

# SANLAM KING IV™ DISCLOSURE 2019



## Application of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)

Sanlam Limited's (Sanlam) key corporate governance pillars include:

- Ethical and effective leadership
- Ethical culture
- Sound and ethical governance
- Effective control
- Transparency, accountability and legitimacy
- Stakeholder inclusiveness
- Performance evaluation

Sanlam is a listed company on the Johannesburg Stock Exchange operated by the JSE Limited (JSE) and Namibian Stock Exchange (NSX). For the period ended 31 December 2019, Sanlam continued to make a concerted effort to ensure compliance to the suite of applicable governance related regulatory requirements. This includes, amongst other, the Group's application and response to the recommended principles outlined in King IV™. Even though Sanlam remains committed to adhere to the requisite standards and requirements, it continues to strive to improve in those areas that contribute to creating value for all its stakeholders. Below is a synopsis of Sanlam's application and response to the 17 principles on good corporate governance as provided for under King IV™) as well as the mandatory corporate governance requirements outlined in the JSE Listings Requirements.

### King IV™ application process

Given the Group's robust approach adopted during the 2017 reporting period to ensure a smooth transition from the Company's application of King III™ to the then newly published King IV™, specific key deliverables and actions had been identified to ensure compliance with the

principles and recommended practices outlined in King IV™. The Board is therefore pleased to confirm that considerable progress had since been made. This was confirmed after a comprehensive review had been done with the objective to ascertain the progress made during the 2018 reporting cycle. It included an assessment of Sanlam's current application of governance practices in response to each of the King IV™ principles. Even so, the latter however continues to form an integral part of "*the Sanlam way of doing*" as it illustrates the Group's ongoing commitment to continuous improvement and alignment to sound corporate governance business practices.

## Leadership, ethics and corporate citizenship

### Leadership

#### Application of Principle 1

**The governing body should lead ethically and effectively.**

The Board recognises its responsibility to exercise effective leadership by adhering at all times to their fiduciary duties, collectively and individually, as the directors of Sanlam.

Apart from illustrating effective leadership, the Board possesses the necessary skills and competencies while acting responsibly and in an ethical manner when discharging its duties as outlined in Sanlam's Board charter and its Memorandum of Incorporation. The members of the Board, furthermore, act in good faith and in the best interests of Sanlam. It assumes responsibility and accountability for steering and setting the direction of the Company, approving policies and procedures, overseeing the monitoring of the implementation and execution done by management as well as ensuring accountability of organisational performance.

The Board charter, which is reviewed annually, serves as a guide to the Board and outlines the process for policies and practices on Board matters, such as dealing in securities,

declaration of conflict of interests and those matters delegated to management. The Board, through the office of the Group Company Secretary, considers and deliberates on declarations when there is a conflict of interest at every Board meeting. Sanlam's directors, its executives and senior employees are prohibited from dealing in Sanlam securities during specified periods. The Group Company Secretary regularly informs directors, executives and senior employees of the regulatory requirements relevant to insider trading and advises them of closed periods. A report on directors' dealings in Sanlam's shares is tabled at each Board meeting and disclosed in terms of the applicable JSE Listings Requirements.

The Board is committed to ensuring that Sanlam's strategy is executed by management based on an ethical foundation that supports a sustainable business in the best interest of Sanlam and all stakeholders. The Group corporate governance policy framework which is reviewed on a frequently basis, details optimal corporate governance principles as well as the Group cluster authorisation requirements. It also provides for those matters that are reserved for the Board's decision-making authority to enable the Board to exercise effective control and ensure Sanlam's good performance and legitimacy.

## Organisational ethics

### Application of Principle 2

**The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.**

The Board exercises ongoing oversight responsibility for setting and reporting on Sanlam's ethical values, principles of conducting ethical business practice, human and environmental rights considerations. This underpins Sanlam's overall business conduct and its continuous strive towards corporate citizenship.

The Board has delegated the governance of ethics including the monitoring and implementation of Sanlam's activities against the Code of Ethical Conduct to the Social, Ethics and Sustainability committee and management. The key areas of focus during the reporting period are outlined in the Resilience Report and further disclosed in the Sanlam Corporate Governance Report. Given the Board being ultimately accountable for ensuring ethical business practices, the above-mentioned is in addition to the Social, Ethics and Sustainability committee reporting at every Board meeting on the activities and actions executed in line with its Board approved mandate and statutory obligations. This includes monitoring progress made on key focus areas identified over time.

Through the Code of Ethical Conduct, the Board ensures that all Sanlam stakeholders are properly guided regarding the Group's ethical conduct. Sanlam's ethics-related processes, applied whistle-blowing protocols and the management of ethical conduct are carried out and managed

by an independent ethics reporting hotline which had specifically been designed as a platform and an enabler to detect, monitor and investigate breaches of ethical standards. In addition, dedicated efforts are continuously implemented to create awareness and visibility of the relevant Company processes as well as the enablers implemented. During the 2018 financial year, a robust review was conducted aimed at assessing the adequacy and effectiveness of the Group's hotline, the associated processes as well as the changing needs of the business. This exercise resulted in a new external service provider being appointed to, going forward, manage the Group's ethics hotline. The latter including Sanlam's ability to prevent, identify and respond to ethical breaches as well as the ongoing training on anti-corruption conduct, all contribute to an enhanced and effective ethical culture throughout Sanlam.

The Sanlam Code of Ethical Conduct is published on the website and incorporated by reference in employee contracts, independent contractors, agents, service providers and business partners, irrespective of their status as a natural person, a legal person or other entity.

An overview for ethics governance is disclosed in the Corporate Governance Report.

## Responsible corporate citizenship

### Application of Principle 3

**The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**

In accordance with the Board's responsibility of ensuring that Sanlam conducts itself as a good corporate citizen, the Board reviews and approves the business strategy on an annual basis as developed by management. The objective remains to create value for all Sanlam's stakeholders in a sustainable manner while balancing the needs and expectations of the Company's diverse group of stakeholders. Sanlam actively and continuously engages its key stakeholders for various reasons. This includes the Group appreciating that being a responsible corporate citizen entails being responsive to stakeholders' needs, expectations and interests. It is, for this reason, important for Sanlam to be value driven by aligning its business activities to the interests of those stakeholders who influence the business and/or have an impact on how it conducts business.

The Board, with the assistance of the Social, Ethics and Sustainability committee and the Group Executive committee, oversees and monitors all Sanlam processes and activities on how Sanlam executes its corporate citizenship responsibilities. This is measured against predetermined performance targets agreed with management in support of Sanlam's strategic objectives.

The focus areas during the reporting period are outlined in the Social, Ethics and Sustainability committee report, which is disclosed on page 39 in the Corporate Governance Report.

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## Strategy, performance and reporting

### Strategy and performance

#### Application of Principle 4

**The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**

The Board informs and approves Sanlam's strategy as developed by management and ensures that it is aligned to the Group's vision and its value drivers. The process that outlines how Sanlam creates value for its stakeholders is explained in detail in the Annual Reporting Suite.

The Board provides ongoing oversight and monitors, with the support of its committees, that the Group's strategy is implemented and executed within agreed timelines. It also ensures that Sanlam's core purpose, the risks and opportunities that the Company is exposed to, its strategy, its business model, performance and sustainable development are all inseparable in creating value for its stakeholders on a continuous basis. The Board is also committed to making sure that Sanlam takes responsibility and accounts for its performance. This is being implemented by ensuring that its reports and disclosures are credible and enable stakeholders to make an informed assessment of Sanlam's performance and the execution of its key performance metric, the Return on Group Equity Value (RoGEV) as well as targets against the execution of Sanlam's strategy over the short, medium and long term.

More details of Sanlam's performance against its strategic objectives are reported in the Annual Reporting Suite.

### Reporting

#### Application of Principle 5

**The governing body should ensure that reports issued by the company enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.**

The Board, through the Audit, Actuarial and Finance committee for Sanlam and Sanlam Life, ensures that the necessary controls are in place and that the requisite assurance is provided where necessary to verify and safeguard the integrity of the Integrated Report, including any other disclosures. In this regard, the Board continues to be accountable for and overseeing Sanlam's response to applicable disclosure requirements.

The Audit, Actuarial and Finance committee as well as the Risk and Compliance committee assist the Board in setting Sanlam's reporting direction on how reporting should be approached and conducted. These committees review the

integrated reporting process which includes the Group's audited financial statements as well as approving the reporting frameworks and materiality while ensuring compliance with applicable legal requirements and its relevance to Sanlam's diverse group of stakeholders.

The Board ensures that the Integrated Report, King IV™ apply and explain disclosures, Sanlam's Annual Financial Statements, the Resilience Report, as well as any other relevant information, are published on the Company's website, as well as through other mediums as is appropriate.

### Governing structures and delegation

#### Primary role and responsibilities of the Board

#### Application of Principle 6

**The governing body should serve as the focal point and custodian of corporate governance in the organisation.**

The Board has adopted a terms of reference, which is reviewed at least on an annual basis. The terms of reference defines, amongst other, the Board's governance responsibilities, its role, composition and membership requirements as well as the procedures applicable to conducting Board matters.

Through its committees, the Board oversees the implementation of governance practices throughout the Sanlam Group. The Board and its committees met, as a minimum, quarterly during the reporting period. The Board is satisfied that it fulfilled its primary role and responsibilities in relation to governance in accordance with the approved terms of reference.

The Board charter authorises the Board and its committees to seek independent, external professional advice at Sanlam's expense concerning matters within the scope of their duties. This includes the Board being able to request documentation from and set up meetings with management as and when required. The number of meetings held during the reporting period, attendance and details of the Board meetings are fully disclosed in the Corporate Governance Report.

The Sanlam Group follows a decentralised management structure (a federal business model), with all operations conducted through its business clusters. Each business cluster is managed by its own board of directors and a chief executive, who is supported by an executive committee and support functions that are appropriate to their particular operational needs.

These chief executives form part of the Group Executive committee and are the designated prescribed officers of Sanlam. The Sanlam Group corporate governance policy framework and the necessary policies and processes are in place to ensure that all subsidiaries of Sanlam adhere to the Group's governance requirements in a consistent manner.

The Sanlam Group governance principles are disclosed in the Corporate Governance Report.

## Composition of the Board

### Application of Principle 7

**The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**

*Also applicable: JSE3.84 (a): Process to ensure clear balance of power and authority at Board of directors' level. JSE3.84 (b): Appointment of Chief Executive Officer and Board Chair. JSE3.84 (d): CV of each director standing for election or re-election. JSE3.84 (e): Categorisation of directors. JSE3.84 (i) and (j): Policy on the promotion of gender and race diversity on the Board and remuneration policy and the implementation report be tabled for non-binding vote by shareholders at the annual general meeting.*

The Board sets the direction and approves the process for the Board to attain an appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The Nominations committee makes recommendations to the Board in discharging the process of nominating, electing and appointing members of the Board, which includes succession planning in respect of new appointments to the Board and its committees.

The Nominations committee follows a formal, robust process to review the balance, effectiveness and representivity of the Board and its committees as well as the boards of the cluster businesses. The skills required and those individuals that are seen to provide such skills in a fair and thorough manner are considered and identified as and when required. A thorough review of the independence of non-executive directors is conducted on a continuous basis and, in particular, those serving on the Board for longer than nine years. The capacity and independence of each director is categorised as defined in the Listings Requirements – i.e. taking cognisance of the requirements outlined in King IV™ as well as other factors documented in the Board charter and the Company's Memorandum of Incorporation. The categorisation of the independent directors is done by means of an application of the independence indicators outlined in the King IV™ as well as the recommended practices in relation to non-executive directors who held a long tenure. During the year under review, consideration was also given to the requirements documented in the Prudential Authority's Governance Standards for Insurers

with a particular emphasis on applying and adhering to the Prudential Authority's requirements pertaining to non-executive directors' independence. The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, race and gender diversity as well as independence.

As at 31 December 2019, the status of the Chair of the Board (as defined by King IV™ and the Listing Requirements) was confirmed by the Board not to be independent. The Board as a collective duly considered this governance deviation in the appointment of the Board Chair. It was, however, the Board's considered view that the Chair's long-term association with Sanlam and his industry experience were factors that were paramount in ensuring that he would add value to the future direction and growth of the Company for the benefit of all stakeholders and ensure the Company's ability to continue in a sustainable manner, under his leadership.

Consequently, in the spirit of promoting good governance and to continuously evaluate the Board's performance and effectiveness in executing its governance responsibility, the Board appointed a lead independent director to deal with and manage, among other things, any actual, perceived or potential conflict of interest. The lead independent director conducts himself under the auspices of a Board approved lead independent director terms of reference and acts as the Chair of the Board in all such matters where the Board Chair is not able to fulfil this role. In addition, during the 2019 financial year, the Board (with the assistance of the Nominations committee) embarked on a rigorous process to recruit an independent non-executive director as a successor of the current Chair. As at the date of publication of this report, the aforementioned exercise was not yet complete. The objective, however, remains enhancing and complementing the Group's governance standards.

The Board has further established an Independent Non-Executive Directors committee, which is chaired by the lead independent director. This committee's primary function is to strengthen the Board's independence as a collective as well providing leadership and advice to the Board in respect of matters where the Chair of the Board has an actual or a perceived conflict of interest. It also includes the identification of circumstances where the Chair of the Board may have a conflict of interest that may impact on his/her independent decision-making. The Independent Non-Executive Directors committee also guides the Board on any related-party transactions, including but without limitation, to any financial, economic interest, position, association or relationship, which when judged from the perspective of a reasonable and informed third party could unduly or cause bias in decision-making in the best interest of Sanlam. Further to the aforementioned, the Board has also developed and approved a criteria document, which espouses on all matters regarding perceived or potential conflicts of interest to ensure the effective oversight and management of governance. The latter is in addition to the standard protocol which requires each of

the Board members being required to declare their respective interests at each meeting as well on a quarterly basis.

As at 31 December 2019, there were four executive directors serving on the Board. In terms of Sanlam's Memorandum of Incorporation, one third of directors shall retire at every annual general meeting (AGM) and are eligible for re-election.

The Nominations committee assists the Board in reviewing succession planning annually and includes the identification, mentorship and development of future candidates. The Board composition and the statement thereto on its composition are disclosed in further detail in the Corporate Governance Report.

The Board has considered its composition by developing a policy on the promotion of diversity. During the period under review, this policy had been reviewed by the Nominations committee after which a recommendation was made to the Board for its approval. The policy's review during the 2019 financial year included the incorporation of the Amendments Schedule relevant to the JSE Listings Requirements that were published during the latter part of November 2019. The policy makes provision for specific key deliverables and target dates, of which the implementation of the policy is measured over time. The Board is of the view that the stance adopted by Sanlam in this respect goes beyond the minimum regulatory requirements and acknowledges the value that it contributes to the Group's diversity-related objectives and overall sustainability.

A brief curriculum vitae for each director standing for election or re-election at the AGM, accompanies Sanlam's notice of its 2020 AGM. Each of the newly appointed directors received induction training in Sanlam's business, Board matters, their duties and governance responsibilities in accordance with each director's specific needs and aligned to applicable regulatory requirements.

## Committees of the Board

### Application of Principle 8

**The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.**

**Also applicable: JSE3.84(c): Audit committee, Remuneration committee and Social, Ethics and Sustainability committee. JSE3.84 (g) (i) to (iii): Expertise and experience of the Financial Director, appropriate financial reporting and assessment of audit firm and designated individual audit partner suitability.**

The Board has established committees to support and assist it in discharging its responsibilities. The Board committees comprise an Audit, Actuarial and Finance committee, a Risk and Compliance committee, a Human Resources and Remuneration committee, a Nominations committee, a Social, Ethics and Sustainability committee, the Sanlam Customer Interest committee, a Non-Executive Directors committee and an Independent Non-Executive Directors committee. Each committee's overall role and associated responsibilities and functions, composition, meeting protocols, delegation of authority, its invitees and external advisers who regularly attend the committee as well as the number of meetings each committee held during the reporting period, are disclosed in the Corporate Governance Report. The statement that each committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review, is also disclosed in the Corporate Governance Report.

The committees are appropriately constituted and each member is appointed by the Board, with the exception of the Audit, Actuarial and Finance committee, whose members are nominated by the Board and elected by shareholders. In addition, the Board annually elects and appoints a lead independent director, whose term could be more than one year, capped at a maximum period of three years if re-elected. The Nominations committee assists the Board by evaluating and presenting suitable candidates to shareholders for election or re-election, including the appointment of the chair of each committee, taking into account factors such as diversity, skills, culture, expertise and succession planning as well as the need to create a balance of power and authority.

External advisers and members of management attend Board and committee meetings by invitation with no voting powers. The committees play a pivotal role in enhancing high standards of sound corporate governance principles. Formal terms of references, which are reviewed on an annual basis, are approved by the Board. The Board allocates and delegates to each committee its roles and responsibilities and oversees that each committee is properly constituted and functions in accordance with sound corporate governance principles.

The Board ensures effective leadership in its committees by allowing collaboration between them through cross membership, while ensuring the coordinated timing of meetings for avoidance of duplication or fragmented functioning between the committees. Where duplication or fragmentation of functions exist, the Board assumes the responsibility of outlining a process of how each committee would deal with a similar matter by delegating a specific role and position to the committees concerned, rather than competing approaches or duplicating efforts.

The Board ensures that there is a balanced distribution of power in respect or membership across committees, so that no individual member can dominate decision-making and no undue reliance is placed on any individual.

The Sanlam and Sanlam Life Board adopted the Group corporate governance policy and framework which regulates decisions on the following three levels:

- Decisions of the Board that require ratification or approval from Sanlam shareholders in terms of the Companies Act, 71 of 2008, as amended (the Companies Act), the Memorandum of Incorporation or good governance principles
- Decisions reserved for formal approval by the Board or which are delegated to its Board committees via the Group corporate governance policy and framework
- Decisions of the Board delegated to the Sanlam Group Chief Executive. The Group Chief Executive may consult with Group Office functionaries (including Group executives) as required, and may delegate his decision-making authority to the respective cluster boards and/or Group executives as appropriate

Any delegation by the Board of its responsibilities to a committee will not by or of itself constitute a discharge of the Board's accountability or abdicating its own responsibilities. The Board therefore remains accountable to apply its collective mind to the information, opinions, recommendations, reports and statements presented and recommended by its committee.

A brief overview of each committee is detailed below:

#### **Audit, Actuarial and Finance committee**

The Audit, Actuarial and Finance committee comprises independent directors only and the committee's independence and effectiveness are reviewed on an annual basis. The committee is constituted as a statutory committee, and discharges its statutory duties in terms of section 94(7) of the Companies Act. The committee performs the functions as set out in the Companies Act, the JSE Listings Requirements and King IV™. Adequate processes and structures were implemented to assist the committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to the cluster businesses.

During the year under review, the committee comprised four independent, non-executive directors. The Chair of the Board is not a member of the committee. The committee considers and satisfied itself that the Group Financial Director has the necessary expertise and experience to hold his position. The committee satisfied itself that the Group has

established appropriate financial reporting procedures and systems and that these operate to the satisfaction of the committee. In accordance with the JSE Listings Requirements, the committee engages the external audit firm to assess the suitability and independence of the audit firm, including the suitability of the designated audit partner at least once per annum.

The committee provides independent oversight of, among others, the effectiveness of Sanlam's assurance providers, with particular focus on combined assurance arrangements. The chair of the Risk and Compliance committee also attends Audit, Actuarial and Finance committee meetings. The committee comprises members with necessary industry experience and skills who are capable of employing a greater degree of focus in the quality of audit indicators.

The committee is committed to develop a detailed, concise and transparent process that outlines Sanlam's quality of audit indicators relevant to 2020.

The statement of the committee in relation to the external auditor's independence, matters of consideration in relation to annual financial statements as well as quality and effectiveness of arrangements for internal audit, are disclosed in the Corporate Governance Report. The committee has considered all material aspects in relation to the annual financial statements and how these were addressed by the committee, and is satisfied herewith.

In addition, the committee is satisfied with the quality of the external audit that was conducted, which is explained in further detail in the Corporate Governance Report.

#### **Nominations committee**

The Board has delegated oversight of, among others, of the following to the Nominations committee:

- The process for nominating, electing and appointing members of the Board
- Succession planning of directors
- Evaluation of the effectiveness of the Board and its committees

The members of the Nominations committee are non-executive directors. The lead independent director chairs the Nominations committee, given that the Chair and the deputy Chair of the Board are not regarded independent.

#### **Human Resources and Remuneration committee**

The Human Resources and Remuneration committee is responsible for overseeing remuneration and the implementation of the Group's remuneration policy. The majority of the members of the committee are independent non-executive directors. The Chair of the Board attends the committee meetings as an invitee.

### Sanlam Customer Interest committee

Sanlam's Customer Interest committee assists the Board in discharging its governance oversight responsibility of setting the direction and formulation of policies that give effect to the management of matters relating to clients' interest. This committee's mandate is ultimately shaped and influenced taking into account the best interests of Sanlam's current and prospective policy holders in alignment with the applicable suite of regulatory requirements pertaining to Treating Customers Fairly (TCF) and the policyholder protection rules (PPR).

### Risk and Compliance committee

The purpose of this committee is to advise and assist the Board in respect of overseeing the governance of risk by setting the direction for how risks and opportunities should be approached and addressed in Sanlam.

The committee's functions include to assist the Board to discharge its governance responsibilities as they relate to:

- Designing and implementing the Sanlam Group's enterprise risk management framework and policy in a manner that supports Sanlam in achieving its strategic objectives; and
- Ensuring compliance in the implementation of the Group's compliance framework with applicable laws, regulations and adopted non-binding rules, codes and standards in a way that supports Sanlam conducting business in an ethical and sustainable manner which illustrates its commitment to operate as a good corporate citizen.

### Independent Non-Executive Directors committee

The Independent Non-Executive Directors committee's primary function is to review and recommend for approval by the Board any related-party transaction, including without limitation, any financial or economic interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, could unduly cause bias in decision-making.

### Non-Executive Directors committee

The Non-Executive Directors committee of Sanlam and Sanlam Life have the responsibility to ensure the independent governance and functioning of the Board.

The committee ensures that there are appropriate and balanced corporate governance practices and processes in place within Sanlam, and that the Board acts objectively, independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholders.

### Social, Ethics and Sustainability committee

The Social, Ethics and Sustainability committee's statutory functions are set out in section 72, read with Regulation 43 of the Companies Act, 71 of 2008, and are supplemented by the committee charter. The Social, Ethics and Sustainability committee is responsible for overseeing organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The chair of the Audit, Actuarial and Finance committee attends Social, Ethics and Sustainability committee meetings.

### Evaluations of the performance of the Board

#### Application of Principle 9

**The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.**

Every year, a Board effectiveness evaluation is conducted with the assistance of an external service provider. The Chair of the Board, with the assistance of the Group Company Secretary and the Nominations committee, leads the evaluation process. The Board is satisfied with the outcome of the Board evaluation process that had been conducted during the 2019 financial year, which confirmed that the Board continued to operate effectively and efficiently in creating value for Sanlam's stakeholders. Consensus had been reached on the continuous commitment, competence and experience exercised at Board and committee level.

The Board, with the support of the Nominations committee, determines the number of external directorships and other positions a director may hold, taking into consideration the relative size and complexity of Sanlam. Annually, the Nominations committee considers other commitments of directors and whether each director has sufficient time to fulfil his or her responsibilities as the director on the Boards of Sanlam Limited and Sanlam Life Insurance Limited. In the event that the Nominations committee is of the view that a director is over-committed or has an unmanageable conflict, the Chair would meet with that director to discuss the resolution of the matter to the satisfaction of the Nominations committee.

The Board and the Nominations committee are responsible for succession planning for the position of the Chair, the lead independent director, the Chairpersons of the committees, the Group Chief Executive and the Finance Director.

The performance of the Board, its committees and the directors are disclosed in the Corporate Governance Report.

## Appointment and delegation to management

### Application of Principle 10

**The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.**

The Group Chief Executive was appointed by the Board with effect from 1 July 2015, on recommendation of the Nominations committee. The role and functions of the Group Chief Executive are specified in the Board charter, and the performance of the Group Chief Executive is evaluated by the Board against the agreed criteria.

The Board appoints members of the Group Executive committee upon recommendation of the Group Chief Executive and the Human Resources and Remuneration committee. The Nominations committee, in consultation with the Human Resources and Remuneration committee, is responsible for ensuring that succession plans are in place for the position of Group Chief Executive and other members of the Group Executive committee.

The Board approves and regularly reviews the Group corporate governance policy and framework and top-level delegation of authority in terms of which matters are delegated to the Group Chief Executive.

The Group Chief Executive is accountable to the Board for the successful execution of the Sanlam strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term stakeholder value.

The Board agreed to the manner in which the delegated authority is exercised by the Group Chief Executive, including the development and implementation of the Sanlam strategy. In terms of the Group corporate governance policy and framework, the Group Executive committee supports the Group Chief Executive in the implementation of the Group strategy and the overall management and performance of the Sanlam Group. The respective cluster businesses develop their own authorisation frameworks in alignment with the Board approved Group corporate governance policy.

The Group Chief Executive is not a member of the Human Resources and Remuneration, the Audit, Actuarial and Finance or the Nominations committees, but attends any meeting, or part thereof, by invitation only, if and when required to contribute to pertinent issues and provide information to the respective committees. Other professional commitments of the Group Chief Executive and succession planning arrangement for his position are disclosed in the Corporate Governance Report.

The Board agrees upfront with the Group Chief Executive on whether the Group Chief Executive or other directors may take up additional professional positions, including membership on other governing bodies outside Sanlam. Time constraints and potential conflicts of interests are considered and balanced against the opportunity for professional development.

The Board, supported by the Nominations committee and the Human Resources and Remuneration committee, evaluates the performance of the Group Chief Executive annually against agreed performance measures and targets.

The Board's confirmation of its satisfaction of the effectiveness and contribution of the Group corporate governance policy and framework to effectively exercise authority and responsibilities is disclosed in the Corporate Governance Report.

**Also applicable: JSE3.84(h): The Company Secretary.**

Mr S Bray is the Group Company Secretary, who has been duly appointed by the Board in accordance with the Companies Act. The Board considers and evaluates the competence, qualifications and experience of the Group Company Secretary annually, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Group Company Secretary. The Group Company Secretary has a direct channel of communication to the Chair of the Board, while maintaining an arm's-length relationship with the directors as far as is reasonably possible. The role and responsibilities of the Group Company Secretary are described in the Board charter as well as summarised in the Corporate Governance Report.

The arrangements regarding accessing professional corporate governance services and the statement on whether the Board believes those arrangements are effective are disclosed in the Corporate Governance Report.

## Governance functional areas

### Risk governance

#### Application of Principle 11

**The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

The Board has the ultimate responsibility for the governance of risk. The Risk and Compliance committee advises and assists the Board in respect of overseeing risk governance by setting the direction for how risk should be approached and addressed at Sanlam.



The Board approves the enterprise risk management framework, which gives effect to how the governance of risk is approached and addressed at Sanlam.

Sanlam's enterprise risk management framework reaffirms that Sanlam is committed to effective enterprise risk management in pursuit of its strategic goals. The enterprise risk management process includes identifying the key risks of a business, which are monitored as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control, so that decision-making capability and the accuracy of reporting and financial results are maintained at a high level at all times. This includes identifying and affording consideration to converting risks into opportunities that the Group could potentially explore in its continuous drive to create value.

The nature and extent of risks and opportunities that Sanlam is willing to take are outlined in the Group risk appetite, which are disclosed in Sanlam Annual Reporting Suite.

The enterprise risk management policy and plan are aimed at ensuring that:

- ① All risks which could jeopardise or enhance the achievement of the Sanlam Group's strategic goals, are identified;
- ② Appropriate structures, policies, procedures and practices are in place to manage these risks;
- ③ Sanlam takes a portfolio view of risk;
- ④ Sufficient organisational resources are applied to, and that the Group's corporate culture is fully supportive of the effective implementation of these structures, policies, procedures and practices; and
- ⑤ Sanlam's risks are being managed in accordance with the foregoing.

The Group Executive committee ensures that the business achieves its strategic objectives in a manner that optimises the business risk-adjusted return performance. In particular, it has the executive responsibility of providing assurance to the Board that risk management is governed in the manner that supports Sanlam to achieve its strategic goals.

An overview of risk governance and management, key focus areas, the arrangement taken to ensure the effectiveness of risk management and how these are addressed, are disclosed in the Annual Reporting Suite.

## Technology and information governance

### Application of Principle 12

**The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**

The Board has ultimate responsibility and accountability for the management and governance of technology and information. Technology and information management and governance are essential for Sanlam to achieve its strategic objectives. The Board exercises oversight and direct the strategic and operational use of technology and information to ensure that opportunities derived from the use of technology and information are maximised. Technology and information management as well as the governance thereof are supported by the Board and management structures within the businesses.

The Risk and Compliance committee, supported by the Group IT Steering committee, is responsible for technology and information governance. It oversees the management of Sanlam's top technology and information risks, including risks involved in major change programmes. The committee oversees the Group's technology and information strategy, establishes cyber-resilience as well as overseeing architectural and operational excellence.

The Audit, Actuarial and Finance committee provides assurance that the management and governance of technology and information are in place and effectively applied in the Sanlam Group. This is also to ensure data integrity which forms an integral part of the Group's external reporting, that is aimed at meeting the legitimate and reasonable information needs of its material stakeholders.

Technology and information risks and opportunities are addressed by the federated model, wherein cluster businesses execute their specific change projects aimed at effectively delivering Sanlam's strategy.

External auditors and internal audit perform assessments as part of the Group's combined assurance model. All significant technology and information-related audit findings are reported to the Risk and Compliance committee as well as the Audit, Actuarial and Finance committee, which ensures that these are addressed accordingly.

## Compliance governance

### Application of Principle 13

**The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**

The Risk and Compliance committee advises and assists the Board in respect of overseeing governance of compliance by setting the direction for how compliance should be approached and addressed in Sanlam. The Sanlam Group compliance policy mandates all Board of directors at business cluster level and employees to comply with Group compliance policy, applicable laws, non-binding rules, codes and standards that support Sanlam being a responsible and good corporate citizen.

The implementation of sound compliance management practices and procedures, serve to mitigate compliance risk and improve the remediation of any instances of non-compliance which many occur. The Group compliance policy seeks to ensure compliance with the applicable laws and non-binding rules, codes and standards in all jurisdictions within which Sanlam operates. Creating a sound compliance culture in Sanlam means that compliance is understood for the obligations it creates and for the rights and protections it affords for the Sanlam Group and its stakeholders.

The Sanlam Group compliance policy gives effect to the “tight” aspects of governance in respect of which Sanlam establishes the principles and minimum standards to be adhered to. It provides for principles and minimum standards in respect of the defined tight aspects of governance that are set and approved by the Sanlam Group Executive committee based on its delegated authority from the Board.

The Group compliance office is the responsible functionary that operates as the custodian of compliance as a “tight” area of governance and set the minimum standards for the Group Executive committee to approve. The Group compliance office develops procedures to facilitate the implementation of the Group compliance policy in respect of compliance across the Sanlam Group and monitors adherence to the Group compliance policy.

The Risk and Compliance committee receives regular reports on compliance matters through the Group head of compliance, who is suitably skilled and experienced and reports directly to the Group actuary and Group risk officer.

An overview of compliance governance and management, the key focus areas, the arrangements and initiatives embarked on to ensure the effectiveness of risk management and how these have been addressed are disclosed in the Corporate Governance Report.

## Remuneration governance

### Application of Principle 14

**The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**

**Also applicable: JSE3.84(k): The remuneration policy and the implementation report.**

The Board has ultimate responsibility and accountability to ensure that Sanlam remunerates fairly, responsibly and transparently for the achievement and promotion of Sanlam’s strategic objectives over the short, medium and long term. Sanlam adopted a remuneration policy that is aligned to Sanlam’s business strategy and specifically designed to create value for Sanlam and its stakeholders. Through careful alignment of performance hurdles with Group strategic objectives and the execution of a rigorous performance management system, desired behaviours are rewarded and a high-performance culture is promoted.

The policy and implementation report are reported in detail in the remuneration report in the Annual Reporting Suite.

The Group Human Resources and Remuneration committee is responsible for matters relating to developing an appropriate remuneration policy, monitoring the implementation of the policy and regularly reviewing the suitability of the policy.

Over and above matters relating to reward, matters relating to the attraction and retention of skilled resources, the fit and proper requirements relevant to the status of directors and the management of material human resources risks are covered in the policy and committee charter.

The policy's core objectives are the following:

- To enable the attraction, motivation, reward and retention of human capital and the promotion of positive outcomes;
- To promote an ethical culture and responsible corporate citizenship in all individual businesses of the Sanlam Group;
- To promote the achievement of strategic objectives within Sanlam's risk appetite;
- To communicate to stakeholders Sanlam's approach to rewarding its employees;
- To communicate to stakeholders Sanlam's approach to setting and paying non-executive Board members' fees;
- To identify those aspects of the reward policy that are prescribed and to which all Sanlam businesses should adhere, including the approach to be adopted;
- To provide an overarching policy framework for all elements of reward so as to permit discretion within individual businesses while taking into account Sanlam's overall policy and business model;
- To create a reward framework that reinforces behaviours in support of Sanlam values and culture; and
- To record and establish the corporate governance arrangements regarding remuneration practices in Sanlam.

The committee considers shareholders' contributions thoroughly and takes their input into account to inform future enhancements of the policy and alignment to Sanlam's strategy. Sanlam discloses the remuneration of each director and prescribed officer individually in its Annual Reporting Suite. In line with the recommended practices in King IV™, the remuneration policy and the implementation report will, similar to 2019, be tabled for separate non-binding advisory vote by the shareholders at the AGM. The remuneration policy and the committee charter provide for the measures that Sanlam commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the AGM. These measures include undertaking an engagement process to ascertain reasons for dissenting votes, and to thereafter address legitimate and reasonable objections and concerns. At the June 2019 AGM, 98,35% of the votes were cast in favour of the remuneration policy and 93,00% of the votes were cast in favour of the implementation report.

## Assurance

### Application of Principle 15

**The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.**

The Board assumes overall responsibility for assurance and the integrity of information reported. The Audit, Actuarial and Finance committee was delegated the responsibility for overseeing the combined assurance that incorporates and optimises the various assurance services and functions to ensure that, taken as a whole, the requisite assurance objectives of effective internal control and integrity of reported information are achieved.

The Audit, Actuarial and Finance committee ensures that assurance as appropriate is obtained that covers the significant risks and material matters. This is done through a combination of reporting by first line management functions that own and manage risks, specialist risk functions that oversee risk management and compliance and independent assurance providers such as internal and external audit.

The Board is responsible for the quality and integrity of Sanlam's integrated reporting. The Board, with the support and assistance of the Audit, Actuarial and Finance committee, satisfies itself that the quality and integrity of the combined assurance model is effective and is sufficiently robust. The latter is to assist and enable the Board to place reliance on the combined assurance underlying the statements that the Board makes, concerning the integrity of Sanlam's external reports. Based on the results of the review of Sanlam's systems of internal control, risk and opportunities management, the committee concluded during the reporting period Sanlam's systems of internal control and risk management were effective.

The Group maintains internal financial control systems that are designed to provide quality and integrity assurances on the maintenance of proper accounting records and the reliability of financial information used by the business for decision-making and external publication.

An internal audit charter is in place and outlines the responsibilities of the internal audit function. Internal audit is a centralised function that services all companies within the Group. The Sanlam chief audit executive reports functionally to the Audit, Actuarial and Finance committee which is delegated the responsibility for overseeing that internal audit services are executed in line with the charter.

The chief audit executive is appointed and may be removed by the Audit, Actuarial and Finance committee. The Sanlam chief audit executive and the senior internal audit manager for Sanlam Personal Finance also act as the head of the internal audit control function for the various South African based life insurance businesses.

The performance of the chief audit executive is evaluated annually by the Audit, Actuarial and Finance committee who confirms that he has the necessary skills, competence and independence. The committee also assesses annually whether the necessary arrangements are in place to ensure that the internal audit function is adequately resourced with the requisite skills for the effective auditing of governance, risk management and control.

## Stakeholder relationships

### Stakeholders

#### Application of Principle 16

**In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.**

The Board, through the Social, Ethics and Sustainability committee, sets the direction for how stakeholder relations should be approached and conducted in the Sanlam Group. Sanlam has adopted an inclusive approach that considers stakeholders as an integral part across of the Sanlam business as part of Sanlam's wide risk management. This approach is embedded to the Group's stakeholder engagement function and remains a practice across the Group.

The committee has oversight of stakeholder engagements and the management thereof through quarterly reporting to the Social, Ethics and Sustainability committee.

The chair of the Social, Ethics and Sustainability committee subsequently provides feedback to the Board for the Board's satisfaction that the stakeholder approach balances the needs, interest and expectations of material stakeholders in the best interest of Sanlam over time. The Board appreciates and understands that its response to stakeholder relations must respond to the needs and interests of the Group's material stakeholders which, among others, include: employees, shareholders, investors, intermediaries and their representatives, government and regulatory bodies, labour, society, suppliers and clients and business partners.

Sanlam's strategic objectives in stakeholder relations are to consistently improve stakeholder communication to ensure the Board effectively executes its governance role and responsibility on stakeholder relationships. Sanlam's stakeholders are engaged in accordance with specific focus areas of the different business units and interests of the Group. Sanlam has built a strong culture of stakeholder interactions, which serves as a platform to share information with stakeholders to understand their needs, identify risks and receive feedback that enables Sanlam to ultimately achieve positive outcomes.

The Sanlam Limited Board recently approved the Sanlam Group stakeholder management policy. The objective of the policy is to establish principles and minimum standards to be applied by Sanlam Group in respect of stakeholder management as a "tight" area of governance. The policy

sets out basic principles to be adhered to for how stakeholder management should be approached across the Group, including:

- Identifying minimum requirements for planning;
- Engagement conduct; and
- Reporting on stakeholder management.

The Social, Ethics and Sustainability committee, on behalf of the Board, oversees and monitors the implementation as well as the compliance to the policy throughout the Sanlam Group.

Sanlam established the Sanlam provincial advisory boards within the different business units, which serve as a vehicle to frequently outline stakeholder engagement activities on an ongoing basis. Sanlam's stakeholder communication policy furthermore enables Sanlam to communicate with its stakeholders including those stakeholders with no or limited access to electronic media, by publishing its reports and performance (including the Group's interim and final financial results) as well as details of corporate activities in the main South African daily newspapers and on the Company website. Sanlam invites all shareholders to attend its AGM and facilitates participation by way of focused proxy solicitation and electronic means. The Group Chief Executive and Chief Financial Officer conduct regular presentations and roadshows on the Group's performance and strategy to analysts, institutional investors and the media in South Africa and abroad.

### Responsibilities of institutional investors

#### Application of Principle 17

**The governing body of an institutional investor company should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests.**

The Board exercises oversight responsibility, rights and obligations through its elected representatives in the various companies in which it has invested. The Sanlam and Sanlam Life boards have the ultimate responsibility of ensuring that Sanlam promotes good governance by investing responsibly. The Board achieves this through its management and committee structures at Group and business cluster level. The cluster executive committees have the responsibility of ensuring that Sanlam's investments are managed in accordance with the policies and investment mandates. The Board ensures that these governance practices promote responsible investment, achieve good governance, promote ethical culture, and enhance effective control, good performance and legitimacy.