of Africa[1]	**3 701**	3 684	**2 414**	3 109
Southeast Asia, India and Middle East	**2 633**	1 969	**1 384**	1 059
Other	**303**	261	**–**	–
	38 623	35 656	**6 067**	5 277
Reconciling items[2]	**(2 771)**	(2 547)	**–**	–
Group total	**35 852**	33 109	**6 067**	5 277

[1] Includes gross written premium relating to Namibia of R1 044 million (Dec 2018: R1 110 million).
[2] Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES)

The group's financial assets and liabilities including insurance receivables and payables are summarised below by measurement category.

	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
Financial assets		
Strategic investment – unquoted SEM target shares	**1 474**	1 323
Financial assets at fair value through income	**24 411**	22 454
	25 885	23 777
Expected to be realised after 12 months	**20 094**	17 400
Expected to be realised within 12 months	**5 791**	6 377
Loans and receivables including insurance receivables	**6 237**	6 274
Receivables arising from insurance and reinsurance contracts	**5 118**	5 168
Loans and receivables excluding insurance receivables	**1 119**	1 106
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	**3 698**	3 604
Expected to be settled after 12 months	**3 590**	3 528
Expected to be settled within 12 months	**108**	76
Trade and other payables including insurance payables	**5 280**	5 922
Payables arising from insurance and reinsurance contracts	**3 044**	3 952
Trade and other payables excluding insurance payables	**2 236**	1 970

Trade and other payables including insurance payables are expected to be settled within 12 months.

Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2018. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments is determined as follows:
  - Quoted equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unquoted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Quoted debt securities are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.[1]
  - Unquoted debt securities are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Quoted unitised investments with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Quoted unitised investments with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.[1]
  - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior year.[2]

[1] These investments are classified as level 2 as the markets that they trade on are not considered to be active.
[2] The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

Audited at 31 December 2019	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 419	–	–	**2 419**
Irredeemable preference shares	1	–	–	**1**
Unquoted	–	4	1 553	**1 557**
Total equity securities	**2 420**	**4**	**1 553**	**3 977**
Debt securities				
Quoted				
Government and other bonds	–	4 276	–	**4 276**
Collateralised securities	–	315	–	**315**
Money market instruments more than one year	–	3 338	–	**3 338**
Unquoted				
Government and other bonds	–	922	–	**922**
Money market instruments more than one year	–	5 517	–	**5 517**
Redeemable preference shares	–	70	60	**130**
Total debt securities	**–**	**14 438**	**60**	**14 498**
Unitised investments				
Quoted				
Underlying equity securities	–	697	–	**697**
Underlying debt securities	–	3 783	–	**3 783**
Total unitised investments	**–**	**4 480**	**–**	**4 480**
Derivatives				
Interest rate swaps[1]	–	–	–	**–**
Exchange traded futures	–	1	–	**1**
Foreign currency collar	–	34	–	**34**
Total derivative instruments	**–**	**35**	**–**	**35**
Short-term money market instruments	**–**	**2 895**	**–**	**2 895**
Total financial assets at fair value through income	**2 420**	**21 852**	**1 613**	**25 885**

[1] Carrying value as at 31 December 2019 is less than R1 million.

Financial liabilities at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	–	2 080	–	**2 080**
Investment contracts	–	1 618	–	**1 618**
Total financial liabilities at fair value through income	**–**	**3 698**	**–**	**3 698**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

Audited at 31 December 2018	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 377	–	–	2 377
Irredeemable preference shares	1	–	–	1
Unquoted	–	28	1 390	1 418
Total equity securities	**2 378**	**28**	**1 390**	**3 796**
Debt securities				
Quoted				
Government and other bonds	–	4 750	–	4 750
Collateralised securities	–	370	–	370
Money market instruments more than one year	–	3 343	–	3 344
Unquoted				
Government and other bonds	–	292	–	292
Money market instruments more than one year	–	5 026	–	5 025
Redeemable preference shares	–	70	61	131
Total debt securities	**–**	**13 851**	**61**	**13 912**
Unitised investments				
Quoted				
Underlying equity securities	–	615	–	615
Underlying debt securities	–	2 501	–	2 501
Total unitised investments	**–**	**3 116**	**–**	**3 116**
Derivatives				
Exchange-traded futures	–	25	–	25
Interest rate swaps[1]	–	–	–	–
Total derivative instruments	**–**	**25**	**–**	**25**
Short-term money market instruments	**–**	**2 928**	**–**	**2 928**
Total financial assets at fair value through income	**2 378**	**19 948**	**1 451**	**23 777**

[1] Carrying value as at 31 December 2018 is less than R1 million.

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial liabilities at fair value through income				
Debt securities	–	2 072	–	2 072
Investment contracts	–	1 528	–	1 528
Derivative instruments				
Exchange traded futures	–	4	–	4
Total derivative instruments	**–**	**4**	**–**	**4**
Total financial liabilities at fair value through income	**–**	**3 604**	**–**	**3 604**

The following table presents the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Total R million
31 December 2019 (audited)			
Opening balance	1 390	61	**1 451**
Acquisitions	18	–	**18**
Settlements	(114)	–	**(114)**
Gains/(losses) recognised in profit or loss	259	(1)	**258**
Closing balance	**1 553**	**60**	**1 613**
31 December 2018 (audited)			
Opening balance	1 143	25	**1 168**
Acquisitions	12	36	**48**
Gains recognised in profit or loss	235	–	**235**
Closing balance	**1 390**	**61**	**1 451**

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM).

Of the R259 million gain (Dec 2018: R235 million gain) recognised on equity securities, a R256 million gain (Dec 2018: R234 million gain) relates to the SEM target shares, of which R82 million (Dec 2018: R104 million) relates to foreign exchange losses (Dec 2018: gains), and R338 million to an increase (Dec 2018: R130 million) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of Shriram General Insurance Company Ltd (SGI) of R436 million (excluding the impact of exchange rate movements) was mainly attributable to improved net insurance results and an official reduction in the Indian corporate tax rate. Despite positive momentum at June 2019, Pacific & Orient Insurance Co. Berhad (P&O) experienced growth pressure during the second half of the year which had a negative impact on the valuation of R53 million (excluding foreign exchange movements).

Santam's economic participation via the SEM African target share portfolio was amended to reduce the participation percentage from 35% to 10%. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value.

The fair value of the SEM target shares is determined using predominantly DCF models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant assumptions used in these DCF models are the discount rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares valued by way of DCF models would decrease by R259 million (Dec 2018: R146 million) or increase by R453 million (Dec 2018: R229 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R138 million (Dec 2018: R106 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R116 million (Dec 2018: R81 million) or decrease by R116 million (Dec 2018: R82 million), respectively. The remaining target shares are mostly impacted by changes in exchange rates.

At 31 December 2019, the group had exchange-traded futures with an exposure value of R386 million (Dec 2018: R459 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2019 of R69 million (Dec 2018: R38 million) and R69 million (Dec 2018: R38 million) respectively.

During April 2016, the company issued unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007, redeemed in September 2017. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

On 10 September 2018 Santam entered into a foreign currency collar against the US dollar. As at 31 December 2018, the instrument's valuation amounted to R24.8 million. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R36.5 million. On 12 June 2019 Santam entered into another foreign currency collar against the US dollar. The collar unwound on 27 December 2019 resulting in a profit of R5 million.

A further foreign currency collar on R500 million worth of US dollar exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the US dollar. The collar will expire on 19 May 2020.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**37**	32
– claims incurred but not reported	**45**	41
General insurance contracts		
– claims reported and loss adjustment expenses	**9 171**	8 465
– claims incurred but not reported	**3 064**	2 868
– unearned premiums	**10 890**	9 256
Total gross insurance liabilities	**23 207**	20 662
Expected to be settled after 12 months	**2 353**	2 339
Expected to be settled within 12 months	**20 854**	18 323
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**10**	14
– claims incurred but not reported	**13**	10
General insurance contracts		
– claims reported and loss adjustment expenses	**4 297**	4 138
– claims incurred but not reported	**699**	667
– unearned premiums	**1 802**	1 658
Total reinsurers' share of insurance liabilities	**6 821**	6 487
Expected to be recovered after 12 months	**521**	505
Expected to be recovered within 12 months	**6 300**	5 982
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**27**	18
– claims incurred but not reported	**32**	31
General insurance contracts		
– claims reported and loss adjustment expenses	**4 874**	4 327
– claims incurred but not reported	**2 365**	2 201
– unearned premiums	**9 088**	7 598
Total net insurance liabilities	**16 386**	14 175

8. INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES

	Audited Year ended 31 December 2019 R million	Restated Audited Year ended 31 December 2018 R million
Investment income	**2 054**	2 111
Interest income derived from	**1 766**	1 588
Financial assets measured at amortised cost	**186**	91
Financial assets mandatorily measured at fair value through income	**1 580**	1 497
Other investment income	**288**	523
Dividend income	**291**	147
Foreign exchange differences	**(3)**	376
Net gains/(losses) on financial assets and liabilities at fair value through income	**321**	(428)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**468**	(463)
Net realised gains on financial assets excluding derivative instruments	**58**	377
Net fair value gains/(losses) on financial assets excluding derivative instruments	**358**	(863)
Net realised/fair value gains on derivative instruments	**52**	23
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(147)**	35
Net fair value losses on debt securities	**(8)**	(16)
Net realised (losses)/gains on investment contracts	**(139)**	51
	2 375	1 683

9. INCOME TAX

Normal taxation		
Current year	**1 043**	980
Prior year	**20**	(3)
Other taxes	**2**	12
Foreign taxation – current year	**74**	71
Total income taxation for the year	**1 139**	1 060
Deferred taxation		
Current year	**25**	(70)
Prior year	**(10)**	–
Total deferred taxation for the year	**15**	(70)
Total taxation as per statement of comprehensive income	**1 154**	990
Income tax recovered from cell owners and structured insurance products	**(280)**	(106)
Total tax expense attributable to shareholders	**874**	884
Profit before taxation per statement of comprehensive income	**3 475**	3 519
Adjustment for income tax recovered from cell owners and structured insurance products	**(280)**	(106)
Total profit before tax attributable to shareholders	**3 195**	3 413
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.4**	0.1
Foreign tax differential	**0.1**	0.8
Exempt income	**(2.1)**	(0.8)
Investment results	**–**	0.1
Income from associates and joint ventures	**0.4**	(1.8)
Previous year's underprovision/(overprovision)	**0.4**	(0.1)
Other permanent differences	**0.2**	(0.8)
Other taxes	**–**	0.4
Net reduction	**(0.6)**	(2.1)
Effective rate (%)	**27.4**	**25.9**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

10. CORPORATE TRANSACTIONS

For the year ended 31 December 2019

Acquisitions

VANTAGE INSURANCE ACCEPTANCES (PTY) LTD

On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million, including contingent payments estimated at R6 million. Goodwill raised relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	9
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(2)
Trade and other payables including insurance payables	(5)
Net asset value acquired	9
Goodwill	22
Future contingent consideration payable	(6)
Purchase consideration paid	25

XS Sure (Pty) Ltd

On 1 March 2019, the Santam group acquired a shareholding of 100% in XS Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	18
Financial assets at fair value through income	14
Loans and receivables including insurance receivables	3
Cash and cash equivalents	3
Deferred income tax	(8)
Insurance liabilities	(2)
Trade and other payables including insurance payables	(5)
Current tax liabilities	(1)
Net asset value acquired	22
Goodwill	14
Future contingent consideration payable	(6)
Purchase consideration paid	30

SAN JV (RF) (Pty) Ltd

During May 2019, as well as November 2019, pro rata funding took place in terms of which Santam injected a further total of R158 million into SAN JV (RF) (Pty) Ltd.

For the year ended 31 December 2018

Acquisitions

SAN JV (RF) (PTY) LTD

Effective 9 October 2018, SEM and Santam, through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 53.3% interest in Saham Finances for USD1 045 million. Santam's share of the purchase price, including transaction costs, was USD64 million (R957 million), before applying hedge accounting. Santam's interest in SAN JV therefore diluted to 10% (previously 15%) due to limited participation in this transaction. As part of this transaction, a cash flow hedge was implemented to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R46 million recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. As a result of the dilution, R19 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. A loss on dilution of R88 million was also recognised.

PROFESSIONAL PROVIDENT SOCIETY SHORT-TERM INSURANCE COMPANY LTD (PPS)

During March, June and September 2018, pro rata recapitalisations took place in terms of which Santam injected a further total of R15 million into the company.

CTRL INVESTMENT HOLDINGS (PTY) LTD

On 30 November 2018, Santam subscribed for a 25% equity stake in Ctrl Investment Holdings (Pty) Ltd for an amount of R12.5 million.

SNYMAN EN VAN DER VYVER FINANSIËLE DIENSTE (PTY) LTD GROUP (RESTATED)

During November 2018, the Santam group acquired a shareholding of 100% in Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd for R90 million in cash. Due to the limited time available to perform a purchase price allocation a provisional allocation to goodwill was recorded based on the IFRS historical cost values. Subsequent to 31 December 2018, the purchase price allocation was completed. The following information has been restated. Goodwill relates to synergies expected to be received.

10. CORPORATE TRANSACTIONS (continued)

	R million
Details of the assets and liabilities acquired are as follows:	
Property and equipment	1
Intangible assets	43
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(12)
Trade and other payables including insurance payables	(3)
Current income tax liabilities	(3)
Net asset value acquired	33
Goodwill	57
Purchase consideration paid	90

Disposals

PROFESSIONAL PROVIDENT SOCIETY SHORT-TERM INSURANCE COMPANY LTD (PPS)

During December 2018, the group sold its 49% shareholding in Professional Provident Society Short-term Insurance Company Ltd for R114 million. The net profit realised was R40 million and capital gains tax of R3 million was recognised.

WESTERN GROUP HOLDINGS LTD

On 31 October 2018, Santam restructured its investment in the Western Group. Santam effectively sold its 40% shareholding in Western Group Holdings Ltd and received a cash component of R54 million as well as 40% shareholding of R215 million in Western National Insurance Ltd. An immaterial profit was recognised on the disposal. Santam Ltd recognised capital gains tax of R10 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

	Audited Year ended 31 December 2019	Audited Year ended 31 December 2018
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**2 199**	2 427
Weighted average number of ordinary shares in issue (million)	**110.48**	110.41
Earnings per share (cents)	**1 990**	2 198
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**2 199**	2 427
Weighted average number of ordinary shares in issue (million)	**110.48**	110.41
Adjusted for share options	**0.70**	0.82
Weighted average number of ordinary shares for diluted earnings per share (million)	**111.18**	111.23
Diluted basic earnings per share (cents)	**1 978**	2 182
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**2 199**	2 427
Adjusted for:		
Impairment of goodwill and other intangible assets	**3**	–
Impairment of associates and joint ventures	**4**	12
Reclassification of foreign currency translation reserve on dilution of associate	**–**	(19)
Loss on dilution of associate	**–**	88
Profit on sale of associates	**–**	(40)
Tax charge on profit on sale of associates	**–**	13
Share of associates' profit on deemed disposal of associate	**–**	(164)
Share of associates' impairment of goodwill	**80**	–
Headline earnings (R million)	**2 286**	2 317
Weighted average number of ordinary shares in issue (million)	**110.48**	110.41
Headline earnings per share (cents)	**2 069**	2 099
Diluted headline earnings per share		
Headline earnings (R million)	**2 286**	2 317
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**111.18**	111.23
Diluted headline earnings per share (cents)	**2 056**	2 084

12. DIVIDEND PER SHARE

Dividend per share (cents)	**1 110**	1 028

13. CHANGE IN ACCOUNTING POLICY

IFRS 16 *Leases*

IFRS 16 *Leases* (effective 1 January 2019) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals, are recognised. (The asset is included in Property and equipment, and the liability to pay rentals is disclosed separately as Lease liabilities.) The only exemption, which the group chose to apply, is low-value leases, being individual leases which are valued at less than R65 000 (relating to office furniture and equipment). There were no material short-term leases. The accounting for lessors did not significantly change. The group, who is only a lessee, applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment in the opening statement of financial position on 1 January 2019, with no restatement of comparative information and no impact on opening retained earnings. As at 31 December 2018, the group had non-cancellable operating lease commitments of R1 331 million (restated – refer below). The majority of these commitments resulted in recognition of an asset and a liability for future payments.

For leases which had previously been classified as operating leases under IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9%.

	2019[2] R million
Operating lease commitments as at 31 December 2018 as published	**1 795**
Add: lease contracts related to parking linked to head office building[1]	**294**
Less: contracts reassessed as service agreements[1]	**(758)**
Restated operating lease commitments as at 31 December 2018	**1 331**
Discounted using incremental borrowing rate on 1 January 2019	**935**
Less: low-value leases recognised on straight-line basis as expense	**(7)**
Add: adjustments as a result of different treatment of extension and termination options	**76**
Lease liability as at 1 January 2019	**1 004**
Expected to be settled after 12 months	**978**
Expected to be settled within 12 months	**26**

[1] *In prior years, the group incorrectly recognised computer equipment as an operating lease commitment instead of a non-lease commitment (to the value of R758 million). This commitment related to a full complement of IT services that the group has access to. During the current year, the contract was assessed to be a service level agreement as opposed to an operating lease. There is no material impact on the statement of comprehensive income as the difference between the previously recognised straight-line lease expense does not differ materially from the service level agreement expense. The straight-line lease accrual also does not materially differ from the payable that would have been raised in terms of the service level agreement. In addition to this, certain lease contracts related to parking linked to head office buildings to the value of R294 million were omitted from the operating lease commitment note. These restatements have no impact on net income, profit after tax, earnings per share or headline earnings per share. It also has no impact on the statement of financial position, changes in equity or cash flows.*

[2] *The group presented the above reconciliation on adoption of IFRS 16 for the first time in the interim report for the period ended 30 June 2019. Revisions have been made to the disclosure made in that report. Lease contracts relating to parking amounting to R294 million is included above, but not at 30 June 2019. The discounted value of operating lease commitments of R935 million is included above, R799 million was disclosed at 30 June 2019. Low-value leases of R7 million is disclosed above, R2 million was disclosed at 30 June 2019. Adjustments as a result of lease extensions and termination options of R76 million is disclosed above, R47 million was disclosed at 30 June 2019. The resulting lease liability at 1 January 2019 of R1 004 million is disclosed above, R844 million was disclosed at 30 June 2019.*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 R million	1 January 2019 R million
Properties	**836**	**914**
Vehicles	**24**	**25**
Total	**860**	**939**

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics (mainly vehicles);
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the group relied on its assessment made applying IAS 17 and IFRIC 4.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

13. CHANGE IN ACCOUNTING POLICY (continued)

Impact on statement of financial position

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019 as follows:

	Before R million	Change R million	After R million
Property and equipment	142	939	1 081
Lease liability	–	(1 004)	(1 004)
Trade and other payables including insurance payables	(5 922)	65	(5 857)
	(5 780)	–	(5 780)

Impact on earnings per share and cash flows

Earnings decreased by R46 million and earnings per share decreased by 42 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16. Regarding the statement of cash flows, where all cash payments of operating leases were previously included in cash generated from operations under cash flows from operating activities, the cash repayment of the principal portion of the lease liabilities will be included in principal element of lease liabilities in cash flows from financing activities and the cash payment of the interest portion will be presented in interest paid under cash flows from operating activities.

Impact on segmental report

Non-current assets increased as a result of the adoption of IFRS 16 as follows as at 31 December 2019:

	R million
South Africa	843
Rest of Africa	17
Southeast Asia, India and Middle East	–
Other	–
	860

Accounting policy for leasing activities

Agreements where the counterparty retains control of the underlying asset are classified as leases.

The group leases various offices, motor vehicles and office equipment. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, amongst others, the remaining term of the original lease, refurbishments, changing technology and cost saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

The incremental borrowing rate for Santam Ltd uses the Santam bonds' borrowing rate as starting point, while all subsidiaries use a rate at which borrowings can be obtained by them commercially. The rate is then adjusted based on factors relating to the specific lease and underlying asset, including but not limited to, the term of the borrowing, the property yield (for property) and the ability to provide security for the purchase of the specific asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

14. EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relate mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

15.1 Analysis of policyholder/shareholder statement of financial position

	Group Audited at 31 December 2019 R million	Shareholder Audited at 31 December 2019 R million	Policyholder/ cellholder Audited at 31 December 2019 R million
ASSETS			
Intangible assets	**948**	**948**	**–**
Property and equipment	**984**	**984**	**–**
Investment in associates and joint ventures	**2 661**	**2 661**	**–**
Strategic investment – unquoted SEM target shares	**1 474**	**1 474**	**–**
Deferred income tax	**107**	**95**	**12**
Deposit with cell owner	**180**	**–**	**180**
Cell owners' and policyholders' interest	**26**	**–**	**26**
Financial assets at fair value through income	**24 411**	**13 116**	**11 295**
Reinsurance assets	**6 821**	**6 125**	**696**
Deferred acquisition costs	**727**	**649**	**78**
Loans and receivables including insurance receivables	**6 237**	**3 970**	**2 267**
Current income tax assets	**16**	**15**	**1**
Cash and cash equivalents	**4 642**	**3 345**	**1 297**
Total assets	**49 234**	**33 382**	**15 852**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	**103**	**103**	**–**
Treasury shares	**(482)**	**(482)**	**–**
Other reserves	**(405)**	**(405)**	**–**
Distributable reserves	**10 326**	**10 326**	**–**
	9 542	**9 542**	**–**
Non-controlling interest	**521**	**521**	**–**
Total equity	**10 063**	**10 063**	**–**
LIABILITIES			
Deferred income tax	**78**	**80**	**(2)**
Cell owners' and policyholders' interest	**3 964**	**–**	**3 964**
Reinsurance liability relating to cell owners	**180**	**–**	**180**
Financial liabilities at fair value through income			
Debt securities	**2 080**	**2 080**	**–**
Investment contracts	**1 618**	**–**	**1 618**
Financial liabilities at amortised cost			
Repo liability	**785**	**–**	**785**
Collateral guarantee contracts	**120**	**–**	**120**
Lease liability	**978**	**978**	**–**
Insurance liabilities	**23 207**	**15 080**	**8 127**
Deferred reinsurance acquisition revenue	**489**	**419**	**70**
Provisions for other liabilities and charges	**123**	**123**	**–**
Trade and other payables including insurance payables	**5 280**	**4 298**	**982**
Current income tax liabilities	**269**	**261**	**8**
Total liabilities	**39 171**	**23 319**	**15 852**
Total shareholders' equity and liabilities	**49 234**	**33 382**	**15 852**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.1 Analysis of policyholder/shareholder statement of financial position (continued)

	Group Audited at 31 December 2018 R million	Shareholder Audited at 31 December 2018 R million	Policyholder/ cellholder Audited at 31 December 2018 R million
ASSETS			
Intangible assets	885	885	–
Property and equipment	142	142	–
Investment in associates and joint ventures	2 927	2 927	–
Strategic investment – unquoted SEM target shares	1 323	1 323	–
Deferred income tax	155	152	3
Deposit with cell owner	191	–	191
Cell owners' and policyholders' interest	13	–	13
Financial assets at fair value through income	22 454	12 567	9 887
Reinsurance assets	6 487	6 032	455
Deferred acquisition costs	619	580	39
Loans and receivables including insurance receivables	6 274	4 407	1 867
Current income tax assets	10	10	–
Cash and cash equivalents	3 618	2 573	1 045
Total assets	45 098	31 598	13 500
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(467)	(467)	–
Other reserves	(90)	(90)	–
Distributable reserves	9 311	9 311	–
	8 857	8 857	–
Non-controlling interest	508	508	–
Total equity	9 365	9 365	–
LIABILITIES			
Deferred income tax	81	87	(6)
Cell owners' and policyholders' interest	3 343	–	3 343
Reinsurance liability relating to cell owners	191	–	191
Financial liabilities at fair value through income			
Debt securities	2 072	2 072	–
Investment contracts	1 528	–	1 528
Derivatives	4	4	–
Financial liabilities at amortised cost			
Repo liability	759	–	759
Collateral guarantee contracts	158	–	158
Insurance liabilities	20 662	14 041	6 621
Deferred reinsurance acquisition revenue	487	389	98
Provisions for other liabilities and charges	162	162	–
Trade and other payables including insurance payables	5 922	5 155	767
Current income tax liabilities	364	323	41
Total liabilities	35 733	22 233	13 500
Total shareholders' equity and liabilities	45 098	31 598	13 500

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Audited Year ended 31 December 2019 R million	Shareholder Audited Year ended 31 December 2019 R million	Policyholder/ cellholder Audited Year ended 31 December 2019 R million
Gross written premium	35 852	30 049	5 803
Less: reinsurance written premium	10 720	5 923	4 797
Net written premium	25 132	24 126	1 006
Less: change in unearned premium			
Gross amount	1 494	411	1 083
Reinsurers' share	(588)	(128)	(460)
Net insurance premium revenue	24 226	23 843	383
Interest income on amortised cost instruments	186	186	–
Interest income on fair value through income instruments	1 580	916	664
Other investment income	288	243	45
Income from reinsurance contracts ceded	1 995	1 554	441
Net gains on financial assets and liabilities at fair value through income	321	356	(35)
Other income	271	271	–
Net income	28 867	27 369	1 498
Insurance claims and loss adjustment expenses	19 894	17 585	2 309
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 813)	(2 833)	(1 980)
Net insurance benefits and claims	15 081	14 752	329
Expenses for the acquisition of insurance contracts	4 878	4 409	469
Expenses for marketing and administration	4 536	4 510	26
Expenses for investment-related activities	70	70	–
Amortisation and impairment of intangible assets	79	79	–
Investment return allocated to cell owners and structured insurance products	614	–	614
Expenses	25 258	23 820	1 438
Results of operating activities	3 609	3 549	60
Finance costs	(368)	(308)	(60)
Net loss from associates and joint ventures	(42)	(42)	–
Impairment of associates and joint ventures	(4)	(4)	–
Income tax recovered from cell owners and structured insurance products	280	–	280
Profit before tax	3 475	3 195	280
Income tax expense	(1 154)	(874)	(280)
Profit for the year	2 321	2 321	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

	Group Restated Audited Year ended 31 December 2018 R million	Shareholder Restated Audited Year ended 31 December 2018 R million	Policyholder/ cellholder Restated Audited Year ended 31 December 2018 R million
Gross written premium	33 109	28 149	4 960
Less: reinsurance written premium	9 041	5 614	3 427
Net written premium	24 068	22 535	1 533
Less: change in unearned premium			
Gross amount	2 019	208	1 811
Reinsurers' share	(763)	(195)	(568)
Net insurance premium revenue	22 812	22 522	290
Interest income on amortised cost instruments	91	91	–
Interest income on fair value through income instruments	1 497	970	527
Other investment income	523	432	91
Income from reinsurance contracts ceded	1 889	1 493	396
Net losses on financial assets and liabilities at fair value through income	(428)	(30)	(398)
Other income	246	246	–
Net income	26 630	25 724	906
Insurance claims and loss adjustment expenses	18 442	16 883	1 559
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 615)	(3 348)	(1 267)
Net insurance benefits and claims	13 827	13 535	292
Expenses for the acquisition of insurance contracts	4 524	4 155	369
Expenses for marketing and administration	4 465	4 440	25
Expenses for investment-related activities	67	67	–
Amortisation and impairment of intangible assets	69	69	–
Impairment of loans	5	5	–
Investment return allocated to cell owners and structured insurance products	179	–	179
Expenses	23 136	22 271	865
Results of operating activities	3 494	3 453	41
Finance costs	(331)	(290)	(41)
Net income from associates and joint ventures	291	291	–
Profit on sale of associate	40	40	–
Loss on dilution of associate	(88)	(88)	–
Impairment of associate	(12)	(12)	–
Reclassification of foreign currency translation reserve on dilution of associate	19	19	–
Income tax recovered from cell owners and structured insurance products	106	–	106
Profit before tax	3 519	3 413	106
Income tax expense	(990)	(884)	(106)
Profit for the year	2 529	2 529	–

SUPPLEMENTARY INFORMATION

- Seven-year review
- Glossary
- About this report
- Administration

SUPPLEMENTS

SEVEN-YEAR REVIEW

		7-YEAR COMPOUND GROWTH %/ AVERAGE	2019	2018	2017	2016	2015	2014	2013
PERFORMANCE PER ORDINARY SHARE									
cents per share									
Headline earnings		12.3	**2 069**	2 099	1 425	1 086	1 844	1 446	1 033
Dividends		8.6	**1 110**	1 028	952	881	816	742	675
Special dividends			**–**	–	–	800	–	–	–
Net asset value			**8 637**	8 479	6 722	6 237	7 338	6 115	5 360
INSURANCE ACTIVITIES									
Net claims paid and provided (%)	Avg	64.1	**62.3**	60.6	65.9	65.1	62.1	63.1	69.3
Cost of acquisition (%)	Avg	28.7	**30.0**	30.2	28.0	28.5	28.3	28.2	27.9
Net commission paid (%)	Avg	11.6	**11.9**	11.6	11.4	12.0	10.8	10.9	12.7
Management expenses(%)	Avg	17.1	**18.1**	18.6	16.7	16.5	17.5	17.3	15.2
Combined ratio (%)	Avg	92.8	**92.2**	90.8	94.0	93.6	90.4	91.3	97.2
Underwriting result (%)	Avg	7.2	**7.8**	9.2	6.0	6.4	9.6	8.7	2.8
Earned premium (%)			**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
INVESTMENT ACTIVITIES									
Interest and dividends net of asset management fees			**1 616**	1 713	1 148	889	1 041	683	635
Net (loss) on financial assets and liabilities at fair value through income			**321**	(428)	261	42	235	286	449
RETURN AND PRODUCTIVITY									
Total comprehensive income expressed as % of average shareholders' funds (%) *	Avg	24.2	**22.2**	33.5	21.9	8.2	36.1	24.8	22.5
Pre-tax return on total assets (%)	Avg	7.8	**7.1**	7.8	5.9	6.3	12.1	9.0	6.5
Effective tax rate (%)	Avg	25.5	**27.4**	25.9	21.3	28.2	26.9	28.4	20.4
Gross premium per employee (R'000)**		4 270	**4 812**	4 586	4 316	4 088	4 154	4 020	3 913

* *Prior periods have been restated. Total comprehensive income is used, whereas net income was previously used. The change was made to include the effects of foreign currency translation reserve movement in relation to the group's investment in Saham. In addition the investment in Saham is included at fair value for purposes of the ROC calculation to better reflect the economic return on capital to shareholders.*

*** ART premiums excluded.*

		7-YEAR COMPOUND GROWTH %/ AVERAGE	2019	2018	2017	2016	2015	2014	2013
SOLVENCY AND LIQUIDITY									
Dividend cover (times)	Avg	2.0	**1.8**	2.1	1.9	1.4	2.9	2.1	1.5
Economic capital coverage ratio (%)			**160.0**	159.0	158.0	155.0	177.0	–	–
OTHER STATISTICS									
Number of permanent employees			**6 177**	6 043	5 990	5 749	5 313	5 163	4 779
Staff composition (% of black staff members)			**72.8**	71.4	69.9	67.6	62.9	60.8	59.9
Number of shareholders			**7 110**	6 815	5 879	6 414	5 859	5 268	5 530
Corporate social investment spend (% of NPAT)**			**1.1**	0.6	0.8	0.9	0.8	0.8	1.2

*** dti codes from 2009 to 2012; Financial Services Sector Charter 2013*

			2019	2018	2017	2016	2015	2014	2013
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS									
Market price per share (cents)									
Closing			**29 014**	29 644	26 704	23 400	18 950	21 500	18 628
Highest			**34 499**	35 000	28 250	24 997	24 500	22 000	19 074
Lowest			**27 800**	26 201	23 115	17 350	16 750	19 700	18 291
Market capitalisation, excluding treasury shares (R million)			**32 053**	32 743	29 471	25 799	20 868	24 647	21 306
Closing price/earnings (times)			**14.6**	14.1	18.7	21.5	10.3	14.9	18.0
Closing price/equity per share (times)			**3.4**	3.5	4.0	3.8	2.6	3.5	3.5
Closing dividend yield (%)			**3.8**	3.5	3.3	3.8	4.3	3.5	3.6
Number of shares issued, excluding treasury shares (million)			**110.5**	110.5	110.4	110.3	110.1	114.6	114.4
Number of shares traded (million)			**11.1**	16.1	13.6	19.6	25.8	8.6	13.4
Number of shares traded as a % of total number of shares in issue			**10.0**	14.6	12.3	17.7	23.4	7.5	11.7
Value of shares traded (R million)		.	**3 315.0**	4 937.3	3 385.9	4 325.4	5 597.4	1 651.2	2 538.8

*** Base year 1992*

	7-YEAR COMPOUND GROWTH %/ AVERAGE	2019	2018	2017	2016	2015	2014	2013
STATEMENTS OF COMPREHENSIVE INCOME								
Gross premium income	9.6	**35 852**	33 109	29 720	25 909	24 319	22 710	20 631
Net premium income	6.8	**25 132**	24 068	21 693	19 772	18 884	17 635	16 900
Underwriting result	25.7	**1 884**	2 097	1 280	1 268	1 779	1 494	477
Investment return on insurance funds		**687**	597	648	619	499	425	374
Net insurance result		**2 571**	2 694	1 928	1 887	2 278	1 919	851
Investment income and associated companies		**662**	756	402	(2)	1 258	601	752
BEE costs		**(3)**	(8)	(3)	(9)	(71)	(82)	(30)
Amortisation of intangible asset/impairment of goodwill/impairment of loans		**(35)**	(29)	(31)	(21)	(93)	(111)	(100)
Income tax recovered from cell owners and structural insurance products		**280**	106	–	–	–	–	–
Income before taxation		**3 475**	3 519	2 296	1 855	3 372	2 327	1 473
Taxation		**1 154**	990	489	524	908	660	300
Non-controlling interest		**122**	102	140	119	116	88	53
Net income attributable to equity holders	11.9	**2 199**	2 427	1 667	1 212	2 348	1 579	1 120
STATEMENTS OF FINANCIAL POSITION								
Property and equipment		**984**	142	135	106	90	117	95
Intangible assets		**948**	885	841	885	827	1 086	1 072
Deferred tax asset		**107**	155	91	105	140	161	188
Investments in associates and joint ventures		**2 661**	2 927	1 789	1 536	252	355	318
Deposit with cell owners and cell owners' and policyholders' interest		**206**	204	184	163	187	–	–
Strategic investment and financial assets	12.5	**25 885**	23 777	20 267	14 799	14 740	13 634	12 757
Reinsurance assets and deferred acquisition costs		**7 548**	7 106	6 361	4 958	4 203	3 963	2 713
Loans and other receivables and cash		**10 895**	9 902	9 591	6 716	6 878	5 440	5 058
Non-current assets held for sale		**–**	–	–	8	541	428	415
Total assets		**49 234**	45 098	39 259	29 276	27 858	25 184	22 616
Shareholders' funds	8.1	**10 063**	9 365	7 924	7 345	8 547	7 440	6 532
Financial liabilities, cell owners' and policyholders' interest, reinsurance liability relating to cell owners and lease liabilities		**9 725**	8 055	7 821	3 649	2 408	2 140	2 247
Insurance liabilities and deferred acquisition revenue		**23 696**	21 149	18 174	13 869	12 944	12 274	10 862
Trade and other payables and tax		**5 750**	6 529	5 340	4 413	3 959	3 330	2 975
Total equity and liabilities		**49 234**	45 098	38 259	29 276	27 858	25 184	22 616

	7-YEAR COMPOUND GROWTH %/ AVERAGE	2019	2018	Restated 2017	2016	2015	2014	2013
STATEMENT OF CASH FLOW								
Cash generated from operating activities after finance costs	17.3	**3 852**	1 921	1 784	2 010	3 546	2 350	1 498
Income tax paid		**(955)**	(785)	(543)	(681)	(1 002)	(420)	(221)
Net cash from operating activities		**2 897**	1 136	1 241	1 329	2 544	1 930	1 277
Cash generated/(utilised) in investment activities		**45**	260	930	245	(696)	(781)	(945)
Net (acquisition)/disposal of associated companies		**–**	(923)	(152)	(1 467)	(2)	–	(25)
Acquisition of business/subsidiaries		**(48)**	(86)	852	70	–	(28)	(105)
Cash (disposed through sale)/acquired through acquisition of subsidiary		**–**	–	–	208	(183)	3	15
BBBEE staff trust acquired		**–**	–	–	–	132	–	–
Cash utilised in additions to property and equipment and intangible assets		**(120)**	(89)	(95)	(108)	(124)	(167)	(106)
(Acquisition)/disposal of book of business		**–**	–	–	–	–	–	(9)
Proceeds from sale of associated companies		**–**	168	23	–	625	–	–
Capitalisation of associated companies		**(158)**	(15)	(23)	(10)	(28)	(16)	–
Cash proceeds from unwinding of non-current assets held for sale		**–**	–	–	509	–	–	–
Net cash (used in)/from investing activities		**(281)**	(685)	1 535	(553)	(276)	(989)	(1 175)
Proceeds from issuance of ordinary shares					–	–	–	–
Purchase of treasury shares		**(106)**	(91)	(76)	(98)	–	(37)	–
Repurchase of shares		**–**	–	–	–	(801)	–	–
Proceeds from issuance of target shares		**–**	–	–	–	–	–	277
Increase in debt securities		**–**	–	–	1 000	–	–	–
Increase/(decrease) in investment contract liabilities		**–**	–	(32)	31	(35)	(21)	29
Increase/(decrease) in collateral guarantee contracts		**–**	–	(1)	12	11	6	7
Dividends paid		**(1 280)**	(1 186)	(1 106)	(1 922)	(951)	(853)	(782)
(Decrease)/increase in cell owners' interest		**–**	–	(51)	(114)	16	110	111
Payment of principal element of lease liabilities		**(173)**	–	–	–	–	–	–
Net cash used in financing activities		**(1 559)**	(1 277)	(1 266)	(1 091)	(1 760)	(795)	(358)
Net increase/(decrease) in cash and cash equivalents		**1 057**	(826)	1 510	(315)	508	146	(256)
Cash and cash equivalents at beginning of year		**3 618**	4 321	2 887	3 349	2 561	2 343	2 471
Translation gains/(losses) on cash and cash equivalents		**(33)**	123	(76)	(147)	280	72	128
Cash and cash equivalents at end of year		**4 642**	3 618	4 321	2 887	3 349	2 561	2 343

CONVENTIONAL INSURANCE

		7-YEAR COMPOUND GROWTH %/ AVERAGE	2019	2018	2017	2016	2015	2014	2013
INSURANCE ACTIVITIES									
Net claims paid and provided (%)	Avg	63.8	**62.1**	60.3	65.8	64.9	61.7	62.8	68.8
Cost of acquisition (%)	Avg	28.9	**30.2**	30.4	28.1	28.6	28.5	28.3	28.2
Net commission paid (%)	Avg	12.1	**12.5**	12.4	12.1	12.3	11.8	10.9	12.9
Management expenses (%)	Avg	16.8	**17.7**	18.0	16.0	16.3	16.7	17.4	15.3
Combined ratio (%)	Avg	92.7	**92.3**	90.7	93.9	93.5	90.2	91.1	97.0
Underwriting result (%)	Avg	7.3	**7.7**	9.3	6.1	6.5	9.8	8.9	3.0
Earned premium (%)			**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
STATEMENTS OF COMPREHENSIVE INCOME									
Gross premium income		8.1	**29 725**	27 711	25 853	23 503	22 071	20 758	18 586
Net premium income		6.7	**23 673**	22 371	20 893	19 245	17 845	16 519	16 050
Underwriting result		25.1	**1 820**	2 066	1 260	1 251	1 759	1 480	476
Investment return on insurance funds		8.4	**579**	532	584	558	468	402	357
Net insurance result		19.3	**2 399**	2 598	1 844	1 809	2 227	1 882	833

GLOSSARY

Acquisition costs	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio
AI	Artificial intelligence
ART	Alternative risk transfer – The use of techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection.
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-Based Black Economic Empowerment
Binder	An authority issued by an insurer to another party to: enter into, vary or renew a short-term policy on behalf of that insurer; determine the wording of a short-term policy; determine premiums under a short-term policy; determine the value of policy benefits under a short-term policy; or settle claims under a short-term policy.
Catastrophe	Fire, earthquake, windstorm, explosion and other similar events that result in substantial losses.
CDP	Carbon Disclosure Project
Cell captive insurer	An insurer that is structured with separate independent cells. The assets and liabilities of the cells are ring-fenced. Profits and losses from business introduced by the cell owner to the insurer are attributable to the cell owner.
CFE	Consumer financial education
Change management	A systematic approach to dealing with rapid change.
Churn rate	The proportion of policyholders who leave an insurer during a given period.
Claim	A demand to the insurer for indemnification for a loss incurred from an insured peril.
Claims incurred	Claims cost for an accounting period are made up of: • claims paid for the period, including claims handling expenses; and • outstanding claims at the end of the current accounting period, including IBNR less outstanding claims at the end of the preceding accounting period, including IBNR.
Claims ratios	Ratios expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is considered. Also referred to as loss ratios.
CoGTA	Department of Cooperative Governance and Traditional Affairs
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
Deferred acquisition costs	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's statement of financial position.
Earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
Economic capital coverage ratio	The economic capital coverage ratio is equal to the available capital resources, comprising shareholder's funds and subordinated debt, divided by the solvency capital requirement as determined by Santam's internal capital model.
ERM	Enterprise Risk Management
ESD	Enterprise Supplier Development
ESG	Environmental, social and governance issues (the social, ethics and sustainability committee of the board provides oversight over Santam's approach to ESG)
FTSE	Financial Times Stock Exchange (as in FTSE Russell the ESG ratings agency)
FIA	Financial Intermediaries Association of Southern Africa
FSC	Financial Sector Charter – The FSC is a transformation policy based on the terms of the Broad-Based Black Economic Empowerment Act, 53 of 2003, to promote social and economic integration and access to the financial services sector.
FSCA	Financial Sector Conduct Authority – The regulator responsible for market conduct and consumer protection under Twin Peaks.

GDPR	General Data Protection Regulation
General/short-term/ non-life insurance	Defined in the Short-term Insurance Act as providing benefits under short-term policies, which means agricultural insurance, engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
GIS	Geographic Information System
GWP	Gross written premium – Premium that an insurer is contractually entitled to receive from the insured in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustments to premiums from prior years. Also defined as premium written and received but before deduction of reinsurance ceded.
HPI	Hellopeter Trust Index
HRRC	Human resources and remuneration committee
IBNR	Claims incurred but not reported – Claims resulting from events that have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
IFRS	International Financial Reporting Standards
IFRS 17 *Insurance Contracts* (effective 1 January 2022 (subject to IASB's due process)	Addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.
IIRC	International Integrated Reporting Council
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
IoT	Internet of Things
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) application register. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.
NEP	Net earned premium – A pro-rated amount of paid-in-advance premiums that now belongs to the insurer.
NIR	Net insurance result – The sum of insurance loadings, underwriting results and reinsurance results, net of commissions paid to distribution partners.
NWP	Net written premium – Gross premium written or received on all business less return premium and premium ceded to reinsurers.
NGO	Non-governmental organisation
NSRI	National Sea Rescue Institute
OSTI	Ombudsman for Short-Term Insurance
P2P	Peer to peer
P4RR	Partnerships for Risk and Resilience. The group's contribution to economic growth in South Africa includes the P4RR programme initiatives. These assist municipalities in building capacity to combat the risks of fire and flooding in invulnerable communities.
PA	Prudential Authority – The regulator charged with maintaining the stability of the financial system under Twin Peaks
PSI	Principles for Sustainable Insurance
RDR	Retail Distribution Review
REAP	Rural Education Access programme
Reinsurance	A form of insurance cover for insurance companies where an insurance company transfers a portion of its risks to the reinsurer

RI Fund	Resilient Investment Fund
RoGEV	Return on group equity value
SAcsi	South African customer satisfaction index
SAIA	South African Insurance Association
SALGA	South African Local Government Association
Salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured.
SAM	Solvency Assessment and Management – A framework launched by the PA to develop a new solvency regime for the South African long-term and general insurance industries to be in line with international standards and specifically the Solvency II initiative in Europe
SAMBRA	South African Motor Body Repairers Association
SANTACO	South African National Taxi Council
SARB	South African Reserve Bank
SDGs	United Nations Sustainable Development Goals
SEM	Sanlam Emerging Markets
SMME	Small, medium and micro enterprises
SPA	Sanlam Pan-Africa
SPA GI	Sanlam Pan-Africa General Insurance
SRP	Strategic Resourcing Plan
SSI	Santam Structured Insurance
SSI CID	SSI's credit insurance division
Sustainable insurance	A strategic approach by which all activities in the insurance value chain are performed in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with ESG issues.
TCF	Treating Customers Fairly – An outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms.
TCFD	Task Force on Climate-related Financial Disclosures
Underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each.
UMAs	Underwriting management agencies
Underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
Unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.
UNEP FI	United Nations Environment Programme Finance Initiative
VUM	Vulindlela Underwriting Managers
WEF	World Economic Forum

ABOUT THIS REPORT

This integrated report provides information targeted at Santam's providers of financial capital, although the interests of other stakeholders were also considered in determining what is material and appropriate to include.

REPORTING FRAMEWORKS, GUIDELINES AND STANDARDS

This report was developed with due consideration of the following reporting requirements and principles:

- Companies Act, 71 of 2008, as amended (the Companies Act)
- International Financial Reporting Standards (IFRS)
- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- JSE Listings Requirements
- King IV

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements with respect to Santam's future performance and prospects. These statements relate to, among others, gross premium growth levels, underwriting margins and investment returns. These statements represent our judgements and future expectations. Risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. Forward-looking statements apply only as of the date on which they are made, and Santam is under no obligation to update or revise any of them, whether because of new information, future events or otherwise.

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