

OUR APPROACH TO GOVERNANCE

The Sanlam Board takes its leadership role and contribution to a stable financial system seriously and is committed to supporting financial resilience, well-being, prosperity and inclusion.

The Sanlam Board oversees a group of companies that has been in business for more than a century. Its role includes safeguarding this legacy while ensuring that the Group continues to create value for generations to come. The Board, in executing its fiduciary duties, among other things, remains the accountable custodian of corporate governance. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business. As a result, Sanlam's policies, processes and procedures are controlled and executed according to a structured and formal system. This encompasses managing the expectations of the Group's various stakeholders. These groups include, however are not limited to, those stakeholders who are affected by our business, those stakeholders who could potentially influence how we conduct business, and those stakeholders who have an interest in the Group's actions and how these are being performed.

Key governance milestones and focus areas

The Board held five meetings during 2019, to among others, deliberate strategic matters as well as attend to the execution of the corporate action that had been approved by Sanlam's shareholders on 12 December 2018.

Other focus areas during the year included:

- Implementing the Sanlam Group strategy;
- Reviewing and approving Sanlam's risk appetite statement;
- Reviewing and approving Sanlam's Group own risk and solvency assessment (ORSA) supervisory report. This included assessing the capital targets contained in the ORSA report to be adequate, i.e. given the size, business mix and complexity of the Group's operations;
- Regularly refining combined assurance models (CAMs) for each significant business within the Group;
- Ongoing compliance with and enhancement of the Sanlam Group corporate governance policy framework, including enhancing governance and compliance practices implemented across the Group. This included the recruitment of new independent non-executive directors to the Board, while taking cognisance of the recommendations made by shareholders and the Prudential Authority as well as in accordance with the JSE's diversity criteria;
- Ongoing adherence to the Group Information management and information technology (IIT) governance framework and charter, as well as the IIT policy framework;
- Evaluating the independent status of Sanlam's directors in accordance with King IV™ independent criteria and other indicators, and on a substance-over-form basis; and
- Proposing candidates for the Sanlam Audit, Actuarial and Finance committee to be elected by shareholders at the AGM held in June 2019. This process will be repeated in 2020 as members are elected annually at the AGM.

Areas considered for improved disclosure in the annual reporting suite for 2019 include:

- integrating Sanlam's resilience factors into the annual reporting suite;
- presenting Sanlam's remuneration report to shareholders to enable them to so that they could cast a non-binding advisory vote on the Company's remuneration policy; and
- updating the disclosure in the remuneration report in line with developing best practice.

Our Sanlam Group Business Philosophy

The Board's approach to ethical and effective leadership is directed by the Sanlam Group Business Philosophy. It explains in detail how the Group acts and conducts its business as a single entity and at the same time, positions the Group as "One Brand". It includes a summary of Sanlam's culture, its values and responsibilities, thereby encapsulating the way in which it does business and allocates resources. The Group Business Philosophy is underpinned by the Group's Code of Ethical Conduct which in turn, underpins Sanlam's core values.

Synopsis of the Group Business Philosophy elements

An entrepreneurial culture	We have an "owner-manager" culture, which is underwritten by the key concepts of entrepreneurship, empowerment and accountability. Sanlam attracts, recruits, supports and develops entrepreneurial and "intrapreneurial" self-starters who have a passion for what they do. We empower them, hold them accountable and reward them appropriately.
Traditional values	The essence of our culture is captured in traditional values such as honesty, hard-working, ethical behaviour, commitment, innovation, stakeholder value and strong ties with business partners.
Innovation	To attract and retain clients, Sanlam provides innovative financial solutions along the full extent of the wealth creation, management and protection value chain. To develop these solutions, we invest in and value diversity in our people, particularly for their contribution to innovative thinking.
Stakeholder value	We only seek win-win relationships with stakeholders, characterised by traditional values that follow the spirit of mutual intent rather than the letter of agreements.
Strong ties with business partners	We seek long-term, mutually beneficial relationships with business partners. When acquiring new businesses, Sanlam's general preference is for majority equity control.
Client-centricity	To generate revenue, a loyal and satisfied client base is of pivotal importance. This includes a value proposition that incorporates tailored financial product and service offerings, continuous appropriate advice delivery and an omni-channel presence. One of the fundamental underlying principles informing our approach to clients is based on the Treating Customers Fairly (TCF) regulatory framework.
Solution-oriented	We provide innovative financial solutions along the full extent of the wealth creation, management and protection value chain. Effective services, product development and pricing, distribution and branding can only occur if they serve the needs of the selected target market.
Business responsibility (federal model)	The five clusters are largely autonomous in their management of the business units within a framework of tight principles. The culture is one of "owner-manager", with synergy and co-operation among the clusters being maintained and supported by the Group Office combined with market and environment-related checks and balances. Interdependence and collaboration are clearly understood in the effort to generate maximum sustainable value and return on capital employed.

Governance in all markets

To support and develop mature governance and ethics structures and processes in all the markets where Sanlam operates, all companies across the Group are expected to adhere to and confirm compliance with Sanlam's governance principles in an annual representation letter from their respective boards addressed to the appropriate Sanlam governance structures. In addition, the Group continuously reviews and assesses the maturity of the risk management processes across the Group. There continues to be a strong focus on increasing the awareness, capacity and knowledge among Group entities.

King IV™ status

The Board is satisfied with the effort made, during 2019, to apply and explain all aspects of King IV™, as appropriate. The Risk and Compliance, the Audit, Actuarial and Finance, the Human Resources and Remuneration, and the Social, Ethics and Sustainability committees are all satisfied that Sanlam has complied with the King IV™ principles during 2019. Appropriate actions, where required, are being implemented to ensure continued adherence to the obligations placed upon the Group in this regard. The Group regularly assesses its compliance levels to ensure that all areas requiring improvement have been appropriately identified and addressed.

A register with a summary of the 17 principles that includes Sanlam's response to each principle is available on the Sanlam investor relations website.

Information management and Information technology (IT) governance

The Board exercises oversight and directs the strategic and operational use of technology and information. The Board's IT governance approach is complemented by the strengths of the federal business model of the Group by delegating IT decision-making to the appropriate cluster and/or business boards. In this way the Board directs the strategic and operational use and management of IT to ensure that benefits are realised in the clusters and businesses within an acceptable and articulated level of risk. IT governance capacity and awareness are continuously supported by the Board and management structures within the clusters and businesses.

The Group made a concerted effort to ensure that it adhered to the applicable suite of governance requirements outlined in the following legislation, among others:

- The Companies Act, 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements, as amended
- The Prudential Standards and Framework for Governance and Operational Standards for insurers

In the dynamic process of evolving and assessing the effectiveness of our governance approach and structures, we also consider the criteria used by the following:

- FTSE/JSE Responsible Investment Index Series
- Dow Jones Sustainability Index
- ISS-oekom corporate rating

The Sanlam Group has made commitments in terms of the following:

- Investor member of the CDP (formerly the Carbon Disclosure Project)
- Signatory to the Principles for Responsible Investments
- Signatory to the Principles for Sustainable Insurance
- Member of ClimateWise
- A partnership with WWF-SA

Following the release of King IV™, the SES committee charter was updated to align with the recommended practices of the King Code. These include assisting the Board with responsible investment (such as the promotion of good governance and value creation in all entities in which Sanlam invests).

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

Examples of responsible investment include investing in support of economic growth and financial stability (funding provided to government and private enterprises, as well as liquidity provided to the banking system).

SIG subscribed to the Code for Responsible Investing in South Africa (CRISA) in 2011 and is committed to integrating the following five principles into its investment approach. In addition, SIG subscribes to the United Nations Principles for Responsible Investments (UNPRI), upon which CRISA is based. SIG annually assesses its policy framework and implementation against the CRISA principles to compare its progress with that of its international peers.

Read more about responsible investment in the sustainability portal of the Sanlam investor relations website.

Board transactions and independence

Appropriate measures have been put in place to ensure that good governance practices are applied in related-party dealings and to issues relating to conflicts of interest or perceived conflicts of interest related to the non-executive directors. These include:

- To ensure best practice in managing conflicts of interests, the Sanlam Board constituted an Independent Non-Executive Directors committee. This committee specifically evaluates matters relating to independence and conflicts of interests in related-party transactions within Sanlam. The committee is chaired by Sipho Nkosi who also functions as the Group's lead independent director (LID).
- As part of its annual independent Board evaluation process, which is conducted by an external service provider, the Board implemented a best practice recommendation to formulate a Board criteria document to manage the potential conflicts of interest that might arise in dealings between all interested and related parties within Sanlam, including Ubuntu-Botho (UB) and African Rainbow Capital (ARC). The intention of the criteria document was to ensure that the Sanlam Board remains independent without any favouritism to any other party. After the appointment of Dr Johan van Zyl as Chair of the Board in 2017, the Board added certain governance principles to the Board criteria document. These are being reviewed on an annual basis by the Nominations committee and are of particular importance when the Board, with the assistance and guidance of the Nominations committee, considers new appointments to the Board as well as for the purposes of succession planning being applied at Board level.
- All conflicted directors recuse themselves from all Board deliberations relating to any conflicts or perceived conflicts of interest matters at the Sanlam Board or committee meetings.

On 12 December 2018, a (AGM) was held to obtain the necessary shareholder approval to implement a corporate action with related parties, specifically Ubuntu-Botho Investments (UBI). Pursuant to this corporate action, Sanlam received some recommendations on refining its governance at Board level. The Board takes cognisance of these recommendations and remains committed to continuous improvement in its governance practices.

Specifically, the Board agreed to implement the following three steps from 2019 to lift the level of governance and to allow shareholders to better express their opinions:

- Two new independent non-executive directors (Andrew Birrell and Elias Masilela) were appointed to the Board during 2019 with a further independent non-executive appointment (Kobus Möller) effective from 1 January 2020. These appointments were part of a rigorous process adopted to strengthen the independence of the Board. In 2018, the Board already appointed two new independent non executive directors (Mathukana Mokoka and Shirley Zinn), who joined the Board during the 2018 financial year. The five new directors replace some recent Board retirees and should serve the Board well for the foreseeable future.
- The Board will in future provide more detail on the independence assessments done by the Board in respect of each non-executive Board member, including the reasons why the Board is of the opinion that a specific Board member should continue to serve on the Board – either as an independent or a non-independent member.
- The Board has agreed that in future, shareholders will be able to vote annually on the continued Board membership of all independent non-executive directors being on the Board for more than nine years, as well as in the case where the non independent director is the Board Chair.

THE BOARDS OF SANLAM AND SANLAM LIFE

Sanlam Limited (Sanlam) is the holding company with a primary listing on the JSE, a secondary listing on the NSX and a listing on A2X. Sanlam Life Insurance Limited (Sanlam Life) is a wholly owned subsidiary of Sanlam Limited and conducts mainly life insurance business. In practice, the two boards function as an integrated unit, as far as possible. Both boards have the same directors, Chairs, executive directors and Group Chief Executive.

The Sanlam and Sanlam Life board meetings are combined and held concurrently, thereby removing one layer of discussions in the decision-making process. This promotes the productivity and efficiency of the two boards, reduces effort and optimises the flow of information.

The Sanlam Board	The Sanlam Life Board
<p>The Board's agenda centres largely on Group strategy, the execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE Listings Requirements and corporate governance throughout the Group. The Board is also responsible for overseeing the relationship with key stakeholders of the Group. The Board has the following committees:</p> <ul style="list-style-type: none"> • Audit, Actuarial and Finance • Risk and Compliance • Human Resources and Remuneration • Nominations • Non-Executive Directors • Customer Interest • Social, Ethics and Sustainability • Independent Non-Executive Directors 	<p>The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, and ensuring compliance with the requirements set out in the Prudential Standards under the Insurance Act, 18 of 2017 (Insurance Act).</p> <p>The responsibility for managing all Sanlam's direct subsidiaries was formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following committees:</p> <ul style="list-style-type: none"> • Audit, Actuarial and Finance • Risk and Compliance • Human Resources and Remuneration • Customer Interest

Sanlam Limited Board

Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Nominations	Non-Executive Directors	Customer Interest	Social, Ethics and Sustainability	Independent Non-Executive Directors
------------------------------	---------------------	----------------------------------	-------------	-------------------------	-------------------	-----------------------------------	-------------------------------------

Sanlam Group Executive committee

Five business clusters supported by a Group Office



Cluster boards and committees

Sanlam's decentralised business approach requires that each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to endorse the spirit and principles of King IV™ by putting measures in place to ensure good corporate governance business practices. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, aimed at ensuring a coherent and consistent application of the Group's governance approach across the businesses.

Key facts about Sanlam's Board of directors at 31 December 2019

16 Board members

5 years 9 months average tenure as a Board member

10 years 3 months of collective Board experience

58 average age of Board members

11 male Board members

5 black female Board members

5 average other board memberships

4 black male Board members

5 Board meetings in 2019

3 newly appointed Board members in 2019

96% attendance at Board meetings

3 non-executive Board members (not independent)

7 Board committees

9 independent Board members

4 executive Board members

Board composition

The Nominations committee follows a formal process to review the balance, effectiveness and diversity of the Board and its committees. It identifies the skills required and, in a fair and thorough manner, those individuals that could provide the requisite skills. The Nominations committee also considers the annual commitments of potential directors and whether each director will have sufficient time to fulfil his/her responsibilities as director of the Sanlam Board. If the Nominations committee is of the view that a director is overcommitted or has an unmanageable conflict of interest, the Chair will meet with that director to discuss the resolution of the matter to the satisfaction of the committee.

Board diversity

Sanlam recognises and embraces the benefits of a diverse Board. Targets to increase the number of female Board members are set and reviewed every year by the Nominations committee and recommended to the Board. The target that was set for the 2019 financial year was women had to represent 35% of the Board members at year-end. Non-executive and executive directorships were included in the mentioned diversity targets.

Following a rigorous process, the Sanlam Board made notable progress in attracting and appointing astute talent and expertise by appointing Andrew Birrell and Elias Masilela.

The targets set for the 2020 financial year include maintaining the Group's current performance and retaining the existing talent that had been attracted and appointed to the Board during 2019. The objective remains to continuously improve on and enhance the Group's key transformation and diversity deliverables.

Board independence

The independence of each non-executive director is reviewed annually. Their independence in character and judgement, as well as the presence of any relationships or circumstances which are likely to affect, or could appear to affect, their objectivity, are taken into consideration. Each director has the opportunity to declare any interests that might occur at each Board meeting. This is documented, and the relevant director is recused from the meeting. Based on the recommendation of the Nominations committee, the Board is comfortable that each of the non-executive directors met the requisite fit and proper requirements which include the criteria for independence. This assertion, however, excludes Patrice Motsepe, Rejoice Simelane and Johan van Zyl, owing to their involvement in UB. Ian Kirk, Heinie Werth, Jeanett Modise and Temba Mvusi are executive directors. Anton Botha and Siphon Nkosi are long-standing members of the Board. However, due to their tenure, the Board has agreed to retain them as Board members, however, recognised them as non-independent with effect from 10 June 2020.

As at 31 December 2019, the status of Dr Johan van Zyl as the Chair of the Board was evaluated as not independent, as defined by King IV™ and the JSE Listings Requirements. The Board considered this governance deviation but agreed that

Dr Johan van Zyl's long-term association with Sanlam, combined with his industry experience and expertise, were all factors that were paramount in ensuring that he adds value to the Board as well as the Group's future growth.

In promoting good governance and to continuously evaluate the Board's performance and effectiveness in executing its governance responsibility, the Board appointed a lead independent director and established an Independent Non-executive Directors committee as a committee of the Board.

The lead independent director serves as a sounding board for the Chair and acts as an intermediary between the Chair and other members of the Board, if and when necessary.

Shareholders were informed at the Sanlam AGM in June 2019 that Dr Johan van Zyl had indicated that he would be stepping down as Chair at the AGM, scheduled for 10 June 2020. A key item on the Nominations and Board committee agenda in 2019 has been to identify a suitable successor as Chair. As part of the Group's commitment to sound corporate governance practices, including transparency, the Prudential Authority has been receiving frequent updates regarding the process followed in this regard as well as progress made over time.

Changes to the Board in 2019

The following directors were appointed to the Board:

- Andrew Birrell (effective 1 September 2019) – independent non-executive director;
- Elias Masilela (effective 1 October 2019, however, his Board participation commenced 3 December 2019) – independent non-executive director;
- Jeanett Modise (effective 1 September 2019) – executive director; and
- Kobus Möller (effective 1 January 2020) – independent non-executive director.

In addition, Heinie Werth stepped down as the Group's Financial Director (effective 1 August 2019) to assume his new role as Chief Executive Officer at one of the largest business clusters within the Sanlam Group, namely Sanlam Emerging Markets. He, however, remained serving on the Board in his capacity as an executive director. In the interim, Wikus Olivier was appointed as interim Chief Financial Officer (CFO) until such time when the Group has finalised the recruitment of the Financial Director's successor. A SENS announcement had been issued in this regard during July 2019, in order to inform shareholders of the aforesaid development. The JSE has confirmed the interim CFO position until 30 June 2020.

Board evaluation

Every year, a Board effectiveness evaluation is conducted under the auspices of the Nominations committee and in consultation with the Chair. The objective is to determine ways to improve the Board's effectiveness. These assessments are transparent and documented. The Board Chair's own performance is appraised by the Board under the direction of the LID. The Nominations committee considers the results of the evaluation process and makes recommendations to the Board where deemed appropriate. During the 2019 financial year, this assessment was performed with the assistance of an external service provider – the Institute of Directors in South Africa NPC (IoDSA). The evaluation (which was a combination of a detailed questionnaire and interviews being held) confirmed that the Board and its committees, were functioning effectively and that there were no material matters to report. Each committee has a standing agenda point on training to ensure that all members are able to execute their fiduciary duties effectively and efficiently.

The Board is satisfied that its current composition as at the end of the reporting cycle reflects an appropriate mix of knowledge, skills, experience and diversity. The Board has the necessary comfort that appropriate measures are in place to ensure its independence. As per the JSE's Listings Requirements amendments that were published in November 2019, the Board (with the assistance of the Nominations committee), initiated a process to ensure compliance with the requisite requirements pertaining to the composition of the Board and in particular the diversity of same. This included amending the Nominations committee's charter as part of its annual review, to ensure alignment.

Key future focus areas for the Board














In the next financial year, the Board will pay particular attention to the following:

- addressing the perceived lack of independence of some Board members through a range of initiatives;
- enhancing sound corporate governance practices across the Group as well as adopting a heightened approach to compliance risk management;
- improving the Group Chief Executive and Group Financial Director succession processes to be more granular, based on key competencies and aligned to Sanlam's transformation agenda; and
- maintaining a focus on being agile and innovative in a world of business where technology, disintermediation and fast-changing client behaviour affect culture and risk management.












OUR LEADERSHIP TEAM

The full profiles of our Board members, including their date of appointment, age, skills and expertise are available on the investor relations website. Below are the Board members as at 31 December 2019 with their independence status and membership of the respective Sanlam Board committees.

The Board members recognise their responsibility to exercise effective leadership by - collectively and individually - adhering to their fiduciary duties at all times.

Johan van Zyl 	Patrice Motsepe 	
Ian Kirk	Heinie Werth	
Anton Botha 	Andrew Birrell 	Paul Hanratty 
Mathukana Mokoka 	Temba Mvusi 	Sipho Nkosi 
Karabo T Nondumo 	Rejoice V Simelane 	Chris Swanepoel 
Jeanett Modise	Shirley Zinn 	Elias Masilela 

Key

- | | | |
|--|---|---|
|  Audit, Actuarial and Finance |  Social, Ethics and Sustainability |  Non-executive |
|  Risk and Compliance |  Customer Interest |  Executive |
|  Human Resources and Remuneration |  Nominations |  Independent |
|  Non-Executive | |  Committee chair |

OUR APPROACH TO REMUNERATION

The Sanlam Limited Board of directors (Board) has responsibility for the governance of remuneration in the Sanlam Group. The GHRRC is mandated by the Board to ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.

Sanlam's remuneration philosophy and policy support the Group strategy by incentivising the behaviour required to meet and exceed predetermined strategic goals. Both short and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. The remuneration philosophy is therefore an integral part of Sanlam's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Steps are also taken to ensure alignment with the applicable regulatory and governance requirements in each of the countries in which Sanlam operates. In South Africa, those specifically include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act) and King IV™, while also conforming to the remuneration principles contained in the Codes of Good Practice which support employment equity legislation.

Sanlam is the sole or part owner of a number of subsidiaries, joint ventures and associates. While compliance with the Sanlam Group remuneration strategy and policy is primarily targeted at operating subsidiaries, Sanlam will use its influence to encourage the application of sound remuneration practices in those businesses where it does not hold a controlling interest. In businesses outside South Africa, where the Group remuneration policy is in conflict with local statutes or regulations, the local standards will apply.

During 2019, the GHRRC considered and where applicable approved the following matters:

- ⤵ Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards
- ⤵ Refinements to the Sanlam malus and clawback policy and principles
- ⤵ Benchmarking of Sanlam executive directors and members of the Executive committee's remuneration against a suitable market
- ⤵ Benchmarking of Sanlam non-executive directors' remuneration against best practice and available market information and recommending increases to be considered by shareholders at the AGM for the 2019/2020 fees
- ⤵ Review of Sanlam's remuneration policy and practices in South Africa against prudential standards, King IV™, applicable governance principles and market best practice
- ⤵ The remuneration design of heads of control functions and persons whose actions may have a material impact on the Group's risk exposure
- ⤵ The appointment of Group Executive committee members (internal and external appointments) and the ratification of the appointment of certain executive employees
- ⤵ STI and LTI awards to Executive committee members
- ⤵ STI measures achieved for the accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs
- ⤵ Findings and analysis on gender pay equity across all levels in the Group and appropriate actions in this regard
- ⤵ Measures to support existing strategies to correct the under-representation of black people at the executive and senior management levels in the Group
- ⤵ The work and decisions of other Sanlam Group companies' human resources (HR) and remuneration committees and approval of overall mandates on remuneration increases and variable remuneration (short and long term) per the delegation of authority framework

Shareholder engagement on remuneration

At the 2019 annual general meeting (AGM) (relating to the 2018 financial year) our remuneration policy received a positive vote of **98,35%**, while our implementation report received a positive vote of **93%**.

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

Shareholder voting results at AGM from 2016 to 2018

	For	Against
AGM in respect of 2018 remuneration policy	98,35%	1,65%
AGM in respect of 2018 implementation report	93%	7%
AGM in respect of 2017 remuneration policy	94,67%	5,33%
AGM in respect of 2017 implementation report	71,52%	28,48%
AGM in respect of 2016 remuneration report (one vote)	95,91%	4,09%

In 2019 our remuneration policy remained largely unchanged, apart from some enhancements to the performance conditions applicable to Performance Deferred Share Plans (PDSPs) and Restricted Share Plans (RSPs). The amendments were informed by a detailed review of market best practice and we proactively consulted with a selection of shareholders and other stakeholders on the changes.

Our approach to this year's reporting is to highlight the changes to the remuneration policy, the rationale therefore and to provide an indication of focus areas for 2020.

Our approach to engagement

In terms of our approach to ongoing shareholder dialogue, we proactively engaged with a selection of shareholders on the material changes to the design of performance conditions by way of individual conversations during the 2019 year.

Our general approach to shareholder consultation is:

- The GHRRC welcomes engagement with shareholders and encourages shareholders to put their ideas to the GHRRC.
- Once shareholders have had time to study the Remuneration Report we would appreciate feedback, preferably in writing. The GHRRC chair will then respond to queries and input from shareholders in writing and he will be available for a discussion in this regard.
- If shareholders would like to make suggestions or provide input to the GHRRC at other times during the year, it will be appreciated and will be handled in the same manner as set out above.

The feedback received from shareholders on the 2019 policy changes was positive. We commit to ongoing transparent shareholder dialogue on all material remuneration matters.

For the 2020 AGM the remuneration policy and the implementation report of the Remuneration Report will be tabled separately for non-binding advisory votes by shareholders. In the event that either or both the policy or implementation report are voted against by 25% or more of the voting rights exercised, the ongoing engagement process as outlined herein will be followed.

KEY POLICY CHANGES

The design of performance conditions for PDSPs and RSPs was amended in 2019 as follows:

Changes to performance conditions	Rationale
<p>Moving from actual Return on Group Equity Value (RoGEV) to adjusted RoGEV</p>	<p>It is accepted as a sound principle that the Group Human Resources and Remuneration committee (GHRRC) should have discretion to ensure that unintended consequences of remuneration design are addressed for a fair outcome to all stakeholders. This discretion also exists for long-term incentives and the performance conditions attached thereto. It is important that discretion be applied consistently and within disclosed parameters.</p> <p>Typically, events that warrant discretion being applied are those items included in the Company's calculations to adjust actual RoGEV in order to get to the reported adjusted RoGEV (for example, interest rate, exchange rate and equity market volatility and changes in tax legislation). Therefore, a move from actual RoGEV to adjusted RoGEV will ensure consistency, be more transparent and makes commercial sense. This approach is also supported by market benchmarking and in line with the approach followed by competitor companies.</p> <p>The cost of capital (CoC) hurdle for adjusted RoGEV was also increased in 2019 to create more stretch. See page 16 of our online Remuneration Report where detailed performance conditions are disclosed as part of the 2019 remuneration policy.</p> <p>The principle of GHRRC discretion remains, but is expected to have limited application as most extraordinary events outside of management's control are already adjusted for in determining adjusted RoGEV.</p>
<p>Additional performance condition: dividend growth</p>	<p>Historically RoGEV was the only financial hurdle against which performance was measured for vesting (in addition to individual performance hurdles). As this is the key strategic metric for Sanlam, it remains the most prominent condition, however, dividend growth was introduced as an additional condition. Dividend growth is a good balance to RoGEV as a measure of the efficiency of our cash flow generation and is also an important part of Sanlam's investor value proposition.</p> <p>The weighting between the financial performance conditions for PDSPs and performance RSPs is as follows:</p> <ul style="list-style-type: none"> ➤ Group RoGEV (70%) ➤ Group dividend growth (30%) <p>PDSPs awarded to employees with long-term incentive (LTI) multiples (in total) exceeding 175% of total guaranteed package (TGP) carry a cluster RoGEV condition as well.</p> <p>See page 16 of our online Remuneration Report for detail in respect of the 2019 performance conditions.</p>
<p>Linear vesting between hurdles (setting threshold and target performance levels)</p>	<p>To address the risk of "hit or miss" vesting where categories of PDSPs and performance RSPs only have one target, the principle of linear vesting between threshold and target hurdles for each category of performance hurdles was introduced. Therefore, for each category and type of PDSP and for performance RSPs there will be a minimum threshold level of performance (which will result in 50% vesting) and a target level of performance (which will result in 100% vesting).</p> <p>For detail in respect of the 2019 hurdles in terms of types of performance shares, types of performance conditions, weighting, minimum (threshold) and maximum (target) performance levels and the vesting percentage at the performance achieved refer to page 16 and page 28 of our online Remuneration Report.</p>

REMUNERATION OVERVIEW

Design principles

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 Sanlam 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 sustainability 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 (and, where applicable, minority shareholders in subsidiaries);
 - the interests of other stakeholders (for example, employment equity, client service, the community);
 - sustainable performance of Sanlam as a whole;
 - the performance of any region, business unit or support function; and
 - the employee's own contribution.
- **Consistency and fairness:** The reward philosophy strives to provide a framework that encourages consistency, but allows for differentiation where it is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet Sanlam's objectives and ensure its sustainability over the long term.
- **Shared participation in relevant components of remuneration:** Employee identification with the success of Sanlam is important owing to the fact that it is directly linked to both Sanlam's and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to Sanlam, and, in particular, for achieving excellent performance and results, in relation to Sanlam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.

- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and Sanlam's strategic objectives is understood by all employees.
- **Market information:** Accurate and up-to-date market information and information on best practice are crucial factors in determining the quantum of the remuneration packages.
- **Malus and clawback:** Where defined trigger events take place provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Sanlam Group malus and clawback policy, which is a related policy to this Group remuneration policy and these provisions will be incorporated in relevant remuneration governance documents/rules.

For Sanlam to remain competitive, remuneration policies and practices are evaluated regularly against both local and international remuneration best practice and governance frameworks, most notably King IV™ and the Prudential Standards.

Sanlam's remuneration components

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package (TGP)	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
STIs (annual bonus)	Creates a high-performance culture through a cash bonus in relation to performance against predetermined outputs	Annual, based on 12-month (financial year) performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and predetermined performance hurdles for business and individual/strategic targets Cash settlement generally capped at 200% of TGP In certain businesses deferral principles apply
LTIs	Alignment with shareholder interests	Annual awards vesting in tranches in years 3 (40%), 4 (30%) and 5 (30%) Some legacy awards may vest up to 6 years	Upon satisfaction of financial performance hurdles as well as individual/strategic performance measures

Key 2019 remuneration facts

Sanlam delivered a satisfactory performance during the 2019 financial year, despite many headwinds. All of the targets set for 2019 were, however, not met given the challenging operating environment, with a particular underperformance in adjusted RoGEV. This resulted in a weighted average bonus achievement of 92,8% (2018: 114,3%) at a Group level.

For the year ended 31 December 2019 the following long-term incentive allocations were made:

- 4 513 920 shares (2018: 3 978 478) were made to 916 participants (2018: 915) under the Deferred Share Plan (DSP).
- 1 215 891 shares (2018: 1 517 182) were made to 215 participants (2018: 237) under the Performance Deferred Share Plan (PDSP).
- 433 037 shares (2018: 390 433) were made to 20 participants (2018: 18) under the Restricted Share Plan (RSP).

Minimum shareholding requirement (MSR)

To encourage alignment between executive and shareholder interests, Sanlam applies a minimum shareholding policy to all current and future members of the Sanlam Executive committee defined as prescribed officers, including Sanlam executive directors (participating executives). In terms of these arrangements, the following minimum shareholding levels, expressed as a percentage of annual TGP, must be reached by the later of 31 December 2021 or within six years from the date of appointment of a participating executive:

Group Chief Executive	175%
Financial Director	125%
Business executives	100%
Support executives (with business responsibilities)	75%
Support executives	50%

Participating executives are required to maintain the target shareholding throughout their tenure with the Group. Unvested shares under any LTI arrangement will not be taken into account when assessing compliance with the MSR policy.

REMUNERATION OVERVIEW (continued)

Linking remuneration to strategy execution

Sanlam operates four long-term incentive plans. Measurements for all plans are linked to the four strategic pillars. The Exco members' scorecards contain strategic targets and outcomes to drive execution. Due to their roles and line of sight, the performance scorecards contain financial targets as well as other strategic targets. However, generally, financial targets comprise the majority of performance scorecard metrics. The Group Exco members have the following financial and strategic metrics for vesting of long-term incentives.

Strategic measures supporting Group business strategy		Heinie Werth Financial Director	Heinie Werth CE: SEM	Anton Gildenhuys	Lizé Lambrechts	Temba Mvusi	Robert Roux	Jurie Strydom	Junior Ngulube	Thinus Alsworth-Elvey	Jeanett Modise	Sydney Mbhele	Wikus Olivier
Weighting	Ian Kirk												
>20% - 35% ⁽¹⁾													
Cost efficiencies/optimisation	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Growth and diversification	✓	✓	✓		✓	✓	✓	✓	✓	✓			✓
Strategic partnerships	✓	✓	✓			✓		✓	✓	✓			
Transformation and sustainability factors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leadership and collaboration	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance and risk management	✓	✓	✓	✓							✓	✓	✓
Regulatory strategy				✓									✓
Balance sheet management ⁽²⁾				✓									
Advanced analytics				✓									
New products and channels/effective distribution channels			✓					✓					
Actuarial compliance				✓									
Treating Customers Fairly (TCF)			✓		✓	✓	✓	✓	✓	✓			
Brand and marketing												✓	

⁽¹⁾ Chief actuary and risk officer have 100% weighting to strategic objectives due to the role. The Chief Executives of HR and Brand and the Interim Chief Financial Officer have 50% exposure to these metrics.

⁽²⁾ Includes elements of embedded value enhancements.

Future areas of focus

In 2020 the GHRRC will focus on a holistic review of variable remuneration design for Executive committee members, including cash bonuses, deferral mechanisms, types and levels of long-term incentive awards and risk alignment.

The review will be based on market best practice and will support performance outcomes and long-term value creation. Sanlam's approach to remuneration remains focused on long-term value creation for all stakeholders.

Sanlam's human capital risks and the actions to address these are reported on page 133. The most significant of these being specialised and experienced employees experiencing excessive work pressure due to a range of factors, including scarcity of these specialist resources, expansion demands, increased regulatory pressure, new roles etc. The impact of specialist skilled employees emigrating from South Africa also negatively affected Sanlam in 2019. Working towards an inclusive demographic employee profile at management level, from a race and gender perspective, remains a key priority and a risk if not addressed adequately.

We are addressing these risks through an integrated approach, which includes a Group-wide approach to talent to attract, develop, motivate and retain top talent. This is supported by fit for purpose learning and development plans, a consistent and standardised performance and goals approach and fit-for-purpose remuneration philosophies in the businesses and from a Group level. An enabler for this is SuccessFactors, which is a cloud-based, human capital management solution.

We will present our remuneration policy and implementation report (as set out in our full Remuneration Report available online) at the upcoming AGM to be held on 10 June 2020. We trust it will be met with your voting support.

Our commitment to ongoing consultation on an individual shareholder level is confirmed and the GHRRC welcomes any feedback or input from shareholders and other stakeholders throughout the year.