

# GOVERNANCE





Desmond Smith  
*Chairman*

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AT THE CORE OF THE SANLAM BUSINESS ARE PROMISES TO DIFFERENT STAKEHOLDERS. A PROMISE TO MANAGE OUR CLIENTS' MONEY IN LINE WITH THEIR EXPECTATIONS, AN UNDERTAKING TO PAY AN INSURANCE CLAIM, A COMMITMENT TO DELIVER SOLID SHAREHOLDER VALUE, A DECLARATION TO TREAT OUR PEOPLE WITH RESPECT AND FAIRNESS, A COMPACT TO BE A RESPONSIBLE CITIZEN.

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As 2013 drew to a close, the International Integrated Reporting Council (IIRC) released its International Integrated Reporting Framework. Simply put, the overarching aim of this framework is to achieve a global standard of improved and simplified disclosure that informs stakeholders whether a company has succeeded in creating sustainable value in line with their expectations.

Integrated reporting is not new to the Sanlam Group. South Africa was one of the first countries in the world expecting its listed companies to produce annual integrated reports in line with the King Code of Corporate Governance and the Sanlam Group was among the first to comply. This is therefore the Group's fourth Integrated Report, now also consistent with the principles of the IIRC's new framework. Our Integrated Report is assessed independently every year to ensure that we are applying best practice.

Since the fundamental aim of integrated reporting is to present stakeholders with a comprehensive overview of whether a company has succeeded in creating sustainable value, we are strongly focusing on this for the 2013 Sanlam Integrated Report.

## ► CREATING VALUE – OUR SCORECARD

The year under review once again presented a difficult operating environment. I am pleased to report, however, that the solid foundation set down over the past 10 years continued to serve Sanlam well. The same five-pillar strategy, which by now is well known to our stakeholders, still drives the Sanlam Group and it is this consistency in direction and execution that has once again enabled the Group to deliver a solid operating performance for 2013.

The core business of the Sanlam Group is to sell long-term promises, whether in the form of an undertaking to a policyholder to pay an insurance claim, a commitment to an investor to deliver solid investment performance over the long term, dedication to be a responsible corporate citizen in the communities and environment where we operate, or a commitment to our shareholders to deliver consistent shareholder value.

Stakeholders will only buy these promises with peace of mind if the company backing these commitments is solid and consistent in its direction. I believe that it is exactly this consistent approach to doing business that has enabled the Sanlam Group to unlock significant value for all its stakeholders over time.

Below follows an overview of the value created for our various stakeholders:

### The success of Ubuntu-Botho

For the shareholders of Ubuntu-Botho Investments (Ubuntu-Botho), our broad-based black economic empowerment (BBBEE) partner, the end of 2013 concluded 10 years of substantial value creation of more than R15 billion. We are exceptionally proud of the value we created for these broad-based shareholders through one of the most significant black economic empowerment (BEE) transactions this country has seen.

Ubuntu-Botho, led by Patrice Motsepe, initially acquired 226 million Sanlam shares at the beginning of 2004. The transaction was funded through debt of R1,1 billion and a capital investment by Ubuntu-Botho of R200 million. The Sanlam

dividends received over the 10 years that followed were enough to repay all of the debt, cover costs, enable Ubuntu-Botho to pay a R50 million dividend to its shareholders and invest R110 million in Ubuntu-Botho Investments Holdings, a targeted investment company.

At the end of December 2013 Ubuntu-Botho held an interest in 292,5 million Sanlam shares (including the deferred shares that qualify for conversion into ordinary shares) worth R15,6 billion based on the end of December 2013 Sanlam share price. Deducting their initial R200 million capital investment, the total value created was about R15,4 billion.

While the Sanlam Group created significant value for the Ubuntu-Botho shareholders, it must also be said that the partnership with Patrice Motsepe and his consortium has most certainly been mutually beneficial and has unlocked substantial value for Sanlam.

Both Patrice and Rejoice Simelane, who joined the Sanlam Board as non-executive directors in 2004 as part of the Ubuntu-Botho transaction, have also added immense value to the Group at Board level.

I look forward to continuing and growing this relationship with Ubuntu-Botho. Together we can unlock even greater value for the benefit of all our stakeholders.

### Creating shareholder value

Value creation must be consistent and sustainable over the long term; short-term gains cannot be considered true value creation. Looking at the exceptional growth in the Sanlam share price since listing 15 years ago, from R5,85 at the end of December 1998 to R53,24 at the end of December 2013, there is no doubt that as a Group we have made good on our commitment to deliver consistent shareholder value over the long term.

This means that R100 000 invested in Sanlam shares 15 years ago was worth more than R1,5 million at the end of 2013 including dividends paid to shareholders over this period. This represents an average return of 19,9% per annum. In comparison, the SA Life Insurance Index returned an average 12,7% per annum over the same period.

Of course this growth also shows a vote of confidence from our shareholders and clients who entrusted their money to the Sanlam Group believing that this is a viable and sustainable financial services group.

## Placing clients first

The Sanlam Group exists to deliver client-centric wealth creation, management and protection. In order to achieve this, the client-centric business model is focused on creating solutions that deliver value to our clients.

Key to this is product innovation that addresses the needs of the client first. As pointed out by Johan van Zyl in his CEO Management Review, Sanlam is therefore committed to not selling product solutions that do not deliver value for clients.

This approach has served the Group well in 2013, with Sanlam Personal Finance in particular delivering superior performance through the introduction of a more diversified product range designed around client needs.

The Sanlam Board carries the ultimate responsibility for ensuring that this focus on the client remains a priority across the Group and that all clients are treated fairly. The Customer Interest committee is mandated to oversee this function and report back to the Board.

The Customer Interest committee has also been tasked with overseeing the implementation of the six proposed fairness outcomes of the Financial Services Board's (FSB) Treating Customers Fairly (TCF) project.

One of these outcomes deals with the handling of complaints, which should be taken seriously and not just treated as an administrative procedure. Sanlam has a proven track record of taking client complaints seriously and aiming for a fair and speedy resolution. In 2013, the Long-term Insurance Ombudsman published individual insurer complaints data for the first time. Less than 9% (total for Sanlam Life, Sanlam Sky, Safrican) of complaints received by the Long-term Insurance Ombudsman's office in 2012 were Sanlam related. When compared to Sanlam's market share of some 20% this percentage shows that Sanlam resolves by far the majority of client issues to the satisfaction of the client.

## Our people in the value chain

Sanlam's human capital is a key value driver for the Group and we recognise that we will only remain an employer of choice if we include our people in the value chain.

Since people are our competitive advantage we have to make sure that we retain skills. The Group therefore offers a highly competitive employee value proposition, which results in a low staff turnover.

Certainty is as important to our staff as it is to clients and shareholders. I believe we continue to provide this through the consistency of our five-pillar strategy. The Sanlam Board and the Group's Executive committee, under the leadership of Johan van Zyl, also provide consistent, clear direction to the Sanlam Group and its people.

## What we do for our country

Being a responsible corporate citizen means making a positive contribution to the broader society in which we operate. It also means doing business responsibly, nurturing an environment conducive to doing business in the future.

This cannot be achieved by operating in isolation and Sanlam is therefore committed to working with its regulator and other stakeholders to shape the South African financial services industry into a world-class financial services hub. We contribute by interacting directly with other stakeholders and through the Association for Savings and Investment South Africa (ASISA) and the South African Insurance Association (SAIA). Sanlam was a founding member of ASISA and Johan van Zyl chairs the ASISA Board. Themba Gamedze was appointed chairman of SAIA in 2013.

We take our role as a good corporate citizen very seriously. In fact, Sanlam considers this a business critical imperative, which therefore falls directly under the oversight of the Board via its Social, Ethics and Sustainability committee, chaired by independent non-executive director Valli Moosa. Detailed feedback from this committee is contained in the Sanlam Sustainability Report 2013, which is available on the Sanlam website [www.sanlam.co.za](http://www.sanlam.co.za).

I would, however, like to single out the success of one project that is particularly close to my heart, because it aims to empower future generations

through financial literacy. The partnership between the Sanlam Foundation and Operation HOPE involved the training of Sanlam volunteers who then went to several Western Cape and Gauteng schools to teach hundreds of children basic financial skills. Since the launch of this partnership in 2011, Operation HOPE together with Sanlam volunteers educated close to 5 000 learners in 20 schools.

## ▶ KEY RISKS AND OPPORTUNITIES

As a financial services group, Sanlam's business model inherently exposes it to a number of risks, as further elaborated on in the Key Risk Exposures section on  page 18. One of the most prominent current risks worth highlighting is regulatory reform.

The aggressive pace and volume of regulatory reform in the financial services space continues to top our risk log. While we understand that government pursues these regulatory changes with the best intention and with the aim of conforming to international developments, our key concerns are:

- ▶ The uncertainty caused by the approach taken in the introduction of draft legislation and reform proposals, and the implications for South Africa.
- ▶ The volume of regulatory reform, which loads the industry with heavy costs.
- ▶ The burden placed on capacity by forcing the redeployment of senior resources to deal with change instead of focusing on the management of businesses.
- ▶ The pace of change, which often results in shifting goal posts.

Reform proposals that are likely to impact on the South African savings and investment industry include:

- ▶ National Social Security Reform
- ▶ Intermediary Remuneration Review
- ▶ National Health Insurance
- ▶ Review of basis for taxation of insurance companies.

Some of the regulatory interventions likely to impact most on the Sanlam business include the following:

- ▶ The new risk-based solvency regime for South African short-term and long-term insurers, known as the Solvency Assessment and Management (SAM) regime.
- ▶ Review of the legislative imperatives inherent in the TCF project.
- ▶ Review of the existing legislative framework including the Micro Insurance Act.

While regulation exists primarily to protect the consumer, it is imperative that regulation also enables a sustainable environment conducive to doing business for the industry that is being regulated. If regulation does not ensure level playing fields and does not remove unnecessary barriers to doing business, the industry will not flourish. This is not in the interest of the country and most certainly not in the interest of the consumer.

While regulatory reform has been identified a prominent risk for the Sanlam Group, the wave of change that it creates also provides us with immense opportunities. A good example is the TCF legislation, to be introduced in 2014.

While competitors can replicate product innovation, a firmly entrenched culture of always placing the client first is hard to copy and provides us with our competitive advantage. We will therefore continue to align our approach with the requirements of the proposed TCF legislation with the aim of doing it better first.

Another key opportunity exists within the Group itself. Sanlam will continue to tap into existing synergies between the various business clusters to innovate product solutions in line with client needs, reduce costs and unlock value for shareholders. A good example is the new partnership agreement between Sanlam Emerging Markets and Santam, which is aimed at aligning their respective short-term insurance interests in emerging markets. Johan van Zyl elaborates on this in his CEO Management Review.

## ► GOVERNANCE AND BOARD REVIEW

In 2013 the Sanlam Board implemented the Sanlam Stakeholder Engagement Policy, which falls under the Social, Ethics and Sustainability Board committee. With this in place, the Sanlam Group is now fully compliant with the Code of Corporate Governance Principles for South Africa (King III).

At the end of the 2013 financial year, the Sanlam Board had 18 members: 12 were independent non-executives (in accordance with King III's 'independence' standards); two were non-executives; and four were executive directors. The classification of directors as independent is reviewed annually. The average length of service by the directors was six years and seven months.

Fran du Plessis retired from the Board in June 2013 and Ian Plenderleith in September 2013. I would like to express my appreciation to them for their valued contribution to the Group.

Paul Bradshaw was appointed as independent non-executive director. Paul is an experienced actuary from the United Kingdom with vast experience in the long-term insurance industry. I would like to welcome Paul to the Board and look forward to his contributions.

As a Board, we also enjoyed a full year of working with Arun Duggal, who was appointed to the Sanlam Board as an independent non-executive director with effect from 15 January 2013 following the conclusion of the Shriram Capital transaction in 2012. Arun is chairman of the board of directors of Shriram Capital, Shriram Transport Finance Company, Shriram Properties, and Shriram City Union Finance.

Arun is also an experienced international banker and is already playing a vital part in shaping the Sanlam strategy on diversification into the credit industry. Sanlam has identified credit, both retail and corporate, as a growth area.

At the end of 2013 our Board comprised four black females, six black males and eight white males.

## ► IN CLOSING

The single biggest event in 2013 was the passing of former President Nelson Mandela. As we reflect on the solid performance of the Sanlam Group in 2013, I must pay tribute to this great man who, through his vision, leadership and immense ability to forgive, transitioned South Africa to a peaceful democracy that facilitated, among other things, an enabling environment for South African businesses like ours to expand and thrive beyond South Africa.

I also attribute Sanlam's success to its "can do" culture – as a Group we will always find a way of doing what needs to be done. More importantly, however, we will do it right – taking shortcuts has never been the Sanlam way.

This culture permeates the Group from the top down and I would like to thank Johan van Zyl and his management team for consistently displaying a "can do" attitude. Sanlam is extremely well managed by a competent executive management team and well governed by a strong and dedicated Board.

I would like to express my appreciation to Patrice Motsepe, deputy chairperson of the Sanlam Board, and my fellow Board members who have contributed to the successes of the Sanlam Group by sharing their wisdom and expertise.

A very big thank you goes to our clients, our staff and intermediaries, our shareholders and other stakeholders for their support in 2013. Thank you for trusting the Sanlam Group to create the value that you have come to expect from us.



**Desmond Smith**  
Chairman

Cape Town  
5 March 2014



### ► INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Desmond Smith** *Chairman* (66)

*Director since 2009*

**Qualifications:** BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

**Sanlam and Sanlam Life committee membership:**

Non-executive directors (Chairman), Nominations (Chairman), Customer Interest committee, Human Resources and Remuneration.

**Major external positions, directorships or associations:**

Reinsurance Group of America (SA), Mediclinic International Limited, Stellenbosch Institute for Advanced Studies, Road Accident Fund.



#### **Manana Bakane-Tuoane** (65)

*Director since 2004*

**Qualifications:** PhD Economics (University of Saskatchewan, Canada)

**Sanlam and Sanlam Life committee membership:**

Nominations, Human Resources and Remuneration, Sanlam Customer Interest, Non-executive directors.

**Major external positions, directorships or associations:**

African Rainbow Minerals.



**Anton Botha** (60)

*Director since 2006*

**Qualifications:** BProc, BCom (Hons) Investment Management, EDP (Stanford)

**Sanlam and Sanlam Life committee membership:** Human Resources and Remuneration (Chairman), Non-executive directors.

**Sanlam Group directorships:** Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities.

**Major external positions, directorships or associations:** JSE, University of Pretoria, Vukile Property Fund, Imainvest, African Rainbow Minerals.

**Paul Bradshaw** (63)

*Director since 2013*

**Qualifications:** BSc (Nottingham University), Fellow of the Institute of Actuaries

**Sanlam and Sanlam Life committee membership:** Sanlam Customer Interest, Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

**Sanlam Group directorships:** Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments, Sanlam Private Wealth Holdings UK.

**Major external positions, directorships or associations:** Paul Bradshaw Consulting and Integrated Protection Solutions.



► INDEPENDENT NON-EXECUTIVE DIRECTORS continued

**Arun Duggal** (67)

*Director since 2013*

**Qualifications:** Mechanical Engineering (Indian Institute of Technology – Delhi), MBA (Indian Institute of Management – Ahmedabad)

**Sanlam and Sanlam Life committee membership:** Social, Ethics and Sustainability, Non-executive directors.

**Sanlam associate directorships:** Chairman of the board of directors of Shriram Capital, Shriram Transport Finance Company and Shriram City Union Finance.

**Major external positions, directorships or associations:** Chairman of International Asset Reconstruction Company, Jubilant Energy (Netherlands), Zuari Agro Chemicals Ltd (Chairman Audit Committee), Info Edge (Chairman Audit Committee), Dish TV, Adani Port, Chairman of Federation of Indian Chambers of Commerce and Industry Centre for Corporate Governance and Visiting Professor at the Indian Institute of Management, Ahmedabad, where he teaches a course on Venture Capital and Private Equity.



**Valli Moosa** (56)

*Director since 2004*

**Qualifications:** BSc Mathematics and Physics

**Sanlam and Sanlam Life committee membership:** Social, Ethics and Sustainability (Chairman), Non-executive directors.

**Major external positions, directorships or associations:** Lereko Investments, Imperial, Sun International, Anglo Platinum, Sappi, WWF-SA.



**Philisiwe Mthethwa (Nee Buthelezi) (50)**

*Director since 2011*

*Qualifications:* MBA (Corporate Finance)

*Sanlam and Sanlam Life committee membership:* Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

*Major external positions, directorships or associations:* Group Five, The National Empowerment Fund, Industrial Development Corporation.

**Sipho Nkosi (59)**

*Director since 2006*

*Qualifications:* BCom (Hons) Economics, MBA, Diploma in Marketing Management, AMP (Oxford)

*Sanlam and Sanlam Life committee membership:* Non-executive directors.

*Major external positions, directorships or associations:* Exxaro Resources, Anooraq Resources, Eyesizwe Holdings.



► **INDEPENDENT NON-EXECUTIVE DIRECTORS** *continued*

**Flip Rademeyer** (66)

*Director since 2011*

*Qualifications:* CA(SA), SEP (Stanford)

*Sanlam and Sanlam Life committee membership:* Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors.

*Sanlam Group directorships:* Sanlam Emerging Markets, Sanlam Customised Insurance, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board).

*Major external positions, directorships or associations:* Ubuntu-Botho Investments Holdings, Velacore.



**Bernard Swanepoel** (52)

*Director since 2004*

*Qualifications:* BCom (Hons), BSc Mining Engineering

*Sanlam and Sanlam Life committee membership:* Social, Ethics and Sustainability, Non-executive directors.

*Major external positions, directorships or associations:* African Rainbow Minerals, To-the-Point Growth Specialists, Village Main Reef, Continental Coal Limited.



**Chris Swanepoel** (63)

*Director since 2011*

**Qualifications:** BSc (Hons), Fellow of the Institute of Actuaries, Fellow of the Actuarial Society of South Africa

**Sanlam and Sanlam Life committee membership:** Risk and Compliance (Chairman), Audit, Actuarial and Finance, Sanlam Customer Interest (Chairman), Non-executive directors.

**Sanlam Group directorships:** Sanlam Investment Holdings, Sanlam Capital Markets, Sanlam Credit Conduit, Channel Life, Sanlam Developing Markets, Sanlam Personal Finance (Divisional Board).

**Lazarus Zim** (53)

*Director since 2006*

**Qualifications:** BCom (Hons), MCom

**Sanlam and Sanlam Life committee membership:** Social, Ethics and Sustainability, Non-executive directors.

**Major external positions, directorships or associations:** Zim Capital, Afripalm Resources and Northam Platinum.



► **NON-EXECUTIVE DIRECTORS**

**Patrice Motsepe** *Deputy Chairman (52)*

*Director since 2004*

*Qualifications:* BA Legal, LLB

*Sanlam and Sanlam Life committee membership:*  
Nominations, Human Resources and Remuneration,  
Non-executive directors.

*Major external positions, directorships or associations:*  
African Rainbow Minerals, Harmony, Ubuntu-Botho  
Investments, Mamelodi Sundowns Football Club and  
African Fashion International, Ubuntu-Botho Investments  
Holdings.



**Rejoice Simelane** (61)

*Director since 2004*

*Qualifications:* PhD (Economics) (Connecticut, USA), LLB

*Sanlam and Sanlam Life committee membership:* Social, Ethics and Sustainability, Non-executive directors.

*Major external positions, directorships or associations:* African Rainbow Minerals, Ubuntu-Botho Investments Holdings and Mamelodi Sundowns Football Club, Ubuntu-Botho Investments.



▶ EXECUTIVE DIRECTORS

**Johan van Zyl** (57)

*Director since 2001*

*Group Chief Executive since 2003*

*Qualifications:* PhD (Economics), DSc (Agriculture)

*Sanlam Group directorships:* Sanlam Investment Holdings (Chairman), Sanlam Netherlands Holdings BV, Santam, Sanlam Emerging Markets (Chairman), Sanlam Developing Markets, Channel Life, Chairman of Sanlam Personal Finance (Divisional Board).

*Major external positions, directorships or associations:*

Council member of University of Pretoria, ASISA (Association of Savings and Investment South Africa) (Chairman), Vumelana Advisory Fund (Chairman), One Vision Investments 512, Dippenaar and Reinecke, former CE of Santam, former vice-chancellor and principal University Pretoria.



**Kobus Möller** (54)

*Financial Director since 2006*

*Qualifications:* BCompt (Hons), CA(SA), AMP (Harvard)

*Sanlam and Sanlam Life committee membership:* Risk and Compliance.

*Sanlam Group directorships:* Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Investment Holdings, Santam, Sanlam Personal Finance (Divisional Board), Channel Life, Sanlam Developing Markets Limited, Ubuntu-Botho Investments Holdings.



**Temba Mvusi** (58)

*Chief Executive: Group Market Development Executive director since December 2009*

*Qualifications:* Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

*Sanlam and Sanlam Life committee membership:* Social, Ethics and Sustainability.

*Sanlam Group directorships:* Sanlam Investment Management, Sanlam Private Investments, Sanlam Investment Holdings.

*Major external positions, directorships or associations:* IEMAS.

**Yegs Ramiah** (46)

*Chief Executive: Sanlam Brand Executive director since December 2012*

*Qualifications:* LLB, Higher Diploma in Tax Law, MBA

*Sanlam and Sanlam Life committee membership:* Social, Ethics and Sustainability.

*Sanlam Group directorships:* Sanlam Investment Management, Santam, Sanlam Investment Holdings, Adopt a School Foundation.





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THE BOARD IS COMMITTED TO THE HIGHEST STANDARDS OF BUSINESS INTEGRITY, ETHICAL VALUES AND GOVERNANCE; IT RECOGNISES THE RESPONSIBILITY OF SANLAM TO CONDUCT ITS AFFAIRS WITH PRUDENCE, TRANSPARENCY, ACCOUNTABILITY, FAIRNESS AND SOCIAL RESPONSIBILITY, THEREBY SAFEGUARDING THE INTERESTS OF ALL ITS STAKEHOLDERS.

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Sana-Ullah Bray  
*Company Secretary*

## ► STATEMENT OF COMMITMENT

Our 2013 Integrated Report covers the activities of the Sanlam Group. The Board has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on those material issues that impact on our capacity to create value. The Board acknowledges its responsibility to ensure the integrity of the Integrated Report. It believes that it addresses all material issues appropriately and that it fairly represents the integrated performance of the Group.

The Board of directors further promotes and supports high standards of corporate governance and in so doing endorses the principles of the third report on Corporate Governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the JSE SRI Index. Sanlam subscribes to a governance system whereby, in particular, ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship in support of the Group strategy and to reflect national and international corporate governance standards, developments and best practice.

With regard to the year under review, the directors of Sanlam believe that the King III principles are already entrenched in the Group's internal controls, policies and procedures governing corporate conduct within all the major operations and at a Group level. The Board remains committed to the full implementation of King III throughout the Group, including the smaller operations as appropriate. A formal Stakeholder Engagement Strategy and Communication Policy for the Group was finalised during 2013, the only aspect of King III that was identified as an outstanding matter at the end of the 2012 financial year.



The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance and risk management practices, the achievement of the Group's strategic objectives and equity performance.

Sound governance principles remain one of the top priorities demonstrated by the Board and Sanlam's executive management.

## ► APPLICATION OF AND APPROACH TO KING III

The Board is satisfied that every effort has been made during 2013 to apply all aspects of King III as far as appropriate. Details of the Group's application of each King III principle are available on its website ([www.sanlam.co.za](http://www.sanlam.co.za)). The Risk and Compliance committee is satisfied that Sanlam will continue to comply with the King III principles during 2014 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group assesses its compliance levels in respect of King III to ensure that all areas that require improvement are identified and addressed.

During the past financial year these included the following:

- The existing Sanlam Group Corporate Governance Policy Framework was updated in December 2013 to ensure alignment with the King III recommendations on a subsidiary, joint venture and associated company level. It includes the Group Business Philosophy, Code of Ethical Conduct as well as the Board Approval Framework.
- The annual evaluation of the independent status of Sanlam's directors was again conducted in accordance with the King III standards and criteria.
- Sanlam prepared a comprehensive Sustainability Report for 2013.
- Sanlam's Risk Appetite Statement has been approved by the Board and is reviewed annually.
- A Combined Assurance Model for each of the significant businesses within the Group has been updated.
- The Group IT Governance Framework and Charter as well as the IT Policy Framework continue to be implemented.
- A comprehensive Stakeholder Engagement Strategy and Communication Policy was finalised.
- Sanlam annually presents a Remuneration report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy. The disclosure in the 2013 Remuneration report was expanded in line with developing best practice.
- The members of the Sanlam Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2013 and this process will be repeated in 2014 as members are elected annually at the AGM.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus, IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board continues to entrench the principles and recommendations of King III across the Group. The roll-out and implementation of the King III principles at subsidiary, joint venture and associated company level (including non-SA entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III. All the business and governance structures in the Group are supported by clear approval frameworks and agreed upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

## ▶ SUSTAINABILITY PERFORMANCE

Sanlam's overall philosophy, policy and achievement of best practice in sustainability are set out in this Integrated Report. A full Sustainability report will also be available on Sanlam's website. Sanlam has once again qualified for the JSE's Socially Responsible Investment (SRI) Index in 2013.

## ▶ BOARD STRUCTURES

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman as well as the same executive director as Chief Executive.

## ▶ BOARD RESPONSIBILITIES AND FUNCTIONING

The Sanlam and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The agenda of the Sanlam Board focuses largely on Group strategy, capital management, accounting policies, financial results and dividend policy, human resource development, JSE requirements as well as corporate governance throughout the Group. It is also responsible for overseeing the relationship with stakeholders in the Group. The Sanlam Board has the following Board committees:

- ▶ Audit, Actuarial and Finance
- ▶ Risk and Compliance
- ▶ Human Resources and Remuneration
- ▶ Nominations
- ▶ Non-executive directors
- ▶ Customer Interest
- ▶ Social, Ethics and Sustainability.

The Sanlam Life Board is responsible for statutory issues across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements. The

responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board committees:

- ▶ Audit, Actuarial and Finance
- ▶ Risk and Compliance
- ▶ Human Resources and Remuneration
- ▶ Customer Interest.

## ▶ BUSINESS DIVISIONS AND CLUSTER BOARDS

The Sanlam business clusters are Sanlam Investments (Investment Management, Capital Management and Employee Benefits), Sanlam Personal Finance (SA Retail), Sanlam Emerging Markets (Africa excluding South Africa, India and South-East Asia) and Santam (General Insurance).

Each business cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs. These chief executives form part of the Sanlam Group Executive committee and are the designated prescribed officers of the Group.

The clusters function within the strategy approved by the Board and according to a set of "tight" management principles established by the Group Office for the Sanlam Group.

Cluster boards (not all are statutory) were established for the business clusters. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources and Remuneration (HRR) forum/committee.

The cluster boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees.

The majority of the operating business decisions are made by these boards and Board committees working together with the relevant cluster management. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board.

Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary, joint venture and associated companies.

## ▶ GROUP OFFICE

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); coordinating; synergy seeking; performance monitoring; assurance provision; the allocation of capital and support functions.

## ▶ THE BOARD AND BOARD COMMITTEES (AS AT 31 DECEMBER 2013)

### Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains corporate governance guidelines and recommendations. The current Board charter has been modelled on the principles of sound corporate governance, recommended by King III. The powers of the Board include:

- ▶ A determination of the overall objectives for the Group.
- ▶ A formulation of a clear and concise policy which is adhered to.
- ▶ The division of the Board's responsibilities and accountability.
- ▶ Evaluating performance of the Group Board, its committee structures and individual directors.
- ▶ Developing strategies to meet those objectives in conjunction with management.

An annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched.

### Committee charters

The Board committee charters, which describe the terms of reference of the committees as delegated and approved by the Board, are reviewed at least annually.

### Board composition

As at the 2013 financial year-end the Board comprised 18 members, two of whom were non-executive, 12 were independent non-executives (in accordance with King III's standards of independence) and four executive directors.

The roles of Chairman and Group Chief Executive remain separated, with Desmond Smith and Johan van Zyl holding these positions respectively. The Group Executive committee members are also attendees at the Board meetings. At least a third of Board members retire every year at Sanlam's annual general meeting (AGM). It had been agreed by the Board that executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. Retiring directors are eligible for re-appointment. None of the non-executive directors has a director's service contract, and all remuneration paid to non-executive directors for their services as a director is in terms of approval, by the shareholders, at the AGM as required by the Companies Act, 2008. Executive directors are full-time employees and as such are subject to Sanlam's conditions of service.

Particulars of the Board members and their capacities categorised as executive, non-executive and independent, are set out below.

## THE SANLAM BOARD OF DIRECTORS

Director	Executive (E)	Non-executive (N)	Changes during 2013
	Independent (I)		
MMM Bakane-Tuoane	I	—	
AD Botha	I	—	
PR Bradshaw	I	—	Appointed 7/08/2013
A Duggal	I	—	Appointed 15/01/2013
FA du Plessis	I	—	Retired 5/06/2013
MV Moosa	I	—	
JP Möller	E	—	
PT Motsepe	N	—	
MP Mthethwa (nee Buthelezi)	I	—	
TI Mvusi	E	—	
SA Nkosi	I	—	
I Plenderleith	I	—	Retired 4/09/2013
Y Ramiah	E	—	
P de V Rademeyer	I	—	
RV Simelane	N	—	
DK Smith	I	—	
CG Swanepoel	I	—	
ZB Swanepoel	I	—	
J van Zyl	E	—	
PL Zim	I	—	

Composition of the Board as at 31 December 2013: Four black females, six black males and eight white males. Two independent non-executive directors are foreign directors (United Kingdom and India). More information on individual director's qualifications and experience is provided in the Board of directors section of this Integrated Report.

### Independence of Board members

Through the Chairman and the Nominations committee the Board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2013 classification. Their independence in character and judgement (nine-year rule), and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration. The independent and non-executive directors on the Sanlam and Sanlam Life Boards are highly respected and experienced, having the required integrity,

professional knowledge and skills to exercise sound judgement on various key issues relevant to the business of Sanlam, independent of management.

The Nominations committee is of the view that all the non-executive directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, as well as J van Zyl, JP Möller, TI Mvusi and Y Ramiah being executive directors.

### Appointment and re-election of directors

The Board charter contains a policy detailing the formal and transparent procedures for appointment to the Board. The Nominations committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance, risk management and sustainability. Consideration of gender and racial diversity, as well

as diversity in business, geographic and academic backgrounds are also taken into account, in accordance with Sanlam's commitment to transformation.

Sanlam's Memorandum of Incorporation empowers the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Memorandum of Incorporation, non-executive directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for re-appointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. In the Notice of the AGM, shareholders are referred to the biographical details of each of the candidates as contained in the Board of directors section of this Integrated Report. In the interest of good governance, executive directors are also put forward for re-election as directors on a similar basis. All directors are consequently appointed on an individual basis at an AGM by a shareholders' resolution.

## Education and induction

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes as well as relevant developments that could affect the Group and its operations. The office of the Company Secretary manages the induction programme. Ongoing support and resources are also provided to Board members as required, in order to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting the Group or its businesses.

## Board effectiveness evaluation

Every year, a collective Board effectiveness evaluation is conducted by the Chairman. This assessment, which is performed in alternate years with the assistance of an external service provider and by the Chairman, is aimed at determining how the Board's effectiveness can be improved. The Nominations committee considers the results of the

evaluation process and makes recommendations to the Board where deemed appropriate. These assessments are transparent and well documented. The Board Chairman's own performance is appraised by the Board under the direction of the Deputy Chairman.

The names and short curricula vitae of the directors standing for re-election at the 2013 AGM are contained in the proposed resolutions for the AGM.

The annual Board effectiveness review for 2013 was conducted internally by the Chairman with the assistance of the Nominations committee. It was reported that the Board and committees were functioning very well and there were no material matters to report.

## ► BOARD MEETINGS

The Board meets at least quarterly to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered. In addition to the quarterly Board meetings, a two-day strategy session is held and is attended by all Board members and Group Executive committee members, reviewing Group strategy which is considered and approved annually.

## ► BOARD COMMITTEES

The Board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the Board, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the Board and, as such, it does not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder questions. For the period under review, all the committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters.

## Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice the functions of the Audit and Risk committee continue to be split into two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

### Members and dates of appointment:

*P de V Rademeyer (Chairman) (8/06/2011), PR Bradshaw (4/12/2013), MP Mthethwa (nee Buthelezi) (1/07/2011), FA du Plessis (retired 5/06/2013), I Plenderleith (retired 4/09/2013) and CG Swanepoel (8/06/2011).*

### Attendees:

*Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.*

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act 71 of 2008 (the Act), as amended, the individual members of the committee are appointed annually by the shareholders at the AGM for the ensuing financial year. The committee consists of four members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

To oversee the preparation of the sustainability information provided in the Integrated Report and to review the assurances provided regarding the sustainability information, the chairman of the Audit committee is also a member of the Social, Ethics and Sustainability committee. Likewise, the chairman of last-mentioned committee also attends selected meetings of the Audit committee when the Sustainability report is addressed.

The Audit committee has formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set

out in the Act, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the Company's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the Integrated Report to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. As required by the Act, the committee annually reviews compliance of the external auditor with the non-audit services policy of the Group.

The Audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

In terms of the JSE Listings Requirements, the Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2013 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. The committee also confirmed that it is and was satisfied that Mr JP Möller, the Financial Director of Sanlam, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive. As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor.

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit committee for all non-audit services. As required by the Act, the committee has,

after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has recommended the reappointment of Ernst & Young Inc. as external auditor for the 2014 financial year and Ms JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam on behalf of Ernst & Young Inc.

Ernst & Young Inc. being the audit firm, as well as Ms JC de Villiers, being Sanlam's individual auditor

for 2013, has been accredited on the JSE Limited (JSE) list of auditors in terms of the criteria in the JSE Listings Requirements.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets at least four times a year.

### THE AUDIT, ACTUARIAL AND FINANCE (AUDIT) COMMITTEE REPORT FOR THE 2013 FINANCIAL YEAR

The Audit committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa (Companies Act). The Audit committee consists of four non-executive directors who act independently as described in Section 94 of the Companies Act. During the period under review, four meetings were held and all the committee members (with the exception of one) attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the Committee Charter, some of which is elaborated upon in the Corporate Governance report. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

The Audit committee has recommended the Integrated Report to the Board for approval.



**P de V Rademeyer**  
Audit committee Chairman

## Risk and Compliance committee (Risk committee)

### Members and dates of appointment:

*CG Swanepoel (Chairman) (8/06/2011), PR Bradshaw (4/12/2013), FA du Plessis (retired 5/6/2013), JP Möller (8/12/2010), MP Mthethwa (nee Buthelezi) (8/06/2011), I Plenderleith (retired 4/9/2013), P de V Rademeyer (8/6/2011).*

### Attendees:

*Group Chairman, Group Chief Executive, Group Chief Risk Officer, Group Compliance Officer, Chief/Statutory Actuary, Chief Audit Executive, the heads of business clusters (as required) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.*

This committee is chaired by an independent non-executive director and further comprises three other independent non-executive directors, as well as the Group Financial Director. In view of this committee's Group-wide role, the external audit partners as well as other assurance providers also attend the committee meetings.

The role of the Risk committee is to advise and assist the Board in fulfilling its responsibility with regard to overseeing the design and implementation of Sanlam's Group enterprise risk management framework and responsibilities. The Risk committee assists the Board, including on, but not limited to:

- ▶ Determining the risk appetite and limits for the Group;
- ▶ Setting and implementing the Group enterprise risk management framework and supporting policies;
- ▶ Evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- ▶ Considering Sanlam's total risk exposure and communicating the results to the entire Board;
- ▶ Establishing a process for appropriate risk disclosures to stakeholders;
- ▶ Ensuring that a formal assessment of the risk management processes is undertaken; and
- ▶ Overseeing the state of IT Governance across the Group.

The committee evaluates risk areas, including but not limited to:

- ▶ Market risks;
- ▶ Credit risks;
- ▶ Liquidity risks;

- ▶ Insurance risks (life business);
- ▶ Insurance risks (short-term insurance business);
- ▶ Operational risks;
- ▶ Reputational risks; and
- ▶ Strategic risks.

The committee annually reviews the performance of Sanlam's Chief Risk Officer. This committee's charter is reviewed annually by the Board to ensure that it is aligned with national and international corporate governance best practice. The Risk committee is satisfied with the effectiveness and performance of the Company's risk management processes. The Risk committee is satisfied with the performance of the Chief Risk Officer.

The committee meets four times a year.

## Human Resources and Remuneration committee

### Members:

*AD Botha (Chairman), DK Smith, PT Motsepe and MMM Bakane-Tuoane.*

### Attendees:

*Group Chief Executive and Group Human Resources Executive.*

This committee is responsible for monitoring and advising on the Group's human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including all the Group Executive committee members, as well as the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam Group's Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the Board regarding directors' remuneration (except for the Human Resources and Remuneration committee).

In accordance with the King III recommendations, the Company's remuneration policy is tabled to shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express



their views on the remuneration policies and their implementation. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and which helps to ensure that directors pay stronger attention to the elements of compensation that mattered most to investors, such as linking performance and business strategy. At the 2013 AGM, shareholders endorsed the Company's remuneration policy.

The committee meets four times a year.

## Nominations committee

### Members:

*DK Smith (Chairman), MMM Bakane-Tuoane and PT Motsepe.*

### Attendees:

*Group Chief Executive.*

The committee is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required. The Board approves all interim appointments, with the final appointments being made by shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least four times a year.

Succession planning is a key focus area within the Group. The Nominations committee considers the composition of the Board and its committees on an ongoing basis. The Board is satisfied that the current talent pool available within the Group and the work being done to strengthen it, provides Sanlam with a pool of candidates that have the necessary skills and experience to fill any vacancies that may arise in the short and long term.

## Committee of non-executive directors

### Members:

*DK Smith (Chairman), MMM Bakane-Tuoane, AD Botha, PR Bradshaw (appointed 7/8/2013), A Duggal (appointed 15/1/2013), MV Moosa, PT Motsepe, MP Mthethwa (nee Buthelezi), SA Nkosi, P de V Rademeyer, RV Simelane, CG Swanepoel, ZB Swanepoel and PL Zim.*

This committee is responsible for the governance and functioning of the Board. The committee gives due regard to the general requirements of the JSE as well as King III, and ensures that appropriate and balanced corporate governance practices and processes are entrenched within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.

The committee comprises all the non-executive and independent directors. The committee meets subsequent to scheduled Board meetings.

## Social, Ethics and Sustainability committee (SES committee)

### Members:

*MV Moosa (Chairman), A Duggal (appointed 4/9/2013), TI Mvusi, P de V Rademeyer, Y Ramiah, RV Simelane, ZB Swanepoel and PL Zim.*

### Attendees:

*Group Chief Executive, Group Human Resources Executive and heads of business clusters (as required).*

The Social, Ethics and Sustainability committee is a committee established in terms of section 72 and Regulation 43 of the Companies Act 71 of 2008.

The committee's statutory functions are set out in the above mentioned regulation and are supplemented as set out in the committee charter, some of which we elaborate on as follows.

The committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability material and relevant issues that have a significant impact on the Company and its stakeholders. This committee also addresses transformation, safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental issues, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such issues throughout the Group.

The committee annually reviews Sanlam's social, ethics and sustainability strategy and structures. It also monitors performance against specific pre-set targets and objectives. The committee considers Sanlam's Sustainability report (including the report from the independent assurance provider, Ernst & Young Inc.) and recommends the approval thereof to the Board.

Suitably qualified persons are co-opted onto the committee when necessary to render specialist services.

The committee meets four times a year.

## Customer Interest committee

### Members:

*CG Swanepoel (Chairperson), MMM Bakane-Tuane, DK Smith (appointed 7/8/2013) and PR Bradshaw (appointed 7/8/2013).*

### Attendees:

*Group Chief Executive, Chief Actuary and selected members of senior management.*

The main responsibility of the committee is to review and monitor all customer-related decisions and other related matters in the Group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the Board on strategic issues relating to customers. The committee meets four times a year.

## Ad hoc Board subcommittees

The Board has the right to appoint and authorise special *ad hoc* Board subcommittees from time to time to perform specific tasks. The appropriate Board members make up these subcommittees.

## In addition to the abovementioned Board committees, there is also a:

### Group Executive committee Members:

*J van Zyl (Group Chief Executive and Chairman), BT Gamedze (appointed 1/3/2013), I Kirk, L Lambrechts, JP Möller, TI Mvusi, JHP van der Merwe, Y Ramiah, HC Werth and AP Zeeman.*

The Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, coordination and monitoring performance.

The committee comprises the Group Chief Executive, heads of business clusters and the heads of Group service functions. Members of the committee are prescribed Sanlam officers as defined in the Act. The committee meets every fortnight or as scheduled.



## ► ATTENDANCE OF MEETINGS

During the period under review the Board and committee members' attendance were as follows:

### ATTENDANCE: BOARD AND COMMITTEE MEETINGS: 2013

	Board meeting	Audit committee	Risk committee	Human Resources and Remuneration committee	Nominations committee	Social, Ethics and Sustainability committee	Sanlam Customer Interest committee		
Directors	Planned/ held 5/5	Ad hoc *1	Planned/ held 4/4	Planned/ held 4/4	Planned/ held 4/4	Planned/ held 4/4	Ad hoc *1	Planned/ held 4/4	
MMM Bakane-Tuokane	5/5	1			4/4	4/4		4/4	
AD Botha	5/5	1			4/4				
PR Bradshaw*	3/3								
FA du Plessis**	2/2		2/2	2/2				2/2	
A Duggal	5/5					1/1			
MV Moosa	5/5	1				4/4	1		
JP Möller	5/5	1		4/4					
PT Motsepe	5/5				4/4	4/4			
MP Mthethwa	4/5		2/4	3/4					
TI Mvusi	5/5					4/4	1		
SA Nkosi	4/5	1							
I Plenderleith***	3/3		3/3	3/3					
P de V Rademeyer	5/5	1	4/4	4/4		4/4	1		
Y Ramiah	5/5					4/4	1		
RV Simelane	5/5					4/4	0		
DK Smith	5/5	1			4/4	4/4		4/4	
ZB Swanepoel	5/5					4/4	1		
CG Swanepoel	5/5		4/4	4/4				4/4	
J van Zyl	5/5	1			4/4	4/4	4/4	1	4/4
PL Zim	3/5	1				1/4	0		

\* Appointed on 7 August 2013, hence attended the planned meetings from date of appointment.

\*\* Retired from Board on 5 June 2013, hence attended the planned meetings up until her retirement.

\*\*\* Retired from Board on 4 September 2013, hence attended the planned meetings up until his retirement.

# Ad hoc board and committee meetings for specific subjects by selected members.

## ► COMPANY SECRETARY AND PROFESSIONAL ADVICE

Sana-Ullah Bray was appointed with effect from 1 January 2011, in accordance with the requirements of the Companies Act, as the Group Company Secretary, acting as the Company Secretary of Sanlam and Sanlam Life. The Group Company Secretary is responsible for the execution of all relevant and regulatory requirements applicable to those positions, including those set out in the Companies Act, 2008 and the JSE Listings Requirements. The Group Company Secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors.

As required by the JSE Listing Requirements the Board, upon the recommendation of the Nominations committee, confirms that the:

- Group Company Secretary is competent and has the relevant qualifications and experience to be the company secretary;
- Group Company Secretary is not a director of the Company; and
- The Board has an arm's-length relationship with the Group Company Secretary.

All directors have unlimited access to the advice and services of the Group Company Secretariat, which office is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam's expense. The Group Company Secretary attends all Board and committee meetings.

## ► DEALINGS IN JSE SECURITIES

Sanlam complies with the JSE Listing Requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff with access to price sensitive information are precluded from dealing in Sanlam securities until the release of the Group's final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants

in the share incentive scheme and staff with access to price sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed and duly reported on to the Board. Details of directors' and the Company Secretary's dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam's investment management companies. The Group Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation and advises them of closed periods.

## ► SPONSORS

During the period under review, Deutsche Securities (SA) (Pty) Limited was Sanlam's appointed JSE sponsor.

## ► INVESTOR RELATIONS AND COMMUNICATION WITH OTHER STAKEHOLDERS

Sanlam strives to be a leader in transparent, open and clear communication with all of its relevant shareholders and other stakeholders.

In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. A formal Sanlam Stakeholder Engagement Strategy and Communication Policy has been developed for the Sanlam Group of companies. The Board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business.

Reports and announcements to all audiences and meetings with investment analysts, institutional investors, regulatory authorities and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group.



Communication with institutional shareholders and the investment community is conducted by Sanlam's Investor Relations (IR) department and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts.

## ► POLITICAL PARTY SUPPORT

While it is Sanlam's policy to support the development of democratic institutions and social initiatives across party lines, it does not provide support to any individual political party, financially or otherwise.

## ► CORPORATE CODE OF ETHICAL CONDUCT

### Business ethics and organisational integrity

The Sanlam Group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at Board and general management level by their endorsement of the code of ethical conduct for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Risk Officer and includes representatives of the business clusters and divisions. The Group Ethics committee monitors compliance with the principles underlying the code of ethical conduct and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. Although the hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000, our preference is to create an open reporting environment, usually through our line managers. Over the past 10 years we have had 227 calls to the hotline out of a staff complement of over 10 000. Of these, less than 10% of all callers felt the need to subsequently remain anonymous. All cases are investigated and a process is in place to track, report and close out all calls received. Actions taken as a consequence of resulting investigations include termination of employment and cancellation of contracts in the case of suppliers and contractors.

In terms of Sanlam's code of ethical conduct, no employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The Board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethical conduct and to address any breaches of the code. Across the Group, no material breaches of Sanlam's Code of Ethical Conduct were reported during 2013. Sanlam participated in the South African Business Ethics Study 2013 (SABES 2013) by EthicsSA and ranked second overall.

### Forensics

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethical conduct, and undermine the organisational integrity of the Group.

The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executives of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business cluster and is accountable to the Group Chief Executive and the Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on the incidence of financial crime and

unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

## Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business clusters and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. No material deviations were reported in 2013.



# REMUNERATION REPORT

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## ► CONTEXT

### Introduction

Sanlam's remuneration philosophy supports the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. Both 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 gains. The remuneration philosophy is therefore also an integral part of the Group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as national and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to national comparator groups and international best practice. Steps are also taken to ensure alignment with the regulatory and governance requirements and specifically those of the King Code of Corporate Governance (King III) in South Africa.

### Group Human Resources and Remuneration committee

The Group Human Resources and Remuneration committee of the Board (GHRRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Board for approval. Its activities include approving mandates for all bonus and long-term incentive schemes and setting remuneration packages of the Sanlam Group Executive committee (Executive committee) relative to industry benchmarks. The GHRRC 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 also makes recommendations to the Board regarding the remuneration of Sanlam directors, other than the GHRRC's committee fees. To fulfil the role described above, the GHRRC undertakes the following:

- Develops and recommends to the Board for approval the Group's remuneration strategy as far as the remuneration of executive directors and members of the Executive committee are concerned;

- Develops and recommends to the Board for approval short-term incentive schemes for the Group. Its activities include the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance;
- Develops and recommends to the Board for approval long-term incentive schemes for the Group. Its activities include the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes;
- Sets appropriate performance drivers for both short-term and long-term incentives, as well as monitoring and testing those drivers;
- Manages the contracts of employment of executive directors and members of the Executive committee to ensure that their terms are aligned with good practice principles;
- Determines specific remuneration packages for executive directors and members of the Executive committee, including total guaranteed package, retirement benefits, short-term incentives, long-term incentives and other conditions of employment; and
- Makes recommendations to the Board regarding the remuneration of non-executive directors.

A copy of the GHRRC's terms of reference can be found on the Group's website ([www.sanlam.co.za](http://www.sanlam.co.za)). Refer also the Corporate Governance report on page 59 for the composition and summarised terms of reference for the GHRRC.

During 2013, the GHRRC considered the following matters:

- Benchmarking of remuneration levels and practices with international and local comparator groups;
- Continued alignment of Sanlam's remuneration practices with King III governance principles;
- Recruitment and appointment of executive staff members with the emphasis on black recruits; and
- Monitoring and approval of short-term bonuses and long-term incentives.

The South African Companies Act No 71 of 2008 introduced the concept of a 'prescribed officer', which is a new designation in the South African corporate vocabulary. The duties and responsibilities of directors under the Act will also apply to 'prescribed officers' as well as members of Board committees who are not directors. The Board has considered the definition of 'prescribed officers' and resolved that the members of its Executive committee are the prescribed officers of Sanlam. Remuneration details of the Executive committee are accordingly also disclosed in this report.

### ► REMUNERATION POLICIES AND PRACTICES

#### Remuneration philosophy

The Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees are inextricably linked to the development and retention of top-level talent and intellectual capital within the Group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. In order to meet the strategic objectives of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time. Sanlam's remuneration philosophy aims to:

- Inform stakeholders of Sanlam's approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and long-term incentive and retention processes; and
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

Sanlam is the sole or part owner of a number of businesses, joint ventures and associates. Sanlam recognises the difference between these entities and where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests

and those of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resources committees either at Group or business level. The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance. The Group has continued to apply a total reward strategy for its staff members. This offering comprises remuneration (which includes cash remuneration, short-term incentives and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

#### Strategy

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **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 hurdles and the Group 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 the continued success of the organisation.
- **Leverage and alignment:** The reward consequences for individual employees are as far as possible aligned with, linked to and influenced by:
  - The interests of Sanlam shareholders;
  - The performance of the Group as a whole;
  - The performance of any region, business unit or support function; and
  - The employee's own contribution.

- ▶ **Consistency:** The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skills groups or roles and performance is, however, imperative. Unfair discrimination is unacceptable and equal opportunities in respect of service practices and benefits must be guaranteed.
- ▶ **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the Group's objectives.
- ▶ **Shared participation:** Employee identification with the success of the Group is important owing to the fact that it is directly linked to both the Group and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results, in relation to the Group'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 must reflect local and international best practice.
- ▶ **Communication:** The remuneration philosophy and practices, as well as the processes to determine individual pay levels, must be transparent and communicated effectively to all employees. In this process the link between remuneration and the Group's strategic objectives must be understood by all employees.
- ▶ **Market information:** Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

For the Group to remain competitive, remuneration policies and practices are evaluated regularly against both national and international remuneration trends and governance frameworks, most notably King III. In 2013, a review was undertaken to determine whether the prerequisites for an effective Remuneration committee, as outlined in an Institute of Directors Remuneration Committee Forum Position Paper, are present for Sanlam. The comprehensive review confirmed we are in line with best practice.

## Executive contracts

Executive directors and members of the Executive committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included, which the Group has the discretion to enforce depending on the circumstances surrounding the individual's departure. Notice periods are three months' written notice. Bonus payments and the vesting of long-term incentives 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 GHRRC based on the recommendations of the Group Chief Executive. No change of control clauses or provision for special events are built into either employment contracts or the rules of the relevant schemes.

## ▶ REMUNERATION OVERVIEW

### Structure

The different components of remuneration paid to Sanlam Group employees are summarised in the table below. A detailed description of each component follows in the next section.

The quantum of the different components of the package is determined as follows:

- ▶ The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- ▶ The short-term incentive component of remuneration is based on a combination of individual and annual business performance.
- ▶ The long-term incentive component is based on the individual's performance, potential and the overall value to the Group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
<b>Total guaranteed package</b>	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
<b>Short-term incentives (annual bonus)</b>	Create a high-performance culture through a cash bonus in relation to performance against predetermined outputs	Annual	Based on different levels and predetermined performance hurdles for business and personal targets. Cash settlement generally capped at 200% of total guaranteed package
<b>Long-term incentives (long-term variable)</b>	Alignment with shareholder interests	Annual grants and three to six-year vesting period	Upon satisfaction of performance hurdles and individual performance targets

## Total guaranteed package (TGP)

### Purpose

TGP is a guaranteed component of the remuneration offering. It forms the basis of the organisation's ability to attract and retain the required skills. In order to create a high performance culture, the emphasis is placed on the variable/performance component of remuneration rather than the guaranteed component. For this reason TGP is normally positioned on the 50th percentile of the market. As an integral part of TGP, Sanlam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- ▶ Leave;
- ▶ Retirement funding;
- ▶ Group life cover; and
- ▶ Medical aid.

### Process and benchmarking

Average TGP is set by reference to the median paid by a group of comparator companies which Sanlam considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that have similar characteristics to Sanlam in terms of being in the financial services sector (but not limited only to this sector), market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Sanlam obtains data from a number of global salary surveys and the data is then analysed using the Towers Watson's Global Grading Calculator. In addition to this benchmarking process, Sanlam also takes into account the skills, potential and performance of the individual concerned.

## GHRRC's role

Upon conclusion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the GHRRC. The GHRRC also reviews and approves the adjustments to total guaranteed package for each of the executive directors and members of the Executive committee.

## Levels

TGP levels are positioned around the 50th percentile of the comparator market. In certain instances, however, there may be a salary sacrifice in favour of the variable component. Where specific skills dictate, TGP levels may be set in excess of the 50th percentile.

## Short-term incentives

### Purpose

The purpose of the annual bonus plan is to align the performance of staff with the goals of the organisation and to motivate and reward staff who surpasses the agreed performance hurdles. Over recent years, the focus has shifted from operational matters to growing the business and ensuring that it is managed in a sustainable way.

## GHRRC's role

The GHRRC's role with regard to the annual bonus plan is to:

- ▶ Determine the structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the Group's business strategy;
- ▶ Agree on the performance drivers for the annual bonus plan;
- ▶ Agree on the split between business, Group and personal performance criteria; and
- ▶ Set the threshold, target and stretch levels for the annual bonus plan and the percentage of total guaranteed package that can be earned at each level by each group of employees.

## Vesting levels

The annual bonus plan is a cash-based bonus scheme. Where the annual bonus targets are achieved in full, 100% of the bonus will be paid. In instances where expected target goals have been exceeded, the cash component is capped at a percentage of TGP.

Where the bonus targets are not achieved in full, a *pro rata* bonus will be paid only if the threshold performance level has been achieved.

Where the annual Group and/or business performance targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the Group Chief Executive.

The annual bonus targets at a Group and cluster level incorporate a number of financial and non-financial performance measures, including net result from financial services, adjusted Return on Group Equity Value (RoGEV) and Employment Equity. The specific performance targets and relative weighting is determined per cluster based on the cluster's strategic initiatives. The Group office targets reflect the overall performance of the Group.

The Group delivered another sound performance during the 2013 financial year, as elaborated upon in the Financial Review included in this Integrated Report. A number of businesses outperformed their targets for the year, resulting in a bonus pool achievement of 140% at a Group level.

### Ad hoc performance bonus rewards

Where it is determined by the Group CEO that an individual has demonstrated exceptional performance within his or her area of expertise that justifies a bonus payment in excess of the cash bonus limit, the GHRRC may award restricted shares under the Sanlam Restricted Share Plan to acknowledge such out-performance.

The rationale of this mechanism is to encourage retention of high performing individuals and ensure the sustainability of performance driven behaviour. To the extent that performance is not sustained, the performance condition attached to a portion of the restricted awards will not be satisfied and the award will not vest.

## Long-term incentives

### Overview and general policy

Sanlam currently grants awards under the following four long-term incentive plans (LTIs):

- ▶ The Sanlam Deferred Share Plan (DSP);
- ▶ The Sanlam Performance Deferred Share Plan (PDSP);
- ▶ The Sanlam Restricted Share Plan (RSP); and
- ▶ The Sanlam Out-Performance Plan (OPP).

With the exception of the OPP, these long-term incentive plans are equity-settled plans from a Sanlam Group perspective. The OPP is a cash or share-based plan, which rewards long-term performance.

In respect of the DSP and the PDSP, Sanlam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (as measured by their face value at date of grant) is equal to a set multiple of TGP. In addition, the role and performance of the individual and the need to retain his/her services in the future are taken into account when determining the multiple and therefore the value of the annual grant. The guideline level ranges from 35% to 280% of TGP. However, in certain circumstances, the Group may grant awards where the face value exceeds these guidelines. Such circumstances include, but are not limited to, being able to attract or retain a specific individual with particular skills to the Group. Up to 2010 long-term incentive awards were split between retention awards (granted under the DSP and awards made without performance conditions under the RSP) and performance-related awards (granted under the

PDSP and awards made with performance conditions under the RSP). All awards made from 2011 onwards under the DSP and RSP include individual performance conditions, in addition to the retention condition. Awards granted to any one individual under all equity-settled plans (the DSP, the PDSP and the RSP) are subject to an overall limit of 6,5 million unvested shares.

### GHRRC's role

The GHRRC's role as far as the long-term incentive plans are concerned is to:

- ▶ Ensure that their structure contributes to shareholder value;
- ▶ Set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers; and
- ▶ Approve award levels.

### Non-executive directors

Non-executive directors do not participate in any of the incentive plans operated by Sanlam.

### Deferred Share Plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the Group throughout the vesting period and maintains agreed individual performance hurdles. The vesting period is five years and staggered vesting occurs in year three to five as follows:

- ▶ Three years – 40%
- ▶ Four years – 30%
- ▶ Five years – 30%

The award granted under the DSP is not subject to the satisfaction of the Group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of TGP. To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

For the year ended 31 December 2013 allocations in respect of 3 923 450 shares (2012: 5 681 736) were made to 749 participants (2012: 716) under the DSP.

## Performance Deferred Share Plan (PDSP)

To the extent that the face value of the awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares for no consideration subject to performance vesting conditions being satisfied.

In addition to the individual remaining employed by the Group throughout the measurement period and maintains agreed individual performance hurdles, the vesting of the award is also subject to the condition that the Group's adjusted RoGEV exceeds its cost of capital for the relevant measurement period (Group performance hurdle). Cost of capital is defined as the nine-year government bond rate in South Africa plus 300 basis points. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP. The higher the value of the award, the more stretching the Group performance hurdle becomes. For awards in excess of 175% of TGP the performance conditions also includes a business specific hurdle in addition to the Group performance hurdle.

The exact performance conditions are set by the GHRRC at the relevant date of grant.

The use of performance conditions in relation to adjusted RoGEV is considered appropriate as this is the key driver of the Group's strategy and the use of this measure means a direct link between the PDSP, Group strategy and shareholders' interests.

The performance measurement period for PDSP awards is six years. To the extent that they are not met at the end of this period, the performance awards will lapse.

However, performance awards can vest prior to the end of the six-year performance measurement period on a proportional basis to the extent that the conditions are met earlier, as follows:

- ▶ After three years from the date of grant – 40% of the award, provided all performance hurdles were satisfied;
- ▶ After four years – 30% or 70% depending on whether any portion vested earlier; and

- ▶ After five years – 30%, 70% or 100%, depending on whether any portion vested earlier.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed measurement period.

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through normal or early vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

For the year ended 31 December 2013 allocations in respect of 1 951 658 shares (2012: 1 192 179) were made to 204 participants (2012: 160) under the PDSP.

## Restricted Share Plan (RSP)

The RSP has to date been operated in conjunction with the annual bonus plan (refer short-term incentives section above). Where an individual's performance justifies a bonus award that will be in excess of the calculated cash amount, that excess amount will be awarded as restricted shares under the RSP. Under this plan, individuals receive fully paid-up shares in Sanlam. The individual owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to vesting conditions and may be forfeited and the dividends repayable if these conditions are not met during the measurement period.

A portion of the restricted shares awarded requires the individual to remain employed within the Group until the vesting date and maintain the agreed individual performance hurdles. This portion varies between 0% and 50% of the award and is dependent upon the individual's role. The remaining portion of the restricted shares awarded is subject to a performance condition. The performance condition for awards granted to date is that the Group's adjusted RoGEV per share exceeds the Group's cost of capital.

The measurement period is six years but early vesting can occur on a basis similar to that of the PDSP on the third, fourth and fifth anniversary of the date of grant, provided that all vesting conditions are met on such dates. For the year ended 31 December

2013 allocations in respect of 469 918 shares (2012: 683 018) were made to 14 participants (2012: 14) under the RSP, excluding the Group CEO (refer Group CEO arrangement below).

### Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRRC, participation in the OPP is extended to certain members of the Executive committee who are leaders of the Group's main operating businesses. The OPP rewards superior performance over a three- to five-year measurement period and is used infrequently. Executive directors currently do not participate in the OPP.

No payment is made under the OPP unless the agreed growth target over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation) or, where applicable, based on the internal rate of return achieved by the relevant business over the management period.

### Shareholder voting

The Group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the annual general meeting (AGM) of Sanlam Limited. At the 2013 AGM, a total of 1 298 425 137 votes were cast on the advisory vote, with the vast majority of shareholders supporting the Group's remuneration policy and practices. The result of the voting was as follows:

For	Against	With-held	No vote	Total
96,79%	2,89%	0,32%	0%	100%

Sanlam's corporate governance practices, including the remuneration policy, are discussed with major shareholders and proxy voting organisations as part of the Group's stakeholder engagement process.

## ▶ REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

### Group CEO arrangement

The Board entered into a five year employment arrangement with the Sanlam Group CEO, Johan van Zyl, with effect from 1 January 2011. The objective of the arrangement is to address the leadership requirements for the Sanlam Group in order to deliver on the strategic objectives determined by the Board.

The remuneration package associated with this arrangement supports and is aligned to the delivery of the strategic objectives set for the Sanlam Group. The arrangement substitutes short-term cash remuneration and participation in the long-term incentive plans with predominantly share-based incentives with appropriate performance hurdles linked to the achievement of short, medium and long-term strategic objectives for the Group and the leadership as determined by the Board.

The Group CEO's annual fixed cash remuneration package was fixed at R5,3 million (based on the 2010 remuneration level) for the full period until 31 December 2015, with no other variable cash incentives for this employment period. He was allocated five million restricted Sanlam shares of which three million were transferred and delivered during 2011 and two million during 2012. During 2013 a further 281 209 shares were transferred in lieu of dividends not received on the two million shares that were only transferred during 2012. The vesting of the shares is measured over a six-year period until 31 December 2016. The shares are grouped into various distinct components, each with its own measurement period and detailed individual and Group performance hurdles. A substantial portion (>75%) is linked to the out-performance of the Sanlam Group's cost of capital target and the successful delivery on the longer-term growth strategies of the Sanlam Group. Vesting is dependent on meeting the performance hurdles for each of the performance categories as well as complying with the time restrictions built into the arrangement. He does not participate in any new allocations under any of the existing long-term incentive schemes of the Sanlam Group during the period of this arrangement.

The performance conditions attached to the various components are as follows:

Performance category	Total number of shares	Number of shares subject to annual measurement	Measurement period	Performance targets	Board discretion for early release if targets are met before final release date of 31/12/2016
A	500 000	100 000	Annually from 1/1/2011 until 31/12/2015	Individual performance targets and time restriction	Shares that have met the annual performance hurdle
B	1 500 000	300 000	Annually from 1/1/2011 until 31/12/2015	Similar to short-term incentive scheme, with a sliding scale from 0% vesting in respect of no achievement of annual hurdles to 100% vesting for 200% achievement and time restriction	Shares that have met the annual performance hurdle
C1	500 000	—	1/1/2011 – 31/12/2016	Individual performance targets	Similar to DSP scheme (refer above)
			100 000 shares per annum (from 2011 to 2015) become eligible for performance measurement		
C2	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds cost of capital	Similar to C1
C3	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds 105% of the cost of capital	Similar to C1
D	1 500 000	—	1/1/2011 – 31/12/2016	Adjusted RoGEV exceeds 110% of the cost of capital and specific strategic goals are achieved	Board discretion
<b>Total</b>	<b>5 000 000</b>	<b>400 000</b>			



## REMUNERATION REPORT *continued*

A summary of the position as at 31 December 2013 is as follows:

	Total
Shares transferred under the CEO arrangement	5 281 209
Shares that have not met performance hurdles in 2011	(40 000)
Shares that have not met performance hurdles in 2012	(40 500)
Shares that have not met performance hurdles in 2013	(50 000)
<b>Subtotal</b>	<b>5 150 709</b>
Shares that have met the performance hurdles to date, but subject to time restrictions	(1 189 500)
Performance targets met in 2011	(360 000)
Performance targets met in 2012	(359 500)
Performance targets met in 2013	(470 000)
Shares subject to time restrictions only	(281 209)
Shares subject to future performance measurement	3 680 000

The Board analyses the individual performance of the Group CEO on a continuous basis throughout the year. In respect of 2013 their judgement of his performance resulted in the vesting of 100 000 or 100% of the applicable Category A shares.

## Executive remuneration summary

Remuneration earned by executive directors and members of the Executive committee was as follows:

### Remuneration for the year ended 31 December 2013

R'000	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual bonus	Attributable value of LTIs <sup>(5)</sup>	OPP payment	Total remuneration
Johan van Zyl <sup>(1)</sup>	12	4 452	848	5 300	—	263	—	5 563
Kobus Möller	12	3 475	662	4 137	4 000	4 645	—	12 782
Temba Mvusi <sup>(2)</sup>	12	2 416	411	2 827	2 000	2 429	—	7 256
Yegs Ramiah	12	2 597	166	2 763	2 000	2 735	—	7 498
<b>Subtotal: executive directors</b>		12 940	2 087	15 027	8 000	10 072	—	33 099
Themba Gamedze <sup>(3)</sup>	10	2 500	—	2 500	1 700	2 511	—	6 711
Ian Kirk <sup>(4)</sup>	12	3 337	691	4 028	2 300	4 728	—	11 056
Lizé Lambrechts	12	3 300	450	3 750	3 500	2 661	21 600	31 511
Johan van der Merwe	12	4 022	766	4 788	8 000	5 937	—	18 725
Heinie Werth	12	3 212	438	3 650	3 500	2 982	—	10 132
André Zeeman	12	2 730	520	3 250	3 000	3 628	—	9 878
<b>Executive committee</b>		32 041	4 952	36 993	30 000	32 519	21 600	121 112

<sup>(1)</sup> See Group CEO arrangement above.

<sup>(2)</sup> Includes an amount of R260 000 paid by Santam.

<sup>(3)</sup> Appointed on 1 March 2013.

<sup>(4)</sup> Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.

<sup>(5)</sup> Fair value of LTIs granted during the year, assuming 100% vesting – refer page 86.

### Remuneration for the year ended 31 December 2012

R'000	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual bonus	Attributable value of LTIs <sup>(7)</sup>	OPP payment	Total remuneration
Johan van Zyl <sup>(1)</sup>	12	4 502	798	5 300	—	—	—	5 300
Kobus Möller	12	3 292	583	3 875	3 700	4 282	—	11 857
Yvonne Muthien <sup>(2)</sup>	9	1 702	303	2 005	688 <sup>(8)</sup>	1 000	—	3 693
Temba Mvusi <sup>(3)</sup>	12	2 356	372	2 728	2 000	2 279	—	7 007
Yegs Ramiah <sup>(4)</sup>	2	396	20	416	300	332	—	1 048
<b>Subtotal: executive directors</b>		12 248	2 076	14 324	6 688	7 893	—	28 905
Ian Kirk <sup>(5)</sup>	12	3 222	578	3 800	2 500	2 040	—	8 340
Lizé Lambrechts	12	3 158	392	3 550	3 000	3 867	—	10 417
Johan van der Merwe	12	3 844	681	4 525	6 000	6 581	—	17 106
Heinie Werth	12	3 036	376	3 412	3 000	3 468	—	9 880
André Zeeman	12	2 591	459	3 050	2 600	3 167	—	8 817
Buyani Zwane <sup>(6)</sup>	6	985	177	1 162	1 200 <sup>(8)</sup>	—	—	2 362
<b>Executive committee</b>		29 084	4 739	33 823	24 988	27 016	—	85 827

<sup>(1)</sup> See Group CEO arrangement above.

<sup>(2)</sup> Retired on 5 September 2012.

<sup>(3)</sup> Includes an amount of R250 000 paid by Santam.

<sup>(4)</sup> Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.

<sup>(5)</sup> Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.

<sup>(6)</sup> Resigned on 8 June 2012.

<sup>(7)</sup> Fair value of LTIs granted during the year, assuming 100% vesting.

<sup>(8)</sup> Termination benefit.

<sup>(9)</sup> Comparative information has been restated for a reclassification between the Salary and Company contributions components of Guaranteed package.

## Guaranteed package

The TGP (in rand) of the executive directors and members of the Executive committee are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

Individual	TGP as at 1 January 2014	TGP as at 1 January 2013	TGP as at 1 January 2012	% increase in TGP 2013	% increase in TGP 2012
Johan van Zyl <sup>(1)(2)</sup>	5 300 000	5 300 000	5 300 000	—	—
Kobus Möller <sup>(1)</sup>	4 200 000	3 950 000	3 650 000	6,33	8,22
Temba Mvusi <sup>(1)(3)</sup>	2 590 000	2 500 000	2 410 000	3,60	3,73
Yegs Ramiah <sup>(1)(4)</sup>	2 850 000	2 500 000	—	14,00	—
Themba Gamedze <sup>(5)</sup>	3 000 000	—	—	—	—
Ian Kirk	4 007 508	3 816 660	3 600 612	5,00	6,00
Lizé Lambrechts	3 800 000	3 600 000	3 400 000	5,56	5,88
Johan van der Merwe	4 850 000	4 600 000	4 300 000	5,43	6,98
Heinie Werth	3 700 000	3 500 000	3 150 000	5,71	11,11
André Zeeman	3 300 000	3 100 000	2 900 000	6,45	6,9
Yvonne Muthien <sup>(6)</sup>	—	—	2 520 000	—	—
Buyani Zwane <sup>(7)</sup>	—	—	2 300 000	—	—

<sup>(1)</sup> Executive director.

<sup>(2)</sup> See Group CEO arrangement above.

<sup>(3)</sup> Receives an additional amount of R260 000 (2012: R250 000) from Santam for services rendered to Santam.

<sup>(4)</sup> Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.

<sup>(5)</sup> Appointed on 1 March 2013.

<sup>(6)</sup> Retired on 5 September 2012.

<sup>(7)</sup> Resigned on 8 June 2012.

The average salary increase paid to executive directors (excluding Johan van Zyl) for 2013 was 7,71% (2012: 7,23%) and that of members of the Executive committee for 2013 was 5,59% (2012: 7,64%) compared with an average salary increase paid to all employees of 6,5% (2012: 6,9%).

## Annual bonus

### Performance targets

The performance targets for the annual bonus plan are set by the GHRRC on an annual basis for executive directors and members of the Executive committee. In respect of the 2013 annual bonus, the split between business, Group and personal performance criteria for executive directors and members of the Executive committee was as follows:

Individual	Business %	Group %	Personal %
Johan van Zyl <sup>(1)</sup>	—	—	—
Kobus Möller	—	70	30
Temba Mvusi	—	50	50
Yegs Ramiah	—	50	50
Themba Gamedze	—	50	50
Ian Kirk	80	—	20
Lizé Lambrechts	50	25	25
Johan van der Merwe	70	10	20
Heinie Werth	50	25	25
André Zeeman	—	—	100

<sup>(1)</sup> See Group CEO arrangement above.

The Group performance measure that was applied in 2013 is:

▶ Return on Group Equity Value (RoGEV):

This is the key driver of the Group's strategy and the use of this measure means a direct link between the annual bonus plan and the Group's business strategy. In order to exclude the impact of investment market volatility during the performance period in question, adjusted RoGEV is used. This assumes that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for the purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations. Any other *ad hoc* items which are not under the control of management are also excluded.

- ▶ Group net result from financial services
- ▶ Clusters' aggregate performance against targets
- ▶ Performance against transformation targets



## REMUNERATION REPORT *continued*

The business-level performance measures are based on the specific strategic objectives of each business, while the personal performance measures are based on the contracted output of each individual over the vesting period.

The payments that can be achieved by executive directors and members of the Executive committee at the target and stretch levels are as indicated below.

Individual	% of TGP at target performance	Performance cash cap as % of TGP
Johan van Zyl <sup>(1)</sup>	—	—
Kobus Möller	56	112
Temba Mvusi	56	112
Yegs Ramiah	56	112
Themba Gamedze	56	112
Ian Kirk	80	160
Lizé Lambrechts	56	112
Johan van der Merwe	100	250 <sup>(2)</sup>
Heinie Werth	56	112
André Zeeman	56	112

<sup>(1)</sup> See Group CEO arrangement above.

<sup>(2)</sup> Subject to a 200% cash payment cap in respect of any one year. Any excess in a particular year is transferred to the following year.

These levels are benchmarked with comparator groups together with other components of remuneration.

The actual achievement of the Group performance measure for 2013 is as follows:

	Weight	Threshold	Target	Stretch	Score	Weighted score	
<b>Sanlam Group</b>		0%	100%	200%	0% – 200%		
Adjusted RoGEV	20%		10.3%	10.8%	12.4%	60,0%	12,0%
Group net result from financial services	30%		R4 668m	R4 918m	R5 556m	168,3%	50,5%
Clusters' actual performance against targets	40%					159,0%	63,6%
Transformation	10%		12,5	13,75	15,0	139,0%	13,9%
					Total	140,0%	

## Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2013. These bonuses are paid in 2014:

Individual	% of TGP achieved 2013	Payment 2014 R	% of TGP achieved 2012	Payment 2013 R
Johan van Zyl <sup>(1)</sup>	—	—	—	—
Kobus Möller	95	4 000 000	94	3 700 000
Temba Mvusi	70	2 000 000	80	2 000 000
Yegs Ramiah <sup>(2)</sup>	70	2 000 000	72	300 000
Themba Gamedze <sup>(3)</sup>	57	1 700 000	—	—
Ian Kirk	57	2 300 000	66	2 500 000
Lizé Lambrechts	92	3 500 000	83	3 000 000
Johan van der Merwe	165	8 000 000	130	6 000 000
Heinie Werth	95	3 500 000	86	3 000 000
André Zeeman	91	3 000 000	84	2 600 000

<sup>(1)</sup> See Group CEO arrangement above.

<sup>(2)</sup> Appointed 1 November 2012.

<sup>(3)</sup> Appointed 1 March 2013.



## Long-term incentives

The participation by executive directors and members of the Executive committee in the Group's long-term incentive schemes

### Number of shares

	Balance 31-12-12	Awarded in 2013 <sup>(7)</sup>	Shares vested
<b>Johan van Zyl<sup>(1)</sup></b>	<b>6 647 213</b>	<b>6 476</b>	<b>(702 921)</b>
DSP	163 930	1 975	(108 199)
PDSP	373 750	4 501	(155 570)
Category A <sup>(6)</sup>	123 592	1 489	(51 954)
Category B <sup>(6)</sup>	81 003	975	(34 645)
Category C <sup>(6)</sup>	169 155	2 037	(68 971)
RSP	908 824	—	(439 152)
Group CEO arrangement <sup>(1)</sup>	5 200 709	—	—
<b>Kobus Möller</b>	<b>785 086</b>	<b>107 924</b>	<b>(263 503)</b>
DSP	189 442	31 271	(56 638)
PDSP	210 681	34 803	(54 779)
Category A <sup>(6)</sup>	124 875	22 712	(37 946)
Category B <sup>(6)</sup>	85 806	12 091	(16 833)
RSP	384 963	41 850	(152 086)
<b>Temba Mvusi</b>	<b>431 413</b>	<b>56 582</b>	<b>(136 675)</b>
DSP	132 782	20 119	(39 416)
PDSP	86 278	15 537	(28 678)
Category A <sup>(6)</sup>	86 278	15 537	(28 678)
RSP	212 353	20 926	(68 581)
<b>Yegs Ramiah<sup>(2)(3)</sup></b>	<b>42 154</b>	<b>67 331</b>	<b>(15 575)</b>
Sanlam	25 047	—	(9 063)
Santam <sup>(3)</sup>	—	—	—
DSP	—	—	—
Sanlam	29 756	34 391	(10 994)
Santam <sup>(3)</sup>	17 874	—	(6 398)
PDSP – Category A <sup>(6)</sup>	—	—	—
Sanlam	12 398	32 940	(4 581)
Santam <sup>(3)</sup>	7 173	—	(2 665)
<b>Themba Gamedze<sup>(4)</sup></b>	<b>—</b>	<b>61 823</b>	<b>—</b>
DSP	—	61 823	—

(excluding the OPP) at 31 December 2013 was as follows:

Shares forfeited	Balance 31-12-13	Vesting in				
		2014	2015	2016	2017	2018
<b>(50 000)</b>	<b>5 900 768</b>	<b>425 993</b>	<b>250 868</b>	<b>5 223 907</b>	<b>—</b>	<b>—</b>
—	57 706	57 307	399	—	—	—
—	222 681	117 209	105 472	—	—	—
—	73 127	36 563	36 564	—	—	—
—	47 333	28 302	19 031	—	—	—
—	102 221	52 344	49 877	—	—	—
—	469 672	251 477	144 997	73 198	—	—
(50 000)	5 150 709	—	—	5 150 709	—	—
<b>—</b>	<b>629 507</b>	<b>211 679</b>	<b>171 634</b>	<b>141 488</b>	<b>73 773</b>	<b>30 933</b>
—	164 075	56 556	41 117	38 199	19 506	8 697
—	190 705	58 595	59 577	39 768	23 084	9 681
—	109 641	36 319	33 163	20 702	13 094	6 363
—	81 064	22 276	26 414	19 066	9 990	3 318
—	274 727	96 528	70 940	63 521	31 183	12 555
<b>—</b>	<b>351 320</b>	<b>123 910</b>	<b>99 235</b>	<b>72 924</b>	<b>39 066</b>	<b>16 185</b>
—	113 485	40 931	28 514	24 110	14 373	5 557
—	73 137	21 987	23 461	14 238	9 101	4 350
—	73 137	21 987	23 461	14 238	9 101	4 350
—	164 698	60 992	47 260	34 576	15 592	6 278
—	—	—	—	—	—	—
<b>—</b>	<b>93 910</b>	<b>12 968</b>	<b>12 646</b>	<b>27 897</b>	<b>20 199</b>	<b>20 200</b>
<b>—</b>	<b>15 984</b>	<b>7 491</b>	<b>7 578</b>	<b>717</b>	<b>198</b>	<b>—</b>
—	—	—	—	—	—	—
—	53 153	9 155	8 926	14 437	10 317	10 318
—	11 476	5 288	5 426	564	198	—
—	40 757	3 813	3 720	13 460	9 882	9 882
—	4 508	2 203	2 152	153	—	—
<b>—</b>	<b>61 823</b>	<b>—</b>	<b>—</b>	<b>24 729</b>	<b>18 547</b>	<b>18 547</b>
—	61 823	—	—	24 729	18 547	18 547



## REMUNERATION REPORT *continued*

### Number of shares *(continued)*

	Balance 31-12-12	Awarded in 2013 <sup>(7)</sup>	Shares vested
<b>Ian Kirk<sup>(6)</sup></b>			
<b>Santam</b>	<b>61 068</b>	<b>19 092</b>	<b>(22 532)</b>
<b>Sanlam</b>	<b>103 772</b>	<b>32 099</b>	<b>(33 572)</b>
DSP			
Santam	33 092	5 422	(12 973)
Sanlam	55 023	9 116	(17 325)
PDSP			
Santam	27 976	13 670	(9 559)
Sanlam	48 749	22 983	(16 247)
<b>Lizé Lambrechts</b>	<b>613 571</b>	<b>62 273</b>	<b>(204 844)</b>
DSP	169 177	26 484	(48 745)
PDSP	105 980	14 863	(23 239)
Category A <sup>(6)</sup>	105 980	14 863	(23 239)
RSP	338 414	20 926	(132 860)
<b>Johan van der Merwe</b>	<b>1 203 519</b>	<b>139 724</b>	<b>(367 453)</b>
DSP	220 366	36 833	(72 263)
PDSP	358 466	61 041	(73 033)
Category A <sup>(6)</sup>	137 950	17 994	(25 892)
Category B <sup>(6)</sup>	149 459	29 828	(22 708)
Category C <sup>(6)</sup>	71 057	13 219	(24 433)
RSP	624 687	41 850	(222 157)
<b>Heinie Werth</b>	<b>582 561</b>	<b>70 201</b>	<b>(187 253)</b>
DSP	170 110	30 903	(58 142)
PDSP	106 209	18 372	(28 423)
Category A <sup>(6)</sup>	106 209	18 372	(28 423)
RSP	306 242	20 926	(100 688)
<b>André Zeeman</b>	<b>568 428</b>	<b>82 863</b>	<b>(169 685)</b>
DSP	150 464	25 782	(46 721)
PDSP	92 953	15 231	(22 276)
Category A <sup>(6)</sup>	92 953	15 231	(22 276)
RSP	325 011	41 850	(100 688)

<sup>(1)</sup> A new arrangement became effective from 1 January 2011 – refer Group CEO arrangement above.

<sup>(2)</sup> Appointed on 1 November 2012 (previously employed by Santam).

<sup>(3)</sup> Participated in the Santam DSP and PDSP up to the date of appointment on the Sanlam Executive committee.

<sup>(4)</sup> Appointed 1 March 2013.

<sup>(5)</sup> Participates in the Santam DSP and PDSP.

<sup>(6)</sup> The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:

a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.

b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a business hurdle is also applicable for Johan van der Merwe).

c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a business hurdle is also applicable for Johan van der Merwe).

<sup>(7)</sup> Includes additional shares awarded in respect of past grants in lieu of special dividend.

Shares forfeited	Balance 31-12-13	Vesting in				
		2014	2015	2016	2017	2018
—	<b>57 628</b>	<b>23 161</b>	<b>8 287</b>	<b>12 759</b>	<b>7 694</b>	<b>5 727</b>
—	<b>102 299</b>	<b>39 945</b>	<b>15 860</b>	<b>22 967</b>	<b>13 896</b>	<b>9 631</b>
—	25 541	11 247	4 044	5 031	3 593	1 626
—	46 814	19 241	8 258	9 578	7 002	2 735
—	32 087	11 914	4 243	7 728	4 101	4 101
—	55 485	20 704	7 602	13 389	6 894	6 896
—	<b>471 000</b>	<b>147 380</b>	<b>142 528</b>	<b>107 288</b>	<b>56 123</b>	<b>17 681</b>
—	146 916	46 119	39 747	34 758	18 965	7 327
—	97 604	26 779	31 488	23 009	12 252	4 076
—	97 604	26 779	31 488	23 009	12 252	4 076
—	226 480	74 482	71 293	49 521	24 906	6 278
—	<b>975 790</b>	<b>342 447</b>	<b>267 112</b>	<b>221 940</b>	<b>104 463</b>	<b>39 828</b>
—	184 936	57 552	46 951	46 272	23 907	10 254
—	346 474	131 835	95 879	70 996	30 745	17 019
—	130 052	45 375	41 805	30 435	7 537	4 900
—	156 579	72 211	38 172	23 262	14 525	8 409
—	59 843	14 249	15 902	17 299	8 683	3 710
—	444 380	153 060	124 282	104 672	49 811	12 555
—	<b>465 509</b>	<b>149 875</b>	<b>144 134</b>	<b>97 166</b>	<b>54 271</b>	<b>20 063</b>
—	142 871	46 662	38 805	29 879	18 868	8 657
—	96 158	28 731	34 036	17 766	10 497	5 128
—	96 158	28 731	34 036	17 766	10 497	5 128
—	226 480	74 482	71 293	49 521	24 906	6 278
—	<b>481 606</b>	<b>153 276</b>	<b>140 587</b>	<b>108 765</b>	<b>54 997</b>	<b>23 981</b>
—	129 525	45 512	33 870	28 086	14 865	7 192
—	85 908	25 773	29 794	17 158	8 949	4 234
—	85 908	25 773	29 794	17 158	8 949	4 234
—	266 173	81 991	76 923	63 521	31 183	12 555



## REMUNERATION REPORT continued

### Value

R'000	2013			2012		
	Value of shares awarded <sup>(1)</sup>	Value of shares vesting <sup>(2)</sup>	Value of shares forfeited <sup>(2)</sup>	Value of shares awarded <sup>(1)</sup>	Value of shares vesting <sup>(2)</sup>	Value of shares forfeited <sup>(2)</sup>
<b>Johan van Zyl</b>	263	33 383	(2 662)	—	29 933	(1 813)
DSP	80	5 101	—	—	4 192	—
PDSP	183	7 334	—	—	3 254	—
RSP <sup>(3)</sup>	—	20 948	—	—	22 487	—
Group CEO arrangement	—	—	(2 662)	—	—	(1 813)
<b>Kobus Möller</b>	4 645	12 507	—	4 282	11 025	—
DSP	1 270	2 670	—	1 019	1 665	—
PDSP	1 413	2 582	—	1 263	1 841	—
RSP <sup>(3)</sup>	1 962	7 255	—	2 000	7 519	—
<b>Temba Mvusi</b>	2 429	6 481	—	2 279	3 304	—
DSP	817	1 858	—	831	1 151	—
PDSP	631	1 352	—	448	497	—
RSP <sup>(3)</sup>	981	3 271	—	1 000	1 656	—
<b>Yegs Ramiah<sup>(4)</sup></b>	2 735	2 360	—	332	—	—
DSP	1 397	1 666	—	267	—	—
PDSP	1 338	694	—	65	—	—
<b>Yvonne Muthien<sup>(6)</sup></b>	—	—	—	1 000	7 474	(3 447)
DSP	—	—	—	—	4 203	—
PDSP	—	—	—	—	1 712	(1 212)
RSP <sup>(3)</sup>	—	—	—	1 000	1 559	(2 235)
<b>Subtotal: executive directors</b>	<b>10 072</b>	<b>54 731</b>	<b>(2 662)</b>	7 893	51 736	(5 260)

R'000	2013			2012		
	Value of shares awarded <sup>(1)</sup>	Value of shares vesting <sup>(2)</sup>	Value of shares forfeited <sup>(2)</sup>	Value of shares awarded <sup>(1)</sup>	Value of shares vesting <sup>(2)</sup>	Value of shares forfeited <sup>(2)</sup>
<b>Themba Gamedze<sup>(6)</sup></b>	<b>2 511</b>	<b>—</b>	<b>—</b>	—	—	—
DSP	2 511	—	—	—	—	—
<b>Ian Kirk</b>	<b>4 728</b>	<b>5 624</b>	<b>—</b>	2 040	5 375	—
Santam	3 424	4 041	—	1 633	4 132	—
Sanlam	1 304	1 583	—	407	1 243	—
<b>Lizé Lambrechts</b>	<b>2 661</b>	<b>9 730</b>	<b>—</b>	3 867	8 421	—
DSP	1 076	2 298	—	1 097	1 325	—
PDSP	604	1 095	—	770	1 189	—
RSP <sup>(3)</sup>	981	6 337	—	2 000	5 907	—
<b>Johan van der Merwe</b>	<b>5 937</b>	<b>17 446</b>	<b>—</b>	6 581	16 024	—
DSP	1 496	3 406	—	1 287	2 208	—
PDSP	2 479	3 443	—	1 294	1 756	—
RSP <sup>(3)</sup>	1 962	10 597	—	4 000	12 060	—
<b>Heinie Werth</b>	<b>2 982</b>	<b>8 884</b>	<b>—</b>	3 468	4 291	—
DSP	1 255	2 741	—	962	1 378	—
PDSP	746	1 340	—	506	480	—
RSP <sup>(3)</sup>	981	4 803	—	2 000	2 433	—
<b>André Zeeman</b>	<b>3 628</b>	<b>8 055</b>	<b>—</b>	3 167	4 165	—
DSP	1 047	2 202	—	723	1 183	—
PDSP	619	1 050	—	444	549	—
RSP <sup>(3)</sup>	1 962	4 803	—	2 000	2 433	—
<b>Executive committee</b>	<b>32 519</b>	<b>104 470</b>	<b>(2 662)</b>	27 016	90 012	(5 260)

<sup>(1)</sup> Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.

<sup>(2)</sup> Based on market value of shares on vesting and forfeiture dates respectively.

<sup>(3)</sup> Grants during a year relates to performance in the prior financial year (refer description of scheme above).

<sup>(4)</sup> Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.

<sup>(5)</sup> Resigned on 5 September 2012.

<sup>(6)</sup> Appointed on 1 March 2013.

It is anticipated that awards will be granted in 2014 to executive directors (excluding the Group CEO) and members of the Executive committee on a basis consistent with that described above.



## REMUNERATION REPORT *continued*

Current participants in the OPP and achievements to date are as follows:

Individual	Measurement period	Performance measures	Achievement	Outcome
Lizé Lambrechts	1 January 2010 – 31 December 2012	Outperformance of operational targets set for SPF cluster	100,0%	R21,6 million paid on 1 April 2013
Lizé Lambrechts	1 January 2013 – 31 December 2015	Outperformance of operational targets set for SPF cluster	22%	Final measurement and payment on 1 April 2016
Johan van der Merwe	1 January 2009 – 31 March 2014	Outperformance of return targets set for international Sanlam investment business over the full measurement period	n/a	Final measurement and payment after 1 April 2014
Heinie Werth	1 January 2012 – 31 December 2014	Outperformance of operational targets set for SEM cluster	69%	Final measurement and payment on 1 April 2015
Ian Kirk	1 January 2010 – 31 December 2014	Outperformance of operational targets set for Santam over the full measurement period	n/a	Final measurement and payment on 1 April 2015

To the extent that any awards are granted under the OPP in 2014, it will occur on a basis consistent with that described above.

### ► SANLAM SHARE SCHEME ALLOCATION

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Sanlam approved a scheme allocation of 160 million ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 million.

The following table illustrates the position as at 31 December 2013:

	Number of shares
Scheme allocation originally approved	160 000 000
Net movement during 2009	(10 701 155)
Net movement during 2010	(8 652 718)
Net movement during 2011	(13 828 369)
Balance of scheme allocation carried forward at 31 December 2011	126 817 758
Allocation under DSP and PDSP in 2012	(6 873 915)
Allocation under RSP in 2012 (CEO)	(2 000 000)
Allocation under RSP in 2012 (Other)	(683 018)
Shares forfeited in 2012	655 241
Balance of scheme allocation carried forward at 31 December 2012	117 916 066
Allocation under DSP and PDSP in 2013	(5 905 362)
Allocation under RSP in 2013 (CEO)	(281 209)
Allocation under RSP in 2013 (Other)	(469 918)
Shares forfeited in 2013	822 979
Additional DSP and PDSP allocated in lieu of special dividend	(359 948)
Balance of scheme allocation carried forward at 31 December 2013	111 722 608

## ► REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

Fee structures are recommended to the Board by the GHRRC (other than for services as a GHRRC member) and reviewed annually with the assistance of external service providers. The GHRRC takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new Acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the year, from 1 July until 30 June the following year, to the Group's shareholders at the AGM for approval. Non-executive directors receive annual Board and committee retainers. In addition, a fee is paid for attending Board meetings. Sanlam pays for all travelling and accommodation expenses in respect of Board meetings. The Chairman receives a fixed annual fee that is inclusive of all Board and committee attendances as well as all other tasks performed on behalf of the Group. Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

### Non-executive directors' emoluments for the year ended 31 December 2013

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	173	74	334	—	581
AD Botha	173	74	293	427	967
PR Bradshaw <sup>(1)</sup>	75	32	89	483	679
A Duggal <sup>(2)</sup>	173	74	131	—	378
FA du Plessis <sup>(3)</sup>	84	36	237	—	357
MV Moosa	173	74	355	—	602
PT Motsepe	260	112	250	—	622
MP Mthethwa	173	74	292	—	539
SA Nkosi	173	74	103	—	350
I Plenderleith <sup>(4)</sup>	129	55	238	343	765
P de V Rademeyer	173	74	547	764	1 558
RV Simelane	173	74	193	—	440
DK Smith (Chairman)	1 461	626	—	—	2 087
CG Swanepoel	173	74	540	1 385	2 172
ZB Swanepoel	173	74	208	—	455
PL Zim	173	74	171	—	418
<b>Total non-executive directors</b>	<b>3 912</b>	<b>1 675</b>	<b>3 981</b>	<b>3 402</b>	<b>12 970</b>

<sup>(1)</sup> Appointed 7 August 2013.

<sup>(2)</sup> Appointed 15 January 2013. Remuneration is paid to Shriram Capital.

<sup>(3)</sup> Retired 5 June 2013.

<sup>(4)</sup> Retired 4 September 2013.

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 054 870.



**Non-executive directors' emoluments for the year ended 31 December 2012**

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	168	72	286	—	526
AD Botha	168	72	241	572	1 053
FA du Plessis	168	72	444	—	684
MV Moosa	168	72	251	—	491
PT Motsepe	251	108	218	—	577
MP Mthethwa (nee Buthelezi)	168	72	211	—	451
SA Nkosi	168	72	105	—	345
I Plenderleith	168	72	279	312	831
P de V Rademeyer	168	72	483	782	1 505
RV Simelane	168	72	202	—	442
DK Smith (Chairman)	1 366	585	—	—	1 951
CG Swanepoel	168	72	415	1 424	2 079
ZB Swanepoel	168	72	183	—	423
PL Zim	168	72	148	—	388
<b>Total non-executive directors</b>	<b>3 633</b>	<b>1 557</b>	<b>3 466</b>	<b>3 090</b>	<b>11 746</b>

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R856 956.

**Fees from Group companies for the year ended 31 December 2013**

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	143	235	49	427
I Plenderleith	343	—	—	343
P de V Rademeyer	213	379	172	764
CG Swanepoel	259	973	153	1 385
PR Bradshaw	483	—	—	483
<b>Total fees from Group companies</b>	<b>1 441</b>	<b>1 587</b>	<b>374</b>	<b>3 402</b>

**Fees from Group companies for the year ended 31 December 2012**

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	277	249	46	572
I Plenderleith	312	—	—	312
P de V Rademeyer	308	393	81	782
CG Swanepoel	227	1 044	153	1 424
<b>Total fees from Group companies</b>	<b>1 124</b>	<b>1 686</b>	<b>280</b>	<b>3 090</b>



## ► INTEREST OF DIRECTORS IN SHARE CAPITAL

Total interest of directors in share capital at 31 December 2013

	BENEFICIAL		Non-beneficial	UB shares
	Direct	Indirect		
<b>Executive directors<sup>(1)</sup></b>				
J van Zyl	6 038 133	2 594 319	—	—
JP Möller	1 286 743	—	—	—
TI Mvusi	236 510	36 617	—	4 000
Y Ramiah	—	—	—	—
<b>Total executive directors</b>	<b>7 561 386</b>	<b>2 630 936</b>	<b>—</b>	<b>4 000</b>
<b>Non-executive directors</b>				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (Deputy Chairman) <sup>(2)</sup>	—	—	—	—
MMM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	286 999	—
PR Bradshaw	—	29 000	—	—
A Duggal	—	—	—	—
MV Moosa	—	—	—	7 142
MP Mthethwa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
P de V Rademeyer	181 335	495 698	—	—
RV Simelane	—	—	—	7 142
CG Swanepoel	10 000	—	—	—
ZB Swanepoel	—	—	—	7 142
PL Zim	444	—	—	7 142
<b>Total non-executive directors</b>	<b>191 779</b>	<b>559 698</b>	<b>286 999</b>	<b>49 994</b>
<b>Total</b>	<b>7 753 165</b>	<b>3 190 634</b>	<b>286 999</b>	<b>53 994</b>

<sup>(1)</sup> Includes participation in the Restricted Share Plan and Group CEO arrangement.

<sup>(2)</sup> Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

Sizanani-Thusanang-Helptomekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

As a result Patrice Motsepe and the above directors are indirect beneficial holders of the 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

<sup>(3)</sup> At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2013.

## Total interest of directors in share capital at 31 December 2012

	BENEFICIAL		Non-beneficial	UB shares
	Direct	Indirect		
<b>Executive directors<sup>(1)</sup></b>				
J van Zyl	6 628 058	1 915 642	—	—
JP Möller	1 361 493	—	—	—
TI Mvusi	324 430	—	—	4 000
Y Ramiah	—	—	—	—
<b>Total executive directors</b>	<b>8 313 981</b>	<b>1 915 642</b>	<b>—</b>	<b>4 000</b>
<b>Non-executive directors</b>				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (Deputy Chairman) <sup>(2)</sup>	—	—	—	—
MMM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	286 999	—
MP Mthethwa	—	—	—	7 142
FA du Plessis	—	370	390	—
MV Moosa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
I Plenderleith	—	—	—	—
P de V Rademeyer	181 335	495 698	—	—
RV Simelane	—	—	—	7 142
CG Swanepoel	10 000	—	—	—
ZB Swanepoel	—	—	—	7 142
PL Zim	444	—	—	7 142
<b>Total non-executive directors</b>	<b>191 779</b>	<b>531 068</b>	<b>287 389</b>	<b>49 994</b>
<b>Total</b>	<b>8 505 760</b>	<b>2 446 710</b>	<b>287 389</b>	<b>53 994</b>

<sup>(1)</sup> Includes participation in the Restricted Share Plan and Group CEO arrangement.

<sup>(2)</sup> Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

Sizani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizani is held by a company, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

As a result Patrice Motsepe and the above directors are indirect beneficial holders of the 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.



