

SANLAM LIMITED

RISK AND COMPLIANCE COMMITTEE
CHARTER
(Terms of Reference)

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1. CONSTITUTION

The Sanlam Ltd Risk and Compliance Committee (“Committee”) is a Committee of the Board of Directors of Sanlam Ltd (“Board”). The Committee is constituted as a regulatory committee and performs its duties in terms of Principle 8, Recommended Practice 62 of King IV as well as Part 3 of Board Notice 158 of 2014. The duties and responsibilities of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce their individual and collective responsibilities as members of the Board in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations. These terms of reference are subject to the provisions of the Companies Act, Sanlam’s Memorandum of Incorporation and any other applicable law or regulatory provision.

2. PURPOSE OF THE TERMS OF REFERENCE

- 2.1. The purpose of these terms of reference is to document the Committee’s duties delegated to it by the Board, the duty of advising and assisting the Board in respect of overseeing governance and management of risk, compliance, Information and Technology and any other matter the Committee may consider by setting the direction for how these should be approached and addressed.
- 2.2. The terms of reference seeks to outline:
 - 2.2.1. The Committee’s role and responsibilities;
 - 2.2.2. The requirements for its composition;
 - 2.2.3. Process and, criteria for appointment of any committee members who are not board members;
 - 2.2.4. Meeting procedures;
 - 2.2.5. The Committees delegation of authority to management to promote the Board to exercise independent judgement; and
 - 2.2.6. The Committees role in assist the Board in ensuring the balance of power to effectively discharge its duties.

3. ROLE OF THE COMMITTEE

- 3.1. The Committee’s functions include to assist the Board to discharge its governance responsibilities as they relate to:
 - 3.1.1. design and implementation of the Sanlam Group’s Enterprise Risk Management Framework (ERMF) in manner that supports the Group in achieving its strategic objectives;

- 3.1.2. ensuring compliance in the implementation of the Group's Compliance Framework with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Sanlam being ethical and good corporate citizenship;
- 3.1.3. Ensure that management is deriving value from their use of, and investment in Information and Technology;
- 3.1.4. Consider any other matter that the Committee may deem necessary in the interest of ensuring that it effectively perform its responsibilities;
- 3.1.5. Except as otherwise indicated, the Committee will mainly make recommendations to the Board for the Board's consideration and final approval.

4. RESPONSIBILITIES OF THE COMMITTEE

a) Risk Management

- 4.1. The Committee's functions include to assist the Board to discharge its governance responsibilities as they relate to risk management by:
 - 4.1.1. setting direction for how Sanlam approaches and addresses risk including in respect of consideration of both risk and opportunity associated with Sanlam's strategy, and consideration of potential positive and negative effects of those risks as they relate to achieving Sanlam's strategic objectives; and approving Sanlam policy that articulates and gives effect to the Board's direction on risk;
 - 4.1.2. Treating risk as integral to the way it makes decisions and executes its duties;
 - 4.1.3. Determining risk appetite and levels of risk tolerances and risk limits for Sanlam Ltd and the wider Sanlam group;
 - 4.1.4. To determine and consider the associated risks when capturing opportunities and do so in the best interest of Sanlam, including as they relate to Sanlam's dependence on resources and relationships as represented by the various forms of capital;
 - 4.1.5. Exercise oversight of management's design and implementation of the Sanlam Group ERMF that supports Sanlam in setting and achieving its strategic objectives;
 - 4.1.6. Oversight of management's assessment of risks and opportunities emanating from the triple context in which Sanlam operates and the capitals that Sanlam uses and affects;
 - 4.1.7. Periodic evaluation of the effectiveness of the Group ERMF structure and functions;

- 4.1.8. Oversight of management's design and implementation of appropriate risk responses as it relates to identification of the build-up and concentration of the various risks to which Sanlam Ltd and the wider Sanlam Group is exposed; and the establishment of business continuity arrangements that allow Sanlam to operate under conditions of volatility and to withstand and recover from acute shocks;
 - 4.1.9. identifying and regularly monitoring all material risks to ensure that its decision-making capability and accuracy in its reporting is adequately maintained;
 - 4.1.10. Oversight of management's risk reporting functions and activities, including as relevant to establishing a process for appropriate disclosure of Sanlam's risks and opportunities for its stakeholders;
 - 4.1.11. Facilitate and promote communication between the Board and managing executives, through reporting structures, regarding the effectiveness of the risk management system;
 - 4.1.12. Co-ordinate the monitoring of risk management on a Sanlam Group enterprise wide and individual business unit basis.
- 4.2. Review and assess the effectiveness of business risk management processes in the Sanlam Group including but not limited to:
- 4.2.1. The risk governance structure;
 - 4.2.2. The risk competencies of Sanlam;
 - 4.2.3. The Sanlam Group Risk Appetite statement.
- 4.3. Review Sanlam's risk exposure as it relates to capital, earnings and market consistent value at risk and compliance with Sanlam Group risk policies covering all risks of Sanlam including but not limited to:
- 4.3.1. Strategic Risk;
 - 4.3.2. Market & Credit Risk;
 - 4.3.3. Asset Liability Mismatch Risk;
 - 4.3.4. Insurance Risk;
 - 4.3.5. Insurance Fraud Risk;
 - 4.3.6. Operational Risk;
 - 4.3.7. Compliance Risk;
 - 4.3.8. Information & Information Technology risks;
 - 4.3.9. Environmental and associated Risks;

- 4.3.10. Reputational Risk;
 - 4.3.11. Legal and regulatory Risk;
 - 4.3.12. Market Conduct Risk; and
 - 4.3.13. Funding liquidity Risk.
- 4.4. Review quarterly risk reports submitted to it by the Group Chief Risk Officer and assess the work performed by the Head of Control: Risk function.
 - 4.5. Assess the extent to which management has established effective risk management in the Group by:
 - 4.5.1. Defining, with assistance from executive management, the nature, role, responsibility and authority of the risk management function within the Group, and outlining the scope of risk management work;
 - 4.5.2. Consider reports by executive management on the appointment, performance assessment, remuneration, disciplining and dismissal of the Group Chief Risk Officer;
 - 4.5.3. Perform the fit and proper assessment of the risk management professionals;
 - 4.5.4. Review and recommend for approval to the Board, the risk policies and strategies for the Group;
 - 4.5.5. Review the adequacy and overall effectiveness of the on-going process for identifying, evaluating, monitoring, mitigating and managing the significant risks faced by the Group;
 - 4.5.6. Consider reports by the auditors on the overall risk management process;
 - 4.5.7. Review and discuss the management of material Group risks and whether management is responding appropriately thereto. Ensure that the Group's portfolio of risks and the risk management actions taken by management are in line with the defined risk philosophy and appetite of the Sanlam Ltd Board. Escalate to the Board any specific concerns regarding the exposure to and management of risks;
 - 4.5.8. Review and discuss with Internal and External Audit the alignment of their risk assessments (for audit purposes) with the identified risks of the company.
 - 4.5.9. Monitor external developments including legal and regulatory matters, which may have a significant impact on risk management, and management reporting of emerging risks;

- 4.5.10. Facilitate the communication between the Board, Board committees, Internal Auditors, Compliance and any other parties engaged in risk management activities, including the risk managers of the various Sanlam Clusters and business divisions;
- 4.5.11. Review risk-related actuarial reports (e.g. medical update, reinsurance, etc.);
- 4.5.12. Review and discuss business risks that can influence the Integrated Report and ensure that they are dealt with correctly in the Integrated Report by reporting them to the Audit, Actuarial and Finance Committee;
- 4.5.13. Review the results of the Combined Assurance Model and evaluate areas of risk where no assurance is provided to the Board by Risk Management, Compliance, the Statutory Actuary or the Auditors;
- 4.5.14. Make appropriate recommendations to the Board on whether the nature and size of the risks requires any additional reporting by management or independent assurance;
- 4.5.15. Review the solvency and liquidity position of Sanlam Life and the Group;
- 4.5.16. Review the appropriateness and adequacy of insurance coverage in the Sanlam Group.

b) Compliance Management

- 4.6. The Committee's role and functions include assisting the Board in discharging its responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed in Sanlam and overseeing development of policy, for the Board's approval, that articulates and gives effect to its direction
- 4.7. Exercising ongoing oversight of compliance matters and, in particular, oversee that it results in the following:
 - 4.7.1. Compliance being understood not only for the obligations it creates, but also for the rights and protections it affords;
 - 4.7.2. Compliance management, taking a holistic view of how applicable laws and non-binding rules, codes and standards relate to one another;
 - 4.7.3. Continual monitoring of the regulatory environment and appropriate responses to changes and developments;
 - 4.7.4. Periodic evaluation of the effectiveness of the Sanlam Group's compliance management systems and functions;

- 4.7.5. Define with the assistance from executive management, the nature, role, responsibility and authority of the compliance function within the Group, and outlining the scope of compliance risk management work;
- 4.7.6. Consider reports by executive management on the appointment, performance assessment, remuneration, disciplining and dismissal of the Head of Group Compliance;
- 4.7.7. Perform the fit and proper assessment of the Head of Group Compliance;
- 4.7.8. Review the adequacy and effectiveness of the system of the on-going process of compliance with all relevant laws and regulations within Sanlam and the Group;
- 4.7.9. Review the report by the Company Secretary on statutory compliance, including compliance with the requirements of the Articles of Association/Memorandum of Incorporation;
- 4.7.10. Review reports to regulatory authorities as considered necessary;
- 4.7.11. Monitor the process of regulatory inspections or -visits (where applicable) and address all deficiencies in the final reports with management;
- 4.7.12. Review and recommend for approval to the Board the Financial Crime Combating Policy and related policies of Sanlam and the Group;
- 4.7.13. Consider management's reports on compliance with the Sanlam Group's Code of Ethical Conduct (joint responsibility with the Social, Ethics and Sustainability Committee and the Human Resources Committee); and
- 4.7.14. Consider the quarterly Group Forensic Services report.

c) Information and Technology (IT) Governance

- 4.8. The Committee is the primary Board committee responsible for Information and Technology Governance (IT), ensuring that Management is deriving value from their use of, and investment in IT. This oversight role is to ensure that IT management results in the following:
 - 4.8.1. Integration of people, technologies, information and processes across the Sanlam Group. Integration of technology and information risks into organisation-wide risk management;
 - 4.8.2. Oversee the state of IT Governance across the Group;
 - 4.8.3. Arrangements to provide for business resilience;

- 4.8.4. Proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
 - 4.8.5. Management of the performance of, and the risks pertaining to, third-party and outsourced service providers;
 - 4.8.6. The assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;
 - 4.8.7. The responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
 - 4.8.8. Ethical and responsible use of technology and information;
 - 4.8.9. Compliance with relevant laws.
- 4.9. The Committee shall exercise ongoing oversight on information management and governance to ensure that it result in the following:
- 4.9.1. Leverage of information to sustain and enhance Sanlam's intellectual capital;
 - 4.9.2. An information architecture that supports confidentiality, integrity and availability information;
 - 4.9.3. The protection of privacy of personal information;
 - 4.9.4. The continual monitoring of security of information;
 - 4.9.5. The Group Chief Information Officer will prepare quarterly risk reports to be presented to the Committee.
- 4.10. The Committee shall review and discuss the management of Group information and whether management is responding appropriately thereto. Escalate to the Board any specific concerns regarding the exposure to and management of Group information.
- 4.11. The Committee shall monitor external developments including legal and regulatory matters, which may have a significant impact on how the Group govern its information and report emerging risks related to information governance.
- d) Disclosure of information in relation to its:**
- 4.12. Overall role and associated responsibilities and functions;
 - 4.13. Composition, including each member's qualifications and experience;

- 4.14. A statement on whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with these terms of reference for the reporting period;
- 4.15. Any external advisors or invitees who regularly attend its meetings;
- 4.16. Key areas of focus;
- 4.17. Number of meeting held during the year.

e) Others matters the Committee may reasonably consider:

- 4.18. The effectiveness and results of Sanlam's confidential reporting mechanism and process ("whistleblowing");
- 4.19. Results of management self-assessments of the Risk process;
- 4.20. Oversight of risk and capital management processes;
- 4.21. Oversight of major change projects at Group level.

5. RELATIONSHIP WITH SANLAM GROUP COMPANIES

- 5.1. The Sanlam Limited and Sanlam Life ("Sanlam") Boards have together developed and accepted a Group Governance Framework which sets certain principles to be applied throughout the Sanlam Group in respect of subsidiary and associate companies, partnerships, joint ventures as well as business divisions across statutory entities. This also covers the broader 'tight' governance aspects being:
 - 5.1.1. Business Philosophy, Values and Code of Conduct;
 - 5.1.2. Business Definition / Strategy / Execution;
 - 5.1.3. Structure & Shareholding;
 - 5.1.4. Governance Structures;
 - 5.1.5. Capital Management;
 - 5.1.6. People Management;
 - 5.1.7. Assurance Providers;
 - 5.1.8. Risk Management;
 - 5.1.9. Compliance;
 - 5.1.10. Financial- and other reporting;
 - 5.1.11. Branding and Communication; and
 - 5.1.12. Group Technology and Information (GTI).

- 5.2. Sanlam's interest in Group companies is managed through its representatives on the boards of directors of these companies. The board of directors of each Sanlam Group company has a fiduciary duty towards that specific company, which compels them to manage the business in a manner that will ensure an effective control environment and accurate financial reporting. It is the responsibility of these directors to ensure that the different companies practise proper governance and adhere to the Group's policies and standards. They are required to at least annually inform and report to the Committee any material deviations from Group policies and standards or the existence of any significant risks within these businesses. They may report directly or institute appropriate reporting mechanisms such as the tabling of financial and risk committee minutes, formal written reports by the Financial and Risk committee chairs, or by personal attendance at the meeting.
- 5.3. The Board requires that the Committee provides assurance on a quarterly basis regarding the quality of risk reporting and disclosures, as well as the risk management environment in the Sanlam Group. These aspects are all considered "tight" in terms of the Group Governance Framework and the Committee will therefore from time to time provide guidance or set Group policy through the Sanlam Board in respect of, inter alia:
- 5.3.1. Risk Management Philosophy and Strategy;
 - 5.3.2. Risk Governance structures; and
 - 5.3.3. Acceptable Risk Appetite.

6. RELATIONSHIP WITH OTHER COMMITTEES

- 6.1. The Committee will also provide input to other Board committees in such matters that are relevant to those committees to enable it to perform its responsibilities, in circumstances where aspects of those same matters fall within the scope of responsibility of other Board committees.
- 6.2. The Committee will also ensure appropriate information flows between itself and the Sanlam Customer Interest Committee, to enable it access to any Market Conduct or Treating Customers Fairly related matters and risks.

7. COMMITTEE COMPOSITION

- 7.1. The Sanlam Ltd Board will appoint not less than three directors to be members of the Committee. The Committee members shall compose of executive and non-executive members, with the majority being non-executive members.
- 7.2. The Committee may request any other officer or employee of Sanlam or Sanlam's outside counsel to attend a meeting as invitees of the Committee or to meet with any members of, or consultants to, the Committee. These invitees are usually members of subsidiary committees who attend.

- 7.3. The following people will have a standing invitation to attend the Committee meetings:
- 7.3.1. Chair of the Sanlam Ltd Board;
 - 7.3.2. Group Chief Executive Officer;
 - 7.3.3. Chief Executive Officer (CEO) of Sanlam Life;
 - 7.3.4. CEOs of the various Business Clusters and other Sanlam Exco members;
 - 7.3.5. Chair of Sanlam's Group Ethics Committee;
 - 7.3.6. Group Chief Risk Officer;
 - 7.3.7. Head of Group Risk Management
 - 7.3.8. Head of the Sanlam Life Risk Management Control Function;
 - 7.3.9. Risk Managers of the various business divisions (when issues that affect their businesses are discussed);
 - 7.3.10. Head of Group Compliance;
 - 7.3.11. Head of the Sanlam Life Compliance Control Function;
 - 7.3.12. Chief Actuary of Sanlam;
 - 7.3.13. Statutory Actuary of Sanlam Life
 - 7.3.14. Head of the Sanlam Life Actuarial Control Function;
 - 7.3.15. Chief Audit Executive;
 - 7.3.16. Head: Group Forensic Services;
 - 7.3.17. Head: Group IT;
 - 7.3.18. Engagement Partners of the external Audit firm; and
 - 7.3.19. All Sanlam Ltd Board members may attend Committee meetings.
- 7.4. The Board will appoint the Committee Chair and determine the period for which s/he will hold office.
- 7.5. The Company Secretary of Sanlam Ltd will act as the Secretary to the Committee.

- 7.6. All members of the Committee must be financially literate, and within the membership risk, actuarial and related financial management expertise must be present. Committee members should enhance and maintain their risk, actuarial, legal, IT and accounting knowledge by participating in educational programmes arranged by Sanlam.
- 7.7. Risk, actuarial and financial management expertise is defined as past employment experience in either risk or actuarial or finance, requisite professional certification or any other comparable experience or background, including being or having been a chief executive officer, chief financial officer, chief actuary, chief risk officer or other senior officer with risk or actuarial oversight responsibilities.

8. COMMITTEE AUTHORITY

- 8.1. In discharging its responsibility, the Committee hereby delegate the implementation and execution of effective compliance management to management and will from time to time prepare a list of its specific duties and areas of focus.
- 8.2. The Committee, in carrying out its tasks under these terms of reference, may after consultation with the Chair 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.
- 8.3. The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employee in the Sanlam Group. All employees are expected to co-operate with any request made by the Committee.
- 8.4. The Committee will have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate, provided it is not precluded by legal or regulatory requirements from doing so.

9. MEETINGS

- 9.1. Meetings of the Committee will be held as often as the Chair of the Committee deems to be appropriate; however, the Committee will meet at least four times each year. Further meetings may be called by the Chair of the Committee, as well as by any Committee member or the Group Chief Risk Officer (via the Chair of the Board). Meetings should be organised so that attendance is maximised.
- 9.2. 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.
- 9.3. The quorum for the Committee to transact business will be more than one half of the members of the Committee.

- 9.4. The Committee will conduct its meetings in accordance with an annual Board plan to ensure that it fulfils all of its responsibilities.
- 9.5. Members of the Committee are encouraged to raise and debate alternative viewpoints.
- 9.6. The Committee meeting has the prerogative to, and shall meet separately with management, the Group Chief Risk Officer, the Head of the Sanlam Risk Management Control Function, the Head of the Sanlam Compliance control Function and the External Auditors on a regular basis at executive sessions.
- 9.7. No attendee/invitee shall have a vote at meetings of the Committee.

10. PROCEEDINGS

- 10.1. Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by Sanlam's Memorandum of Incorporation (the "MOI") regulating the meetings and proceedings of directors and committees.
- 10.2. The Committee secretary will take minutes of meetings. Minutes of all meetings, after preliminary approval thereof by the Chair, will be circulated to all the members of the Committee, and may also, if the Chair 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 Chair, obtain copies of the Committee's minutes.
- 10.3. The Chair of the Committee will regularly provide summarised feedback to the Board on the Committee's activities and deliberations. He will also attend the company's AGM to answer questions from shareholders on the Committee's activities.
- 10.4. The Committee must report at least annually to the Sanlam Board on its function, responsibilities and activities. It will include the evaluation of the effectiveness of the Committee and propose amendments (if any) to its Charter.

11. REMUNERATION

- 11.1. 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 Sanlam Memorandum of Incorporation, non-executive members of the Committee may, on the recommendation of the Board, be paid special Committee fees.
- 11.2. Such special Committee fees will be in addition to the annual fees payable to directors.

11.3. 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.

12. PERFORMANCE, EVALUATION AND TRAINING

12.1. The Committee must evaluate its performance each year, having regard to the principles and requirements of its terms of reference and the overall objective of the Committee's work. The Chair of the Committee shall ensure that the results of the assessment of its effectiveness and any proposed changes to its terms of reference are reported to the Board.

12.2. The Committee shall ensure that its members undergo regular training in order to ensure that it effectively perform its responsibilities.

13. REVIEW OF THE CHARTER

These terms of reference will be reviewed annually and be amended as required, subject to the approval of the Board.

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SB/ZM September 2017