

King IV™ Disclosure



Application of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)

Sanlam Limited (Sanlam) key corporate governance pillars are:

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

Sanlam is a listed company on the Johannesburg Stock Exchange operated by the JSE Limited (JSE) and Namibian Stock Exchange (NSX). For the period ended 31 December 2018, Sanlam made a concerted effort to ensure compliance to the suite of applicable governance related regulatory requirements. This includes, amongst other, the Group's application and response to the recommended principles outlined in King IV™. Even though Sanlam remains committed to adhere to the requisite standards and requirements, it continues to strive to improve in those areas that contribute to creating value for all its stakeholders. Below is a synopsis of Sanlam's application and response to the principles on good corporate governance as provided for under King IV™ (below) as well as the mandatory corporate governance requirements outlined in the JSE Listing Requirements.

King IV™ application process

Given the Group's robust approach adopted during the 2017 reporting period to ensure a smooth transition from the Company's application of King III™ to the then newly published King IV™, specific key deliverables and actions had been identified to comply with the principles and recommended practices outlined in King IV™. The Board is therefore pleased to confirm that considerable progress

had since been made. This was confirmed after a review had been done with the objective to ascertain the progress made during the 2018 reporting cycle. It included an assessment of Sanlam's current application of governance practices in response to each of the King IV™ principles. Even so, the latter however continues to form an integral part of "the Sanlam way of doing" as it illustrates the Group's ongoing commitment to continuous improvement and alignment to sound corporate governance business practices.

Leadership, ethics and corporate citizenship

Leadership

Application of Principle 1

The Board should lead ethically and effectively.

The Board recognises its responsibility to exercise effective leadership by adhering at all times to their fiduciary duties, collectively and individually, as the directors of Sanlam in order to lead effectively.

The Board possesses the necessary skills and competencies, and acts responsibly in an ethical manner when discharging its duties as outlined in Sanlam's Board charter and its Memorandum of Incorporation. The members of the Board, furthermore, act in good faith and in the best interests of Sanlam. It assumes responsibility and accountability for steering and setting the direction of the Company, approving policies and procedures, overseeing the monitoring of the implementation and execution done by management as well as ensuring accountability of organisational performance.

The Board charter, which is reviewed annually, serves as a guide to the Board and outlines the process for policies and practices on Board matters, such as dealing in securities, declaration of conflict of interests, and those matters delegated to management. The Board, through the office of the Group Company Secretary, considers and deliberates on declarations when there is a conflict of interests at every Board meeting. Sanlam's directors, its executives and senior employees are prohibited from dealing in Sanlam securities during specified periods. The Group Company Secretary regularly informs directors,

executives and senior employees of the regulatory requirements relevant to insider trading and advises them of closed periods. A report on directors' dealings in Sanlam's shares is tabled at each Board meeting and disclosed in terms of the applicable JSE Listings Requirements.

The Board is committed to ensuring that Sanlam's strategy and operations are executed by management based on an ethical foundation that supports ethical and sustainable business in the best interest of Sanlam and all stakeholders. The Group corporate governance policy framework which is reviewed on a frequently basis, details optimal corporate governance principles as well as the Group cluster 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 ensure Sanlam's good performance and legitimacy.

Organisational ethics

Application of Principle 2

The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.

The Board exercises ongoing oversight responsibility for setting and reporting on Sanlam's ethical values, principles of conducting ethical business practice, human and environmental rights considerations, and for Sanlam to conduct its business and be seen as a responsible corporate citizen.

While the Board exercises ongoing oversight, it has 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 and management. The key areas of focus during the reporting period are outlined in the Resilience Report and further disclosed in the Sanlam Corporate Governance Report. Given the Board being ultimately accountable for ensuring ethical business practices, the above-mentioned is in addition to the Social, Ethics and Sustainability committee reporting at every Board meeting on the activities and actions executed. This includes monitoring progress made on key focus areas identified over time.

Through the Code of Ethical Conduct, the Board is able to ensure that all Sanlam stakeholders, are properly guided regarding the Group's ethical conduct. Sanlam's ethics-related processes, applied whistle-blowing structures, and management of ethics are carried out and managed by an independent ethics reporting hotline which had specifically been designed as a platform and an enabler to detect, monitor and investigate breaches of ethical standards. In addition, dedicated efforts are continuously implemented to create awareness and visibility of the relevant Company processes as well as the enablers implemented. During the 2018 financial year, a robust review was conducted aimed at assessing the adequacy and effectiveness of the Group's hotline, the associated

processes as well as the changing needs of the business. This exercise resulted in a new external service provider being appointed to, going forward, manage the Group's ethics hotline. The latter including Sanlam's ability to prevent, identify and respond to ethical breaches as well as the ongoing training on anti-corruption conduct, all contribute to an enhanced and effective ethical culture throughout Sanlam.

The Sanlam Code of Ethical Conduct is published on the website and incorporated by reference in employee contracts, independent contractors, agents, service providers and business partners, irrespective of their status as a natural person, a legal person or other entity.



An overview for ethics governance is disclosed in the Corporate Governance Report.

Responsible corporate citizenship

Application of Principle 3

The Board should ensure that the company is and is seen to be a responsible corporate citizen.

In accordance with the Board's responsibility of ensuring that Sanlam conducts itself as a good corporate citizen, the Board approves the business strategy on an annual basis as developed by management. The objective remains to create value for all Sanlam's stakeholders in a sustainable manner. Sanlam actively and continuously engages its key stakeholders and appreciates that being a responsible corporate citizen entails being responsive to stakeholders' needs and expectations. It is, for this reason, important for Sanlam to be values driven and align its business activities to the needs and expectations of its stakeholders.

The Board, with the assistance of Social, Ethics and Sustainability committee and the Group Executive committee, oversees and monitors all Sanlam processes and activities on how Sanlam achieves its corporate citizenship responsibility. This is measured against predetermined performance targets agreed with management in support of Sanlam's strategic objectives.



The key areas of focus during the reporting period are outlined in the Social, Ethics and Sustainability committee report, which is disclosed on page 18 in the Corporate Governance Report.

Strategy, performance and reporting

Strategy and performance

Application of Principle 4

The Board should appreciate that the company'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 informs and approves Sanlam's strategy as developed by management and ensures that it is aligned to the Group's value drivers and strategic intent. The process that outlines how Sanlam creates value for its stakeholders is explained in detail in the Annual Reporting Suite.

The Board provides ongoing oversight and monitors, with the support of its committees, that the Group's strategy is implemented and executed within agreed timelines. It also ensures that Sanlam's core purpose, the risks and opportunities that the Company is exposed to, its strategy, its business model, performance and sustainable development are all inseparable in creating value for its stakeholders on a continuous basis. The Board is also committed to making sure that Sanlam takes responsibility and accounts for its performance by ensuring that its reports and disclosures enable stakeholders to make an informed assessment of Sanlam's performance and execution of its key performance metric, the Return on Group Equity Value (RoGEV) and targets against the achievement and execution of Sanlam's strategy over the short, medium and long term.



More details of Sanlam's performance against its strategic objectives are reported in the Annual Reporting Suite.

Reporting

Application of Principle 5

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

The Board, through the Audit, Actuarial and Finance committee for Sanlam and Sanlam Life, ensures that the necessary controls are in place and requisite assurance is provided where necessary to verify and safeguard the integrity of the Integrated Report and any other disclosures. In this regard, the Board continues to be accountable for and overseeing Sanlam's response to applicable disclosure requirements.

The Audit, Actuarial and Finance committee assists the Board in setting Sanlam's reporting direction on how reporting should be approached and conducted. The Audit, Actuarial and Finance committee reviews the integrated reporting process which includes the Group's audited financial statements. The Audit, Actuarial and Finance committee also approves the reporting frameworks and materiality, and ensures compliance with applicable legal requirements and its relevance to stakeholders.

The Board ensures that the Integrated Report, King IV™ apply and explain disclosures, 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 is appropriate.

Governing structures and delegation

Primary role and responsibilities of the Board

Application of Principle 6

The Board should serve as the focal point and custodian of Corporate Governance in the company.

The Board has adopted its charter, which is reviewed at least on an annual basis. The charter defines amongst other, the Board's governance responsibilities, its role, membership requirements and procedures for the conducting of Board matters.

Through its committees, the Board oversees the implementation of governance practices throughout the Sanlam Group. The Board and its committees met, as a minimum, quarterly during the reporting period, and the Board is satisfied that it fulfilled its primary role and responsibilities in relation to governance in accordance with the approved terms of reference. Attendance of Board meetings during the reporting period is disclosed in the Corporate Governance Report.

The Board charter authorises the Board and its committees to seek independent, external professional advice at Sanlam's expense concerning matters within the scope of their duties and may request documentation from and set up meetings with management as and when required. The number of meetings held during the reporting period, attendance and details of the Board meetings are fully disclosed in the Corporate Governance Report.

The Sanlam Group follows a decentralised management structure ("a federal business model"), with all operations conducted through business clusters. Each business cluster is managed by its own board of directors, and a chief executive, who is supported by an executive committee and support functions that are appropriate to their particular operational needs.

These chief executives form part of the Group Executive committee and are the designated prescribed officers of Sanlam. The Sanlam Group corporate governance policy framework and the necessary policies and processes are in place to ensure that all subsidiaries of Sanlam adhere to the Group's governance requirements.



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

Composition of the Board

Application of Principle 7

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

Also applicable: JSE3.84 (a): Process to ensure clear balance of power and authority at Board of Director's level. JSE3.84 (b) Appointment of Chief Executive Officer and Board Chairman: 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 the 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, which includes succession planning in respect of new appointments to the Board and its committees.

The Nominations committee follows a formal process of reviewing the balance, effectiveness and representativity of the Board and its committees as well as the boards of the cluster businesses; and identifying the skills required and those individuals that are seen to provide such skills in a fair and thorough manner. A thorough review of the independence of non-executive directors are conducted on a continuous basis, and in particular on those serving more than nine years. The capacity and independence of each director is categorised as defined in the Listing Requirements – i.e. taking cognizance of the requirements outlined in King IV™ as well as other factors documented in the Board charter and the Company's Memorandum of Incorporation. The categorisation of the independent directors as independent is done applying the King IV™ independence indicators and recommended practices as related to non-executive directors that have held long held tenure as Board members. During the year under review, consideration was also given to the requirements documented in the Prudential Authority's Governance Standards for Insurers. The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, race and gender diversity as well as independence.

As at 31 December 2018, the status of the Chair of the Board as defined by King IV™ and the Listing Requirements is confirmed not to be independent. The Board as a collective, duly considered this governance deviation in the appointment of the Board Chair. It was the however Board's considered view that the Chair's long term association with Sanlam and his industry experience, were factors that were paramount in ensuring that he would add value to the future direction and growth of the Company for the benefit of all stakeholders and ensure the Company's ability to continue in a sustainable manner, under his leadership.

Consequently, in the spirit of 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 to deal with and manage, amongst other, any actual, perceived or potential conflict of interest. The lead independent director conducts himself under the auspices of a Board approved terms of reference and acts as the Chair of the Board in all such matters where the Board Chair is not able to fulfil.

The Board has further established an Independent Non-Executive Directors committee, which is chaired by the lead independent director. This committee's primary function is to strengthen the Board's independence as a collective as well providing leadership and advice to the Board in respect of matters where the Chair of the Board has an actual or a perceived conflict of interest, including the identification of circumstances where the Chair of the Board may have a conflict of interest that may impact on his/her independent decision-making. The committee also guides the Board 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 in the best interest of Sanlam. Further to the aforementioned, the Board has also developed and approved a criteria document, which espouses on all matters regarding perceived or potential conflicts of interest to ensure effective management of governance. The latter is in addition to the standard protocol which requires each of the board members being required to declare their respective interests at each meeting as well on a quarterly basis.

As at 31 December 2018, there were three executive directors serving on the Board. In terms of Sanlam's Memorandum of Incorporation, one third of directors shall retire at every annual general meeting (AGM) and are eligible for re-election.

The Nominations committee assists the Board in reviewing succession planning annually and includes the identification, mentorship and development of future candidates. The Board composition and the statement thereto on its composition are disclosed in the Corporate Governance Report.

The Board has considered its composition by developing a policy on the promotion of racial and gender diversity. As at 31 December 2018, this policy had been reviewed by Nominations committee after which a recommendation was made to the board for its approval. The policy makes provision for specific key deliverables and target dates, of which the implementation of the policy is measured over time. The Board is of the view that the firm's stance it has been adopting in this regard, goes beyond the minimum regulatory requirements and acknowledges the value that it contributes to the Group's overall objectives and sustainability.

A brief curriculum vitae for each director standing for election or re-election at the AGM accompanies the notice of the AGM. The Group Company Secretary inducts all newly appointed directors in Sanlam's business, Board matters, and their duties and governance responsibilities, in accordance with each director's specific needs.

Committees of the Board

Application of Principle 8

The Board 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.

Also applicable: *JSE3.84(c): Audit Committee, Remuneration Committee and Social, Ethics and Sustainability Committee. JSE3.84 (g) (i)-(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 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 and functions, composition, meeting protocols, delegation of authority, its invitees and external advisors who regularly attend

committee and the number of meetings each committee held are disclosed in the Corporate Governance Report. The statement that each committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period is also disclosed in the Corporate Governance Report.

The committees are appropriately constituted and members are appointed by the Board, with the exception of the Audit, Actuarial and Finance committee whose members are nominated by the Board and elected by shareholders. The Nominations committee assists the Board by evaluating and presenting suitable candidates to shareholders for election or re-election, including the appointment of the chair of each committee, taking into account factors such as diversity, skills, expertise and succession planning and the need to create a balance of power and authority.

External advisers and members of management attend Board and committee meetings by invitation with no voting powers. The committees play a pivotal role in enhancing high standards of sound corporate governance principles. Formal terms of reference, which are reviewed annually are formally approved by the committee concerned. The Board allocates and delegates to each committee its roles and responsibilities and oversees that each committee is properly constituted and functions in accordance with sound corporate governance principles.

The Board ensures effective leadership in its committees by allowing collaboration between them through cross-membership, and ensures the coordinated timing of meetings for avoidance of duplication or fragmented functioning between the committees. Where duplication or fragmentation of functions exist, the Board assumes the responsibility of outlining a process of how each committee would deal with a similar matter by delegating specific role and position to the committees concerned rather than competing approaches.

The Board ensures that there is a balanced distribution of power in respect or membership across committees, so that no individual member can dominate decision making, and no undue reliance is placed on any individual.

The Sanlam and Sanlam Life Board adopted the Group corporate governance policy and framework which regulates decisions on three levels:

- ➔ Decisions of the Board that require ratification or approval from Sanlam shareholders in terms of the Companies Act (Act 71 of 2008) or good governance principles;
- ➔ Decisions reserved for formal approval by the Board or which are delegated to its Board committees via the Group corporate governance policy and framework;
- ➔ Decisions of the Board 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 boards and/or Group Executive as appropriate.

Any delegation by the Board of its responsibilities to a committee will 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 committee.

A brief overview of each committee is detailed below:

Audit, Actuarial and Finance committee

The Audit, Actuarial and Finance committee comprises independent directors only and its independence and effectiveness are reviewed on an annual basis. The committee 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 and the JSE Listings Requirements. 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 cluster businesses.

The committee comprised four independent, non-executive directors. The Chair of the Board is not a member of the committee. The committee considers and satisfied itself that the Group Financial Director has the necessary expertise and experience to hold his 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 will engage with the external audit firm to assess the suitability of the audit firm and the newly appointed audit partner during the 2019 financial year.

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 attends 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 committee will develop a detailed, concise and transparent process outlining Sanlam's quality of audit indicators process in 2019.

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. The committee has considered, in relation to the annual financial statements and how these were addressed by the committee, and is satisfied herewith.



The committee is satisfied with the quality of the external audit, which is explained in further detail elsewhere in the Corporate Governance Report.

Nominations committee

The Board has delegated oversight of, among others, of the following to the Nomination committee:

- ➔ The process for nominating, electing and appointing members of the Board
- ➔ Succession planning of directors
- ➔ Evaluation of the effectiveness of the Board and its committees

Members of the Nominations committee are non-executive directors. The lead independent director chairs the Nominations committee, as the Chair of the Board is not regarded independent.

Human Resources and Remuneration committee

The Human Resources and Remuneration committee is responsible for overseeing remuneration. Members of the committee are non-executive directors. The Chair of the Board is a member of the committee.

Customer Interest committee

The 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 customer interest. This committee's mandate is ultimately shaped and influenced taking into account the best interests of Sanlam's current and prospective policy holders.

Risk and Compliance committee

The purpose of this committee is to advise and assist the Board in respect of overseeing the governance of risk by setting the direction for how risks and opportunities should be approached and addressed in Sanlam.

The committee's functions include to assist the Board to discharge its governance responsibilities as they relate to:

- ➔ Designing and implementing the Sanlam Group's enterprise risk management framework in a manner that supports Sanlam in achieving its strategic objectives; and
- ➔ Ensuring compliance in the implementation of the Group's compliance framework with applicable laws, regulations and adopted, non-binding rules, codes and standards in a way that supports Sanlam conducting business in an ethical and sustainable manner which illustrates its commitment to operate as a good corporate citizen.

Independent Non-executive Directors committee

The committee of Independent Non-Executive Directors' primary function is to review and recommend for approval by the Board any related- party transaction, including, without limitation, to 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.

Non-executive Directors committee

The committee of Non-Executive Directors of Sanlam and Sanlam Life have 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, read with Regulation 43 of the Companies Act, 71 of 2008, and are supplemented by the committee charter. The Social, Ethics and Sustainability committee is responsible for overseeing organisational ethics, responsible corporate citizenship, and sustainable development and stakeholder relationships. The chair of the Audit, Actuarial and Finance committee attends Social, Ethics and Sustainability committee meetings.

Evaluations of the performance of the Board

Application of Principle 9

The Board should ensure that the evaluation of its own performance and that of its committees, its Chairman and its individual members, support continued improvement in its performance and effectiveness.

Every year, a collective Board effectiveness evaluation is conducted by the Board Chair, with the assistance of an external service provider. The Chairman of the Board, with the assistance of the Group Company Secretary and the Nominations committee, leads the evaluation process. The Board is satisfied with the outcome of the Board evaluation process that had been conducted during the 2018 financial year, which 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 level.

The Board, with the support of the Nominations committee, 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 other commitments of directors and whether each director has sufficient time to fulfil his or her responsibilities as the director. 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 committee.

The Board and the Nominations committee are responsible for succession planning for the position of the Chair as well as the lead independent director.



The performance of the Board, its committees and the directors are disclosed in the Corporate Governance Report.

Appointment and delegation to management

Application of Principle 10

The Board 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 was appointed by the Board with effect from 1 July 2015, on recommendation of the Nominations committee. The role and functions of the Group Chief Executive are specified in the Board charter, and the performance of the Group Chief Executive is evaluated by the Board against the agreed criteria.

The Board appoints members of the Group Executive committee upon recommendation of the Group Chief Executive and the Human Resources and Remuneration committee. The Nominations committee, in consultation with the Human Resources and Remuneration committee,

is responsible for ensuring that succession plans are in place for the position of Group Chief Executive and other members of the Group Executive committee.

The Board approves and regularly reviews the Group corporate governance policy and framework and top-level delegation of authority in terms of which matters are delegated to the Group Chief Executive.

The office of the Group Chief Executive is accountable to the Board for the successful execution of the Sanlam strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term stakeholder value.

The Board agreed to the manner in which the delegated authority is exercised by the Group Chief Executive, including the development and implementation of the Sanlam strategy. In terms of the Group corporate governance policy and framework, the Group Executive committee supports the Group Chief Executive in the implementation of the Group strategy and the overall management and performance of the Sanlam Group. Individual cluster businesses develop their own authorisation frameworks, which must take note of and incorporate the Group corporate governance policy.

The Group Chief Executive is not a member of the Human Resources and Remuneration, the Audit, Actuarial and Finance, or the Nominations committees, but attends any meeting, or part thereof, by invitation if needed to contribute to pertinent issues and provide information to the respective committees. Other professional commitments of the Group Chief Executive and succession planning arrangement for his position are disclosed in the Corporate Governance Report.

The Board agrees with the Group Chief Executive on whether the Group Chief Executive or 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 evaluates the performance of the Group Chief Executive annually against agreed performance measures and targets.



The Board's satisfaction statement on the effectiveness and contribution of the Group corporate governance policy and framework to effectively exercise authority and responsibilities is disclosed in the Corporate Governance Report.

Also applicable: JSE3.84(h): The Company Secretary.

Mr S Bray is the Group Company Secretary, duly appointed by the Board in accordance with the Companies Act, 71 of 2008. The Board considers and evaluates the competence, qualifications and experience of the Group Company Secretary annually, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Group Company Secretary. The Group Company Secretary has a direct channel of communication to the Board Chair, while maintaining an arm's-length relationship with the directors as far as is reasonably possible. The role and responsibilities of the Group Company Secretary are described in the Board charter.



The arrangements regarding accessing professional corporate governance services and the statement on whether the Board believes those arrangements are effective are disclosed in the Corporate Governance Report.

Governance functional areas

Risk governance

Application of Principle 11

The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives.

The Board has the ultimate responsibility for the governance of risk. The Risk and Compliance committee advises and assists the Board in respect of overseeing risk governance by setting the direction for how risk should be approached and addressed at Sanlam.

The Board approves the enterprise risk management framework, which gives effect to how the governance of risk is approached and addressed at Sanlam.

Sanlam's enterprise risk management framework reaffirms that Sanlam is committed to effective enterprise risk management in pursuit of its strategic goals. The enterprise risk management process includes identifying the key risks of a business, which are monitored as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control, so that decision-making capability and the accuracy of reporting and financial results are maintained at a high level at all times. This includes identifying and affording consideration to converting risks to opportunities that Group could potentially explore in its drive to create value.



The nature and extent of risks and opportunities Sanlam is willing to take are outlined in the Group risk appetite, which are disclosed in Sanlam Annual Reporting Suite.

The enterprise risk management policy and plan are aimed at ensuring that:

- ➔ All risks which could jeopardise/enhance achievement of the Sanlam Group's strategic goals are identified;
- ➔ Appropriate structures, policies, procedures and practices are in place to manage these risks;
- ➔ Sanlam takes a portfolio view of risk;
- ➔ Sufficient organisational resources are applied to, and corporate culture is fully supportive of the effective implementation of these structures, policies, procedures and practices; and
- ➔ Sanlam's risks are being managed in accordance with the foregoing.

The Group Executive committee ensures that the business achieves its strategic goals in a manner that optimises the business risk-adjusted return performance. In particular, it has the executive responsibility of providing assurance to the Board that risk management is governed in the manner that supports Sanlam to achieve its strategic goals.



Overview of risk governance and management, key focus areas, arrangement taken to ensure effectiveness of risk management and how these are addressed are disclosed in the Annual Reporting Suite.

Technology and information governance

Application of Principle 12

The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.

The Board has ultimate responsibility and accountability for the management and governance of technology and information. Technology and information management and governance are essential for Sanlam to achieve its strategic objectives. The Board exercises oversight and direct the strategic and operational use of technology and information to ensure that opportunities derived from the use of technology and information are maximised. Technology and information management and governance capacity and awareness are supported by the Board and management structures within the businesses.

The Risk and Compliance committee is responsible for technology and information governance. It oversees the management of Sanlam's top technology and information risks, including risks involved in major change programmes. The committee oversees the Group's technology and information strategy, establishes cyber-resilience, and oversees architectural and operational excellence.

The Audit, Actuarial and Finance committee provides assurance that technology and information management and governance are in place and effective in the Sanlam Group.

Technology and information risks and opportunities are addressed by the federated model, wherein cluster businesses execute their specific change projects aimed at effectively delivering Sanlam's strategy.

External auditors and internal audit perform assessments as part of the Group's combined assurance model. All significant technology and information-related audit findings are reported to the Risk and Compliance committee as well as the Audit, Actuarial and Finance committee, which ensures that these are addressed accordingly.

Compliance governance

Application of Principle 13

The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.

The Risk and Compliance committee advises and assists the Board in respect of overseeing governance of compliance by setting the direction for how compliance should be approached and addressed in Sanlam. The Sanlam Group Compliance Policy mandates all board of directors of business clusters and employees to comply with Group Compliance Policy, applicable laws, non-binding rules, codes and standards that support Sanlam being a good corporate citizen.

The Sanlam Group compliance policy mandates all boards of directors of business clusters and employees to comply with Group compliance policy, applicable laws, regulations, non-binding rules, codes and standards that support Sanlam being a good corporate citizen.

Implementing sound compliance management practices and procedures serve to mitigate compliance risk and improve the remediation of any instances of non-compliance which many occur. The Group compliance policy seeks to ensure compliance with the applicable laws and non-binding rules, codes and standards in all jurisdictions within which Sanlam operates. Creating sound compliance culture in Sanlam means that compliance is understood for the obligations it creates, and for the rights and protections it affords for the Sanlam Group and its stakeholders.

The Sanlam Group compliance policy gives effect to the "tight" aspects of governance in respect of which the Sanlam Group establish the principles and minimum standards to be adhered to. The Group compliance policy provides for principles and minimum standards in respect of the defined tight aspects of governance that are set and approved by the Sanlam Group Executive committee based on its delegated authority from the Board.

The Group compliance office is the responsible Group Office functionary that operates as the custodian of compliance as a tight area of governance and set the minimum standards for the Group Executive to approve. The Group Compliance Office develops procedures to facilitate implementation of the Group Compliance Policy in respect of compliance across the Sanlam Group and monitor adherence to the Group Compliance Policy.

The Risk and Compliance committee receives regular reports on compliance matters through the Group Head of Compliance, who is suitably skilled and experienced and reports directly to the Group Actuary and Group Risk Officer.



Overview of compliance governance and management, key focus areas, arrangement taken to ensure effectiveness of risk management and how these are addressed are disclosed in the Corporate Governance Report.

Remuneration governance

Application of Principle 14

The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of 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 adopted a remuneration policy that is aligned to Sanlam's business strategy and is designed to create value for Sanlam and its stakeholders. Through careful alignment of performance hurdles with Group strategic objectives and the execution of a rigorous performance management system, the desired behaviours are rewarded and a high-performance culture is promoted.



The policy and implementation report are reported in detail in the remuneration report in the Annual Reporting Suite.

The Group 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.

Over and above matters relating to reward, matters relating to the attraction and retention of skilled resources, the fit and proper requirements relevant to the status of directors and the management of strategic human resources risks are covered in the policy and committee charter.

The policy's core objectives are the following:

- ➔ To enable the attraction, motivation, reward and retention of human capital and the promotion of positive outcomes
- ➔ To promote an ethical culture and responsible corporate citizenship in all individual businesses of the Sanlam Group
- ➔ To promote the achievement of strategic objectives within Sanlam's risk appetite
- ➔ To record and inform stakeholders of Sanlam's approach to rewarding its employees
- ➔ To record and inform stakeholders of Sanlam's approach to rewarding its non-executive directors
- ➔ To identify those aspects of the reward policy that are prescribed and to which all Sanlam businesses should adhere, including the approach to be adopted
- ➔ To provide an overarching policy framework for all elements of reward so as to permit discretion within individual businesses while taking into account Sanlam's overall policy and business model
- ➔ To create a reward framework which reinforces behaviours which support Sanlam values and culture
- ➔ To record and establish the corporate governance arrangements regarding remuneration practices in Sanlam.

The committee considers shareholders' contributions thoroughly and takes it into account to inform future enhancements of the policy and alignment to Sanlam's strategy. At the June 2018 AGM, 94,97% of votes cast were cast in favour of the policy. 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 be tabled for separate non-binding advisory votes by the shareholders for the first time at the AGM in June 2019. The remuneration policy and the 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 Board 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 company's external reports.

The Audit, Actuarial and Finance committee is responsible for the quality and integrity of Sanlam's integrated reporting. The Board, with the support and assistance of the Audit, Actuarial and Finance committee, satisfies itself that the quality and integrity of the combined assurance model is effective and is sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of Sanlam's external reports. Based on the results of the review of Sanlam's systems of internal control, risk and opportunities management, the committee concluded during the reporting period that Sanlam's systems of internal control and risk management are effective.

The Group maintains internal financial control systems that are designed to provide quality and integrity assurances on the maintenance of proper accounting records and the reliability of financial information used by the business for decision-making and external publication.

The Board endorses the principle of combined assurance. The Group has formalised combined assurance models in place for its clusters and major businesses. The combined assurance models specify and define the governance, reports and controls around material risks and describes the roles of the various lines of defence.

During the period under review, the Risk and Compliance committee requested a review on how combined assurance can be enhanced further given the requirements of King IV™ and within the context of the development of risk management practices under the SAM regulation.

The various action items have been addressed during 2018 and will further improve the quality of our Group and Cluster ORSAs and strengthen our various risk policies.

An internal audit charter is in place and outlines the responsibilities of the internal audit function. The Audit, Actuarial and Finance committee is delegated the responsibility for overseeing that internal audit services are executed in line with the charter.

The Chief Audit Executive is appointed and may be removed by the Audit, Actuarial and Finance committee. The Chief Audit Executive of Sanlam reports administratively to the Group Financial Director and functionally to the Chair of the Audit Actuarial and Finance committee. The Sanlam Chief Audit Executive also acts as the Head of the Internal Audit Control function for South African based life insurance businesses.

The Chief Audit Executive has the necessary authority, which includes unfettered access to meetings, minutes, documentation and risk registers of Sanlam's businesses and functions. His performance is evaluated annually by the Audit, Actuarial and Finance committee who confirms that he has the necessary competence and independence. The committee also assesses annually whether the necessary arrangements are in place to ensure that the internal audit is adequately resourced with skills for the effective governance, risk management and control.

Stakeholder relationships

Stakeholders

Application of Principle 16

In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.

The Board, through the Social, Ethics and Sustainability committee sets the direction for how stakeholder relations should be approached and conducted in the Sanlam Group. Sanlam has adopted an inclusive approach that considers stakeholders as an integral part across of the Sanlam business as part of Sanlam's wide risk management. This approach is embedded to the Group's stakeholder engagement function and remains a practice across the Group.

The committee has oversight of stakeholder engagements and the management thereof through quarterly reporting to the Social, Ethics and Sustainability committee. The chair of the Social, Ethics and Sustainability committee subsequently provides feedback to the Board for the Board's satisfaction that the stakeholder approach balances the needs, interest and expectations of material stakeholders in the best interest of Sanlam over time. The Board appreciates and understands that its response to stakeholder relations must respond to the needs and interests of the Group's material stakeholders which, among others, includes: employees, shareholders, investors, intermediaries and their representatives, government and regulatory bodies, labour, society, suppliers and customers and business partners.

Sanlam's strategic objectives in stakeholder relations are to consistently improve stakeholder communication to ensure the Board effectively executes its governance role and responsibility on stakeholder relationships. Sanlam's stakeholders are engaged in accordance with specific focus areas of the different business units and interests of the Group. Sanlam has built a strong culture of stakeholder interactions, which serves as a platform to share information with stakeholders to understand their needs, identify risks and receive feedback that enables Sanlam to ultimately achieve positive outcomes.

Sanlam established the Sanlam provincial advisory boards within the different business units, which serves as a vehicle to frequently outline stakeholder engagement activities on an ongoing basis. Sanlam's stakeholder communication policy 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 interim and final financial results) and details of corporate activities in the main South African daily newspapers and on the Company website. Sanlam 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 Financial Director conduct regular presentations and roadshows on the Group's performance and strategy to analysts, institutional investors and the media in South Africa and abroad.

Responsibilities of institutional investors

Application of Principle 17

The Board of an institutional investor company should ensure that responsible investment is practised by the company to promote the good governance and the creation of value by the companies in which it invests.

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