

# **SANLAM LIMITED (“SANLAM”)**

## **HUMAN RESOURCES AND REMUNERATION COMMITTEE CHARTER (TERMS OF REFERENCE)**

### **1. Introduction**

The Human Resources and Remuneration Committee (“the Committee”) is constituted as a committee of the Board of Sanlam Limited (“Sanlam”). The Committee is principally concerned with matters of executive remuneration and succession although its ambit extends to all Human Capital matters.

The Committee consults with the Social, Ethics & Sustainability Committee regarding transformation imperatives and skills development and employment equity initiatives in particular.

This Charter is subject to the provisions of the Companies Act 2008, the Sanlam Limited’s Memorandum of Incorporation (“MOI”) and any other applicable law or regulatory provisions.

### **2. Purpose of the terms of reference**

The purpose of these terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

### **3. Membership**

- 3.1 The Committee will consist of not less than three directors appointed by the Board, all of whom will be non-executive directors and the majority independent.
- 3.2 The Board will appoint the Committee Chairperson and determine the period for which s/he will hold office. The Chairperson of the Board, if s/he is an independent director, may be eligible to be appointed as Chairperson of the Committee.
- 3.3 The Company Secretary of Sanlam will act as the Secretary of the Committee.

### **4. Role**

The primary role of the committee is to:

- Ensure that an effective remuneration policy is in place, aligned to the Group’s business strategy and long-term interests;
- Ensure that the remuneration policy is applied consistently throughout the Group at all employment levels; and
- Assist the board to ensure that the Company remunerates non-executive

directors and executives fairly and responsibly and that the disclosure of director and executive remuneration is accurate, complete and transparent.

## 5. Responsibilities

### 5.1 *Management Succession*

The Committee must:

- ensure that an effective management succession process exists;
- regularly evaluate the long-term availability of management expertise;
- take into consideration the recommendations made by the CEO relating to the succession planning for the positions of the EXCO, including the position of the Financial Director; and
- ensure that the correct processes and procedures are in place to ensure the succession planning for the CEO.

### 5.2 *Effectiveness of Management*

The Committee evaluates the effectiveness of the CEO and Financial Director, on a bi-annual basis, but at least annually and notes the EXCO members effectiveness which is reported on by the CEO.

### 5.3 *General Management Appointments and Termination of Service*

Appointments and changes at EXCO level are initiated and finalised by the CEO in consultation with the Chairperson of the Board. Decisions in this regard by the Committee will be presented to the Board for notification. The appointment of the CEO and other executive directors would only be recommended to the Board for final approval.

### 5.4 *Matters regarding Remuneration, which include the following:*

5.4.1 The role of the Committee will be to work on behalf of the Board and will, within these terms of reference be responsible to make recommendations regarding Sanlam's remuneration philosophy and principles (including the different types of schemes and incentives) to the Board for approval.

5.4.2 Thereafter and based on the approved remuneration philosophy and principles, the Committee will be responsible to:

- determine, agree on and develop Sanlam's general strategy and policy on executive and senior management remuneration for the Group and ensure that this strategy is consistent with the Group's long-term interests;
- determine, agree on and develop guidelines for incentive schemes for the Group, including the setting of annual targets, monitoring those targets and to review the incentive schemes on a regular basis to assess whether there is a clear link between the schemes and the performance; the Committee ensures that the incentive schemes are competitive and in line

with good business practice and that the Group adequately rewards excellent performance.

- determine, agree on and develop a share incentive scheme for the Group, including guidelines for annual allocations and review the structure of the share incentive schemes annually to ensure that their structure continues to contribute to shareholder value;
- determine, agree upon and develop appropriate retirement and pension scheme arrangements for employees of the Group. Review these arrangements on a regular basis to ensure that they support the Group's long-term interest and are still aligned with industry best practice;
- determine specific remuneration packages for executive directors, EXCO members of Sanlam and the Heads of Control functions, including but not limited to basic salary, any annual bonuses, performance-based incentives, other benefits as well as conditions of employment as set out in the contracts of employment; this is done in relation to local and international industry benchmarks.
- determine any criteria necessary to measure the performance of EXCO members and executive directors in discharging their functions and responsibilities, including the setting of appropriate performance drivers for both short-term and long-term incentives (whether paid in cash or in shares) and take responsibility for regular monitoring and testing of those performance drivers;
- manage the employment contracts of the executive directors and EXCO members so that their terms are compliant with good practice principles. The Committee delegates to the CEO that the performance assessment of executive directors is done in collaboration with the Nominations Committee;
- review and advise on non-executive Directors fees (as researched and recommended by management) and make recommendations to the Board and ultimately to the AGM for approval by the shareholders for the following year; (the Committee fees for the Committee members will be considered by the Board and the Committee is not required to make any recommendation in this regard.); and
- provide feedback on the details of all remuneration schemes and incentives to the Board for notification.

5.4.3 The Committee will review the Group's remuneration strategy and policy as well as its implementation on an annual basis.

5.4.4 The Committee will aim to give the executive directors encouragement to enhance Sanlam's performance and to ensure that they are fairly and competitively (but responsibly), rewarded for their individual contributions and performance. In setting policies and remuneration levels in this regard, the Committee will consider and review an appropriate comparator group

on a regular basis.

### 5.5 *Transformation and FSC Compliance*

The Committee will monitor the achievement of targets and the optimal execution of Black Economic Empowerment (BEE) transformation and Financial Services Charter (“FSC”) Compliance within the business.

### 5.6 *Human Resources Risks*

The Committee will:

- consider management’s reports on compliance with the Sanlam Code of Ethics as well as with the values in the Sanlam Limited vision statement;
- provide recommendations on any potential conflict of interest or questionable situations of a material nature, or any other HR risk. This will include the establishment of guidelines for executive expenses as well as the annual review by the Internal Audit department of such expenses debited against or claimed back from the company;
- report all serious HR Risk matters to Sanlam Limited’s Audit and Risk Committee and ensure that adequate management actions are taken to reduce such risks; and
- monitor compliance with all labour legislative matters.

### 5.7 *Share Incentive Trust*

The members of the Committee will also act as the trustees of the Sanlam Share Incentive Trust and administer the Trust according to its Trust Deed.

The Committee must be informed of any changes to the policy or trust deed of the Sanlam Share Incentive Trust. The Committee must in turn inform the board on developments in the policy and administration of the Trust.

### 5.8 *Sanlam Group Office*

The Committee will appoint a Human Resources and Remuneration Subcommittee for the Sanlam Group Office (a division of Sanlam Life Insurance Ltd) and empower it to determine, agree on and develop appropriate HR policies and practices for employees in this office.

### 5.9 *Other Human Resources and Remuneration Committees*

The Committee should review the minutes of other operational cluster level Human Resources and Remuneration Committees in the Sanlam Group and/or obtain verbal feedback from the Committee chairpersons.

## 5.10 *Disclosure*

The Committee shall be responsible for the preparation of a remuneration report (for inclusion in Sanlam's annual report) which sets out the Committee's role, its activities, the Group's remuneration policy and remuneration paid during the year in question. This report must comply with any applicable laws, regulations or governance codes applicable to the Group.

## 5.11 *Relationships with Stakeholders*

Whilst the committee manages stakeholder and investor relationships throughout the year, the AGM is a key stakeholder interaction and is characterised by the following:

### *Annual General Meeting ("AGM") and Shareholders*

- The Committee will ensure that the chairperson (or in his/her absence, a member) of the Committee attends Sanlam's AGM to answer questions concerning HR policies and practices within the Sanlam Group, and on developments and/or implementation.
- The Committee will ensure that a shareholders' resolution is tabled at each AGM, such resolution to constitute a non-binding advisory vote on the Group's remuneration policy, as set out in the remuneration report, and its application over the previous 12 months.
- The Committee will be responsible for ensuring that remuneration paid to executive directors will be in accordance with the remuneration policy as set out to, and as voted on by the shareholders.

## **6. Meetings**

- 6.1 Meetings of the Committee will be held as the Committee deems to be appropriate; however, the Committee will meet at least 4 times each year. Furthermore meetings may be called by the Chairperson of the Committee or any member of the Committee.
- 6.2 The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, will other than under exceptional circumstances be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 6.3 The quorum for the Committee to transact business will be more than one half of the members of the Committee.
- 6.4 The Chairperson of the Board (if s/he is not a member of the committee) and the Group Chief Executive Officer have a standing invitation to attend the Committee's meetings but may not vote. They should take part in the discussion of the performance of EXCO members or other executive directors and to make proposals as necessary but would be expected to

recluse themselves when their own remuneration is discussed.

## **7. Proceedings**

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the MOI regulating the meetings and proceedings of directors and Committees.
- 7.2 The Company Secretary of Sanlam will take minutes of the Committee. Minutes of all meetings will be circulated to all the members of the Committee, and may also, if the chairperson of the Committee so decides be circulated to other members of the Board. Any director may, provided that there is no conflict of interest and with the agreement of the chairperson, obtain copies of the Committee's minutes.
- 7.3 The Chairperson of the Committee will give verbal feedback to the Board on the Committee's deliberations at the following Board meeting.

## **8. Remuneration**

- 8.1 Having regard to the functions performed by the members of the Committee (in addition to their functions as directors) in relation to the activities of the Committee, and pursuant to the specific power conferred upon the Board by the MOI, non-executive members of the Committee may, on the recommendation of the Board, be paid special remuneration.
- 8.2 Such special remuneration will be in addition to the annual fees payable to directors.
- 8.3 The remuneration of the committee members will annually be set for the next year by the shareholders of Sanlam Ltd at the AGM on the recommendation of the Sanlam Ltd Board.

## **9. Performance, Evaluation and Training**

- 9.1 The Committee shall review its collective performance and that of its individual members on a regular basis.
- 9.2 Members of the Committee should seek continually to develop and refresh their knowledge of current remuneration practices to ensure that they have the requisite skills and knowledge to carry out their role.

## **10. General**

- 10.1 The Committee, in carrying out its tasks under these terms of reference, may after consultation with the Chairperson of the Board, and in cooperation with the company secretary, obtain such independent professional advice (from both inside and outside Sanlam) as it considers necessary to carry out its duties.
- 10.2 These terms of reference will be reviewed annually and may be amended

as required, subject to the approval of the Board.

- 10.3 These terms of reference will be made available to shareholders via the Group's website.
- 10.4 In carrying out its duties, the Committee will have regard to the King III Report on Governance for South Africa (released on 1 September 2009) and other applicable codes of practice and good governance.

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