

2021

SANTAM LTD AND ITS SUBSIDIARIES
NOTICE AND PROXY OF
ANNUAL GENERAL MEETING
AND SUMMARY OF CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



CONTENTS

LETTER TO SHAREHOLDERS

3

NOTICE OF ANNUAL GENERAL MEETING

4

ANNEXURE 1

Summary consolidated
financial statements

13

ANNEXURE 2

Santam's Board of
directors

60

ANNEXURE 3

Santam's leadership team

62

ANNEXURE 4

Analysis of shareholders and
analysis of bondholders

63

ANNEXURE 5

Curriculum vitae of
directors recommended
for election and re-election

65

ANNEXURE 6

Directors nominated for
election as members of the
audit committee

67

ANNEXURE 7

Remuneration report

68

ANNEXURE 8

Material change
statement

90

ANNEXURE 9

Directors' interest in shares

91

ANNEXURE 10

Share capital

92

ANNEXURE 11

Social, ethics and
sustainability (SES)
committee report

93

ADMINISTRATION

96

FORM OF PROXY

INSERTED

SALIENT FEATURES

**Conventional insurance gross
written premium growth**

5%

**Conventional insurance net
underwriting margin**

8.0%

Economic capital coverage ratio

169%

Return on shareholders' funds

28.5%

Earnings per share

2 491 cents

[2020: 296 cents]

Headline earnings per share

2 495 cents

[2020: 905 cents]

Final dividend declared

790 cents

Special dividend declared

800 cents

LETTER TO SHAREHOLDERS

Dear Shareholder,

On behalf of the board, you are invited to participate in the annual general meeting (AGM) of Santam Ltd ("the company"), which will be held and conducted entirely by electronic communication, on Wednesday, 1 June 2022 at 14:00.

The detailed notice of the AGM and supporting documentation are attached. The notice is accompanied, where necessary, by explanatory notes setting out the reasons and effects of the proposed ordinary and special resolutions in the notice. This will assist you in your deliberations for voting at the AGM.

The full integrated report is available on the company's website at www.santam.co.za. The summarised financial statements are included with this notice. The audited annual financial statements for the year ended 31 December 2021 may be viewed on the company's website.

If you are not able to participate in the AGM, you can appoint a proxy to participate in the AGM on your behalf in accordance with the instructions in the AGM notice and form of proxy.

Yours sincerely,



Tebogo Moshakga
Company secretary

4 April 2022

NOTICE OF ANNUAL GENERAL MEETING

SANTAM LTD

(Incorporated in the Republic of South Africa)
(REGISTRATION NUMBER 1918/001680/06)
JSE Code: SNT NSX Code: SNM ISIN: ZAE000093779
[“Santam” or “the company”]

Notice is hereby given that the AGM of Santam Ltd shareholders will be held and conducted entirely by electronic communication on Wednesday, 1 June 2022 at 14:00 at which:

- the audited annual financial statements of the company for the year ended 31 December 2021, together with the reports of the directors, auditors and audit committee, shall be presented (the full audited annual financial results are published on the Santam website (www.santam.co.za) or can be requested from the company secretary at his contact details set out on page 11); and
- the following ordinary and special resolutions are to be considered and, if approved, passed, with or without modification:

1. ORDINARY RESOLUTION NUMBER 1

To reappoint PricewaterhouseCoopers Inc (PwC), as nominated by the company's audit committee and recommended by the board, as independent external auditors of the company to hold office until the conclusion of the next annual general meeting of the company.

It is to be noted that Ms C van den Heever is the individual and designated auditor who will undertake the company's audit for the financial year ending 31 December 2022.

2. ORDINARY RESOLUTION NUMBER 2

To re-elect Mr PB Hanratty as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Hanratty is eligible and offers himself for re-election. The board recommends his re-election.

3. ORDINARY RESOLUTION NUMBER 3

To re-elect Ms AM Mukhuba as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Ms Mukhuba is eligible and offers herself for re-election. The board recommends her re-election.

4. ORDINARY RESOLUTION NUMBER 4

To re-elect Ms MLD Marole, who retires voluntarily owing to her long tenure on the board (longer than nine years), being eligible and offering herself for re-election.

The board recommends the re-election of this director.

5. ORDINARY RESOLUTION NUMBER 5

Mr MJ Reyneke, who retires voluntarily owing to his long tenure on the board (longer than nine years), is not offering himself for re-election.

The board accepts the retirement of this director.

6. ORDINARY RESOLUTION NUMBER 6

To elect Ms NT Moholi as a director of the company who was appointed as a director of the board after the last annual general meeting of the company and who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Ms Moholi is eligible and offers herself for election. The board recommends her election.

7. ORDINARY RESOLUTION NUMBER 7

To elect Ms DEH Loxton as a director of the company who was appointed as a director of the board after the last annual general meeting of the company and who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Ms Loxton is eligible and offers herself for election. The board recommends her election.

8. ORDINARY RESOLUTION NUMBER 8

To elect Ms M Chauke as a director of the company who was appointed as a director of the board after the last annual general meeting of the company and who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Ms Chauke is eligible and offers herself for election. The board recommends her election.

9. ORDINARY RESOLUTION NUMBER 9

To elect Ms CD Da Silva as a director of the company who was appointed as a director of the board after the last annual general meeting of the company and who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Ms Da Silva is eligible and offers herself for election. The board recommends her election.

10. ORDINARY RESOLUTION NUMBER 10

To re-elect Mr HD Nel as a director of the company who will retire as he has held office for three years following his last re-election.

Mr Nel is eligible and offers himself for re-election. The board recommends his re-election. Mr Nel's retirement is pursuant to a determination by the board that, in the interests of good governance, executive directors would also retire by rotation after having held office for a period of three years.

11. ORDINARY RESOLUTION NUMBER 11

To re-elect Mr Fandeso, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

12. ORDINARY RESOLUTION NUMBER 12

To re-elect Mr Speckmann, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

13. ORDINARY RESOLUTION NUMBER 13

Subject to the election of Ms DEH Loxton in terms of ordinary resolution number 7 to elect Ms Loxton, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends her election as a member of the audit committee of the company.

14. ORDINARY RESOLUTION NUMBER 14

Subject to the election of Ms M Chauke in terms of ordinary resolution number 8 to elect Ms Chauke, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends her election as a member of the audit committee of the company.

Refer to Annexures 5 and 6 for the curriculum vitae of each of the directors standing for re-election or election as directors and as members of the audit committee of the company. As is evident from the curricula vitae of the directors standing for re-election as members of the audit committee of the company, all of them have academic qualifications or experience in one or more of the following areas, namely economics, corporate governance, finance, accounting, commerce, industry and public affairs.

NOTICE OF ANNUAL GENERAL MEETING

15. ORDINARY RESOLUTION NUMBER 15

To cast a non-binding advisory vote on the company's remuneration policy summarised in Annexure 7 of this document.

16. ORDINARY RESOLUTION NUMBER 16

To cast a non-binding advisory vote on the company's implementation report in regard to its remuneration policy as set out in Annexure 7 of this document.

In terms of the JSE Listings Requirements, the company's remuneration policy and implementation report in regard to its remuneration policy must be tabled every year for separate non-binding advisory votes by the shareholders of the company at the annual general meeting. In the event that any of ordinary resolution numbers 15 or 16 is voted against by 25% or more of the votes exercised on them, the company shall commence an engagement process with the dissenting shareholders.

17. SPECIAL RESOLUTION NUMBER 1

Resolved that the following remuneration of directors of the company for their services as directors of the company for the period from 1 July 2022 to 30 June 2023 be and is hereby approved, in terms of the provisions of section 66(9) of the Companies Act, 71 of 2008, as amended (Companies Act):

Non-executive directors' fees	Present R	Proposed R ¹
Chairman of the board (no attendance fees for meetings except for <i>ad hoc</i> board or committee meetings and then paid at the rate payable to non-executive directors) ²	1 100 000	1 500 000
Non-executive director annual retainer ³	293 200	310 000
Non-executive director attendance fee per board meeting ³	26 300	27 700
Chairpersons of the risk and audit committees fee per committee meeting chaired ²	52 500	63 000
Non-executive director members of the risk and audit committees fee per committee meeting ³	39 400	41 500
Chairperson of the human resources and remuneration committee fee per committee meeting chaired ²	39 400	43 400
Chairpersons of investment and social, ethics and sustainability committees fee per committee meeting chaired ³	39 400	41 500
Non-executive director members of human resources and remuneration, nominations, investment and social, ethics and sustainability committees fee per committee meeting ³	26 300	27 700
Ad hoc and extraordinary board and committee meetings – hourly rate (subject to a maximum fee per meeting of R26 300)	5 000	5 000

¹ All fees are VAT exclusive

² These positions were benchmarked against an appropriate market and found to be significantly below market. Therefore, the following once off higher than inflation increases are proposed:

- Chair: 36.4%
- Audit Chair: 20.0%
- Risk Chair: 20.0%
- Human Resources and Remuneration Chair: 10.2%

³ Proposed increases closely aligned to the overall employee increase % for the Santam Group

REASON AND EFFECT

The reason for and effect of special resolution number 1 is to approve the remuneration of the directors of the company for their services as directors for the period from 1 July 2022 to 30 June 2023.

18. SPECIAL RESOLUTION NUMBER 2

Resolved that in terms of the memorandum of incorporation of the company and in accordance with the JSE Listings Requirements, the shareholders hereby authorise the company, by way of a renewable general authority, whether by way of a single transaction or a series of transactions, to purchase any of its shares or procure that any subsidiary of the company purchases its shares (collectively, a “repurchase”) upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, but subject to the provisions of the Short-term Insurance Act, 53 of 1998 (Short-term Insurance Act), the Insurance Act, 18 of 2017 (Insurance Act), the prudential standards (as defined in section 1 of the Insurance Act), the Companies Act and the JSE Listings Requirements, provided that:

- the authority shall only be valid up to and including the date of the company’s next annual general meeting, or for 15 months from the date of this resolution, whichever is the shorter period;
- ordinary shares to be purchased pursuant to such authority may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase shares in the company pursuant to such authority be limited in any one financial year to a maximum of 5% of the company’s issued share capital of that class, at the time the authority is granted, provided that the acquisition of the company’s shares by a subsidiary of the company shall not be effected to the extent that it results that in aggregate more than 10% of the issued shares of any class of the company’s shares at the relevant time are held by or on behalf of the subsidiaries of the company taken together;
- any purchases pursuant to such authority must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of the repurchase;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company’s behalf or on behalf of any of its subsidiaries;
- prior to any repurchase, the board of the company has resolved (i) to authorise a purchase of shares in the company, (ii) that the company and its subsidiaries (group) satisfy the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the company and the group;
- subject to the exceptions contained in the JSE Listings Requirements, the company or its subsidiaries may not repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed and have been submitted in writing to the JSE prior to the commencement of the prohibited period; and
- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the number of the relevant class of shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% in aggregate of the initial number of shares of that class in issue as at the time the general authority was given, acquired by the company and/or its subsidiaries.

REASON AND EFFECT

The reason for and effect of special resolution number 2 is to grant a general authority to enable the company, or any subsidiary of the company, to acquire shares which have been issued by the company including the subsequent purchase and transfer to the company of any shares so acquired by its subsidiaries.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT OF INTENT

The board shall authorise and implement a repurchase of the company's shares only if prevailing circumstances (including the tax dispensation and market conditions) warrant this. After considering the effect of the maximum share repurchase as allowed in terms of special resolution number 2, the board is satisfied that:

- for a period of 12 months after the date of the notice of annual general meeting, the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2021, will be in excess of the consolidated liabilities of the company and the group;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of annual general meeting;
- the issued share capital and reserves of the company and the group will be adequate for the ordinary business purposes of the company and the group for a period of 12 months after the date of the notice of annual general meeting; and
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of the notice of annual general meeting.

19. SPECIAL RESOLUTION NUMBER 3

Resolved that:

As a general approval, the Board of the Company may at any time and from time to time during the 2 years from the passing hereof authorise the Company in terms of and subject to the provisions of section 44 of the Companies Act, to provide financial assistance by way of a guarantee or the provision of security to any party, other than a director or prescribed officer of the Company or its related or inter-related companies or corporations, for the purpose of, or in connection with, the subscription or purchase of any securities issued or to be issued by a related or inter-related company or corporation of the Company on such terms and conditions as the Board may determine.

REASON AND EFFECT

The reason for and effect of special resolution number 3 are as follows:

- The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assurances to parties by way of a guarantee or the provision of security in respect of securities issued or to be issued by a related or inter-related company or corporation of the Company.
- In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to any party as contemplated in section 44(2) of the Companies Act. The Company therefore seeks general approval for the Board of the Company to authorise the provision by the Company of financial assistance by way of a guarantee or the provision of security in respect of securities issued or to be issued by a related or interrelated company or corporation of the Company at any time and from time to time during the period of two (2) years commencing on the date of this special resolution number 3.

20. SPECIAL RESOLUTION NUMBER 4

Resolved that:

As a general approval, the Board of the Company may at any time and from time to time during the 2 years from the passing hereof authorise the Company in terms of and subject to the provisions of section 45 of the Companies Act, to provide any type of direct or indirect financial assistance as defined in section 45 of the Companies Act, to a related or inter-related company or corporation of the Company, on such terms and conditions and for such amounts as the Board may determine.

REASON AND EFFECT

The reason for and effect of special resolution number 4 are as follows:

- The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to related or inter-related companies or corporations of the Company as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act.
- In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of a special resolution in order to provide financial assistance to any related or inter-related companies or corporations. The Company therefore seeks general approval for the Board of the Company to authorise the provision by the Company of all types of financial assistance to any such related or inter-related company or corporation as contemplated in section 45(2) of the Companies Act at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 4. Notwithstanding such general approval, related party transactions remain subject to any applicable regulatory requirements.

NOTICE TO SHAREHOLDERS OF THE COMPANY IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT OF A RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS AUTHORISING THE COMPANY TO PROVIDE DIRECT OR INDIRECT FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED COMPANIES AND CORPORATIONS.

- By the time this notice of the annual general meeting is delivered to shareholders, the board will have adopted a resolution (Section 45 Board Resolution) authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 4 is adopted until the date of the next annual general meeting of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or interrelated companies or corporations of the company. The financial assistance will entail loans, guaranteeing of debt and other financial assistance to subsidiaries of the company (being related or interrelated companies of the company) for purposes of funding the activities of the group.
- The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders and the provision of any such financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (1) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and that (2) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(iii) of the Companies Act.
- In as much as the Section 45 Board Resolution contemplates that such financial assistance will, in the aggregate, exceed 0.1% of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the Section 45 Board Resolution to shareholders.

REPORT BY SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The company's social, ethics and sustainability committee report, included in Annexure 11, will serve as the social and ethics committee's report to the company's shareholders on the matters within its mandate at the annual general meeting and will be presented at the annual general meeting by a member of the company's social, ethics and sustainability committee. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolution numbers 1 to 14 require the approval by more than 50% of the voting rights exercised on the resolutions. Ordinary resolution numbers 15 and 16 are non-binding advisory votes. Special resolution numbers 1 to 4 require the approval by at least 75% of the voting rights exercised on the resolutions.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements.

DISCLOSURES IN TERMS OF PARAGRAPH 11.26(B) OF THE JSE LISTINGS REQUIREMENTS

The following disclosures are required in terms of paragraph 11.26(b) of the JSE Listings Requirements, and are provided for purposes of special resolution number 2:

- major shareholders – refer to Annexure 4
- material change – refer to material change statement below
- share capital of the company – refer to Annexure 10
- responsibility statement – refer to the Directors' responsibility statement below

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear in Annexure 2 of this document, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above special resolution number 2 contains all information required by law and the JSE Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and approval thereof by the board of directors.

RECORD DATES

The record date for the distribution of the notice of the AGM was set as at the close of business on Monday, 4 April 2022.

The record date in terms of section 59 of the Companies Act for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting is Friday, 27 May 2022, and the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to participate and vote at the annual general meeting is Tuesday, 24 May 2022.

ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING

The annual general meeting will be conducted entirely by electronic communication. The interactive electronic platform will permit all shareholders to communicate concurrently with each other without an intermediary, and to effectively participate in the annual general meeting. The electronic platform selected for the purposes of the annual general meeting is Lumi AGM, which may be accessed by using a smartphone, tablet device or computer.

REGISTRATION

Should shareholders wish to participate in the annual general meeting, they will be required to pre-register their personal details by taking the following actions:

- register online at www.smartagm.co.za by no later than 14:00 on Monday 30 May 2022. (While registration after this date and time to participate in and/or vote electronically at the annual general meeting is permitted, shareholders must be verified and registered before the commencement of the annual general meeting); and
- upload proof of identification (e.g. identity document, driver's licence or passport), and provide the following details: their name, surname, email address and contact number.

Shareholders who have dematerialised their ordinary shares without "own-name" registration should, in addition to the actions listed above, request their CSDP or broker to provide them or their proxy with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between them and their CSDP or broker and upload same.

PARTICIPATION

Following successful completion of the registration process contemplated above, shareholders will be required to connect to the annual general meeting by using the <https://web.lumiagm.com> link and following the relevant prompts.

ACCESS AND NAVIGATION

Shareholders are to access <https://web.lumiagm.com> by entering this address into their web browser. They will need the latest versions of Chrome, Safari, Edge or Firefox, or Internet Explorer 11.

Once on the platform, shareholders will be prompted to enter the meeting ID followed by their username and password, all of which will be emailed to them (or their representative or proxy) following completion of the registration process outlined above.

Once successfully authenticated, the information screen will be displayed. Shareholders will be able to view company information, ask questions and watch the webcast.

VOTING

Shareholders will be able to participate and vote during the annual general meeting on the electronic platform described above.

Shareholders who are participating via the electronic platform or by proxy at the annual general meeting will have 1 (one) vote for every ordinary share held or represented.

Although voting will be permitted by way of electronic communication, shareholders are strongly encouraged to submit their votes by proxy before the annual general meeting.

In this regard shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to participate, speak and vote in their stead by electronic communication. The person so appointed as proxy does not need to be a shareholder of the company. Proxy forms must be lodged with the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd, Private Bag X9000, Saxonwold 2132 or emailed to: proxy@computershare.co.za, or the registered office of the company, Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, addressed to the company secretary, to be received by them not later than 14:00 on Friday, 27 May 2022, for administrative purposes, provided that any form of proxy not lodged with the transfer secretaries or at the registered office of the company by this time shall still be accepted at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, who do not wish to attend the annual general meeting, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement to furnish them with their voting instructions.

NOTICE OF ANNUAL GENERAL MEETING

ASSISTANCE

If shareholders experience any difficulty with (i) the registration process outlined above or (ii) logging into the annual general meeting, they should request assistance by emailing the following email address: proxy@computershare.co.za.

ELECTRONIC NOTICE AND IDENTIFICATION

IMPORTANT NOTE: As required in terms of section 63(1) of the Companies Act, before any person may attend or participate in the annual general meeting, that person must present reasonably satisfactory identification, and the chairperson must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or as a proxy for a shareholder, has been reasonably verified.

To comply with this verification procedure, shareholders wishing to participate electronically at the annual general meeting are strongly encouraged to email a written notice to the transfer secretary at proxy@computershare.co.za by no later than 14:00 on Monday, 30 May 2022 confirming that they wish to participate via electronic communication at the annual general meeting (the "electronic notice"). The electronic notice must contain a valid email address for the person wishing to participate and must be accompanied by:

- if the shareholder is an individual, a copy of his or her original South African identity document and/or passport and/or South Africa driver's licence;
- if the shareholder is not an individual, a copy of a resolution by the relevant entity and a certified copy of the South African identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent it at the annual general meeting via electronic communication; and
- in all cases, a valid email address and/or mobile telephone number (the "contact email address/number").

Providing the above information is necessary for shareholders to obtain a username and a unique nine-digit meeting ID, without which it will not be possible to participate in the annual general meeting. Sufficient time is needed for the transfer secretary to verify the participant and then assign the username and meeting ID, which reflects the number of ordinary shares in respect of which voting is permitted. If the number of ordinary shares reflected is nil, the shareholder will be able to attend the annual general meeting and view the proceedings as a guest, but will not be able to ask questions, make comments or vote.

If shareholders do not send an electronic notice recording their intention to participate in the annual general meeting to the transfer secretaries by 14:00 on Monday, 30 May 2022, they may still participate via electronic communication at the annual general meeting and may email the electronic notice to the transfer secretaries at any time prior to the commencement of the annual general meeting.

However, for the purpose of effective administration, a shareholder (and its proxies and representatives) is strongly advised to send the electronic notice by 14:00 on Monday, 30 May 2022.

The electronic platform available via Lumi AGM is available for the duration of the annual general meeting at no cost to shareholders. However, any third-party costs relating to the use or access of the webcast facilities will be for a participant's own account, including network charges incurred while participating electronically. Any such charges will not be for the account of the JSE, the company and/or the transfer secretaries.

Neither the JSE, the company nor the transfer secretaries will be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which could prevent a participant from participating in and/or voting at the annual general meeting.

The provisions of the above paragraphs, in particular the procedures and actions to be taken in order to participate electronically in the annual general meeting, apply equally to shareholders' representatives and/or proxies (if any).

On behalf of the board



T Moshakga
Company secretary

4 April 2022

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REVIEW

The Santam group reported strong operating results, despite the impact of several significant claim events, particularly the adverse weather conditions during the fourth quarter of 2021.

The group's conventional insurance business achieved gross written premium growth of 5%. A net underwriting margin of 8.0% (2020: 2.5%) of net earned premiums was achieved, which is at the top-end of the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported excellent operating results, net of non-controlling interests, of R276 million (2020: R165 million), following strong growth in fee income, positive investment results and improved underwriting results. The net insurance result from Santam's share of Sanlam Emerging Markets (SEM) general insurance businesses decreased marginally to R377 million (2020: R381 million).

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 493 million (2020: R1 027 million). Foreign currency gains and fair value gains on listed equities were the key contributors to the stronger investment performance.

Equity-accounted income from associates and joint ventures amounted to R78 million (2020: loss of R810 million). The 31 December 2020 equity-accounted losses included an impairment of SAN JV intangible assets of R656 million.

Cash generated from operations decreased to R3 billion (2020: R5.9 billion), mainly due to higher claim settlements during this period.

Headline earnings increased to 2 495 cps compared to 905 cps for the year ended 31 December 2020. The key drivers were improved operating results, together with increased investment income attributable to shareholders.

A return on capital (ROC) of 28.5% was achieved, well above the 2021 ROC target of 20% and the medium-term target of 24%. The economic capital coverage ratio at 31 December 2021 was 169% (2020: 161%) – at the top end of the target range of 150% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business demonstrated its resilience in a year characterised by the continued negative impact of COVID-19 on the economy, several large fire claims, the civil unrest in July and excessive rains across large parts of South Africa during the fourth quarter. A net underwriting margin of 8.0% was achieved (2020: 2.5%). The 2020 financial results were negatively impacted by the net contingent business interruption (CBI) claims provisions.

The judgment by the Supreme Court of Appeal on the length of the indemnity period to be applied to the Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd policies with CBI extensions, provided the legal clarity Santam sought. Santam continues to make steady progress in finalising the open CBI claims. Gross CBI claim payments of R3.2 billion have been made to the end of December 2021, inclusive of the relief payments of R1 billion made in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts. Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. However, there is still uncertainty about the ultimate liability, which will only be eliminated once the process has been finalised. The release of the R450 million net CBI provision contributed approximately 1.7% to the net underwriting margin.

Gross written premium growth

Conventional insurance reported growth of 5% despite the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported low growth for the year. However, various growth initiatives are showing positive results, which should assist future growth.

ANNEXURE 1

The Santam Specialist business achieved improved growth during the second half of the year and gross written premiums in 2021 were in line with the year ended 31 December 2020. Strong growth was achieved in the liability business, while a number of the specialist classes reported improved growth, benefiting from reduced and less stringent lockdown measures. The corporate property business reported much improved gross written premiums for the second half of 2021, despite the decision to cease underwriting business outside of Africa.

MiWay achieved impressive growth of 9% (7% when excluding premium relief support to policyholders in 2020) in the current operating environment.

Santam Re continued to report strong growth in its third-party business, positively impacted by new business written during the reporting period.

Gross written premiums from outside South Africa written on the Santam Limited and Santam Namibia licences grew by 6% to R5 284 million (2020: R4 963 million). Strong growth was achieved by Santam Re in Africa, Southeast Asia and the Middle East. It was offset to some extent by the corporate property business no longer underwriting business outside of Africa. The specialist Pan-African insurance business with Santam Pan-Africa (SPA) contributed gross written premium of R383 million (2020: R200 million), following solid growth achieved during the second half of 2021. Weak economic conditions resulted in only marginal growth for Santam Namibia.

Gross written premiums in the property class grew by 3% due to strong growth by Santam Re and an improved contribution from the corporate property business in the second half of 2021.

The motor class reported growth of 7%. The strong growth achieved by MiWay and Santam Re was offset by more muted growth of the motor business written by the Santam Commercial and Personal business.

The liability and transportation classes achieved strong growth, supported by both the Santam Specialist businesses and Santam Re. Gross written premiums in the accident and health class contracted by 11%, due to the continued impact of COVID-19 travel restrictions on the travel insurance business. The crop insurance class also reported lower gross written premiums in 2021, mainly due to the timing of premiums being raised for the 2020/2021 crop season.

Underwriting result

Santam experienced a much more normalised claims environment in 2021. Several large fire claims impacted the Santam Specialist business during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December. The very wet summer season also had a negative impact on the Commercial and Personal business and MiWay's loss ratios. Santam Re's performance was affected by its participation on the SASRIA reinsurance programme, following the civil unrest in July 2021. Santam Re provided for net reinsurance claims of R237 million at 31 December 2021, based on claims notified to date. The maximum net exposure to the SASRIA programme is limited to R315 million.

The motor class achieved satisfactory underwriting performance in the intermediated and direct distribution channels. The motor loss ratio returned to more normalised levels as the claims frequency and severity increased following reduced lockdown restrictions. MiWay's loss ratio was significantly impacted by the adverse weather conditions in the fourth quarter but still reported reasonable underwriting results under these conditions, with a loss ratio of 60.9% (2020: 50.6%) and an underwriting profit of R285 million (2020: R486 million).

The underwriting performance of the property class also normalised after the impact of the CBI claims incurred in 2020, although it was negatively impacted by several large fire claims as well as the SASRIA reinsurance claims during 2021. The release of the CBI claims provision of R450 million contributed to an underwriting profit of R235 million (2020: loss of R2.4 billion) for the property class.

The crop business experienced significant claims due to hail and excessive rains across widespread regions in the summer rainfall areas during November and December. Frost claims in certain regions also contributed to the overall gross claims paid and reserved for the year exceeding R1.1 billion, resulting in a net underwriting loss of R92 million for the crop business in 2021. The crop business is significantly reinsured via a panel of reinsurers who in partnership with Santam, ensure that a sustainable long-term approach is taken to manage the negative impact of high claims incidence years.

The engineering class was impacted by several large claims, resulting in weaker underwriting results compared to 2020. The liability class delivered excellent underwriting results with limited adverse claim developments.

The net acquisition cost ratio increased to 30.0% (2020: 29.3%) mainly due to the net commission ratio increasing to 13.4% (2020: 12.7%). The key drivers of the increased net commission ratio were the lower reinsurance commissions received following the hardening of the reinsurance market in 2021 as well as the higher commission rates paid by Santam Re.

The management expense was 16.6% (2020: 16.6%) on the back of continued cost containment efforts and increased strategic project spend compared to 2020.

Strategic project costs, included as part of management expenses, amounted to 1.6% (2020: 1.4%) of net earned premium. These costs relate mainly to the completion of a new claims platform, the IFRS 17 implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 1.5% (2020: 2.1%) of net earned premium was negatively impacted by the lower interest rate environment and a higher US dollar component backing the insurance reserves.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results, net of non-controlling interests, of R276 million (2020: R165 million). Income from clients increased by 22% to R470 million (2020: R385 million), supported by excellent growth in fee income and positive investment results. The underwriting results benefited from prior period reserve releases, following more certainty on COVID-19-related claims exposures and recoveries from reinsurers.

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAN JV (SAHAM)

Gross written premium growth

The Santam Pan-Africa General Insurance (SPA GI) business (including SAN JV) achieved gross written premium growth of 13% in constant currency terms (5.5% in actual currency). The growth was driven by higher volumes in the motor and health business lines in Morocco and an improved performance from Continental Re. Weaker sales in the assistance business and the cancellation of loss-making health business in Cote d'Ivoire had a negative impact on premium growth. SAN JV (excluding Lebanon) achieved gross written premium growth of 5% (approximately 12% in constant currency terms).

Shriram General Insurance Ltd (SGI) gross written premiums declined due to the lack of premium increases on third party business as regulated by government and lower volumes from the credit businesses during the COVID-19-related lockdown periods.

Net insurance result

Santam's share of the general insurance net insurance result from the SEM businesses of R377 million was marginally lower compared to R381 million in 2020.

SPA GI (including SAN JV) recorded a net underwriting margin of 4.4% (2020: 6.1%), below the 5% to 9% target range. The portfolio recorded adverse claims experience in Cote d'Ivoire, Continental Re and some of the smaller Eastern and Southern regional countries, as well as a weaker performance from the health business. SAN JV recorded a 5.6% net underwriting margin relative to 6.9% (excluding Lebanon) in 2020.

SPA GI achieved an excellent return on insurance funds of 11.9% (as a percentage of net earned premiums), up from 2.9% in 2020. The Moroccan business reported a float margin of 20.9% on the back of strong equity markets. Further progress was achieved in transitioning the float investment portfolio to a lower level of equity and property exposure and increased bond exposure. Good value was realised in reducing the equity weighting although it lowered the exposure to the strong equity market performance over the year. An investment return on insurance funds of 12.8% (2020: 2.8% excluding Lebanon) was achieved by SAN JV.

In India, Shriram General Insurance's (SGI's) earnings were impacted by the lack of regulated premium increases on third-party business for the past two years and limited ability to finalise claims. Courts in India continue to operate at limited capacity, which limited the ability to finalise claims. SGI's net insurance result however remained satisfactory at 25.2% of net earned premiums. Pacific and Orient Insurance in Malaysia

ANNEXURE 1

recorded higher earnings largely driven by improved growth from direct channels, reserve releases, good float returns, and a lower claims ratio.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 27.4% for the year ended 31 December 2021, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 23.5%.

On 3 February 2021 the group renewed its derivative collar structure over listed equities to the value of R1 billion, based on the SWIX 40, to provide continued capital protection, realising a loss of R142 million (R77 million of the loss was recognised for the year ended 31 December 2020). The structure expired on 3 May 2021 and realised a further loss of R31 million. It was rolled over for another three-month period that expired on 3 August 2021, realising a gain of R15 million, bringing the total loss accounted for in the 2021 financial year to R81 million, which reduced the listed equity portfolio's return of 27.4% by 7%.

The Santam group's interest-earning investments are managed in enhanced cash, active income and global fixed income portfolios. The interest-earning portfolios delivered good results and exceeded their benchmarks.

Foreign currency gains of R373 million (2020: R60 million) were recorded. This included unrealised foreign currency gains of R100 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2020: R17 million).

Net gains on financial assets and liabilities of R171 million (2020: net losses of R113 million) include fair value gains on listed equities and local and foreign bonds partly offset by realised losses on derivatives. Positive fair value movements (excluding the impact of currency movements) of R52 million (2020: R17 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, contributed to the investment performance.

Net income from associated companies of R78 million (2020: loss of R810 million) included SAN JV net income of R8 million (2020: income of R32 million). The 2020 loss from associated companies included an impairment of SAN JV intangible assets of R656 million. The carrying value of SAN JV at 31 December 2021 was R1 848 million (2020: R1 823 million).

CORPORATE TRANSACTIONS

During April 2021, the group increased its stake in Mirabilis Engineering Underwriting Managers by acquiring the remaining 45% shareholding for R176 million, making it a wholly-owned subsidiary of the group.

CAPITAL

On 12 April 2021, the group redeemed the R500 million floating-rate subordinated debt which became callable during that month.

Following good progress made with the CBI claims process, the capital protection provided by the derivative collar structure over listed equities was no longer required and the structure was therefore not renewed when it expired on 3 August 2021. The group economic capital requirement at 31 December 2021, based on the internal model, amounted to R8.3 billion (2020: R7.4 billion) compared to the actual capital of R13.9 billion (2020: R11.9 billion). This equates to an economic capital coverage ratio of 169% (2020: 161%), at the top end of the capital target range of 150% to 170%. The economic capital coverage ratio at 31 December 2020 already included the anticipated redemption of R500 million subordinated debt in April 2021.

Following the reduction in the regulatory capital add-on to the approved regulatory internal model from 20% to 10% by the Prudential Authority in November 2021, the Santam board has reduced the target economic capital coverage ratio band from between 150% and 170% to between 145% and 165% and remains comfortable operating at the lower end of this range. In addition to the economic capital coverage ratio band, the regulatory capital coverage ratio must exceed predefined threshold levels which have remained unchanged. The group remains committed to efficient capital management.

The legal clarity on the CBI indemnity period and progress made to settle the open CBI claims provided more certainty on the group's capital position. Taking this into account and the capital position at 31 December 2021, the board approved an ordinary final dividend of 790 cents per share and a special dividend of 800 cents per share, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

PROSPECTS

Higher expected interest rates and inflationary pressures will decrease disposable income in South Africa. The 2021 economic growth in South Africa is estimated by the South African Reserve Bank (SARB) to be 4.8%, reducing to 1.7% in 2022. Annual inflation (CPI) is forecast to increase to 4.9% in 2022, up from 4.5% in 2021.

It is expected that economic activity will, in the short to medium term, continue to be constrained by weak consumer spending. However, we are cautiously optimistic about South Africa's economic growth prospects.

There was a significant hardening of the international reinsurance market, following significant global catastrophe events in 2021. The increased reinsurance premiums also impacted South African insurers. Santam has a well-structured reinsurance programme and risk retention levels, enabling us to optimise net underwriting results in an environment of increased reinsurance premiums.

Investment markets are likely to remain uncertain and volatile. Santam's investment income will benefit from higher interest rates. The non-rand-denominated investments expose the group to foreign currency volatility. However, it does also provide a hedge against the operational impact of a weakening rand.

The implementation of our FutureFit strategy remains a key focus area. Ecosystems and partnerships with non-traditional players are key to growth and accessing new markets. We continue to partner with Sanlam and other industry innovators to unlock cross-selling opportunities and meet our clients' evolving needs. The growth of cyber insurance and the shift to digital distribution channels are key drivers for insurance growth, with increasing global investment into InsurTech. We will continue to invest in improving our digital end-to-end insurance offering, in terms of internal efficiencies, intermediary enablement and to create excellent, intuitive client experiences.

The migration of applicable business functions onto our digital platform to maintain and improve on our high standards of operational efficiency remains on track. This platform also aids new product innovation. Santam has an expanding portfolio of digital assets and innovation is mainly driven at business unit level. New products and innovations will focus on improved self-service capabilities for clients and intermediaries in Santam Commercial and Personal, digital client portals and cyber security solutions in Santam Specialist, and MiWay Blink, the business's first end-to-end digital offering.

Extending our leadership position in South Africa and building a specialist Pan-African insurance business with SEM remain priorities. Santam recently adopted the Task Force on Climate-related Financial Disclosures (TCFD) and will publish its first TCFD report this year. The group continues to prioritise and focus on its transformation initiatives. Santam maintained a level 1 BBBEE status and will continue to promote transformation to the ultimate benefit of the economy at both a Santam and an industry level.

Given the ongoing focus on improved underwriting results, the board approved the revision of the group's target net underwriting margin range to 5% to 10% going forward.

EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the group since the statement of financial position date.

MANAGEMENT CHANGES

Tavaziva ("Tava") Madzinga will join Santam as an executive director with effect from 1 April 2022 and will succeed Lizé Lambrechts as the Santam group chief executive with effect from 1 July 2022.

ANNEXURE 1

DECLARATION OF ORDINARY AND SPECIAL DIVIDEND (NUMBER 134)

Notice is hereby given that the board has declared a gross final dividend of 790 cents per share (2020: no dividend) and a special gross dividend of 800 cents per share (2016: 800 cents), 632 cents and 640 cents net of dividend withholding taxation respectively, where applicable, per ordinary share for the year ended 31 December 2021 to those members registered on the record date, being Friday, 25 March 2022. The dividends have been declared from income reserves. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt.

Share code: SNT

ISIN: ZAE000093779

Company registration number: 1918/001680/06

Company tax reference number: 9475/144/71/4

Gross ordinary cash dividend amount per share: 790 cents

Net ordinary dividend amount per share: 632 cents

Gross special cash dividend amount per share: 800 cents

Net special dividend amount per share: 640 cents

Issued shares at 3 March 2022: 115 131 417

Declaration date: Thursday, 3 March 2022

Last day to trade cum dividend: Tuesday, 22 March 2022

Shares trade ex dividend: Wednesday, 23 March 2022

Record date: Friday, 25 March 2022

Payment date: Monday, 28 March 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 March 2022, and Friday, 25 March 2022, both days inclusive. In terms of the dividends tax legislation, the dividends tax amount due will be withheld and paid over to the South African Revenue Service (SARS) by a nominee company, stockbroker or Central Securities Depository Participant (CSDP) (collectively Regulated Intermediary) on behalf of shareholders. Shareholders should seek their own advice on the tax consequences associated with the dividend and are particularly encouraged to ensure their records are up to date so that the correct withholding tax is applied to their dividend.

APPRECIATION

The board would like to extend its gratitude to Santam's management, employees, intermediaries and other business partners for their efforts and contributions during 2021. A special word of appreciation to outgoing chief executive officer (CEO) Lizé Lambrechts for her leadership and inspiration. She leaves Santam in a strong position to be able to execute on its strategy.

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The preparation of the audited annual financial statements was supervised by the chief financial officer of Santam Ltd, Hennie Nel CA(SA).



NT Moholi
Chairperson

2 March 2022



L Lambrechts
Chief executive officer

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 20 to 59 of the Santam Ltd and its subsidiaries notice and proxy of Annual General Meeting and summary of consolidated financial statements for the year ended 31 December 2021, which comprise the summary consolidated statement of financial position as at 31 December 2021, 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 2021.

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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

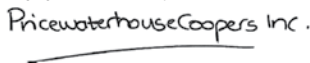
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 2 March 2022. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' 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.

Director: C van den Heever

Registered Auditor

Cape Town, South Africa

2 March 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited as at 31 December 2021 R million	Restated ¹ Audited as at 31 December 2020 R million
ASSETS			
Intangible assets		989	968
Property and equipment		702	760
Investment in associates and joint ventures		2 284	2 205
Strategic investment – unquoted SEM target shares	7	1 691	1 538
Deferred income tax		78	102
Deposit with cell owner		90	161
Cell owners' and policyholders' interest		11	14
Financial assets at fair value through income	7	31 047	29 394
Reinsurance assets	8	14 892	8 946
Deferred acquisition costs		961	839
Loans and receivables including insurance receivables	7	8 312	6 855
Current income tax		5	15
Cash and cash equivalents		4 496	4 383
Total assets		65 558	56 180
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		103	103
Treasury shares		(570)	(527)
Other reserves		37	19
Distributable reserves		11 862	9 761
		11 432	9 356
Non-controlling interest			
		630	736
Total equity		12 062	10 092
LIABILITIES			
Deferred income tax		85	104
Cell owners' and policyholders' interest		4 908	4 238
Reinsurance liability relating to cell owner		90	161
Financial liabilities at fair value through income			
Debt securities	7	2 552	3 089
Investment contracts	7	1 970	1 838
Derivatives	7	1	80
Lease liabilities		764	782
Financial liabilities at amortised cost			
Repo liability		926	867
Collateral guarantee contracts		155	128
Insurance liabilities	8	36 040	28 871
Deferred reinsurance acquisition revenue		561	517
Provisions for other liabilities and charges		188	153
Trade and other payables including insurance payables	7	4 851	5 089
Current income tax		405	171
Total liabilities		53 496	46 088
Total shareholders' equity and liabilities		65 558	56 180

¹ Refer to note 18 for the detail regarding the restatement.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2021 R million	Restated ¹ Audited Year ended 31 December 2020 R million	Change
Gross written premium		42 129	38 273	10%
Less: reinsurance written premium		14 766	12 756	
Net written premium		27 363	25 517	7%
Less: change in unearned premium				
Gross amount		1 573	1 549	
Reinsurers' share		(794)	(693)	
Net insurance premium revenue		26 584	24 661	8%
Interest income on amortised cost instruments	9	206	185	
Interest income on fair value through income instruments	9	1 346	1 435	
Other investment income	9	552	398	
Income from reinsurance contracts ceded		2 067	2 089	
Net gains/(losses) on financial assets and liabilities at fair value through income	9	732	(273)	
Other income		352	347	
Net income		31 839	28 842	10%
Insurance claims and loss adjustment expenses				
Gross amount		29 734	25 205	
Recovered from reinsurers		(13 329)	(8 435)	
Net insurance benefits and claims		16 405	16 770	(2%)
Expenses for the acquisition of insurance contracts		5 539	5 124	
Expenses for marketing and administration		4 794	4 449	
Expenses for investment-related activities		93	66	
Amortisation and impairment of intangible assets		68	70	
Investment return allocated to cell owners and structured insurance products		982	418	
Total expenses		27 881	26 897	4%
Results of operating activities		3 958	1 945	103%
Finance costs		(313)	(318)	
Net income/(loss) from associates and joint ventures		78	(810)	
Impairment of associates and joint ventures		-	(15)	
Income tax recovered from cell owners and structured insurance products	10	592	429	
Profit before tax		4 315	1 231	251%
Tax expense allocated to shareholders	10	(879)	(371)	
Tax expense allocated to cell owners and structured insurance products		(592)	(429)	
Total tax expense		(1 471)	(800)	84%
Profit for the year		2 844	431	560%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income				
Share of associates' currency translation differences		18	424	
Total comprehensive income for the year		2 862	855	235%
Profit attributable to				
– equity holders of the company		2 745	327	739%
– non-controlling interest		99	104	(5%)
		2 844	431	
Total comprehensive income attributable to				
– equity holders of the company		2 763	751	268%
– non-controlling interest		99	104	(5%)
		2 862	855	
Earnings attributable to equity holders				
Earnings per share (cents)	12			
Basic earnings per share		2 491	296	742%
Diluted earnings per share		2 478	295	740%

¹ Refer to note 18 for the detail regarding the restatement.

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
Balance as at 1 January 2020	103	(482)	(405)
Profit for the year	–	–	–
Other comprehensive income:			
Share of associates' currency translation differences	–	–	424
Total comprehensive income for the year ended			
31 December 2020 restated¹	–	–	424
Issue of treasury shares in terms of share option schemes	–	110	–
Purchase of treasury shares	–	(155)	–
Share-based payment costs	–	–	–
Share of associates' other movements in retained earnings	–	–	–
Equity interest issued in cell captive	–	–	–
Dividends paid	–	–	–
Non-controlling interest acquired	–	–	–
Balance as at 31 December 2020 restated¹	103	(527)	19
Profit for the year	–	–	–
Other comprehensive income:			
Share of associates' currency translation differences	–	–	18
Total comprehensive income for the year ended			
31 December 2021	–	–	18
Issue of treasury shares in terms of share option schemes	–	77	–
Purchase of treasury shares	–	(120)	–
Share-based payment costs	–	–	–
Equity interest issued in cell captive	–	–	–
Dividends paid	–	–	–
Non-controlling interest acquired	–	–	–
Balance as at 31 December 2021	103	(570)	37

¹ Refer to note 18 for the detail regarding the restatement.

Attributable to equity holders of the company			
Distributable reserves R million	Total R million	Non- controlling interest R million	Total R million
10 326	9 542	521	10 063
327	327	104	431
–	424	–	424
327	751	104	855
(110)	–	–	–
–	(155)	–	(155)
80	80	–	80
(5)	(5)	–	(5)
–	–	166	166
(793)	(793)	(50)	(843)
(64)	(64)	(5)	(69)
9 761	9 356	736	10 092
2 745	2 745	99	2 844
–	18	–	18
2 745	2 763	99	2 862
(77)	–	–	–
–	(120)	–	(120)
86	86	–	86
–	–	22	22
(477)	(477)	(227)	(704)
(176)	(176)	–	(176)
11 862	11 432	630	12 062

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2021 R million	Restated ¹ Audited Year ended 31 December 2020 R million
Cash flows from operating activities			
Cash generated from operations		3 279	5 948
Interest paid		(295)	(326)
Income tax paid		(626)	(437)
Acquisition of financial assets		(30 712)	(31 205)
Proceeds from sale of financial assets		30 238	26 005
Net cash from/(used in) operating activities		1 884	(15)
Cash flows from investing activities			
Acquisition of financial assets		(1)	(30)
Acquisition of subsidiaries, net of cash acquired	11	-	(4)
Purchases of equipment		(19)	(65)
Purchases of intangible assets		(89)	(81)
Net cash used in investing activities		(109)	(180)
Cash flows from financing activities			
Purchase of treasury shares		(120)	(155)
Purchase of non-controlling interest in subsidiary	11	(176)	(69)
Proceeds from issue of unsecured subordinated callable notes		-	1 000
Redemption of unsecured subordinated callable notes		(500)	-
Dividends paid to company's shareholders		(477)	(793)
Dividends paid to non-controlling interest		(227)	(50)
Equity interest issued to cell captive		22	-
Payment of principal element of lease liabilities		(156)	(141)
Net cash used in financing activities		(1 634)	(208)
Net increase/(decrease) in cash and cash equivalents		141	(403)
Cash and cash equivalents at beginning of year		4 383	4 642
Exchange (losses)/gains on cash and cash equivalents		(28)	144
Cash and cash equivalents at end of year		4 496	4 383

¹ Refer to note 18 for the detail regarding the restatement.

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 Limited Listings and Debt Listings Requirements for summary financial statements, and the requirements of the Companies Act 71 of 2008, as amended, applicable to summary financial statements. The JSE Limited Listings and Debt Listings Requirements require 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*.

The summary consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment, a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19-related claims;
- ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition, a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties, that would require disclosure, have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the summary consolidated financial statements.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated annual 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:

STANDARDS EFFECTIVE IN 2021

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2021:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)
- IFRS 16, *Leases* COVID-19-Related Rent Concessions Amendment

No material impact on the summary consolidated financial statements, resulting from the adoption of these amendments made to IFRS, was identified.

STANDARDS NOT YET EFFECTIVE IN 2021

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

IFRS 17 INSURANCE CONTRACTS

The IASB issued IFRS 17 *Insurance Contracts* in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach (PAA) applicable mainly for short-duration contracts.

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- Be measured at the present value of future cash flows incorporating an explicit risk adjustment and be remeasured every reporting period (the fulfilment cash flows)
- A contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period)

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements to measure a group of insurance contracts using the premium allocation approach are met, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the majority of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also recognises losses earlier on contracts that are expected to be onerous. Based on the group's analysis to date, the group does not expect a significant impact on the financial results due to onerous contracts.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a significant impact across the group's operating model. Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established.

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including: finance, risk, information technology, operations and group internal audit.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be implemented throughout the group. There is continuous engagement with the auditors on the policy and methodology papers as they review the group's transition to IFRS 17. Auditing of the principles in these policy papers will continue in 2022. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly. The tax implications regarding the adoption of IFRS 17 are also being considered and representatives from the group actively take part in industry discussions in this regard.

The transition to IFRS 17 and the financial impact assessment will remain a key focus during 2022. It is expected that due to the short contract boundaries for most of the insurance book, a fully retrospective approach will be applied with limited application of the modified retrospective approach and fair value approaches. A roadmap for transition and the dual reporting run has been prepared and has been shared with business stakeholders.

The IFRS 17 project team will focus on the following key areas during 2022:

- Complete the system development and key controls required to implement IFRS 17
- Produce and request business sign-off, as well as external audit sign-off, on transition balances
- Commence with an IFRS 4 and IFRS 17 dual reporting run
- Update the budgeting process to ensure alignment to IFRS 17
- Finalise the layout and disclosure of IFRS 17 compliant annual financial statements
- Finalise the management reporting and key performance measures
- Continue engaging with the executive committee and business through various training initiatives
- Finalise and implement future financial and data governance processes and accountabilities

A combined assurance approach is being followed whereby group internal audit and external audit are incrementally testing the new IFRS 17 landscape. Opportunities for control improvements have already been identified for implementation.

Although the financial impact of IFRS 17 has not yet been fully assessed, given the nature of the Santam book, the expectation is that the vast majority of the book will be measured using the PAA measurement methodology. This implies that the most notable impact on the net asset value of the group will be due to the introduction of discounting on the group's claim provisions.

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 2021. There have been no changes since 31 December 2020, except as indicated below.

In 2021, the COVID-19 global pandemic has continued to have a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the CBI claims that have occurred and were notified during 2020, that remain unsettled at the end of the reporting period, have been updated based on actual claims development experience. An endorsement was added to all Santam commercial policies to make it clear that no CBI cover relating to infectious diseases is provided for any new claim events or lockdowns from 1 June 2020 onwards. Refer to note 8 for additional information.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

4. CONTINGENT BUSINESS INTERRUPTION (CBI) CLAIMS RESERVES

Santam was party to legal proceedings in 2021. The outcome of the proceedings provided Santam with legal certainty in respect of its liability for Infectious and Contagious Disease cover, as well as the length of the indemnity period that applied to certain policies written by Santam's Hospitality and Leisure division.

Santam accepted the judgment of the courts and commenced paying claims during 2021. These claims payments were in addition to the R1 billion in interim relief paid to policyholders in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate liability which will only be eliminated once the process has been finalised.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

5. 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 2021.

There have been no material changes to the risk management policies since 31 December 2020.

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group.

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework in response to the increased risks arising as a result of COVID-19. Monitoring, management and mitigation of these risks is an ongoing process:

KEY RISKS AND EXPOSURES	KEY MITIGANTS AND CONTROLS
Reserving risk	
There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns, such as frequency and severity are just emerging.	<ul style="list-style-type: none"> Experienced actuaries responsible for the actuarial valuation of the liabilities have determined the reserves. Following the submission and payment of a significant portion of CBI claims, the reserving assumptions have been refined and there is more certainty with regards to the ultimate exposure. Margins are held to be at least sufficient at the 75th percentile in accordance with group policy.
Underwriting and claims risk	
There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.	<ul style="list-style-type: none"> Additional monitoring procedures have been implemented to track COVID-19-related claims including frequency and changes in payment patterns. A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts and take necessary actions. Well-defined risk appetite statements exist, which are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary. Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risk	
There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations.	<ul style="list-style-type: none"> The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia.
Operational risk	
<p>This risk relates to customer relationship and/or reputational damage arising from operational failure such as information technology (IT) system failure.</p> <p>The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the customer.</p>	<ul style="list-style-type: none"> Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing the group's clients during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met. IT services have been maintained across the group with infrastructure continuing to support the remote working environment. Operational risk and resilience processes and procedures are in place, including incident management. IT and data risks remain under close monitoring, especially cyber threat.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. 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), Santam Re and MiWay
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq and SSI
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV

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 SAN JV insurance businesses, 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. Results from these businesses are 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.

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.

6. SEGMENT INFORMATION (continued)

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, dividends 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 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.

Since the group reported its segmental results for the year ended 31 December 2020, the segmental disclosure has been adjusted to condense the additional information for SAN JV (100%) to focus on the results from SAN JV's general insurance, in the general insurance format, reconciled to attributable earnings from the SAN JV group. Management believes that the information relating to SAN JV's life and other underlying operating segments is no longer of significance, as a result of their limited contribution to profits, to the chief operating decision-maker and management determined that it is no longer useful for the users of the summary consolidated financial statements.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 SEGMENT REPORT

For the year ended 31 December 2021

Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	Total R million
Revenue	32 745	9 384	2 846	44 975
External	32 296	9 384	2 846	44 526
Intersegment ⁵	449	–	–	449
Operating result before non-controlling interest and tax¹	2 465	306	377	3 148
Reallocation of operating result	–	–	(377)	(377)
Investment income net of investment- related fees	–	1 025	152	1 177
Investment return allocated to cell owners and structured insurance products	–	(982)	–	(982)
Finance costs ²	–	(43)	–	(43)
Income from associates and joint ventures	–	–	8	8
Santam BEE costs	–	–	–	–
Amortisation and impairment of intangible assets ³	(21)	(1)	–	(22)
Income tax recovered from cell owners and structured insurance products	–	592	–	592
Profit before tax	2 444	897	160	3 501

¹ Includes depreciation of R203 million for Conventional and R12 million for ART.

² Finance costs relating to lease liabilities has been included in operating result.

³ Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R8 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 (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.

⁵ Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.

Investment R million	Total R million	Reconciling and unallocated ⁴ R million	IFRS total R million
1 119	46 094	(3 965)	42 129
1 119	45 645	(3 965)	41 680
-	449	-	449
-	3 148	(377)	2 771
-	(377)	377	-
956	2 133	-	2 133
-	(982)	-	(982)
(210)	(253)	-	(253)
70	78	-	78
-	-	(2)	(2)
-	(22)	-	(22)
-	592	-	592
816	4 317	(2)	4 315

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 SEGMENT REPORT (CONTINUED)

For the year ended 31 December 2020 restated⁶

Business activity	Insurance			Total R million
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	
Revenue	31 098	7 175	2 968	41 241
External	30 821	7 175	2 968	40 964
Intersegment ⁵	277	–	–	277
Operating result before non-controlling interest and tax¹	1 118	165	381	1 664
Reallocation of operating result	–	–	(381)	(381)
Investment income net of investment-related fees	–	462	32	494
Investment return allocated to cell owners and structured insurance products	–	(418)	–	(418)
Finance costs ²	–	(44)	–	(44)
(Loss)/income from associates and joint ventures including impairment ⁴	–	–	(873)	(873)
Santam BEE costs	–	–	–	–
Amortisation and impairment of intangible assets ³	(18)	(1)	–	(19)
Income tax recovered from cell owners and structured insurance products	–	429	–	429
Profit before tax	1 100	593	(841)	852

¹ Includes depreciation of R213 million for Conventional and R11 million for ART.

² Finance costs relating to lease liabilities has been included in operating result.

³ Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 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 (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.

⁵ Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.

⁶ (Loss)/Income from associates and joint ventures including impairment disclosed in the Santam's share of SAN JV and other SEM businesses segment was restated by R215 million from R658 million to R873 million. Refer to note 18 for further detail regarding the restatement.

Investment R million	Total R million	Reconciling and unallocated ⁴ R million	IFRS total R million
637	41 878	(3 605)	38 273
637	41 601	(3 605)	37 996
-	277	-	277
-	1 664	(381)	1 283
-	(381)	381	-
523	1 017	-	1 017
-	(418)	-	(418)
(190)	(234)	-	(234)
48	(825)	-	(825)
-	-	(2)	(2)
-	(19)	-	(19)
-	429	-	429
381	1 233	(2)	1 231

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 SEGMENT REPORT (CONTINUED)

Additional information on Conventional insurance activities

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Revenue	32 745	31 098
Net earned premium	25 858	24 320
Net claims incurred	16 023	16 593
Net commission	3 458	3 083
Management expenses (excluding BEE costs) ^{1,2}	4 313	4 029
Net underwriting result	2 064	615
Investment return on insurance funds	400	501
Net insurance result	2 464	1 116
Other income	118	106
Other expenses	(117)	(104)
Operating result before non-controlling interest and tax	2 465	1 118

¹ Amortisation of computer software has been included in management expenses.

² Finance costs relating to lease liabilities has been included in management expenses.

The group's conventional insurance activities are spread over various classes of general insurance.

	Audited Year ended 2021		Audited Year ended 2020	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	572	60	641	94
Crop	1 130	(92)	1 262	147
Engineering	1 730	313	1 651	433
Guarantee	127	(5)	117	(14)
Liability	1 550	252	1 362	149
Miscellaneous	53	14	38	(10)
Motor	14 412	1 188	13 430	2 100
Property	12 177	236	11 798	(2 410)
Transportation	994	98	799	126
Total	32 745	2 064	31 098	615
Comprising				
Commercial insurance	19 206	1 126	18 215	(1 176)
Personal insurance	13 539	938	12 883	1 791
Total	32 745	2 064	31 098	615

Additional information on Alternative risk transfer insurance activities

The group's alternative risk insurance activities can be analysed as follows:

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Income from clients	470	385
Participation in underwriting results ¹	101	34
	571	419
Administration expenses	(265)	(254)
Operating result before non-controlling interest and tax	306	165

¹ This relates to Centriq Insurance and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.

6. SEGMENT INFORMATION (continued)

6.1 SEGMENT REPORT (CONTINUED)

Additional information on Santam's share of SAN JV and other SEM businesses

	Audited Year ended 2021			Audited Year ended 2020		
	SEM R million	SAN JV R million	Total R million	SEM R million	SAN JV R million	Total R million
Revenue	1 026	1 820	2 846	1 183	1 785	2 968
Operating result before non-controlling interest and tax	156	221	377	258	123	381

Additional information on Santam's share of other SEM businesses

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Revenue	1 026	1 183
Net earned premium	822	994
Net claims incurred	593	644
Net acquisition cost	274	301
Net underwriting result	(45)	49
Investment return on insurance funds	201	207
Other income	–	2
Operating result before non-controlling interest and tax	156	258

Additional information on Santam's share of SAN JV'S general and reinsurance business

	Audited Year ended 2021 R million	Restated ¹ Audited Year ended 2020 R million
General insurance		
Revenue	1 820	1 785
Net earned premium	1 221	1 258
Net claims incurred	763	757
Net acquisition cost	389	409
Net underwriting result	69	92
Investment return on insurance funds	156	37
Other expenses	(4)	(6)
Operating result before non-controlling interest and tax	221	123
Life business: Operating result before non-controlling interest and tax	18	–
Consolidation and other adjustments	(35)	(5)
Operating result before non-controlling interest and tax	204	118
Income tax expense	(81)	(28)
Profit after tax	123	90
Non-controlling interest	(57)	(29)
Net results from financial services	66	61
Net investment return on shareholders' funds ²	(15)	(138)
Net other expenses ¹	(8)	(88)
Attributable earnings	43	(165)

¹ Other expenses includes the net profit/loss for the following lines of business: health, property and Elite. It includes a restatement of R215 million, refer to note 18 for detail.

² Investment return on shareholders' funds include impairments and foreign currency translation differences.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 SEGMENT REPORT (CONTINUED)

Santam's share of SAN JV attributable earnings reconciliation to equity accounting profit and loss earnings

	Audited Year ended 2021 R million	Restated ¹ Audited Year ended 2020 R million
Attributable earnings¹	43	(165)
Amortisation of other intangible assets on a SAN JV level	(31)	(28)
Impairment of goodwill on a SAN JV level	-	(656)
Other – consolidation adjustments on a SAN JV level	(4)	(24)
Net income/(loss) from associate	8	(873)

¹ Attributable earnings was restated by R215 million from an income of R50 million to a loss of R165 million.

Additional information on Investment activities

The group's return on investment-related activities can be analysed as follows:

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Investment income	869	717
Net gains/(losses) on financial assets and liabilities at fair value through income	180	(128)
Income from associates and joint ventures	70	48
Investment-related revenue	1 119	637
Expenses for investment-related activities	(93)	(66)
Finance costs	(210)	(190)
Net total investment-related transactions	816	381

For a detailed analysis of investment activities, refer to notes 7 and 9.

6.2 GEOGRAPHICAL ANALYSIS

	Gross written premium		Non-current assets	
	Audited Year ended 2021 R million	Audited Year ended 2020 R million	Audited as at 2021 R million	Audited as at 2020 R million
South Africa	36 845	33 310	2 117	2 111
Rest of Africa ¹	2 599	4 169	1 980	1 934
Southeast Asia, India and Middle East	5 065	3 362	1 346	1 321
Other	466	400	-	-
	44 975	41 241	5 443	5 366
Reconciling items ²	(2 846)	(2 968)	-	-
Group total	42 129	38 273	5 443	5 366

¹ Includes gross written premium relating to Santam Namibia Ltd of R982 million (2020: R971 million).

² Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).

7. 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 as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Financial assets mandatorily measured at fair value through income		
Strategic investment – unquoted SEM target shares	1 691	1 538
Financial assets at fair value through income	31 047	29 394
	32 738	30 932
Expected to be realised after 12 months ¹	25 978	21 973
Expected to be realised within 12 months	6 760	8 959
Loans and receivables including insurance receivables	8 312	6 855
Receivables arising from insurance and reinsurance contracts	6 421	5 392
Loans and receivables excluding insurance receivables	1 891	1 463
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	4 523	5 007
Expected to be settled after 12 months	3 217	4 123
Expected to be settled within 12 months	1 306	884
Trade and other payables including insurance payables	4 851	5 089
Payables arising from insurance and reinsurance contracts	2 498	2 874
Trade and other payables excluding insurance payables	2 353	2 215

¹ Including unquoted SEM target shares amounting to R1 691 million (2020: R1 538 million).

Trade and other payables including insurance payables are expected to be settled within 12 months.

7.1 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 2020. 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 are determined as follows:
 - Listed equities and similar securities: valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
 - Unlisted equities and similar securities: valued using the discounted cash flow (DCF) or net asset value method based on market input.
 - Interest-bearing investments:
 - Quoted interest-bearing investments 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 interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
 - Structured transactions: valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.

¹ These investments are classified as level 2 as the markets that they trade on are not considered to be active.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)

- Investment funds:
 - Quoted investment funds 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 investment funds 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. 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.

¹ These investments are classified as level 2 as the markets that they trade on are not considered to be active.

Audited at 31 December 2021	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	3 061	-	-	3 061
Unlisted equities and similar securities	-	-	1 765	1 765
Interest-bearing investments				
Government interest-bearing investments	-	5 666	-	5 666
Corporate interest-bearing investments	-	14 742	60	14 802
Mortgages and loans	-	84	-	84
Structured transactions				
Structured notes	-	216	-	216
Investment funds	-	6 113	-	6 113
Cash, deposits and similar securities	-	1 031	-	1 031
Financial assets at fair value through income	3 061	27 852	1 825	32 738
Debt securities	-	2 552	-	2 552
Investment contracts	-	1 970	-	1 970
Derivative liabilities	-	-	1	1
Financial liabilities at fair value through income	-	4 522	1	4 523

Audited at 31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 577	-	-	2 577
Unlisted equities and similar securities	-	5	1 609	1 614
Interest-bearing investments				
Government interest-bearing investments	-	4 496	-	4 496
Corporate interest-bearing investments	-	14 358	60	14 418
Mortgages and loans	-	146	-	146
Structured transactions				
Structured notes	-	264	-	264
Investment funds	-	5 191	-	5 191
Cash, deposits and similar securities	-	2 226	-	2 226
Financial assets at fair value through income	2 577	26 686	1 669	30 932
Debt securities	-	3 089	-	3 089
Investment contracts	-	1 838	-	1 838
Derivative liabilities	-	-	80	80
Financial liabilities at fair value through income	-	4 927	80	5 007

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)

The following table presents the changes in level 3 instruments:

	Equities and similar securities R million	Interest-bearing investments R million	Derivative liabilities R million	Total R million
31 December 2021 (audited)				
Opening balance	1 609	60	(80)	1 589
Acquisitions	1	–	–	1
Settlements	–	–	132	132
Gains/(losses) recognised in profit or loss	155	–	(53)	102
Closing balance	1 765	60	(1)	1 824
31 December 2020 (audited)				
Opening balance	1 553	60	–	1 613
Acquisitions	30	–	–	30
Settlements	–	–	(50)	(50)
Gains/(losses) recognised in profit or loss	26	–	(30)	(4)
Closing balance	1 609	60	(80)	1 589

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R155 million gain (2020: R26 million gain) recognised on equity securities, a R152 million gain (2020: R34 million gain) relates to the SEM target shares, of which R100 million (2020: R17 million gain) relates to foreign exchange gains, and R52 million (2020: R17 million increase) to an increase 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 R38 million (excluding the impact of exchange rate movements) was impacted negatively by lower premium growth in the current financial year due to the continuing impact of the COVID-19 pandemic on sales volumes.

On 4 June 2021, Santam subscribed for a further target share in NICO Holdings General Insurance (Malawi) at a cost of R1 million. Santam's participation interest did not change. On 30 June 2020, Santam subscribed for a further target share in FBNGI at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.

- The fair value of the SEM target shares is determined using predominantly discounted cash flow (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 investment relates to the target share which provides a participatory interest in (SGI) to the value of R1 419 million (2020: R1 293 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (2020: 14.3%). A rand/Indian rupee exchange rate of 0.214 (2020: 0.201) was used to translate the DCF valuation result in Indian rupee to rand. An average net insurance margin over a 10 year period of 24.0% (2020: 23.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R265 million (2020: R234 million) or increase by R436 million (2020: R398 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the fair value will increase or decrease by R142 million (2020: R129 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R110 million (2020: R109 million). The remaining target shares are mostly impacted by changes in exchange rates.

Refer to note 7.3 for disclosure relating to the derivative liabilities.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.2 DEBT SECURITIES

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 of R500 million have all been redeemed on the optional redemption date on 12 April 2021, and the fixed rate notes have 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. 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.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R500 million floating rate subordinated debt issued in April 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until their maturity. 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. They are all classified as level 2 (2020: level 2) in the fair value hierarchy.

Santam's international credit rating was downgraded by one notch from BB+ to BB in May 2020. The rating was reaffirmed in December 2020. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

7.3 DERIVATIVES

At 31 December 2021, the group had exchange traded futures with an exposure value of R1 223 million (December 2020: R1 080 million). The exchange trades futures relate to interest rate derivatives used to manage interest rate risk in Santam's fixed income portfolios.

On 6 August 2020, the company entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level of 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The new structure entered into on 3 November 2020 provided full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expired on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020).

On 3 February 2021, the company rolled the collar structure. The structure offered almost full downside protection from the implementation level of 11 857 and expired on 3 May 2021 and realised a loss of R31 million. On 3 May 2021, the company rolled the collar again until expiry on 3 August 2021, at an implementation level of 12 223. The structure was not renewed on 3 August 2021 and a final gain of R15 million was realised (inclusive of the fair value gain of R19 million at 30 June 2021).

At 31 December 2021, the group also had interest rate swaps as part of the international bond portfolio. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability amounted to R11 million (2020: R46 million) and R11 million (2020: R46 million) respectively.

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	163	73
– claims incurred but not reported	123	48
General insurance contracts		
– claims reported and loss adjustment expenses	17 779	12 286
– claims incurred but not reported	3 884	4 004
– unearned premiums	14 091	12 460
Total gross insurance liabilities	36 040	28 871
Expected to be settled after 12 months	2 328	1 974
Expected to be settled within 12 months	33 712	26 897
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	12
– claims incurred but not reported	11	14
General insurance contracts		
– claims reported and loss adjustment expenses	11 926	5 663
– claims incurred but not reported	704	1 197
– unearned premiums	2 245	2 060
Total reinsurers' share of insurance liabilities	14 892	8 946
Expected to be recovered after 12 months	489	381
Expected to be recovered within 12 months	14 403	8 565
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	157	61
– claims incurred but not reported	112	34
General insurance contracts		
– claims reported and loss adjustment expenses	5 853	6 623
– claims incurred but not reported	3 180	2 807
– unearned premiums	11 846	10 400
Total net insurance liabilities	21 148	19 925

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

INSURANCE LIABILITY ESTIMATES

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2021 and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2021. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible.

Details of the group accounting policies in respect of insurance contract liabilities can be found in note 4 of the group's annual financial statements for the year ended 31 December 2021.

COVID-19-RELATED CLAIMS ESTIMATES

Judgement is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the group's exposure to CBI claims. There remains, however, uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities:

- The assumptions used to determine the underlying exposure at a policy level
- The impact of the claims payment experience to date

Reinsurance assets:

- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty
- Expected recoveries from applicable reinsurance contracts

The group's projected ultimate net insurance exposure at 31 December 2020 was R3 billion comprising gross claims payments of R1 billion, a gross liability provision of R5.3 billion for open claims and a reinsurance asset of R3.3 billion.

Following the payment of a significant number of claims and a review of CBI provisions, the group's projected ultimate net insurance exposure at 31 December 2021 was R2.55 billion. This comprised gross claims payments of R3.2 billion, a gross liability provision of R3.2 billion for open claims, a reinsurance recovery net of reinstatement premiums of R0.6 billion and a reinsurance asset of R3.2 billion.

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam's projected net ultimate exposure for CBI claims has reduced by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate exposure which will only be eliminated once the process has been finalised.

A sensitivity analysis on the unsettled claims within the net CBI provision of R2.55 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 6% (2020: 30%). A 10% negative movement in the assumptions used would result in an increase in the net provision of 6% (2020: 31%).

9. INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES

	Audited Year ended 31 December 2021 R million	Audited Year ended 31 December 2020 R million
Investment income	2 104	2 018
Interest income derived from	1 552	1 620
Financial assets measured at amortised cost	206	185
Financial assets mandatorily measured at fair value through income	1 346	1 435
Other investment income	552	398
Dividend income	250	316
Foreign exchange differences	302	82
Net gains/(losses) on financial assets and liabilities at fair value through income	732	(273)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	989	(209)
Net realised gains/(losses) on financial assets excluding derivative instruments	157	(66)
Net fair value gains/(losses) on financial assets excluding derivative instruments	885	(27)
Net realised/fair value losses on derivative instruments	(53)	(116)
Net fair value losses on financial liabilities designated as at fair value through income	(257)	(64)
Net fair value gains/(losses) on debt securities	30	(8)
Net realised losses on investment contracts	(287)	(56)
	2 836	1 745

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX

	Audited Year ended 31 December 2021 R million	Restated ¹ Audited Year ended 31 December 2020 R million
Normal taxation		
Current year	1 472	759
Prior year	(72)	(8)
Other taxes	6	1
Foreign taxation – current year	60	17
Total income taxation for the year	1 466	769
Deferred taxation		
Current year	5	31
Total deferred taxation for the year	5	31
Total taxation as per statement of comprehensive income	1 471	800
Income tax recovered from cell owners and structured insurance products	(592)	(429)
Total tax expense attributable to shareholders	879	371
Profit before taxation per statement of comprehensive income	4 315	1 231
Adjustment for income tax recovered from cell owners and structured insurance products	(592)	(429)
Total profit before tax attributable to shareholders	3 723	802

	Audited Year ended 31 December 2021 R million	Restated ¹ Audited Year ended 31 December 2020 R million
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.1	0.8
Foreign tax differential	0.1	0.6
Exempt income	(1.5)	(10.0)
Investment results	(0.5)	(0.9)
(Income)/loss from associates and joint ventures	(0.6)	29.0
Previous year's overprovision	(1.9)	(0.8)
Other permanent differences	(0.3)	(0.5)
Other taxes	0.2	0.1
Net (reduction)/increase	(4.4)	18.3
Effective rate attributable to shareholders (%)	23.6	46.3

¹ Refer to note 18 for the detail regarding the restatement. The percentage adjustment for Income from associates and joint ventures was restated from 16.9% to 29.0%, and all other percentage adjustments were recalculated using the restated profit before tax.

11. CORPORATE TRANSACTIONS

FOR THE YEAR ENDED 31 DECEMBER 2021

Acquisitions

Mirabilis Holding Company (Pty) Ltd

During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

FOR THE YEAR ENDED 31 DECEMBER 2020

Acquisitions

JaSure Financial Services (Pty) Ltd

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	(1)
Trade and other payables	(5)
Net asset value acquired	(6)
Non-controlling interest	3
Goodwill	9
Purchase consideration paid	6

Echelon Underwriting Managers (Pty) Ltd

The Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million.

Insure Group Managers Finance (Pty) Ltd

On 1 July 2020, the Santam group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250 000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	1
Loans and receivables	42
Cash and cash equivalents	2
Trade and other payables	(45)
Net asset value acquired/Purchase consideration paid	-

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

	Audited Year ended 31 December 2021 R million	Restated ¹ Audited Year ended 31 December 2020 R million
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	2 745	327
Weighted average number of ordinary shares in issue (million)	110.20	110.30
Earnings per share (cents)	2 491	296
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	2 745	327
Weighted average number of ordinary shares in issue (million)	110.20	110.30
Adjusted for share options	0.58	0.61
Weighted average number of ordinary shares for diluted earnings per share (million)	110.78	110.91
Diluted basic earnings per share (cents)	2 478	295
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	2 745	327
Adjusted for:		
Impairment of associates and joint ventures	–	15
Loss on sale of associates	4	–
Share of associates' impairment of assets	–	692
Tax charge on share of associates' impairment of assets	–	(36)
Headline earnings (R million)	2 749	998
Weighted average number of ordinary shares in issue (million)	110.20	110.30
Headline earnings per share (cents)	2 495	905
Diluted headline earnings per share		
Headline earnings (R million)	2 749	998
Weighted average number of ordinary shares for diluted headline earnings per share (million)	110.78	110.91
Diluted headline earnings per share (cents)	2 481	900
¹ Refer to note 18 for the detail regarding the restatement.		
13. DIVIDEND PER SHARE		
Dividend per share (cents)	1 222	–
Special dividend per share (cents)	800	–

14. IMPAIRMENT TESTS

ASSOCIATES – IMPAIRMENT OF GOODWILL AND OTHER ASSETS

The recoverable amount of goodwill and other intangible assets (non-insurance related) for impairment testing purposes has been determined based on the value in use of the businesses. Impairment testing in respect of insurance-related other intangible assets forms part of the liability adequacy test of insurance liabilities. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

SAN JV (100%)

The consolidated carrying value of SAN JV comprise of net asset value (NAV), other intangible assets and goodwill. SAN JV holds 100% of the formerly known Saham Finances Group. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value. Santam holds 10% of SAN JV, as an investment in associate.

Changes to SAN JV's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, as well as impairment tests performed as part of the liability adequacy test, affect the carrying value through other intangible assets.

SAN JV's value in use increased from R20.3 billion at 31 December 2020 to R22.6 billion at 31 December 2021. The carrying value of SAN JV is R20.4 billion at 31 December 2021 (2020: R20.1 billion after an impairment of R6.6 billion). The valuation at 31 December 2021 supported the carrying value and did not result in additional impairments for the current reporting period.

The rand weakened against most currencies in the portfolio, most notably against the Morocco dirham by some 4.4%. The recoverable amount increased in Morocco dirham terms by 6.3%.

The valuation of the general insurance and life operations in Lebanon are maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

Premium growth has outperformed the valuation assumptions since 2020, but at a lower than expected margin. Although the environment remains uncertain and the emergence of new COVID-19 variants can still impact the recovery significantly, the outlook is more positive than a year ago. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on the investments backing the policyholder liabilities. On aggregate, the general insurance portfolio's risk discount rates increased in line with the US risk free yield. This rate is used as a starting point in the determination of local country risk adjusted risk free rates. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the SAN JV footprint as a result of COVID-19.

As reflected in the table below, there were no significant adjustments made to the key assumptions in determining the value in use for cash-generating units (excluding Lebanon).

	General insurance		Life	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Weighted average local discount rate ¹	11.4%	11.0%	14.2%	11.6%
Weighted average perpetuity growth rate	5.4%	5.7%	6.1%	4.9%
VNB multiples	n/a	n/a	10.0% – 16.9%	10.0 – 16.3
Revenue: compounded annual growth rate (range of values over the 10 years)	6.6% – 10.9%	6.3% – 8.9%	n/a	n/a
Net insurance result margin ²	9.6% – 17.3%	11.0% – 17.0%	n/a	n/a

¹ It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the rand is expected to increase this return over time.

² Expressed as a percentage of net earned premiums.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS (continued)

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and non-life cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (GDP) growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the prior year amounted to R6 560 million.

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2021				
Value in use	19 697	2 955	–	22 652
Carrying value	17 918	2 452	–	20 370
Excess over carrying value	1 779	503	–	2 282
Gross impairment previously recognised	(4 327)	(502)	(1 731)	(6 560)

GENERAL INSURANCE BUSINESSES SENSITIVITY ANALYSIS (EXCLUDING LEBANON, AS THE BASE VALUE IS ZERO)

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change
Base value ¹	1 956	
Risk discount rate +1%	1 785	(8.7%)
Risk discount rate -1%	2 212	13.1%
Perpetuity growth rate +1%	2 116	8.2%
Rand exchange rate depreciation +10%	2 152	10.0%

¹ This value includes notional dividends.

14. IMPAIRMENT TESTS (continued)

LIFE BUSINESSES SENSITIVITY ANALYSIS (EXCLUDING LEBANON, AS THE BASE VALUE IS ZERO)

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R170 million and the value of new business of R137 million of which the sensitivities are provided below:

	Embedded value R million	Change R million
1. Embedded value sensitivity analysis		
Base value	170	
Risk discount rate increase by 1%	165	(3.1%)
	Present value of future new business R million	Change R million
2. Value of new business sensitivity analysis		
Base value	137	
Risk discount rate increase by 1%	125	(8.8%)

Refer to note 6.1 for the impact of the 2020 impairment on the segmental report. The impairment was included under the Santam's share of SAN JV and other SEM businesses operating segment.

15. RELATED PARTIES

During 2021, there have been no significant related party transactions that requires disclosure to gain an understanding of the changes in the financial position or results since the last annual period. There have also been no changes in the nature of the related party transactions as disclosed in note 27 of the group's annual financial statements for the year ended 31 December 2021.

16. SUBSEQUENT EVENTS

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

17. 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 SSL.

17.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION

	Group Audited as at 31 December 2021 R million	Shareholder Audited as at 31 December 2021 R million	Policyholder/ cellholder Audited as at 31 December 2021 R million
ASSETS			
Intangible assets	989	989	-
Property and equipment	702	702	-
Investment in associates and joint ventures	2 284	2 284	-
Strategic investment – unquoted SEM target shares	1 691	1 691	-
Deferred income tax	78	78	-
Deposit with cell owner	90	-	90
Cell owners' and policyholders' interest	11	-	11
Financial assets at fair value through income	31 047	16 590	14 457
Reinsurance assets	14 892	13 793	1 099
Deferred acquisition costs	961	805	156
Loans and receivables including insurance receivables	8 312	5 117	3 195
Current income tax assets	5	5	-
Cash and cash equivalents	4 496	3 144	1 352
Total assets	65 558	45 198	20 360
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	-
Treasury shares	(570)	(570)	-
Other reserves	37	37	-
Distributable reserves	11 862	11 862	-
	11 432	11 432	-
Non-controlling interest	630	447	183
Total equity	12 062	11 879	183
LIABILITIES			
Deferred income tax	85	61	24
Cell owners' and policyholders' interest	4 908	-	4 908
Reinsurance liability relating to cell owners	90	-	90
Financial liabilities at fair value through income			
Debt securities	2 552	2 552	-
Investment contracts	1 970	-	1 970
Derivatives	1	1	-
Lease liabilities	764	764	-
Financial liabilities at amortised cost			
Repo liability	926	-	926
Collateral guarantee contracts	155	-	155
Insurance liabilities	36 040	25 116	10 924
Deferred reinsurance acquisition revenue	561	478	83
Provisions for other liabilities and charges	188	188	-
Trade and other payables including insurance payables	4 851	3 732	1 119
Current income tax liabilities	405	427	(22)
Total liabilities	53 496	33 319	20 177
Total shareholders' equity and liabilities	65 558	45 198	20 360

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Group Restated ¹ Audited as at 31 December 2020 R million	Shareholder Restated ¹ Audited as at 31 December 2020 R million	Policyholder/ cellholder Audited as at 31 December 2020 R million
ASSETS			
Intangible assets	968	968	–
Property and equipment	760	760	–
Investment in associates and joint ventures	2 205	2 205	–
Strategic investment – unquoted SEM target shares	1 538	1 538	–
Deferred income tax	102	117	(15)
Deposit with cell owner	161	–	161
Cell owners' and policyholders' interest	14	–	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	–
Cash and cash equivalents	4 383	3 309	1 074
Total assets	56 180	38 382	17 798
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(527)	(527)	–
Other reserves	19	19	–
Distributable reserves	9 761	9 761	–
	9 356	9 356	–
Non-controlling interest	736	570	166
Total equity	10 092	9 926	166
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	–	4 238
Reinsurance liability relating to cell owners	161	–	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	–
Investment contracts	1 838	–	1 838
Derivatives	80	80	–
Lease liabilities	782	782	–
Financial liabilities at amortised cost			
Repo liability	867	–	867
Collateral guarantee contracts	128	–	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	–
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	46 088	28 456	17 632
Total shareholders' equity and liabilities	56 180	38 382	17 798

¹ Refer to note 18 for the detail regarding the restatement.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME

	Group Audited Year ended 31 December 2021 R million	Shareholder Audited Year ended 31 December 2021 R million	Policyholder/ cellholder Audited Year ended 31 December 2021 R million
Gross written premium	42 129	33 163	8 966
Less: reinsurance written premium	14 766	6 959	7 807
Net written premium	27 363	26 204	1 159
Less: change in unearned premium			
Gross amount	1 573	169	1 404
Reinsurers' share	(794)	(128)	(666)
Net insurance premium revenue	26 584	26 163	421
Interest income on amortised cost instruments	206	206	–
Interest income on fair value through income instruments	1 346	818	528
Other investment income	552	448	104
Income from reinsurance contracts ceded	2 067	1 625	442
Net gains on financial assets and liabilities at fair value through income	732	324	408
Other income	352	352	–
Net income	31 839	29 936	1 903
Insurance claims and loss adjustment expenses			
Gross amount	29 734	25 509	4 225
Recovered from reinsurers	(13 329)	(9 407)	(3 922)
Net insurance benefits and claims	16 405	16 102	303
Expenses for the acquisition of insurance contracts	5 539	5 014	525
Expenses for marketing and administration	4 794	4 773	21
Expenses for investment-related activities	93	93	–
Amortisation and impairment of intangible assets	68	68	–
Investment return allocated to cell owners and structured insurance products	982	–	982
Expenses	27 881	26 050	1 831
Results of operating activities	3 958	3 886	72
Finance costs	(313)	(270)	(43)
Net income from associates and joint ventures	78	78	–
Income tax recovered from cell owners and structured insurance products	592	–	592
Profit before tax	4 315	3 694	621
Income tax expense	(1 471)	(875)	(596)
Profit for the year	2 844	2 819	25

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Group Restated ¹ Audited Year ended 31 December 2020 R million	Shareholder Restated ¹ Audited Year ended 31 December 2020 R million	Policyholder/ cellholder Audited Year ended 31 December 2020 R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses			
Gross amount	25 205	22 308	2 897
Reinsurers' share	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net loss from associates and joint ventures	(810)	(810)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 231	802	429
Income tax expense	(800)	(371)	(429)
Profit for the year	431	431	–

¹ Refer to note 18 for the detail regarding the restatement.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

18. CHANGES IN PRESENTATION

18.1 RESTATEMENT OF THE STATEMENT OF CASH FLOWS

In light of the current economic environment and the impact of CBI claims, the group decided to change its presentation policy relating to non-strategic investment portfolios. All cash flows from the acquisition and sale of these investments are now included as part of operating activities, as these portfolios provide liquidity in case of significant claims events. This also aligns to industry practice and the presentation policy of the group's holding company, Sanlam Ltd. Comparative numbers have been restated, as a result of the change in presentation policy, as follows:

	Group Audited Year ended		
	Previously reported 31 December 2020 R million	Restatement 31 December 2020 R million	Restated 31 December 2020 R million
Net cash (used in)/from operating activities			
Acquisition of financial assets	(29 373)	(1 832)	(31 205)
Proceeds from sale of financial assets	25 315	690	26 005
Net cash (used in)/from investing activities			
Acquisition of financial assets	(1 862)	1 832	(30)
Proceeds from sale of financial assets	690	(690)	–
Net impact	(5 230)	–	(5 230)

18.2 HYPERINFLATION ACCOUNTING ERROR IN SAN JV'S EQUITY-ACCOUNTED EARNINGS

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. With initial application in 2020, the opening balances of monetary assets and liabilities were restated by applying the consumer price index (CPI) differential between 1 January 2020 and 31 December 2020. The 2020 opening balances of non-monetary assets were restated by applying the CPI differential between the date these items were acquired or incurred and 31 December 2020. The group elected to recognise the impact in the foreign currency translation reserve (FCTR). An impairment loss was recognised in FCTR on initial adoption of IAS 29 when the remeasured amount of the non-monetary items exceeded the estimated recoverable amount on 1 January 2020. The 2019 comparative amounts in the annual financial statements for the year ended 31 December 2020 ("2020 annual financial statements") were not restated, and the initial impact of negative R123 million attributable to the group was recognised in FCTR in the share of associates' currency translation differences line of the statement of changes in equity (SOCE). It comprised the rebase of the underlying statement of financial position of SAN JV as at 31 December 2019 relating to equity of R1 388 million and the reduction of the indexed non-monetary items to the recoverable negative amount of R2 622 million which included both goodwill as well as other intangible assets.

Given the various complexities involved in consolidating LIA Insurance S.A.L. (LIA) (in Lebanon) in a hyperinflationary environment, including recognising additional expected credit losses in respect of financial assets (in terms of the group's policy), and impairments on other intangible assets and goodwill, the monetary assets on which the opening balance restatement at 1 January 2020 was based, were understated. As a result, the initial application of the IAS 29 opening balance adjustment of negative R123 million reported in the 2020 annual financial statements' SOCE should have been positive R92 million attributable to the shareholders. This resulted in an increase in FCTR of R215 million and a corresponding decrease in profit for the year ended 31 December 2020 from R646 million to R431 million, with a consequential impact on earnings per share and headline earnings per share.

18. CHANGES IN PRESENTATION (continued)

18.2 HYPERINFLATION ACCOUNTING ERROR IN SAN JV'S EQUITY-ACCOUNTED EARNINGS (CONTINUED)

The error had no impact on net asset value or any of the group's other key performance indicators as hyperinflation accounting is regarded as a technical accounting requirement. Please see below impact on the 2020 annual financial statements:

	Group		
	Audited Previously reported as at 31 December 2020 R million	Audited Restatement as at 31 December 2020 R million	Restated Audited as at 31 December 2020 R million
Statement of financial position			
Capital and reserves attributable to the company's equity holders			
Other reserves	(196)	215	19
Distributable reserves	9 976	(215)	9 761
Net impact	9 780	-	9 780
	Audited Previously reported Year ended 31 December 2020 R million	Audited Restatement Year ended 31 December 2020 R million	Restated Audited Year ended 31 December 2020 R million
Statement of comprehensive income			
Results of operating activities	1 945	-	1 945
Finance costs	(318)	-	(318)
Net loss from associates and joint ventures	(595)	(215)	(810)
Impairment of associates and joint ventures	(15)	-	(15)
Income tax recovered from cell owners and structured insurance products	429	-	429
Profit before tax	1 446	(215)	1 231
Total tax expense	(800)	-	(800)
Profit for the year	646	(215)	431
Other comprehensive income, net of tax			
Share of associates' currency translation differences	209	215	424
Total comprehensive income for the year	855	-	855
Profit attributable to:			
equity holders of the company	542	(215)	327
non-controlling interest	104	-	104
	646	(215)	431
Earnings attributable to equity holders			
Basic earnings per share (cents)	491	(195)	296
Diluted earnings per share (cents)	489	(194)	295
Headline earnings per share (cents)	1 100	(195)	905
Diluted headline earnings per share (cents)	1 094	(194)	900

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

18. CHANGES IN PRESENTATION (continued)

18.2 HYPERINFLATION ACCOUNTING ERROR IN SAN JV'S EQUITY-ACCOUNTED EARNINGS (CONTINUED)

	Group Attributable to equity holders of the company		
	Previously reported Year ended 31 December 2020		
	Other reserves R million	Distributable reserves R million	Total R million
Statement of changes in equity			
Profit for the year	–	542	542
Other comprehensive income			
Share of associates' currency translation differences	209	–	209
Net impact	209	542	751

The restatement above has no impact on the statement of financial position at 1 January 2020.

Group
Attributable to equity holders of the company

Restatement Year ended 31 December 2020			Restated Year ended 31 December 2020		
Other reserves R million	Distributable reserves R million	Total R million	Other reserves R million	Distributable reserves R million	Total R million
-	(215)	(215)	-	327	327
215	-	215	424	-	424
215	(215)	-	424	327	751

ANNEXURE 2

SANTAM'S BOARD OF DIRECTORS

BOARD PROFILES

AS AT 2 MARCH 2022

NOMBULELO MOHOLI (62)

Chairperson

BSc Electrical & Electronics Engineering

Appointed 03 June 2021

Nombulelo graduated with an engineering degree and has more than 30 years' experience in multiple industry sectors such as Technology, Finance and Insurance, Mining and Retail. She currently serves as a non-executive director on the boards of Engen, Woolworths Holdings and Anglo American Platinum.

MONWABISI FANDESO (63)

Lead Independent non-executive director

BSC (Hons), MBA

Appointed 15 January 2020

Monwabisi is the lead independent non-executive director of Santam Ltd. He has held executive and non-executive roles at a number of listed and unlisted entities, including SAB Miller, Tiger Brands, ABSA and the Thebe Group.

He currently also serves as a non-executive director on the boards of Empact (Pty) Ltd, Santam Structured Insurance Ltd, Santam Structured Life Ltd, Thebe Investment Corporation and Brolink (Pty) Ltd.

PRESTON SPECKMANN (65)

Independent non-executive director

CA(SA), Hons B.Compt (SA)

Appointed 8 February 2017

Preston has held managerial and executive positions at Metropolitan Holdings Ltd, Old Mutual SA and Pepkor. He served as the group finance director of MMI Holdings for a period of 16 years. He is a former PwC audit partner.

He serves as a director of MiWay group of companies, Centriq group of companies, African Rainbow Life Ltd, Safrican Insurance Company Ltd, SIH Capital Holdings (Pty) Ltd and Impala Platinum Holdings Ltd.

He also chairs the Risk and Finance Forums of Sanlam Investments and Sanlam Emerging Markets.

MACHIEL REYNEKE (65)

Independent non-executive director

CA(SA), BCom (Hons)

Appointed 26 August 2003

Machiel has extensive experience in the insurance industry and financial services in general. He currently holds the position of executive director and head: Mergers and Acquisitions at African Rainbow Capital (Pty) Ltd. He previously held the position of finance director at Santam for 10 years. He also served as finance director of Sappi International SA and General Manager of Gensec Bank.

He is currently a 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.

DAWN MAROLE (61)

Independent non-executive director

BCom, Dip Tertiary Education, MBA

Appointed 13 December 2011

Dawn has extensive experience in the financial services sector. She is the former chairperson of Kumba Resources Ltd and has served on numerous boards. In addition, Dawn formed part of the Presidential Review Committee for State Owned Enterprises and is currently the executive chairperson of Executive Magic.

She is currently a 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 and is a trustee of the Emthunzini BBBEE Community Trust.

DEBORAH (DEBBIE) LOXTON (58)

Independent non-executive director

CA(SA), Bachelor of Accounting, Bachelor of Commerce

Appointed 03 June 2021

Deborah is a Chartered Accountant with more than 30 years experience in audit, risk, finance and governance, including 15 years experience in the insurance industry.

She spent six years as an audit partner at PwC, has held executive positions at the Old Mutual group, has served as an independent non-executive director at financial services companies.

CAROLINE DA SILVA (57)

Independent non-executive director

BA, Postgraduate Diploma in Management Practice

Appointed 03 June 2021

Caroline has more than 30 years' experience in the Insurance industry and served in various executive roles at the Financial Services Board and Financial Sector Conduct Authority between August 2013 and October 2020.

MMABOSHADI (SHADI) CHAUKE (42)

Independent non-executive director

CA(SA), Bachelor of Commerce, Bachelor of Accountancy

Appointed 03 June 2021

Mmaboshadi is a Chartered Accountant with more than 15 years' post-qualifying experience in the external audit and financial services sectors. She is a former registered auditor, having served five years as an audit partner at Deloitte & Touche South Africa until February 2018. She currently serves as an independent non-executive director on the boards of Mr Price Group, Afrocentric Investment Corporation, The Small Enterprise Foundation and Mamor Capital.

PAUL HANRATTY (60)

Non-executive director

BBusSc (Hons), FIA

Appointed 11 August 2020

Paul is the group chief executive of Sanlam. He is an expert in actuarial, risk and compliance as well as ethics governance. Paul is also a fellow of the Institute of Actuaries (FIA).

He has held various leadership roles at large financial services companies since 1984. He is currently a director of Sanlam Ltd, Sanlam Life Insurance Ltd, MTN Group Ltd, IDM Holdings (Pty) Ltd, Genbel Securities (Pty) Ltd, Sanlam Capital Markets (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings (Pty) Ltd and Sanlam Investment Holdings UK Ltd.

JUNIOR JOHN NGULUBE (64)

Non-executive director

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

Appointed 23 April 2018

Junior is the former chief executive of Sanlam Emerging Markets. He has also previously served as CEO of Sanlam Corporate Business and as CEO of Munich Reinsurance Company of Africa Ltd. He currently serves as a non-executive director of Transition to Transformation NPC.

ABIGAIL MUELELWA MUKHUBA (42)

Non-executive director

CA(SA), MCom (SA & International Taxation) BCom (Hons) (Accounting), BAcc, MBA

Appointed 16 November 2020

Abigail has experience in the financial reporting and tax specialist environment in both the automotive and mining industry, having served in various roles at KPMG, BMW SA (Pty) Ltd and Exxaro Resources Ltd. She previously served as finance director of African Rainbow Minerals Ltd.

She currently serves as finance director of Sanlam Ltd, director of Sanlam Capital Markets, Sanlam Life, Sanlam Emerging Markets and Sanlam Investments.

LIZÉ LAMBRECHTS (58)

Chief executive officer

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

Appointed 1 January 2015

Lizé has served as CEO of Santam since January 2015. Before being appointed to her role at Santam, she served as chief executive of Sanlam Personal Finance from 2002.

She started her career in actuarial training in Sanlam in 1985 and held various senior positions in the group's retail business.

She serves as director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd, SSI group of companies and SAIA.

HENNIE NEL (53)

Chief financial officer, executive director

CA(SA), BAcc (Hons)

Appointed 17 September 2012

Hennie has been the chief financial officer of Santam since September 2012. Prior to his role at Santam he was a director at PwC where he had worked since 1993. His range of experience within the financial services industry covers general and life insurance as well as banking and investment management.

He currently serves as 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, Saham Reinsurance Limited and Santam Namibia Ltd.

ANNEXURE 3

SANTAM'S LEADERSHIP TEAM

AS AT 2 MARCH 2022

LIZÉ LAMBRECHTS (58)

Chief executive officer

BSc (Hons), FIA, EDP (Manchester)
Appointed in 2015

HENNIE NEL (53)

Chief financial officer and executive head of Santam ART

CA(SA)
Appointed in 2012

EBRAHIM ASMAL (57)

Executive head of group sourcing and transformation

Appointed in 2009 (appointed to executive management in 2012)

ANDREW COUTTS (47)

Executive head of intermediated business

BCom (Law), CA(SA)
Appointed in 2013 (appointed to executive management in 2021)

EDWARD GIBBENS (52)

Executive head of Santam Commercial and Personal

FIISA, BCom, MBA, AMP (Insead)
Appointed in 1992 (appointed to executive management in 2005)

MOKAEDI DILOTSOTLHE (52)

Chief marketing officer

BCom (Hons), MBA
Appointed in 2016

ENID LIZAMORE (45)

Executive head of human resources

BA, Postgrad Dip Human Resource Management
Appointed in 2018

ASHER GREVLER (47)

Chief risk officer

BBusSc, FIA, FASSA, CERA
Appointed in 2004 (appointed to executive management in 2018)

QUINTEN MATTHEW (58)

Executive head of Specialist business

FIISA, EDP (Manchester)
Appointed in 2003 (appointed to executive management in 2010)

BURTON NAICKER (47)

CEO of MiWay

MBA (Wits)
Appointed in 2021

KARL SOCIKWA (53)

Group Executive head of market development and sustainability

BCom, LLB, MAP, IPBM, TSM (Insead), AMP (Harvard)
Appointed in 2021

TINYIKO RIBISI-TERMARK (38)

Executive head of corporate legal services

LLB, LLM, Attorney of the High Court of South Africa
Appointed in 2020 (appointed to executive management in 2021)

GERALD VAN WYK (38)

Executive head of strategic business development

BCom
Appointed in 2018 (appointed to executive management in 2021)

KEVIN WRIGHT (56)

Executive head of business information and technology services

BCom, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS
Appointed in 2014

JOHN MELVILLE (56)

Executive head of underwriting services, reinsurance and international

BBusSc (Hons), FIA, FASSA, MCR (IMD)
Appointed in 2010

ANNEXURE 4

ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	1 575	24.02	80 590	0.07
101 – 1 000 shares	3 119	47.56	1 305 392	1.13
1 001 – 50 000 shares	1 755	26.77	11 726 908	10.19
50 001 – 100 000 shares	57	0.87	4 054 777	3.52
100 001 – 10 000 000 shares	50	0.76	29 841 533	25.92
More than 10 000 000 shares	1	0.02	68 122 217	59.17
Total	6 557	100.00	115 131 417	100.00

Type of shareholder

Individuals	4 387	66.90	3 594 759	3.12
Companies	547	8.34	83 854 727	72.84
Growth funds/unit trusts	291	4.44	13 815 554	12.00
Nominee companies or trusts	1 024	15.62	2 718 999	2.36
Pension and retirement funds	308	4.70	11 147 378	9.68
Total	6 557	100.00	115 131 417	100.00

Shareholder spread	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	6 351	24.80	189	100.00	6 540	29.89
Directors	5	0.07	–	–	5	0.07
Guardian National Insurance Ltd ¹	1	4.41	–	–	1	4.11
Trustees of employees' share scheme ¹	3	1.27	–	–	3	1.18
Holdings of 5% or more	8	69.45	–	–	8	64.75
Sanlam Ltd	7	63.49	–	–	7	59.20
Government Employees Pension Fund	1	5.96	–	–	1	5.55
Total	6 368	100.00	189	100.00	6 557	100.00

¹ Owners of treasury shares.

The analysis includes the shares held as treasury shares.

ANNEXURE 4

ANALYSIS OF BONDHOLDERS

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	8	2.76	247 086	0.01
50 001 – 100 000 units	14	4.83	1 330 613	0.05
100 001 – 1 000 000 units	90	31.03	45 943 119	1.84
1 000 001 – 10 000 000 units	130	44.83	550 721 946	22.03
More than 10 000 000 units	48	16.55	1 901 757 236	76.07
Total	290	100.00	2 500 000 000	100.00

Type of debt security holder

Banks	1	0.34	860 000	0.03
Intermediaries	1	0.34	1 107 108	0.04
Endowment funds	7	2.41	14 854 000	0.59
Insurance companies	25	8.62	173 626 371	6.95
Investment companies	3	1.03	23 407 000	0.94
Medical aid schemes	19	6.55	93 629 000	3.75
Mutual funds	167	57.61	1 855 022 875	74.20
Pension funds	61	21.03	305 302 879	12.21
Private companies	4	1.38	18 776 070	0.75
Public companies	2	0.69	13 414 697	0.54
Total	290	100.00	2 500 000 000	100.00

Debt security holder spread	Nominal number	% Interest
Stanlib Income Fund	330 542 560	13.22
Government Employees Pension Fund	185 000 000	7.40
Nedgroup Investments Flexible Income Fund	149 000 000	5.96
Ashburton Stable Income Fund	140 800 000	5.63
Others	1 694 657 440	67.79
Total	2 500 000 000	100.00

ANNEXURE 5

CURRICULA VITAE OF DIRECTORS RECOMMENDED FOR RE-ELECTION

PAUL HANRATTY (60)

NON-EXECUTIVE DIRECTOR

BBusSc (Hons), FIA

Appointed 11 August 2020

Paul is the group chief executive of Sanlam. He is an expert in actuarial, risk and compliance as well as ethics governance. Paul is also a fellow of the Institute of Actuaries (FIA).

He has held various leadership roles at large financial services companies since 1984. He is currently a director of Sanlam Ltd, Sanlam Life Insurance Ltd, MTN Group Ltd, IDM Holdings (Pty) Ltd, Genbel Securities (Pty) Ltd, Sanlam Capital Markets (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings (Pty) Ltd and Sanlam Investment Holdings UK Ltd.

ABIGAIL MUELELWA MUKHUBA (42)

NON-EXECUTIVE DIRECTOR

CA(SA), MCom (SA & International Taxation) BCom (Hons) (Accounting), BAAcc, MBA

Appointed 16 November 2020

Abigail has experience in the financial reporting and tax specialist environment in both the automotive and mining industry, having served in various roles at KPMG, BMW SA (Pty) Ltd and Exxaro Resources Ltd. She previously served as finance director of African Rainbow Minerals Ltd.

She currently serves as finance director of Sanlam Ltd, director of Sanlam Capital Markets, Sanlam Life, Sanlam Emerging Markets and Sanlam Investments.

DAWN MAROLE (61)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, Dip Tertiary Education, MBA

Appointed 13 December 2011

Dawn has extensive experience in the financial services sector. She is the former chairperson of Kumba Resources Ltd and has served on numerous boards. In addition, Dawn formed part of the Presidential Review Committee for State Owned Enterprises and is currently the executive chairperson of Executive Magic.

She is currently a 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 and is a trustee of the Emthunzini BBBEE Community Trust.

NOMBULELO MOHOLI (62)

CHAIRPERSON

BSc Electrical & Electronics Engineering

Appointed 03 June 2021

Nombulelo graduated with an engineering degree and has more than 30 years' experience in multiple industry sectors such as Technology, Finance and Insurance, Mining and Retail. She currently serves as a non-executive director on the boards of Engen, Woolworths Holdings and Anglo American Platinum.

ANNEXURE 5

DEBORAH (DEBBIE) LOXTON (58)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA), Bachelor of Accounting, Bachelor of Commerce

Appointed 03 June 2021

Deborah is a Chartered Accountant with more than 30 years experience in audit, risk, finance and governance, including 15 years experience in the insurance industry.

She spent six years as an audit partner at PwC, has held executive positions at the Old Mutual group, has served as an independent non-executive director at financial services companies.

MMABOSHADI (SHADI) CHAUKE (42)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA), Bachelor of Commerce, Bachelor of Accountancy

Appointed 03 June 2021

Mmaboshadi is a Chartered Accountant with more than 15 years' post-qualifying experience in the external audit and financial services sectors. She is a former registered auditor, having served five years as an audit partner at Deloitte & Touche South Africa until February 2018. She currently serves as an independent non-executive director on the boards of Mr Price Group, Afrocentric Investment Corporation, The Small Enterprise Foundation and Mamor Capital.

CAROLINE DA SILVA (57)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BA, Postgraduate Diploma in Management Practice

Appointed 03 June 2021

Caroline has more than 30 years' experience in the Insurance industry and served in various executive roles at the Financial Services Board and Financial Sector Conduct Authority between August 2013 and October 2020.

HENNIE NEL (53)

CHIEF FINANCIAL OFFICER, EXECUTIVE DIRECTOR

CA(SA), BAcc (Hons)

Appointed 17 September 2012

Hennie has been the chief financial officer of Santam since September 2012. Prior to his role at Santam he was a director at PwC where he had worked since 1993. His range of experience within the financial services industry covers general and life insurance as well as banking and investment management.

He currently serves as 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, Saham Reinsurance Limited and Santam Namibia Ltd.

ANNEXURE 6

DIRECTORS NOMINATED FOR ELECTION AS MEMBERS OF THE AUDIT COMMITTEE

MONWABISI FANDESO (63)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

BSC (Hons), MBA

Appointed 15 January 2020

Monwabisi is the lead independent non-executive director of Santam Ltd. He has held executive and non-executive roles at a number of listed and unlisted entities, including SAB Miller, Tiger Brands, ABSA and the Thebe Group.

He currently also serves as a non-executive director on the boards of Empact (Pty) Ltd, Santam Structured Insurance Ltd, Santam Structured Life Ltd, Thebe Investment Corporation and Brolink (Pty) Ltd.

PRESTON SPECKMANN (65)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA), Hons B.Compt (SA)

Appointed 8 February 2017

Preston has held managerial and executive positions at Metropolitan Holdings Ltd, Old Mutual SA and Pepkor. He served as the group finance director of MMI Holdings for a period of 16 years. He is a former PwC audit partner.

He serves as a director of MiWay group of companies, Centriq group of companies, African Rainbow Life Ltd, Safrian Insurance Company Ltd, SIH Capital Holdings (Pty) Ltd and Impala Platinum Holdings Ltd.

He also chairs the Risk and Finance Forums of Sanlam Investments and Sanlam Emerging Markets.

DEBORAH (DEBBIE) LOXTON (58)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA), Bachelor of Accounting, Bachelor of Commerce

Appointed 03 June 2021

Deborah is a Chartered Accountant with more than 30 years experience in audit, risk, finance and governance, including 15 years experience in the insurance industry.

She spent six years as an audit partner at PwC, has held executive positions at the Old Mutual group, has served as an independent non-executive director at financial services companies.

MMABOSHADI (SHADI) CHAUKE (42)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA), Bachelor of Commerce, Bachelor of Accountancy

Appointed 03 June 2021

Mmaboshadi is a Chartered Accountant with more than 15 years' post-qualifying experience in the external audit and financial services sectors. She is a former registered auditor, having served five years as an audit partner at Deloitte & Touche South Africa until February 2018. She currently serves as an independent non-executive director on the boards of Mr Price Group, Afrocentric Investment Corporation, The Small Enterprise Foundation and Mamor Capital.

PART 1: REPORT FROM THE HUMAN RESOURCES AND REMUNERATION COMMITTEE CHAIR

BACKGROUND STATEMENT

During 2021, the COVID-19 pandemic continued to have a marked impact on our business, our people, our country and the world. Our Santam family has sadly not been spared from the devastation of the pandemic and we have tragically lost colleagues. The pandemic and lockdown have brought about significant physical, psychological, and emotional stress on many of us. The effects of the pandemic were further exacerbated by the social unrest and looting in KwaZulu-Natal (KZN) and Gauteng.

Despite these unprecedented challenges, Santam continued to deliver its promise of *Insurance good and proper* to its clients, stakeholders and society as a whole, producing a solid set of financial results for 2021.

This achievement is as result of the skill, expertise and unwavering commitment of our people. In addition to our pleasing financial results, our people contributed to the following highlights during 2021, namely:

- We celebrated 103 years of successful business in May and continue to deliver results to our shareholders, business partners and for our people and country.
- We have rallied around our clients and focused on paying Contingent Business Interruption (CBI) claims so that those businesses affected by lockdown could continue to operate and contribute to the South African economy.
- In response to the social unrest and looting, Santam worked closely with the SAIA and Sasria to ensure claims are settled promptly so that affected businesses could start rebuilding.
- We continued our investment in technology and digitisation which is enhancing the service to our clients and intermediaries.
- We launched the 2021 Santam Insurance Barometer which measures the concerns of the general insurance market. Extensive research was conducted among various stakeholders including 150 intermediaries, 400 corporate and commercial entities and 401 personal insurance consumers to better understand what is happening in the market and to determine the opportunities that exist for insurers and intermediaries.
- As part of the Global Entrepreneurship Week, Santam kicked off the second edition of SA's Most Loved Local, our popular initiative that celebrates Small and Medium Enterprises (SME's) entrepreneurial successes (both small and big).

Our people remain our most treasured asset without whom we cannot deliver our promise. It is for this reason that our leaders (with the support of our Human Resources Team) continued to lead with empathy. We implemented an enhanced and digitally-enabled wellness programme to support employees and their families. Our leaders and peers were empowered through our recognition programme (Applause) to reward those who have in the face of ambiguity and adversity continued to deliver Insurance Good and Proper with passion, humanity, integrity, excellence, innovative thinking, and tenacity. We partnered with Skillsoft, a leading e-learning provider, to bring a modern learning experience for all our employees and development opportunities for all our employees.

These initiatives were well received by our employees and reflected positively in our improved 2021 engagement results, showing that we have a highly engaged workforce who would recommend Santam as a place to work to their friends and families. We participated in the 2021 Barret Culture survey for the second consecutive year in order to understand how our employees experience our organisational culture, and for us to identify the behaviours and values that we need to build on for our future culture. We achieved an improved culture score which shows that our people continue to experience our culture in a positive manner. Finally, Santam once again participated in the Top Employer certification process. The Top Employer certification celebrates excellence in employment practices and is bestowed on those organisations which lead the way in outstanding "people-first" HR practices. The Top Employer certification process is a voluntary submission to a rigorous assessment of all employee-related practices in our HR value chain. Each company is measured against a set of best practice benchmarks to determine whether it qualifies to be certified as a Top Employer within its industry and within the geographical locations in which it does business. Santam not only achieved Top Employer certification for the sixth consecutive year, but was recognised in the top 20 certified employers in South Africa with a ranking of 18. Furthermore, Santam was the only insurance and financial services company in the South African top 20.

As we embark on a new year, we will continue to support our employees as they navigate the new world of work, so that they can continue to deliver insurance good and proper to our clients, intermediaries and stakeholders.

REFLECTING ON 2021 FINANCIAL PERFORMANCE

Santam's solid financial results are testament to the expertise of its people, the agility of its strategy and the strength of its brand.

We achieved good profitability, exceeding our net insurance result targets. Growth, however, was under pressure in a very difficult economic environment, which led to the marginal underachievement of the growth targets. The group achieved a return on capital (ROC) of 28.5%, well above the medium-term target of 24%. The full financial and strategic results are explained in detail in our integrated report and relevant aspects are highlighted later in this report.

Our 2021 remuneration decisions and the 2022 forward-looking policy align directly with the business strategy and the performance of the past year.

2021 REMUNERATION OUTCOMES AND DECISIONS

- **Total Guaranteed Pay (TGP):** In April 2021, pay increases were generally frozen for senior and executive employees in response to the effects of the pandemic on the business, with inflationary and performance-based increases awarded to junior employees.

For 2022, a general 5.25% increase on the guaranteed pay base is mandated, with adjustments and differentiation for market corrections and performance.

- **Performance Bonuses:** The bonus outcomes for 2021 reflect performance relative to business scorecards set, with higher reward in areas where there was out-performance. Details of targets and achievement are outlined on pages 83 to 85.
- **Long Term Incentives (LTIs)**
 - **Santam and Sanlam PDSP:** The outcome of the ROC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2021 in relation to the three LTI tranches (2016, 2017 and 2018) of the Santam PDSP. For Sanlam PDSPs purposes (small number of legacy shares held by certain Exco members), as we reported in last year's report, for all performance shares, financial year 2020 is removed and replaced by financial year 2021. Therefore, all performance share tranches have an added year of measurement. The first and second tranche of the historic 2016 PDSP award vested in June 2021. The unvested PDSPs (eligible for vesting in 2022) will be measured and finalised in June 2022. Details of performance targets and achievement are outlined on pages 84 to 86.
 - **Santam and Sanlam DSP:** The executive directors' scorecard achievements were evaluated over the DSP performance periods for 2021. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Santam business strategy. In June 2021, DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs are related to awards made in 2016, 2017 and 2018. Further details are outlined on pages 84 to 86.

EXECUTIVE CHANGES

As communicated at the end of 2021, Lizé Lambrechts will retire as chief executive officer of Santam on 30 June 2022 with Tava Madzinga, a highly seasoned leader, being appointed into this role.

All appointments and terminations were treated in accordance with the approved remuneration policy insofar as it relates to on-appointment arrangements, vesting and forfeiture of incentives.

KEY POLICY CHANGES

To ensure that Santam is aligned with industry best practice, a review against peer companies was conducted to benchmark the Minimum Shareholding Requirement (MSR) for Exco members. The review indicated that the Santam levels are below market on all the levels and the minimum requirement was therefore adjusted to align to the comparator group benchmarks. Further details are disclosed on pages 81 to 87.

SHAREHOLDER ENGAGEMENT INITIATIVES

In terms of King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)*, the company should obtain the endorsement of its shareholders relating to the company's Remuneration policy and the Implementation report of this policy at the annual general meeting (AGM). If more than 25% of the total votes cast by the shareholders present and by proxy is against either resolution, the company will issue an announcement on SENS inviting shareholders who voted against the resolution to meet with the chair of HRRC. The process to be followed will be set out on SENS if applicable.

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ANNEXURE 7

At the 2021 AGM (relating to the 2020 financial year), our remuneration policy received a positive vote of **90.56%**, while our Implementation Report received a positive vote of **90.31%**.

See the summary below of shareholder voting outcomes over the past three years.

	For	Against
AGM in respect of 2020 Remuneration Policy	90.56%	9.44%
AGM in respect of 2020 Implementation Report	90.31%	9.69%
AGM in respect of 2019 Remuneration Policy	97.41%	2.59%
AGM in respect of 2019 Implementation Report	97.52%	2.48%
AGM in respect of 2018 Remuneration Policy	91.24%	8.76%
AGM in respect of 2018 Implementation Report	87.64%	12.36%

The human resources and remuneration committee (HRRC) welcomes ongoing engagement with shareholders and extends a standing invitation to shareholders for engagement with us on our remuneration policy and the implementation thereof throughout the year.

We also actively strive to incorporate our remuneration policy approach and the link to business strategy in our shareholder roadshows and dialogues.

Below is a summary of the feedback/key areas discussed and Santam's proposed actions aligned to market best practice:

Feedback	Response
Weightings and not actual performance measures of the Short-term Incentive (STI) plan was disclosed.	<p>The nature of the performance targets is disclosed below the table on page 83.</p> <p>Where appropriate and to the extent it does not prejudice the company, retrospective minimum and maximum targets have been included.</p>
Minimum hurdle rate for the PDSP reduced.	<p>For the LTI scheme – the revised threshold change to 16% (20% prior year), was to recognise the adverse economic climate, low interest rates, the impact of COVID-19 and the inherent volatility of earnings. Please note that full vesting will still only occur if the average ROC of 24% is achieved over the period.</p>
Discretionary bonuses paid even when profit hurdle not met	<p>The HRRC-approved STI discretionary pool was largely applied to the junior employees. This is because our junior employees do not qualify for an automatic thirteenth cheque and the discretionary bonus pool was used to give our junior employees (who are most vulnerable to the COVID-19 impact) up to a thirteenth cheque in a very difficult year.</p> <p>In exceptional cases, the pool was used to aid retention of key and very high-performing senior employees. Santam Exco members did not receive any bonuses at all. The discretionary bonus pool was largely funded from bonus reserves from prior years.</p>
Financial metrics for the 2020 DSP vesting measurement was excluded.	<p>2020 was an outlier event where Santam's financial performance was heavily impacted by a CBI claims provision. Using 2020 financial data in the measurement of the DSP share vesting would create a high degree of volatility in the outcomes which will impact on our ability to retain our high-performing employees.</p>

We received positive feedback from shareholders and proxy voting advisors on the consultations, actions, and increased disclosure. This is an ongoing process and we are committed to open and continuous engagement in this regard.

For the 2022 AGM, the remuneration policy and the implementation report will be tabled separately for non-binding advisory votes by shareholders. In the event that either or both the policy or implementation report are voted against by 25% or more of the voting rights exercised, the ongoing engagement process as outlined herein will be followed.

FUTURE AREAS OF FOCUS

During 2022, the HRRC will continue to focus on a holistic review of variable remuneration design with specific focus on:

- Bonus deferral mechanisms for executive committee members.
- Simplification of the Performance Share Plan (PDSP) which will include a shift to awarding only performance shares to both executive committee members and senior management and a review of the performance conditions and allocation principles.

Looking ahead, subject to the regulations applicable to office work and supported by the Santam Group Mandatory Vaccination Policy, the group intends that all employees move from the remote working model to the New Ways of Work hybrid model from 1 March 2022. The COVID-19 pandemic necessitated the Santam group adapting to the business, health and societal challenges posed by the pandemic. The risks posed by the spread of infection as well as the preventative steps taken by government required us to move to remote working mode very rapidly in 2020, to which our people have adapted very well over the last two years. However, we always knew that remote working would not be a sustainable or optimal long-term working method, and the group has now developed New Ways of Work that combines the best of working in office with remote working in a hybrid model. Each job role has been reviewed to establish the right mix between office and remote work. We have adapted our technology and office space design to suit the New Ways of Work i.e., a hybrid working model. In the long run, the Santam group leadership team strongly believes that we get the best results for our clients and the business through strong relationships and personal interaction with each other, our clients and suppliers and various stakeholder engagements. While electronic communication and remote working are useful and even crucial as a mitigating measure during the crisis, we believe that physical interaction is essential to building and promoting high-performance teams, building strong relationships between colleagues and enhancing team morale, while ensuring the most effective communication. We believe that our New Ways of Work is the best possible way of gradually returning us to normality in a pragmatic and responsible way as we take steps to overcome the incredible economic hardship and the loss of life caused by the pandemic.

It is important that we continue to build strong, ethical leadership to lead Santam's people and embed the Santam Way values. Technology continues to be a key enabler to develop employee experiences that enhance employee engagement and it is suited to the evolved workforce. Finally, 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 aligned to the achievement of business financial and strategic objectives.

I am pleased to present the remuneration policy and implementation report as set out in this Remuneration Report and trust it will be met with your voting support at the upcoming AGM to be held on 1 June 2022.

The HRRC is committed to ongoing consultations with shareholders and welcome feedback and input from stakeholders throughout the year.

Regards,

MLD Marole

Chair: Human Resources and Remuneration Committee

PART 2: OVERVIEW OF REMUNERATION POLICY

REMUNERATION GOVERNANCE AND COMMITTEE RESPONSIBILITIES

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

The group pays attention to correctly positioning the nature and the scale of remuneration relative to appropriate comparator groups and international best practice. These include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act, 18 of 2017) and King IV™. The group conforms to the remuneration principles contained in the BBBEE Codes of Good Practice, issued by the dti in accordance with the BBBEE Act, 46 of 2013.

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

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

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

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

- It reviews the succession plans in place for the CEO and members of the Santam executive committee and provides for succession in emergency situations and over the long term.
- It recommends to the board the fees of the Santam non-executive directors for approval at the annual general meeting (AGM).

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

During 2021, the HRRC considered the following matters and approved (where relevant):

- Changes to the remuneration approach based on feedback received from shareholders, investors and proxy voting advisor engagements.
- Benchmarking remuneration levels and practices to local comparator groups.
- Monitoring and approving STIs and LTIs, as appropriate.
- Benchmarking Santam executive directors and Santam executive committee members' remuneration against a suitable market.
- Benchmarking Santam non-executive directors' remuneration against a suitable market and recommending fee proposals to be considered by shareholders at the 2021 AGM.
- Review of Santam's remuneration policy and practices in South Africa against Prudential Standards, King IV™, applicable governance principles and market best practice.
- Remuneration design for heads of control and persons whose actions may have a material impact on the organisation's risk exposure.
- The remuneration reviews/annual increases and STI and LTI awards of the Santam executive committee.
- STI measures achieved for accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs.
- Findings and analysis on gender pay equity across all levels in the group and appropriate actions in this regard.
- Considering measures to support existing strategies to correct the under-representation of black people at all levels of the company.
- Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards.
- A review of executives' minimum shareholding requirements against market best practice to ensure appropriate investment levels and aid risk alignment for remuneration.

REMUNERATION PHILOSOPHY

Santam has a total reward strategy for its people. This offering comprises remuneration (which includes cash remuneration, short- and long-term incentives), benefits (retirement, medical, risk, group life, etc.), learning, development and career growth and a balanced working environment with a range of lifestyle benefits.

Our remuneration philosophy sets out to:

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

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

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

ANNEXURE 7

DESIGN PRINCIPLES FOR OUR REMUNERATION POLICY

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

The primary objectives of the remuneration policy are to:

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

The key principles of our policy are:

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

EXECUTIVE CONTRACTS

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

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

REMUNERATION OVERVIEW

STRUCTURE

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

Element	Purpose	Potential	Design	How is it delivered?
Total guaranteed package (TGP)	Reflects market value of role and individual performance.	Market benchmark for comparative role.	Annual benchmarking against market surveys.	Cash salary and a mix of compulsory and discretionary benefits.
Short Term Incentives (STIs)	Rewards performance over 12-month period (financial year).	For Exco STI on-target ranges between 70% – 112% of TGP. Maximum STI caps are set at 160% of TGP.	Quantum for Exco based on individual, business and group performance.	Cash settlement is capped at a maximum of 160% of TGP.
Long Term Incentives (LTIs)	Rewards company performance over a 3-to-5-year period. Long-term value creation for shareholders.	<u>Total</u> LTI award levels range between 35% and 245% of TGP (based on unvested awards). These percentages as an indicative annual award comprises approximately 10% to 70% of TGP.	Vesting in tranches in years three (40%), four (30%) and five (30%).	Vesting is based upon reaching individual/ strategic performance targets and meeting relevant company performance hurdles where relevant. Potential is capped at a maximum of 245% of total guaranteed package.

TOTAL GUARANTEED PACKAGE (TGP)

Purpose

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

ANNEXURE 7

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

- retirement funding;
- group life cover; and
- medical aid/insurance.

Process and benchmarking

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

HRRC's role

Upon completion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the HRRC. The HRRC also reviews and approves the adjustments to TGP for Santam executive directors, executive committee members and heads of control.

Levels

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

SHORT-TERM INCENTIVES

Purpose

The purpose of the annual bonus plan is to align employees' performance with the group's goals and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise the net insurance result, to grow the business and to ensure that it is managed sustainably. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a relevant comparator group.

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

HRRC's role

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

- Determine the overall structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the group's business strategy.
- Set the overall principle in respect of thresholds, targets and stretch levels for the annual bonus plan, as well as the percentage of TGP that can be earned at each level by each group of employees.
- In respect of Santam executive directors and executive committee members:
 - agree on the performance drivers for their annual bonus plan; and
 - agree on the relative contribution of business, group and individual/strategic performance criteria.
- Consider and approve proposals regarding annual bonuses for Santam executive committee members and heads of control.
- Determine, within its discretion, the final quantum of bonus payments to avoid any unintended consequences of bonus design principles and to support risk alignment.

STI potential and weightings for Executive Directors

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

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

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

Individual	Potential (% of TGP)		Weightings for STI	
	On-target	Maximum	Business %	Strategic %
Lizé Lambrechts	112	160	50%	50%
Hennie Nel	84	120	50%	50%

Discretionary bonuses

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

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

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

For the 2021 financial year, the group achieved good profitability, exceeding its net insurance result financial target. Growth was under pressure in the difficult economic environment, which led to the marginal underachievement of the growth targets. The group outperformed on its management expense ratio, employment equity, preferential procurement, financial inclusion targets and underperformed on the skills development target. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 109% for Santam employees.

Retention arrangements

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

Where bonuses are forfeited by incoming senior and key employees upon sign-on with the group, it may be necessary to agree on a sign-on bonus with such employees.

This sign-on bonus will be subject to retention conditions and repayment terms if conditions are not met.

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

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

LONG-TERM INCENTIVES

Overview and general policy

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

The primary LTI is the Deferred Share Plan in terms of which Deferred Shares (DSPs) (with strategic and individual performance conditions for vesting) for junior, middle and senior management whereas the Performance shares (PDSPs) is the mechanism to retain and incentivise executive management.

ANNEXURE 7

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

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

HRRC's role

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

- Ensure their structure contributes to shareholder value, employee retention and the group's long-term sustainability.
- Set appropriate performance measures for each award and to review and approve vesting outcomes versus performance conditions set, where performance conditions are not to ensure forfeiture of awards.
- Approve award levels and, at vesting, ensure that performance and other vesting conditions are met, or subsequently that incentives are forfeited where conditions are not met.

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

Long-term incentive awards granted are split between:

- Individual/strategic performance awards granted under the DSP
- Performance awards granted under the PDSP with financial conditions

The scheme has 12 million available shares.

Participation

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

Non-executive directors do not participate in any LTIs.

LTIs are awarded in the form of Santam Deferred Share Plans (DSPs) and Performance Deferred Share Plans (PDSPs).

Award policy and vesting for DSPs/PDSPs

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

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

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

Level	% TGP (Total LTI multiple awarded over 2-3 years, NOT annual awards)
Exco	149% – 245%
Senior Management	105%
Specialists/Middle management and emerging and succession	35% – 70%

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

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

For the 2022 awards, the total LTI multiple will be adjusted slightly to provide for the higher risk in forfeiture as **all** awards to Exco and senior management will be PDSPs.

Deferred share plans

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

For Santam executive committee members, these hurdles are derived from business scorecards reflecting key financial and strategic objectives.

The CEO and CFO have the following financial and strategic metrics for vesting of DSPs:

		CEO	CFO
Financial: group and business level			
Achieve Santam group net insurance result (NIR) target	50% Weighting	✓	✓
Improve/achieve growth targets		✓	✓
Achieve management cost ratio target		✓	✓
Improve/achieve return to shareholders in excess of target ROC		✓	✓
Strategic measures supporting the group's strategy			
Extend leadership position in South Africa	40% Weighting	✓	✓
Deliver <i>Insurance good and proper</i> by being the most trusted, relevant purpose-driven Brand		✓	✓
Client experience – creating intuitive client journeys enabled by technology		✓	
Help build resilient societies		✓	
International and African diversification		✓	✓
Talent and culture – empowering our people and evolving our culture to be competitive in a rapidly changing world		✓	✓
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.		✓	✓
Optimise our financial performance		✓	✓
Optimise collaboration with the Sanlam group to create mutual value	10% Weighting	✓	
Successful implementation of Alternative Risk Transfer (ART) strategy, achievement of net profit after tax budget, expense optimisation, financial inclusion and preferential procurement			✓

The 2021 DSP award is eligible for vesting after year three (40%), four (30%) and five (30%).

For the purpose of determining the vesting of DSP's per executive director, the five-year rolling average of their performance assessments is used as a measure of achievement that warrants a vesting. The performance score is a rating out of 5 and full vesting will occur at an average of 3 or higher and no vesting occurs where the average is 2.5 or lower, with a sliding scale applied between 2.5 and 3.0.

Outcomes of testing of DSP vesting conditions for executive directors are disclosed on page 86 of the implementation report.

For 2020 financial year only: Given the extraordinary circumstances of 2020 and the resultant financial impacts of the COVID-19 pandemic, only individual/strategic performance achievement for 2020 will be used for purposes of measuring individual performance under the DSP schemes (i.e. no financial performance).

Typically, awards granted under a DSP scheme have a face value of up to 105% of TGP as part of the total multiple, with awards higher than 105% of TGP granted as PDSPs (see below).

As per our future focus areas, from 2022 only performance shares will be awarded to senior management and Exco.

ANNEXURE 7

Performance deferred share plans

Santam has a five-year tranche vesting profile. There are therefore unvested performance awards from 2017, 2018, 2019, 2020 and 2021.

Performance hurdles are reviewed carefully each year to ensure they are competitive, create value for shareholders, motivate key employees who participate in LTI and should be flexible enough to address extraordinary events, like the COVID-19 pandemic.

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

The use of ROC as a performance condition is considered appropriate as this is the key performance indicator of the group's strategy and long-term sustainability, and the use of this measure means a direct link between the LTI reward, group strategy and shareholders' interests. See page 86 of the implementation report regarding the achievement of ROC targets for the three-, four- and five-year measurement periods.

The PDSPs are eligible for vesting after year three (40%), four (30%) and five (30%) and the ROC will be tested over the financial years applicable to these vesting periods.

2021 PERFORMANCE CONDITIONS

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

2020 PERFORMANCE CONDITIONS

Following the economic downturn due to COVID-19 and the lower interest rate environment, the ROC performance conditions for the 2020 award were reviewed. Measurement of the 2020 awards will commence on 1 January 2021, to take cognisance of the extraordinary effect of the COVID-19 pandemic on 2020 financial results. Furthermore, the HRRC and board may exercise discretion over any impacts in the 2021 financial year arising from the CBI claims of 2020, adjusting for this item (if deemed appropriate) and taking into account management responses in 2021 to finalising this matter. This will allow the impact of the 2020 CBI matter to potentially be confined to the 2020 year. Finally, a revision to the long-term ROC hurdles was done reflecting the inherent volatility of the earnings of the business. Although full vesting will still only occur if the average ROC over the period of vesting is 24%, the threshold below which no vesting will occur has been reduced from 20% to 16%, with a sliding scale applied between 16% (threshold) and 24% (stretch).

2020 allocations to the CEO which exceed 1.75 times annual TGP are subject to ROC performance conditions of 20% (threshold) – 25% (at stretch target) applied on a linear basis.

PERFORMANCE CONDITIONS PRIOR TO 2020

Prior to 2020, the ROC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. We will not adjust any of the historical measurements or targets for PSDP allocations made prior to 2020.

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

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

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

Out-performance plan

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

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

There were no OPPs for executive management including executive directors in place for 2021.

Use of Santam shares subject to vesting restrictions

To support long-term alignment with shareholders where remuneration payable in cash is deferred, subject to certain conditions, cash amounts are converted into Santam shares. Such shares will be held by the individual in a restricted account and will become unrestricted, only if vesting and continued employment conditions are met.

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

LTI Award limits

For the year ended 31 December 2021, allocations in respect of 394 017 shares (2020: 365 626) were made to 329 participants (2020: 304) under the Santam DSP.

For the year ended 31 December 2021, allocations in respect of 9 649 shares (2020: 37 472) were made to six participants (2020: 10) under the Santam PDSP.

Risk adjustment

Provision is made to protect the company from inappropriate risk-taking behaviour in relation to remuneration. These include:

- The nature of the performance hurdles for STIs and LTIs;
- A measurement period of up to five years for LTI performance hurdles, before vesting takes place;
- Malus and clawback of remuneration for “trigger events”¹; and
- Compliance with legislation and governance best practice standards in the financial services industry.

MINIMUM SHAREHOLDING REQUIREMENT (MSR)

During 2021, Santam’s MSR levels were reviewed against market best practice and minimums on all levels were increased.

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

Level	Minimum Level	Previous minimum Level
CEO	150%	100%
Executive Heads (Including CFO)	75%	50%

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

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

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

¹ Defined “trigger events” include dishonesty, fraud, misrepresentation, gross misconduct, misstated financial results and actions resulting in reputational damage for the company attributable to the employee. In assessing whether defined trigger events have taken place, the HRRC will work with the relevant board committee, the board, professional advisors and/or any other department within the group to ensure that any assumptions are correct.

ANNEXURE 7

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

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

The fee structure will remain in place for one year, from 1 July until 30 June in the following year. Non-executive directors receive annual board fees and retainers. In addition, a fee is paid for attending board and committee meetings. Santam pays for all travel and accommodation expenses in respect of board meetings. The chair of the board receives a fixed annual fee that is inclusive of all board and committee attendances, as well as all other services performed on behalf of the group.

PART 3: IMPLEMENTATION REPORT

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS

EXECUTIVE REMUNERATION SUMMARY

Remuneration earned by executive directors was as follows:

Table 1

Remuneration for the year ended 31 December 2021

For purposes of total remuneration, the vesting value of LTIs is disclosed in the table below. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year [refer page 87].

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

¹ Vesting value.

² Bonus in respect of 2021 paid in 2022.

Table 2

Remuneration for the year ended 31 December 2020

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus ² R	Attributable value of LTIs ¹ R	Total remuneration R
Lizé Lambrechts	12	5 889 125	210 000	6 099 125	–	4 717 315	10 816 440
Hennie Nel	12	3 445 852	208 636	3 654 488	–	1 768 926	5 423 414
Total: executive directors		9 334 977	418 636	9 753 613	–	6 486 241	16 239 854

¹ Vesting value.

² Bonus in respect of 2020 paid in 2021.

TOTAL GUARANTEED PACKAGE

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

Table 3

Individual	TGP as at 01 April 2021 R	TGP as at 01 April 2020 R	TGP as at 01 April 2019 R	% increase during 2021	% increase during 2020
Lizé Lambrechts	6 165 500	6 165 500	5 900 000	0.0	4.5
Hennie Nel	3 730 650	3 730 650	3 570 000	0.0	4.5

No increases were granted to executives in 2021 (2020: 4.5%) compared with an average salary increase paid to all employees of 2.5% (2020: 4.5%). The remuneration increase trends for the past three years are as follows:

Table 4

	2019 %	2020 %	2021 %
Executives	5.5	4.5	0.0
Employees	5.4	4.5	2.5

SHORT-TERM INCENTIVES

Performance targets

The performance targets for the annual bonus plan are set by the HRRC on an annual basis for executive directors. In respect of the 2021 annual bonus, the split between group and strategic goals for executive directors was as follows:

Table 5

Individual	Group %	Strategic goals %
Lizé Lambrechts	50	50
Hennie Nel	50	50

The group performance measures that were applied in 2021 consisted of the following:

- NIR – used to determine the size of the bonus pools
- Modifiers:
 - Gross written premium
 - Performance against management expense ratio targets
 - Transformation (Performance against FSC targets)
 - Performance against skills development targets
 - Performance against employment equity targets
 - Performance against preferential procurement targets
 - Performance against financial inclusion targets

ANNEXURE 7

Table 6

The actual achievement of the Santam group office (Corporate Pool) performance measure for 2021 is as follows:

Santam group	Weight %	Threshold %	Target %	Stretch %	Score %
Adjusted operating profit ¹	100	70	100	130	102
Modifiers ²					
Gross written premium (Conventional insurance)	15	(15)	0	15	(1)
Transformation	10	(10)	0	10	1
Management expense ratio	7.5	(7.5)	0	7.5	3
					105

¹ **Adjusted operating profit is defined as follows:** Net insurance result (conventional insurance) **plus** profit before tax for Centriq **plus** profit after tax for Santam Structured Insurance's Alternative Risk Transfer business **plus** Santam's share of the net insurance result for the SEM and SAN JV General Insurance businesses.

² **Modifiers are defined as follows:** The base bonus pool as determined by the adjusted operating profit will be increased or decreased by up to the modifier % based on the actual performance against the individual modifier targets.

The weighted average performance measure of all the Santam Limited business units was an achievement score of 109%.

The following performance measures applied to Lizé Lambrechts (CEO) and Hennie Nel (CFO):

Table 7

CEO and CFO 2021 performance bonus

KPI	Weight %	Minimum hurdle	Hurdle for target achievement	Stretch hurdle	Actual Achievement	Achievement rating
CEO						
Group operational and financial performance	50					
Santam Group Net Insurance Result	20	R2 152 million	R3 074 million	R3 997 million	R3 150 million	3.0
Growth in gross written premium	10	R32 05 million	R32 804 million	R33 341 million	R32 745 million	3.0
Management expense ratio	7.5	18.1%	17.4%	16.7%	16.7%	5.0
ROC target	12.5	16%	20%	24%	28.5%	5.0
Strategy: Identification and implementation	50					
Extend leadership position in South Africa	10					3.0
Deliver Insurance good and proper by being the most trusted, relevant and purpose driven Brand	5					4.0
Client experience - creating intuitive client journeys enabled by technology	5					3.5
Help build resilient societies	2.5					3.5
International and African diversification	5					3.5
Talent and culture - empowering our people and evolving our culture to be competitive in a rapidly changing world	7.5					4.0
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.	5					3.5
Optimise collaboration with the Santam group to create mutual value	10					5.0
Total: CEO (out of 5)						3.8

KPI	Weight %	Minimum hurdle	Hurdle for target achievement	Stretch hurdle	Actual Achievement	Achievement rating
CFO						
Group operational and financial performance	50					
Santam Group Net Insurance Result	20	R2 152 million	R3 074 million	R3 997 million	R3 150 million	3.0
Growth in gross written premium	10	R32 059 million	R32 804 million	R33 341 million	R32 745 million	3.0
Management expense ratio	7.5	18.1%	17.4%	16.7%	16.7%	5.0
ROC target	12.5	16%	20%	24%	28.5%	5.0
Strategy: Identification and implementation	50					
Extend leadership position in South Africa	10					3.5
Deliver Insurance good and proper by being the most trusted, relevant and purpose driven Brand	2.5					3.5
International and African diversification	5.0					3.5
Talent and culture - empowering our people and evolving our culture to be competitive in a rapidly changing world	7.5					3.5
Build technology as an enabler and driver of innovation, efficiency and optimal decision-making.	7.5					3.0
Optimise our financial performance	7.5					3.5
Successful implementation of Alternative Risk Transfer (ART) strategy, achievement of net profit after tax budget, expense optimization, financial inclusion and preferential procurement	10					5.0
Total: CFO (out of 5)						3.8

Key to achievement rating:

Rating

Unsatisfactory/No progress made	1
Satisfactory progress/Not fully meeting expectations	2
In general meeting expectations	3
In general exceeding expectations	4
Highly successful/Most expectations exceeded	5

Payments

The table below shows that no annual bonus was payable to the CEO and CFO in respect of the performance achieved in 2021.

Table 8

Individual	% of TGP achieved 2021	Payment 2022 R	% of TGP achieved 2020	Payment 2021 R
Lizé Lambrechts	131.4	8 100 000	–	–
Hennie Nel	98.5	3 675 000	–	–

ANNEXURE 7

LONG-TERM INCENTIVES

Performance measurement for June 2021 LTI vesting

PDSP SUBJECT TO COMPANY FINANCIAL PERFORMANCE CONDITIONS

Due to Santam's vesting profile, three LTI tranches were performance measured in 2021 for vesting from a financial metric perspective, namely:

- Award 2018 (40% of award and three financial years reviewed for performance testing)
- Award 2017 (30% of award and four financial years reviewed for performance testing)
- Award 2016 (30% of award and five financial years reviewed for performance testing)

A summary of the performance measurement and achievement for LTI vesting in June 2021 is shown below as it pertains to the ROC (for Santam PDSP) and return on group equity value (RoGEV) (for Sanlam PDSP) condition:

Table 9

Measurement period	Award 2016 5 years	Award 2017 4 years	Award 2018 3 years
Target			
Santam PDSP (ROC) ¹	14.4	14.4	14.6
Actual achievement			
Santam PDSP (ROC)	18.8	21.4	21.2
Vesting achievement	100%	100%	100%

¹ Prior to 2020, the ROC threshold for the purposes of measuring share vesting was the Santam group's cost of capital. We will not adjust any of the historical measurements or targets for PSDP allocations made prior to 2020. 2021 allocations are subject to ROC performance conditions of between 16% (threshold) and 24% (stretch).

The outcome of ROC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2021 in relation to the three LTI tranches of the Santam PDSP. For historic Sanlam PDSPs awarded to executive directors, the outcome of RoGEV achievement resulted in the vesting of 70% (first and second tranches) of the 2016 awards in June 2021. The last tranche of 2016 (30%), second tranche of 2017 (30%) and first tranche of 2018 (40%) of the PDSP awards will be tested in June 2022 for vesting. As part of the COVID-19 adjustments adopted last year, the 2020 financial will be excluded from the measurement, but an additional year of measurement was introduced.

DSP

For DSP vesting, Santam executive committee members' business scorecard achievement will be evaluated. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Santam business strategy. Refer to page 79 of the remuneration policy for more information in respect of the financial and strategic metrics applied as well as the weighting attributed to Lizé Lambrechts and Hennie Nel. See page 81 for the threshold applied for DSP vesting.

The executive directors' scorecard achievements were evaluated over the DSP performance period/s for June 2021 vesting as follows:

Table 10

	Average performance rating over 5 years	% vesting
Lizé Lambrechts	3.3	100%
Hennie Nel	3.4	100%

In 2021, DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2016, 2017 and 2018.

The participation by executive directors in the group's LTI schemes at 31 December 2021 was as follows:

Table 11

Number of shares

	Balance 31 Dec 2020	Awarded in 2021	Shares vested 2021	Shares forfeited 2021	Balance 31 Dec 2021	Vesting in				
						2022	2023	2024	2025	2026
Lizé Lambrechts										
Santam	52 799	0	10 794	0	42 005	11 747	14 960	9 981	5 317	0
Sanlam	26 368	0	5 207	0	21 161	15 466	5 695	0	0	0
DSP										
Santam	22 787	0	5 367	0	17 420	5 156	6 009	4 057	2 198	0
Sanlam	11 857	0	5 207	0	6 650	4 485	2 165	0	0	0
PDSP										
Santam	30 012	0	5 427	0	24 585	6 591	8 951	5 924	3 119	0
Sanlam	14 511	0	0	0	14 511	10 981	3 530	0	0	0
RSP – Sanlam	0	0	0	0	0	0	0	0	0	0
Hennie Nel										
Santam	34 132	5 533	3 917	0	35 748	4 240	11 215	10 372	8 261	1 660
Sanlam	12 914	0	6 018	0	6 896	5 377	1 519	0	0	0
DSP										
Santam	13 639	3 964	2 812	0	14 791	3 012	3 695	4 184	2 711	1 189
Sanlam	8 181	0	4 515	0	3 666	2 618	1 048	0	0	0
PDSP										
Santam	20 493	1 569	1 105	0	20 957	1 228	7 520	6 188	5 550	471
Sanlam	4 733	0	1 503	0	3 230	2 759	471	0	0	0

MINIMUM SHAREHOLDING REQUIREMENT

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

Table 12

Number of shares as at 31 December 2021

Individual	Minimum shareholding requirement	Actual qualifying shareholding	Date at which minimum shareholding must be reached
Lizé Lambrechts	34 380	41 921	31 December 2024
Hennie Nel	10 401	13 137	31 December 2024

SANTAM SHARE SCHEME ALLOCATION

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

ANNEXURE 7

The following table illustrates the movement from 2009 to 2021 and the capacity position as at 31 December 2021:

Table 13

	Number of shares
Scheme allocation originally approved	12 000 000
Allocation under DSP and PDSP from 2009 to 2018	(4 156 686)
Shares forfeited from 2009 to 2018	706 110
Balance of scheme carried forward as at 31 December 2018	8 549 424
Allocation under DSP and PDSP in 2019	(352 951)
Shares forfeited in 2019	31 357
Balance of scheme carried forward as at 31 December 2019	8 227 830
Allocation under DSP and PDSP in 2020	(403 098)
Shares forfeited in 2020	51 835
Balance of scheme carried forward as at 31 December 2020	7 876 567
Allocation under DSP and PDSP in 2021	(403 666)
Shares forfeited in 2021	45 493
Balance of scheme carried forward as at 31 December 2021	7 518 394

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

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

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

Table 14

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

Individual	Board, committee and retainer fees R	Fees from Santam subsidiary companies R	Total R
Bruce Campbell	491 907		491 907
Vusi Khanyile	466 589		466 589
Preston Speckmann ¹	1 074 000	630 000 ²	1 704 000
Monwabisi Fandeso	1 021 600	315 000 ³	1 336 600
Dawn Marole	941 000		941 000
Machiel Reyneke	1 205 300		1 205 300
Junior Ngulube	675 100		675 100
Paul Hanratty ⁴	859 200		859 200
Abigail Mukhuba ⁴	839 000		839 000
Caroline Da Silva	396 900		396 900
Debbie Loxton	502 000		502 000
Shadi Chauke	534 600		534 600
Nombulelo Moholi	700 200		700 200
Total non-executive directors	9 707 396	945 000	10 652 396

¹ Excluding fees for directorship and forum chairmanship roles in the Sanlam group.

² Centriq and MiWay fees.

³ Santam Structured Insurance and Brolink fees.

⁴ Fees paid to holding company, Sanlam Limited.

Table 15

Non-executive directors' emoluments for the year ended 31 December 2020

Individual	Board, committee and retainer fees R	Fees from Santam subsidiary companies R	Total R
Bruce Campbell	905 400		905 400
Junior Ngulube	519 200		519 200
Paul Hanratty ⁴	324 667		324 667
Machiel Reyneke	1 084 700		1 084 700
Vusi Khanyile	1 077 500		1 077 500
Ian Kirk ⁴	316 700		316 700
Dawn Marole	828 300		828 300
Preston Speckmann ¹	905 300	615 000 ²	1 520 300
Monwabisi Fandeso	853 900	197 500 ³	1 051 400
Abigail Mukhuba ⁴	155 250		155 250
Total non-executive directors	6 970 917	812 500	7 783 417

¹ The numbers for Speckmann do not include fees for directorships in the Sanlam group.

² Centriq and MiWay fees.

³ Santam Structured Insurance and Brolink fees.

⁴ Fees paid to holding company, Sanlam Limited

PART 4: DIRECTORS' INTEREST IN SHARE CAPITAL

Table 16

Total interest of all directors in share capital as at 31 December 2021

Individual	Number of Santam shares		
	Beneficial		
	Direct	Indirect	Non-beneficial
Executive directors			
Lizé Lambrechts	48 558		
Hennie Nel	24 042		
Total executive directors	72 600		
Non-executive directors			
Nombulelo Moholi (chairperson)			
Paul Hanratty			
Dawn Marole			
Abigail Mukhuba			
MP Fandeso	1 196		
Junior Ngulube	5 104		
Machiel Reyneke		271	
Preston Speckmann	1 000		
M Chauke			
Debbie Loxton			
Caroline Da Silva			
Total non-executive directors	6 104	271	
Total	79 900	271	

ANNEXURE 7

Table 17

Total interest of all directors in share capital as at 31 December 2020

Individual	Number of Santam shares		
	Beneficial		Non-beneficial
	Direct	Indirect	
Executive directors			
Lizé Lambrechts	37 764		
Hennie Nel	20 125		
Total executive directors	57 889		
Non-executive directors			
Bruce Campbell	8 370		
Paul Hanratty			
Monwabisi Fandeso	1 196		
Vusi Khanyile (chairperson)		200	
Dawn Marole			
Abigail Mukhuba			
Junior Ngulube	5 104		
Machiel Reyneke		271	
Preston Speckmann	1 000		
Total non-executive directors	15 670		
Total	73 559	471	

ANNEXURE 8

MATERIAL CHANGE STATEMENT

The directors report that there have been no material changes in the affairs, financial or trading position of the group since 31 December 2021, other than those disclosed in the integrated report that is available on the Santam website, www.santam.co.za, or can be requested from the company secretary.

ANNEXURE 9

DIRECTORS' AND PRESCRIBED OFFICERS' INTEREST IN THE SHARES OF THE COMPANY

At 31 December 2021 the directors of the company held direct and indirect interests, including family interests, in 80 171 of the company's issued ordinary shares (2020: 74 030). Details of shares held per individual director are listed below. A total of 77 753 (2020: 86 931) deferred shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

	Direct		Indirect		
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Total
2021					
Executive directors and prescribed officers					
L Lambrechts	48 558	-	-	-	48 558
HD Nel ¹	24 042	-	-	-	24 042
Non-executive directors					
MP Fandesio	1 196	-	-	-	1 196
JJ Ngulube	5 104	-	-	-	5 104
MJ Reyneke	-	-	271	-	271
PE Speckmann	1 000	-	-	-	1 000
	79 900	-	271	-	80 171
2020					
Executive directors and prescribed officers					
L Lambrechts	37 764	-	-	-	37 764
HD Nel ¹	20 125	-	-	-	20 125
Non-executive directors					
B Campbell	8 370	-	-	-	8 370
MP Fandesio	1 196	-	-	-	1 196
VP Khanyile	-	-	200	-	200
JJ Ngulube	5 104	-	-	-	5 104
MJ Reyneke	-	-	271	-	271
PE Speckmann	1 000	-	-	-	1 000
	73 559	-	471	-	74 030

¹ At 31 December 2021, 10 905 (2020: 10 905) Santam shares with a market value of R2.9 million (2020: R2.8 million) were pledged as security for a loan of R1 million with Sanlam Private Wealth.

ANNEXURE 10

SHARE CAPITAL

	Group and company ordinary shares		Group treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
At 1 January 2020	115 131	103	4 656	482
Purchase of treasury shares	–	–	570	155
Reissue of treasury shares	–	–	(412)	(110)
At 31 December 2020	115 131	103	4 814	527
Purchase of treasury shares	–	–	469	120
Reissue of treasury shares	–	–	(312)	(77)
At 31 December 2021	115 131	103	4 971	570

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007 a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2021 the subsidiary acquired an additional 469 000 (2020: 570 000) shares to utilise as part of the deferred share plan (DSP), while 298 430 (2020: 390 922) shares were reissued in terms of the DSP. The net amount of these transactions has been deducted from shareholders' equity. The shares are held as 'Treasury shares'.

Since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd. During 2021, the staff trust distributed 14 084 (2020: 21 164) shares.

ACCOUNTING POLICY – SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders net of any directly attributable incremental transaction costs and the related income tax effects.

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

SOCIAL, ETHICS AND SUSTAINABILITY (SES) COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The SES committee comprised four non-executive directors during 2021. The committee is chaired by Dawn Marole, an independent non-executive director. The majority of the members of the committee are independent. Read more about the committee members' qualifications in the board profiles from page 60. The committee is supported by members of the executive committee and senior management.

According to its terms of reference, the committee is required to meet formally at least twice per year or as required for the effective performance of its duties. The committee met twice in 2021.

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 fulfils the role of social and ethics committee for all Santam's South African subsidiaries that have the requisite public interest score.

SES committee responsibilities:

- 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
- Review the group's TCFD report and Integrated report

The SES committee placed focus on prioritising the protection of employees and business partners while continuing to ensure that there was business continuity, in spite of the pandemic. The committee also considered Santam's progress regarding the integration of material ESG issues, monitored Santam's transformation initiatives and supplier development projects. The committee reviewed Santam's Stakeholder Management Policy and recommended the updated policy to the board for ultimate approval. Santam's Climate Risk Assessment was considered, and it was noted that the company's FTSE Russell ESG score had decreased from 4.7 to 4.3 out of 5 in 2021, due to more stringent requirements which included Task Force on Climate-related Financial Disclosures (TCFD).

The board ensures that ethics is 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 2021, the SES committee paid particular attention to managing the risks regarding conflict of interest and the mitigation of fraud.

RESPONSIBLE INVESTMENT

The Santam board is responsible for ensuring that the group promotes good governance by investing responsibly.

With the assistance of the primary asset manager, Santam 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 considered the impact of these funds and was satisfied with progress.

ANNEXURE 11

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 committee monitored the company's progress regarding the availability of products to sell into the uninsured market. 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
- A targeted approach focusing on the Santam emerging client market

RESPONSIBLE CORPORATE CITIZENSHIP SALIENT FEATURES

P4RR	CSI spend	Resilient investment fund	CFE and financial inclusion products
<p>The Emthunzini BBBEE Community Trust invested R10.2 million in vulnerable communities through P4RR</p> <p>Santam contributed R3.7 million towards commercial risk reduction in municipalities</p>	<p>Focus areas:</p> <ul style="list-style-type: none">• Drive community risk awareness• Increase capacity for disaster response and relief• Address fire-related high-risk hot spots	<p>R146 million (Fund has active loans to borrowers)</p> <p>Focus areas:</p> <ul style="list-style-type: none">• Interventions to minimise negative social impacts caused by the ongoing lockdown• Fund exposure includes renewable energy affordable to middle income homes, SME financing and education	<p>Sold over 100 000 policies into the uninsured market</p>

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 United Nations Sustainable Development Goals.

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. Santam has recently adopted the TCFD recommendations, a voluntary framework regarding disclosures for climate-related risks and opportunities.

STAKEHOLDER RELATIONS

Santam's engagement with stakeholders is governed by our stakeholder relations policy and strategy. The group has implemented a stakeholder information and activity tracker tool, which enhances compliance with King IV and reporting on stakeholder management. Stakeholder management training has also taken place.

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.

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, which was launched in June 2019, acts as a holistic and consolidated communication platform that speaks to Santam's transformation commitments, deliverables and intent.

Read more by accessing the following link: <https://www.santam.co.za/investor-relations/integrated-report/environmental-social-governance/>

BBBEE

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

BBBEE STATUS YEAR ON YEAR

2021	2020	2019	2018	2017
Level 1	Level 1	Level 1	Level 1	Level 2

Scorecard 2021

Element	Weighting	Final score
Ownership	23+5	27
Management control	20	12.01
Skills development	20+3	14.79
Preferential procurement	20+4	23.22
Enterprise and supplier development	15+4	17.25
Consumer education	2+1	3
Socio-economic development	3+2	3
Access to financial services	12	10.68

EMPLOYMENT EQUITY

Santam's EE targets for 2022 to 2024 were approved by the executive committee and the HRRC and submitted to the Department of Labour.

INTEGRATED REPORT AND TCFD REPORT

The committee reviewed the ESG disclosures contained in the integrated report and the TCFD report and recommended it to the board for approval. The committee is comfortable with the accuracy and level of disclosures.

The SES committee is satisfied that it has fulfilled its responsibilities in accordance with the committee charter for the year.

ADMINISTRATION

Santam is an authorised financial services provider (licence number 3416).

Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

A2X share code: SNT

Debt company code: BISAN

SPONSORS

Investec Bank Ltd (equity sponsor)

Rand Merchant Bank (A division of FirstRand Bank Limited) (debt sponsor)

TRANSFER SECRETARIES

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Fax: 011 688 5216

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