

Remuneration,
governance
and
King IV™



Remuneration, governance and King IV™

Remuneration based on performance

The Sanlam Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees is inextricably linked to the attraction, development and retention of top-level talent and human capital within the Group.

Given the current economic climate, changes in regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are in place 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.

In applying the remuneration philosophy, 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);

- 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 be both consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is required to be fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is, however, 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:** 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 trends is a crucial factor in determining the quantum of the remuneration packages.
- **Clawback and malus:** Where performance achievements are subsequently found to have been significantly misstated so that the bonuses and other incentives should not have been paid, provision is made for redress through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture).

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

Sanlam's remuneration philosophy and policy align the strategic pillars with organisational behaviours. Short and long-term strategic objectives are measured and rewarded to mitigate excessive risk-taking, and provide a balance between long-term sustainable growth and short-term performance.

The annual bonus targets at a Group and cluster level incorporate financial and non-financial performance measures that are directly linked to the Group strategy and key performance indicators. These include net result from financial services, VNB, RoGEV and employment equity. At a cluster level, the specific performance targets and relative weighting is determined per cluster, based on the cluster's specific strategic initiatives.

The vesting of long-term incentives is also directly linked to strategic key performance indicators that support sustainable performance, and ensure full alignment with shareholders. Remuneration components for the Group Chief Executive and Group Financial Director are illustrated in the online Remuneration Report, indicating the linkages to strategic KPIs. Performance hurdles are set relative to all strategic pillars as well as the resilience themes.



Read more about short- and long-term incentives for members of the Executive committee in the Remuneration Report online.

Understanding our governance approach

Sanlam has a comprehensive and entrenched governance system and approach that enables sustainable value creation for stakeholders. At the core is the trust that our material stakeholders place in Sanlam to uphold the highest level of integrity and ethical conduct, guided by:

- Sanlam’s Code of Ethical Conduct, which embodies our core values
- The Sanlam Way, which defines our values and behaviours
- The Sanlam Business Philosophy, which sets out the most appropriate approach for implementing our strategy

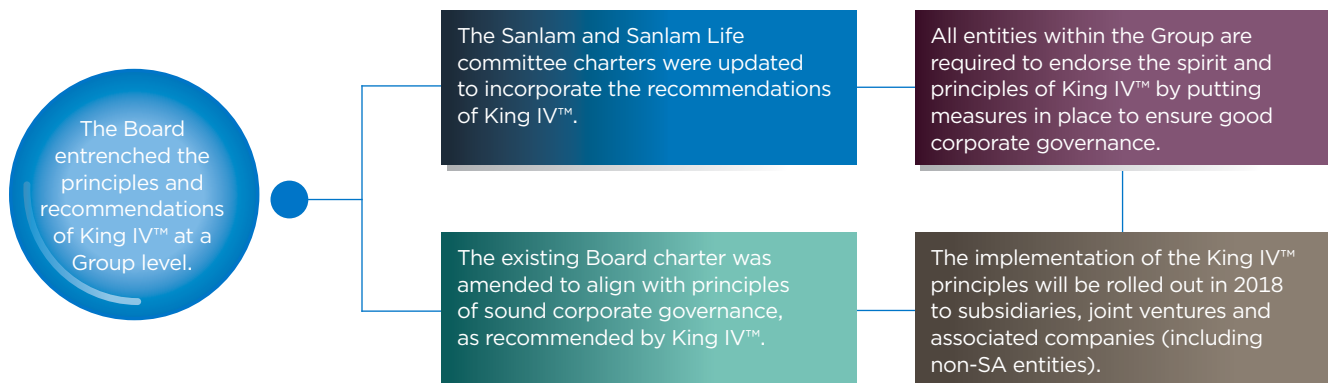


Read more about our governance approach in the Governance Report available online.

Governance focus areas during 2017

- Appointment of Johan van Zyl as Chairman after Desmond Smith’s retirement
- Appointment of Paul Hanratty to the Board and as Chairman of the Audit, Actuarial and Finance committee
- Ongoing compliance with and enhancement of the Sanlam Group Corporate Governance Policy Framework
- Presentation of Sanlam’s Remuneration Report to our shareholders, thereby enabling them to cast a non-binding advisory vote on the Remuneration Policy. The disclosure in the 2017 Remuneration Report was updated in line with developing best practice.
- Annual evaluation of the independent status of Sanlam’s directors in accordance with King IV™
- Election of members of the Sanlam Audit, Actuarial and Finance committee by shareholders at the annual general meeting (AGM) held in June 2017. This process will be repeated in 2018 as members are elected annually at the AGM.
- Annual review and approval of Sanlam’s risk appetite statement
- Regular refinement of combined assurance models for each significant business within the Group
- Ongoing adherence to the Group IT Governance Framework and Charter as well as the IT Policy Framework

From King III to King IV™



Board structures



SANLAM BOARD Committees			
Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Nominations
Non-executive directors	Customer Interest	Social, Ethics and Sustainability	Independent non-executive

The Sanlam Board focuses largely on strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, client issues, JSE requirements and corporate governance. It is also responsible for overseeing our stakeholder relationships.

SANLAM LIFE BOARD Committees			
Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Customer Interest

The Sanlam Life Board is responsible for statutory matters across all Group businesses, monitoring operational efficiency and risks, and compliance with applicable regulatory requirements. The responsibility to manage Sanlam’s direct subsidiaries has been formally delegated to the Sanlam Life Board.

Group Chief Executive	
Group Office	Group Executive committee

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

Clusters

Cluster boards all have committees (or forums) with specific responsibilities for the operation of that particular business cluster. The cluster boards consists of non-executive and executive directors. The majority of the operating business decisions are made by these boards and committees working together with relevant cluster management.

Understanding our governance approach

(continued)

How governance creates value

We recognise that governance, in particular ethics and integrity, contributes significantly to value creation over time. Governance ensures that we conduct our business with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring our sustainability while safeguarding the interests of all our stakeholders.

We acknowledge the relationship between good governance, risk management practices, the achievement of our strategic objectives and the performance of the Sanlam share price. Effective leadership and decision-making is crucial to safeguarding Sanlam’s resilience in an increasingly competitive and regulated industry.

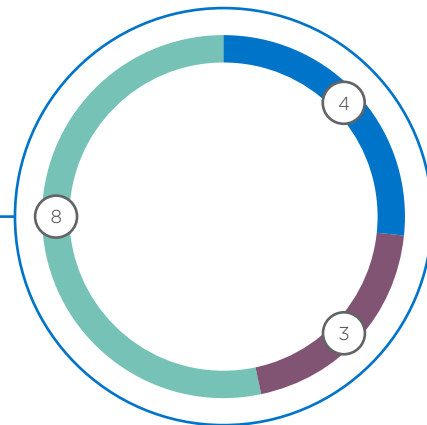
Governance processes shape our reputation as a corporate citizen, and we constantly review our business structures and processes to reflect national and international corporate governance standards, developments and best practices in all the territories where we operate. This ensures that we remain relevant and that we are in a position to contribute to the resilience of individuals, organisations and society.

The Board is also responsible for approving and monitoring Sanlam’s total rewards approach, strategy and policy. Rewards create value by ensuring a fair and contracted exchange between Sanlam and our employees in all territories. This provides employees with financial security and the potential to be rewarded for exceptional performance. Sanlam in turn benefits from the effective implementation of its strategy and the skills to grow our business’ performance over time. By including non-financial measures in performance contracts, rewards also ensure appropriate focus on the resilience factors that drive shared value creation among our material stakeholders.

Johan van Zyl was appointed as Chairman in 2017. Given his status as non-independent in terms of King IV™, the Sanlam Board appointed a lead independent director and established an Independent non-executive committee to uphold and safeguard adherence to good governance at all times.

Board diversity and experience profile

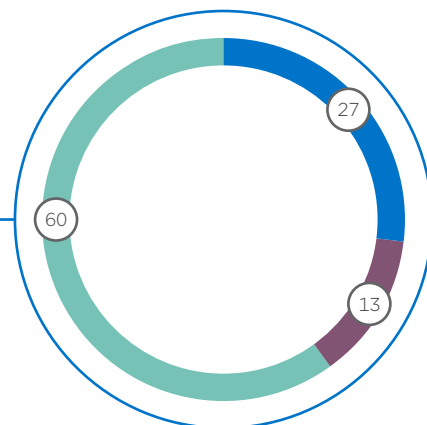
Executive/non-executive/independent directors



Legend

- Executive
- Non-executive
- Independent

Tenure (%)



Legend

- 0 - 5 years
- 5 - 10 years
- 10 - 15 years

Board gender balance (%)



Legend

- Female
- Male

Board race balance (%)



Legend

- Black female
- Black male
- White male

Average age (%)



Legend

- <50
- 50 - 65
- >65

Sanlam Board of directors as at 31 December 2017



The skills and expertise of the Sanlam Board support the Group's growth ambitions, for the benefit of all stakeholders. The Board has put in place well considered and adequate processes to uphold and safeguard adherence to good governance at all times.



FROM LEFT TO RIGHT:

Rejoice V Simelane (65) *Non-executive director*, **Anton Botha (64)** *Independent non-executive director*, **Manana Bakane-Tuoane (69)** *Independent non-executive director*, **Karabo Nondumo (39)** *Independent non-executive director*, **Sipho Nkosi (63)** *Lead independent non-executive director*, **Johan Van Zyl (61)** *Chairman*, **Patrice Motsepe (56)** *Deputy Chairman*, **Paul Hanratty (56)** *Independent non-executive director*, **Lazarus Zim (57)** *Independent non-executive director*, **Valli Moosa (60)** *Independent non-executive director*, **Yegs Ramiah (50)** *Executive director*, **Chris Swanepoel (67)** *Independent non-executive director*, **Temba Mvusi (62)** *Executive director*, **Ian Kirk (60)** *Executive director*, **Heinie Werth (54)** *Executive director*



Read more about the skills and experience of the Sanlam board in the Board profiles in the online Governance Report.

