Santam

SANTAM LTD AND ITS SUBSIDIARIES

NOTICE AND PROXY OF ANNUAL GENERAL MEETING AND SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2018

SALIENT FEATURES

GROUP GROSS WRITTEN PREMIUM GROWTH 11%	**CONVENTIONAL INSURANCE GROSS WRITTEN PREMIUM GROWTH 7%**
CONVENTIONAL INSURANCE NET UNDERWRITING MARGIN 9.2%	**ECONOMIC CAPITAL COVERAGE RATIO 159%**
RETURN ON SHAREHOLDERS' FUNDS 31.8%	**EARNINGS PER SHARE INCREASED 45%**
HEADLINE EARNINGS PER SHARE INCREASED 47%	**FINAL DIVIDEND OF 665 CENTS PER SHARE, UP 8%**

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LETTER TO SHAREHOLDERS

Dear Shareholder

On behalf of the board, you are invited to attend the annual general meeting of Santam Ltd to be held at the Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, Cape Town on Wednesday, 29 May 2019, at 11:00.

I encourage you to attend and vote at the annual general meeting as this is your opportunity to meet and question members of the Santam Ltd board regarding the group's performance for the year ended 31 December 2018.

The detailed notice of the annual general meeting and supporting documentation is attached hereto. The notice is accompanied, where necessary, by explanatory notes setting out the reasons and the effects of the proposed ordinary and special resolutions in the notice to assist you in your deliberations for voting at the AGM. The full integrated report is available on the company's website at www.santam.co.za. Printed copies of the audited annual financial statements for the year ended 31 December 2018 may be obtained from the registered office of the company, or may be viewed on the company's website.

If you are not able to attend the annual general meeting, you are able to vote by proxy in accordance with the instructions on the annual general meeting notice and form of proxy.

Yours sincerely

M Allie
Company secretary

1 March 2019

NOTICE OF ANNUAL GENERAL MEETING

SANTAM LTD

(Incorporated in the Republic of South Africa)
(REGISTRATION NUMBER 1918/001680/06)
JSE Code: SNT NSX Code: SNM ISIN: ZAE000093779
("Santam" or "the company")

Notice is hereby given that the annual general meeting of Santam Ltd shareholders will be held on Wednesday, 29 May 2019, at 11:00 at Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, Cape Town at which:

- the audited annual financial statements of the company for the year ended 31 December 2018, together with the reports of the directors, auditors and audit committee, shall be presented (the full audited annual financial results are published on the Santam website (www.santam.co.za) or can be requested from the company secretary at his contact details set out on page 96); and
- the following ordinary and special resolutions are to be considered and, if approved, passed, with or without modification:

1. ORDINARY RESOLUTION NUMBER 1

To reappoint PricewaterhouseCoopers Inc (PwC), as nominated by the company's audit committee, as independent external auditors of the company to hold office until the conclusion of the next annual general meeting of the company.

It is to be noted that Mr Z Abrahams is the individual and designated auditor who will undertake the company's audit for the financial year ending 31 December 2019.

2. ORDINARY RESOLUTION NUMBER 2

To re-elect Mr B Campbell as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Campbell is eligible and offers himself for re-election. The board recommends his re-election.

3. ORDINARY RESOLUTION NUMBER 3

To re-elect Ms NV Mtetwa as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Ms Mtetwa is eligible and offers herself for re-election. The board recommends her re-election.

4. ORDINARY RESOLUTION NUMBER 4

To re-elect Mr PE Speckmann as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Speckmann is eligible and offers himself for re-election. The board recommends his re-election.

5. ORDINARY RESOLUTION NUMBER 5

To re-elect Mr HD Nel as a director of the company who will retire as he has held office for three years following his last election.

Mr Nel is eligible and offers himself for re-election. The board recommends his re-election. Mr Nel's retirement is pursuant to a determination by the board that, in the interests of good governance, executive directors would also retire by rotation and after having held office for a period of three years.

6. ORDINARY RESOLUTION NUMBER 6

Subject to the re-election of Mr B Campbell in terms of ordinary resolution number 2, to re-elect Mr B Campbell, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

7. ORDINARY RESOLUTION NUMBER 7

Subject to the re-election of Ms NV Mtetwa in terms of ordinary resolution number 3, to re-elect Ms NV Mtetwa, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends her re-election as a member of the audit committee of the company.

8. ORDINARY RESOLUTION NUMBER 8

To re-elect Mr MJ Reyneke, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

9. ORDINARY RESOLUTION NUMBER 9

Subject to the re-election of Mr PE Speckmann in terms of ordinary resolution number 4, to re-elect Mr PE Speckmann, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

Refer to Annexures 2 and 5 for the curriculum vitae of each of the directors standing for re-election as directors and as members of the audit committee of the company. As is evident from the curriculum vitae of the directors standing for re-election as members of the audit committee of the company, all of them have academic qualifications or experience in one or more of the following areas, namely economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resources.

10. ORDINARY RESOLUTION NUMBER 10

To cast a non-binding advisory vote on the company's remuneration policy summarised in Annexure 7 of this document.

11. ORDINARY RESOLUTION NUMBER 11

To cast a non-binding advisory vote on the company's implementation report in regard to its remuneration policy as set out in Annexure 7 of this document.

In terms of the JSE Listings Requirements, the company's remuneration policy and implementation report in regard to its remuneration policy must be tabled every year for separate non-binding advisory votes by the shareholders of the company at the annual general meeting. In the event that any of ordinary resolutions numbers 10 or 11 is voted against by 25% or more of the votes exercised on them, the company shall commence an engagement process with the dissenting shareholders.

12. SPECIAL RESOLUTION NUMBER 1

Resolved that the following remuneration of directors of the company for their services as directors of the company for the period from 1 July 2019 to 30 June 2020 be and is hereby approved, in terms of the provisions of section 66(9) of the Companies Act, 71 of 2008 (Companies Act):

Non-executive directors' fees	**Present R**	Proposed R
Chairman of the board (no attendance fees for meetings except for special or ad hoc board or committee meetings and then paid at the rate payable to non-executive directors)	**1 000 000**	1 055 000
Non-executive director annual retainer	**266 000**	280 600
Non-executive director attendance fee per board meeting	**23 850**	25 200
Chairpersons of the risk and audit committees fee per committee meeting chaired	**47 700**	50 300
Non-executive director members of the risk and audit committees fee per committee meeting	**35 700**	37 700
Chairpersons of the human resources and remuneration, investment and social, ethics and sustainability committees fee per committee meeting chaired	**35 700**	37 700
Non-executive director members of human resources and remuneration, nominations, investment and social, ethics and sustainability committees fee per committee meeting	**23 850**	25 200

- The fees are exclusive of value-added tax.
- Executive directors do not receive any directors' fees.
- The directors will continue to receive the directors' fees approved at the previous annual general meeting until 30 June 2019.

Reason and effect

The reason for and effect of special resolution number 1 is to approve the remuneration of the directors of the company for their services as directors for the period from 1 July 2019 to 30 June 2020.

13. SPECIAL RESOLUTION NUMBER 2

Resolved that in terms of the memorandum of incorporation of the company and in accordance with the JSE Listings Requirements, the shareholders hereby authorise the company, by way of a renewable general authority, whether by way of a single transaction or a series of transactions, to purchase any of its shares or procure that any subsidiary of the company purchases its shares (collectively, a "repurchase") upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, but subject to the provisions of the Short-term Insurance Act, 53 of 1998 (Short-term Insurance Act), the Insurance Act 18 of 2017, the Prudential Standards, the Companies Act and the JSE Listings Requirements, provided that:

- the authority shall only be valid up to and including the date of the company's next annual general meeting, or for 15 months from the date of this resolution, whichever is the shorter period;
- ordinary shares to be purchased pursuant to such authority may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty;

- the general authority to purchase shares in the company pursuant to such authority be limited in any one financial year to a maximum of 5% of the company's issued share capital of that class at the time the authority is granted, provided that the acquisition of the company's shares by a subsidiary of the company shall not be effected to the extent that it results that in aggregate more than 10% of the issued shares of any class of the company's shares at the relevant time are held by or on behalf of the subsidiaries of the company taken together;
- any purchases pursuant to such authority must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of the repurchase;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any of its subsidiaries;
- prior to any repurchase, the board of the company has resolved (i) to authorise a purchase of shares in the company, (ii) that the company and its subsidiaries (group) satisfy the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the company and the group;
- subject to the exceptions contained in the JSE Listings Requirements, the company or its subsidiaries may not repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed and has been submitted in writing to the JSE prior to the commencement of the prohibited period; and
- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the number of the relevant class of shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% in aggregate of the initial number of shares of that class in issue as at the time the general authority was given, acquired by the company and/or its subsidiaries.

Reason and effect

The reason for and effect of special resolution number 2 is to grant a general authority to enable the company, or any subsidiary of the company, to acquire shares which have been issued by the company including the subsequent purchase and transfer to the company of any shares so acquired by its subsidiaries.

Statement of intent

The board shall authorise and implement a repurchase of the company's shares only if prevailing circumstances (including the tax dispensation and market conditions) warrant this. After considering the effect of the maximum share repurchase as allowed in terms of special resolution number 2, the board is satisfied that:

- for a period of 12 months after the date of the notice of annual general meeting, the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2018, will be in excess of the consolidated liabilities of the company and the group;

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of annual general meeting;
- the issued share capital and reserves of the company and the group will be adequate for the ordinary business purposes of the company and the group for a period of 12 months after the date of the notice of annual general meeting; and
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of the notice of annual general meeting.

14. SPECIAL RESOLUTION NUMBER 3

Resolved that the company be and is hereby authorised in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 3), to grant financial assistance by way of a loan, guarantee, the provision of security or otherwise to any related or interrelated company ("related" and "interrelated" will herein have the meanings attributed to those terms in section 2 of the Companies Act), and/or any financier of the company or any related or interrelated company, and/or any share incentive trust or entity established for the benefit of employees of the group, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company, on the terms and conditions and for the amounts that the board of directors may determine, but subject to the provisions of the Short-term Insurance Act, the Insurance Act 18 of 2017 and the Companies Act.

The main purpose for this authority is to grant the board of directors the authority to authorise the company to grant financial assistance to subsidiaries of the company, financiers of the group and a share incentive trust or entity established for the benefit of employees of the group for the acquisition of shares in the company or related or interrelated companies.

The board undertakes that:

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Reason and effect

The reason for and the effect of special resolution number 3 is to provide a general authority to the company to grant financial assistance to any related person, any financier or any share incentive trust or entity established for the benefit of employees of the group for the purpose of, or in connection with, the acquisition of any securities of the company or a related or interrelated company, on the terms and conditions and for the amounts that the board of directors may determine.

15. SPECIAL RESOLUTION NUMBER 4

Resolved that the board of directors be and is hereby authorised in terms of the provisions of section 45(3)(a)(ii) of the Companies Act as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 4), to authorise the company to grant any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of directors may deem fit to any related or interrelated company or corporation of the company ("related" and "interrelated" will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of directors may determine.

The main purpose for this authority is to authorise the company to grant intergroup loans, loan funding, guarantees and other financial assistance for purposes of funding the day-to-day operations and activities of the group. The board undertakes that:

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- written notice of any such resolution by the board shall be given to all shareholders of the company and any trade union representing its employees:
  - within 10 business days after the board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

Reason and effect

The reason for and effect of special resolution number 4 is to grant the directors of the company the general authority to provide direct or indirect financial assistance to any company or corporation forming part of the group, including in the form of loans or the guaranteeing of their debts. This authority will be in place for a period of two years from the date of adoption of this special resolution number 4.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE TO SHAREHOLDERS OF THE COMPANY IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT OF A RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS AUTHORISING THE COMPANY TO PROVIDE DIRECT OR INDIRECT FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED COMPANIES AND CORPORATIONS.

- By the time this notice of the annual general meeting is delivered to shareholders, the board will have adopted a resolution (Section 45 Board Resolution) authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 4 is adopted until the date of the next annual general meeting of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or interrelated companies or corporations of the company. The financial assistance will entail loans, guaranteeing of debt and other financial assistance to subsidiaries of the company (being related or interrelated companies of the company) for purposes of funding the activities of the group.
- The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders and the provision of any such financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (1) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and that (2) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.
- Inasmuch as the Section 45 Board Resolution contemplates that such financial assistance will, in the aggregate, exceed 0.1% of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the Section 45 Board Resolution to shareholders.

REPORT BY SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The company's social, ethics and sustainability committee report, included in Annexure 11, will serve as the social and ethics committee's report to the company's shareholders on the matters within its mandate at the annual general meeting and will be presented at the annual general meeting by a member of the company's social, ethics and sustainability committee. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

And to transact any other business that may be transacted at an annual general meeting.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolution numbers 1 to 11 require the approval by more than 50% of the voting rights exercised on the resolutions. Ordinary resolution numbers 10 and 11 are non-binding advisory votes. Special resolution numbers 1 to 4 require the approval by at least 75% of the voting rights exercised on the resolutions.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements.

Disclosures in terms of paragraph 11.26(b) of the JSE Listings Requirements

The following disclosures are required in terms of paragraph 11.26(b) of the JSE Listings Requirements, and are provided for purposes of special resolution number 2:

- major shareholders – refer to Annexure 9
- material change – refer to Material change statement in Annexure 8
- share capital of the company – refer to Annexure 10
- responsibility statement – refer to the Directors' responsibility statement below

Directors' responsibility statement

The directors, whose names appear in Annexure 2 of this document, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above special resolution number 2 contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and approval thereof by the board of directors.

RECORD DATES

The record date in terms of section 59 of the Companies Act for purposes of determining which shareholders are entitled to attend, participate in and vote at the annual general meeting is Friday, 24 May 2019, and the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to attend, participate and vote at the annual general meeting is Tuesday, 21 May 2019.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the annual general meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the company. Proxy forms must be lodged with the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown 2107, or the registered office of the company, Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, addressed to the company secretary, to be received by them not later than 11:00 on Monday, 27 May 2019, for administrative purposes, provided that any form of proxy not lodged with the transfer secretaries or at the registered office of the company by this time may be handed to the chairman of the annual general meeting at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

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Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall have one vote in respect of each share held by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Shareholders or their proxies or representatives may participate in (but not vote at) the annual general meeting by way of telephone conference call, and if they wish to do so:

- must contact the company secretary (by email at the address masood.allie@santam.co.za by no later than five business days prior to the annual general meeting in order to obtain a PIN number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service provider for their telephone call to participate in the meeting.

Shareholders and their proxies or their representatives will not be able to vote telephonically at the meeting and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

PROOF OF IDENTIFICATION REQUIRED

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A barcoded identification document or smart card issued by the South African Department of Home Affairs, a valid driver's licence or passport will be accepted at the annual general meeting as sufficient identification.

On behalf of the board

M Allie
Company secretary

1 March 2019

ANNEXURE 1

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REVIEW

The Santam group reported gross written premium growth of 11% (9.5% excluding the impact of the Santam Structured Insurance acquisition in March 2017), and delivered excellent underwriting results under difficult economic circumstances.

The group's conventional insurance book achieved gross written premium growth of 7% and a net underwriting margin of 9.2% (2017: 6.0%), comfortably exceeding the group's target range of 4% to 8%. The Alternative Risk Transfer (ART) insurance segment grew gross written premium by 40% (26% excluding the impact of the Santam Structured Insurance acquisition) and reported operating results of R96 million (2017: R84 million). The Sanlam Emerging Markets (SEM) general insurance businesses delivered acceptable operating results.

Net investment income attributable to shareholders, inclusive of investment return on insurance funds of R1 105 million (2017: R1 012 million) was reported. Gains on foreign exchange differences of R376 million (2017: loss of R116 million) was the key contributor to the improved performance. The 2017 investment income included the release of the foreign currency translation reserve of R175 million relating to the unwinding of the Santam International investment.

Cash generated from operations increased to R5.5 billion (2017: R3.3 billion), positively impacted by the improved claims experience.

The key drivers of the 47% increase in headline earnings per share from 1 425 cps in 2017 to 2 099 cps in 2018 was the significant improvement in the underwriting and investment results.

A return on capital of 31.8% was achieved. The economic capital coverage ratio was 159% – slightly above the midpoint of the target range of 130% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 9.2% compared to the 6.0% reported in 2017. The underwriting results in the current period benefitted from the absence of significant catastrophe claims in contrast to the severe catastrophe events experienced in 2017. Fewer large commercial fire claims were also reported during this period, following improved risk management actions.

Gross written premium growth

Conventional insurance reported satisfactory growth of 7%. The intermediated personal and commercial lines business and MiWay experienced growth pressure in the difficult economic conditions, while strong growth was achieved in the specialist business and Santam re.

Gross written premium growth from the rest of Africa was strained. Santam Namibia reported a contraction in GWP of 7% in a low-growth competitive market. Specialist business benefitted from a one-off construction project in 2017 which did not reoccur in 2018. Santam re, on the other hand, achieved strong growth in Southeast Asia, India and the Middle East through selective participations in these markets. The net effect was a 5% increase in premiums from outside of South Africa written on the Santam Ltd and Santam Namibia Ltd licences (2018: R3 367 million; 2017: R3 200 million).

The property class reported growth of 11% on the back of strong growth in the corporate property business following lower reinsurance capacity available in the market. Crop insurance gross written premiums contracted by 12% following lower take-up of crop insurance in the 2018/2019 crop year.

ANNEXURE 1

The motor class grew by 6%, with MiWay reporting 8% growth (gross written premium of R2 496 million; 2017: R2 319 million). MiWay reversed the slowdown in growth reported during the first half of the year with a strong performance during the second half of the year following focused management actions.

The commercial and personal lines intermediated business experienced a slowdown in growth of the motor book in competitive low-growth market conditions.

The liability class continued to experience significant competitive pressure and focused on improved profitability, resulting in growth of only 2% reported during the period. The engineering class also reported low gross written premium growth of 3%, reflecting the impact of fewer large construction projects and the uncertainties impacting the construction sector.

The accident and health class reported growth of 11%, mainly driven by excellent growth in the travel insurance business. The transportation class reported gross written premium growth of 1% following Santam's continued focus on profitability. The growth in the guarantee class was positively impacted by the acquisition of the Santam Structured Insurance credit guarantee business.

Underwriting result

The property class reported a significant turnaround from the R165 million net underwriting loss reported in 2017 to R519 million net underwriting profit in 2018 following the absence of significant catastrophe claims, as well as fewer large commercial fire claims. The underwriting results were positively impacted by the underwriting actions implemented since the second half of 2017.

The motor class reported strong underwriting performance in both the intermediated and direct distribution channels. MiWay reported good results with a claims ratio of 55.2% (2017: 56.9%) and reported an underwriting profit of R334 million (2017: R317 million).

The engineering class of business achieved excellent underwriting results with limited claims activity during the period, while the guarantee class of business was negatively impacted by the poor economic environment in South Africa. A number of large claims, including product recall claims relating to the listeriosis outbreak, reduced the underwriting results of the liability class. Estimate adjustments on previously reported claims further contributed to a net underwriting loss of R20 million for the liability class (2017: net underwriting profit of R85 million).

The crop insurance business reported strong underwriting results, although lower than the excellent results reported in the comparative period. Santam re was negatively impacted by claims activity and increased claim provisions relating to previous periods on the foreign book of business.

Following the significant losses incurred by the global and South African reinsurance market during 2017, Santam's deductible per catastrophe event increased to R150 million (2017: R100 million) for the 2018 financial year. It also resulted in increased reinsurance rates.

The net acquisition cost ratio of 30.4% increased from 28.1% in 2017. The management expense ratio increased from 16.0% in 2017 to 18.1% in 2018, mainly due to increased variable incentive costs in 2018, increased direct acquisition costs to support growth initiatives at MiWay, as well as additional underwriting risk management costs incurred to improve the loss ratio across all business lines. A further driver of increased cost was a provision raised to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship in September 2018. The impact of the increased incentive costs and one-off items added 1% to the management expense ratio in 2018.

Strategic project costs, included as part of management expenses, amounted to 1% of net earned premium (2017: 0.8%). These costs mainly relate to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business, compliance projects, data enhancement and future digital solutions.

The new core underwriting platform project is progressing according to plan, with personal lines now fully deployed and almost 100% migrated to the new platform. For commercial products, more than 90% of on-platform intermediaries have now been deployed for new business, while the migration process is well underway and expected to be completed in 2019. Santam will continue to invest in strategic projects to optimise the use of technology in the group.

The net commission ratio was 12.4% compared to 12.1% in 2017.

Investment return on insurance funds

The investment return on insurance funds was negatively impacted by lower returns on the investment portfolios backing the insurance funds following lower interest rates compared to 2017.

ALTERNATIVE RISK TRANSFER INSURANCE (ART)

The 2017 reporting period included the results of Santam Structured Insurance for nine months following the acquisition of the business in March 2017. The ART business reported growth of 40% (26% on a like-for-like basis) with gross written premiums of R5 398 million (2017: R3 867 million). Centriq reported excellent growth of 46%. Santam Structured Insurance also reported good growth over the comparative period.

The ART business reported solid operating results of R96 million (2017: R84 million).

SANLAM EMERGING MARKETS GENERAL INSURANCE BUSINESS

The emerging markets general insurance business portfolio includes investments in the Saham Finances Group in Morocco (with subsidiaries in 26 countries in Africa and the Middle East), Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia, Shriram General Insurance Company Ltd (SGI) in India and a further 12 general insurance businesses throughout Africa which are held in conjunction with SEM, excluding South Africa and Namibia.

Santam's share of the gross written premiums of these businesses increased by 7% to R2 547 million (2017: R2 382 million) following the dilution of Santam's effective shareholding in Saham Finances from 7.5% to 7% in May 2017 and the subsequent increase to 10% in October 2018, as well as the disposal of Enterprise Insurance Company in Ghana in June 2017.

ANNEXURE 1

Saham Finances

Effective 9 October 2018, SEM and Santam, through SAN JV, acquired the remaining minority interest in Saham Finances via a subscription for new shares for US$1 045 million (R15.4 billion). Santam's share of the purchase price, including transaction costs, was US$64 million (R957 million), before applying hedge accounting. Hedge accounting resulted in R46 million of foreign currency gains accounted for as part of the investment in SAN JV. This transaction increased Santam's effective interest in Saham Finance from 7% to 10%.

Santam's share of the net underwriting results of Saham Finances for the year amounted to R79 million (2017: R4 million loss). Given the changes in Santam's shareholding in SAN JV (Saham Finances) during 2017 and 2018, the financial results of 100% of Saham Finances for 2017 and 2018 are analysed below to ensure like for like comparison.

Gross written premiums increased by 4% (8% in local currency) to R16.6 billion (2017: R16 billion). The net underwriting profit decreased by 9% to R296 million, with life insurance earnings decreasing by 7% due to investments in growth, and general insurance earnings being in line with 2017.

The general insurance businesses achieved a net underwriting margin of 4.1% (2017: 5.6%). The following items impacted on the general insurance results:

- One-off incentives of R28 million was paid to staff as part of the post-acquisition integration process.
- Angola's loss declined from R40 million in 2017 to R29 million in 2018. An improvement in claims experience was partially offset by a higher cost base. Exchange rate weakness contributed to higher expense inflation.
- Lebanon also experienced a better claims environment, resulting in an increase of 107% in underwriting profit.
- The other regions recorded lower earnings from direct insurance, primarily due to pressure on premium growth in Côte d'Ivoire.
- Reinsurance profit increased by 11% from R232 million in 2017 to R257 million in 2018.

Investment return earned on insurance funds declined by 45% to R951 million (2017: R1 734 million). The underlying portfolios included legacy equity exposures, which benefitted from positive investment market returns in 2017, while most markets declined in 2018. The difference in relative market performance contributed more than R700 million to the decline. The strategic asset allocation of these portfolios will be reassessed as part of the planned capital management activities.

The lower investment return earned on insurance funds resulted in the operating profit after taxation and non-controlling interest to decrease to R690 million (2017: R1 097 million) and the comprehensive income recognised to R578 million (2017: R1 282 million). Relative investment market returns and a number of one off items impacted on the Saham Finances earnings for 2018. Adjusting for these one off operational items of R68 million and the impact of investment market volatility of R387 million (2017: negative adjustment of R271 million), the normalised comprehensive income for Saham Finances was R1 033 million (2017: R1 011 million).

Santam will be actively involved in 2019 to grow the Pan-African specialist and reinsurance markets.

Other SEM General Insurance businesses

SGI in India had a solid year, with the net insurance result growing by 13% in local currency, attributable to an improvement in underwriting margin.

P&O in Malaysia benefitted from a more diversified book of business, which contributed to an improvement in the claims experience. The net insurance result increased by 6% in local currency.

INVESTMENT RESULTS

Listed equities achieved a negative return of 11% for the year ended 31 December 2018, relative to the SWIX benchmark (60% SWIX and 40% Capped SWIX), which delivered a negative return of 11.9%.

The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The interest portfolios performed in line with or exceeded their STeFI-related benchmarks.

Exchange rate volatility due to the weakening of the rand in 2018 compared to December 2017 resulted in a foreign exchange gain of R480 million (2017: foreign currency loss of R173 million), inclusive of the currency movements on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia.

Santam used the opportunity to lock in some of the foreign currency gains on R500 million worth of exposure against the USD. A foreign currency collar was entered into on 10 September 2018 at a spot rate of 15.125 ZAR against the USD. As at 31 December 2018, the instrument's valuation amounted to R24.8 million. The collar expired in two equal tranches on 4 January and 7 January 2019 and realised a total profit of R36.5 million.

Positive fair value movements (excluding the impact of currency movements) of R130 million (2017: R121 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance. The main driver of the fair value movements was an increase in the value of SGI of R120 million which was mainly attributed to improved loss ratios.

Net earnings from associated companies of R291 million (2017: R110 million) included R266 million (including profit on deemed disposal of associate of R164 million) from Saham Finances. The other key contributor to earnings from associated companies was Western Group Holdings Ltd.

ANNEXURE 1

CAPITAL

The group economic capital requirement at 31 December 2018, based on the Santam internal economic model, amounted to R6.9 billion (2017: R6 billion). This resulted in an economic capital coverage ratio of 159% (2017: 158%), somewhat above the midpoint of the target range of 130% to 170%. Santam has submitted its internal model application pack to the Prudential Authority in July 2018 for approval. We remain committed to efficient capital management.

PROSPECTS

Trading conditions remain very competitive in a low-growth South African economic environment, which translates into limited growth of insurable assets for the insurance industry. The South African economy slipped into a recession during the second quarter of 2018, but third-quarter growth of 2.2% ended the recession. The South African Reserve Bank forecasts GDP growth of 1.9% for 2019 (announced in January 2019). It is expected that economic activity will in the near term be constrained by weak consumer spending linked to the 2018 increase in value added tax and by unemployment, which is at near-record levels. Inflation (annual CPI) of 4.5% was reported on 23 January 2019.

Challenging environments and lower growth scenarios are, however, strong drivers for innovation and efficiency. We continue to focus on profitable growth, cementing our leadership position in South Africa and capitalising on the opportunities presented by our emerging markets footprint. Following the further investment in Saham Finance in October 2018, increased focus will be placed on establishing a platform for Santam and Saham Finances to become the leading Pan-African specialist insurance provider, with significant growth potential.

The focus will remain on appropriate underwriting actions to manage the risk associated with weak economic conditions. Santam continues to work with local municipalities to reduce risk and improve resilience.

The group remains focused on optimising efficiency by balancing management costs and underwriting profitability, as well as using technology to improve underwriting results. Technology is playing a major role across the insurance value chain. Santam takes a measured and long-term approach to technological advancements. During 2019, we will further embrace the value of technology to create better experiences for our clients and intermediaries.

The investment market is likely to remain uncertain. The increased exposure to non-rand-denominated business further increases foreign exchange volatility for the group.

The group continues to prioritise and focus on its transformation priorities. These include the promotion of a diverse workforce, intermediary and supplier base; access to insurance products by non-traditional markets; and further impactful investment in communities.

2019 will be the final year of our Vision 2020 strategy. We will therefore use the period to define our new strategy for 2020 and beyond. We must also anticipate and leverage emerging trends related to climate change, urbanisation, new technology and changing client behaviour. It will be a priority in our next strategy cycle to embed our knowledge about these trends and their impact into our core business practices.

EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

DECLARATION OF ORDINARY DIVIDEND (NUMBER 130)

Notice is hereby given that the board has declared a gross final dividend of 665 cents per share (2017: 616.00 cents per share), 532 cents net of dividend withholding taxation, where applicable, per ordinary share for the year ended 31 December 2018 to those members registered on the record date, being Friday, 22 March 2019.

The dividend has been declared from income reserves. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt.

Share code:	SNT
ISIN:	ZAE000093779
Company registration number:	1918/001680/06
Company tax reference number:	9475/144/71/4
Gross cash dividend amount per share:	665 cents
Net dividend amount per share:	532 cents
Issued shares at 28 February 2019:	115 131 417
Declaration date:	28 February 2019
Last day to trade cum dividend:	Monday, 18 March 2019
Shares trade ex-dividend:	Tuesday, 19 March 2019
Record date:	Friday, 22 March 2019
Payment date:	Monday, 25 March 2019

Share certificates may not be dematerialised or rematerialised between Tuesday, 19 March 2019 and Friday, 22 March 2019, both days inclusive.

In terms of the dividends tax legislation, the dividends tax amount due will be withheld and paid over to the South African Revenue Service (SARS) by a nominee company, stockbroker or Central Security Depository Participant (CSDP) (collectively Regulated Intermediary) on behalf of shareholders. Shareholders should seek their own advice on the tax consequences associated with the dividend and are particularly encouraged to ensure their records are up to date so that the correct withholding tax is applied to their dividend.

APPRECIATION

The board would like to extend its gratitude to Santam's management, employees, intermediaries and other business partners for their efforts and contributions during the year.

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The preparation of the audited annual financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel CA(SA).

VP Khanyile
Chairman

L Lambrechts
Chief executive officer

27 February 2019

INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

OPINION

The summary consolidated financial statements of Santam Ltd, set out on pages 10 to 38 of the audited summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2018, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 February 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: Zuhdi Abrahams

Registered auditor
Cape Town

27 February 2019

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 Dec 2018 R million	Restated Audited at 31 Dec 2017 R million
ASSETS			
Intangible assets		**885**	841
Property and equipment		**142**	135
Investment in associates and joint ventures		**2 927**	1 789
Strategic investment – unquoted SEM target shares	**2, 6**	**1 323**	1 089
Deferred income tax		**155**	91
Deposit with cell owners		**191**	174
Cell owners' and policyholders' interest		**13**	10
Financial assets at fair value through income	**6**	**22 454**	19 178
Reinsurance assets	**7**	**6 487**	5 824
Deferred acquisition costs		**619**	537
Loans and receivables including insurance receivables	**6**	**6 274**	5 253
Income tax assets		**10**	17
Cash and cash equivalents		**3 618**	4 321
Total assets		**45 098**	39 259
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(467)**	(470)
Other reserves		**(90)**	(214)
Distributable reserves		**9 311**	7 999
		8 857	7 418
Non-controlling interest		**508**	506
Total equity		**9 365**	7 924
LIABILITIES			
Deferred income tax		**81**	87
Cell owners' and policyholders' interest		**3 343**	3 227
Reinsurance liability relating to cell owners		**191**	174
Financial liabilities at fair value through income			
Debt securities	**6**	**2 072**	2 056
Investment contracts	**6**	**1 528**	1 703
Derivatives	**6**	**4**	–
Financial liabilities at amortised cost			
Repo liability	**6**	**759**	531
Collateral guarantee contracts	**6**	**158**	130
Insurance liabilities	**7**	**20 662**	17 848
Deferred reinsurance acquisition revenue		**487**	326
Provisions for other liabilities and charges		**162**	106
Trade and other payables including insurance payables	**6**	**5 922**	4 953
Current income tax liabilities		**364**	194
Total liabilities		**35 733**	31 335
Total shareholders' equity and liabilities		**45 098**	39 259

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 Dec 2018 R million	Audited Year ended 31 Dec 2017 R million	Change
Gross written premium		**33 109**	29 720	11%
Less: reinsurance written premium		**9 041**	8 027	
Net written premium		**24 068**	21 693	11%
Less: change in unearned premium				
Gross amount		**2 019**	648	
Reinsurers' share		**(763)**	(285)	
Net insurance premium revenue		**22 812**	21 330	7%
Interest income on amortised cost instruments	**9**	**91**	136	
Interest income on fair value through income instruments	**9**	**2 205**	1 184	
Other investment income	**9**	**523**	15	
Income from reinsurance contracts ceded		**1 889**	1 794	
Net (losses)/gains on financial assets and liabilities at fair value through income	**9**	**(1 136)**	427	
Investment income and fair value losses on financial assets held for sale	**9**	**–**	175	
Other income		**246**	127	
Net income		**26 630**	25 188	6%
Insurance claims and loss adjustment expenses		**18 442**	20 466	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(4 615)**	(6 400)	
Net insurance benefits and claims		**13 827**	14 066	(2%)
Expenses for the acquisition of insurance contracts		**4 524**	4 218	
Expenses for marketing and administration		**4 465**	3 652	
Expenses for investment-related activities		**67**	67	
Amortisation and impairment of intangible assets		**69**	71	
Impairment of loans		**5**	–	
Investment return allocated to cell owners and structured insurance products		**179**	563	
Total expenses		**23 136**	22 637	2%
Results of operating activities		**3 494**	2 551	37%
Finance costs		**(331)**	(295)	
Net income from associates and joint ventures		**291**	110	
Profit on sale of associates	**11**	**40**	5	
(Loss)/gain on dilution of associate	**11**	**(88)**	18	
Reclassification of foreign currency translation reserve on dilution of associate	**11**	**19**	(90)	
Impairment of associates		**(12)**	(3)	
Income tax recovered from cell owners and structured insurance products	**10**	**106**	–	
Profit before tax		**3 519**	2 296	
Tax expense allocated to shareholders	**10**	**(884)**	(489)	
Tax expense allocated to cell owners and structured insurance products		**(106)**	–	
Total tax expense		**(990)**	(489)	
Profit for the year		**2 529**	1 807	40%

	Notes	Audited Year ended 31 Dec 2018 R million	Audited Year ended 31 Dec 2017 R million	Change
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Currency translation differences		**–**	(3)	
Release of translation differences on financial assets held for sale		**–**	(175)	
Share of associates' currency translation differences		**143**	(41)	
Reclassification of foreign currency translation reserve on dilution of associate		**(19)**	90	
Hedging reserve release		**(46)**	6	
Hedging reserve movement		**46**	–	
Total comprehensive income for the year		**2 653**	1 684	58%
Profit attributable to:				
– equity holders of the company		**2 427**	1 667	46%
– non-controlling interest		**102**	140	
		2 529	1 807	
Total comprehensive income attributable to:				
– equity holders of the company		**2 551**	1 544	65%
– non-controlling interest		**102**	140	
		2 653	1 684	
Earnings attributable to equity shareholders				
Earnings per share (cents)	**12**			
Basic earnings per share		**2 198**	1 511	45%
Diluted earnings per share		**2 182**	1 496	46%

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company		
	Share capital R million	**Treasury shares R million**	**Other reserves R million**
Balance as at 1 January 2017	**103**	**(472)**	**(41)**
Profit for the year	–	–	–
Other comprehensive income:			
Currency translation differences	–	–	(3)
Release of translation differences on financial assets held for sale			(175)
Share of associates' currency translation differences	–	–	(41)
Reclassification of foreign currency translation reserve on dilution of associate			90
Hedging reserve release	–	–	6
Total comprehensive income for the year ended 31 December 2017	**–**	**–**	**(123)**
Issue of treasury shares in terms of share option schemes	–	78	–
Purchase of treasury shares	–	(76)	–
Transfer to reserves	–	–	(50)
Share-based payment costs	–	–	–
Dividends paid	–	–	–
Balance as at 31 December 2017	**103**	**(470)**	**(214)**
Profit for the year	–	–	–
Other comprehensive income:			
Share of associates' currency translation differences	–	–	143
Reclassification of foreign currency translation reserve on dilution of associate	–	–	(19)
Hedging reserve release			(46)
Hedging reserve movement	–	–	46
Total comprehensive income for the year ended 31 December 2018	**–**	**–**	**124**
Issue of treasury shares in terms of share option schemes	–	94	–
Purchase of treasury shares	–	(91)	–
Share-based payment costs	–	–	–
Dividends paid	–	–	–
Balance as at 31 December 2018	**103**	**(467)**	**(90)**

Attributable to equity holders of the company			
Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
7 286	**6 876**	**469**	**7 345**
1 667	**1 667**	140	**1 807**
–	**(3)**	–	**(3)**
	(175)		**(175)**
–	**(41)**	**–**	**(41)**
	90		**90**
–	**6**	–	**6**
1 667	**1 544**	**140**	**1 684**
(78)	**–**	–	**–**
–	**(76)**	–	**(76)**
50	**–**	–	**–**
77	**77**	–	**77**
(1 003)	**(1 003)**	(103)	**(1 106)**
7 999	**7 418**	**506**	**7 924**
2 427	**2 427**	102	**2 529**
–	**143**	–	**143**
–	**(19)**	–	**(19)**
	(46)		**(46)**
–	**46**	–	**46**
2 427	**2 551**	**102**	**2 653**
(94)	**–**	–	**–**
–	**(91)**	–	**(91)**
65	**65**	–	**65**
(1 086)	**(1 086)**	(100)	**(1 186)**
9 311	**8 857**	**508**	**9 365**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 Dec 2018 R million	Restated[1] Audited Year ended 31 Dec 2017 R million
Cash flows from operating activities			
Cash generated from operations		**5 461**	3 289
Interest paid		**(322)**	(252)
Income tax paid		**(785)**	(543)
Acquisition of financial assets		**(19 025)**	(18 482)
Proceeds from sale of financial assets		**15 807**	17 229
Net cash from operating activities		**1 136**	1 241
Cash flows from investing activities			
Acquisition of financial assets		**(909)**	(1 840)
Proceeds from sale of financial assets		**1 166**	2 825
Settlement of zero cost collar		**–**	(58)
Acquisition of subsidiaries, net of cash acquired	**11**	**(86)**	852
Purchases of equipment		**(62)**	(68)
Purchases of intangible assets		**(27)**	(27)
Proceeds from sale of equipment and intangible assets		**3**	3
Acquisition of associates and joint ventures	**11**	**(923)**	(152)
Capitalisation of associates	**11**	**(15)**	(23)
Proceeds from sale of associates	**11**	**168**	23
Net cash (used in)/from investing activities		**(685)**	1 535
Cash flows from financing activities			
Purchase of treasury shares		**(91)**	(76)
Proceeds from issue of unsecured subordinated callable notes		**–**	1 000
Redemption of unsecured subordinated callable notes		**–**	(1 000)
Decrease in investment contract liabilities[2]		**–**	(32)
Decrease in collateral guarantee contracts[2]		**–**	(1)
Dividends paid to company's shareholders		**(1 086)**	(1 003)
Dividends paid to non-controlling interest		**(100)**	(103)
Decrease in cell owners' and policyholders' interest[2]		**–**	(51)
Net cash used in financing activities		**(1 277)**	(1 266)
Net (decrease)/increase in cash and cash equivalents		**(826)**	1 510
Cash and cash equivalents at beginning of year		**4 321**	2 887
Exchange gains/(losses) on cash and cash equivalents		**123**	(76)
Cash and cash equivalents at end of year		**3 618**	4 321

[1] *Refer to note 14 for detail.*

[2] *Cash flows relating to investment contract liabilities, collateral guarantee contracts and cell owners' and policyholders' interest have previously been included as part of financing activities in the statement of cash flows. As a result of the acquisition of SSI, management has reassessed the classification of these cash flows and determined that these cash flows relate to operating activities. This change in classification has been applied prospectively, as these cash flows were previously considered immaterial.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

The following changes were made to the annual financial statements in the current year:

- Change in accounting policy to present the statement of financial position in order of liquidity (refer to note 14.1). Doing away with the current/non-current distinction resulted in the aggregation of some line items, but in total, no changes were made to the amounts previously presented, except for the strategic investment in unquoted SEM target shares now separately disclosed.
- Reclassification of some investment portfolios from investment activities to operating activities in the statement of cash flows (refer to note 14.2).
- Recognition of the repo liability, as well as underlying financial assets, relating to a repurchase agreement entered into by the SSI group (refer to note 14.3)
- A new note, note 16, was added to provide information on cellholder/policyholder vs shareholder statements of financial position and statements of comprehensive income.
- The tax on cell owners and structured insurance products has been separately disclosed in the statement of comprehensive income in the current year, as with the acquisition of SSI in 2017, the tax on cell owners and structured insurance products became more significant. In the prior period, this tax was disclosed as part of tax expense.
- Cash flows relating to investment contract liabilities, collateral guarantee contracts and cell and policyholders' interest have previously been included as part of financing activities in the statement of cash flows. As a result of the acquisition of SSI, management has reassessed the classification of these cash flows and determined that these cash flows relate to operating activities. This change in classification has been applied prospectively, as these cash flows were previously considered immaterial.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2018:

- Amendment to IFRS 2 – Classification and measurement of share-based payment transactions
- Amendments to IFRS 4 – Applying IFRS 9 *Financial Instruments* with IFRS 4 I*nsurance Contracts*
- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendment to IAS 40 – *Investment Property*
- Annual improvements 2014–16 cycle
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

STANDARDS EFFECTIVE IN 2018

No material impact on the summary consolidated financial statements was identified.

IFRS 9 *FINANCIAL INSTRUMENTS*

Specifically regarding IFRS 9, the assessment of the impact of implementation included the following:

Classification and measurement – financial assets

- Debt instruments, previously measured as designated at FVPL (fair value through profit and loss), are now measured as mandatorily at FVPL under IFRS 9. A key input in the assessment of the classification of debt instruments held was the business model applied to manage the financial assets. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and to sell.
- Loans and receivables, previously measured at amortised cost, continue to be measured at amortised cost under IFRS 9 as the business model is hold to collect and their cash flows solely represent payments of principle and interest.
- Equity instruments, previously measured at FVPL, are also measured at FVPL under IFRS 9. Management has not taken the irrevocable election to present changes through FVOCI (fair value through other comprehensive income) for equities not held for trading.

Classification – financial liabilities

- Debt securities issued by Santam are measured at FVPL under IFRS 9 as these instruments are managed at fair value in terms of the related business model. The amount of changes in fair value attributable to changes in own credit risk of these liabilities were considered immaterial.
- Investment contract liabilities predominantly consist of unit-linked contracts, where the value of the liability is directly derived from the performance of the related assets. Based on the principle of eliminating an accounting mismatch in the financial statements, investment contracts are designated to be measured at FVPL.

Hedge accounting

The group has elected to apply IFRS 9 for hedge accounting.

2. ACCOUNTING POLICIES (continued)

Impairment of financial assets

The majority of financial assets in the Santam group are measured at FVPL. All insurance and reinsurance receivables are recognised and measured in terms of IFRS 4 *Insurance Contracts* and the group has not amended its policies for the measurement of IFRS 4. The insurance and reinsurance receivables are therefore excluded from the scope of IFRS 9's expected credit loss (ECL) impairment. The most significant class of financial asset subject to an ECL impairment is loans and receivables. Applying the expected credit loss model to loans and receivables at amortised cost did not result in material additional provisions for impairment.

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15 *Revenue from Contracts with Customers* introduces a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 does not apply to insurance contracts within the scope of IFRS 4 *Insurance Contracts*. Based on management's assessment, the impact on the net results was not material.

STANDARDS NOT YET EFFECTIVE IN 2018

The group did not early adopt any of the standards not yet effective. Of the standards that are not yet effective, management expects IFRS 17 and IFRS 16 to have a future impact on the group and company.

IFRS 16 *LEASES*

IFRS 16 *Leases* (effective 1 January 2019) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. As at the reporting date, the group has non-cancellable operating lease commitments of R1 795 million. However, the group is in the process to determine to what extent these commitments will result in recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

IFRS 17 *INSURANCE CONTRACTS*

IFRS 17 *Insurance Contracts* (effective 1 January 2022) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. This is to effect a measurement model for insurance liabilities relating to policyholder contracts, as well as related accounting treatments. The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement
- Data requirements
- Operations and the underlying systems
- Management reporting

The group is currently facilitating a programme to review the impact of the implementation and to ensure a seamless transition.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

3. ESTIMATES

The preparation of summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2018. There have been no changes since 31 December 2017.

4. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The summary consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2018.

There have been no material changes to the risk management policies since 31 December 2017.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

INSURANCE ACTIVITIES:

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), credit insurance written by Santam Structured Insurance (SSI), Santam re and MiWay;
- Alternative risk transfer insurance business written on the insurance licences of Centriq and SSI; and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV (Saham Finances).

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

5. SEGMENT INFORMATION (continued)

Growth is measured for SEM General Insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and SAN JV (Saham Finances) insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. It is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV.

Insurance business denominated in foreign currencies is covered by foreign denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

INVESTMENT ACTIVITIES:

Investment activities are all investment-related activities undertaken by the group, excluding investment returns on insurance funds. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income.

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

The Santam BEE transaction costs are unrelated to the core underwriting and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets and liabilities is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures and SEM target shares.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 FOR THE YEAR ENDED 31 DECEMBER 2018

	Insurance			
Business activity	**Conventional R million**	**Alternative risk R million**	**Santam's share of SEM R million**	**Total R million**
Revenue	**27 711**	**5 398**	**2 547**	**35 656**
Net earned premium	22 371	441	1 994	**24 806**
Net claims incurred	13 499	328	1 354	**15 181**
Net commission	2 764	(129)	161	**2 796**
Management expenses (excluding BEE costs)[1]	4 042	211	453	**4 706**
Net underwriting result	**2 066**	**31**	**26**	**2 123**
Investment return on insurance funds	532	65	257	**854**
Net insurance result	**2 598**	**96**	**283**	**2 977**
Other income[2]	187	59	4	**250**
Other expenses[2]	(189)	(59)	–	**(248)**
Operating result before non-controlling interest and tax	**2 596**	**96**	**287**	**2 979**
Reallocation of operating result[3]	–	–	(287)	**(287)**
Investment income net of investment-related fees	–	179	234	**413**
Investment return allocated to cell owners and structured insurance products	–	(179)	–	**(179)**
Finance costs	–	–	–	**–**
Income from associates and joint ventures including profit on sale and impairment	–	–	266	**266**
Loss on dilution of associate	–	–	(88)	**(88)**
Reclassification of foreign currency translation reserve on dilution of associate	–	–	19	**19**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[1]	(23)	(1)	–	**(24)**
Impairment of loans	(5)	–	–	**(5)**
Income tax recovered from cell owners and structured insurance products	–	106	–	**106**
Profit before tax	**2 568**	**201**	**431**	**3 200**

[1] *Amortisation of computer software included as part of management expenses. Santam's share of the costs to manage the SEM portfolio of R36 million has been included in management expenses.*
[2] *Includes other operating income and expenses not related to underwriting results.*
[3] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.*

Investment R million	Total R million	Reconciling and unallocated R million	IFRS Total R million
725	**36 381**	**(3 272)**	**33 109**
–	**24 806**	(1 994)	**22 812**
–	**15 181**	(1 354)	**13 827**
–	**2 796**	(161)	**2 635**
–	**4 706**	(453)	**4 253**
–	**2 123**	**(26)**	**2 097**
–	**854**	(257)	**597**
–	**2 977**	**(283)**	**2 694**
–	**250**	(4)	**246**
–	**(248)**	–	**(248)**
–	**2 979**	**(287)**	**2 692**
–	**(287)**	287	**–**
605	**1 018**	–	**1 018**
–	**(179)**	–	**(179)**
(331)	**(331)**	–	**(331)**
53	**319**	–	**319**
–	**(88)**	**–**	**(88)**
–	**19**	–	**19**
–	**–**	(8)	**(8)**
–	**(24)**	–	**(24)**
–	**(5)**	–	**(5)**
–	**106**	–	**106**
327	**3 527**	**(8)**	**3 519**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 FOR THE YEAR ENDED 31 DECEMBER 2017

	Insurance			
Business activity	**Conventional R million**	**Alternative risk R million**	**Santam's share of SEM R million**	**Total R million**
Revenue	**25 853**	**3 867**	**2 382**	**32 102**
Net earned premium	20 893	437	1 790	**23 120**
Net claims incurred	13 753	313	1 344	**15 410**
Net commission	2 526	(102)	125	**2 549**
Management expenses (excluding BEE costs)[1]	3 354	206	433	**3 993**
Net underwriting result	**1 260**	**20**	**(112)**	**1 168**
Investment return on insurance funds	584	64	356	**1 004**
Net insurance result	**1 844**	**84**	**244**	**2 172**
Other income[2]	84	43	–	**127**
Other expenses[2]	(86)	(43)	–	**(129)**
Operating result before non-controlling interest and tax	**1 842**	**84**	**244**	**2 170**
Reallocation of operating result[3]	–	–	(244)	**(244)**
Investment income net of investment-related fees	–	563	84	**647**
Investment return allocated to cell owners and structured insurance products	–	(563)	–	**(563)**
Finance costs	–	–	–	**–**
Income from associates and joint ventures including profit on sale and impairment	–	–	65	**65**
Gain on dilution of associate	–	–	18	**18**
Reclassification of foreign currency translation reserve on dilution of associate	–	–	(90)	**(90)**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[1]	(31)	–	–	**(31)**
Profit before tax	**1 811**	**84**	**77**	**1 972**

[1] *Amortisation of computer software included as part of management expenses. Santam's share of the costs to manage the SEM portfolio of R33 million has been included in management expenses.*
[2] *Includes other operating income and expenses not related to underwriting results.*
[3] *Reconciling items consist of the reallocation of net insurance results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.*

Investment R million	Total R million	Reconciling and unallocated R million	IFRS total R million
689	**32 791**	**(3 071)**	**29 720**
–	**23 120**	(1 790)	**21 330**
–	**15 410**	(1 344)	**14 066**
–	**2 549**	(125)	**2 424**
–	**3 993**	(433)	**3 560**
–	**1 168**	**112**	**1 280**
–	**1 004**	(356)	**648**
–	**2 172**	**(244)**	**1 928**
–	**127**	–	**127**
–	**(129)**	–	**(129)**
–	**2 170**	**(244)**	**1 926**
–	**(244)**	244	**–**
575	**1 222**	–	**1 222**
–	**(563)**	–	**(563)**
(295)	**(295)**	–	**(295)**
47	**112**	–	**112**
–	**18**	–	**18**
–	**(90)**		**(90)**
–	**–**	(3)	**(3)**
–	**(31)**	–	**(31)**
327	**2 299**	**(3)**	**2 296**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.2 FOR THE YEAR ENDED 31 DECEMBER 2018

Additional information on insurance activities

The group's conventional insurance activities are spread over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	535	82
Crop	729	54
Engineering	1 335	296
Guarantee	301	(69)
Liability	1 250	(20)
Miscellaneous	8	(1)
Motor	12 801	1 176
Property	10 031	519
Transportation	721	29
Total	**27 711**	**2 066**
Comprising:		
Commercial insurance	15 809	920
Personal insurance	11 902	1 146
Total	**27 711**	**2 066**

	R million
Additional information on investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	895
Net losses on financial assets and liabilities at fair value through income	(223)
Income from associates and joint ventures	53
Investment-related revenue	**725**
Expenses for investment-related activities	(67)
Finance costs	(331)
Net total investment-related transactions	**327**

For detailed analysis of investment activities, refer to notes 6 and 9.

5. SEGMENT INFORMATION (continued)

5.2 FOR THE YEAR ENDED 31 DECEMBER 2017

Additional information on Insurance activities

The group's conventional insurance activities are spread over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	482	58
Crop	829	114
Engineering	1 290	296
Guarantee	182	(18)
Liability	1 227	85
Miscellaneous	4	2
Motor	12 125	860
Property	9 000	(165)
Transportation	714	28
Total	**25 853**	**1 260**
Comprising:		
Commercial insurance	14 589	513
Personal insurance	11 264	747
Total	**25 853**	**1 260**

	R million
Additional information on Investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	557
Net gains on financial assets and liabilities at fair value through income	85
Income from associates including profit on sale	47
Investment-related revenue	**689**
Expenses for investment-related activities	(67)
Finance costs	(295)
Net total investment-related transactions	**327**

For detailed analysis of investment activities, refer to notes 6 and 9.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.2 FOR THE YEAR ENDED 31 DECEMBER 2018

Additional information on Santam's share of SEM

The group's return on Santam's share of SEM activities can be analysed as follows:

	SEM R million	SAN JV (Saham Finances)[3] R million	Total R million
Revenue	**1 265**	**1 282**	**2 547**
Net earned premium	923	1 071	**1 994**
Net claims incurred	679	675	**1 354**
Net commission	49	112	**161**
Management expenses (excluding BEE costs)	248	205	**453**
Net underwriting result	**(53)**	**79**	**26**
Investment return on insurance funds	183	74	**257**
Net insurance result	**130**	**153**	**283**
Other income	–	4	**4**
Operating result before non-controlling interest and tax[2]	**130**	**157**	**287**
Reallocation of operating result[1]	(130)	(157)	**(287)**
Investment income net of investment-related fees	234	–	**234**
Income from associates and joint ventures	–	266	**266**
Loss on dilution of associate	–	(88)	**(88)**
Reclassification of foreign currency translation reserve on dilution of associate	–	19	**19**
Profit before tax	**234**	**197**	**431**

[1] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.*
[2] *Santam's share of SAN JV's non-controlling interest and tax of R47 million resulted in net results of R49 million.*
[3] *Santam held an effective interest of 7% until 9 October 2018, after which the effective interest increased to 10%. Refer to note 11.*

5. SEGMENT INFORMATION (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Additional information on Santam's share of SEM

The group's return on Santam's share of SEM activities can be analysed as follows:

	SEM R million	SAN JV (Saham Finances)[3] R million	Total R million
Revenue	**1 267**	**1 115**	**2 382**
Net earned premium	881	909	**1 790**
Net claims incurred	723	621	**1 344**
Net commission	30	95	**125**
Management expenses (excluding BEE costs)	236	197	**433**
Net underwriting result	**(108)**	**(4)**	**(112)**
Investment return on insurance funds	234	122	**356**
Net insurance result/operating result before non-controlling interest and tax[2]	**126**	**118**	**244**
Reallocation of operating result[1]	(126)	(118)	**(244)**
Investment income net of investment-related fees	84	–	**84**
Income from associates and joint ventures	–	65	**65**
Gain on dilution of associate	–	18	**18**
Reclassification of foreign currency translation reserve on dilution of associate	–	(90)	**(90)**
Profit before tax	**84**	**(7)**	**77**

[1] *Reconciling items consist of the reallocation of net insurance results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.*
[2] *Santam's share of SAN JV's non-controlling interest and tax of R30 million resulted in net results of R32 million.*
[3] *Santam held an effective interest of 7.5%, until 10 May 2017, after which the effective interest decreased to 7%.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.3 GEOGRAPHICAL ANALYSIS

	Gross written premium		Non-current assets	
	31 Dec 2018 R million	31 Dec 2017 R million	31 Dec 2018 R million	31 Dec 2017 R million
South Africa	**29 742**	26 520	**1 109**	1 125
Rest of Africa[1]	**3 684**	3 810	**3 109**	1 967
Southeast Asia, India and Middle East	**1 969**	1 549	**1 059**	886
Other	**261**	223	**–**	–
	35 656	**32 102**	**5 277**	**3 978**
Reconciling items[2]	**(2 547)**	(2 382)	**–**	–
Group total	**33 109**	**29 720**	**5 277**	**3 978**

[1] *Includes gross written premium relating to Namibia of R1 110 million (December 2017: R1 197 million).*
[2] *Reconciling items relate to the underlying investments included in SEM and SAN JV (Saham Finances) activities for management reporting purposes.*

5. SEGMENT INFORMATION (continued)

5.4 ANALYSIS OF SAN JV (SAHAM)'S RESULTS

The Saham Finances contribution was impacted by corporate activity in 2018 and 2017. The tables included in this note provide an analysis of the Saham Finances earnings on a 100% basis for both years, which eliminates the distortion caused by changes in shareholding. Santam's share of the net underwriting results for the year amounted to R79 million (2017: R4 million loss).

Saham Finances net result from financial services for the year ended 31 December 2018 (100%)

	2018 R million	2017 R million
Gross written premiums	**16 569**	15 975
Net earned premiums	**13 843**	12 723
Net claims incurred	**(9 448)**	(8 537)
Net commission	**(1 454)**	(1 289)
Management expenses	**(2 645)**	(2 572)
Net underwriting result	**296**	325
Investment return on insurance funds	**951**	1 734
Non-insurance earnings	**52**	116
Operating result before taxation and non-controlling interest	**1 299**	2 175
Taxation and non-controlling interest	**(609)**	(1 078)
Operating result after taxation and non-controlling interest	**690**	1 097
Net investment income	**172**	110
Finance costs	**(160)**	(76)
Attributable earnings	**702**	**1 131**
Foreign currency translation differences	**(124)**	151
Total comprehensive income for the year	**578**	**1 282**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.4 ANALYSIS OF SAN JV's (SAHAM's) RESULTS(continued)

Analysis of SAN JV's (Saham)'s gross written premium (100%)

	Life insurance		General insurance	
	31 Dec 2018 R million	**31 Dec 2017 R million**	**31 Dec 2018 R million**	**31 Dec 2017 R million**
Morocco	**1 481**	1 420	**6 708**	6 000
Lebanon	**736**	680	**791**	871
Mauritius (Saham Re)	**–**	–	**–**	–
Côte d'Ivoire	**585**	547	**1 251**	1 220
Angola	**35**	42	**968**	1 415
Other	**462**	363	**2 335**	2 246
Consolidation adjustment	**(23)**	(30)	**(145)**	(164)
	3 276	**3 022**	**11 908**	**11 588**

Analysis of SAN JV's (Saham's) underwriting results (100%)

	Life insurance		General insurance	
	31 Dec 2018 R million	**31 Dec 2017 R million**	**31 Dec 2018 R million**	**31 Dec 2017 R million**
Morocco	**(135)**	(191)	**439**	488
Lebanon	**(117)**	(78)	**58**	28
Mauritius (Saham Re)	**–**	–	**–**	–
Côte d'Ivoire	**(111)**	(72)	**77**	100
Angola	**1**	18	**(29)**	(40)
Other	**(86)**	(96)	**(58)**	(64)
	(448)	**(419)**	**487**	**512**

Reinsurance		Total	
31 Dec 2018 R million	31 Dec 2017 R million	31 Dec 2018 R million	31 Dec 2017 R million
–	–	**8 189**	7 420
–	–	**1 527**	1 551
1 108	1 061	**1 108**	1 061
–	–	**1 836**	1 767
–	–	**1 003**	1 457
1 305	1 267	**4 102**	3 876
(1 028)	(963)	**(1 196)**	(1 157)
1 385	**1 365**	**16 569**	**15 975**

Reinsurance		Total	
31 Dec 2018 R million	31 Dec 2017 R million	31 Dec 2018 R million	31 Dec 2017 R million
–	–	**304**	297
–	–	**(59)**	(50)
311	289	**311**	289
–	–	**(34)**	28
–	–	**(28)**	(22)
(54)	(57)	**(198)**	(217)
257	**232**	**296**	**325**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL ASSETS AND LIABILITIES

	Audited at 31 Dec 2018 R million	Audited at 31 Dec 2017 R million
The group's financial assets are summarised below by measurement category.		
Financial assets		
Strategic investment – unquoted SEM target shares	**1 323**	1 089
Financial assets at fair value through income (restated, please refer to note 14)	**22 454**	19 178
Loans and receivables	**6 274**	5 253
Receivables arising from insurance and reinsurance contracts	**5 168**	4 279
Loans and receivables excluding insurance receivables	**1 106**	974
	30 051	25 520
Expected to be realised after 12 months	**17 400**	18 085
Expected to be realised within 12 months	**12 651**	7 435
Financial liabilities		
Financial liabilities at fair value through income	**3 604**	3 759
Financial liabilities at amortised cost (restated, please refer to note 14)	**917**	661
Trade and other payables	**5 921**	4 953
	10 442	9 373
Expected to be realised after 12 months	**3 508**	3 614
Expected to be realised within 12 months	**6 934**	5 759

Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2017. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments are determined as follows:
  - Quoted equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unquoted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Quoted debt securities are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.
  - Unquoted debt securities are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

- Quoted unitised investments with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
- Quoted unitised investments with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.
- Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.

– Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior year.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL ASSETS AND LIABILITIES (continued)

Audited at 31 December 2018	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 377	–	–	**2 377**
Irredeemable preference shares	1	–	–	**1**
Unquoted	–	28	1 390	**1 418**
Total equity securities	**2 378**	**28**	**1 390**	**3 796**
Debt securities				
Quoted				
Government and other bonds	–	4 750	–	**4 750**
Collateralised securities	–	370	–	**370**
Money market instruments more than one year	–	3 344	–	**3 344**
Unquoted				
Government and other bonds	–	292	–	**292**
Money market instruments more than one year	–	5 025	–	**5 025**
Redeemable preference shares	–	70	61	**131**
Total debt securities	**–**	**13 851**	**61**	**13 912**
Unitised investments				
Quoted				
Underlying equity securities	–	615	–	**615**
Underlying debt securities	–	2 501	–	**2 501**
Total unitised investments	**–**	**3 116**	**–**	**3 116**
Derivative instruments				
Interest rate swaps[1]	–	–	–	**–**
Foreign currency collar	–	25	–	**25**
Total derivative instruments	**–**	**25**	**–**	**25**
Short-term money market instruments	–	2 928	–	**2 928**
Total financial assets at fair value through income	**2 378**	**19 948**	**1 451**	**23 777**

[1] *Carrying value as at 31 December 2018 is less than R1 million.*

Financial liabilities at fair value through income				
Debt securities	–	2 072	–	**2 072**
Investment contracts	–	1 528	–	**1 528**
Derivative instruments				
Exchange traded futures	–	4	–	**4**
Total derivative instruments	–	4	–	**4**
Total financial liabilities at fair value through income	**–**	**3 604**	**–**	**3 604**

6. FINANCIAL ASSETS AND LIABILITIES (continued)

Audited at 31 December 2017	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 086	9	–	2 095
Irredeemable preference shares	2	–	–	2
Unquoted	–	36	1 143	1 179
Total equity securities	**2 088**	**45**	**1 143**	**3 276**
Debt securities				
Quoted				
Government and other bonds (restated, please refer to note 14)	–	4 307	–	4 307
Collateralised securities	–	541	–	541
Money market instruments more than one year	–	4 094	–	4 094
Unquoted				
Government and other bonds	–	184	–	184
Money market instruments more than one year	–	3 367	–	3 367
Redeemable preference shares	–	157	25	182
Total debt securities	**–**	**12 650**	**25**	**12 675**
Unitised investments				
Quoted				
Underlying equity securities	–	1 765	–	1 765
Underlying debt securities	–	369	–	369
Total unitised investments	**–**	**2 134**	**–**	**2 134**
Derivative instruments				
Exchange traded futures	–	8	–	8
Interest rate swaps[1]	–	–	–	–
Total derivative instruments	**–**	**8**	**–**	**8**
Short-term money market instruments	–	2 174	–	2 174
Total financial assets at fair value through income	**2 088**	**17 011**	**1 168**	**20 267**

[1] *Carrying value as at 31 December 2017 is less than R1 million.*

Financial liabilities at fair value through income				
Debt securities	–	2 056	–	2 056
Investment contracts	–	1 703	–	1 703
Total financial liabilities at fair value through income	**–**	**3 759**	**–**	**3 759**

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The following table presents the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Derivatives R million	Total R million
31 December 2018				
Opening balance	**1 143**	**25**	**–**	**1 168**
Acquisitions	**12**	**36**	**–**	**48**
Gains recognised in profit or loss	**235**	**–**	**–**	**235**
Closing balance	**1 390**	**61**	**–**	**1 451**
31 December 2017				
Opening balance	1 181	29	–	**1 210**
Acquisitions	2	–	–	**2**
Business combination	–	(4)	–	**(4)**
Disposals	(106)	–	–	**(106)**
Settlements	–	–	58	**58**
Gains/(losses) recognised in profit or loss	66	–	(58)	**8**
Closing balance	**1 143**	**25**	**–**	**1 168**

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). The Sanlam Group entered into agreements in June 2017 to dispose of its various interests in the Enterprise Group in Ghana. In terms of the co-investment arrangement with SEM, Santam, which had an economic interest of 14% in Enterprise Insurance Company Ltd (EIC), disposed of its interest in EIC for R105 million.

Of the R235 million gain (Dec 2017: R66 million gain) recognised on equity securities, a R234 million gain (Dec 2017: R65 million gain) relates to the SEM target shares, of which R104 million (Dec 2017: R57 million loss) relates to foreign exchange gains, and R130 million to an increase (Dec 2017: R122 million) in fair value in local currency terms. A key driver of the fair value movements of Santam's share of the SEM investment portfolio was:

- An increase in the value of Shriram General Insurance Company Ltd of R120 million, in local currency terms, was mainly attributed to an improved underwriting margin.

The fair value of the SEM target shares is determined using predominantly discounted cash flow (DCF) models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant assumptions used in these DCF models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares (SGI and P&O) valued by way of DCF models would decrease by R146 million (Dec 2017: R140 million) or increase by R229 million (Dec 2017: R211 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R106 million (Dec 2017: R86 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R81 million (Dec 2017: R93 million) or decrease by R82 million (Dec 2017: R93 million), respectively. The remaining target shares are mostly impacted by changes in exchange rates.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

At 31 December 2018, the group had exchange traded futures with an exposure value of R459 million (Dec 2017: R235 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2018 of R38 million (Dec 2017: R33 million) and R38 million (Dec 2017: R33 million) respectively.

During 2007, the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranche of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date was 15 September 2017. Between the optional redemption date and final maturity date of 15 September 2022, a variable interest rate (JIBAR-based plus additional margin) would have applied. Both tranches were, however, redeemed on 15 September 2017, resulting in the realisation of the initial discount of R45 million.

During April 2016, the company issued additional unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes have an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

On 31 July 2017, a zero cost collar structure on equities to the value of R1.2 billion was entered into based on the SWIX 40, providing full downside protection from the implementation level of 10 972, with upside participation (excluding dividends) of 2.2%. The structure matured on 21 December 2017 (resulting in a realised loss of R58 million) and was not renewed.

On 10 September 2018 Santam entered into a foreign currency collar against the US dollar. As at 31 December, the instrument's valuation amounted to R24.8 million. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R36.5 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited at 31 Dec 2018 R million	Audited at 31 Dec 2017 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**32**	75
– claims incurred but not reported	**41**	62
General insurance contracts		
– claims reported and loss adjustment expenses	**8 465**	8 273
– claims incurred but not reported	**2 868**	2 310
– unearned premiums	**9 256**	7 128
Total gross insurance liabilities	**20 662**	17 848
Expected to be settled after 12 months	**2 339**	1 789
Expected to be settled within 12 months	**18 323**	16 059
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**14**	18
– claims incurred but not reported	**10**	15
General insurance contracts		
– claims reported and loss adjustment expenses	**4 138**	3 918
– claims incurred but not reported	**667**	496
– unearned premiums	**1 658**	1 377
Total reinsurers' share of insurance liabilities	**6 487**	5 824
Expected to be realised after 12 months	**505**	202
Expected to be realised within 12 months	**5 982**	5 622
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**18**	57
– claims incurred but not reported	**31**	47
General insurance contracts		
– claims reported and loss adjustment expenses	**4 327**	4 355
– claims incurred but not reported	**2 201**	1 814
– unearned premiums	**7 598**	5 751
Total net insurance liabilities	**14 175**	12 024

8. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale relates to the winding up of the Santam International group. The winding up also resulted in the release of the foreign currency translation reserve relating to the investment of R175 million in the prior year (refer to note 9).

	Audited at 31 Dec 2018 R million	Audited at 31 Dec 2017 R million
Assets that are classified as held for sale		
Financial assets at fair value through income		
Opening balance	**–**	8
Settlements	**–**	(8)
Closing balance	**–**	–

9. INVESTMENT INCOME AND NET (LOSSES)/GAINS ON FINANCIAL ASSETS AND LIABILITIES

	Audited Year ended 31 Dec 2018 R million	Audited Year ended 31 Dec 2017 R million
Investment income	**2 819**	1 335
Interest income derived from:	**2 296**	1 320
Financial assets measured at amortised cost	**91**	136
Financial assets mandatorily measured at fair value through income	**2 205**	1 184
Other investment income	**523**	15
Dividend income	**147**	131
Foreign exchange differences	**376**	(116)
Net (losses)/gains on financial assets and liabilities at fair value through income		
Net fair value (losses)/gains on financial assets mandatorily at fair value through income	**(1 171)**	370
Net realised gains on financial assets excluding derivative instruments	**377**	121
Net fair value (losses)/gains on financial assets excluding derivative instruments	**(1 571)**	283
Net realised/fair value gains/(losses) on derivative instruments	**23**	(34)
Net fair value gains/(losses) on financial liabilities designated as at fair value through income	**35**	57
Net fair value (losses)/gains on debt securities	**(16)**	19
Net realised losses on debt securities	**–**	(45)
Net realised gains on investment contracts	**51**	83
Investment income and net losses on financial assets held for sale[1]	**–**	175
Foreign exchange differences	**–**	175
	1 683	1 937

[1] *The release of the foreign currency translation reserve of R175 million for the group related to Santam International.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX

	Audited Year ended 31 Dec 2018 R million	Audited Year ended 31 Dec 2017 R million
Normal taxation		
Current year	**980**	535
Prior year	**(3)**	32
Recovered from cell owners[1]	**–**	(80)
Other taxes	**12**	–
Foreign taxation – current year	**71**	88
Total income taxation for the year	**1 060**	575
Deferred taxation		
Current year	**(70)**	(34)
Prior year	**–**	(52)
Total deferred taxation for the year	**(70)**	(86)
Total taxation as per statement of comprehensive income	**990**	489
Income tax recovered from cell owners and structured insurance products[1]	**(106)**	–
Total tax expense attributable to shareholders	**884**	489
Profit before taxation per statement of comprehensive income	**3 519**	2 296
Adjustment for income tax recovered from cell owners and structured insurance products[1]	**(106)**	–
Total profit before tax attributable to shareholders	**3 413**	2 296

[1] *As part of the alternative risk transfer business, the Santam group incurs taxation on behalf of cell owners and policyholders of certain structured insurance products which are fully recovered from these parties. With the acquisition of SSI in the 2017 financial year, the tax on cell owners and structured insurance products is more significant. As a result, the tax on cell owners and structured insurance products in the current year has been separately disclosed in the financial statements. In the prior year, this tax was disclosed as part of tax expense.*

10. INCOME TAX (continued)

	Audited Year ended 31 Dec 2018 R million	Audited Year ended 31 Dec 2017 R million
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.1**	0.3
Foreign tax differential	**0.8**	0.4
Exempt income	**(0.8)**	(2.4)
Investment results	**0.1**	(1.1)
Income from associates and joint ventures	**(1.8)**	(1.5)
Exempt foreign currency translation	**–**	(1.0)
Previous years' overprovision	**(0.1)**	(0.8)
Non-current assets held for sale and discontinued operations	**–**	(0.4)
Other permanent differences	**(0.8)**	(0.4)
Other taxes	**0.4**	0.2
Net reduction	**(2.1)**	(6.7)
Effective rate attributable to shareholders (%)	**25.9**	**21.3**

11. CORPORATE TRANSACTIONS

2018

Acquisitions

SAN JV (RF) (Pty) Ltd

Effective 9 October 2018, SEM and Santam, through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 53.3% interest in Saham Finances for US$1 045 million. Santam's share of the purchase price, including transaction costs, was US$64 million (R957 million), before applying hedge accounting. Santam's interest in SAN JV therefore diluted to 10% (previously 15%) due to limited participation in this transaction. As part of this transaction, a cash flow hedge was implemented to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R46 million recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. As a result of the dilution, R19 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. A loss on dilution of R88 million was also recognised.

Professional Provident Society Short-term Insurance Company Ltd (PST)

During March, June and September 2018, pro rata recapitalisations took place in terms of which Santam injected a further total of R15 million into the company.

Ctrl Investment Holdings (Pty) Ltd

On 30 November 2018, Santam subscribed for a 25% equity stake in Ctrl Investment Holdings (Pty) Ltd for an amount of R12.5 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. CORPORATE TRANSACTIONS (continued)

Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd Group

During November 2018, the Santam group acquired a shareholding of 100% in Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd for R90 million in cash. Due to the limited time available to perform a purchase price allocation, a provisional allocation to goodwill was recorded based on the IFRS historical cost values. Per IFRS 3 requirements, a detailed valuation and allocation will be performed within 12 months of the purchase.

	R million
Details of the assets and liabilities acquired (based on provisional purchase price allocation) are as follows:	
Property, equipment and intangible assets	**1**
Loans and receivables including insurance receivables	**3**
Cash and cash equivalents	**4**
Deferred income tax	**1**
Provisions for other liabilities and charges	**(3)**
Trade and other payables including insurance payables	**(2)**
Current income tax liabilities	**(3)**
Net asset value acquired	**1**
Goodwill	**89**
Purchase consideration paid	**90**

2018

Disposals

Professional Provident Society Short-term Insurance Company Ltd (PST)

During December 2018, the group sold its 49% shareholding in Professional Provident Society Short-term Insurance Company Ltd for R114 million. The net profit realised was R40 million and capital gains tax of R3 million was recognised.

Western Group Holdings Ltd

On 31 October 2018, Santam restructured its investment in the Western Group. Santam effectively sold its 40% shareholding in Western Group Holdings Ltd and received a cash component of R54 million as well as 40% shareholding of R215 million in Western National Insurance Ltd. An immaterial profit was recognised on the disposal. Santam Ltd recognised capital gains tax of R10 million.

11. CORPORATE TRANSACTIONS (continued)

2017

Acquisitions

Santam Structured Insurance (Pty) Ltd

During March 2017, the Santam group acquired a shareholding of 100% in RMB-SI Investments (Pty) Ltd (now Santam Structured Insurance (Pty) Ltd (SSI)) for R193 million in cash. Key SSI management obtained a 10% economic participation interest in SSI at acquisition date for R20 million. The 10% participatory interest is included as a liability under provisions.

	R million
Details of the assets and liabilities acquired are as follows:	
Property and equipment	15
Investment in associates and joint ventures	17
Financial assets at fair value through income (restated, please refer to note 14)	4 845
Reinsurance assets	391
Deferred acquisition costs	9
Loans and receivables including insurance receivables	519
Cash and cash equivalents	1 045
Deferred income tax	(86)
Cell owners' and policyholders' interest	(1 849)
Financial liabilities at fair value through income	(1 551)
Financial liabilities at amortised cost (restated, please refer to note 14)	(504)
Insurance liabilities	(2 242)
Deferred reinsurance acquisition revenue	(2)
Provisions for other liabilities and charges	(30)
Trade and other payables including insurance payables	(350)
Current income tax liabilities	(14)
Net asset value acquired	**213**
Long-term incentive provision	(20)
Purchase consideration paid	**193**

SAN JV (RF) (Pty) Ltd

Effective 10 May 2017, SEM and Santam, through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 16.6% interest in Saham Finances via a subscription for new shares for US$351 million. Santam's share of the purchase price, including transaction costs, was US$11 million (R152 million). Santam's interest in SAN JV therefore diluted to 15% (previously 25%). As a result of the dilution, R90 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. An R18 million gain on dilution was also recognised.

Professional Provident Society Short-term Insurance Company Ltd (PST)

During March, June, September and December 2017, pro rata recapitalisations took place in terms of which Santam injected a further total of R23 million into the company.

Disposals

Paladin Underwriting Managers (Pty) Ltd

During January 2017, the group sold its 40% shareholding in Paladin Underwriting Managers (Pty) Ltd for R23 million. The net profit realised was R5 million and capital gains tax of R2 million was recognised.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

	Audited Year ended 31 Dec 2018	Audited Year ended 31 Dec 2017
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**2 427**	1 667
Weighted average number of ordinary shares in issue (million)	**110.41**	110.30
Earnings per share (cents)	**2 198**	1 511
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**2 427**	1 667
Weighted average number of ordinary shares in issue (million)	**110.41**	110.30
Adjusted for share options	**0.82**	1.13
Weighted average number of ordinary shares for diluted earnings per share (million)	**111.23**	111.43
Diluted basic earnings per share (cents)	**2 182**	1 496
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**2 427**	1 667
Adjusted for:		
Impairment of goodwill and other intangible assets	**–**	8
Impairment of associates and joint ventures	**12**	3
Reclassification of foreign currency translation reserve on dilution of associate	**(19)**	90
Loss/(gain) on dilution of associate	**88**	(18)
Profit on sale of associates	**(40)**	(5)
Tax charge on profit on sale of associates	**13**	2
Share of associates' profit on deemed disposal of associate	**(164)**	–
Foreign currency translation reserve reclassified to profit and loss	**–**	(175)
Headline earnings (R million)	**2 317**	1 572
Weighted average number of ordinary shares in issue (million)	**110.41**	110.30
Headline earnings per share (cents)	**2 099**	1 425
Diluted headline earnings per share		
Headline earnings (R million)	**2 317**	1 572
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**111.23**	111.43
Diluted headline earnings per share (cents)	**2 084**	1 411

13. DIVIDEND PER SHARE

Dividend per share (cents)	**1 028**	952

14. CHANGES IN PRESENTATION AND RESTATEMENTS

14.1 CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

Items on the statement of financial position have been reordered to reflect in the order of the least liquid to most liquid for assets and liabilities, as allowed under IAS 1 *Presentation of Financial Statements* paragraph 60 to 63 in order to enable comparison to other industry participants. Doing away with the current/non-current distinction resulted in the aggregation of some line items, but in total, no changes were made to the amounts previously presented, except for investments in unquoted SEM target shares now separately disclosed. The "within 12 months"/"after 12 months" split is disclosed in each note to the financial statements, where it is of relevance.

14.2 RESTATEMENT OF THE STATEMENT OF CASH FLOWS

As part of management's consideration of the impact of IFRS 9 on the classification and measurement of financial assets, the way in which the investment portfolios are managed and how actively they are traded was assessed. As a result of this assessment, it was concluded that it is more appropriate to classify the cash flows relating to the investment portfolios as part of operating activities rather than investing activities. The acquisition of and proceeds from sales relating to strategic investments, equity portfolios and portfolios backing subordinated debt will remain as part of investing activities as these portfolios are not considered part of the operations of the business. Comparative numbers have been restated.

The table below shows the impact of the change:

	Previously reported 31 Dec 2017 R million	Restatement 31 Dec 2017 R million	Restated 31 Dec 2017 R million
Net cash from operating activities			
– Acquisition of financial assets	–	(18 482)	(18 482)
– Proceeds from sale of financial assets	–	17 229	17 229
Net cash (used in)/from investing activities			
– Acquisition of financial assets	(20 322)	18 482	(1 840)
– Proceeds from sale of financial assets	20 054	(17 229)	2 825
Net impact	(268)	–	(268)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. CHANGES IN PRESENTATION AND RESTATEMENTS (continued)

14.3 RESTATEMENT OF REPO LIABILITY

The SSI group entered into a repurchase agreement in August 2016. In prior years the underlying financial assets (bonds) were derecognised and only a liability or asset to the extent of any differential between the value of the bonds and the repurchase liability was recognised. On reconsideration of the transaction, it was determined that the risks and rewards relating to the bond assets had not sufficiently transferred. The 31 December 2017 comparatives have been restated to recognise the underlying financial assets (R531 million) as well as repurchase liability. As SSI only became part of the group on 1 March 2017, there was no impact on the 1 January 2017 opening balances presented. It had no impact on the statement of comprehensive income or earnings per share.

	Previously reported 31 Dec 2017 R million	Restatement 31 Dec 2017 R million	Restated 31 Dec 2017 R million
Financial assets at fair value through income	18 647	531	19 178
Financial liabilities at amortised cost			
Repo liability	–	(531)	(531)
Net impact	18 647	–	18 647

15. EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

16. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relates mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

16. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

16.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION

	Group total 2018 R million	Shareholder 2018 R million	Policyholder/ cellholder 2018 R million
Assets			
Intangible assets	885	885	–
Property and equipment	142	142	–
Investment in associates and joint ventures	2 927	2 927	–
Strategic investment – unquoted SEM target shares	1 323	1 323	–
Deferred income tax	155	152	3
Deposit with cell owner	191	–	191
Cell owners' and policyholders' interest	13	–	13
Financial assets at fair value through income	22 454	12 567	9 887
Reinsurance assets	6 487	6 032	455
Deferred acquisition costs	619	580	39
Loans and receivables including insurance receivables	6 274	4 407	1 867
Current income tax assets	10	10	–
Cash and cash equivalents	3 618	2 573	1 045
Total assets	45 098	31 598	13 500
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(467)	(467)	–
Other reserves	(90)	(90)	–
Distributable reserves	9 311	9 311	–
	8 857	8 857	–
Non-controlling interest	508	508	–
Total equity	9 365	9 365	–
Liabilities			
Deferred income tax	81	87	(6)
Cell owners' and policyholders' interest	3 343	–	3 343
Reinsurance liability relating to cell owners	191	–	191
Financial liabilities at fair value through income			
Debt securities	2 072	2 072	–
Investment contracts	1 528	–	1 528
Derivatives	4	4	–
Financial liabilities at amortised cost			
Repo liability	759	–	759
Collateral guarantee contracts	158	–	158
Insurance liabilities	20 662	14 041	6 621
Deferred reinsurance acquisition revenue	487	389	98
Provisions for other liabilities and charges	162	162	–
Trade and other payables including insurance payables	5 922	5 155	767
Current income tax liabilities	364	323	41
Total liabilities	35 733	22 233	13 500
Total shareholders' equity and liabilities	45 098	31 598	13 500

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

16. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

16.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION (continued)

	Group 2017 R million	Shareholder 2017 R million	Policyholder/ cellholder 2017 R million
Assets			
Intangible assets	841	841	–
Property and equipment	135	135	–
Investment in associates and joint ventures	1 789	1 789	–
Strategic investment – unquoted SEM target shares	1 089	1 089	–
Deferred income tax	91	80	11
Deposit with cell owner	174	–	174
Cell owners' and policyholders' interest	10	–	10
Financial assets at fair value through income	19 178	10 518	8 660
Reinsurance assets	5 824	5 489	335
Deferred acquisition costs	537	509	28
Loans and receivables including insurance receivables	5 253	4 007	1 246
Current income tax assets	17	17	–
Cash and cash equivalents	4 321	3 374	947
Total assets	39 259	27 848	11 411
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(470)	(470)	–
Other reserves	(214)	(214)	–
Distributable reserves	7 999	7 999	–
	7 418	7 418	–
Non-controlling interest	506	506	–
Total equity	7 924	7 924	–
Liabilities			
Deferred income tax	87	93	(6)
Cell owners' and policyholders' interest	3 227	–	3 227
Reinsurance liability relating to cell owners	174	–	174
Financial liabilities at fair value through income			
Debt securities	2 056	2 056	–
Investment contracts	1 703	–	1 703
Financial liabilities at amortised cost			
Repo liability	531	–	531
Collateral guarantee contracts	130	–	130
Insurance liabilities	17 848	13 105	4 743
Deferred reinsurance acquisition revenue	326	300	26
Provisions for other liabilities and charges	106	106	–
Trade and other payables including insurance payables	4 953	4 079	874
Current income tax liabilities	194	185	9
Total liabilities	31 335	19 924	11 411
Total shareholders' equity and liabilities	39 259	27 848	11 411

16. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

16.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME

	Group 2018 R million	Shareholder 2018 R million	Policyholder/ cellholder 2018 R million
Gross written premium	**33 109**	**28 149**	**4 960**
Less: reinsurance written premium	**9 041**	**5 614**	**3 427**
Net written premium	**24 068**	**22 535**	**1 533**
Less: change in unearned premium			
Gross amount	**2 019**	**208**	**1 811**
Reinsurers' share	**(763)**	**(195)**	**(568)**
Net insurance premium revenue	**22 812**	**22 522**	**290**
Interest income on amortised cost instruments	**91**	**91**	**–**
Interest income on fair value through income instruments	**2 205**	**970**	**1 235**
Other investment income	**523**	**432**	**91**
Income from reinsurance contracts ceded	**1 889**	**1 493**	**396**
Net losses on financial assets and liabilities at fair value through income	**(1 136)**	**(30)**	**(1 106)**
Other income	**246**	**246**	**–**
Net income	**26 630**	**25 724**	**906**
Insurance claims and loss adjustment expenses	**18 442**	**16 883**	**1 559**
Insurance claims and loss adjustment expenses recovered from reinsurers	**(4 615)**	**(3 348)**	**(1 267)**
Net insurance benefits and claims	**13 827**	**13 535**	**292**
Expenses for the acquisition of insurance contracts	**4 524**	**4 155**	**369**
Expenses for marketing and administration	**4 465**	**4 440**	**25**
Expenses for investment-related activities	**67**	**67**	**–**
Amortisation and impairment of intangible assets	**69**	**69**	**–**
Impairment of loans	**5**	**5**	**–**
Investment return allocated to cell owners and structured insurance products	**179**	**–**	**179**
Expenses	**23 136**	**22 271**	**865**
Results of operating activities	**3 494**	**3 453**	**41**
Finance costs	**(331)**	**(290)**	**(41)**
Net income from associates and joint ventures	**291**	**291**	**–**
Profit on sale of associates	**40**	**40**	**–**
Loss on dilution of associate	**(88)**	**(88)**	**–**
Reclassification of foreign currency translation reserve on dilution of associate	**19**	**19**	**–**
Impairment of associate	**(12)**	**(12)**	**–**
Income tax recovered from cell owners and structured insurance products	**106**	**–**	**106**
Profit before tax	**3 519**	**3 413**	**106**
Income tax expense	**(990)**	**(884)**	**(106)**
Profit for the year	**2 529**	**2 529**	**–**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

16. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULT (continued)

16.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME (continued)

	Group 2017 R million	Shareholder 2017 R million	Policyholder/ cellholder 2017 R million
Gross written premium	29 720	26 404	3 316
Less: reinsurance written premium	8 027	5 363	2 664
Net written premium	21 693	21 041	652
Less: change in unearned premium			
Gross amount	648	170	478
Reinsurers' share	(285)	(161)	(124)
Net insurance premium revenue	21 330	21 032	298
Interest income on amortised cost instruments	136	136	–
Interest income on fair value through income instruments	1 184	840	344
Other investment income	15	(14)	29
Income from reinsurance contracts ceded	1 794	1 591	203
Net gains on financial assets and liabilities at fair value through income	427	237	190
Investment income and fair value losses on financial assets held for sale	175	175	–
Other income	127	127	–
Net income	25 188	24 124	1 064
Insurance claims and loss adjustment expenses	20 466	18 677	1 789
Insurance claims and loss adjustment expenses recovered from reinsurers	(6 400)	(4 882)	(1 518)
Net insurance benefits and claims	14 066	13 795	271
Expenses for the acquisition of insurance contracts	4 218	4 017	201
Expenses for marketing and administration	3 652	3 623	29
Expenses for investment-related activities	67	67	–
Amortisation and impairment of intangible assets	71	71	–
Investment return allocated to cell owners and structured insurance products	563	–	563
Expenses	22 637	21 573	1 064
Results of operating activities	2 551	2 551	–
Finance costs	(295)	(295)	–
Net income from associates and joint ventures	110	110	–
Profit on sale of associates	5	5	–
Gain on dilution of associate	18	18	–
Reclassification of foreign currency translation reserve on dilution of associate	(90)	(90)	–
Impairment of associate	(3)	(3)	–
Profit before tax	2 296	2 296	–
Income tax expense	(489)	(489)	–
Profit for the year	1 807	1 807	–

ANNEXURE 2

BOARD PROFILES AT 1 MARCH 2019

VP KHANYILE (68)
Independent non-executive chairman

BComm (Hons) (Birmingham), Honorary Doctorate

Appointed to the board on 23 April 2018

Executive chairman of Thebe Investment Corporation (Pty) Ltd. Director of Sun International (Pty) Ltd, Thebe Foundation, WWF South Africa, WeGrow Farming Enterprises (Pty) Ltd and Main Street group of companies.

B CAMPBELL (68)
Independent non-executive director

BA, MBL, ACII & FCII (UK)

Appointed 4 October 2010

Director of NicozDiamond Insurance Ltd (Zimbabwe). Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

IM KIRK (61)
Non-executive director

FCA (Ireland), CA(SA), HDip BDP (Wits)

Appointed 14 June 2007

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd. Previous chief executive officer of Santam Ltd from 2007 to 2014. Director of Sanlam Capital Markets (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings (Pty) Ltd, Shriram Capital Ltd, AfroCentric Investment Corp Ltd and chairman of Association for Savings & Investment South Africa.

JJ NGULUBE (61)
Non-executive director

BSc (Hons) (Agric) (Zimbabwe), MSc (Agric) (Penn State), Dip Financial Management

Appointed 23 April 2018

Chief executive officer of Sanlam Emerging Markets (Pty) Ltd. Previous chief executive officer of Sanlam Corporate cluster and previous chief executive officer of Munich Reinsurance Company of Africa Limited.

L LAMBRECHTS (55)
Chief executive officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed 1 January 2015

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd, Santam Structured Insurance group of companies, Saham Finances S.A., SAN JV and chairperson of SAIA.

MLD MAROLE (58)
Independent non-executive director

BComm, Dip Tertiary Education, MBA

Appointed 13 December 2011

Director of MTN Group Ltd, Mobile Telephone Networks Holdings (Pty) Ltd, MTN International (Pty) Ltd, South African Post Office SOC Ltd, Richards Bay Minerals (Pty) Ltd and Development Bank of Southern Africa. Trustee of the Emthunzini BBBEE Community Trust.

ANNEXURE 2

NV MTETWA (39)

Independent non-executive director

CA(SA)

Appointed 8 February 2017

Previous managing executive of finance at Vodacom South Africa. Served as management committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd. Chairperson of Sasfin Bank Audit Committee. Non-executive director of Sasfin Holdings, Italtile and Equites Property Fund. Non-executive director and audit and finance committee chair of Land Bank.

HD NEL (50)

Chief financial officer, executive director

CA(SA)

Appointed 17 September 2012

Director of Centriq group of companies, MiWay group of companies, Santam Structured Insurance group of companies, Santam Specialist Underwriting Managers, Swanvest 120 (Pty) Ltd, Brolink (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, First Bank Nigeria General Insurance Ltd, Guardian National Insurance Company Ltd, Indwe Broker Holdings Ltd and Santam Namibia Ltd.

MJ REYNEKE (60)

Independent non-executive director

CA(SA)

Appointed 26 August 2003

Director of African Rainbow Capital (Pty) Ltd, Ubuntu-Botho Investment Holdings (Pty) Ltd, UBI General Partners (Pty) Ltd and Uyanda STI Careers (Pty) Ltd.

PE SPECKMANN (62)

Independent non-executive director

CA(SA)

Appointed 8 February 2017

Director of MiWay group of companies, Centriq group of companies, Brightrock group of companies, African Rainbow Life Ltd, Sanlam Developing Markets Ltd, Sanlam Investments Ltd, Safrican Insurance Company Ltd and Impala Platinum Holdings Ltd. Previous group financial director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group, Seagram SA and audit partner at PricewaterhouseCoopers.

HC WERTH (55)

Non-executive director

CA(SA), MBA, EDP (Manchester)

Appointed 13 September 2016

Finance director of Sanlam Ltd and director of Sanlam Life Insurance Ltd, Sanlam Emerging Markets (Pty) Ltd and Genbel Securities Ltd, Sanlam Capital Markets Ltd and Sanlam Investment Holdings Ltd. Former chief executive officer of Sanlam Emerging Markets (Pty) Ltd from 2005 to 2016.

ANNEXURE 3

EXECUTIVE PROFILES AT 27 FEBRUARY 2019

LIZÉ LAMBRECHTS
Chief executive officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed in 2015

Responsible for executing strategic plans and policies approved by the board of directors; provides leadership and direction in realising the company's philosophy and achieving its mission, strategy, annual goals and objectives; and ensures the group meets or exceeds its targets, thereby growing profitability and sustainability over the medium to long term.

HENNIE NEL
Chief financial officer

CA(SA)

Appointed in 2012

Responsible for financial reporting, corporate finance, shareholder investments (including SEM strategic investments), internal audit and corporate legal services. Executive responsibility for the Alternative Risk Transfer portfolio from 1 January 2019.

EBRAHIM ASMAL
Executive head of Group Sourcing & Transformation

Appointed 2009 (appointed to executive management in 2012)

Responsible for group sourcing and facilities, leveraging the group's procurement spending power and scale to manage efficiency in the supply chain as well as enabling operational excellence, developing suppliers, driving opportunities related to new initiatives and developing enterprises. Drives group-wide transformation to ensure sustainability by setting targets and ensuring that the group meets its BEE responsibilities.

MOKAEDI DILOTSOTLHE
Chief marketing officer

BComm (Hons), MBA

Appointed in 2016

Responsible for the overall management and reputation of the Santam brand, including corporate communication, client care and implementing strategic marketing initiatives to support the distribution channels. Manages group CSI. Ensures the Santam brand is well positioned across all target market segments.

EDWARD GIBBENS
Executive head of Santam Commercial & Personal

AIISA, BComm, MBA, AMP (Insead)

Appointed in 1992 (appointed to executive management in 2005)

Responsible for growing gross premium income and underwriting profit through the company's commercial and personal lines distribution channels under the Santam brand, manages the efforts of business partners and distribution employees, analyses the competitive environment and develops future strategies to strengthen the company's competitive position.

ASHER GREVLER
Chief risk officer

BBusSc, FIA, FASSA, CERA

Appointed in 2004 (appointed to executive management in August 2018)

Responsible for enterprise risk management, financial risk management, business integrity and forensics, and the internal capital model.

ENID LIZAMORE
Executive head of Human Resources

BA, Postgrad Dip Human Resource Management

Appointed in 2018

Responsible for HR Business partnering, talent acquisition, learning and development, talent management, employee relations, employment equity and total rewards.

ANNEXURE 3

QUINTEN MATTHEW

Executive head of Santam Specialist

FIISA

Appointed in 2003 (appointed to executive management in 2010)

Responsible for developing and expanding the specialist underwriting manager model, niche segments, affinity markets and specialist insurance; provides strategic input to each business; promotes growth and profit objectives; focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, building on the synergy and support of Santam and expands SEM partner business and Saham specialist capabilities. Also responsible for the Alternative Risk Transfer portfolio up to December 2018.

JOHN MELVILLE

Chief underwriting officer, executive head of Reinsurance

BBusSc (Hons), FIA, FASSA, MCR (IMD)

Appointed in 2010

Responsible for the underwriting function (including strategy and pricing), product solutions, actuarial services (including rating), developing and implementing reinsurance strategy and developing Santam re into a growth and profit contributor for the group. Oversees the development and maintenance of systems and processes to support the operation of these functions and provide technical support to SEM partner businesses. Also responsible for the SEM international business portfolio (excluding specialist business) from 1 January 2019.

TEMBA MVUSI

Executive head of Market Development

BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)

Appointed in 2008

Responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets and explores new intermediary opportunities in unserved markets.

RENÉ OTTO

Chief executive officer of MiWay

BLC LLB, LLM, Admitted Advocate of the High Court

Appointed 2007 (appointed to executive management in 2012)

Responsible for executing strategic plans and financial performance of MiWay as founding head and current chief executive officer.

KEVIN WRIGHT

Operations & IT

BComm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS

Appointed in 2014

Responsible for client services, ensures the efficiency of policy administration and the operation of sales and administration contact centres, bolsters the business strategy by leveraging information technology and business change and oversees the building of systems capabilities to enhance Santam's agility and operational effectiveness.

ANNEXURE 4

ANALYSIS OF SHAREHOLDERS

	Number of shareholders	% of total shareholders	Number of shares	% interest
Analysis of shareholders				
1–100 shares	1 427	20.94	83 779	0.07
101–1 000 shares	3 397	49.85	1 413 040	1.23
1 001–50 000 shares	1 885	27.66	10 925 571	9.49
50 001–100 000 shares	55	0.81	3 787 867	3.29
100 001–10 000 000 shares	50	0.73	31 091 184	27.00
More than 10 000 000 shares	1	0.01	67 829 976	58.92
Total	**6 815**	**100.00**	**115 131 417**	**100.00**
Type of shareholder				
Individuals	4 426	64.94	3 898 824	3.39
Companies	666	9.77	87 223 145	75.75
Growth funds/unit trusts	296	4.34	11 740 743	10.20
Nominee companies or trusts	1 181	17.34	3 383 133	2.94
Pension and retirement funds	246	3.61	8 885 572	7.72
Total	**6 815**	**100.00**	**115 131 417**	**100.00**

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% interest	Nominal number	% interest	Nominal number	% interest
Shareholder spread						
Public shareholders	5 787	26.04	1 012	100.00	6 799	30.81
Directors	9	0.05	–	–	9	0.05
Guardian National Insurance Ltd[1]	1	4.04	–	–	1	3.78
Trustees of employees' share scheme[1]	3	1.34	–	–	3	1.25
Holdings of 5% or more	3	68.53	–	–	3	64.11
Sanlam Ltd[2]	2	63.01	–	–	2	58.94
Government Employees Pension Fund	1	5.52	–	–	1	5.17
Total	**5 803**	**100.00**	**1 012**	**100.00**	**6 815**	**100.00**

[1] *Owners of treasury shares.*
[2] *Total of 61.5%, net of treasury shares.*

The analysis includes the shares held as treasury shares.

ANNEXURE 4

ANALYSIS OF BONDHOLDERS

	Number of debt security holders	% of total debt security holders	Number of units	% interest
Analysis of debt security holders				
1–50 000 units	1	0.40	30 000	0.00
50 001–100 000 units	11	4.44	1 100 000	0.06
100 001–1 000 000 units	77	31.05	40 229 659	2.01
1 000 001–10 000 000 units	119	47.98	516 409 081	25.82
More than 10 000 000 units	40	16.13	1 442 231 260	72.11
Total	**248**	**100.00**	**2 000 000 000**	**100.00**
Type of debt security holder				
Banks	4	1.61	5 825 000	0.29
Intermediaries	1	0.40	4 000 000	0.20
Endowment funds	2	0.81	250 000	0.01
Insurance companies	14	5.65	60 763 000	3.03
Investment companies	7	2.82	42 040 715	2.10
Medical aid schemes	19	7.66	117 504 000	5.88
Mutual funds	138	55.65	1 255 904 278	62.80
Pension funds	60	24.19	475 525 747	23.78
Private companies	2	0.81	29 637 260	1.48
Public companies	1	0.40	8 550 000	0.43
Total	**248**	**100.00**	**2 000 000 000**	**100.00**

	Nominal number	% interest
Debt security holder spread		
Government Employees Pension Fund	250 000 000	12.50
Nedgroup Investments Flexible Income Fund	230 000 000	11.50
Investec Cautious Managed Fund	135 100 000	6.76
Ashburton Stable Income Fund	100 000 000	5.00
Other	1 284 900 000	64.24
Total	**2 000 000 000**	**100.00**

ANNEXURE 5

CURRICULUM VITAE OF DIRECTORS RECOMMENDED FOR RE-ELECTION

B CAMPBELL (68)

Director of NicozDiamond Insurance Ltd (Zimbabwe). Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

NV MTETWA (39)

Previous managing executive of finance at Vodacom South Africa. Served as management committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd. Chairperson of Sasfin Bank Audit Committee. Non-executive director of Sasfin Holdings, Italtile and Equites Property Fund. Non-executive director and audit and finance committee chair of Land Bank.

HD NEL (50)

Director of Centriq group of companies, MiWay group of companies, Santam Structured Insurance group of companies, Santam Specialist Underwriting Managers, Swanvest 120 (Pty) Ltd, Brolink (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, First Bank Nigeria General Insurance Ltd, Guardian National Insurance Company Ltd, Indwe Broker Holdings Ltd and Santam Namibia Ltd.

PE SPECKMANN (62)

Director of MiWay group of companies, Centriq group of companies, Brightrock group of companies, African Rainbow Life Ltd, Sanlam Developing Markets Ltd, Sanlam Investments Ltd, Safrican Insurance Company Ltd and Impala Platinum Holdings Ltd. Previous group financial director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group, Seagram SA and audit partner at PricewaterhouseCoopers.

ANNEXURE 6

DIRECTORS NOMINATED FOR ELECTION AS MEMBERS OF THE AUDIT COMMITTEE

B CAMPBELL (68)

Director of NicozDiamond Insurance Ltd (Zimbabwe). Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

NV MTETWA (39)

Previous managing executive of finance at Vodacom South Africa. Served as management committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd. Chairperson of Sasfin Bank Audit Committee. Non-executive director of Sasfin Holdings, Italtile and Equites Property Fund. Non-executive director and audit and finance committee chair of Land Bank.

MJ REYNEKE (60)

Director of African Rainbow Capital (Pty) Ltd, Ubuntu-Botho Investment Holdings (Pty) Ltd, UBI General Partners (Pty) Ltd and Uyanda STI Careers (Pty) Ltd.

PE SPECKMANN (62)

Director of MiWay group of companies, Centriq group of companies, Brightrock group of companies, African Rainbow Life Ltd, Sanlam Developing Markets Ltd, Sanlam Investments Ltd, Safrican Insurance Company Ltd and Impala Platinum Holdings Ltd. Previous group financial director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group, Seagram SA and audit partner at PricewaterhouseCoopers.

ANNEXURE 7

REMUNERATION REPORT

BACKGROUND STATEMENT

In our 100th year of doing ***Insurance good and proper***, it is with great pleasure that we present the remuneration report for the year ended 31 December 2018. It has been a busy year for the group human resources and remuneration committee (HRRC) of the Santam Ltd board (the board) with the introduction of the Prudential Authority Standards (Governance and Operational Standards for Insurers) (GOIs).

We have completed an extensive review of our remuneration policy, strategy and HRRC charter to ensure alignment to the GOIs where applicable or to put a transition plan in place to ensure compliance. In this regard, we are adopting a Minimum Shareholding Requirement (MSR) for the Santam executive committee (Santam Exco) and malus (pre-vesting forfeiture) and clawback (post-vesting forfeiture) provisions for Santam Exco and Santam heads of control functions (actuarial control, internal audit, compliance and risk management), effective 1 January 2019. In line with the requirements of the amended Johannesburg Stock Exchange (JSE) Listings Requirements, we will be putting both the remuneration policy (in part 1) and the implementation report (in part 2) to shareholders for a non-binding vote. The notice of the annual general meeting (AGM) will be available on our website.

INTRODUCTION

The board has responsibility for the governance of remuneration in the Santam group. The HRRC is mandated by the board to ensure that the company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Santam's remuneration philosophy and policy support the group strategy by incentivising the behaviour required to meet and exceed pre-determined strategic goals. Both short- and long-term strategic objectives are measured and rewarded, and this blended approach strongly mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. The remuneration philosophy is therefore also an integral part of the group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Those specifically include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act, 18 of 2017) and King Report on Corporate Governance for South Africa, 2016 (King IV™)[1], while also conforming to the remuneration principles contained in the codes of good practice which support employment equity legislation.

Santam is the sole or part owner of several subsidiaries. While compliance with the Santam remuneration strategy and policy is primarily targeted at Santam Ltd, Santam encourages the application of sound remuneration practices in subsidiary companies and influences those businesses where it does not hold a controlling interest.

[1] *Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

ANNEXURE 7

GROUP HUMAN RESOURCES AND REMUNERATION COMMITTEE

The HRRC is responsible for overseeing and monitoring the development, implementation and execution of the remuneration policy and strategy of the group and ensuring that the policy objectives are met. The HRRC is responsible for presenting the policy to the board for approval. Its activities include approving the guidelines and philosophy to be applied in formulating mandates for all short- and long-term incentive schemes and setting remuneration packages of the Santam executive directors, the Santam Exco and the Santam heads of control functions, relative to industry benchmarks. Recommendations made by businesses on the remuneration design of key persons (as defined in the Prudential Standards) are reviewed and approved by the HRRC.

The HRRC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to any part of the group's remuneration policy as necessitated by changing circumstances. It also makes recommendations to the board regarding the remuneration of Santam non-executive directors. To fulfil the role described above, the HRRC undertakes the following:

- Develops and recommends to the board for approval short- and long-term incentive schemes, subject to shareholder approval where applicable. This includes the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes to ensure alignment with the strategy and shareholder and other stakeholder interests.
- Sets appropriate performance drivers for short- and long-term incentives, as well as monitoring and testing those drivers.
- Ensures that the remuneration policy is applied in a proportionate and risk-based way and contains specific arrangements for the review of remuneration for the roles of the directors, executives, heads of control functions, key persons and persons whose actions may have a material impact on the insurer or group's risk exposure.
- Develops and recommends to the board for approval the remuneration strategy as far as the remuneration of Santam's executive directors, Santam Exco members and heads of control functions are concerned.
- Reviews the management of the contracts of employment and determination of remuneration packages (incl. total guaranteed package and short- and long-term incentives) of Santam executive directors, Santam Exco members and heads of control functions to ensure that their remuneration and terms are aligned with good practice principles.
- Develops and recommends to the board for approval short- and long-term incentive schemes for the chief executive officer (CEO) and other Santam Exco members. It includes the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance in support of the group strategy. Further to this, the HRRC ensures that incentives are appropriate, supported by corporate governance standards and that the design thereof is aligned to long-term value creation for shareholders.
- Reviews the succession plans in place for the CEO and members of the Santam Exco and provides for succession in both emergency situations and over the long term.
- Recommends to the board the fees of the Santam non-executive directors for approval at the AGM.

Read more about the HRRC's terms of reference online and about the composition and summarised terms of reference for the HRRC in the corporate governance report.

During 2018, the HRRC considered the following matters:

- Benchmarking of remuneration levels and practices with local comparator groups
- Monitoring and approval of short- and long-term incentives
- Alignment of Santam's remuneration policy and practices in South Africa with prudential standards that provide a risk-based governance framework for the regulation of life and general insurers and with further enhancements from King IV™ governance principles and practices
- Review and approval of the remuneration design of heads of control functions and persons whose actions may have a material impact on the company's risk exposure
- Ratifying appointments to the Santam Exco
- Approval of remuneration review, short- and long-term incentive awards of the Santam Exco
- Considering measures to support existing strategies to correct the underrepresentation of black people at all levels of the company
- Approval of malus and clawback policy
- Approval of minimum shareholding requirement policy

SHAREHOLDER VOTING

The group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the AGM of Santam Ltd. At the 2018 AGM, a total of 97 446 894 votes (2017: 99 676 790) were cast on the advisory vote on the group's remuneration policy, while 97 401 404 votes were cast on the implementation of the policy with the clear majority of shareholders supporting the group's remuneration policy and practices. The result of the voting was as follows:

	For	Against	Total
AGM 2018 Remuneration policy	89.80%	10.20%	100%
AGM 2018 Implementation report	86.84%	13.16%	100%
AGM 2017 (One advisory vote)	86.90%	13.10%	100%

ANNEXURE 7

OVERVIEW OF REMUNERATION POLICY

REMUNERATION PHILOSOPHY

The board recognises that appropriate remuneration for executive directors, members of the Santam Exco and other employees is inextricably linked to the attraction, development and retention of top-level talent and intellectual capital within the group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance company, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

The primary objectives of the policy are to:

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

Santam's remuneration philosophy aims to:

- inform stakeholders of Santam'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 Santam board recognises certain industry-specific and other relevant differences between group businesses and, where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Santam brand or corporate identity require full disclosure, motivation and approval by the human resources committee, either at group or business level.

The principle of management discretion with regard to individual employees is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Santam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own remuneration or human resources committees will play in ensuring good governance. The group has continued to apply a total reward strategy for its employees, as far as practicable. This offering comprises remuneration (which includes cash remuneration, short-term incentives and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

DESIGN PRINCIPLES

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **Pay for performance:** Performance is a key guiding principle of the remuneration philosophy and, as such, all remuneration practices are designed to create clear differentiation between individuals with regard to performance. Remuneration practices are also designed to create a clear alignment between performance hurdles and the achievement of the group strategy.

- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration package levels should enable the group and its businesses to attract and retain highly talented employees in order to ensure the performance and growth of the group.
- **Leverage and alignment:** The reward impact for individual employees is, as far as possible, aligned with and influenced by:
  - the interests of Santam shareholders (and, where applicable, minority shareholders in group subsidiaries);
  - performance of the group as a whole;
  - the performance of any region, business unit or support function; and
  - the employee's own performance contribution.
- **Consistency and fairness:** The reward philosophy strives to be both consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is, however, necessary and differentiation concerning performance is imperative. Unfair discrimination is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as key instruments in attracting and retaining the required talent to meet the group's objectives and ensure its sustainability over the long term.
- **Long-term incentive share participation:** Where available, high-performing employees are encouraged to identify with the success of the business through share participation as it establishes a clear link between their personal efforts and the company's success.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process, the link between remuneration and the group's strategic objectives is clarified to all employees.
- **Benchmarking:** Accurate and up-to-date market data and trend information from reputable sources is crucial in determining the quantum of remuneration packages.
- **Malus and clawback**: Where defined trigger-events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Santam group malus and clawback policy, which is a related policy to the group remuneration policy and these provisions have been incorporated in relevant remuneration governance documents/rules.

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

EXECUTIVE CONTRACTS

Santam executive directors and Exco members are contracted as full-time, permanent employees for employment-contracting purposes. As a standard element of these contracts, a restraint of trade (12 months) is included, which Santam has the discretion to enforce depending on the circumstances surrounding the individual's departure. Notice periods regarding termination of employment are three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme, with some discretion being allowed to the HRRC based on the recommendations of the CEO.

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REMUNERATION OVERVIEW

STRUCTURE

The different components of remuneration for all employees of the group applied are summarised in the table below.

A detailed description of each component follows in the next section.

Where applicable, the quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term incentive component of remuneration is based on a combination of individual and business performance during the performance measurement period (January to December).
- The long-term incentive allocations are based on the individual's performance, potential and overall value to the group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile of the insurance market	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (performance bonus)	Creates a high-performance culture through a cash bonus in relation to performance against pre-determined outputs	Annual, based on short-term performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and pre-determined performance hurdles for business and personal targets. Cash settlement capped at a maximum of 160% of total guaranteed package
Long-term incentives (share-based awards)	Alignment with shareholder interests	Annual grants vesting over five years	Vesting based upon satisfaction of individual performance targets and meeting relevant company hurdles where relevant

TOTAL GUARANTEED PACKAGE (TGP)

Purpose

TGP is the guaranteed component of the remuneration offering. It forms the basis of the group's ability to attract and retain the required skills. In order to create a high-performance culture, the emphasis is placed on the variable performance component of remuneration rather than the guaranteed component. For this reason, TGP is normally positioned on the 50th percentile of the market.

As an integral part of TGP, Santam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- Retirement funding
- Group life cover
- Medical aid and medical health insurance

Process and benchmarking

Average TGP is normally set by reference to the median paid by a group of similarly sized companies which Santam considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that have similar characteristics to Santam in terms of market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Santam obtains and analyses data from a number of local salary surveys. In addition to this benchmarking process, Santam also considers the skills, potential and performance of the individual concerned. Where specific skills dictate, TGP levels may be set in excess of the median.

The HRRC's role

Upon conclusion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the HRRC. The HRRC also reviews and approves the adjustments to total guaranteed package for each of the Santam executive directors, Exco members and heads of control functions.

SHORT-TERM INCENTIVES (STIs)

Purpose

The purpose of the annual bonus plan is to align the performance of employees with the goals of the group and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise the net insurance result, to grow the business and to ensure that it is managed in a sustainable way. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a robust comparator group.

The HRRC's role

The HRRC's role with regard to the annual bonus plan is to:

- determine the overall structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the group's business strategy;
- set the overall principle in respect of thresholds, targets and stretch levels for the annual bonus plan, as well as the percentage of total guaranteed package that can be earned at each level by each group of employees;
- agree on the performance drivers for their annual bonus plan, and agree on the relative contribution of business, group and personal performance criteria in respect of Santam executive directors and Exco members; and
- consider and approve proposals regarding annual bonuses for Santam Exco and heads of control functions.

Vesting levels

The annual bonus plan is a cash-based bonus scheme. Where the annual business and individual bonus targets are achieved in full, 50% of the maximum (cap) bonus will be paid to employees. For certain senior leaders up to 70% of the maximum bonus will be paid on achievement of targets.

Where the bonus targets are not achieved in full, a reduced bonus, based on a sliding scale, will be paid only if a minimum threshold performance level has been achieved (performance at both individual and business level).

Where the minimum annual business bonus targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the CEO and subject to HRRC approval.

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The annual bonus targets at business-unit level incorporate a number of financial and non-financial performance measures that are directly linked to the group strategy and key performance indicators, including net insurance result, premium growth, skills development and employment equity. The specific performance targets and relative weighting is determined per business unit based on the business unit's strategic initiatives. The support functions' targets reflect the overall performance of the group.

For the 2018 financial year, the group achieved good profitability, exceeding its net insurance result financial target. Growth was, however, under pressure in the difficult economic environment which lead to the underachievement of the growth targets. The group outperformed on its Financial Services Charter (FSC), employment equity and skills development targets. This resulted in a weighted average bonus achievement as a percentage of the on-target bonus of 128% (2017: 96%) for Santam Ltd employees.

The HRRC's role

The HRRC's role as far as the long-term incentive plans are concerned is to:

- ensure that their structure contributes to shareholder value, employee retention and the long-term sustainability of the group;
- set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers; and
- approve award levels and at vesting ensure that vesting conditions have been met.

Retention payments

Retention payments, typically driven by forfeitable bonus payments upon sign-on or for retention of specific employees for a specific period of time, where it is a strategic imperative, may be made to key employees. Such retention payments or share awards are subject to a retention period, in certain instances performance, and where the condition of continued employment is not met the payment is repayable in full or shares are forfeited.

Retention arrangements are also subject to malus and clawback provisions.

Sanlam's non-executive directors are not eligible for any short-term incentives or retention arrangements.

LONG-TERM INCENTIVES (LTIs)

Overview and general policy

As of 2019, Santam will grant awards under the following LTIs:

- Santam Deferred Share Plan (Santam DSP)
- Santam Performance Deferred Share Plan (Santam PDSP)
- Santam Outperformance Plan (Santam OPP)

Prior to 2019, Santam granted Exco members awards under the Sanlam Deferred Share Plan (Sanlam DSP) and the Sanlam Performance Deferred Share Plan (Sanlam PDSP). As a result, Exco members still have unvested awards under the Sanlam DSP and PDSP Share Plans.

With the exception of the OPP, these long-term incentive plans are equity-settled. The OPP is a cash- or share-based plan, which rewards long-term performance.

In respect of the DSP and the PDSP, Santam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade and performance

impact on the group. In addition, transformation considerations and the role and performance of an individual and the need to attract and/or retain key talent are considered when determining the final multiple. In general, the award level ranges from 70% to 245% of TGP but may exceed this in the specific circumstances referred to above.

Individual strategic performance hurdles are set for the DSP long-term incentive awards while both individual and business related performance hurdles are applicable to the PDSP long-term incentive awards.

The total number of shares available in the scheme is 12 million.

Participation

The LTIs are aimed at attracting and retaining key employees. While participation is available to all employees of the Santam group, the practice is to target allocations to employees in management or key functional roles. Non-executive directors do not participate in any of the LTIs.

During the November 2018 meetings, the HRRC and board approved a proposal to change from awarding Santam Exco members a mix of Santam and Sanlam shares to 100% Santam shares only.

Deferred Share Plans (DSPs)

The Sanlam DSP and Santam DSP design features are materially aligned.

For all shares awarded under the DSP pre-2017, the measurement period is five years and early vesting may occur as follows, provided that all the vesting conditions have been met:

- After three years – 40%
- After four years – 70% less any portion that vested earlier
- After five years – 100% less any portion that vested earlier

A rule change in the DSP schemes was approved by the HRRC and implemented in 2017 to address shareholder concerns regarding retesting. All new share awards under DSP schemes will, with effect from 2017, be subject to the following measurement of performance conditions:

- 40% of the award to be measured after three years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after four years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after five years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse

Awards granted under the DSP schemes are not subject to the satisfaction of the group performance conditions but do require meeting individually contracted performance hurdles. If these contracted individual strategic hurdles are not met, shares are forfeited, and performance cannot be retested at a later stage.

Typically, awards granted under a DSP scheme has a face value of up to 105% of TGP. To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

For the year ended 31 December 2018, allocations in respect of 276 019 shares (2017: 332 332) were made to 283 participants (2017: 283) under the Santam DSP.

For the year ended 31 December 2018, allocations in respect of 45 553 shares (2017: 38 280) were made to 9 participants (2017: 9) under the Sanlam DSP.

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Performance Deferred Share Plans (PDSPs)
The Sanlam PDSP and Santam PDSP design features are materially aligned; however, the financial performance conditions for the two companies differ (see details below).

To the extent that the face value of the awards granted under a DSP scheme does not satisfy the specified multiple of TGP to be granted as long-term incentive awards, the individual may be granted an award under a PDSP scheme. Awards granted under a PDSP are conditional rights to acquire shares for no consideration subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of a Santam PDSP award is also subject to the condition that the Santam group's return on capital (ROC) exceeds its cost of capital for the relevant measurement period, as finally determined by the directors. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP.

For Sanlam PDSP awards, in addition to continued employment by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the PDSP is also subject to the condition that the Sanlam Group's RoGEV (Return on Group Embedded Value) exceeds the cost of capital for the measurement period by an agreed margin. The exact performance conditions are set by the HRRC at the relevant date of grant.

The use of ROC or RoGEV as a performance condition is considered appropriate as this is the key performance indicator of the group's strategy and long-term sustainability, and the use of this measure means a direct link between the long-term incentive reward, group strategy and shareholders' interests.

A change in performance measurement period similar to that proposed for awards under the DSP from 2017 applies to awards made under the PDSP with effect from 2017 to address shareholder concerns around retesting (refer above).

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

For the year ended 31 December 2018, allocations in respect of 13 740 shares (2017: 8 985) were made to 8 participants (2017: 9) under the Santam PDSP.

For the year ended 31 December 2018, allocations in respect of 24 406 shares (2017: 14 290) were made to 8 participants (2017: 9) under the Sanlam PDSP.

Outperformance Plan (OPP)
From time to time, at the discretion of the HRRC, participation in an individual OPP is extended to the CEO and in very limited circumstances to senior leaders within the main businesses. The OPP rewards superior performance over a three- to five-year measurement period. OPPs are designed to be fully self-funded from exceptional income generated over the OPP vesting period.

No reward is delivered under the OPP unless the agreed performance target over the period is exceeded, and full reward is made only if the stretch performance target is met. The general principle is that the maximum reward that can be made in terms of any agreed OPP is 200% of annual TGP per annum calculated over the respective three- to five-year measurement period (e.g. maximum of six to ten times the annual TGP of the final measurement year) if the payments are made in cash. In the event that the OPP is equity-settled, the number of shares is calculated with reference to the TGP at the date that the award is made. Where targets are not achieved, OPP shares are forfeited upon final measurement.

OPPs are contracted on an individual level and the earning potential per year (cumulated over the total OPP period) may be considerably less than the maximum reward parameters outlined above.

In exceptional circumstances, a collective OPP arrangement may be extended to senior leaders. Current OPPs include Santam Exco (excluding the CEO) and selected senior leaders. The maximum payment that can be made under the existing OPP is 488% of the annual TGP in the final year calculated over the respective five-year measurement period (e.g. 4.8 times the annual TGP of the final measurement year).

The detail of the OPP terms applicable to the CFO are given in the implementation report (see page 82). The CEO had no OPP for the 2018 financial year.

Use of Santam shares subject to vesting restrictions

To support long-term alignment with shareholders where remuneration payable in cash is deferred, subject to certain conditions, the preference is to convert such cash amounts into Santam shares. Such shares will be held by the individual in a restricted account and will become unrestricted subject to employment and other conditions being met.

These Santam shares are also subject to continued employment for vesting as well as malus and clawback provisions.

Risk adjustment

Provision is made to protect the company from inappropriate risk-taking behaviour in relation to remuneration. These include:

- The mix of short-term and long-term financial performance conditions, combined with a material weighting towards non-financial/strategic conditions, ensures that risk taking behaviour is not encouraged;
- The nature of the performance hurdles for short- and long-term incentives;
- A measurement period of up to five years for long-term incentive performance hurdles, before vesting takes place;
- As of 2019, malus (pre-vesting forfeiture) and clawback (post-vesting recovery) of remuneration for "trigger events". Defined "trigger events" include dishonesty, fraud, misrepresentation, gross misconduct, misstated financial results and actions resulting in reputational damage for the company attributable to the employee. In assessing whether defined trigger events have taken place, the HRRC will work with the relevant board committee, the board, professional advisors and/or any other department within the group to ensure that any assumptions are correct; and
- Compliance with legislation and governance best practice standards in the financial services industry.

Minimum shareholding requirement (MSR)

To encourage alignment between executive and stakeholder interests, as of 2019 Santam will apply a minimum shareholding policy to all current and future members of the Santam Exco, including Santam executive directors (participating executives). In terms of these arrangements, the following minimum shareholding levels, expressed as a percentage of annual TGP, must be reached by the later of 31 December 2024 or within six years from the date of appointment of a participating executive:

Group CEO	100%
CFO	50%
Executive heads	50%

Participating executives and executive heads are required to maintain the target shareholding throughout their tenure with the group. Unvested shares under any long-term incentive arrangement will not be taken into account when assessing compliance with the MSR policy.

Incentive arrangements implemented after 1 January 2019 may include MSR terms and conditions as determined by the HRRC to ensure compliance with the prescribed levels in the prescribed periods, as well as the implications of not adhering to the MSR.

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For purposes of determining compliance with the MSR levels, the value of a participating executive's shareholding at the end of each financial year will be determined by using the average closing price of Santam ordinary shares on the JSE for the trading days in that financial period and expressed as a percentage of the participating executive's annual TGP at the end of such financial year.

Participating executives are able to maintain a maximum shareholding of up to double their minimum requirement applicable to MSR.

As a result of the above, the current 25% Sanlam MSR requirement for the Santam CEO will fall way.

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

Non-executive directors are not eligible to participate in incentive plans (whether short-term or long-term) and do not receive fees that are linked to the share price growth or corporate performance hurdles.

Fee structures are reviewed annually with the assistance of the external service providers who provide independent advice. Recommendations are reviewed for reasonableness by the HRRC and the board and are then proposed to shareholders for approval at the AGM. See details of the proposed fees in the notice of AGM. The fee structure will remain in place for one year from 1 July until 30 June the following year. Non-executive directors receive annual board and retainers. In addition, a fee is paid for attending board and committee meetings. Santam pays for all travel and accommodation expenses in respect of board meetings. The chairman receives a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the group. Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed in the section that follows.

IMPLEMENTATION REPORT

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS

EXECUTIVE REMUNERATION SUMMARY

Remuneration earned by executive directors was as follows:

Remuneration for the year ended 31 December 2018

For purposes of total remuneration, the fair value of LTIs on award date is included for awards made during the year, assuming a 100% vesting, instead of the fair value of LTIs that vested during the period. This ensures consistency with market practice to benchmark total remuneration based on fair value on award date for LTIs. The vesting value of LTIs are influenced by numerous factors (including political, economic and investment market factors) and therefore does not provide a reasonable measure for remuneration. 2017 numbers have therefore been restated. Separate disclosure is provided in respect of the number and value of LTIs that vested in the year (refer to page 86).

Remuneration for the year ended 31 December 2018

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus[2] R	Attributable value of LTIs[1] R	Cash-settled OPP payment R	Total remuneration R
Lizé Lambrechts	12	5 330 000	210 000	5 540 000	6 900 000	4 200 000		16 640 000
Hennie Nel	12	3 046 000	268 000	3 314 000	3 300 000	1 120 000		7 734 000
Total: executive directors		**8 376 000**	**478 000**	**8 854 000**	**10 200 000**	**5 320 000**	**–**	**24 374 000**

[1] *Fair value of LTIs on award date.*
[2] *Bonus in respect of 2018 paid in 2019.*

Remuneration for the year ended 31 December 2017

Individuals	Months in service	Salary R	Company contributions R	Subtotal guaranteed package R	Performance bonus[2] R	Attributable value of LTIs[1] R	Cash-settled OPP payment R	Total remuneration R
Lizé Lambrechts	12	5 000 050	201 200	5 201 250	6 300 000	2 469 094	19 000 000	32 970 344
Hennie Nel	12	2 869 621	285 380	3 155 001	3 000 000	1 389 711	–	7 544 712
Total: executive directors		**7 869 671**	**486 580**	**8 356 251**	**9 300 000**	**3 858 805**	**19 000 000**	**40 515 056**

[1] *Fair value of LTIs on award date.*
[2] *Bonus in respect of 2018 paid in 2019.*

Total Guaranteed Package (TGP)

The TGP (in rand) of the executive directors are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

Individual	TGP as at 1 April 2018 R	TGP as at 1 April 2017 R	TGP as at 1 April 2016 R	% increase during 2018	% increase during 2017
Lizé Lambrechts	5 620 000	5 300 000	4 905 000	**6.04%**	8.05%
Hennie Nel	3 400 000	3 200 000	3 020 004	**6.25%**	5.96%

The average salary increases paid to executives for 2018 was 6.1% (2017: 7.0%) compared with an average salary increase paid to all employees of 6.0% (2017: 6.0 %). The remuneration increase trends for the last three years are as follows:

	2016	2017	2018
Executives	6.9%	7.0%	**6.1%**
Employees	6.5%	6.0%	**6.0%**

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Short-term incentives

Performance targets

The performance targets for the annual bonus plan are set by the HRRC on an annual basis for executive directors. In respect of the 2018 annual bonus, the split between group and strategic goals for executive directors was as follows:

Individual	Business %	Strategic goals %
Lizé Lambrechts	50	50
Hennie Nel	50	50

The payments that can be achieved by executive directors at the target and stretch levels are as indicated below. These levels are benchmarked with comparator group, together with other components of remuneration.

Individual	% of TGP at target performance	Performance bonus cap as % of TGP
Lizé Lambrechts	112	160
Hennie Nel	84	120

The group performance measures that were applied in 2018 consisted of the following:

- Net insurance result – used to determine the size of the bonus pools
- Modifiers:
  - Gross written premium
  - Transformation
    - Performance against FSC target
    - Performance against skills development targets
    - Performance against employment equity targets

The actual achievement of the group performance measure for 2018 is as follows:

Santam group	Minimum target	Maximum target	Target achieved
Net insurance result (NIR)	70%	130%	108%
Modifiers	**Modifier impact on bonus**		
	Maximum detractor	**Maximum multiplier**	
Gross written premium	(15%)	15%	98%
Transformation	(15%)	15%	108%

The following performance measures applied to Lizé Lambrechts and Hennie Nel as chief executive and chief financial officer respectively:

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER 2018 PERFORMANCE BONUS

KPI	Weight	Minimum hurdle	Hurdle for target achievement	Maximum
Achieve group Net Insurance Result (NIR) target (adjusted for ART businesses)	20%	R1 972 million	R2 817 million	R3 661 million
Growth in Gross Written Premium (adjusted for ART business)	10%	R27 275 million	R28 377 million	R29 171 million
Financial performance of SEM general insurance businesses (Santam share of NIR)	7.5%	Aligned to SEM target and performance		
Share price performance (charge relative to FINI index)	5%	95%	100%	105%
Return on Capital (ROC) target	7.5%	19.2%	24%	28.8%
Strategic initiatives	50%		Progress with strategic initiatives and material sustainability themes, including capital and cost efficiencies, driving operational and system efficiency, transformation and sustainability drive (including Treating Customers Fairly), growing and diversifying the business, optimising investment return and the review of the Santam international strategy. Different weightings for each strategic initiative apply between the group chief executive and the chief financial officer. Achievement is measured by the HRRC.	

PAYMENTS

The table below shows the annual bonus payments (in rand) to each of the executive directors in respect of the performance achieved in 2018. Final individual payments are based on the outcome relative to the set performance criteria, but may be adjusted by the HRRC within a small discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are paid in 2019:

Individual	% of TGP achieved 2018	Payment 2019 R	% of TGP achieved 2017	Payment 2018 R
Lizé Lambrechts	123%	6 900 000	119%	6 300 000
Hennie Nel	97%	3 300 000	94%	3 000 000

ANNEXURE 7

LONG-TERM INCENTIVES

Performance measurement for June 2018 LTI vesting

PDSP subject to company financial performance conditions

Due to Santam's vesting profile, three LTI tranches were performance-measured in 2018 for vesting from a financial metric perspective, namely:

- Award 2015 (40% of award and three financial years reviewed for performance testing)
- Award 2014 (30% of award and four financial years reviewed for performance testing)
- Award 2013 (30% of award and five financial years reviewed for performance testing)

A summary of the performance measurement and achievement for LTI vesting in June 2018 is shown below as it pertains to the ROC (for Santam PDSP) and RoGEV (for Sanlam PDSP) condition:

Measurement period	Award 2013 5 years	Award 2014 4 years	Award 2015 3 years
Target			
PDSP Santam (ROC)	13.5	13.7	13.8
PDSP Sanlam (RoGEV)	13.1	13.6	13.8
Actual achievement			
PDSP Santam (ROC)	23.3	24.2	24.0
PDSP Sanlam (RoGEV)	15.4	16.6	16.2
Vesting achievement	**100%**	**100%**	**100%**

The outcome of ROC (for Santam PDSP) and RoGEV (for Sanlam PDSP) achievement resulted in 100% LTI vesting in June 2018 in relation to the three LTI tranches where performance measurement was applied in respect of ROC and RoGEV.

DSP

We reported comprehensively on the strategic progress and achievements of the group over the past 5 years in the annual Santam integrated reports. Based on this performance, the DSP awards made in 2013, 2014 and 2015 vested 100% in the reporting period.

In 2018, DSPs vested for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2013, 2014 and 2015.

The participation by executive directors in the group's long-term incentive schemes (excluding the OPP) at 31 December 2018 was as follows:

	Balance 31 Dec 2017	Awarded in 2018	Shares vested 2018	Shares forfeited 2018	Balance 31 Dec 2018	Vesting in 2019	2020	2021	2022	2023
Lizé Lambrechts										
Santam	52 125	**10 686**	**12 156**	**–**	**50 655**	14 716	16 411	10 794	5 528	3 206
Sanlam	73 761	**18 982**	**39 571**	**–**	**53 172**	21 880	4 924	11 287	9 387	5 694
DSP										
Santam	20 338	**4 063**	**3 147**	**–**	**21 254**	5 404	6 586	5 367	2 678	1 219
Sanlam	28 014	**7 218**	**13 809**	**–**	**21 423**	6 473	3 092	5 208	4 485	2 165
PDSP										
Santam	31 787	**6 623**	**9 009**	**–**	**29 401**	9 312	9 825	5 427	2 850	1 987
Sanlam	16 937	**11 764**	**8 218**	**–**	**20 483**	4 141	1 832	6 079	4 902	3 529
RSP – Sanlam	28 810	**0**	**17 544**	**–**	**11 266**	11 266	0	0	0	0
Hennie Nel										
Santam	16 296	**2 850**	**2 992**	**–**	**16 154**	4 130	5 090	3 917	2 162	855
Sanlam	23 624	**5 062**	**4 030**	**–**	**24 656**	5 815	7 430	6 294	3 598	1 519
DSP										
Santam	11 722	**1 967**	**2 112**	**–**	**11 577**	2 916	3 680	2 812	1 578	591
Sanlam	17 020	**3 493**	**2 845**	**–**	**17 668**	4 104	5 382	4 515	2 619	1 048
PDSP										
Santam	4 574	**883**	**880**	**–**	**4 577**	1 214	1 410	1 105	584	264
Sanlam	6 604	**1 569**	**1 185**	**–**	**6 988**	1 711	2 048	1 779	979	471

It is anticipated that long-term incentive awards will be granted in 2019 to executive directors and members of the Santam Exco on a basis consistent with that described above.

ANNEXURE 7

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period and description of minimum and maximum potential*	Performance measures	Achievement in 2018	Payment R
Lizé Lambrechts*	–	–	–	–
Hennie Nel	**1 January 2015 to 31 December 2019** **Minimum earning potential on final measurement:** 0% of final measurement year TGP **Maximum earning potential on final measurement**: 488% of the final measurement year TGP The maximum payment that can be made under the OPP is 488% of the annual TGP in the final year calculated over the respective five-year measurement period (e.g. 4.8 times the annual TGP of the final measurement year).	Outperformance of net insurance result targets over the measurement period Minimum hurdle: annualised real growth of 6% based on NIR for 2014 Hurdle for 100% vesting: annualised real growth of 9%	N/A	–

* *No OPP participation for CEO in 2018.*

To the extent that any awards are granted under the OPP in 2019, it will occur on a basis consistent with the approved policy on OPP.

Santam share scheme allocation

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Santam approved a scheme allocation of 160 million ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 million ordinary shares.

The following table illustrates the position as at 31 December 2018:

Santam share scheme allocation	Number of shares
Scheme allocation originally approved	
Net movement during 2010	572 732
Net movement during 2011	417 480
Net movement during 2012	392 261
Net movement during 2013	374 892
Net movement during 2014	348 196
Net movement during 2015	361 886
Net movement during 2016	61 939
Balance of scheme carried forward as at Dec 2016	1 390 934
Allocation under DSP and PDSP in 2017	341 317
Shares vested/issued 2017	(332 404)
Shares forfeited in 2017	(54 878)
Balance of scheme carried forward as at Dec 2017	1 344 969
Allocation under DSP and PDSP in 2018	289 759
Shares vested/issued 2018	(323 319)
Shares forfeited in 2018	(94 011)
Balance of scheme carried forward as at Dec 2018	**1 217 398**

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 2018

Individual	Directors' retainer fees R	Board and committee fees R	Fees from group R	Total R
B Campbell	258 500	509 350		767 850
BTPKM Gamedze	258 500	314 650	274 500	847 650
GG Gelink* (previous chairman)	489 200			489 200
VP Khanyile (chairman)	547 450	80 050		627 500
IM Kirk	258 500	348 050		606 550
MLD Marole	258 500	487 100		745 600
NV Mtetwa	258 500	465 650		724 150
JJ Ngulube	180 450	95 400		275 850
MJ Reyneke	258 500	625 450		883 950
PE Speckmann	258 500	464 500	549 000	1 272 000
HC Werth	258 500	324 200		582 700
Total non-executive directors	**3 285 100**	**3 538 950**	**823 500**	**7 333 800**

* *GG Gelink resigned in 2018.*

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 2017

Individual	Directors' retainer fees R	Board and committee fees R	Fees from Group R	Total R
B Campbell	243 900	438 100	–	682 000
GG Gelink (chairman)	951 100	–	–	951 100
MLD Marole	243 900	383 900	–	627 800
NV Mtetwa	218 274	371 900	–	590 174
MJ Reyneke	243 900	546 900	–	790 800
PE Speckmann	218 274	371 900	83 333	678 507
BTPKM Gamedze	243 900	307 100	–	551 000
IM Kirk	243 900	328 300	–	572 200
HC Werth	243 900	305 800	–	549 700
Y Ramiah	243 900	176 100	–	420 000
T Nyoka	39 575	–	–	39 575
MP Fandeso	39 575	84 800	–	124 375
Total non-executive directors	**3 174 098**	**3 314 800**	**83 333**	**6 577 231**

ANNEXURE 7

INTEREST OF DIRECTORS IN SHARE CAPITAL

TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2018

	Number of Santam shares		
	Beneficial		Non-beneficial
Individual	**Direct**	**Indirect**	
Executive directors			
L Lambrechts	6 637	–	–
HD Nel	10 905	–	–
Total executive directors	**17 542**	–	–
Non-executive directors			
B Campbell	8 370	–	–
BTPKM Gamedze	4 932	–	–
VP Khanyile (chairman)	–	1 286	–
IM Kirk	21 831	–	–
MLD Marole	–	–	–
NV Mtetwa	–	–	–
JJ Ngulube	2 556	–	–
MJ Reyneke	–	211	–
PE Speckmann	1 000	–	–
HC Werth	–	–	–
Total non-executive directors	38 689	1 497	–
Total	**56 231**	**1 497**	–

TOTAL INTEREST OF ALL DIRECTORS IN SHARE CAPITAL AS AT 31 DECEMBER 2017

	Number of Santam shares		
	Beneficial		Non-beneficial
Individual	**Direct**	**Indirect**	
Executive directors	–	–	–
L Lambrechts	–	–	–
HD Nel	9 271	–	–
Total executive directors	**9 271**	–	–
Non-executive directors			–
B Campbell	8 370	–	–
GG Gelink (chairman)	–	–	–
MLD Marole	–	–	–
NV Mtetwa	–		–
MJ Reyneke	–	10 711	–
PE Speckmann	1 000	–	–
BTPKM Gamedze	200	–	–
IM Kirk	16 663	–	–
HC Werth			
Y Ramiah	1 433	–	–
Total non-executive directors	27 666	10 711	–
Total	**36 937**	**10 711**	**–**

ANNEXURE 8

MATERIAL CHANGE STATEMENT

The directors report that there have been no material changes in the affairs, financial or trading position of the group since 31 December 2018, other than those disclosed in the integrated report that is available on the Santam website, www.santam.co.za, or can be requested from the company secretary.

ANNEXURE 9

DIRECTORS' AND PRESCRIBED OFFICERS' INTEREST IN THE SHARES OF THE COMPANY

At 31 December 2018, the directors of the company held direct and indirect interests, including family interests, in 57 728 of the company's issued ordinary shares (2017: 47 648). Details of shares held per individual director are listed below. A total of 69 871 (2017: 78 188) deferred shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

	Direct		Indirect		
2018	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Total**
Executive directors and prescribed officers					
L Lambrechts	6 637	–	–	–	**6 637**
HD Nel	10 905	–	–	–	**10 905**
Non-executive directors					
B Campbell	8 370	–	–	–	**8 370**
BTPKM Gamedze	4 932	–	–	–	**4 932**
V Khanyile	–	–	1 286	–	**1 286**
IM Kirk	21 831	–	–	–	**21 831**
MLD Marole	–	–	–	–	**–**
NV Mtetwa	–	–	–	–	**–**
JJ Ngulube	2 556	–	–	–	**2 556**
MJ Reyneke	–	–	211	–	**211**
PE Speckmann	1 000	–	–	–	**1 000**
HC Werth	–	–	–	–	**–**
	56 231	**–**	**1 497**	**–**	**57 728**

ANNEXURE 9

	Direct		Indirect		
2017	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Total**
Executive directors and prescribed officers					
L Lambrechts	–	–	–	–	**–**
HD Nel	9 271	–	–	–	**9 271**
Non-executive directors					
B Campbell	8 370	–	–	–	**8 370**
BTPKM Gamedze	200	–	–	–	**200**
GG Gelink	–	–	–	–	**–**
IM Kirk	16 663	–	–	–	**16 663**
MLD Marole	–	–	–	–	**–**
NV Mtetwa	–	–	–	–	**–**
Y Ramiah	1 433	–	–	–	**1 433**
MJ Reyneke	–	–	10 711	–	**10 711**
PE Speckmann	1 000	–	–	–	**1 000**
HC Werth	–	–	–	–	**–**
	36 937	**–**	**10 711**	**–**	**47 648**

ANNEXURE 10

SHARE CAPITAL

	Group and company Ordinary shares		Group Treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
At 1 January 2017	**115 131**	**103**	**4 878**	472
Purchase of treasury shares	–	–	309	76
Reissue of treasury shares	–	–	(416)	(78)
At 31 December 2017	**115 131**	**103**	**4 771**	**470**
Purchase of treasury shares	–	–	290	**91**
Reissue of treasury shares	–	–	(384)	**(94)**
At 31 December 2018	**115 131**	**103**	**4 677**	**467**

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007, a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2018, the subsidiary acquired an additional 290 000 (2017: 308 500) shares to utilise as part of the deferred share plan (DSP), while 325 488 (2017: 339 790) shares were reissued in terms of the DSP. The net amount of these transactions has been deducted from shareholders' equity. The shares are held as "Treasury shares".

Since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE Staff Trust is under the control of Santam Ltd. During 2018, the Staff Trust distributed 59 456 (2017: 75 541) shares.

ACCOUNTING POLICY – SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

ANNEXURE 11

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The group's social, ethics and sustainability committee is chaired by Dawn Marole, an independent director. The committee is constituted in terms of the Companies Act and has an independent role. The committee assists the board in monitoring the group's activities in terms of legislation, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relations and transformation. The committee also assists the board in effectively integrating the sustainability strategy and objectives into the business. The committee, in addition to performing the function for Santam Ltd, fulfils the role of the social and ethics committee for all Santam's South African subsidiaries that have the requisite public-interest score.

The committee comprised four suitably skilled and experienced directors during 2018 and is chaired by an independent non-executive director. All members of the committee are non-executive directors.

Read more about the committee members' qualifications in the profiles from page 63.

The committee is supported in its tasks by members of the executive committee and senior management. According to its terms of reference, the committee meets formally at least twice per year or as required for the effective performance of its duties. The committee met three times during 2018. Details of attendance of meetings are provided on page 94 in the Santam Integrated Report.

The responsibilities of the committee are as follows:

- Monitoring Santam's activities relating to social and economic development, BBBEE and employment equity;
- Monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour and environmental impact;
- Monitoring changes in empowerment charters and codes;
- Monitoring functions required in terms of the Companies Act and its regulations;
- Actively managing the material matters that affect the sustainability of the company;
- Minimising the risk associated with social, economic and environmental impact, including stakeholder activism and government regulation;
- Aligning the business with legislative requirements, such as King IV™, BBBEE and other applicable legislation;
- Adding value by monitoring and guiding management on:
    - Developing and retaining a sustained client base
    - Developing solutions to accommodate change – inclusive of societal and environmental change
    - Developing and retaining a sustained supplier base
    - Having appropriate human-capital processes and systems in place
    - Having a transformed business
- Cultivating an ethical culture and combating/curbing economic crime effectively;
- Applying environmental impact management and practices
- Maintaining a sustained intermediary base;
- Extending influence to the benefit of society; and
- Applying responsible investment practices.

The mandate of the committee also includes monitoring the impact of the group's conduct on its customers since the conduct of the organisation has both a direct and an indirect relationship to the group's sustainability. The committee is therefore responsible for reviewing and monitoring strategic decisions that have an impact on clients and ensuring that the conduct of the organisation results in fair outcomes for customers.

During the period under review, the committee reviewed the strategy, plans and progress made to achieve Santam's transformation targets as well as the report compiled by the company's appointed BBBEE verification agency.

ANNEXURE 11

The committee also monitored Santam's sustainability performance regarding the FTSE/JSE Responsible Investment Index. The committee is mindful of the role of insurance in sustainable development and engaged with management to spearhead the successful integration of ESG/sustainability issues with Santam's broader strategies. During 2018, the committee focused on the expansion of the P4RR programme and considered issues related to TCF and environmental risks.

The committee considered the stakeholder relations policy and strategy in February 2018, which was approved by the Santam board. The committee assessed the effectiveness of the company's stakeholder management by considering the reports from management on stakeholder activities. The committee evaluated and recommended various actions to address the issues. In 2019 the committee plans to focus on access to financial services, consumer education and enterprise development.

Together with the audit committee, the committee reviewed the sustainability disclosures contained in the integrated report and recommended it to the board for approval.

The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year. In the execution of its duties, the committee reviewed ethics, sustainability, stakeholder relations, human resources and CSI reports submitted by management, among other things. The committee members believe that the group is addressing the issues the committee is required to monitor in terms of the Companies Act.

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

B Campbell, VP Khanyile (chairman), IM Kirk, MLD Marole, NV Mtetwa, JJ Ngulube, MJ Reyneke, PE Speckmann, HC Werth

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer), HD Nel (chief financial officer)

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

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ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

A2X share code: SNT

SPONSOR

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