

# Live with confidence

King IV™ 2021  
Disclosure Report

# 2021



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Herewith a synopsis of Sanlam's application of the principles that are outlined in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™)<sup>1</sup>

## SANLAM AT A GLANCE

Sanlam was established as a life insurance company in South Africa but has since transformed into a diversified financial services group operating across Africa, India and selected other emerging and developed markets. The Group has been operating for more than 100 years, most of which as a mutual insurer. Sanlam demutualised in 1998 and is listed on the Johannesburg, A2X and Namibian stock exchanges. It operates through several subsidiaries, associated companies and joint ventures, with Sanlam Life Insurance Limited (Sanlam Life) as the largest operating subsidiary and the holding company of most of Sanlam's operations.

The Group's areas of expertise include, among others, life- and general insurance, financial planning, retirement and employee benefits, investments and wealth management. Sanlam's operations are conducted through business clusters that deliver tailored, comprehensive and client-centric financial solutions to individual and institutional clients. The Group's objective is to empower generations to be financially confident, secure and prosperous whereas its vision is to distinguish itself as the most admired financial services group in Africa.

During the reporting period ended 31 December 2021, the Group continued to illustrate its dedication towards ensuring that Sanlam implements and divulges all the core corporate governance principles as outlined in King IV™. While Sanlam remains committed to adhering to the requisite standards and requirements, it continues to be focused on creating value for all its stakeholders. Below is a synopsis of the Group's application and response to the 17 principles on good corporate governance as provided for under King IV™. This is in addition to the mandatory corporate governance requirements outlined in the JSE Listings Requirements and the Prudential Standards and Framework for Governance and Operational Standards for insurers and insurance groups.

Sanlam's key corporate governance pillars include:

- Ethical and effective leadership
- Ethical culture
- Sound and ethical governance
- Effective control
- Transparency, accountability and legitimacy
- Stakeholder inclusivity
- Performance evaluation

## KING IV™ APPLICATION PROCESS

The Board of directors of Sanlam (the Board) is pleased to confirm that during the reporting period (01 January 2021 – 31 December 2021), implementing and promoting sound corporate governance practices continued to form an integral part of the *Sanlam Way*. This was evident in the way

it conducted its business and illustrated the Group's ongoing commitment to continuous improvement and alignment to sound corporate governance business practices.

In line with the Group's robust approach towards corporate governance, specific key deliverables and actions have been identified during the period under review. Significant progress had been made in the execution thereof which assisted the Group to, among other, ensure compliance with the principles and recommended practices as outlined in King IV™.

## LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

### Leadership

#### Application of Principle 1

"The governing body should lead ethically and effectively"

Sanlam focuses on developing stakeholder trust by conducting business ethically and professionally. Ethical leadership, therefore, forms an integral part of Sanlam's Board's (the governing body) approach towards ethical and corporate governance practices. The Board comprise a diverse group of skilled individuals who each contributes towards the competencies required to fulfil and discharge its duties in an ethical manner. It exercises effective and ethical leadership by promoting good corporate governance practices and honouring their fiduciary duties (i.e. collectively and individually).

The Board's primary role and responsibilities are outlined in Sanlam's Memorandum of Incorporation (MOI) and the Board's terms of reference. The members of the Board, furthermore, act in good faith and in the best interests of Sanlam and all its stakeholders. It assumes responsibility and accountability for steering and setting Sanlam's strategic objectives, approving policies and procedures, overseeing the monitoring and execution thereof by management as well as ensuring accountability for optimal organisational performance.

The Board charter and its annual plan, which are both reviewed on an annual basis, guide the Board in a structured manner to ensure that each of its core deliverables are attended to. It also outlines the process for policies and practices such as dealing in securities, the declaration of conflicting interests and those matters delegated to management. The Board, through the office of the Company Secretary, duly considers and deliberates each declaration of interest that is divulged as and when a perceived, actual or potential conflict of interest occur. Sanlam's directors, its executives and senior employees are, furthermore, prohibited from dealing in Sanlam securities during specified periods. A report on directors' dealings in Sanlam's shares is also tabled at each Board meeting and publicly disclosed in terms of the applicable JSE Listings Requirements.

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

## Organisational Ethics

### Application of Principle 2

“The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture”

The Board is committed to ensuring that Sanlam’s strategy is executed based on an ethical foundation that supports the business in a sustainable way. The Group governance policy and the Board authorisation framework (which are reviewed on a regular basis), outline the Company’s corporate governance principles as well as the business’s operational and authorisation requirements. It also provides for those matters that are reserved for the Board’s decision-making authority, to enable the Board to exercise effective control and govern the business in an ethical way.

The Board continues to exercise ongoing oversight responsibility for setting and guiding Sanlam’s ethical values and how it conducts business. This underpins Sanlam’s continuous strive to operate as a responsible corporate citizen. Even though the Board, as a collective, remains accountable for the application of ethics across the Group, it delegated the governance of ethics including the monitoring and implementation of Sanlam’s activities against the Code of Ethical Conduct, to the Social, Ethics and Sustainability committee. This committee is a statutory governance body and required to report at every Board meeting on the activities and actions that were executed in line with its Board approved mandate and statutory obligations. In addition, the Group Ethics committee which operates as a sub-committee of the Sanlam’s Group Executive committee (Group Exco) is being chaired by the Company Secretary. It includes representatives of all the business clusters and the Group office and it meets every quarter to discuss ethics-related aspects, trends, challenges, feedback from cluster representatives, and the outcome of climate surveys. The Group Ethics committee also submits quarterly reports on material ethics-related aspects to the Social, Ethics and Sustainability committee.

The key areas of focus that are relevant to the period under review, are reported on in further detail in the Resilience Report and are also summarised in Sanlam’s Governance Report. This excludes the Company’s Code of Ethical Conduct (the Code) that is available on Sanlam’s website. More importantly, the Code has been incorporated and referred to in Sanlam’s employment contracts, agreements entered into with independent contractors, agents, service providers and business partners – i.e. irrespective of their status being classified as a natural person, a legal entity or another category. Through the Code, the Board ensures that all Sanlam’s stakeholders are guided regarding the Group’s approach towards ethical conduct. The Code is regularly reviewed to ensure that it remains relevant to all environments and markets in which the business operates.

Sanlam’s ethics-related processes, including its whistle-blowing protocols, are being carried out diligently. An external service provider is managing Sanlam’s ethics reporting hotline independently on its behalf, which was specifically designed as a platform and an enabler to monitor and investigate ethics related breaches and fraud incidents anonymously. The service extends to all Sanlam businesses in and outside of South Africa and in most of the primary languages of the jurisdictions within which Sanlam operates. Several SEM businesses also operate their own whistle-blowing lines in addition to the Sanlam facility.

Dedicated efforts are furthermore made on a continuous basis to create awareness and visibility of the relevant protocols and enablers. The latter, including Sanlam’s internal controls that are designed to detect, prevent and respond to ethical breaches and anti-corruption conduct, all contribute to an enhanced and effective ethical culture throughout Sanlam.

## Responsible corporate citizenship

### Application of Principle 3

“The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen”

In accordance with the Board’s responsibility to ensure that Sanlam conducts itself as a good corporate citizen, the Board continues to provide strategic support to management in implementing the strategy through ongoing, regular interaction and progress evaluation. The objective remains to create value for all Sanlam’s stakeholders in a sustainable manner while balancing the needs and expectations of the Company’s diverse group of stakeholders. At Sanlam we believe that developing and maintaining healthy relationships with our stakeholders results in increased trust, especially in challenging times. It is therefore important that we continuously invest in identifying and building stakeholder relationships that increase confidence across the Group, minimise uncertainty, and effectively deal with dynamic challenges such as the prolonged COVID-19 pandemic.

The Board, with the assistance of the Social, Ethics and Sustainability committee, the Human Resources and Remuneration committee and the Risk and Compliance committee, oversees and monitors all Sanlam’s processes and its activities that are associated with its corporate citizenship responsibilities. This is measured against pre-determined performance targets agreed with management, in support of Sanlam’s strategic objectives. The key focus areas during the reporting period are outlined in the Social, Ethics and Sustainability committee report (which is disclosed on pages 41 and 42 of the Corporate Governance Report) as well as Sanlam’s Remuneration policy and its Remuneration Implementation Report that are tabled annually to shareholders for a non-binding advisory vote.

At each annual general meeting (AGM), Sanlam's securities holders each receive an opportunity to voice any concerns or challenges that they might have, which the Sanlam Board and the Human Resources and Remuneration committee would take into account when considering the Company's Remuneration policy. In addition, the Chair of the Social, Ethics and Sustainability committee attends the AGM with the objective to respond to any enquiries or questions that shareholders and/or other stakeholders might have regarding how Sanlam conducts itself as a responsible corporate citizen.

## STRATEGY, PERFORMANCE AND REPORTING

### Strategy and performance

#### Application of Principle 4

"The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process"

The Board reviews and approves Sanlam's strategy on an annual basis. It acknowledges its responsibility to ensure that Sanlam's strategic objectives are aligned to the Group's vision, purpose and values. The process that outlines how Sanlam creates value for its stakeholders is explained in further detail in the annual reporting suite.

The Board, with the support and assistance of its committees, monitors the execution of the Group's strategy. It also ensures on a continuous basis that Sanlam's core purpose, the risks and opportunities that the Company might be exposed to, its business model, its strategic objectives and performance are all inseparable in creating value for its stakeholders. The Board is also committed to making sure that Sanlam takes responsibility and accounts for its performance. This includes the targets that were agreed upon over the short, medium and long term. To this end, the Board provides assurance that Sanlam's reports and disclosures are credible, accurate and enable stakeholders to make an informed assessment of the Group's performance and how it conducts its business. More details of Sanlam's performance in response to its strategic objectives are reported in the annual reporting suite.

## Reporting

#### Application of Principle 5

"The governing body should ensure that reports issued by the company enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects"

The Audit, Actuarial and Finance committee, the Risk and Compliance committee, the Human Resources and Remuneration committee as well as the Social, Ethics and Sustainability committee ensures that the necessary controls are in place and that the requisite assurance is provided where necessary, to verify and safeguard the integrity of Sanlam's Integrated Annual Report, including any other disclosures. In this regard, the Board continues to be accountable for overseeing Sanlam's response to the suite of applicable disclosure requirements.

The Audit, Actuarial and Finance committee as well as the Risk and Compliance committee also guide the Board in setting Sanlam's reporting direction on how disclosures should be approached and conducted. These committees, assisted by the Social, Ethics and Sustainability committee, review the integrated reporting process. It includes the Group's audited financial statements as well as the approval of the reporting frameworks, whilst ensuring compliance with applicable legal requirements as well as its relevance to Sanlam's diverse group of stakeholders. The Board further ensures that the Integrated Report, Sanlam's response to the King IV™ "apply and explain" disclosure requirements, Sanlam's Annual Financial Statements, the Resilience Report as well as any other relevant information, are published on the Company's website as well as through other mediums as deemed appropriate.

## GOVERNING STRUCTURES AND DELEGATION

### Primary role and responsibilities of the Board

#### Application of Principle 6

"The governing body should serve as the focal point and custodian of corporate governance in the organisation"

The Board operates in accordance with a clearly defined terms of reference which is reviewed at least once per annum. The terms of reference defines, among others, the Board's governance responsibilities, its role, composition and membership requirements as well as the procedures applicable to conducting Board matters. Through its committees, the Board oversees the implementation of governance practices throughout the Sanlam Group. This includes monitoring the implementation of the Group Governance Policy and the adherence to the Board authorisations framework.



Noteworthy to highlight is that Sanlam's operations are grouped into four business clusters which are supported by the Group office.

### Group Executive Committee (Group Exco)

Four business clusters supported by the Group Office



Cluster governance structures (committees, forums, etc.)

This operating model allows the businesses to be individually responsible for applying the Group governance, risk and compliance management policies and frameworks within their respective businesses. Each cluster is managed by a Chief Executive who is supported by a cluster executive management team and several support functions that are appropriate to the cluster's particular operational needs. These Chief Executives form part of the Sanlam Group Exco and are regarded as the designated prescribed officers. The clusters' business strategies are furthermore developed and aligned to Sanlam's Board approved Group strategy and a set of tight management principles, established by the Group Office.

In addition, statutory and non-statutory governance structures exist for each of the clusters with clearly defined roles and responsibilities. Depending on its mandates, the cluster governance structures comprise non-executive and executive directors. The non-executive directors include members of the Sanlam Board and, where appropriate, expert external appointees. Most of the operating business decisions are made by these cluster governance structures and, where required in terms of the Group governance policy and Sanlam's authorisation framework, recommended to either the Sanlam or Sanlam Life Board for consideration.

The Board is, however, satisfied that it fulfilled its primary role and responsibilities in relation to corporate governance in alignment with its approved terms of reference. This was confirmed by the outcome of the 2021 Board effectiveness evaluation that was conducted by an external service provider.

The Sanlam Group governance principles are disclosed in further detail in the Corporate Governance Report.

## Composition of the Board

### Application of Principle 7

"The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively"

THE FOLLOWING ARE ALSO APPLICABLE REQUIREMENTS: JSE3.84(A): THE PROCESS TO ENSURE CLEAR BALANCE OF POWER AND AUTHORITY AT BOARD OF DIRECTORS' LEVEL. JSE3.84(B): APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND BOARD CHAIR: JSE3.84(D): CV OF EACH DIRECTOR STANDING FOR ELECTION OR RE-ELECTION. JSE3.84(E): CATEGORISATION OF DIRECTORS. JSE3.84(I) AND (J): POLICY ON THE PROMOTION OF GENDER AND RACE DIVERSITY ON THE BOARD AND REMUNERATION POLICY AND THE IMPLEMENTATION REPORT BE TABLED FOR NON-BINDING VOTE BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING.

The Board sets the direction and approves the process for the Board to attain an appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The Nominations committee makes recommendations to the Board in discharging the process of nominating, electing and appointing members of the Board. This includes taking into account skills retention at a Board level as well as succession planning in respect of new appointments to the Board and its committees.

The Nominations committee follows a formal, transparent and robust process to review the balance, effectiveness and representivity of the Board and its committees as well as the cluster governance structures. The skills required, and those individuals that are seen to provide such skills in a fair and thorough manner, are considered and identified as and when required.

A comprehensive review of the independence of non-executive directors is conducted on a continuous basis and, in particular, those directors serving on the Board for longer than nine years. The capacity and independence of each director are therefore categorised and assessed in alignment with the criteria provided for in King IV™, the Companies Act, the JSE Listings Requirements as well as the Prudential Governance and Operational Standards for insurers and insurance groups. Cognisance is also taken of other factors documented in the Board charter, the Company's MOI and recommended practices in relation to non-executive directors who held a long tenure.

The Board is satisfied that its composition reflects an appropriate balance of knowledge, skills, experience, race and gender diversity as well as independence. One of the significant changes that were made to the Board during the 2021 financial year, was the appointment of three additional independent non-executive directors. These appointments followed a rigorous evaluation and approval process. The Board can confirm that the aforesaid appointments were made in compliance with the Listings Requirements, King IV™ and the Prudential Authority's governance standards that are applicable to key persons.

A brief curriculum vitae for each director standing for election or re-election at the 2022 AGM accompanies Sanlam's notice of its 2022 AGM. Each of the newly appointed directors received induction training in Sanlam's business, on Board matters, their duties and governance responsibilities in accordance with each director's specific needs and aligned to applicable regulatory requirements.

The Nominations committee also assists the Board in reviewing succession planning on an annual basis. This includes the identification, mentorship and development of future candidates. The Board further considered its composition in alignment with its policy on the promotion of diversity attributes. During the period under review, this policy had been reviewed by the Nominations committee after which a recommendation was made to the Board for its approval. The policy continues to be consistent with the Amendments Schedule relevant to the JSE Listings Requirements. Sanlam's policy makes provision for specific key deliverables and target dates of which the implementation is measured over time and reported on to the Board. The Board is of the view that the stance adopted by Sanlam in this regard, goes beyond the minimum regulatory requirements and it acknowledges the value that it contributes to the Group's diversity-related objectives and overall sustainability.

The Board composition and the statement thereto on its composition are disclosed in further detail in the Corporate Governance Report.

Noteworthy to also highlight is that the Board has an established Independent Non-Executive Directors committee, which is chaired by the Chair of the Board. This committee's primary function is to further strengthen the Board's independence as a collective as well as providing leadership and advice to the Board in respect of matters where an actual or a perceived conflict of interest occurs that may impact independent decision-making.

The Independent Non-Executive Directors committee guides the Board also on any related-party transactions, including but without limitation, to any financial, economic interest, position, association or relationship, which when judged from the perspective of a reasonable and informed third party, could unduly or cause bias in decision-making processes. The Board also developed and approved a formal process to manage and facilitate any actual,

perceived or potential conflicts of interest that may occur. This is in addition to Sanlam's standard protocol which requires each of the Board members having to declare their respective interests quarterly and at every meeting – i.e. taking into account the discussion points that are listed on the meetings' agendas.

## Committees of the Board

### Application of Principle 8

"The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties"

THE FOLLOWING ARE ALSO APPLICABLE REQUIREMENTS: JSE3.84(c): AUDIT COMMITTEE, REMUNERATION COMMITTEE AND SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE. JSE3.84(g) (i) TO (iii): EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR, APPROPRIATE FINANCIAL REPORTING AND ASSESSMENT OF AUDIT FIRM AND DESIGNATED INDIVIDUAL AUDIT PARTNER SUITABILITY.

The Board has eight established committees to support and assist it in discharging its responsibilities. The Board committees comprise an Audit, Actuarial and Finance committee, a Risk and Compliance committee, a Human Resources and Remuneration committee, a Nominations committee, a Social, Ethics and Sustainability committee, the Sanlam Customer Interest committee, a Non-Executive Directors committee and an Independent Non-Executive Directors committee. Each committee's overall role and associated responsibilities, its composition, meeting protocols, decision-making powers and delegation of authority, its invitees and external advisers who regularly attend the committee meetings as well as the prescribed frequency of committee meetings to be held are reported on in the Corporate Governance Report. A statement confirming that each committee was satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the period under review, is also disclosed in the Corporate Governance Report.

The committees are appropriately constituted and each member is appointed by the Board as per the recommendations made by the Nominations committee. This, however, excludes the members appointed to the Audit, Actuarial and Finance committee, who are nominated by the Board and afterwards annually elected by shareholders.

The Nominations committee also assists the Board by evaluating and presenting suitable candidates to shareholders for election or re-election at the AGM. This process is in alignment with Sanlam's MOI and other applicable regulatory requirements.

The Board further ensures effective leadership in its committees by allowing collaboration between the relevant governance structures through cross membership, aimed at preventing duplication or fragmented functioning between the committees. Furthermore, external advisers and members of management attend Board and committee meetings by invitation only, with no voting powers.

A balanced distribution of power in respect of membership across committees remains a key focus of the Board. The objective is to ensure that no individual member is allowed to dominate decision-making exercises and that no undue reliance is placed on any particular individual. The Sanlam and Sanlam Life Board furthermore adopted the Group corporate governance policy and framework which is reviewed on an annual basis. It aims to regulate decisions on the following three levels:

- Decisions of the Board that require ratification or approval from Sanlam shareholders in terms of the Companies Act, 71 of 2008, as amended (the Companies Act), the MOI or good governance principles.
- Decisions reserved for formal approval by the Board, or which are delegated to its committees via the Group corporate governance policy and authorisations framework.
- Decisions of the Board that have been delegated to the Sanlam Group Chief Executive. The Group Chief Executive may consult with Group Office functionaries (including Group executives) as required and may delegate his decision-making authority to the respective cluster governance structures and/or Group executives as appropriate.

Any delegation by the Sanlam Board of its responsibilities to a committee will, however, not by or of itself constitute a discharge of the Board's accountability or abdicating its own responsibilities. The Board therefore remains accountable to apply its collective mind to the information, opinions, recommendations, reports and statements presented and recommended by its committees.

A brief overview of each Board committee is included herein below and also reported on in further detail in the Corporate Governance Report.

### *Audit, Actuarial and Finance committee*

The Audit, Actuarial and Finance committee comprises only of independent non-executive directors. The committee's performance and effectiveness are reviewed on an annual basis. It is constituted as a statutory committee and discharges its statutory duties in terms of section 94(7) of the Companies Act. The committee performs the functions as set out in the Companies Act, the JSE Listings Requirements, the Prudential Standards and Framework for Governance and Operational Standards for insurers and insurance groups as well as King IV™. Adequate processes and structures were implemented to assist the committee in

providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to the businesses at cluster level.

During the year under review, the committee consisted of five members. In keeping with good corporate governance practices, the Chair of the Board is not a member of the committee. The committee considered and satisfied itself that the Group Finance Director has the necessary expertise and experience to hold her position. The committee satisfied itself that the Group has established appropriate financial reporting procedures and systems and that these operate to the satisfaction of the committee. In accordance with the JSE Listings Requirements, the committee engages the joint external audit firms to assess the suitability and independence of the respective audit firms, including the suitability and independence of the designated joint audit partners at least once per annum. In addition, written confirmation was received from the JSE that, in terms of paragraph 3.86 of the JSE Listings Requirements, both the independent joint external audit firms as well as the two individuals who have been designated as joint external audit partners, were accredited as such on the JSE List of Auditors and Accounting Specialists.

The committee provides independent oversight of, among others, the effectiveness of Sanlam's assurance providers, with particular focus on combined assurance arrangements. The Chair of the Risk and Compliance committee is also a member of the Audit, Actuarial and Finance committee meetings. The committee comprises members with necessary industry experience and skills who are capable of employing a greater degree of focus in the quality of audit indicators.

The statement of the committee in relation to the external auditor's independence, matters of consideration in relation to Annual Financial Statements as well as quality and effectiveness of arrangements for internal audit, are disclosed in the Corporate Governance Report. During the year under review, the committee considered all material aspects in relation to the Annual Financial Statements and how these were addressed by the committee. This includes the committee's level of comfort and satisfaction with the quality of the external audit that was conducted.

### *Risk and Compliance committee*

As at 31 December 2021, the Risk and Compliance committee comprised of six independent non-executive directors and one ex officio executive director (the Group Finance Director). The purpose of this committee is, among others, to advise and assist the Board with discharging its oversight role and responsibilities that are associated with the governance of risk, ethics management, compliance and information management as well as information technology (IT) governance. This includes designing and implementing the Sanlam Group's enterprise risk management framework and policy in a manner that supports Sanlam in achieving its strategic objectives.

### *Nominations committee*

The Board delegated the oversight of the following functions to the Nominations committee:

- The process for nominating and electing members of the Board. This includes ensuring that candidates are nominated in light of the collective knowledge, skills and experience required by the Board, the requisite diversity requirements and whether the candidate meets the applicable “fit and proper” criteria. The committee also ensures that all candidates’ backgrounds are independently investigated and that their qualifications are independently verified.
- Succession planning of directors and the rotation of Board members.
- The evaluation of the effectiveness of the Board and its committees.

The members of the Nominations committee are non-executive directors of which the majority are independent. The Chair of the Board fulfils the role as Chair of the Nominations committee. The Board and the Nominations committee are responsible for succession planning for the position of the Chair, the Chairs of the committees, the Group Chief Executive and the Group Finance Director.

### *Human Resources and Remuneration committee*

The Human Resources and Remuneration committee is responsible for overseeing remuneration and the implementation of the Group’s remuneration policy. The majority of the members of the committee are independent non-executive directors.

### *Sanlam Customer Interest committee*

Sanlam’s Customer Interest committee assists the Board in discharging its governance oversight responsibility of setting the direction and formulation of policies that give effect to the management of matters relating to clients’ interests. During the year under review, the committee’s membership consisted of seven independent non-executive directors. This committee’s mandate is ultimately shaped and influenced by taking into account the best interests of Sanlam’s current and prospective policy holders in alignment with the applicable suite of regulatory requirements pertaining to Treating Customers Fairly and the policyholder protection rules.

### *Independent Non-Executive Directors committee*

The Independent Non-Executive Directors committee’s primary function is to review and recommend for approval by the Board any related-party transactions, including without limitation, any financial or economic interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, could unduly cause bias in decision-making. The committee’s membership includes only independent non-executive directors.

### *Non-Executive Directors committee*

The Non-Executive Directors committee of Sanlam and Sanlam Life has the responsibility to ensure the independent governance and functioning of the Board. The committee ensures that there are appropriate and balanced corporate governance practices and processes in place within Sanlam and that the Board acts objectively, independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholders.

### *Social, Ethics and Sustainability committee*

The Social, Ethics and Sustainability committee’s statutory functions are set out in section 72 and Regulation 43 of the Companies Act, which are supplemented by the committee’s Board approved charter. The Social, Ethics and Sustainability committee is responsible for overseeing organisational ethics, responsible corporate citizenship, sustainable development, responsible investment, transformation and stakeholder relationships. The Chair of the Social, Ethics and Sustainability committee attends Sanlam’s AGM to report on and respond to any questions from stakeholders pertaining to how the committee discharged its statutory duties and responsibilities. The Chair of the Audit, Actuarial and Finance committee is also a member of the Social, Ethics and Sustainability committee.

## **Evaluations of the performance of the Board**

### **Application of Principle 9**

“The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness”

A Board effectiveness evaluation is conducted on an annual basis with the assistance of an external service provider. The Chair of the Board, with the support of the Company Secretary and the Nominations committee, leads the evaluation process. The Board is satisfied with the outcome of the Board evaluation process that was conducted during the 2021 financial year. It has been confirmed that the Board continued to operate effectively and efficiently in creating value for Sanlam’s stakeholders. Consensus had been reached on the continuous commitment, competence and experience exercised at Board and committee level.

The Board, with the assistance of the Nominations committee, also determines the number of external directorships and other positions a director may hold, taking into consideration the relative size and complexity of Sanlam. Annually, the Nominations committee considers all other commitments of Sanlam’s Board members and whether each director has sufficient time to fulfil his or her responsibilities towards Sanlam. In the event that the



Nominations committee is of the view that a director is over-committed or has an unmanageable conflict, the Chair would meet with that director to discuss the resolution of the matter to the satisfaction of the Nominations committee.

The results of evaluation of the performance of the Board and its committees are disclosed in the Corporate Governance Report.

## Appointment and delegation to management

### Application of Principle 10

“The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities”

The Group Chief Executive is appointed by the Board on recommendation of the Nominations committee. The role and responsibilities of the Group Chief Executive are specified in the Board charter. The Board, supported by the Nominations committee and the Human Resources and Remuneration committee, evaluates the performance of the Group Chief Executive annually against agreed performance measures and targets.

The Nominations committee, in consultation with the Human Resources and Remuneration committee, is responsible for ensuring that succession plans are in place for the four executive directors serving on the Board. The Group Chief Executive, furthermore, appoints the members of the Group Executive committee after consulting the Human Resources and Remuneration committee.

The Board approves and regularly reviews the Group Governance policy and Sanlam's authorisations framework. The Group Chief Executive, supported by the Group Executive committee, is accountable to the Board for the successful execution of Sanlam's strategic objectives and the overall management and performance of the Group. The respective business clusters each develops their own authorisation frameworks in alignment with the Board approved Group Governance policy and framework.

The Group Chief Executive is not a member of the Human Resources and Remuneration, the Audit, Actuarial and Finance or the Nominations committees. He, however, attends any of these committee meetings or part thereof by invitation only - i.e. if and when required, with no voting rights.

The Board agrees upfront with the Group Chief Executive on whether the Group Chief Executive or other directors may take up additional professional positions, including membership on other governing bodies outside Sanlam. Time constraints and potential conflicts of interests are considered and balanced against the opportunity for professional development. The Board confirmed its satisfaction with the

Group's approach towards governance practices and the implementation of the Group Governance policy and authorisations framework.

ALSO APPLICABLE: JSE3.84(H): THE COMPANY SECRETARY.

The Company Secretary is appointed by the Board in accordance with the Companies Act. The Board considers and evaluates the competence, qualifications and experience of the Company Secretary annually and is satisfied that he is competent and has the appropriate qualifications and experience to fulfil his role and responsibilities. The Company Secretary has a direct channel of communication to the Chair of the Board, while maintaining an arm's-length relationship with the directors as far as is reasonably possible. The role and responsibilities of the Company Secretary are described in the Board charter as well as summarised in the Corporate Governance Report.

## GOVERNANCE FUNCTIONAL AREAS

### Risk governance

#### Application of Principle 11

“The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives”

The Board has the ultimate responsibility for the governance of risk whereas the Risk and Compliance committee advises and assists the Board in discharging its roles and responsibilities. The Group Executive committee, in turn, ensures that the business achieves its strategic objectives in a manner that optimises the business risk-adjusted return performance. It also has the executive responsibility to provide assurance to the Board and the Risk and Compliance committee, that Sanlam's risk management practices are governed effectively and continuously supports the Group to achieve its strategic objectives.

The Board, furthermore, approves Sanlam's enterprise risk management framework which reaffirms the Group's commitment towards ensuring effective risk management practices in pursuit of Sanlam's strategic deliverables. It includes identifying and monitoring the key risks that the Company is exposed to. Consideration is also being afforded to converting risks into opportunities with the aim to create value for Sanlam and its stakeholders.

An overview of how risk governance is being managed, the list of key focus areas that are relevant to the reporting period as well as how the Company's risk exposure is being responded to on an ongoing basis, are disclosed in the annual reporting suite.

## Information and technology (IT) governance

### Application of Principle 12

“The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives”

The responsibility and accountability for the management and governance of technology and information ultimately resides with the Board. The Board fulfils an oversight role and directs Sanlam’s strategic and operational use of technology and information. This is to ensure that the use of technology and information complements, maximises and supports of the Group’s strategic objectives.

The Risk and Compliance committee supports the Board with the execution of its mandate. It oversees the Group’s technology and information strategy, its approach towards cyber-resilience, the implementation of Sanlam’s digital transformation roadmap as well as Sanlam’s architectural and operational excellence. The Group’s Digital Transformation and IT forum (a sub-committee of the Risk and Compliance committee) in turn, assists the Risk and Compliance committee in fulfilling its duties as delegated by the Board. The forum also coordinates and provides oversight for the Group’s digital transformation activities that relates to the strategy, governance, compliance and risk within the Sanlam Group. It is supported by the Group’s Digital Council and Sanlam’s Technology Council and it directly engages with the respective business clusters on a frequent basis for monitoring and reporting purposes.

Sanlam’s Group Technology Council, furthermore, oversees the management of, and the response to, the Company’s top technology and information risks including those risks that are associated with major change programmes and key digital transformation initiatives. The composition and focus of the Group Technology Council enables the Board to have an overarching view of the Group’s IT strategy and risk profile. In addition, the Audit, Actuarial and Finance committee provides assurance to the Board that the management and systems of IT governance for technology and information are in place and that it is effectively applied across the Group.

In addition, the external auditors and Group internal audit regularly perform control assessments as part of the Group’s combined assurance model. All significant and material technology and information-related audit findings are reported to the Group Technology Council, the Digital Transformation and IT forum, the Risk and Compliance committee as well as the Audit, Actuarial and Finance committee. This is to ensure that the findings are addressed accordingly within stated timelines and that progress is monitored over time.

## Compliance governance

### Application of Principle 13

“The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen”

The Risk and Compliance committee assists the Board in respect of overseeing the governance of compliance by setting the direction for how compliance should be approached and addressed in Sanlam. The Sanlam Group compliance policy mandates all governance structures operating at a Group and a business cluster level, as well as all employees, to comply with the applicable laws, non-binding rules, codes and standards that support Sanlam being a responsible and good corporate citizen.

Creating a sound governance and compliance culture in Sanlam means that compliance is understood for the obligations it creates and for the rights and protection it affords for the Sanlam Group and its stakeholders.

The Group’s design and implementation of sound compliance management practices and procedures are aimed at detecting and mitigating compliance risks. It serves to improve the remediation of any instances of non-compliance which may occur. The Group compliance policy seeks to encourage compliance with all applicable laws and non-binding rules, codes and standards in the jurisdictions within which Sanlam operates. The Group compliance office is the responsible functionary that develops procedures to facilitate the implementation and the monitoring of the Group compliance policy in respect of compliance practices across the Sanlam Group.

The Board, the Risk and Compliance committee as well as the Social, Ethics and Sustainability committee receive regular reports on compliance matters through the Group Compliance Officer, who is suitably skilled and experienced. He reports directly to the Group’s Chief Actuary and Group Risk Officer and his performance is assessed on an annual basis in alignment with best practices. An overview of governance and compliance management, the key focus areas, the arrangements and initiatives embarked on and how the compliance related risks have been addressed during the period under review, are disclosed in the Corporate Governance Report.

## Remuneration governance

### Application of Principle 14

“The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of its strategic objectives and positive outcomes in the short, medium and long term”

ALSO APPLICABLE: JSE3.84(k): THE REMUNERATION POLICY AND THE IMPLEMENTATION REPORT.

The Board has ultimate responsibility and accountability to ensure that Sanlam remunerates fairly, responsibly and transparently for the achievement and promotion of Sanlam’s strategic objectives over 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 policy and implementation report are reported in detail in the Remuneration Report in the annual reporting suite. The Human Resources and Remuneration committee is responsible for matters relating to developing an appropriate remuneration policy, monitoring the implementation of the policy and regularly reviewing the suitability of the policy. The primary objectives of the policy are to:

- attract, motivate, reward and retain key talent;
- promote the Group’s strategic objectives, within its risk appetite;
- promote positive outcomes across the inputs and resources which the Group uses or affects; and
- promote an ethical culture and behaviour that are consistent with Sanlam’s values and which encourage responsible corporate citizenship.

Sanlam’s remuneration philosophy aims to:

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

The Human Resources and Remuneration committee, furthermore, considers shareholders’ contributions and recommendations thoroughly and takes their input into account to inform future enhancements of the policy and alignment to Sanlam’s strategy. Sanlam discloses the remuneration of each director and prescribed officer individually in its annual reporting suite. In line with the recommended practices in King IV™, the remuneration policy and the Implementation Report will, similar to 2021, be tabled for a separate non-binding advisory vote by the shareholders at the AGM scheduled to take place in June 2022. The Group’s remuneration policy and the Human Resources and Remuneration committee charter provide for the measures that Sanlam commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the AGM. These measures include undertaking an engagement process to ascertain reasons for dissenting votes and to thereafter address legitimate and reasonable objections and concerns.

## Assurance

### Application of Principle 15

“The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports”

Although the Board assumes overall responsibility for assurance and the integrity of information reported on, the Audit, Actuarial and Finance committee was delegated the responsibility for overseeing the Group’s approach towards combined assurance and how it is being managed across the business. This is to ensure that it incorporates and optimises the various assurance services and functions at Sanlam.

The Audit, Actuarial and Finance committee ensures that appropriate assurance is obtained that covers the significant risks that the business is exposed to and other material matters that had been identified. This is done through a combination of reporting by first line management functions that own and manage risks, specialist risk functions that oversee risk management and compliance as well as independent assurance providers such as internal and external audit.

The Board, with the support and assistance of the Audit, Actuarial and Finance committee, is satisfied that the quality and integrity of the Group’s combined assurance model is effective and sufficiently robust. It enables the Board to place reliance on the Group’s response to combined assurance, which underpins the statements that the Board makes concerning the integrity of Sanlam’s external reports.

## STAKEHOLDER RELATIONSHIPS

### Stakeholders

#### Application of Principle 16

“In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time”

The Sanlam Board, supported by its committees and executive management, is responsible for overseeing the strategic risks that relate to the interface between Sanlam and its key stakeholders as well as balancing the needs, interests and expectations of all material stakeholders. Sanlam has adopted an inclusive approach and considers all its stakeholders as an integral part of how Sanlam conducts business as a corporate citizen.

During the reporting period, the Board reviewed and approved the Group stakeholder management policy that continues to be aligned with the principles and recommendations in King IV™. The purpose of the policy is to define Sanlam's key stakeholder groups and outline the basic principles and requirements that need to be complied with. The policy further highlights how stakeholder management should be approached across the business and how stakeholder engagements and initiatives will be governed, monitored and reported on.

The Social, Ethics and Sustainability committee (as delegated by the Board), oversees and monitors the implementation and compliance to the Group stakeholder management policy. This is primarily achieved through quarterly reporting on stakeholder management initiatives and engagements by the different business clusters to the committee.

The Group stakeholder management policy furthermore enables Sanlam to communicate with its stakeholders including those stakeholders with no or limited access to electronic media, by publishing its reports and performance (including the Group's interim and final financial results) as well as details of corporate activities in the main South African daily newspapers and on the Company's website. Sanlam annually invites all shareholders to attend its AGM and facilitates participation by way of focused proxy solicitation and electronic means. The Group Chief Executive and Group Finance Director also conduct regular presentations and roadshows on the Group's performance and strategy to analysts, institutional investors and the media in South Africa and abroad.

Noteworthy to highlight is that Sanlam has built a strong culture of interactive stakeholder liaisons, which serves as a platform to engage and share information with its diverse group of stakeholders. The objective is to simultaneously understand their needs, identify risks and receive feedback from stakeholders that enables amicable and positive outcomes for those concerned. Further details regarding Sanlam's approach towards stakeholder management and an overview of some of the initiatives embarked on during the 2021 reporting period, are available in the integrated reporting suite and published on Sanlam's website.

### Responsibilities of institutional investors

#### Application of Principle 17

“The governing body of an institutional investor company should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests”

The Board is ultimately accountable to ensure that the Group promotes good governance by investing responsibly. The Board achieves this through its Group executive committee and the respective governance structures within each business cluster. The business clusters' executive committees are responsible for ensuring that Sanlam's investments are managed according to the policies and Board-approved investment mandates. The Board requires that these governance practices should always promote responsible investment, achieve good governance, promote an ethical culture and enhance effective control, good performance and legitimacy.

Sanlam (through the auspices of the mandate delegated to the Sanlam Investment Group) further subscribes to the Code for Responsible Investing in South Africa (CRISA), which encourages institutional investors and service providers to integrate ESG issues into their investment decisions.

Sanlam also subscribes to the UN's Principles for Responsible Investment as an asset owner (Sanlam) and an asset manager (Sanlam Investment Group). It frequently assesses its policy framework and implementation against the PRI principles to evaluate the progress made. The Board believes that the Group's approach towards responsible investment will improve Sanlam's ability to meet its commitments to beneficiaries and better align investment activities with the broader interests of society.



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