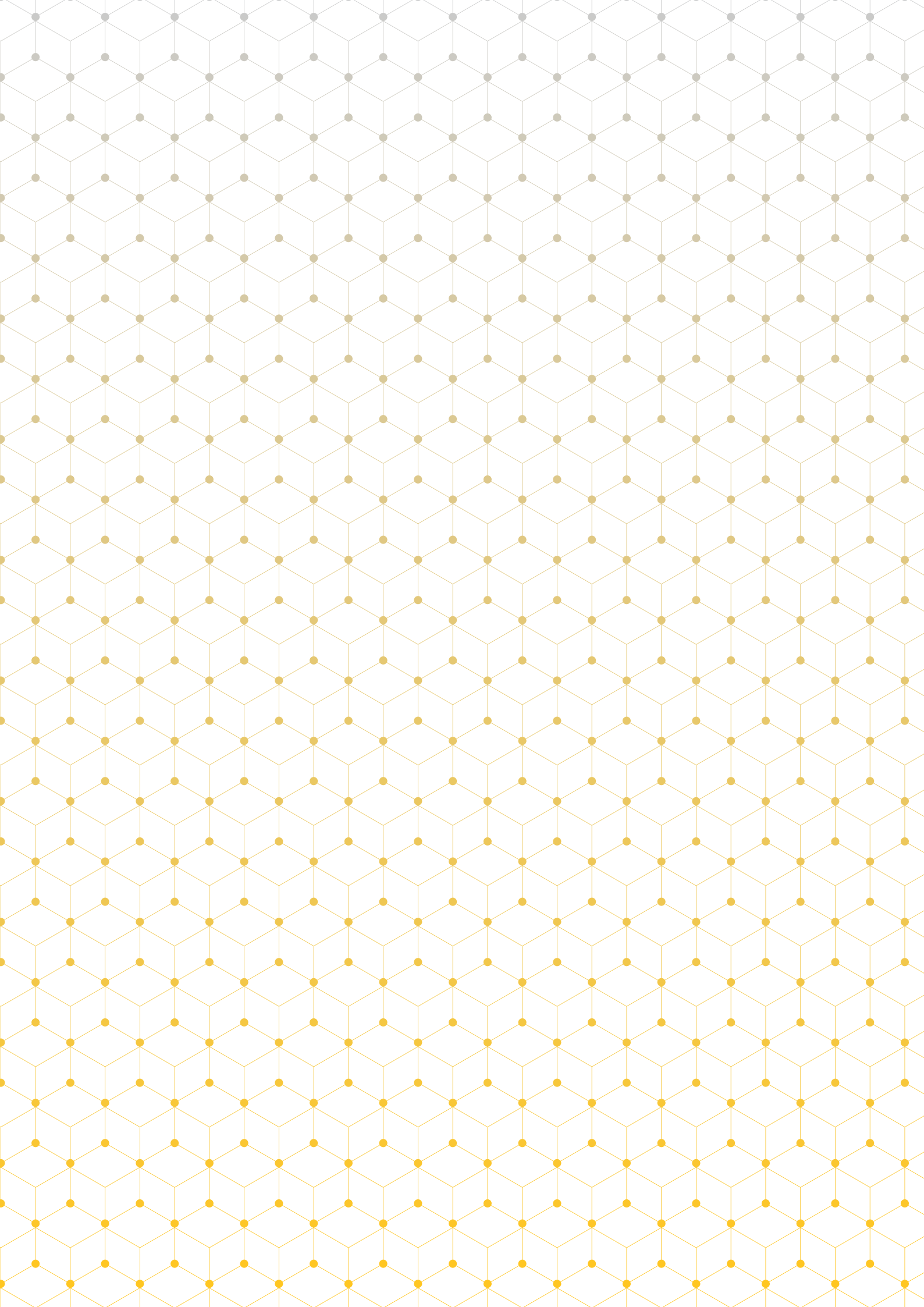




2020

INTEGRATED REPORT



Navigating the road to recovery

2020 will go down in history as a year unlike any other. It brought about extraordinary change in our world, our country and our lives.

Coronavirus Disease 2019 (COVID-19) was declared a pandemic by the World Health Organization in March 2020. Governments took unprecedented measures to limit the spread of the virus, bolstering health systems and restricting the movement of citizens. On 27 March, South Africa started a phased lockdown.

As a leading general insurer, we have always been inspired to reimagine the future. This is what risk management means and it is what our stakeholders expect us to do.

With the advent of COVID-19, we adapted to the changing circumstances while serving our clients and intermediaries and keeping our employees safe. Santam's plan to address current economic challenges is captured in our Building a FutureFit Santam strategy (see page 36). This strategy was reassessed following the COVID-19 outbreak:

- To ensure there is a clear plan to achieve profitable growth
- To realise long-term shareholder value
- To focus on effective implementation and execution

Where relevant throughout this report, we explain:

- The impacts of COVID-19 on the Santam group
- How short-term concerns were addressed
- How we supported stakeholders
- How we are adapting to a new world to safeguard medium- and long-term sustainability through our strategy

The Santam group's collective COVID-19 relief efforts equated to R400 million.

Contingent business interruption (CBI) claims and provisions of R3 billion negatively impacted the underwriting results. Information regarding CBI claims can be found in the chairman's message on page 8 and the chief executive officer's report on page 38.

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01

ABOUT OUR REPORT

Santam Ltd (Santam or the group) was founded in 1918. We are a leading South African general insurer with a presence in select emerging markets. Our head office is in Cape Town, South Africa. The group listed on the JSE in 1964 under the insurance (non-life) sector and has secondary listings on the Namibian Stock Exchange and A2X Markets Exchange. Santam is a subsidiary of the South African financial services group Sanlam, which holds 61.9% of Santam's shares.

WE ARE PLEASED TO PRESENT OUR 2020 INTEGRATED REPORT

Our integrated report (the report) provides a concise and transparent assessment of our ability to create sustainable value for all our stakeholders. It is our primary report targeted at Santam's providers of financial capital. The interests of other stakeholders were also considered in determining what is material and appropriate to include. Santam's material stakeholder groups are:

Clients	Employees	Providers of capital
Suppliers	Intermediaries	Communities
Industry regulators	Government	The media

Refer to page 26 for a summary of the value we create per stakeholder group.

The report was reviewed by the audit committee and the social, ethics and sustainability (SES) committee. The reviewed report was recommended to the board of directors (board), who approved it on 3 March 2021. The board is satisfied that the report addresses all material matters, whether positive or negative, and offers the necessary substance for the providers of financial capital and other stakeholders to make considered evaluations about the performance and sustainable value creation ability of the group.

OUR SUITE OF PUBLICATIONS

This report is part of a suite of results publications we produce to best meet our stakeholders' information needs:



This **integrated report**, including our summary consolidated financial statements. This is our primary report to stakeholders



Our **complete annual financial statements**, a comprehensive report of the group's financial performance for the year.



The **annual general meeting (AGM) notice and proxy form**, which provide information to enable shareholders to participate in the AGM.



The group's **remuneration report**. The full remuneration report will be published on 23 March 2021. (A summary is included in this report.)



Our **King IV application register** to confirm our alignment with the 17 governance principles.

These publications are available at <https://www.santam.co.za/investor-relations/integrated-report/financial-results-and-reports/>.

READERS' REFERENCES AND FEEDBACK

Santam's performance over seven years, by key performance indicator, is set out on page 123. A glossary of insurance and financial terms, as well as abbreviations are on page 127.

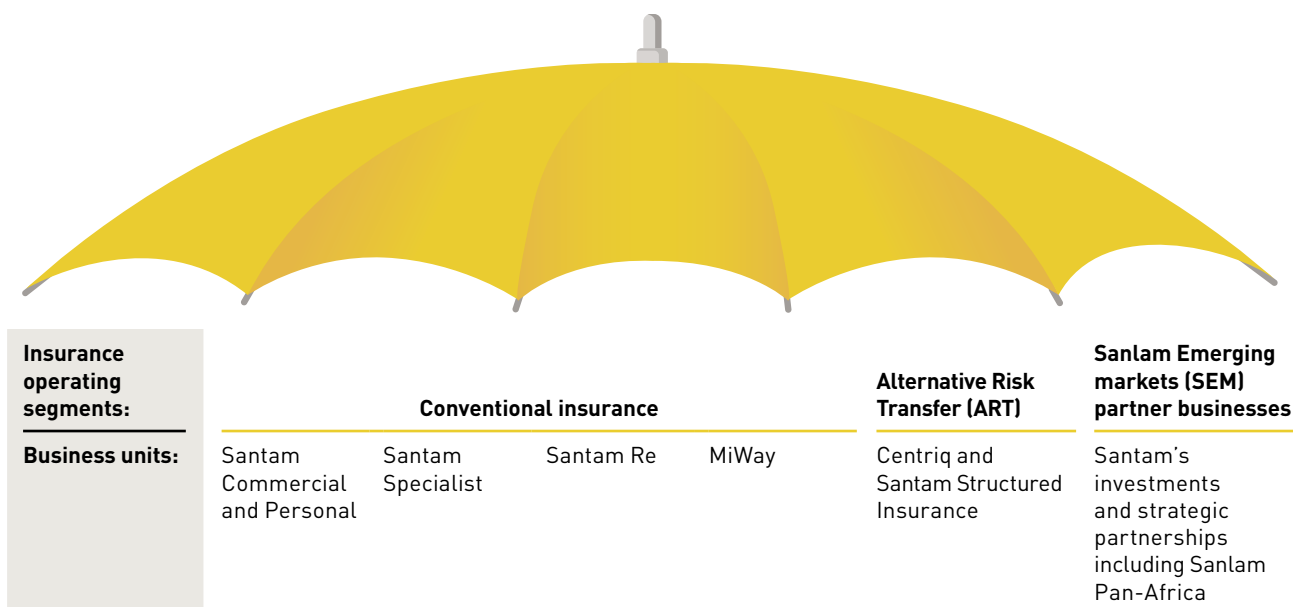
For more information, please visit www.santam.co.za.

Please share your experience of reading this report by emailing our head of investor relations at Gloria.taponnjamo@santam.co.za. Readers can also interact with us on the following social media platforms:



REPORTING SCOPE AND BOUNDARY

This report covers the 12 months ended 31 December 2020 (reporting period or year). The reporting boundary applies to both financial and non-financial information. It includes our general insurance and investment operations, and applies to Santam Ltd and its subsidiaries, which make up the Santam business portfolio:



OUR APPROACH TO REPORTING

Santam's 2020 integrated report is the result of combined material input from across the group's business units.

Santam does not produce a separate sustainability report. Since our group-level environmental, social and governance (ESG) strategic focus areas are integrated into our Building a FutureFit Santam strategy, this report contains information regarding the management and disclosure of our impacts and performance against a range of ESG criteria.

Reporting frameworks, guidelines and standards

This report was developed with due consideration of the following reporting requirements and principles:

- Companies Act, 71 of 2008, as amended (the Companies Act)
- International Financial Reporting Standards (IFRS)
- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- JSE Listings Requirements, JSE Debt Listings Requirements
- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹

How our reporting elements are assured

- PricewaterhouseCoopers Inc (PwC) provided assurance of the summary consolidated financial statements (see page 88)
- Deloitte reviewed our annual ClimateWise report as part of the global ClimateWise assurance process
- Ernst & Young (EY) provided assurance on carbon emission data as part of Sanlam's CDP (formerly the Carbon Disclosure Project) assurance process
- Data relating to broad-based black economic empowerment (BBBEE) was verified by AQRate
- Non-financial indicators were reviewed by an internal process that included approval by the executive committee and the board

Timeframes and forward-looking statements

This report is intended to enable stakeholders to make informed assessments of our ability to create value in the short term (the next 12 months), medium term (2 – 5 years) and long term (more than 5 years). It contains statements with respect to Santam's financial position, results, operations and businesses. These statements represent our judgements and future expectations. Risks, uncertainties and other factors could cause actual results to differ materially from our expectations. Forward-looking statements apply only as of the date on which this report was approved by the board (3 March 2021).

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02

SANTAM IN 2020

FutureFit for a changing world

Santam has played a valuable role in the economic and social development of South Africa for 102 years. Our brand positioning – *Insurance good and proper* – ensures that we remain fair and ethical and create value, not only for our shareholders, but for all our stakeholders.

OUR PURPOSE, VISION AND VALUES

Santam's **purpose** is to safeguard what is important to our clients in a manner that enables wealth creation and protection for all our stakeholders.

Our **vision** is to narrow the risk protection gap in the markets where we do business through collaborative, proactive risk management activities and the provision of reliable, inclusive risk solutions.

Our values are encapsulated by "The Santam Way":

INTEGRITY	Being honest and having strong moral principles
PASSION	Being engaged and interested in what we do
HUMANITY	Being understanding and kind towards all people
INNOVATION	Being at the forefront of new ideas, methods, products and designs
EXCELLENCE	Being committed to surpassing expectations and standards

FUTUREFIT SANTAM: OUR BUILDING BLOCKS TO CREATE SHAREHOLDER VALUE

Our group strategic framework, Building a FutureFit Santam, sets out the building blocks to achieve our strategic intent: to deliver on stakeholder expectations now and into the future. Our strategic themes are:

-  Extend leadership position in South Africa through intermediary enablement, digital innovation, partnerships
-  Deliver **Insurance good and proper**: most trusted, relevant and purpose-driven brand
-  Client experience: creating intuitive client journeys enabled by technology
-  Help build resilient societies: through transformation, financial inclusion and P4RR
-  International and African diversification: building the pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist
-  Talent and culture: empowering our people and evolving our culture to be competitive in a rapidly changing world
-  Build technology as an enabler and driver of innovation, efficiency and optimal decision-making
-  Optimise our financial performance: deliver sound results, stewardship and diversification

Read more about these strategic themes and building blocks on page 36.

WHY INVEST IN SANTAM?

- Santam is the market leader in South Africa, with a market share of 24.3%*.
- As a proudly South African company, we are committed to giving back. We settled claims of R21.1 billion in 2020 (2019: R18.9 billion). We continue to empower black intermediaries through our Black Broker Development programme.
- Santam has a skilled and experienced management team. Executive management collectively hold more than a century of insurance industry experience.
- We have maintained our status as a Top Employer for five consecutive years.
- The group is highly cash generative; we consistently reach our long-term goal to achieve real growth in excess of South African gross domestic product (GDP) and consumer price index growth.
- We take pride in our world-class scientific underwriting capability. Our capabilities include diverse and specialist insurance skills which enable us to consistently achieve an underwriting target range of **4% to 8%** of net earned premiums. The average net underwriting margin over the past five years was **6.4%**.
- Prior to 2020, our stable dividend policy enabled ordinary dividend per share compounded growth of 9% over 10 years. The Board decided not to declare a final dividend for 2020, because of the uncertainty relating to the CBI claims provisions.
- We believe that long-term sustainability supports our ability to continue to pay claims. Therefore, we are guided by the ESG-related standards included in the FTSE/JSE Responsible Investment Index, the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance and ClimateWise.

* 2019 FIGURE PROVIDED. 2020 INDUSTRY FIGURES NOT AVAILABLE AT TIME OF PUBLICATION.

Creating value in 2020 – salient financial features

Group gross written premium (GWP) growth of 7% to R38 billion		Return on capital of 8%
R3 billion subordinated debt has been issued under the R4 billion unsecured subordinated debt programme		
Conventional insurance GWP growth of 5% to R31.1 billion (2019: R29.7 billion)	Conventional insurance net underwriting margin of 2.5% Target range: 4% to 8%	Economic capital coverage ratio of 161% Target range: 150% to 170%
Conventional insurance: investment return on insurance funds of 2.1% Long-term goal: 2.5% of net earned premium (NEP) through the cycles.	Conventional insurance: acquisition cost ratio of 29.3% (2019: 30.2%)	
ART operating result of R165 million (2019: R171 million)	Santam's share of the operating result of Sanlam Emerging Markets (SEM) and SAN JV: R381 million (2019: R495 million)	GWP outside South Africa: R5 billion (2019: R3.9 billion)
South African market share of 24.3% (2019 being the latest information available)	No final dividend declared due to CBI uncertainty Refer to the CFO report on page 49 for details.	Headline earnings per share decreased by 47% to 1 100 cents

Creating value in 2020 – doing more than just insurance

Standard & Poor's Global rating: BB local currency, global scale; zaAAA South African national scale (2019: BB+ local currency, global scale; zaAAA South African national scale)	Secured employment for 5 973 people (2019: 6 177)	We help support 54 municipalities through Partnership for Risk and Resilience (P4RR) initiatives (2019: 46)
Founding signatory of the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP FI PSI)	Certified as a Top Employer By the Top Employer Institute	To date, we invested R56 million with the Association for Savings and Investment South Africa (ASISA) Enterprise and Supplier Development (ESD) Fund
Constituent of the FTSE4Good Index Series and FTSE/JSE Responsible Investment Top 30 Index	We maintained a Level 1 BBBEE rating According to the Financial Sector Charter (FSC) (2019: Level 1)	We invested R125 million in the Resilient Investment Fund (2019: R95 million)
Achieved a ClimateWise score of 68% (2019: 50%)	184 learners were trained through the Black Broker Development learnerships and internships Between 2016 and 2020	We invested in 112 employees through our graduate programme (2019: 187 employees)

DOING GOOD FOR CLIENTS

We reached 1.4 million people via Consumer Financial Education (CFE) initiatives (2019: over 1 million)	The group was named Top Business Insurer in South Africa in the 2020 Sunday Times Top Brands Survey and named One of BrandZ SA Top 30 Most Valuable South African Brands	We were credited as a leader in short-term insurance in the latest published SACsi with a score of 79.7%	We achieved an 81.9% rating in the Treating Customers Fairly – South Africa – Customer Service Index (TCF-SA-CSI)
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03

A MESSAGE FROM OUR CHAIRMAN

The board takes pride in the way Santam's employees pulled together to continue to serve the group's clients in an exceptionally challenging operating environment. At the same time, executive management has taken real steps to preserve the group's solvency for future growth

The devastating impact of COVID-19, including the lockdown restrictions, aggravated the already ailing South African economy. Economic uncertainty, high unemployment, weak domestic demand, volatile investment returns and lack of reliable energy supply also added to the deterioration of economic growth and placed consumers under immense pressure.

In addition, Moody's downgraded the country's credit rating one notch to BA2 and maintained a negative outlook, while Fitch downgraded South Africa's credit rating from BB to BB- and with a negative outlook.

These circumstances mute growth or expansion opportunities in the insurance industry. However, in October 2020, the President outlined a post-COVID-19 recovery plan that prioritises structural reform to improve productivity and longer-term growth. By continuing to invest in strategic partnerships and innovative products, Santam can aid this reform and help clients and communities mitigate risks.

At the same time, the general insurance industry is rapidly transforming. Santam operates in an age of immediacy, constant change and many choices, where loyalty is no longer a given. The group needs to be agile and innovate its products and services to retain its client base.

Notwithstanding these volatile circumstances, certain fundamentals like sound corporate governance remain essential to create value.

GOVERNANCE IN A CHANGING WORLD

Santam, as a leader in the industry, and an integral part of society, remains committed to help mitigate the risk factors that inhibit growth and resilience. Now more than ever, Santam has a responsibility to support its stakeholders towards a healthy, prosperous, safe, empowered and FutureFit society.

As a board, we prioritise good corporate citizenship and effective leadership through high standards of ethical values and business integrity. The board is committed to creating and demonstrating an ethical culture in the group. Our ethical conduct must be beyond reproach and we have a zero-tolerance stance when matters of ethical misconduct are brought to our attention.

The board's aim is to ensure the governance outcomes of an ethical culture, good performance and effective control and legitimacy at Santam.

Key board topics for 2020 were:

Managing the impact of the COVID-19 pandemic, including CBI claims

The board and executive management take pride in the way Santam provided significant relief to its most affected policyholders quickly and efficiently. However, we remain aware of the reputational impact of the legal process and media interest related to CBI claims.

Executive management kept the board fully informed about the operational impact of COVID-19 on the business and developments regarding the group's exposure to COVID-19-related CBI claims. The board supported management in its efforts to achieve legal certainty.

The board mandated research into the impact of how COVID-19-related claims were handled on the group's brand reputation. Thus far, the results of this research have reassured us that Santam's strong heritage, and the group's reputation for integrity, honesty, reliability and treating customers fairly remain intact.

Reviewing the group's strategy to confirm its relevance in a post-COVID-19 world

The board reviewed the Building a FutureFit Santam strategy considering revised projections stemming from COVID-19-related disruptions. We are confident that the themes are even more relevant now, with some acceleration of the theme to 'build technology as an enabler and driver of innovation, efficiency and optimal decision-making'.

Ensuring the Santam board continues effective virtual stakeholder engagement

Santam's approach to stakeholder engagement is aimed at building and maintaining sound, transparent relationships.

Traditionally, engagement and communication happened through a range of personal interactions. However, stakeholder engagement changed significantly during the COVID-19 pandemic. The group adapted engagement methods where necessary with the aim to keep communication channels open, while protecting the health and safety of all stakeholders. For the board, this meant virtual board meetings, more one-on-one online engagement with executive management and the successful hosting of our first ever virtual AGM.

At the AGM, shareholders voted 97.41% in favour of Santam's remuneration policy, and 97.52% in support of the implementation report. King IV prescribes that, if shareholders exercise at least 25% of voting rights against either the remuneration policy or the implementation

report, or both, the board should engage with dissenting shareholders to understand their concerns and objections.

Despite votes overwhelmingly in favour of both the remuneration policy and implementation report, the board and executive management still engaged with key shareholders to ascertain their views and possible improvement areas in terms of remuneration.

Considering the Santam board's composition and succession planning

The board continually reviews its diversity and succession planning to ensure it can still provide good oversight to executive management. Discussions considered the benefits of various aspects of diversity including gender, race, culture, age, skills and experience.

Should a vacancy on the board arise, or if there is a requirement for an additional board appointment, the nominations committee will prioritise broadening board diversity, in line with the group's diversity policy.

Changes to the board and executive management

- Ian Kirk resigned as non-executive director with effect from 30 June 2020. This is due to his retirement from his role as Sanlam CEO. Ian served on the HRRC and Nominations Committee. He served on the board since 2007 and as CEO of the group from 2007 until 2014. Management and the board wish to thank Ian for his dedicated contribution to Santam during the period of his tenure, and wish him continued success in future.
- The board welcomes the following three directors:
 - Monwabisi Fandeso was appointed to the board with effect from 15 January 2020. Monwabisi is an independent non-executive director and serves on Santam's Audit and Risk Committees.
 - Paul Hanratty was appointed as non-executive director, with effect from 11 August 2020. He is an actuary with significant industry insight and experience, and was appointed Group CEO of Sanlam Limited in July 2020. Paul serves on Santam's nominations and human resources and remuneration committees.
 - Abigail Mukhuba was appointed as non-executive director, effective 16 November 2020. Abigail was appointed as a representative of Sanlam Limited. She is the new Finance Director of Sanlam Limited, and serves on Santam's risk and investment committees.
- Temba Mvusi retired from executive management on 31 December 2020 after 12 years of dedicated service as an executive committee member. Santam wishes to thank Temba for his service and wishes him well for the future.
- A number of additions to the board are planned for early 2021, which will improve the diversity and skill set of the board. Two directors, Bruce Campbell and I, have reached retirement age in terms of Santam's MOI and will retire at the AGM in 2021.

Santam has a strong board and management team and the company is fortunate to have people with such experience and wisdom at its helm. It has been both a privilege and a pleasure to hold the office of independent chairman. I look forward to witnessing the company's continued success.

Navigating the road to recovery

Looking ahead, the board acknowledges the reality of a constrained start to 2021. The board will continue to provide oversight to group efforts to strike a balance between investing in strategic growth areas to maintain a strong platform for value creation when conditions improve.

We recognise the COVID-19 pandemic is still ongoing. The safety of all Santam's stakeholders – particularly employees – remains a priority.

The board would like to thank Santam's executive management, employees and intermediaries for their abiding commitment to **Insurance good and proper**, even while navigating the significant personal and professional challenges of 2020. Thank you to the group's clients for continuing to choose Santam to safeguard what is important to you.

Vusi Khanyile

Chairman of the board

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2020 financial year.

04

THE SANTAM GROUP

Santam is a general insurance group offering a range of policies against eventualities such as property damage, motor accidents, loss of income, crop losses and catastrophe loss. We derive revenue from insurance activities and investments. Our primary function is to displace risk, so that clients' insured losses are paid out of invested premiums.

Administration

Specialised systems, software and digital processes support underwriting, the distribution network and claims management.

Managing claims

When a client suffers an insured loss, they lodge a claim and Santam reimburses them. Initiating a claim is often called the "moment of truth". A positive claims experience encourages client loyalty, while a negative experience can cause reputational damage to the group.

Claims costs are managed through a reliable network of suppliers.

Managing investments and allocating capital

We invest income generated through premiums to deliver a return for shareholders, and to provide a capital buffer. This enables the group to maintain liquidity to cover liabilities associated with claims made against underwritten policies.

OUR INSURANCE ACTIVITIES

Our business activities include the following:

Underwriting and pricing of risks

Underwriting is the process used to evaluate and price the risk posed by each prospective client. Profitability depends on how well Santam optimises the balance between a policy premium and potential claims against the policy.

Policies are priced using actuarial analysis and modelling techniques to analyse clients' claim history and predict behaviour.

Enhancing ESG-sensitive underwriting is part of our Building a FutureFit Santam strategy.

Designing risk solutions and policies

Santam's policyholders range from individuals to commercial and corporate business owners and institutions.

We develop diversified and bespoke solutions, including alternative insurance solutions, to meet clients' risk cover requirements.

Branding and marketing

In a competitive and evolving industry, clients select a policy based on their trust in our brand.

Client contracting and communication

Our clients purchase their cover through our distribution network, including intermediaries, direct channels and the Santam agency model.

Complex commercial or specialist insurance depends on advisory input from intermediaries.

In the contracting process, Santam's clients agree to share risk with the group in the form of an excess payment in the event of a claim.

Carrying and diversifying risk through reinsurance

Reinsurance is a cover for insurance companies, whereby a portion of risk is transferred to the reinsurer based on our risk appetite. Reinsurance is a safety net that reduces risk resulting from large claims and helps balance available financial capital.

These insurance activities are structured and executed through the business units in our business portfolio, as outlined in the next section of this report.

OUR BUSINESS PORTFOLIO



INSURANCE OPERATING SEGMENT: CONVENTIONAL INSURANCE



Santam Commercial and Personal

OUR MULTI-CHANNEL INSURANCE BUSINESS IN SOUTH AFRICA AND NAMIBIA

Santam Commercial and Personal serves retail and commercial markets by providing appropriate insurance solutions that suit the needs of entrepreneurs and businesses. For personal insurance, the business unit offers a multi-product and multi-channel distribution portfolio that covers various classes of general insurance.

Santam Commercial and Personal offers independent administration through BroLink.

Santam Commercial and Personal lines distribution channels

- National and independent intermediaries
- Direct contact centre
- Outsourced portfolio administrators
- Referral business
- Affinity business
- Sanlam agency network

Classes of general insurance products

- Accident and health
- Engineering
- Guarantee
- Liability
- Marine
- Motor
- Property



Santam Re

OUR REINSURANCE BUSINESS IN SOUTH AFRICA AND INTERNATIONAL MARKETS

Santam Re is a wholesale reinsurance service provider for the Santam group general insurance businesses and independent general insurers in Africa, India, the Middle East, Eastern Europe, China, Korea and Southeast Asia. Santam Re operates under the Santam general insurance licence, which enables it to optimise the size, quality and diversity of the overall risk pool relative to capital resources and risk appetite. Santam Re leverages the reputational backing of an AA-rated paper provided by New Re, a wholly owned subsidiary of the Munich Re Group.

Classes of general insurance products

- Accident and health
- Engineering
- Guarantee
- Liability
- Marine
- Motor
- Property



MiWay

OUR DIRECT INSURANCE BUSINESS IN SOUTH AFRICA

MiWay is a direct insurer that underwrites predominantly personal lines general insurance business through direct selling. This is supported by a smaller intermediated personal lines business and a suite of direct business insurance products.

Classes of general insurance products

- Motor
- Property
- Other value-added products
- Business insurance



Santam Specialist

OUR SPECIALIST INSURANCE BUSINESS PORTFOLIO IN AFRICA AND SELECTED EMERGING MARKETS

Santam Specialist insures large and complex risks in niche market segments. Products are client-driven and supported by specialist underwriting. Underwriting these classes of insurance requires skilled resources to assess and quantify the risk and exposure as provided by the unit's underwriting managers and niche business units.

Santam Specialist businesses

- **Santam Marine** is a leading marine underwriter covering cargo, hull and liabilities.
- **Emerald Risk Transfer** provides property insurance solutions for large industrial and corporate businesses in South Africa and developing markets.
- **Echelon Private Client Insurance** focuses on the high-net-worth personal lines segment of the market.
- **Mirabilis Engineering Underwriting Managers** offers a comprehensive range of engineering insurance solutions in South Africa and other developing markets.
- **Santam Aviation** specialises in general aviation for commercial and private sector insurance including hull, third-party and passenger liability insurance.
- **Santam Bonds and Guarantees** provides a wide range of surety solutions, including construction guarantees, contract bonds and court bonds.
- **Santam Transport** is the leading heavy commercial vehicle insurer in South Africa and offers comprehensive cover to transport contractors.
- **Stalker Hutchinson Admiral (SHA)** provides insurance against broad-form liability, banker's blanket, cyber and computer crime, directors' and officers' liability, professional indemnity for traditional and emerging professions, as well as personal accident, kidnapping and ransom, and motor fleet insurance.
- **Travel Insurance Consultants (TIC)** is South Africa's largest travel insurance provider that offers specialised travel insurance solutions including emergency medical, loss of money or baggage, and travel supplier insolvency for leisure and corporate travellers.
- **Vulindlela Underwriting Managers (VUM)** specialises in providing a range of insurance solutions for owners of minibus, midibus and metered taxis in South Africa. VUM has recently entered the small, medium and microenterprises (SMME) market to expand the relationship of the taxi base to include other assets and motor vehicles in underinsured markets.
- **Santam Agriculture** is the leading crop insurer in South Africa, focusing on named peril insurance and multiperil crop insurance.

Classes of general insurance products

- Accident and health
- Aviation
- Crop
- Engineering
- Guarantee
- Liability
- Marine
- Motor
- Property
- Travel
- Transport

INSURANCE OPERATING SEGMENT: ALTERNATIVE RISK TRANSFER INSURANCE



Santam ART

OUR RISK TRANSFER SOLUTIONS BUSINESS

Alternative risk transfer insurance uses techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection. Tailored insurance solutions allow clients access to multi-peril cover and aim to reduce the cost of risk to clients over the medium to long term. Business is written on the insurance licences of:

Centriq

A specialist cell captive insurer that offers insurance solutions across its Life and Non-Life licences.

Centriq offers access to insurance licences to affinity groups, underwriting management agencies (UMAs) and corporates. The in-house team of specialists offer the following:

- Conventional and structured insurance policies
- Multi-year funded insurance structures
- Blended risk transfer/retention insurance policies
- First-party cells
- Specialist UMA solutions via cell captive structures
- Alternative distribution/brand affinity third-party cells

Santam Structured Insurance (SSI)

An industry innovator in specialist insurance structuring that offers individually designed domestic and cross-border risk finance solutions to partners and clients.

SSI's client base includes consumers; small, medium and large corporates; and entities such as banks and agricultural businesses.

Post-retirement medical aid products are written on both general and life insurance to successfully build up fully funded solutions for clients.

The risk finance division offers insurance solutions to small, medium and micro enterprises (SMME) clients via a unique distribution model.

INSURANCE OPERATING SEGMENT: SANLAM EMERGING MARKETS (SEM) PARTNER BUSINESSES



Santam's investments and strategic partnerships including Sanlam Pan-Africa

OUR INVESTMENTS IN EMERGING MARKETS

SEM is responsible for Sanlam's financial business services in emerging markets outside South Africa. Through our partnership with SEM, Santam has economic participation in 33 countries

- Africa
- India
- Middle East
- Southeast Asia

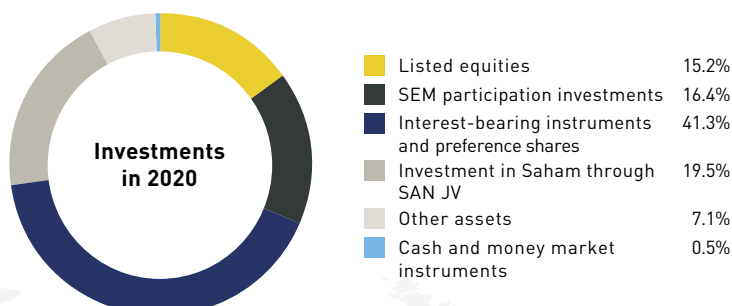
The group's interests in SEM partner businesses

	Santam effective interest %
Saham via SAN JV	10.0
Other SEM Africa target shares	2.9 – 10.0
Shriram General Insurance Company Ltd (SGI) (India)	15.0
Pacific & Orient Insurance Co. Berhad (P&O) (Malaysia)	15.4

OUR INVESTMENT PORTFOLIO SPREAD

WE MANAGE OUR INVESTMENTS RESPONSIBLY AND INVEST IN A DIVERSIFIED PORTFOLIO

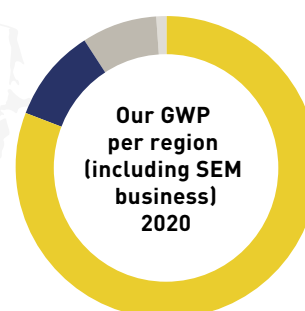
Our investment charter recognises the importance of responsible investment and Sanlam Investments, our primary asset manager, is a member of the Principles for Responsible Investment and signatory to the Code for Responsible Investing in South Africa (CRISA).



OUR FOOTPRINT

WHERE WE DERIVE OUR INCOME FROM

We are building a responsible business across borders and boundaries.



South Africa	81%
Rest of Africa	10%
Southeast Asia, India and the Middle East	8%
Other	1%

GRAPHICAL REPRESENTATION OF GWP INCLUDES SEM PARTNER BUSINESS

05

SANTAM IN A CHANGING WORLD

Santam's role in the financial services ecosystem

To function successfully, any economy requires an efficient, stable financial sector that enables society to advance and fosters innovation. It does so by providing financial products including credit, equity and insurance, and mitigating excessive risk taking through regulation.

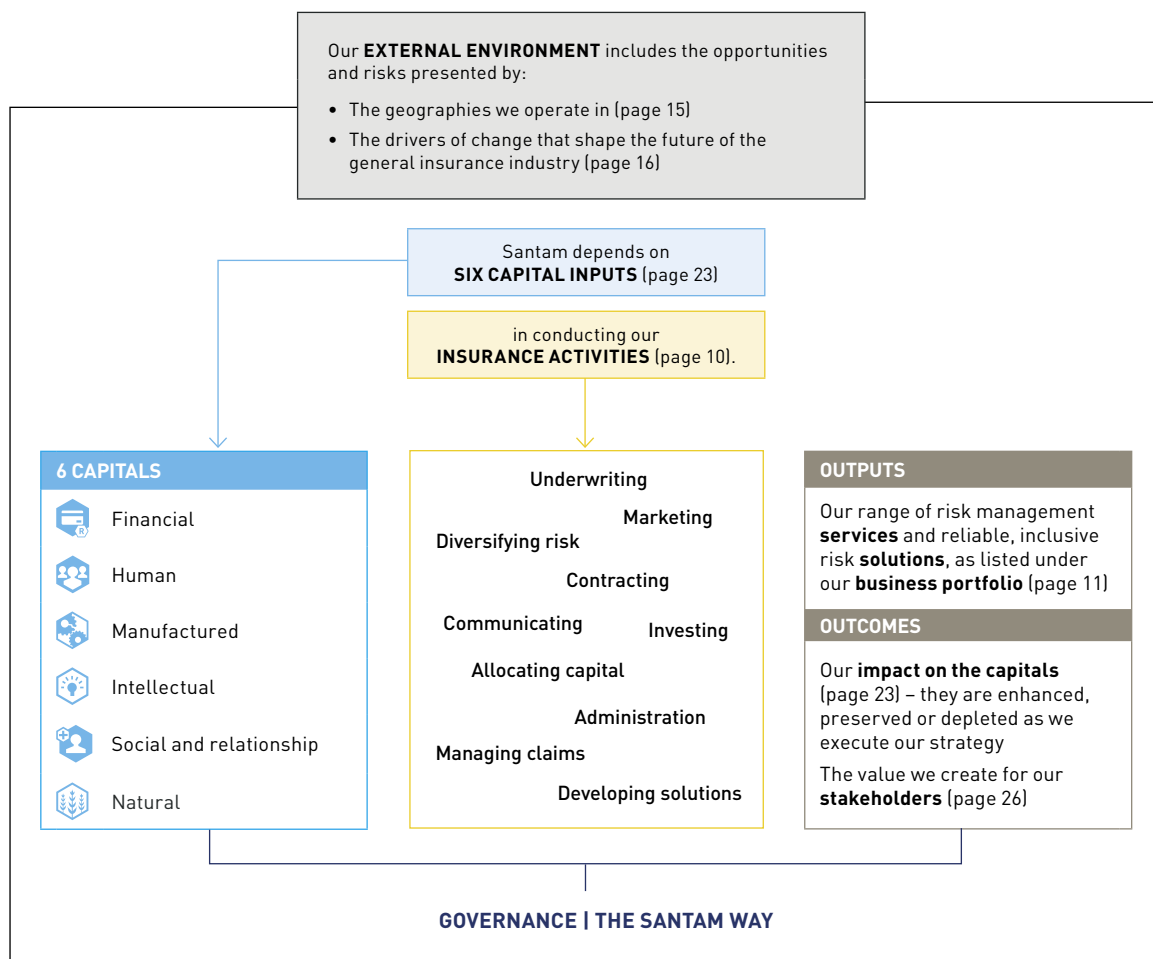
In the larger financial system, Santam acts as a conduit for individuals and businesses to transfer and share their risks. This aids society to recover from unforeseen events and contributes to economic sustainability and growth.

SANTAM'S VALUE CREATION MODEL



Our value creation model shows the interconnected system that enables Santam to deliver value in the short, medium and long term.

To fulfil Santam's purpose: *To safeguard what is important to our clients in a manner that enables wealth protection and creation for all our stakeholders* our **strategy** must respond to external factors that can affect our ability to create value over time.



OUR EXTERNAL ENVIRONMENT



CHANGES IN OUR OPERATING GEOGRAPHIES

South Africa

South Africa suffers from severe income inequality, poverty, unemployment and a lack of relevant job skills. These factors, if unaddressed, threaten our country's stability and the potential to foster growth and investment.

Before the pandemic, the South African general insurance market was on a strong growth trajectory, increasing by a solid 4.3% in insurance premium volumes between 2018 and 2019. However, the local market has been negatively impacted by COVID-19 and subsequent lockdown measures. Contraction in economic growth resulted in retrenchments and loss of income for many households, and a growing number of consumers were unable to pay their insurance premiums¹. This also caused:

- An increase in opportunistic and syndicated fraud, including, but not limited to, false claims, exaggeration of the extent of losses, and a potential increase in third-party liability fraud
- Contraction in the corporate property market, with many businesses reassessing their risk profiles and the related costs

However, opportunities also arose as our focus shifted to pursuing strategic opportunities in new product concepts. These include lead generation initiatives, dynamic driving products and affinity partnerships.

South African growth projections²

Real GDP, annual % change	2019	Projections	
		2020	2021
South Africa	0.2	(7.5)	2.8

International

The global economy experienced a recession due to the impact of COVID-19, this significantly impacted market growth in 2020. However, the market is expected to rebound slightly in 2021.

GDP will recover to 2019 levels by 2021. The latest World Economic Outlook published by the International Monetary Fund (IMF) in January 2021 predicts the global economy to experience a 3.5% contraction in 2020 and a better than expected rebound to 5.5% growth in 2021. However, the projected recovery will vary across countries, depending largely on vaccine acquisition and distribution.

In contrast, the outlook for Sub-Saharan Africa and low income developing countries deteriorated as most of them have yet to secure vaccine supplies in mass scale to achieve sufficient population immunity. Therefore, it is expected that waves of infection will continue, and social distancing measures will remain in place to curb further virus transmission.

Global growth projections²

Real GDP, annual % change	2019	Projections	
		2020	2021
Advanced economies	1.6	(4.9)	4.3
United States	2.2	(3.4)	5.1
Euro area	1.3	(7.2)	4.2
Japan	0.3	(5.1)	3.1
United Kingdom	1.4	(10.0)	4.5
Canada	1.9	(5.5)	3.6
Other advanced economies	1.8	(2.5)	3.6
Emerging markets and developing economies	3.6	(2.4)	6.3
Emerging and developing Asia	5.4	(1.1)	8.3
Emerging and developing Europe	2.2	(2.8)	4.0
Latin America and the Caribbean	0.2	(7.4)	4.1
Middle East and central Asia	1.4	(3.2)	3.0
Sub-Saharan Africa	3.2	(2.6)	3.2
Low income developing countries	5.3	(0.8)	5.1

In Africa, markets are at different stages of development. However, most have low insurance penetration, mostly limited to compulsory motor, health, and corporate insurance. This creates opportunities for our SEM partner businesses. See page 55.

Regulation in South Africa

Several regulatory developments took effect in 2020.

Retail Development Review (RDR): The Financial Sector Conduct Authority (FSCA) is considering work on the segmentation between advice and intermediary services, different types of services and the various remuneration models to apply. In addition, the FSCA released a draft exemption relating to direct collections that is part of a broader RDR initiative to deal with premium collection in the industry.

The second version of the Conduct of Financial Institutions Bill (COFI) was released for comment. COFI is aimed at providing a regulatory licensing framework to regulate market conduct in the financial services industry. Once enacted, financial services providers will be required to be licensed in terms of COFI.

The Protection of Personal Information Act, 4 of 2013 (POPI) requires institutions to be compliant by 1 July 2021.

¹ INSIGHT SURVEY SOUTH AFRICAN SHORT-TERM INSURANCE INDUSTRY LANDSCAPE REPORT, 2020
² IMF, WORLD ECONOMIC OUTLOOK, 2021

MATERIAL MATTERS, RISKS AND OPPORTUNITIES

Establishing Santam's material matters – the key drivers of change

As part of the group's annual strategic review process, we stress-tested our material matters against the group's material risks, and all the legitimate concerns raised by our stakeholders and external developments, were debated by the executive committee and the board.

We established that, although some drivers were impacted by COVID-19 mitigation measures (as indicated below), all remain relevant to the group and our stakeholders. Our strategy, as described on page 36, responds to these key drivers by mitigating risks and pursuing opportunities. Our risk management framework and processes, and the relevant material risks indicated in this section, are described in the risk management report from page 79.

Ethical leadership and the trust deficit

Our clients and employees are increasingly mindful of ethics-related considerations when choosing where to spend their money or where to work.

Our key drivers of change

- Ethical leadership and the trust deficit
- Increasing regulatory risks
- Industry 4.0 and the emergence of digital ecosystems
- The risk protection gap, and increasing climate and environmental risks
- Workforce for the future
- ESG embeddedness
- Collaborative consumption
- Regional champions going global

Challenges to value creation

- A perceived lack of ethical leadership could damage the group's reputation and influence our clients' decisions.
- Our reputation is increasingly vulnerable through exposure on social media platforms and online review sites.
- The uncertain and rapidly changing circumstances related to COVID-19 measures led to conflicting information, misinformation, and uncertainty. In this context, ethical leadership and forthright communication from both government and business became essential.

Relevant material risk: Reputational damage and brand association risk

Santam's response and opportunities to create value

- Santam's code of ethics entrenches ethical leadership principles. Refer to the corporate governance report on page 64. Our code of ethics can be found online here: <https://www.santam.co.za/media/2685177/code-of-ethics-2019.pdf>.
- We expect Santam's leadership to act with integrity and promote transparency and trust.
- We maintain a transparent and positive relationship with the media as a material stakeholder. See page 35.

Relevant strategic theme:  Deliver **Insurance good and proper**: most trusted, relevant and purpose-driven brand

Increasing regulatory risks

Regulatory developments are intended to enhance financial stability, protect consumer data and address the risk protection gap.

Challenges to value creation

- Regulation is becoming increasingly stringent given the global trust deficit and the rise in consumer protection demands.
- Greater public awareness of the impact of climate risk increases the appetite for regulation to hold governments and businesses accountable.
- Intermediaries are faced with rising business and compliance costs due to increasingly onerous regulatory requirements.
- COVID-19 increased the regulatory burden. With insurance deemed an essential service to maintain the functioning of the financial sector during lockdown, the Prudential Authority (PA) and the FSCA were proactive in assisting the industry to meet statutory requirements by issuing general communications, directives and exemptions.
- The FSCA issued specific guidelines dealing with safety protocols, changes to or the launching of new products, claims and renewals and lapses.

Santam's response and opportunities to create value

- Santam ensures we understand regulatory developments and we continually review internal processes to ensure we can meet regulatory requirements.
- We support intermediaries through administrative and compliance support.
- Regulatory developments for 2020 are outlined in the operating geographies section on page 15 and actions taken are listed in the chief executive officer's (CEO's) report on page 38.

Relevant strategic themes:  Deliver **Insurance good and proper**: most trusted, relevant and purpose-driven brand
 Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

Industry 4.0 and the emergence of digital ecosystems

Industry 4.0 is reshaping the expectations of clients. In the financial services industry, companies respond by developing digital ecosystems. These are client-centric, and users have an end-to-end experience of a wide range of services and products through a single-access platform.

Challenges to value creation

- Hyper-personalisation and artificial intelligence (AI) continues to shape the future of how insurers engage with clients, where digital self-service capability is a must.
- New entrants to the insurance industry use value-added services and reward programmes to attract clients. Traditional insurers risk being marginalised as providers of capital to shrinking risk pools.
- The COVID-19 crisis significantly accelerated the shift to digital. After COVID-19, digital ecosystems will be the norm, not the exception.
- In the South African financial services industry, most companies are developing digital ecosystems, which are potentially more exposed to cyber risks.

Relevant material risk: Cyber risk

Santam's response and opportunities to create value

- As we execute our strategic theme to build technology as an enabler and driver of innovation, efficiency and optimal decision-making (see page 40), there is an opportunity for Santam to:
 - Develop new and innovative products
 - Open new distribution channels
 - Include prediction, prevention and assistance
 - Grow market share and attract a younger, more diverse client base for sustainable growth
- Santam initiated a strategic programme to understand all facets of stakeholders' experience and identify their digital interaction needs and the projects necessary to meet them. See below.
- We recognise the opportunity in leveraging the power of networks and communities, with peer-to-peer (P2P) and social networks becoming critical enablers.

Relevant strategic theme:  Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

IN 2020 ...

WE ARE ENHANCING DIGITAL ENGAGEMENT WITH ALL STAKEHOLDERS

We launched a strategic programme to understand all facets of stakeholders' experience and identify their digital interaction needs and the projects necessary to meet them. During the inception phase of this programme, we conducted extensive research to pinpoint key trends. These included the following:

- The need for advanced data science and models that influence how the client and other stakeholders are understood and served
- Digital transformation needs to permeate through all the services and solutions
- Hyper-personalisation is key to connect to clients, especially the younger generation
- Seamless, omnichannel service models are becoming the norm
- Simplicity and ease of use are baseline design drivers
- Moving service away from the core, to enable self-service facilities and selectively use service bots to automate mundane tasks

WE PARTNERED WITH SAS IN THE PURSUIT OF DATA SCIENCE EXCELLENCE

In responding to Industry 4.0 as a key driver, we must be more agile in serving clients through relevant insights and quick-to-market enhancements to our suite of policies and solutions. To this end, we partnered with SAS Analytics Software and Solutions. Santam had an existing affiliation with SAS in the field of data analytics. We extended our partnership by investing in SAS Viya, a data science platform.

“Santam believes in the future of South Africa, and this is why we have chosen to invest in this type of technology. SAS Viya will make us more agile and able to improve decision-making and implement analytics much faster throughout our business processes.”

Kevin Wright, Santam chief information officer

Relevant strategic theme:



Extend leadership position in South Africa through intermediary enablement, digital innovation, partnerships

The risk protection gap, and increasing climate and environmental risks

The risk protection gap is the difference between the total economic losses resulting from unforeseen events and the economic losses protected by insurance cover.

Challenges to value creation

- The larger the gap, the more difficult it is for individuals, households, companies and the public sector to recover from losses.
- Climate and environmental risks exacerbate the risk protection gap. For Santam, this increases our risk of large-scale claims and can render potential clients uninsurable.
- COVID-19 highlighted the need to improve society's resilience to big financial shocks, like epidemic diseases, climate and environmental risks.
- Measures taken to limit the spread of COVID-19 disrupted economic activity, resulting in significant business interruption losses.

Relevant material risks:

Political and social risks in South Africa
Climate risk, including catastrophe events and extreme weather

Santam's response and opportunities to create value

- Santam continues to innovate and partner and help address the risk protection gap by making insurance more accessible and reduce climate change risks, in relevant insurance lines for example agriculture and engineering fields.
- Santam addresses the risk protection gap by promoting affordability, awareness and product appeal. This includes developing products to reach the lower income markets, in alignment with FSC targets and criteria.
- Addressing the risk protection gap requires a collaborative effort that involves all stakeholders, including government. Santam partners with the Emthunzini Community Trust and SASRIA on P4RR initiatives. Read more about these initiatives on page 33.
- Santam takes a proactive approach to increasing climate and participates in risk awareness:
 - Santam continues to align with the industry-led Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). These are a set of voluntary, consistent disclosure recommendations for use by companies to provide information to investors, lenders and underwriters about climate-related financial risks. Refer to page 19.
 - Santam is a signatory of ClimateWise, a global insurance industry leadership group driving action on climate change risk.
 - We participate with Sanlam in CDP, which supports companies to disclose their climate action. Both ClimateWise and CDP are now aligned with TCFD.

Relevant strategic themes:



Help build resilient societies: through transformation, financial inclusion and P4RR



Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

WE AIM FOR CONSISTENT CLIMATE-RELATED FINANCIAL RISK DISCLOSURES THROUGH TCFD

Below is a high-level summary of Santam's climate response, indicating our approach to aligning with the TCFD recommendations. Our ClimateWise performance improved from 50% to 68% (as per a Deloitte review of our ClimateWise Report 2020). This recognises our efforts to include climate-related risks and opportunities in our governance structures, strategy and risk management processes, as well as collaborating with other stakeholders for climate action. We also note that there are areas of improvement, which are indicated below as areas of future focus. or:

Governance	Executive management reports on a quarterly basis to the board on the progress of the Building a FutureFit Santam strategy which includes climate change considerations. The SES committee has expanded its role to include oversight of ESG matters and climate risks and opportunities. The investment committee and risk committee also assist the board in their respective responsibilities for responsible investment and climate risk assessment. Further, the SES committee charter was reviewed and updated to align with our strategy. The review included an update of our ClimateWise principles in line with TCFD recommendations. Future focus: We aim to deepen our governance requirements in line with TCFD recommendations in particular managing, mitigating and reporting on climate-related risks and opportunities.
Strategy	The group's approach to climate risk assessment is through multi-stakeholder engagements that are supported by climate change experts. In addition, Climate change is embedded in our FutureFit strategy. In this regard, our ClimateWise performance and the FTSE Russell's ESG rating are included in the dashboard as key performance indicators. Future focus: We aim on developing a climate risk scenario analysis framework to better understand and include the potential impact of climate-related risks and opportunities on the group's strategy and financial planning.
Risk management	Santam's Own Risk and Solvency Assessment (ORSA) acknowledges climate-related risks and their potential impact on the group. The risk committee is responsible for reviewing the ORSA process. We held multi-stakeholder climate risk exploration workshops as part of the Building a FutureFit Santam strategy review process. This was supported by several internal and external stakeholders, including climate change experts from the following institutions: • The African Development Initiative (ACDI) from the University of Cape Town • The Climate Science Analyst Group (CSAG) from the University of Cape Town • The Global Carbon Exchange (GCX) • Econologic • Climate Legal Future focus: We will enhance the disclosure of the metrics we use to manage these risks, and targets for the most material climate-related risks and opportunities.
Metrics and targets	In partnership with Sanlam, we measure internal environmental performance by monitoring consumption patterns such as energy, water, waste and recycling, and tracking Scope 3 travel emissions. Future focus: • To assess how climate change is impacting the resilience of our business, we will develop key performance indicators for tracking climate risk in our underwriting and investment portfolios. • We will consider the relevant metrics and targets and disclose appropriately, once suitable climate risk scenarios have been concluded and assessed

Relevant strategic theme:



Help build resilient societies: through transformation, financial inclusion and P4RR

Workforce for the future

We are living through a fundamental transformation in the way we work: A new era of AI-assisted or AI-enhanced productivity, a shift to flexible working and an emphasis on ethics and company culture.

Challenges to value creation

- As technology develops, cognitive abilities and tasks that were once thought to be reserved for humans are increasingly performed by machines.
- There is a shift away from the traditional nine-to-five, in-office career towards a more flexible approach.
- For our clients, it is important that Santam's brand values align with their own.
- Working from home due to COVID-19 restrictions propelled IT and digitisation to the forefront for almost all industries.
- There is a new approach to how and where people work and what the purpose of corporate real estate is.
- Despite the rapid shift to digitisation, there will always be a need for physical interaction. Flexible, at-home working needs to be balanced with:
 - Employees' feeling of identity and belonging
 - Clients' requirement for face-to-face interaction

Relevant material risk:

Skills shortage, including attracting and retaining top talent

Santam's response and opportunities to create value

- Santam aims to protect people, not jobs. As such, it is critical we develop skills around user experience and agility, such as robotics, analytics and change management.
- The efficiencies presented by digitisation can empower employees to spend less time on mundane tasks and more time on uniquely human functions like client service and strategic innovation. Refer to the business unit reports from page 50 to see how digital skills development is prioritised across the group.
- The measures we took to ensure productive home working arrangements are detailed on page 29. We expect that many of these will continue post-COVID-19.
- Santam has a diverse and inclusive group culture, which we continue to nurture and develop.

Relevant strategic theme:



Talent and culture: empowering our people and evolving our culture to be competitive in a rapidly changing world

IN 2020 ...

WE INVESTED IN CRITICAL SKILLS

The critical skills requirements in the insurance industry are becoming clearer through research conducted by SAIA and the Insurance Sector Education and Training Authority, in which Santam is a participant and contributor.

In 2020 the focus was on online courses:

- We introduced Behavioural Skills Programmes through LinkedIn Learning. Of the 500 available licences, 450 are in active use, with an average of 49 videos accessed daily.
- 90 delegates accessed our accredited short courses in partnership with Wits Digital Campus. This exceeds the industry benchmark for number of delegates by 18%.
- Our Executive Leadership Programme in partnership with Duke Corporate Education was launched in September 2020, with 104 delegates. It includes an online leadership programme and a series of webinars.
- Our Leadership Accelerator online platform for all line managers hosted business leaders to discuss how they navigated the complexity of leading the business and managing their teams through uncertainty.
- We established an online leadership community as a forum for senior leaders across the group to execute on our Building a FutureFit Santam strategy. They connected regularly to improve strategic alignment, solve business problems, learn continuously and lead collectively.

Through our Leadership Excellence Programme, in partnership with Wits Digital Campus, we trained 88 new managers across the group, of which 76% were black and 57% were female.

We also invested in 69 learnerships, 33 trainees through our graduate programme and 10 students through full bursaries.

Relevant strategic theme:



Talent and culture: empowering our people and evolving our culture to be competitive in a rapidly changing world

ESG embeddedness

We recognise that our businesses operate within ESG thresholds. ESG frameworks and standards are becoming common practice. They are used by regulators, rating agencies and policymakers.

Challenges to value creation

- Increasingly, investors consider ESG factors as determinants for investing in a specific company.
- The ESG performance of our extended value chain is increasingly relevant for doing business, included in supplier selection and client ESG risk management.
- It is vital that we understand and respond to rapidly changing ESG trends, including climate change.
- COVID-19 highlighted the interconnectedness of multiple societal issues, for example, how important health is for the economy.
- The COVID-19 crisis showed that the principles of sustainable development have implications when a shock or a stress occurs.

Relevant material risks:

Failing infrastructure and lack of maintenance in South Africa impacting claims

Climate risk, including catastrophe events and extreme weather

Santam's response and opportunities to create value

- Our group-level ESG strategic focus areas – to help build resilient societies and to run a responsible business – are integrated into our Building a FutureFit Santam strategy (see page 36).
- We support UNEP FI PSI, which enables us to take a leading position on key ESG policy matters. See the strategy section on page 36.
- Together with international peers, we contributed to the first ever UNEP FI PSI Global ESG guide, and we are developing a climate-related scenario framework to understand and address the risks and opportunities of the future.

Relevant strategic themes:



Deliver **Insurance good and proper**: most trusted, relevant and purpose-driven brand



Help build resilient societies: through transformation, financial inclusion and P4RR

IN 2020 ...

WE PILOTED THE GREEN BOOK CLIMATE RISK PROFILING AND ADAPTATION TOOL

The Council for Scientific and Industrial Research (CSIR) launched a state-of-the-art online climate risk profiling and adaptation tool to assist municipalities in South Africa to assess climate risks and growth pressures. The open access, online tool – named the Green Book – is intended to assist decision-makers in local government to better understand the consequences of climate change, and how to respond.

The Green Book forecasts to the year 2050 by projecting human settlement growth combined with quantitative, scientific evidence of the likely impacts that climate change will have on South African towns and cities. Every settlement risk profile proposes customisable adaptation actions, to be considered for integration into local plans and strategies.

Through P4RR, Santam partnered with the CSIR to pilot the Green Book in municipalities most at risk, identifying gaps in research and development of this kind, and building capacity of officials and departments to deal with climate change adaptation. We piloted it in two municipalities in 2020 and look to roll it out across the country in the short to medium term.

The Green Book has been hailed as a game-changer by the South African National Disaster Management Centre as well as the Department of Cooperative Governance and Traditional Affairs.

“The plans, policies and investment decisions we make today will undoubtedly shape our urban settlements decades from now, we therefore have a responsibility to use the most up-to-date information and scientific evidence to create and contribute to the development of sustainable, resilient and safe settlements.”

John Lomborg, head of stakeholder relations and CSI

Relevant strategic theme:



Help build resilient societies: through transformation, financial inclusion and P4RR

Collaborative consumption

Collaborative consumption is an economic model based on acquiring, providing, or sharing access to goods and services, facilitated by a community-based online platform. The insurance industry is seeing growth in micro-insurance, usage-based and P2P business models.

Challenges to value creation

- Collaborative consumption is driven by InsurTech start-ups and mobile network companies who selectively target parts of the insurance value chain.
- The largest companies in the sharing economy, specifically in property, transport and workspace sharing have been negatively impacted by COVID-19 and social distancing rules. In the financial services space, this effect is not as keenly felt, as shared access does not rely on physical interaction.

Relevant material risk:

Reputational damage and brand association risk

Santam's response and opportunities to create value

- Santam must adapt to collaborative consumption and embrace the sharing economy by collaborating with or investing in start-ups.
- Santam continues to be on the lookout for new distribution channels and ways to innovate.
- Refer to the business unit reports from page 50 for examples of how we are expanding our distribution channels.

Relevant strategic theme:



Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

Regional champions going global

Regional insurance champions are developing global ambitions and increasing their international presence.

Challenges to value creation

- International diversification exposes us to currency volatility.
- COVID-19 travel restrictions slowed some international expansion ambitions.
- A rapid shift to online processes and procedures is allowing companies to bypass some of the usual setup roadblocks when entering new markets.

Relevant material risk:

Performance of our strategic investments in Saham and Sanlam Emerging Markets (SEM)

Santam's response and opportunities to create value

- As a regional leader, Santam addresses this driver of change through our investments and strategic partnerships with SEM, including Sanlam Pan-Africa (see page 55).
- Exposure to different currencies provides a hedge against the rand's devaluation.

Relevant strategic themes:



International and African diversification: building the pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist

OUR CAPITAL INPUTS, TRADE-OFFS AND OUTCOMES



FINANCIAL CAPITAL

Capital inputs

Santam has three main sources of financial capital:

- Upfront premiums, which means the group has strong operating cash flow without requiring alternative funding
- Investment income on insurance funds from insurance activities
- Investment returns on shareholder investments

We maintain our financial capital through efficient treasury and investment initiatives, effective risk management and use of our approved internal capital model.

Future availability

Worsening macro- and socio-economic conditions constrain financial capital. This requires Santam to be prudent in allocating financial capital. Our strong financial capital position provides us with resilience in challenging market conditions.

Trade-offs and outcomes

Maintaining the appropriate balance between strategic investment and operational efficiencies is critical to create value for all in the long term.

We use financial capital to:

- Fund business activities like acquisitions and investments in technology (intellectual capital) and training (human capital).
- Help municipalities preserve manufactured capital through P4RR.
- Improve socio-economic conditions, particularly in South Africa (social and relationship capital). This is our duty as a corporate citizen, and a way to preserve financial capital by ensuring we sustain a viable, stable client base.
- Pay claims, dividends, taxes and other expenses, such as salaries.
- In 2020, we committed R400 million in financial capital to COVID-19 relief efforts.



HUMAN CAPITAL

Capital inputs

Santam's human capital is our:

- Employees
- Intermediaries
- Supply chain partners

Future availability

Many of the skills required by the group are scarce. Risks to the future availability of human capital are a scarcity of new skills and the rising cost of talent, particularly pertaining to new digital technologies.

Trade-offs and outcomes

We use financial capital to remunerate fairly and expand and transfer skills to safeguard the availability of appropriate human capital.

We contribute to the development of human capital in South Africa by improving employee diversity, developing supply chain preferential partners, and collaborating with industry associations, such as the South African Insurance Association (SAIA) and the Financial Intermediaries Association of Southern Africa (FIA).

We transfer skills through board memberships, secondments and group-wide training initiatives.

In 2020, we continued to pay full salaries to our employees and enabled them to work from home safely.



MANUFACTURED CAPITAL

Capital inputs

Santam's manufactured capital comprises:

- The infrastructure of our offices, other buildings and systems
- The insured physical assets of our clients

Future availability

- New ways of working, spurred by COVID-19, will affect how we use the group's physical infrastructure going forward.
- In terms of insured assets, deteriorating infrastructure can increase risk profiles and even render certain assets uninsurable.

Trade-offs and outcomes

We safeguard clients' manufactured capital, as physical assets constitute a large portion of the risk pool.

Badly maintained infrastructure and poor driving behaviours can have a negative impact. To mitigate the impact, we invest financial capital in infrastructure development projects and incentivise responsible driving behaviours.

This also increases social and relationship capital and benefits Santam, as it improves the quality of assets we insure.



INTELLECTUAL CAPITAL

Capital inputs

Santam's intellectual capital is

- Our industry-specific underwriting expertise and experience
- The systems and processes and risk and claims management capabilities we developed and refined over time
- Our brands and the custom solutions we develop

Future availability

For Santam, the availability of intellectual capital is impacted by our ability to implement social innovation and technology-driven change.

Trade-offs and outcomes

This capital provides a competitive advantage and manifests in product development, distribution, pricing and client-centricity.

We invest financial capital in technology, research and training to stay at the forefront of developments.



SOCIAL AND RELATIONSHIP CAPITAL

Capital inputs

We rely on good relationships of trust with our clients, intermediaries, suppliers, regulators, and the communities where we operate to sustain our business model.

Future availability

Reputational challenges, for example related to CBI claims, can diminish this capital. Santam has engaged the media (refer to page 35) to ensure our position on CBI is clear; and taken steps to support our clients (refer to page 26) to safeguard our relationship with clients and other stakeholders.

Trade-offs and outcomes

Instances of fraud or client dissatisfaction have a negative impact on social and relationship capital. We support small and medium-sized suppliers and must ensure they meet our standards in terms of health and safety, administrative processes and client-centricity.

Investment of financial and intellectual capital into transformation initiatives, P4RR, consumer financial education (CFE) and corporate social investment (CSI), create positive outcomes for communities, thus improving this capital.



NATURAL CAPITAL

Capital inputs

The risks we insure depend on environmental resources in various forms, for example:

- Oil used in the manufacturing of parts and vehicles and the use of vehicles
- The various ecosystems and resources used by our clients in the agricultural sector

Our supply chain also uses natural resources in production processes.

Future availability

Increasing climate risks affect the availability of natural capital. Refer to our Building a FutureFit Santam strategy section on page 36 for our position on climate change.

Trade-offs and outcomes

Our insured portfolios, for example motor vehicles, agricultural practices etc., have an impact on the health of natural capital stocks. Santam also impacts the use, transformation and destruction of natural capital through investment activities, and claims settlement and procurement activities.

Some of these impacts reduce natural capital, and we aim to reduce our impact by incentivising behaviours that preserve natural capital and by investing responsibly.

THE VALUE WE CREATE FOR OUR STAKEHOLDERS



Managing and governing stakeholder relationships

We build and maintain quality relationships with material stakeholders. Each material stakeholder grouping is assigned to an executive and to secondary relationship owners. These executives provide quarterly feedback to the head of stakeholder relations. They do so using our digital stakeholder hub – StakeTracker – which aids accurate and consistent reporting.

Issues arising from these stakeholder reports are presented to the SES committee and the board. We review our stakeholder universe annually to ensure that new and emerging stakeholders are included.

CLIENTS

Our clients want the assurance that we will pay legitimate claims. Santam's priority is to retain existing clients and acquire new clients by improving their experience across the entire client journey.

How we manage this relationship

Client experience working group

Strategic and operational client matters are driven by a multi-divisional working group. The group maps the client journey for each business unit, considers client experience gaps and opportunities and delivers actions to address these.

Client excellence board

Mandated by the Santam group executive committee, the client excellence board has oversight of strategic and operational matters related to client experience. The board's objectives are to:

- Establish, maintain and enhance the Santam client agenda
- Recommend and monitor client initiatives
- Escalate matters of concern or deliberation to the executive committee or the Santam board

Conduct of business framework

This complies with all relevant governance frameworks and policies and is approved by the board.

How we engage

We follow a multi-channel approach:

Intermediaries

We expect intermediaries to deliver an experience that is aligned to Santam's brand promise of **Insurance good and proper**. In turn, we empower and assist them to deliver the best client experience possible.

Research

Ongoing client surveys, market research and strategic reviews help us anticipate trends that influence client expectations.

Feedback

We monitor client perceptions and expectations through a complaints process and via social media. The processes throughout our value chain handle on-demand service requests or faults.

Consumer Financial Education

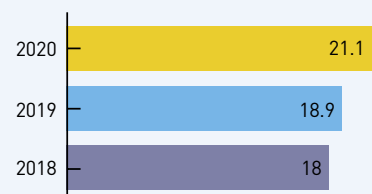
We support CFE initiatives through SAIA and by targeting the Santam emerging client market. See the SES committee report on page 74.

How we assess value creation for this relationship

- Treating Customers Fairly (TCF), a regulatory and supervisory approach driven by principles that address the consistent delivery of fair client outcomes. Santam's conduct is assessed for fairness to identify and reduce the risk of client dissonance.
- Voice of the Client.
- Ombudsman for Short-Term Insurance (OSTI) findings.
- Complaints managed by the Santam client care division.

Value added

CLAIMS PAID (R BILLION)





COVID-19 IMPACTS AND RESPONSES

- In terms of engagement, face-to-face interaction with clients effectively ceased, and we used digital channels to assist clients with information, service and queries, where possible.
- Using digital platforms to host webinars, podcasts and conduct bespoke research has proven to be effective in driving engagement.
- We made interim relief payments of R1 billion in August 2020 to nearly 2 500 small and medium-sized businesses with CBI policies.
- Inclusive of the relief payments of R1 billion we incurred net CBI claims of R3 billion in the 2020 financial year.
- In the lines of business where lockdown measures resulted in reduced claims, we provided premium relief to clients. In April, both Santam Commercial and Personal and MiWay business units discounted motor premiums, equating to approximately R300 million.
- We developed innovative solutions to accommodate clients' working from home. Refer to pages 40 and 52.

IN 2020 ...

WE EMPHASISED BRAND DEVELOPMENT AND CLIENT SATISFACTION

We closely monitor the key measures we use to gauge the quality of our relationship with clients:

Our Voice of the Client (VoC) satisfaction score increased from 51.7% to 53.7%, which is attributable to improvements we made in the quoting and claims processes. The VoC Net Promoter Score increased from 53.0 to 58.2, due to an increase in promoters of the brand and a decrease in detractors. Clients felt that Santam's service quality had improved and that there was an improvement in response times from helpful consultants.

We achieved a rating of 81.9% in the latest published TCF South Africa Customer Service Index results, compared to the industry average of 83.2%. Our scores also compared to the industry average:

- Being a brand that offers products and services that address client needs – 83.9%, compared to an industry average of 84.1%
- Providing transparent and easy to understand information – 83.0%, compared to an industry average of 83.4%

Keeping all feedback in mind, we launched a number of "Santam experience" strategic initiatives that aim to:

- Improve client satisfaction
- Leverage our digital assets – our client portal and app and broker portal – to service clients more efficiently
- Focus on simplicity to increase adoption
- Reduce churn and increase conversion rates

"We are pleased with the progress we are making in driving client experience initiatives across the group. It is critical to continue measuring how we are performing against our brand promise of *Insurance good and proper.*"
Mokaedi Dilotsotlhe, Santam chief marketing officer

**Relevant
strategic
theme:**



Client experience: creating intuitive client journeys enabled by technology

EMPLOYEES

Our employee value proposition considers the employee of the future and is grounded in inclusivity, passion, personalised rewards and a purposeful life for each employee.

How we manage this relationship

The group has a targeted people strategy, which involves the following:

Talent management

Employees are divided into five pools. Once talent reviews are completed, outcomes are analysed to inform distinct engagement plans for each pool.

Robust succession planning is embedded in our talent review process. To ensure enough depth of succession at top and senior management levels, we focus on building a more diverse pipeline for these levels.

A transformative culture

Santam's diversity policy and strategy put a framework in place to create a culture that values diversity and inclusivity.

Employee wellness

Our employee wellness offering includes physical, emotional, financial and professional health dimensions.

Gender pay equity

Santam adheres to Equal Pay for Work of Equal Value principles, which require that men and women doing the same job are paid the same, and where shortcomings are recognised these are addressed to ensure pay equity.

How we engage

Digital engagement

myWorkSpace is a cloud-based HR solution that enables employees to digitally interact with the group. System capabilities include workforce planning, performance management, succession, learning and remuneration.

Other online communications include regular electronic messages and digital engagement sessions with our CEO and the respective business unit heads.

Face-to-face engagement

Prior to COVID-19, group engagement with employees included town hall sessions, business unit conferences, the CEO roadshow and the management conference.

Engagement through unions

Our employees have freedom of association. Some employees are represented by the National Employment Equity Forum or the workers' union, Sasbo, which is affiliated with the financial services industry.

How we assess value creation for this relationship

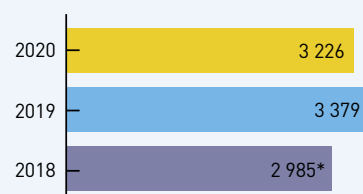
We conduct annual employee engagement and culture surveys that provide feedback on how engaged our employees are, practices that require improvement and how effectively our leaders are keeping teams engaged.

We also gathered feedback from employees through a short term employee sentiment survey, a women's month survey, a work-from-home survey and focus groups. These allowed us to gain a clear sense of how our employees were managing the transition to remote working and what support they require.

Santam's approach to occupational health and safety ensures compliance with the Occupational Health and Safety Act and Regulations, 85 of 1993, the Compensation for Occupational Injuries and Disease Act, 130 of 1993 and local bylaws. An independent, accredited company conducts formal audits at Santam head office in Cape Town and at our offices at Alice Lane in Johannesburg.

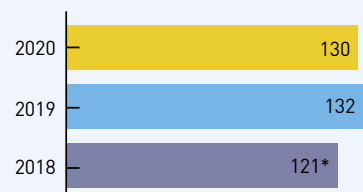
Value added

EMPLOYEE BENEFITS (R MILLION)



* THE 2018 AMOUNT HAS BEEN RESTATED FROM 2 857 TO 2 985. THIS IS DUE TO THE RESTATEMENT OF SKILLS DEVELOPMENT.

EMPLOYEE DEVELOPMENT (R MILLION)



* THE AMOUNT HAS BEEN RESTATED FROM 249 TO 121. THE 249 PREVIOUSLY DISCLOSED INCLUDED SALARY SPEND RELATED TO SKILLS DEVELOPMENT.



COVID-19 IMPACTS AND RESPONSES

Working from home

- Our investment in technology and a culture of agility allowed us to swiftly transition over 95% of our people to work remotely and continue delivering **Insurance good and proper**.
- We provided a concierge driver service to deliver essential equipment, desktop computers and screens safely to employees' homes.

Supporting employees during lockdown

- All employees received full salary and Commission-based employees were paid based on an average of their previous three months' commission.
- During lockdown level 5, some employees were required to perform essential duties and were rewarded with special allowance and transport was provided to those in need.

Employee health and safety

- Qualified nurses performed daily COVID-19 screening and trained key employees to assist in the screening process.
- Staggered work times were arranged to manage the screening process for employees who accessed office buildings.
- Where necessary, we provided testing to employees who had potentially been in contact with a COVID-19 positive employee while at the office.
- Each employee was provided with the necessary personal protective equipment to ensure their health and safety.
- Onsite clinic hours were adjusted to support employees that were required to work in office. Employees working remotely had access to virtual clinic services, with delivery services for prescribed medication.

Employees' holistic wellbeing

- We developed a holistic wellbeing framework, including initiatives dedicated to equipping employees with key skills required to navigate change. These virtual interventions, services and programmes were offered to employees and their families free of charge.

Online training

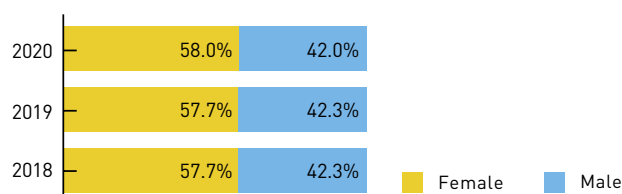
- We implemented a shift in training from mainly classroom training to virtual delivery. Going forward, training will comprise a mix of classroom and virtual training.

A profile of our employees

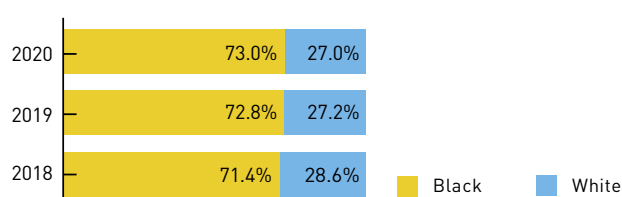
NUMBER OF PERMANENT EMPLOYEES



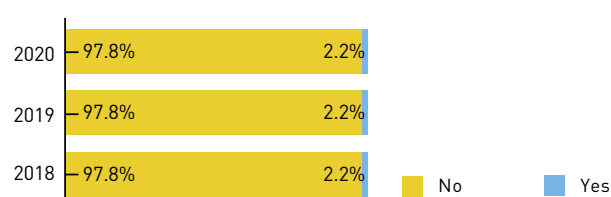
EMPLOYEES BY GENDER (%)



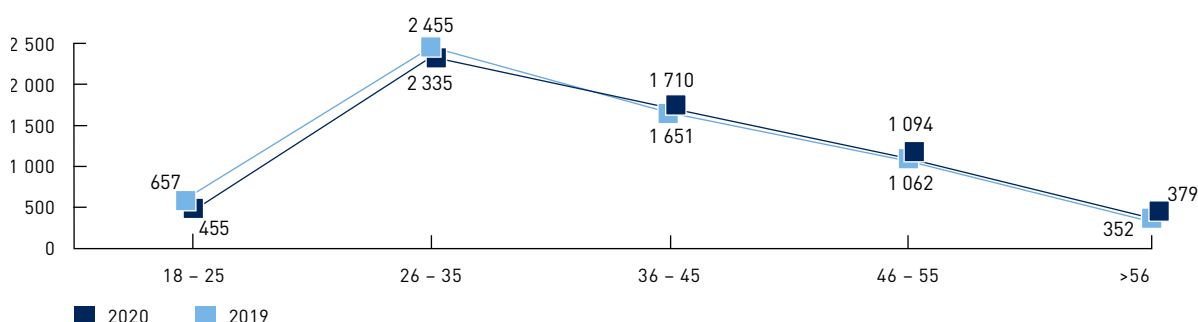
EMPLOYEES BY RACE (%)



EMPLOYEES WITH DISABILITIES (%)



EMPLOYEES BY AGE (NUMBER)



PROVIDERS OF CAPITAL

Our providers of capital include shareholders, institutional investors and investors in Santam subordinated debt instruments. Our success as a group directly impacts the providers of capital. Thus, they are invested and interested in the group's performance and its sustainable growth over the short, medium and long term.

How we engage and manage this relationship

We regularly engage with our large shareholders, including Sanlam, our strategically aligned core shareholder, through the AGM, results presentations, investor conferences, one-on-one meetings and reports.

We have implemented an investor relations online communication tool (Vault) for all market related data which automatically sends all alerts to registered users.

In 2020, most of these engagements took place virtually.

How we assess value creation for this relationship

Our shareholders vote on resolutions at our AGM. The voting outcomes give us an indication of shareholders satisfaction with our governance structures and policies.

Our providers of capital have a vested interest in Santam's long term sustainability. As such, they monitor our ESG ratings. We engage with shareholders and ratings agencies on the group's ESG performance, and work to continually improve ratings.



COVID-19 IMPACTS AND RESPONSES

- Virtual touchpoints increased our engagement with providers of capital in 2020. These touchpoints included:
 - Online meetings with executive management
 - Digital market-related communication updates
 - Virtual results presentations and investor calls
- The board decided not to declare a final dividend because of the uncertainty relating to the CBI provisions. Refer to the CFO Report on page 49 for details.

SUPPLIERS

Suppliers are our interface with clients at the most crucial time: during the claims process. Most of Santam's suppliers are SMMEs, the foundation of the South African economy.

How we manage this relationship

A dedicated group sourcing team fosters strong relationships with the Santam supply chain.

Preferential procurement

We address social and empowerment challenges in South Africa by steadily increasing procurement from black-owned suppliers. We focus on the implementation of Santam's preferential procurement objectives to support empowered suppliers by increasing our procurement spend with these suppliers.

Financial contributions to industry supplier development initiatives

Santam's investment in the ASISA ESD Fund creates access to loan funding for new and small BBBEE suppliers in our industry. This programme includes business assessment, incubation, support and mentoring, and aims to prepare small black businesses for targeted procurement spend from the group.

How we engage

The group regularly engages with a wide range of industry bodies to increase our support of supplier development initiatives.

Compliance and ethical conduct by suppliers are non-negotiable. The group engages suppliers and various associations to ensure adherence to our contracts and procurement processes.

How we assess value creation for this relationship

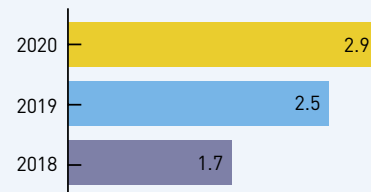
We have long-term relationships with all suppliers, including black-owned suppliers. The quantum of work may vary each year, but Santam rarely terminates agreements with suppliers.

Supplier surveys are planned for the short- to medium-term.

Santam spent R2.9 billion in procurement to black-owned suppliers thereby growing their businesses and ensuring their resilience.

Value added

PREFERENTIAL PROCUREMENT SPEND ON BLACK-OWNED SUPPLIERS (R BILLION)



COVID-19 IMPACTS AND RESPONSES

- We supported suppliers by forfeiting early settlement discounts and offering immediate payment on invoices during the COVID-19 lockdown period. We also introduced an interim payment process to facilitate partial payments on approved claims for motor vehicle parts and materials to help suppliers with cash flow. These relief measures totalled R30 million.
- We provided personal protective equipment packs with digital thermometers and sanitisers to protect our suppliers and clients. We also subsidised the cost of sanitising client vehicles that required repairs.
- We had virtual communication with our supplier base and relevant industry associations to establish the immediate needs of the members.
- We created a supplier hub which enables suppliers to access information, financial education, changes to procurement processes, financial tips, etc.
- Sadly, despite relief efforts some of our suppliers closed their doors in 2020 as a result of tough economic conditions and a lack of claims volumes from the insurance industry due to COVID-19 restrictions.

INTERMEDIARIES

Intermediaries guide clients through the structure of policies and offer advice, information and assistance regarding risk management strategies and claims processes.

The value of intermediaries

Intermediaries help simplify complex terms, assess and address risk and provide expert advice for our clients.

We believe that the intermediary's value proposition is not only entrenched in the sales process, it is equally embedded in the claims handling and risk management process. Advocacy for the client at claims stage is crucial and aids greatly in client retention.

How we engage

We engage with the FIA and black intermediaries regarding industry transformation imperatives.

We responded to COVID-19 by converting our engagement with intermediaries to virtual roadshows and online training initiatives through the broker portal

Santam's black broker development programme

With the black broker development programme, we have clear objectives to grow the number of contracts with black intermediaries. The programme provides black intermediaries with the support to address challenges. Regulatory changes, though beneficial in many ways, have brought new challenges for emerging intermediaries as some are not yet Financial Advisory and Intermediary Services Act, 37 of 2002 (FAIS) compliant. This is where joining an agency model such as Sanlam Blue Star is beneficial. We facilitate this process by providing the necessary training.

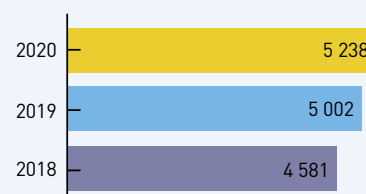
How we assess value creation for this relationship

The number of net new intermediaries, our investment into training intermediaries and the value they derive from training gives us an indication of intermediary satisfaction.

We monitor feedback received from digital engagement channels and continuously improve the experience levels.

Value added

INTERMEDIARY SPEND (R MILLION)



COVID-19 IMPACTS AND RESPONSES

- The FSCA emphasises the importance of advice and the role intermediaries play in assisting clients in understanding the market and impact of COVID-19 on financial products. We assisted intermediaries to fulfil this role through webinars and the broker portal.
- Santam paid intermediaries full commission on the premium relief discounts offered to clients. Commission relief totalled R29 million.

IN 2020 ...

WE CONTINUED TO SUPPORT OUR INTERMEDIARIES THROUGH ONLINE CHANNELS

During a year when most stakeholders spent long periods in isolation, we encouraged intermediaries to engage with the group and each other and continue providing meaningful and effective advice to clients. We supported them digitally by:

- Announcing the annual intermediary awards virtually on the Santam broker portal
- Successfully hosting the first ever FutureFit Together intermediary digital webinar, which reached over 2 200 attendees
- Hosting a series of innovative thought leadership digital podcasts that focused on topics relevant to intermediaries across the insurance value chain
- Hosting webinars on the impacts of COVID-19 and CBI claims

As a result of these interventions, we have seen a noticeable increase in intermediary engagement on our digital platforms.

"Although 2020 was a very challenging year, it offered a platform for Santam and intermediaries to really showcase the value of insurance, the power of a personal relationship with a client and the value of advice and expertise. At Santam, we focused hard through the challenges of remote working to ensure a high level of service and interaction that both clients and intermediaries have become accustomed to. Combined with a significant investment into our digital offerings, we are well positioned to take the learnings from 2020 positively into 2021, by supporting intermediaries and clients even better."

Edward Gibbens, executive head of Santam Commercial and Personal

Relevant strategic theme:



Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

COMMUNITIES

Santam is a responsible corporate citizen that supports the South African societal development imperative.

How we engage and manage these relationships

P4RR

The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to proactively reduce the impact of disasters.

Through P4RR, the Emthunzini BBBEE Community Trust invests in risk-reducing interventions that are managed by Santam and other willing partners, like SASRIA. Our role in the partnership is to aid service delivery and provide support to local government infrastructure, economic development, and governance.

Municipalities are selected based on vulnerability levels related to government requirements as well as their potential impact on Santam in terms of fire, flood and storm surge perils. The P4RR programme has supported 54 municipalities to date.

Corporate social investment initiatives

The group's CSI initiatives are strategically focused and aligned to our core business objectives and priorities. We invest in initiatives that enable more effective management of the group's risk pool and help us develop new markets and appropriate products for these markets.

Financial education

We partner with SAIA to offer CFE programmes, which introduce more people to the benefits of insurance and other social investment initiatives.

Employee volunteerism

The Santam employee volunteerism programme is a platform encouraging Santam employees to become more involved in their communities.

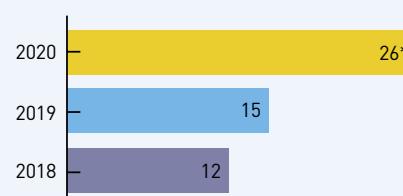
How we assess value creation for this relationship

To key criteria to assess value created by P4RR and CSI initiatives:

- Is the initiative strategically relevant to the business and is it feasible?
- How can we make a tangible contribution?
- Where should we focus and what are the needs?
- Who do we need to work with and how?
- How will we assess whether the impact of initiatives is material?

Value added

CSI AND DEVELOPMENT (R MILLION)



* THIS INCLUDES R10 MILLION IN COVID-19 RESPONSE.



COVID-19 IMPACTS AND RESPONSES

Following the announcement of the lockdown, we refocused our community support and made R5 million available for CSI initiatives to provide:

- personal protective equipment to support and protect frontline workers; and
- hunger and poverty alleviation to the most vulnerable.

With the Emthunzini BBBEE Community Trust, we also made a R5 million donation to the Solidarity Fund.

WE ENHANCED THE IMPACT OF P4RR

Santam is committed to continuously increase the impact of P4RR initiatives and to reduce risks at municipal level through increased financial contributions and operational support.

In 2020:

- We implemented a forestation categorisation application to understand the capacity of fire stations to respond timeously and appropriately to fires in all municipalities
- We established a National Disaster Preparedness and Resilience Fund to address and respond to national catastrophe events
- We built on affiliations with key players to address risks impacting the insurance industry and aligned with global partners around risk management and risk transfer solutions

During the COVID-19 lockdown period, we were able to maintain the pace of P4RR activities by using technology to remain in contact with all our key stakeholders. Further, the relationships and operational processes we have with municipalities enabled us to distribute food parcels to vulnerable communities.

Relevant strategic theme:



Help build resilient societies: through transformation, financial inclusion and P4RR

INDUSTRY REGULATORS

Regulation ensures a reliable insurance sector, which reduces systemic risk and promotes a functioning economy. It further increases client confidence and reduces the potential for reputational risk.

How we engage and manage these relationships

Regular engagement with the PA and the FSCA allows us to share our business practices with regulators and gain insight from them on topics and themes on which they are focusing their attention. Regulatory developments for 2020 are summarised in the operating geographies section on page 15 and actions taken in the CEO's report on page 39.



COVID-19 IMPACTS AND RESPONSES

- As outlined on page 15, the PA and the FSCA issued various guidelines and communications to assist us to meet our obligations during the national state of disaster.

IN 2020 ...

WE ARE ASSISTING SAIA TO PROMOTE RESPONSIBLE INNOVATION

In April, South Africa's financial regulators launched the Intergovernmental Fintech Working Group (IFWG) Innovation Hub to respond to changes in the financial sector driven by financial technology (fintech) and to promote responsible innovation in the sector. As part of the SAIA Agriculture Insurance Solution for financial support (i.e. premium subsidy/claim payout) from the government for drought insurance to be more affordable to commercial and smallholder farmers, the IFWG Innovation Hub provided SAIA an opportunity to pilot index insurance which was deemed the most appropriate product offering for smallholder farmers. Representing SAIA, Santam Specialist applied to pilot index insurance and to test different index offerings for smallholder farmers in South Africa.

Index insurance is a relatively new but innovative approach to insurance provision that pays out benefits based on a predetermined index for losses resulting from extreme weather and catastrophe events. As part of the underwriting process, a statistical index is developed. The index measures deviations from normal parameters such as rainfall, temperature, earthquake magnitude, wind speed, crop yield, or livestock mortality rates. This reduces the need for post-event assessments and allows for the claims settlement process to be quicker and more objective.

The project was approved in October and will be implemented in the summer of 2021/22. If at the end of this pilot project, index insurance products are permitted in South Africa, smallholder farmers will be able to adopt new technologies to increase their resilience to extreme weather shocks, such as droughts, excessive rainfall and extreme temperatures.

"We are committed to the development of sustainable insurance solutions that are affordable and relevant to commercial and small holder farmers with a focus on multi-peril crop insurance which provides financial security and aids investment in this sector."

Quinten Matthews, Santam executive of specialist business

Relevant strategic themes:



Help build resilient societies: through transformation, financial inclusion and P4RR



Build technology as an enabler and driver of innovation, efficiency and optimal decision-making

GOVERNMENT

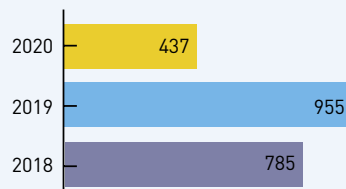
Santam views the government as a partner to help us navigate the challenges and opportunities of the market

How we engage and manage this relationship

Together with Sanlam, Santam regularly engages with governmental stakeholders in South Africa to help drive government's social agenda of job creation and empowerment. We have frequent discussions with government representatives, legal entities and institutions, both locally and abroad.

Value added

TAXES (R MILLION)



THE MEDIA

By providing information to our stakeholders, the media can influence the perceptions and decisions of business, society, and government.

How we manage this relationship

Santam's "always on" approach

We follow a robust campaign calendar and media plan to be constantly visible as a brand, on television, radio, digital platforms, print and outdoor advertising, and we strive to maintain a good relationship with the media.

How we engage

- We regularly share thought leadership articles and news on corporate developments with journalists
- We accommodate requests for information from local and international media organisations
- We engage the media around advertising campaigns, product launches and significant research findings



COVID-19 IMPACTS AND RESPONSES

- COVID-19 measures increased virtual communication and we participated in a series of industry engagements, reported on by the media.
- Santam faced criticism in the media regarding our interpretation of CBI cover for commercial clients. We engaged the media to create a clearer understanding of CBI. This proved successful, with several media outlets subsequently reporting on the matter from a more balanced, informed position.

IN 2020 ...

WE FACILITATED ONLINE INDUSTRY CONVERSATIONS

Now in its third year, our partnership with Business Day TV facilitates dialogue on issues affecting the insurance industry. The panel discussions are pre-recorded on Zoom and include experts from Santam, intermediaries and industry representatives.

Content generated from the discussions is distributed on multiple media channels to reach a wide audience. On social media platforms, the aim is to stimulate conversation.

WE LAUNCHED TWO MAJOR BRAND CAMPAIGNS

In the first half of 2020, we altered our marketing plans to focus on sharing Santam's various responses and contributions to COVID-19 relief initiatives. Subsequently, we launched the following campaigns:

- A cross-platform campaign to introduce the SmartPark distance-based vehicle insurance benefit. This solution is a response to changing market conditions and client needs, particularly clients driving less because of working from home.
- The annual 2020 Santam Women of the Future Awards in association with Fairlady and Truelove. The awards celebrate female entrepreneurs in South Africa, and this year the ceremony was hosted via live stream.

"We are committed to supporting the Women of the Future initiative to ensure the generations that follow continue the legacy of these pioneering women."
Mokaedi Dilotsothe, Santam chief marketing officer

Relevant strategic themes:



Extend leadership position in South Africa through intermediary enablement, digital innovation, partnerships

Deliver **Insurance good and proper**: most trusted, relevant and purpose-driven brand

06

STRATEGY – BUILDING A FUTUREFIT SANTAM

OUR STRATEGY PROCESS

In 2018, we initiated a strategy review called “**Building a FutureFit Santam**” to visualise “future fitness” over a five-year planning horizon and lay the building blocks for Santam to be sustainable for generations to come. A group strategic dashboard was established that sets out key financial and non-financial metrics and forecasts to monitor implementation of the strategy. We stress-tested the strategy for a post-COVID-19 world, adjusted the forecasts as necessary, and the board confirmed and approved it in June 2020.

OUR STRATEGIC THEMES

WE ARE...	 Delivering <i>Insurance good and proper</i> : most trusted, relevant and purpose-driven brand	 Investing in client experience: creating intuitive client journeys enabled by technology	 Helping to build resilient societies: through transformation, financial inclusion and P4RR	 Extending our leadership position in South Africa through intermediary enablement, digital innovation, partnerships	
	Santam is a responsible corporate citizen. This means we must: - Invest responsibly - Drive transformation - Practice sound governance - Align with global industry norms - Understand ESG impacts - Have a positive impact on society	We must ensure our clients: - Remain satisfied with our value offering - Experience safety, fairness and inclusion	Santam helps build resilient societies by: - Redistributing risk - Developing new markets and innovative business solutions to address the risk protection gap - Helping to mitigate risk by partnering for resilience through P4RR - Trialling a Climate Change Community of Practice with metros in South Africa (who signed up to C40, a network of the world's megacities), the National Business Initiative, WWF(SA) and others to support climate action	We will achieve this by: - Retaining our clients - Unlocking new markets to attract new clients - Innovating to satisfy existing and new clients - Maintaining optimal underwriting efficiency - Investing for growth and possible disruption - Investing in partnerships	
Supporting strategic initiatives can be found on pages...					
	35	27	19, 21, 33 and 34	17 and 35	

Our Building a FutureFit Santam strategy is a response to:

- Our operating context, including the general insurance drivers of change, as described from page 15
- The expectations and concerns of our stakeholders, as outlined from page 26
- Our material risks and opportunities, as disclosed in the risk management report on page 79

 Diversifying in Africa and internationally: building the Pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist	 Building technology as an enabler and driver of innovation, efficiency and optimal decision-making	 Building talent and culture: empowering our people and evolving our culture to be competitive in a rapidly changing world	 Optimising our financial performance: deliver sound results, stewardship and diversification
We will achieve this by: • Building the Pan-African specialist business with SEM to transition into a continent-wide solution • Selectively building other international business through Santam Re and Santam Specialist	To deliver an innovative experience for clients of the future we invest in: • Technological innovation to drive efficiency • New distribution models to serve evolving client and intermediary needs • Intermediated distribution channels that serve clients digitally through the new broker portal, client portal and client app • Our world-class scientific underwriting capability to consistently achieve an underwriting margin within our target range of 4% to 8% of net earned premiums	To be competitive in a rapidly changing world and build outstanding human capital, we employ a multi-pronged approach: • Targeted external talent acquisition • Deploying internal talent through promotions, assignments and secondments within Santam and the Sanlam Group • Internal capacity-building through development programmes that grow the talent pipeline over time • An external talent pipeline drive via the Strategic Resourcing Plan and the Skills Development Academy • Our executive management team have appropriate accountabilities and incentives linked to financial and non-financial indicators to drive high performance. Refer to the remuneration summary on page 84 • We continually adjust to provide a diverse employee complement that suits the contexts in which we do business	We aim to deliver sound results, stewardship and diversification
	32 and 34	20	

HOW WE MEASURE AND MONITOR PROGRESS

Executive management and the board committed to metrics and targets to 2025. A dashboard tracks strategic implementation against key metrics and is shared with the board on a quarterly basis. It focuses on significant financial metrics and available, relevant non-financial metrics. The dashboard also measures the broader contextual business impacts of the group in a consistent and robust manner.

07

SANTAM'S PERFORMANCE IN 2020

While legal clarity relating to CBI took time to obtain, we believe the R1 billion in interim relief Santam paid in August 2020 to nearly 2 500 SMMEs in the hospitality, leisure and non-essential retail industries proves our commitment to *Insurance good and proper*.

CHIEF EXECUTIVE OFFICER'S REPORT



Santam operated effectively in the face of an unprecedented global calamity. Our balance sheet held up well during a period of excessive market volatility and our Building a FutureFit Santam strategy enables us to take the lessons from 2020 and emerge even stronger.

2020 – a challenging time and a changing world

It is difficult to discuss our operating context and performance in 2020 without an inevitable focus on COVID-19. Added to the large-scale health impacts, necessary measures to restrict the spread of COVID-19 hurt the global economy. Businesses suffered and people lost their jobs or had their incomes cut. Vulnerabilities of individuals and sectors were accentuated and the risk protection gap even further exposed.

For the general insurance industry, economic activity is a major growth driver. As expected, insurance players have seen a setback in premium and new business growth, as well as significant COVID-19-related CBI claims. In good times, investment income is a major source of revenue for general insurers. However, current low interest rates are putting pressure on this source of income. As an industry, we need to consider the fundamentals necessary to make insurance profitable without such a strong reliance on investment returns.

We expect these impacts and uncertainty to continue for the short to medium term. However, without discounting the challenges, it is important that we acknowledge that there are also positives to be taken from this crisis.

From a societal and industry perspective, the crisis highlighted the need for collaboration and partnerships to build more inclusive, resilient and peaceful societies. No individual or business was unaffected, and this compelled governments, private sector companies and non-governmental organisations to engage and collaborate to mitigate impacts. In the general insurance industry, companies rallied to support clients, employees and suppliers.

For Santam, it provided impetus to re-evaluate our Building a FutureFit Santam strategy in the face of unforeseen and high-impact risks. We are confident to report that the strategy has proven to be relevant as a clear path for the future of the group, and also appropriate in enabling us to be adaptable and withstand volatile external shocks.

WE CONTINUE TO DELIVER *INSURANCE GOOD AND PROPER*: WE STRIVE TO BE THE MOST TRUSTED, RELEVANT AND PURPOSE-DRIVEN BRAND

Our response to COVID-19 and our position on CBI

Our teams responded rapidly to the changing circumstances caused by the pandemic and the consequent lockdown. We successfully continued to service our policyholders and intermediaries during this crisis, while ensuring the safety of our employees.

As evidenced throughout this report, Santam supported stakeholders through, among others, premium discounts, support for SMME suppliers, investments in medical equipment and, together with the Emthunzini B-BBEE Community Trust, a R10 million donation to the Solidarity Fund.

Targeted interventions were introduced to contain operational costs and the group's capital, liquidity and funding positions remain robust. We continue to guarantee long-term sustainability as a stable, solvent employer and a positive socio-economic contributor in South Africa.

In January 2021, we commenced the process for assessing claims for policies with CBI extensions. This followed the judgment in the Western Cape High Court in the case between Santam and Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd and the judgment of the Supreme Court of Appeal in Café Chameleon vs. Guardrisk Limited.

The Ma-Afrika judgment resolved that there is cover for business interruption losses caused by COVID-19 itself and generally by the national lockdown and related restrictions imposed by government in response to the pandemic, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises. The Café Chameleon judgment confirmed that approach.

In response, we increased our net CBI claims provision by R1.7 billion in addition to a claims provision of R1.3 billion that was raised at 30 June 2020 as a best estimate of our CBI exposure.

The initial provision was used to fund R1 billion in relief payments to clients who claimed for losses during the COVID-19 pandemic period and have CBI extensions in their policies. We offered this relief because we acknowledge that COVID-19 and the unforeseen length of the lockdown had a devastating impact on our economy. We decided to assist with a substantial payment commitment to help sustain our policyholders in the most impacted industries.

Relief payments were made from the first week of August and were concluded by September – an extraordinary achievement. The speed at which we were able to get the money into our clients' accounts was due to our new claims system, information technology (IT) infrastructure support from Sanlam and, most importantly, the commitment of our employees to mobilise and deliver **Insurance good and proper** for our clients. Santam received overwhelmingly positive feedback from clients and intermediaries on the R1 billion interim relief. We believe this was a good demonstration of **Insurance good and proper** amid the uncertainty that was prevailing at the time.

Santam respects the decision of the courts and believes that the judgments were sufficient to provide legal certainty in terms of the proximate cause of business interruption losses for policies with the same or substantially similar conditions, characteristics and circumstances to the Ma-Afrika and Café Chameleon judgments. We will, however, continue with the appeal of the Ma-Afrika judgment, specifically regarding the length of the indemnity period that applies to business interruption extensions.

We are diligent in responding to our regulatory environment

Regulatory oversight is increasing, with new developments every year.

As set out on page 16, increased regulatory risk is one of the key drivers in the insurance industry. Santam has a regulatory steering committee, comprising representatives from across the group, which addresses regulatory compliance requirements.

The committee is reviewing Santam's internal processes to ensure we can meet RDR's regulatory requirements. It is also studying COFI and will provide feedback to the FSCA via SAIA. A significant amount of work was done in respect of information security to ensure that it meets the minimum security requirements under POPI.

WE ARE HELPING TO BUILD RESILIENT SOCIETIES: THROUGH TRANSFORMATION, FINANCIAL INCLUSION AND P4RR

We are proud of the impact made by P4RR over the past 10 years in South Africa's most vulnerable communities.

Through these initiatives, we build strong partnerships with local municipalities. We also align our CSI contributions to our work at municipal level. We were able to move much of our engagement with municipalities online, an approach we will consider retaining going forward, to save costs and increase efficiency.

Detail on initiatives in 2020 can be found on pages 19, 21, 33 and 34.

WE ARE EXTENDING OUR LEADERSHIP POSITION IN SOUTH AFRICA THROUGH INTERMEDIARY ENABLEMENT, DIGITAL INNOVATION AND PARTNERSHIPS

Conventional insurance

The conventional insurance segment achieved growth in gross written premiums of 7% on average over the past five years.

Santam Commercial and Personal underwriting results were adversely impacted by provisions for CBI claims, partly set-off by a benign claims environment with limited natural catastrophes and lower claims frequencies following the impact of the COVID-19 lockdown. Growth and the opportunities to write new business were under pressure, but we believe our strategic growth projects will grow the business and produce results in the short to medium term.

MiWay's entrepreneurial nature and data-driven, end-to-end direct business model proved resilient, enabling it to achieve a net underwriting margin of 16.5% and growth in GWP of 7%.

The Santam Specialist businesses delivered solid growth, notwithstanding the impacts of lockdown restrictions and the uncertainty over whether clients could continue to operate. The fact that the business unit managed to achieve improved net underwriting results is testament to the strength of a diversified portfolio of business lines.

Santam ART

Both Centriq and Santam SSI have consistently been working on improving their income from clients, achieving growth of 16%. This places the business unit in a strong position to pursue new opportunities going forward.

Looking ahead

We have taken steps to understand the inherent strengths that will enable us to extend our local leadership position. These have been tested with our business units, to ensure alignment, and include the following:

- Our empowering relationship with intermediaries supports them to provide the best guidance to existing and new clients
- Our investments in digitisation and our partnerships with industry innovators enable us to keep meeting client needs
- Our infrastructure, systems and distribution channels can be enhanced through alignment and collaboration with Sanlam

WE ARE DIVERSIFYING INTO AFRICA AND INTERNATIONALLY: BUILDING THE PAN-AFRICAN SPECIALIST BUSINESS AND SELECTIVELY BUILDING OTHER INTERNATIONAL BUSINESS THROUGH SANTAM RE AND SANTAM SPECIALIST

While the South African economy has hampered our local growth, internationally significant premium growth through our Saham partnership and in the reinsurance and specialist streams is encouraging.

Santam Specialist and Santam Re achieved growth in premium flows from outside South Africa, enabled by the access to AA-rated paper we have through New Re, a wholly owned subsidiary of the Munich Re Group, as well as leveraging of the Sanlam footprint across Africa.

The markets where SEM operates were also subject to the negative growth impact of COVID-19. The Saham portion of the SEM General Insurance portfolio achieved 9.4% growth in rand terms (negative growth in gross written premium of 4.5% in constant currencies).

Shriram General Insurance Company Ltd (SGI) experienced 1.5% growth in rand terms (negative 6.1% growth in constant currencies).

We remain confident in the underwriting abilities of these businesses. Investment return on insurance funds is a large contributor to their profitability. Management has reviewed the composition of the investment portfolio of Saham in the context of long-term value creation, local capital requirements and its risk appetite. The future asset allocation strategy will support an above hurdle return on capital at a lower level of expected volatility. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as and when opportunities present themselves.

WE ARE INVESTING IN CLIENT EXPERIENCE: CREATING INTUITIVE CLIENT JOURNEYS ENABLED BY TECHNOLOGY AND BUILDING TECHNOLOGY AS AN ENABLER AND DRIVER OF INNOVATION, EFFICIENCY AND OPTIMAL DECISION-MAKING

We continued to invest to be FutureFit. In 2020, Santam invested more than R300 million in strategic projects, including technology and digital systems to maintain our high standards of operational efficiency, and innovative digital solutions.

Social distancing interventions reinforced the need to accelerate digital transformation to ensure agility and responsiveness. Insurers that were geared for digital interaction were able to adjust to changing client behaviour. The speed at which Santam reacted to changing circumstances across the group was a real achievement.

Santam has been investing in technologies like the new underwriting and claims systems, the broker portal and

the myWorkSpace HR solution. We made good progress in migrating our commercial policies to the new core underwriting platform and the development of a new claims platform. While we are still running the legacy mainframe system in parallel, reliance on this system will decrease over time which will enable future cost savings.

These investments enabled us to be agile in enabling our employees and intermediaries to work from home while maintaining our high standard of service to clients.

The initial hard lockdown impacted driver behaviour and accident rates. We immediately instituted premium discounts to ease the financial strain our clients were experiencing. We also introduced innovative new products, MiWheels At Home by MiWay and SmartPark by Santam Commercial and Personal. These discounted car insurance premiums for work-from-home clients will continue to benefit the many clients who will spend less time on the road due to a shift toward more remote working.

WE ARE BUILDING AND IMPROVING HUMAN CAPITAL IN THE SANTAM GROUP

Santam's employees are critical to the group's success and 2020 has proven, more than ever, that we have the best people.

The focus for the year was undoubtedly on keeping our employees safe, supporting their wellbeing and enabling them to work productively from home – a task we achieved with great success. Initiatives are detailed on page 29. The acceleration of digitisation also renewed our focus on attracting, retaining and developing employees who have the skills Santam needs to be FutureFit.

OUTLOOK AND APPRECIATION

Macro-economic conditions are likely to remain tough for the next few years, while changing client needs and behaviours continue to disrupt traditional business models and accelerate digitisation.

This year has shown us that Santam is resilient under extremely difficult circumstances. We are excited about the real plans we have in place through our strategy. Therefore, while we remain diligent in taking the necessary steps to contain costs, we will continue to invest in FutureFit strategic projects to position Santam for growth opportunities.

From the group, sincere thanks to our clients for their continued support and loyalty and to our partners, intermediaries and suppliers for contributing in unique ways to **Insurance good and proper**.

Thank you to all Santam employees for their contribution to our results. They have withstood the unprecedented challenges brought about by COVID-19 and still managed to service our clients to extremely high standards. Thank you to the executive management team who were perennially available to work together to meet whatever challenges we faced, and to the board for its support, advice and wisdom.

Lizé Lambrechts
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT



OVERVIEW

The Santam group reported acceptable operating results under very difficult economic circumstances, despite the negative impact of COVID-19.

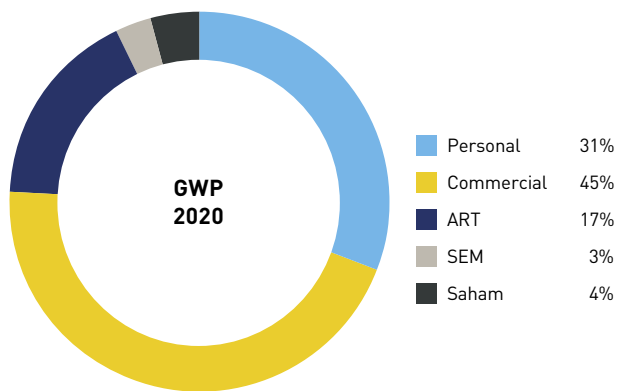
Highlights	Challenges
- Conventional insurance growth of 5% in a difficult economic environment - International diversification with gross written premium growth of 41.5% from business outside of South Africa and Namibia - Excellent growth and profitability delivered by MiWay - Strength of the Santam balance sheet following significant COVID-19-related claims	- R3 billion impact of COVID-19-related claims on net underwriting results - Impairment of the investment in SAN JV, following the impact of COVID-19 on Sanlam Pan-Africa (Saham) - Growth in South African and Namibian intermediated business - Volatile investment and currency markets, combined with low interest rate environment

The Santam group results were impacted by COVID-19 in the year under review. CBI claims following the national lockdown impacted the underwriting results. Gross written premium growth was also adversely affected by the economic consequences of the strict measures put in place by government to control the spread of COVID-19.

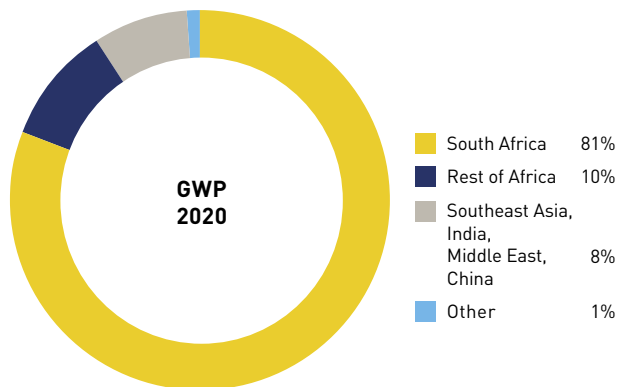
The already weak operating environment in South Africa deteriorated substantially in 2020, resulting in negative economic growth of estimated 7% as well as significant volatility in equity, interest rate and currency markets.

The group's conventional insurance book achieved gross written premium growth of 5% (2019: 7%)	A net underwriting margin of 2.5% (2019: 7.7%) of net earned premiums was reported, below the group's target range of 4% to 8%.	The ART business reported strong operating results of R165 million (2019: R171 million).
SEM general insurance businesses declined mainly due to lower investment returns on insurance funds in North and West Africa and the impact of the Lebanon port facility explosion on Saham Re.	Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 027 million (2019: R1 396 million). The lower interest rate environment and fair value losses on financial assets were the key contributors to the weaker performance.	Foreign currency gains of R60 million were recognised in 2020, compared to a foreign currency loss of R79 million in 2019.
Equity-accounted losses from associates amounted to R595 million (2019: loss of R42 million) and were negatively impacted by lower investment returns on insurance funds from Saham and Santam's share of an impairment of Saham assets of R656 million recorded by SAN JV, the investment holding company of Saham.	Cash generated from operations was in line with the prior year at R5.9 billion (2019: R5.8 billion)	Headline earnings decreased to 1 100 cps compared to 2 069 cps in 2019. Lower operating results and reduced investment income attributable to shareholders contributed to the decrease.
A return on capital (ROC) of 8% was achieved, below the ROC target of 24% for 2020. The ROC was impacted by the lower insurance and investment results, as well as the Saham impairment.	The economic capital coverage ratio at 31 December 2020 was 161% (31 December 2019: 160%)	

Lines of business and geographic diversification (including SEM partner businesses)



The ART line of business achieved strong growth in 2020, while other classes were negatively impacted by COVID-19.



GRAPHICAL REPRESENTATION OF GWP INCLUDES SEM PARTNER BUSINESS

Strong growth in Specialist Business as well as Santam Re outside South Africa contributed to geographic diversification.

CONVENTIONAL INSURANCE OVERVIEW

Gross written premium growth

Conventional insurance reported growth of 5%, despite the severely constrained economic climate and a net underwriting margin of 2.5% compared to 7.7% in 2019. CBI claims and provisions of R3 billion negatively impacted the underwriting results in the current period. This was offset to some extent by a benign claims environment which impacted positively on the motor book.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences grew by 28% to R4 963 million (2019: R3 866 million). Strong growth was achieved by the Santam Specialist business (corporate property and engineering) and Santam Re in Africa, Southeast Asia, India and the Middle East. The specialist Pan-African insurance business with Saham contributed gross written premium of more than R200 million. Weak economic conditions and COVID-19 negatively impacted Santam Namibia's performance.

LINE OF BUSINESS AND INSURANCE CLASS REVIEW:

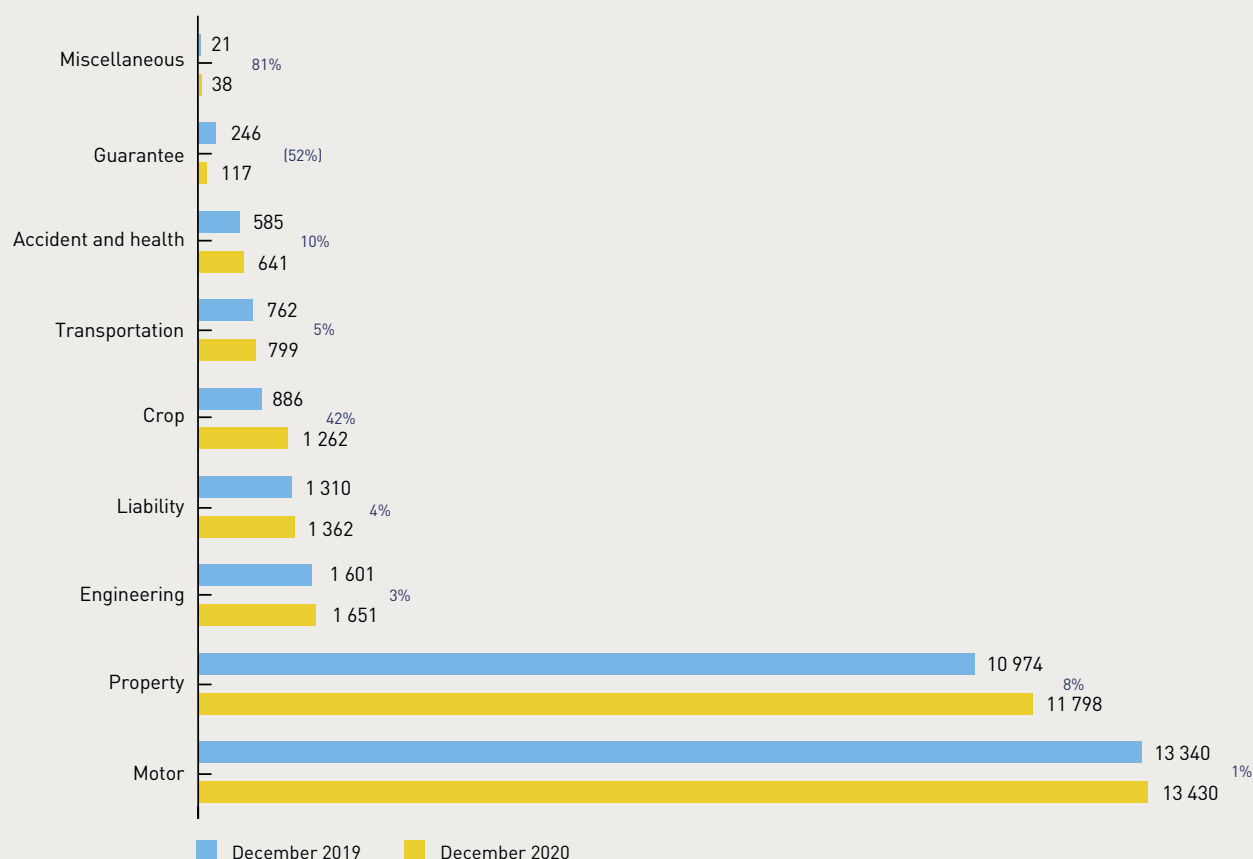
The Santam Commercial and Personal intermediated business reported marginally negative growth for the period following lower new business acquisition, exacerbated by the impact of COVID-19, as well as premium support provided to ease financial pressure on policyholders during the period of hard lockdown. Business retention rates were better than expected in the difficult economic environment.

The Santam Specialist business experienced continued strong growth in the corporate property, crop and engineering businesses. In contrast, the growth in the travel insurance, aviation, transport and marine businesses was negatively impacted by COVID-19.

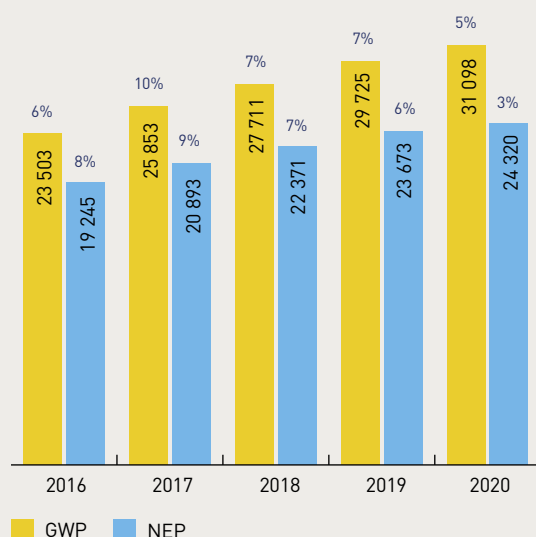
MiWay achieved excellent growth of 7% in the current operating environment, despite R40 million of premium relief provided to policyholders.

Santam Re achieved strong growth in its third-party business, positively impacted by the weak rand.

Conventional insurance, gross written premium per insurance class (R million)



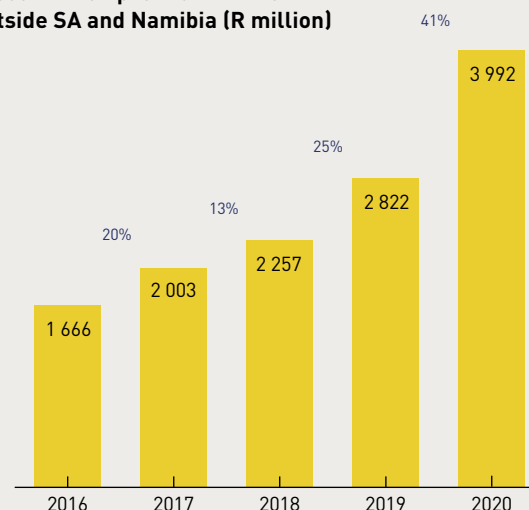
Conventional insurance: historic GWP and NEP (R million)



The property class reported growth of 8% on the back of strong growth in the specialist property business off-set partly by lower growth through the intermediated channel.

The motor class reported gross written premiums in line with 2019, despite premium relief support to policyholders during the lockdown in April and May 2020. The excellent growth achieved by MiWay and Santam Re, was offset by a contraction of the motor business written by the Santam Commercial and Personal business. New motor products were introduced by Santam and MiWay to recognise reduced driving patterns.

Conventional insurance: gross written premium written outside SA and Namibia (R million)



Gross written premium growth of **crop business** benefited from Santam's strong market position, as well as increased hectares planted.

The engineering class benefited from strong growth from outside South Africa but was negatively impacted by lower premiums in this class written in Santam Re.

The liability class continued to experience competitive pressure and focused on improved profitability, resulting in growth of 4% during the period.

The accident and health class reported growth of 10%, with strong growth reported by Santam Re, partially offset by negative growth in the travel insurance business.

Underwriting results overview

The loss ratio was adversely impacted by provisions for CBI claims, partly offset by a benign claims environment, with limited natural catastrophes and lower claims frequencies experienced over several insurance classes following the impact of the COVID-19 lockdown in South Africa.

Santam announced in January 2021 that it will commence the process of assessing and settling valid claims for policies with CBI extensions after obtaining legal certainty on the proximate cause of business interruption losses. The court judgments on cases in South Africa and the United Kingdom resolved that there is cover for business interruption losses caused by COVID-19 itself and the government response through the national lockdown and related restrictions, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

In the case between Santam and Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd (the Ma-Afrika judgment) the Western Cape High Court found that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam's view is that the indemnity period is limited to three months. Santam has been granted leave to appeal the Ma-Afrika judgment with respect to the length of the indemnity period to the Supreme Court of Appeal. In February 2021, Santam commenced with interim payments to affected policyholders based on the three month indemnity period.

The potential outcome of an appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of Santam's reinsurance recoveries may still impact Santam's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require

significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

In August 2020, Santam paid R1 billion interim relief to small and medium-sized businesses in hospitality, leisure and non-essential retail services that have policies with CBI cover. The amounts paid as part of the relief to the insured businesses will be offset against valid claims arising from the assessment process.

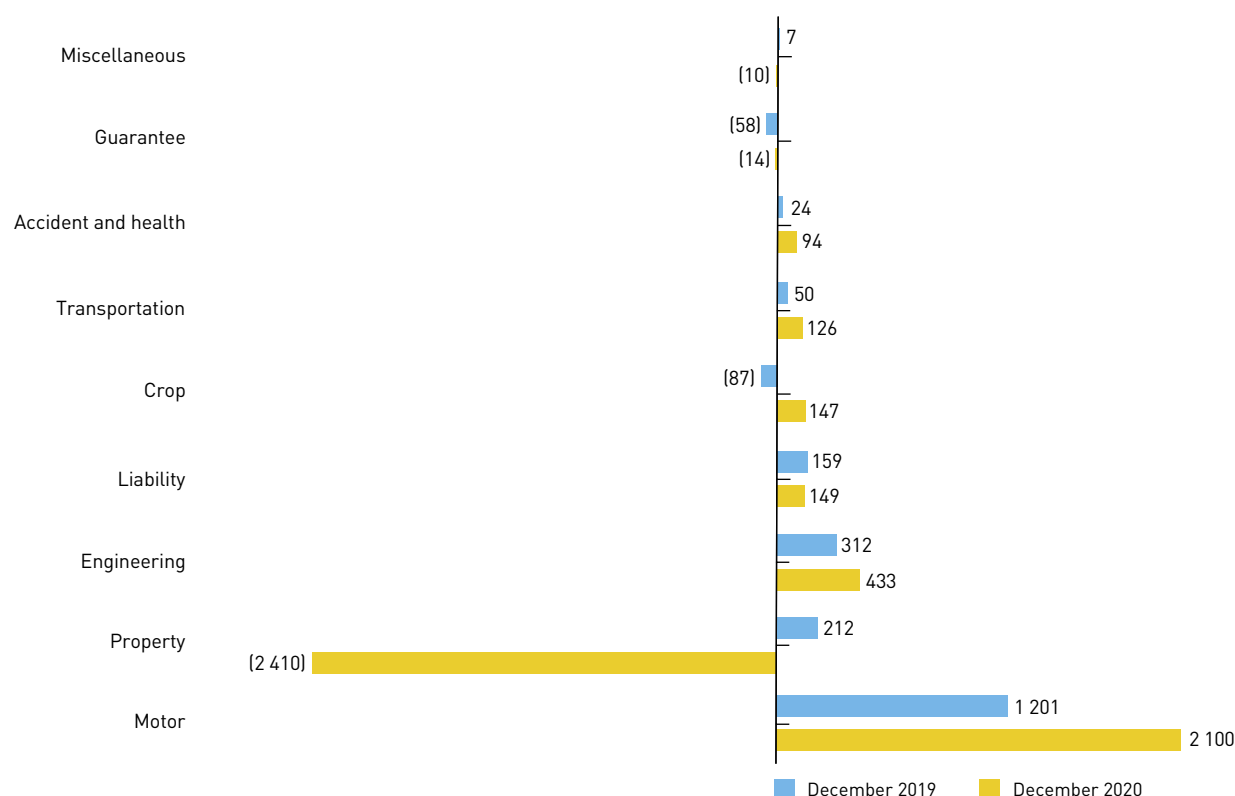
The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The motor loss ratio benefited from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Following the relaxing of lockdown regulations from 1 June 2020, the claims frequency started to increase, but remained below expected levels for most of the year, returning to normal in November and December 2020 when lockdown restrictions were reduced. Total premium relief of R310 million was provided to motor policyholders in recognition of reduced travelling during the lockdown period. MiWay reported excellent underwriting results for the year, with a loss ratio of 50.6% (2019: 54.2%) and an underwriting profit of R486 million (2019: R393 million).

The property class also benefited from the benign claims environment experienced during 2020. This was, however, offset by the CBI claims resulting in a loss of R2 410 million (2019: profit of R212 million).

The travel insurance business, included in the accident and health class of business, was negatively impacted by the COVID-19 pandemic.

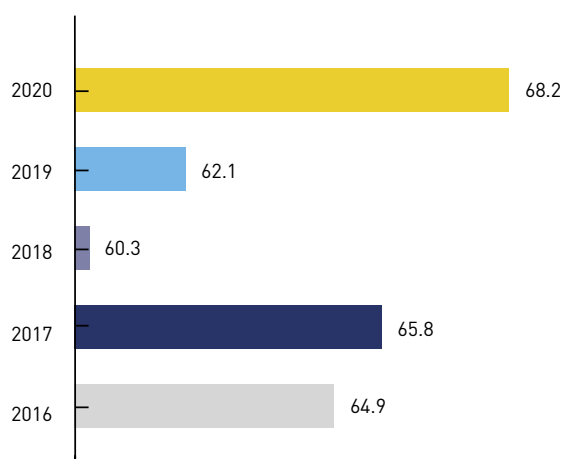
The engineering and crop insurance classes continued to deliver excellent underwriting results. The liability class recovered strongly during the second half of 2020, following adverse reserve developments on a few long-outstanding claims in the first half of the year.

Conventional insurance, net underwriting surplus per insurance class (R million)

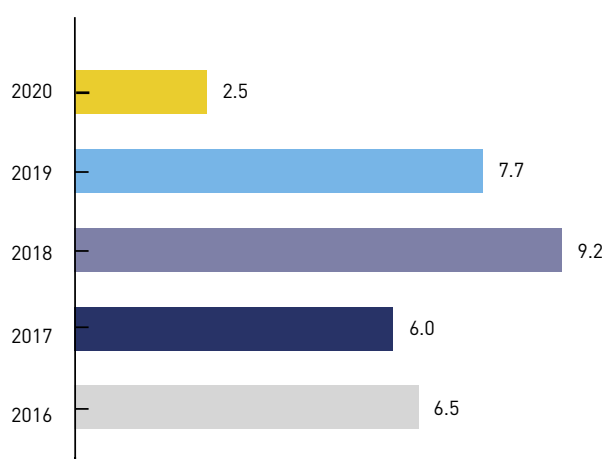


Historic conventional insurance results

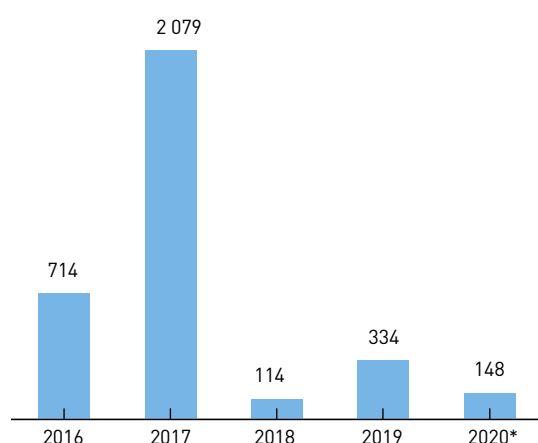
Claims ratio (%)



Net underwriting ratio (%)



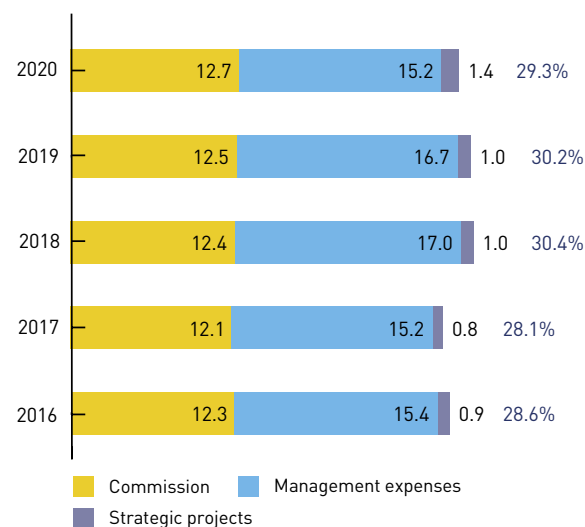
Gross total catastrophe claims: all perils (R million)



* EXCLUDING CLAIMS RELATED TO CBI.

Conventional Net acquisition costs overview

Net acquisition cost ratio (%)



A net acquisition cost ratio of 29.3% was achieved compared to 30.2% in 2019. The net commission ratio was 12.7% (2019:12.5%).

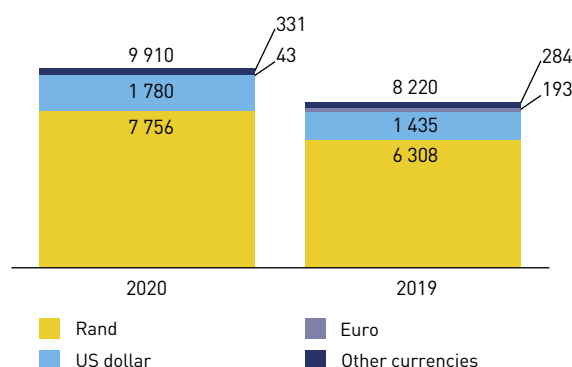
The management expense ratio of 16.6% was lower than the 17.7% in 2019 on the back of cost containment efforts. A decrease in variable incentive cost and COVID-19-related savings was partly offset by a further provision raised in the first half of the year of R54 million to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship in September 2018.

Strategic project costs, included as part of management expenses, amounted to 1.4% (2019: 1%) of net earned premium. These costs relate to the development of a new claims platform, the IFRS 17 accounting standards implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.1% (2019: 2.4%) of net earned premium was negatively impacted by the lower interest rate environment.

Currency mix of assets backing net insurance funds % (conventional insurance)



ALTERNATIVE RISK TRANSFER

ART operating result

	2020 R million	2019 R million	Percentage change
Income from clients	385	331	16
Participation in underwriting results	34	59	(42)
Administration expenses	(254)	(219)	16
Operating result	165	171	(3.5)

The ART business reported operating results of R165 million (2019: R171 million). Income from clients increased to R385 million (2019: R331 million), supported by satisfactory fee income growth in Centriq and improved investment margins achieved. Underwriting results were negatively impacted by COVID-19-related claims.

SEM GENERAL INSURANCE BUSINESSES

The emerging markets general insurance business portfolio includes investments in Saham (based 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 11 general insurance businesses throughout Africa which are held in conjunction with SEM, excluding South Africa and Namibia.

Saham held through SAN JV

ASSETS BACKING NET INSURANCE FUNDS (%)

The assets backing the net insurance funds were invested as follows:

Percentage	Saham	Other SEM investments
Interest-bearing securities	14	80
Investment properties	41	–
Equities and similar securities	45	5
Working capital assets	–	8
Cash, deposits and similar securities	–	7

SEM INVESTMENT HOLDINGS

	Incorporated in	Carrying value 2019 R million	Acquisitions R million	Changes in exchange rate R million	Changes in valuation R million	Carrying value 2020 R million
Pacific & Orient (P&O)	Malaysia	157	–	10	(31)	136
Shriram General Insurance (SGI)	India	1 226	–	16	51	1 293
Other SEM investment holdings	Africa	91	30	(9)	(3)	109
Total investment		1 474	30	17	17	1 538

GROSS WRITTEN PREMIUM GROWTH

The markets where SEM operates were also subject to the negative growth impact of COVID-19.

The Saham portion of the SEM General Insurance portfolio achieved 9.4% growth in rand terms (negative growth in gross written premium of 4.5% in constant currencies). The general insurance business in Morocco reported an overall decrease in net earned premium in constant currencies, mainly due to negative growth in the motor portfolio.

SGI experienced 1.5% growth in rand terms (negative 6.1% growth in constant currencies).

NET INSURANCE RESULT

Santam's share of the general insurance net insurance results from the SEM businesses reduced by 23.0%.

Good progress has been made in improving the underwriting performance of the Saham general insurance portfolio. The overall underwriting margin for Saham improved to 7.3% (6.9% excluding Lebanon) compared to 2.0% in 2019 (1.9% excluding Lebanon) of net earned premiums.

Morocco achieved a satisfactory underwriting margin of 7.9% due to lower claims ratios on motor and health business. Angola's performance improved over the year driven by increasing volumes, an improvement in the motor loss ratio and rate reviews in the health business. This was, however, partially offset by further devaluation of the

kwanza. Saham Re, and to a lesser extent, Continental Re's underwriting margin was suppressed by the Beirut port facility explosion. Continental Re also experienced some large claims in the last two months of the year.

The net underwriting margin of all the SEM General Insurance businesses (including Saham) in Africa improved to 6.1% (7.2% excluding the impact of the Beirut port facility explosion) (2019: 2.0%), well within the 5% to 9% target range.

Investment return on insurance funds amounted to 3.0% on the Saham portfolio compared to 11.8% in 2019, outside of the target range of 6% to 9% of net earned premiums. This was mainly attributable to lower returns in Morocco and negative returns in Côte d'Ivoire. Management has reviewed the composition of the investment portfolio in the context of long-term value creation, local capital requirements and its risk appetite. The future asset allocation strategy will support an above-hurdle return on capital at a lower level of expected volatility. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as and when opportunities present themselves.

SGI's net underwriting margin declined to 6.7% of net earned premiums compared to the high base of 19.3% in 2019, which included one-off reserve releases in respect of third-party pool business. The investment return on insurance funds of 24.6% (2019: 28.8%) was only slightly lower, following the impact of COVID-19 market conditions.

INVESTMENT RESULTS

Investment income

Santam's listed equity portfolio achieved a return of 2.1% for the year ended 31 December 2020, relative to the SWIX benchmark (60% SWIX and 40% Capped SWIX) which delivered a return of 1.8%.

On 6 August 2020, the group entered into a zero-cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the volatile market conditions. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure provided full downside protection from the market level at 3 November 2020. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million. The structure expired on 3 February 2021 and was rolled for a further three-month period.

The Santam group's interest earning investments are managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and exceeded their STeFI-related benchmarks.

Foreign currency gains of R60 million (2019: foreign currency loss of R79 million) were recorded. This included foreign currency gains of R17 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2019: R82 million foreign currency losses).

A foreign currency collar on R500 million worth of exposure, which was entered into on 19 August 2019 at a spot rate of 15.25 against the US dollar matured on 19 May 2020, realising a loss of R54 million. No further foreign currency collars were entered into during the year.

Net losses on financial assets and liabilities of R113 million (2019: net gains of R45 million) include fair value losses on local and foreign bonds and property exposure in the fixed income portfolios as well as the fair value movement on derivatives. Positive fair value movements (excluding the impact of currency movements) of R17 million (2019: R393 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the investment performance.

Net losses from associated companies of R595 million included an impairment of intangible assets of R656 million from Saham (held through SAN JV).

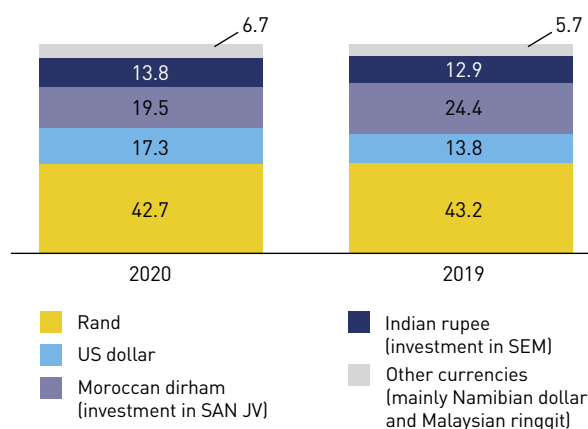
The carrying value of Saham was adversely affected during the first half of 2020 by the downturn in financial markets and deteriorating economic conditions following COVID-19 in the territories where Saham operates.

However, foreign currency translation gains of R209 million in respect of the Saham investment, which are recognised directly against equity, limited the overall reduction in the Saham carrying value to approximately R447 million. The carrying value of Saham at 31 December 2020 was R1 823 million.

Exchange rate information for key currencies impacting the results were:

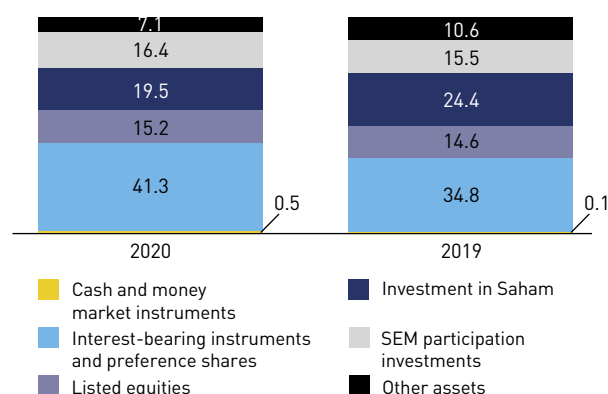
Currency	Closing rate 2019	Closing rate 2020	Average rate 2019	Average rate 2020
US dollar	13.98	14.69	14.43	16.34
Indian rupee	0.20	0.20	0.21	0.22
Moroccan dirham	1.47	1.65	1.52	1.73
Malaysian ringgit	3.44	3.64	3.49	3.91

Shareholder funds currency mix (%)



INCLUDES FOREIGN-DENOMINATED ASSETS, AS WELL AS ASSETS WITH FOREIGN CURRENCY EXPOSURE

Shareholder funds asset mix (%)



Investment approach

Santam follows a policy of managing its investment portfolios in a diversified manner. Our aim is to optimise investment income within the approved risk appetite profile. Detail on risk management practices can be found in note 3 to the annual financial statements.

The asset allocation is also managed and monitored from an asset/liability perspective. This ensures sufficient liquid funds are available to meet Santam's insurance liabilities, subordinated debt obligations are adequately covered by matching interest-bearing instruments and shareholders' funds are not unduly exposed to investment risk. Foreign currency assets are also held to back foreign currency insurance business conducted by Santam, thus managing the currency risk.

As at 31 December 2020, funds to the value of R3.5 billion (2019: R2.8 billion) were invested in foreign currency bank accounts and global fixed income portfolios. These funds provide backing for insurance liabilities and capital relating to the business written in foreign currency.

Investment management is mostly outsourced to Sanlam Investments, a subsidiary in the Sanlam Group. The fund manager has predetermined mandates, whose performance is measured against a combination of benchmarks, inter alia, SWIX and STeFI-related benchmarks. The overall performance of the fund managers against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis.

The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with responsible investment policies and procedures.

CAPITAL MANAGEMENT AND SOLVENCY

Capital management philosophy

Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk appetite framework. The aim is to increase shareholder wealth by actively managing the amount and sources of capital in the business while continuously ensuring that the highest level of policyholder security is maintained. This is linked to both internal economic capital requirements, as well as regulatory capital requirements in terms of the solvency assessment and management regime (SAM). Santam actively manages the key drivers of its capital requirements such as its mix of business, asset allocation, counterparty exposure and reinsurance programme.

Santam targeted a threshold return on capital hurdle rate of 24% in 2020. Capital is allocated to the various businesses in the group and the returns on these businesses are measured against the threshold hurdle rate.

Discretionary capital and solvency level

Santam's board targets an economic capital coverage ratio of between 150% and 170% and has stated that it is comfortable operating at the lower end of this range. In addition, the regulatory capital coverage ratio must exceed predefined threshold levels.

Excess capital is maintained for the following reasons:

- To make an allowance for model risk based on the complexity of the underlying business
- To maintain a margin over the current regulatory capital requirements
- To maintain Santam's insurer financial strength credit ratings
- To fund business growth and allow for any corporate actions

We remain committed to efficient capital management.

On 25 November 2020, the Group successfully raised a further R1 billion of subordinated debt in order to maintain a debt to equity ratio of between 25% to 30%. The proceeds from this issue will be partly used to replace existing subordinated debt of R500 million, that will become callable in April 2021.

The group economic capital requirement at 31 December 2020, based on the internal model, amounted to R7.4 billion (31 December 2019: R7.3 billion). This equates to an economic capital coverage ratio of 161% (31 December 2019: 160%), slightly above the midpoint of the capital target range of 150% to 170%. The economic capital coverage ratio already includes the anticipated redemption of R500 million subordinated debt in April 2021.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. Several COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Regulatory solvency and capital

The Santam Ltd licence received approval from the Prudential Authority on 27 August 2019 to use its partial internal model for determining regulatory capital. A condition attached to the approval is that Santam will, initially, be required to hold a capital add-on equal to 20% of the benefit obtained from using the partial internal model instead of the standard formula. Santam will be able to reduce the capital add-on over time by complying with the requirements of the Prudential Authority.

As at 31 December 2020, the capital requirement under the regulatory internal model, after allowing for the capital add-on, was R1.5 billion lower than required under the standard formula.

Dividends

Dividend per share (cents)

	2020	2019	2018	2017	2016
Interim	–	392	363	336	311
Final	–	718	665	616	570
Special	–	–	–	–	800

Santam's dividend policy aims for stable dividend growth in line with the company's long-term sustainable business growth. When special dividends are being considered, we take into account capital levels, regulatory capital requirements and potential investment opportunities.

We expect to obtain more certainty on the CBI indemnity period and the extent of reinsurance recoveries during 2021, which may or may not result in significant estimate adjustments to the net CBI claims provision. Because of this uncertainty the Board decided not to declare an ordinary final dividend at this time.

IFRS 17

IFRS 17 *Insurance Contracts* (effective 1 January 2023 and to be applied retrospectively) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a pervasive impact across the group's operating model.

Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established. The group's audit committee and an IFRS 17 steering committee comprised of senior management from various functions provide oversight and governance over the project.

Development of systems to implement IFRS 17 for the group's gross and inward reinsurance business is in progress and the work on outward reinsurance business has commenced. In addition, during 2020 the project commenced with the documentation of the future financial processes. During 2021 there will also be a significant focus on the group's new information management target operating model. Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be consistently implemented throughout the group.

The transition methodology and financial impact assessment will be a key focus area during 2021. Parallel run testing of the IFRS 17 solution is scheduled to take place in 2022.

EVENTS AFTER THE REPORTING PERIOD

The equity collar over equities to the value of R1 billion to provide capital protection entered into by the group on 3 November 2020 matured on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020). On 3 February 2021, the group rolled the collar structure. The structure offers almost full downside protection from the implementation level 11 857 and expires on 3 May 2021. The equity collar reduces balance sheet volatility in a time of underwriting performance uncertainty because of CBI claims.

On 22 February 2021, Santam's application for leave to appeal the length of the indemnity period in the Ma-Afrika judgment was granted by the Western Cape High Court.

On 24 February 2021, the Minister of Finance announced that the South African corporate tax rate will decrease from 28% to 27% effective on 1 April 2022. The group does not expect this change to have a material impact on the statement of financial position as at 31 December 2020.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

OUTLOOK

Trading conditions in South Africa and globally remain very competitive in a constrained economic growth environment. Annual inflation (CPI) of 3.3% remains at historically low levels. The South African rand depreciated by 5% against the US dollar during 2020 and foreign currency fluctuations are expected to continue. The outlook for real GDP growth in 2021 was dampened with the recent second wave of infections.

It is therefore expected that economic activity will, in the short to medium term, be significantly constrained by weak consumer spending due to the impact of COVID-19, as well as the likelihood of further load shedding by Eskom. Driving efficiencies in management expenses is and will remain of utmost importance in the expected low-growth economy.

The impact of COVID-19 is also evident in the response of the reinsurance market, with increased renewal rates and reduced capacity.

Investment markets are likely to remain uncertain and volatile. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign currency volatility for the group.

Hennie Nel

Chief financial officer

BUSINESS UNIT REPORTS



Performance information per insurance operating segment can be found in the CEO report on page 39, and the CFO report on page 42.

INSURANCE OPERATING SEGMENT: CONVENTIONAL INSURANCE



Santam Commercial and Personal

Strategic intent

Santam Commercial and Personal's strategic intent is to deliver an experience to all our stakeholders that creates more than insurance and rewards. The objective is to provide excellent risk management while growing the business. This is enabled by our people and improved digital, data, analytics and technology capabilities.

Key strengths

- Relationships with clients, intermediaries, suppliers and regulators
- Extensive geographic footprint and distribution network
- Technical expertise and claims capabilities, which support a superior product offering

IN 2020 ...

STRATEGIC PROJECTS AND INITIATIVES

Strategic projects to optimise the use of technology were accelerated:

- All Santam Commercial and Personal's policies were migrated to our new underwriting platform. This greatly improved efficiency, since our use of the old platform, which had been running in parallel, reduced by 50%.
- We launched the new, updated broker portal, client portal and client app.
- We have seen an increase in use of our user interface technology, which employs robotic process automation.
- We established partnerships to improve our availability to clients through direct distribution channels. These include partnerships in our Affinity business and facilitated interactions with intermediaries through Broker Direct.

Santam Direct provides a platform to accelerate digital transformation. In this line of business, we are adopting robotic process automation and AI, and investing to train employees in these skills.

We continue to pursue synergies with Santam Specialist. The Santam Real Estate and Hospitality and Leisure divisions were integrated into our business unit, providing scope for partnerships.

We implemented improved policyholder segmentation initiatives which will help us achieve better renewal results and support our growth targets.



COVID-19 IMPACTS AND RESPONSES

COVID-19 measures provided an opportunity for Santam Commercial and Personal to relook at our product offerings, pricing and particularly how we reward clients for adopting activities and lifestyles with lower insurance risk.

In the motor class, claims volumes and severity greatly decreased during the stricter lockdown levels. This enabled us to provide some premium relief to clients. Although there were instances where clients opted to reduce coverage at the time, the cancellation rate was lower than expected due to the premium relief offered.

Between lockdown levels 5 and 2, our income from the salvage sales of vehicles declared uneconomical to repair was delayed because our auctioneering partners could not trade during this time. The deregistration and dealer stocking of these vehicles were also significantly delayed due to the unavailability of licensing authorities.

For information regarding CBI claims, see the chairman's message on page 8, and the CEO's report on page 38.

OUTLOOK

Since the economy will remain constrained, underwriting rigour and governance are crucial. We expect to see an increase in fraudulent claims. We will invest in our in-house merit claims capabilities to mitigate this risk as far as possible.

We expect to see benefits and savings from the implementation of our new claims platform, as well as other investments in technology. Since operational efficiency is imperative, we will continue to assess robotic automation and AI opportunities and, importantly, train our employees in these areas.

We are conceptualising operational excellence initiatives to reduce waste and make processes more efficient and secure. There are also various proof of concept projects underway, which will realise in the short to medium term and positively impact the cost of claims. These include early fault detection "smart geysers" and the recycling of mobile devices.

In a competitive environment, client retention is always a focus. We will continue to provide clients with **Insurance good and proper**, supported by a fundamental shift from risk management to risk prevention using data and technology.



Strategic intent

Santam Re's purpose and business focus is to grow a profitable and sustainable reinsurance business of meaningful value to the Santam group. We provide diversification to the Santam group by participating in reinsurance programmes in selected emerging markets.

Key strengths

Santam Re was built around a core of strong analytical, reinsurance underwriting, and actuarial technical skills, operating within a tightly defined risk management framework. The business writes on international AA-rated paper through its partnership with New Re. Its small and agile team allows for the delivery of superior service. The business has a high quality portfolio of treaty participations with good margins and relatively low volatility.

STRATEGIC PROJECTS AND INITIATIVES

IN 2020 ...

We prioritise the diversification of our portfolio. Our property business represents approximately 50% of GWP, and we seek to see this reduce over the next two years, while expanding our other businesses.

We continue to invest in developing junior underwriters.

We achieved excellent growth in our international business flows.



COVID-19 IMPACTS AND RESPONSES

Restricted work environments had an impact on administration from intermediaries and clients. This impacted the completeness of reporting and resulted in delayed cash flow. We amended our processes and procedures to address these risks.

The inability to travel curtailed our efforts to further expand internationally. We aim to pursue these initiatives in 2021.

OUTLOOK

While we made progress in 2020, we aim to further expand on non-proportional business and non-property classes. To unlock focused lines of business we also aim to develop our underwriting management agency portfolio.

Strategic intent

MiWay's vision is to establish a world-class direct financial service business that seeks to:

- Offer its clients excellent service, superior value products, and fair treatment
- Generate superior return on investment for shareholders
- Be an employer of choice
- Be a good corporate citizen and play a meaningful role in transforming the financial services industry

Key strengths

MiWay uses data from our underwriting experience with existing and former clients to develop individualised scientific underwriting. We offer an end-to-end online quoting, buying and policy management facility. This means MiWay services the entire value chain, from client acquisition, to ongoing service, to the end of the claims process.

MiWay's brand promise is to "enable you to live your way", and client experience is a differentiator. We deliver service in an empathetic, open and transparent manner. Clients can visit a dedicated page on the website to openly comment on their MiWay experiences.

IN 2020 ...

STRATEGIC PROJECTS AND INITIATIVES

We implemented a voice and text analytics platform that mines our voice calls and text interactions to monitor trends and behaviours of intermediaries and clients. This allows us to measure and score our adherence to compliance scripting requirements and client experience. We are also able to focus on interactions and agents where training is needed.

We enabled WhatsApp communication with a chat bot that receives the initial client message to be directed to the correct department to attend to the query. We are now in the process of deploying the next phase of this project where our chat bot will be able to answer simple frequently asked questions.

Our strategic partnerships with outsourcing partners to establish new distribution channels made progress, with new policy numbers increasing steadily since implementation. We developed a new digital self-service platform that is simple and transparent. It is expected to be launched early in the 2021 calendar year.



COVID-19 IMPACTS AND RESPONSES

Pandemic lockdown measures had both negative and positive impacts on MiWay. It negatively impacted our GWP, since vehicle sales declined considerably during the lockdown period. We also saw a rise in premium lapses. On the positive side, we saw a considerable decrease in claims frequency during lockdown, which resulted in low loss ratios and had a positive impact on our profits.

The unforeseen circumstances created opportunities for innovation. We launched MiWheels At Home – a new motor insurance solution designed specifically for South Africans who work from home.

In 2020, our engagement with the South African Towing and Repair Transformation Board related mainly to COVID-19 relief measures for our suppliers. Our broader focus on relationship building will continue as part of our transformation agenda.

As a responsible corporate citizen, we reimbursed approximately R40 million in premium income to clients and committed a further R30 million to COVID-19 relief efforts. Relief included assistance to service providers, mainly motor body repairers and towing operators. MiWay matched employee contributions, a portion of which was donated to the Solidarity Fund. The remainder was used to help families of MiWay employees affected by the COVID-19 pandemic.

OUTLOOK

There are a lot of unknowns in the short to medium term. Therefore, MiWay will continue to focus on the fundamental business principles that helped us through an extraordinarily challenging year.

We have a roadmap of automation opportunities to explore, some of which involve hyper-automation, where we combine robotic process automation and AI to enhance the overall impact on existing manual processes.

At the start of the 2020 calendar year, we embarked on a Certified Fraud Examiner partnership with Mzansi Group. This was placed on hold due to lockdown and will continue in 2021.

Since we were able to retain excellent client service levels during the lockdown period, we foresee that several employees will continue to work from home in the long term.



Santam Specialist

Strategic intent

Santam Specialist's strategic intent is to insure the complex and niche insurance requirements of clients in Africa and selected international markets. We focus on sustainable and profitable growth while leveraging our leadership position to become a Pan-African specialist insurer.

Key strengths

Our leadership position in the specialist insurance market is supported by financial strength, international capabilities, product structuring and an established Pan-African footprint. Our diverse products are backed by strong technical specialist skills and innovation.

IN 2020 ...

STRATEGIC PROJECTS AND INITIATIVES

Santam Agri expanded our Pan-African specialist class business by partnering with Sanlam Pan-Africa General Insurance (SPA GI) to provide crop cover for South African domiciled clients that are expanding to other African countries. Santam Agri also supports the SPA GI project team that is considering crop index insurance solutions for smallholder farmers and aggregators in various African countries. This will promote financial inclusion and reduce the risk protection gap for smallholder farmers in Africa.

Santam Specialist supported the group strategic pillar to build technology as an enabler and driver of innovation, efficiency and optimal decision-making through:

- Improving the assessment app for enhanced ease of use and efficiency in our crop insurance product
- Expanding our Geographic Information System (GIS) and enhancing risk protection by referencing our insured property risks with geographic information

We continue to drive transformation across our procurement spectrum. Vulindlela Underwriting Managers (VUM) and Santam Agri ran CFE programmes for clients in the minibus taxi and agriculture sectors.



COVID-19 IMPACTS AND RESPONSES

Several Santam Specialist businesses were adversely affected by COVID-19 restrictions:

- Travel Insurance Consultants was significantly impacted by the travel restrictions
- Santam Aviation achieved lower annual premiums as planes had to be grounded due to the travel restrictions
- Santam Marine experienced high volumes of cancellations and a significant decrease in new business
- Mirabilis saw a slowdown in construction projects and new business in South Africa
- Echelon Private Client Insurance experienced a decline in organic growth, with a slowdown in new business

We expect recovery to be slow across these businesses and will depend on fastidious risk selection and keen underwriting practices.

Tightening reinsurance capacity and the continued hardening of global markets pressed us to improve pricing, particularly for our liability and property lines of business. However, this had to be balanced with affordability, since many clients reduced their cover due to COVID-19 restrictions.

OUTLOOK

Given the depressed socio-economic circumstances, Santam Specialist will prioritise growth in market share, though profit growth will always be a focus area. We look to expand our market reach by developing products for SMMEs and smallholder farmers and customising solutions for markets outside of South Africa. New product development has already started in the cyber, agriculture and minibus taxi lines of business.

Supported by workflow and document management tools, we will categorise the broker portal by line of business. This will enable intermediaries in the aviation, marine and transport lines of business to quote, bind and issue policies with little human intervention. We will continue to actively manage expenses, and from a human capital perspective we will prioritise succession planning and the transfer of skills.

INSURANCE OPERATING SEGMENT: ALTERNATIVE RISK TRANSFER INSURANCE



Santam ART

Strategic intent

Santam ART's strategic aim is to provide alternative insurance solutions to South African corporates, underwriting businesses and individuals. The group strategic theme of building a responsible business is key for Centriq and SSI. Aside from the financial dynamics, other key considerations include responsible investment, inclusion, governance, TCF and ethics.

Key strengths

Santam ART's strengths lie in its strong market position and expert skills. With their strong entrepreneurial skills, this foundation gives SSI and Centriq the flexibility to innovate in the alternative insurance solutions space.

IN 2020 ...

STRATEGIC PROJECTS AND INITIATIVES

Co-operation between SSI and Centriq remains a priority and we expanded collaboration efforts to include other business units in the Santam group:

- We worked closely with Santam Re to provide reinsurance for alternative insurance solutions partner businesses
- We made progress in exploring co-operation opportunities with Santam Direct and Santam Agri

Centriq launched a premium finance business which expanded rapidly during 2020.



COVID-19 IMPACTS AND RESPONSES

The main impact of lockdown measures on Santam ART's operations related to our sales and marketing processes. In many cases, these rely on face-to-face interactions with clients, and due to the lockdown, this meant lower business volumes in some of our lines of business. To mitigate the impact, we reinforced our focus to control management expenses and improve efficiencies.

Premium discounts were provided on a case-by-case basis for clients experiencing financial difficulty. We engaged with clients to help them lower premiums by selecting specific types of cover as opposed to entire offerings.

Santam ART made food-related support donations to our surrounding communities.

OUTLOOK

We expect our corporate clients to experience financial pressure in the short term. This is an opportunity, since the need for alternative insurance solutions is more apparent than ever. However, this is countered by the fact that our clients cannot necessarily fund the premiums required to build comprehensive risk management programmes. We will continue to work with our clients to develop custom solutions that meet their needs.

We will also mitigate the strained economic environment by focusing on new business opportunities in South Africa. We made progress in developing new products, which we will launch in 2021. SSI will also use their licences in Mauritius to build an international and well-diversified business.

Operational efficiency remains an area of focus and we will implement technologies to improve efficiency and streamline processes.

INSURANCE OPERATING SEGMENT: SANLAM EMERGING MARKETS (SEM) PARTNER BUSINESSES



Santam's investments and strategic partnerships including Sanlam Pan-Africa

Strategic intent

Our strategic objective is to be a centre of expertise and technical capability and to utilise our diversified footprint to generate new business flows for Santam. The aim of Santam's international investments, in partnership with Sanlam, is to:

- Deliver returns sustainably and meet our return targets across the portfolio of businesses
- Generate positive synergies between Santam and the Sanlam Group
- Leverage Santam's general insurance thought leaders to transfer the group's experience and capabilities to our partner businesses
- Drive innovative new market initiatives
- Build leading Pan-African specialist business capabilities, to offer clients one trusted partner across the African continent

Key strengths

Santam does not manage these businesses. However, we can influence their direction and management with the skills and resources to provide technical support and propose and participate in projects to improve the businesses. Specific areas of expertise include:

- Analytics, pricing and profit management
- Capital, risk and financial management
- Claims management
- Reinsurance optimisation
- Research, particularly in areas like climate change and the risk protection gap
- Influence strategic direction through SEM and key subsidiary board representatives

OUTLOOK

Looking ahead, we will work with SEM to further improve capital management, investment return on insurance funds and claims processes of the various SEM partner businesses.

08

GOVERNANCE AT SANTAM

BOARD OF DIRECTORS



AT 3 MARCH 2021



Lizé Lambrechts



Vusi Khanyile



Dawn Marole



Preston Speckmann



Bruce Campbell



Junior Ngulube



Paul Hanratty



Abigail Mukhuba



Machiel Reyneke



Hennie Nel



Monwabisi Fandeso

BOARD PROFILES



AT 3 MARCH 2021

VUSI KHANYILE (70)

Independent non-executive chairman

BCom (Hons) (Birmingham), Hon PhD

Appointed 23 April 2018

Vusi helped to establish Thebe Investment Corporation in 1992. He has served as a director on a number of listed and unlisted companies and has participated in numerous development programmes and community-based organisations.

He is currently a director of Sun International Ltd, Thebe Foundation, WWF South Africa, WeGrow Farming Enterprises (Pty) Ltd and Afrikan Farms (Pty) Ltd.

MONWABISI FANDESO (62)*

Lead Independent non-executive director

BSc (Hons), MBA

Appointed 15 January 2020

Monwabisi Fandeso is the lead independent non-executive director of Santam Ltd. He has held executive and non-executive roles at a number of listed and unlisted entities, including SAB Miller, Tiger Brands, ABSA and the Thebe Group.

He currently also serves as a non-executive director on the boards of Empact (Pty) Ltd, Santam Structured Insurance Ltd, Santam Structured Life Ltd, Thebe Investment Corporation and Brolink (Pty) Ltd.

LIZÉ LAMBRECHTS (57)*

Chief executive officer

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

Appointed 1 January 2015

Lizé has served as CEO of Santam since January 2015. Before being appointed to her role at Santam, she served as Chief Executive of Sanlam Personal Finance from 2002. She started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's retail business.

She serves as director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd, SSI group of companies, Saham Reinsurance Ltd and SAIA.

ABIGAIL MUKHUBA (44)*

Non-executive director

CA(SA), MCom (SA & International Taxation), BCom (Hons) (Accounting), BAcc, MBA

Appointed 16 November 2020

Abigail has experience in the financial reporting and tax specialist environment in both the automotive and mining industry, having served in various roles at KPMG, BMW SA (Pty) Ltd and Exxaro Resources Ltd. She previously served as finance director of African Rainbow Minerals Ltd.

She currently serves as Finance Director of Sanlam Ltd, director of Sanlam Capital Markets, Sanlam Life, Sanlam Emerging Markets and Sanlam Investments.

JUNIOR NGULUBE (63)*

Non-executive director

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

Appointed 23 April 2018

Junior is former Chief Executive of Sanlam Emerging Markets. He has also previously served as CEO of Sanlam Corporate Business and as CEO of Munich Reinsurance Company of Africa Ltd. He currently serves as a non-executive director of Transition to Transformation NPC.

PRESTON SPECKMANN (64)*

Independent non-executive director

CA(SA), Hons B.Compt (SA)

Appointed 8 February 2017

Preston has held managerial and executive positions at Metropolitan Holdings Ltd, Old Mutual SA and Pepkor. He served as the group financial director of MMI Holdings. He is a former PwC audit partner

He serves as a director of MiWay group of companies, Centriq group of companies, Sanlam Emerging Markets (Pty) Ltd, African Rainbow Life Ltd, Sanlam Capital Markets, Sanlam Investments, Safrican Insurance Company Ltd, and Impala Platinum Holdings Ltd.

* STANDING FOR ELECTION OR RE-ELECTION AT THE COMPANY'S AGM IN JUNE 2021.

BRUCE CAMPBELL (70)

Independent non-executive director

BA, MBL, ACII and FCII (UK)

Appointed 4 October 2010

Bruce is a former managing director of Mutual & Federal Insurance. He also served as CEO of Alexander Forbes.

He currently serves as a director of Sanlam Emerging Markets (Pty) Ltd and Nicos Diamond Insurance in Zimbabwe.

PAUL HANRATTY (59)*

Non-executive director

BBusSc (Hons), FIA

Appointed 11 August 2020

Paul is the Group Chief Executive of Sanlam. He is an expert in actuarial, risk and compliance as well as ethics governance. Paul is also a fellow of the Institute of Actuaries (FIA).

He has held various leadership roles at large financial services companies since 1984.

He is currently a director of Sanlam Ltd, Sanlam Life Insurance Ltd, MTN Group Ltd, IDM Holdings (Pty) Ltd, Genbel Securities (Pty) Ltd, Sanlam Capital Markets (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings (Pty) Ltd and Sanlam Investment Holdings UK Ltd.

DAWN MAROLE (60)*

Independent non-executive director

BCom, Dip Tertiary Education, MBA

Appointed 13 December 2011

Dawn has extensive experience in the financial services sector. She is the former chairperson of Kumba Resources Ltd and has served on numerous boards. In addition, Dawn formed part of the Presidential Review Committee for State Owned Enterprises and is currently the executive chairperson of Executive Magic.

She is currently a 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 and is a trustee of the Emthunzini BBBEE Community Trust.

HENNIE NEL (52)

Chief financial officer, executive director

CA(SA), BAcc (Hons)

Appointed 17 September 2012

Hennie has been the chief financial officer of Santam since September 2012. Prior to his role at Santam he was a director at PwC, where he had worked since 1993. His range of experience within the financial services industry covers general and life insurance as well as banking and investment management.

He currently serves a director of Centriq group of companies, MiWay group of companies, SSI group of companies, Santam Specialist Underwriting Managers, Swanvest 120 (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Indwe Broker Holdings Ltd and Santam Namibia Ltd.

MACHIEL REYNEKE (62)*

Independent non-executive director

CA(SA), BCom (Hons)

Appointed 26 August 2003

Machiel has extensive experience in the insurance industry and financial services in general. He currently holds the position of executive director and Head: Mergers and Acquisitions at African Rainbow Capital (Pty) Ltd. He previously held the position of finance director at Santam for ten years. He also served as finance director of Sappi International SA and General Manager of Gensec Bank.

He is currently a director of African Rainbow Capital (Pty) Ltd, Ubuntu-Botho Investment Holdings (Pty) Ltd, UBI General Partners (Pty) Ltd, Kropz Plc (UK), Commco Resources Ltd (BVI) and Indwe Broker Holdings (Pty) Ltd.

MASOOD ALLIE (45)

Company secretary

BA, LLB

Appointed as company secretary on 1 February 2011

Masood is an admitted attorney with experience in corporate and commercial law, corporate governance and commercial litigation; former roles include company secretary of Oceana Group Ltd and group legal and regulatory affairs manager of Parmalat SA (Pty) Ltd.

EXECUTIVE MANAGEMENT



FROM LEFT TO RIGHT:

Edward Gibbens
John Melville
Mokaedi Dilotsotlhe
Kevin Wright

Lizé Lambrechts
Asher Grevler
Hennie Nel
Temba Mvusi

Enid Lizamore
René Otto
Quinten Matthew
Ebrahim Asmal



EXECUTIVE MANAGEMENT PROFILES



AT 3 MARCH 2021

LIZÉ LAMBRECHTS (57)

Chief executive officer

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

Appointed in 2015

Lizé is 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.

EBRAHIM ASMAL (56)

Executive head of group sourcing and transformation

Appointed in 2009 (appointed to executive management in 2012)

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

EDWARD GIBBENS (51)

Executive head of Santam Commercial and Personal

AIISA, BCom, MBA, AMP (Insead)

Appointed in 1992 (appointed to executive management in 2005)

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

TEMBA MVUSI (65)

Executive head of market development

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

Appointed in 2008, retired on 31 December 2020

Temba was responsible for strategic stakeholder relations; providing strategic input into developing and growing the company in new markets; and exploring new intermediary opportunities in unserved markets.

ENID LIZAMORE (44)

Executive head of human resources

BA, Postgrad Dip Human Resource Management

Appointed in 2018

Enid is responsible for human resources, business partnering, talent acquisition, learning and development, talent management, employee relations, employment equity and total rewards.

JOHN MELVILLE (55)

Executive head of underwriting services, reinsurance and international

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

Appointed in 2010

John is responsible for the underwriting function (including strategy and pricing), product solutions, actuarial services (including rating), developing and implementing the reinsurance strategy and developing Santam Re into a growth and profit contributor for the group. John is responsible for the SEM international business portfolio (excluding specialist business). He also oversees the development and maintenance of systems and processes to support the operation of these functions and provides technical support to SEM partner businesses.

HENNIE NEL (52)

Chief financial officer and executive head of ART

CA(SA)

Appointed in 2012

Hennie is responsible for financial reporting, corporate finance, shareholder investments, internal audit, investor relations and corporate legal services. He also has executive responsibility for the Santam ART business unit.

MOKAEDI DILOTSOTLHE (51)

Chief marketing officer

BCom (Hons), MBA

Appointed in 2016

Mokaedi is responsible for the overall management and reputation of the Santam brand, including corporate communication, client care and implementing strategic marketing initiatives to support the various businesses. Mokaedi also has accountability for group CSI and ensures the Santam brand is well positioned across all target market segments.

ASHER GREVLER (46)

Chief risk officer

BBusSc, FIA, FASSA, CERA

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

Asher is responsible for enterprise risk management, financial risk management, business integrity and forensics, and the internal capital model.

QUINTEN MATTHEW (57)

Executive head of Specialist business

FIISA, EDP (Manchester)

Appointed in 2003 (appointed to executive management in 2010)

Quinten is responsible for developing and expanding the specialist underwriting manager model and specialist insurance. Quinten provides strategic input to each business, promotes growth and profit objectives, focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships by building on the synergy and support of Santam, and expands SEM partner business and Saham specialist capabilities.

RENÉ OTTO (62)

Chief executive officer of MiWay

BLC LLB, LLM, Admitted Advocate of the High Court

Appointed in 2007 (appointed to executive management in 2012)

René is responsible for executing strategic plans and the financial performance of MiWay as founding head and current chief executive officer.

KEVIN WRIGHT (55)

Executive head of business information and technology services

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

Appointed in 2014

Kevin is responsible for bolstering 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.

GOVERNANCE REPORT



GOVERNANCE STATEMENT OF COMMITMENT

This report aims to provide Santam's stakeholders with an understanding of Santam's governance structures and processes to enable them to evaluate the ability of the company to create and sustain value.

Santam's board of directors is the custodian of ethical governance in the group. It provides effective leadership through high standards of corporate governance, ethical values and business integrity, while recognising the company's responsibility to conduct its affairs with responsibility and fairness, safeguarding the interests of all stakeholders. The board considers governance as being key to the long-term success of Santam and is ultimately responsible for ensuring that corporate governance standards are set and implemented throughout the group. The board is particularly mindful of the regulatory environment that governs the business landscape.

The board is of the opinion that, during 2020, Santam complied with all applicable rules including the JSE Listings Requirements, the JSE Debt Listings Requirements and the Companies Act. The company also operated in conformity with its MOI and constitutional documents.

KING IV

The board supports the principles contained in King IV, which are fundamental to good governance. The recommended corporate governance structures and practices are pivotal to delivering sustainable value in the interest of Santam's stakeholders. The group reviews its corporate governance practices and structures regularly to reflect best practice and to facilitate effective leadership, corporate citizenship and sustainability. The group revised its governance policy during 2020 and the company continues to focus on the application of this policy in its subsidiaries, joint ventures and associated companies. Our governance policy assists with the efficient functioning of the relevant governance structures, allowing the board to focus on the most significant matters.

Details of Santam's application and explanation of the King IV principles are available at santam.co.za/investor-relations/integrated-report/governance/. In instances where the company has elected not to apply certain recommended practices, the rationale is explained in the relevant sections of the report. Only salient points of the board charter and the terms of reference of the board committees are included in this report. The complete documents are available on the company's website.

The board is satisfied that Santam has applied the requisite King IV principles during 2020.

GOVERNANCE APPROACH

Santam's commitment to good governance is formalised in its charters, policies and operating procedures.

The Santam board's committees fulfil a vital role in applying good corporate governance at Santam. Santam is responsible for conducting its affairs with prudence and safeguarding the interests of its stakeholders. The board considers the legitimate and reasonable needs, interests and expectations of material stakeholders in the execution of its duties in the best interests of the company over the longer term. The board is responsible for the governance of stakeholder relationships. This is formalised through Santam's Stakeholder Relations Policy, which articulates the direction these relationships should take. The policy also assists in monitoring the effectiveness of Santam's stakeholder management.

The responsibility for the implementation and execution of effective stakeholder relationship management is delegated to management, and the board maintains oversight. The group's stakeholder universe, engagement focus areas and channels are discussed in detail from page 15.

ORGANISATIONAL ETHICS

The board is responsible for setting the direction on the ethical standards, strategy and operations of Santam. There is zero tolerance regarding fraud and corruption. This approach is formalised in Santam's code of ethics, Conflict of Interest Policy, Anti Money Laundering Policy and its Business Integrity Policy. Santam's policies relating to business ethics are available at www.santam.co.za.

Employees are made aware of the latest trends in fraud and crime, locally and internationally, through regular internal communications. Various structures have been established to help govern the management of ethics and fraud. The Business Integrity, Compliance and Forensics departments assists with governance and training relating to ethics, compliance, insurance crime and corruption. Declarations relating to conflict of interest are monitored regularly. The ethics management committee is responsible for monitoring the implementation of the various policies and ethics awareness campaigns and reports to the social and ethics committee on the effectiveness of these mechanisms to manage ethics in the organisation.

In 2021, the company will place additional focus on ethics training and will conduct a survey regarding the ethical culture in the organisation.

BOARD AND COMMITTEES

The board is responsible for directing, administering and controlling the affairs of the company in a transparent, fair and responsible manner. The board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring that the company conducts its activities according to best practice.

The board is accountable for, among other things:

Determining Santam's overall objectives, approving strategic plans to achieve the objectives, monitoring operational performance, ensuring effective risk management and internal controls, and monitoring legislative, regulatory and governance requirements.

Ensuring that there are clear and formal procedures in key areas so that regulators and auditors can readily review decisions and actions, both internally and externally.

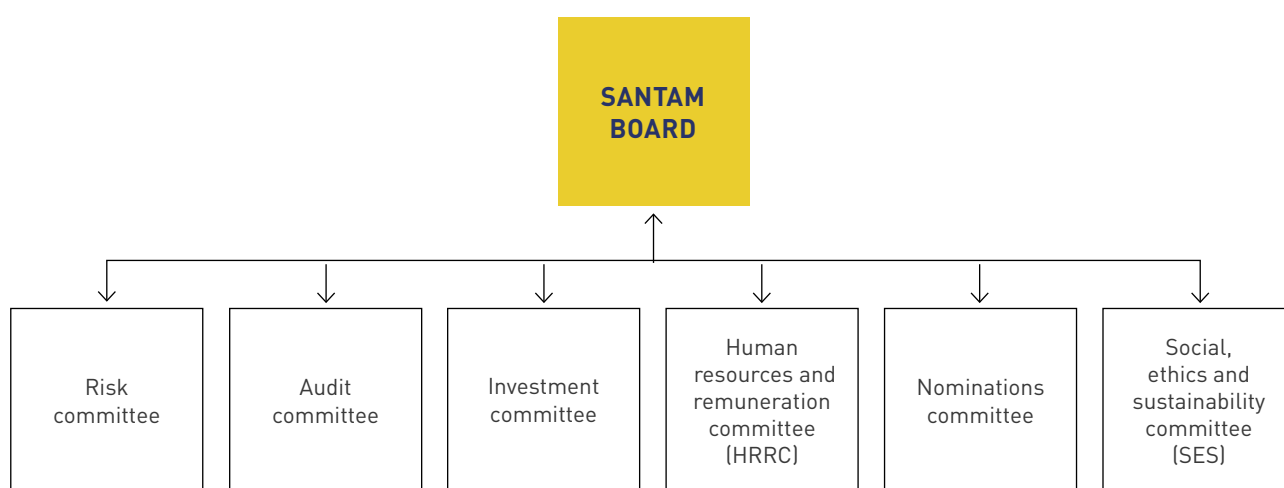
Conducting business in accordance with Santam's code of ethics.

Overseeing the issuance of reports to comply with legal requirements and to meet the legitimate and reasonable information needs of material stakeholders.

Allocating major roles and responsibilities according to the company's delegation of authority framework.

Directors are entitled to seek independent professional advice at the company's expense (after consultation with the chief executive officer and the chairman of the board), as and when required, in fulfilling their duties. No directors exercised this right during the period under review.

Santam's corporate governance framework



The board has delegated specific functions to committees to assist it in meeting its oversight responsibilities. This ensures that the activities of the company are managed in a manner consistent with the ethical leadership and values of Santam. The audit committee; risk committee; nominations committee; SES committee and HRRC are constituted as recommended by King IV, the Companies Act and the JSE Listings Requirements. The investment committee has been established by the board to assist the board in its portfolio and cash investment responsibilities and activities and processes relating to the investment of company funds.

All committees are chaired by independent non-executive directors. The roles and responsibilities of each board committee are set out in terms of reference that are reviewed by the board annually. The directors confirm that the committees have functioned in accordance with these terms of reference during the year.

Appointments to the board are formal and transparent and are a matter for the board of directors, assisted by the nominations committee, as required by the JSE Listings Requirements and the Debt Listings Requirements.

Directors are appointed subject to re-election by the shareholders at the company's AGM and subject to the Companies Act provisions relating to their removal.

There is a clear balance of power and division of responsibilities and authority at board level to ensure that no individual director has unfettered powers of decision-making or influence over the board.

The chairperson of the board is an independent non-executive director. The chairperson is principally responsible for the effective operation of the board. There is a clear division of authority between the various roles within the company's corporate governance structure. The responsibilities of the chairperson and the chief executive officer are clearly defined and separate.

The chairperson of the board's role is documented in the board charter.

The Santam board at 3 March 2021	Executive	Non-executive	Independent non-executive
VP Khanyile (chairman)			X
B Campbell			X
MP Fandeso (lead independent director)			X
PB Hanratty		X	
L Lambrechts	X		
MLD Marole			X
AM Mukhuba		X	
HD Nel	X		
PE Speckmann			X
JJ Ngulube		X	
MJ Reyneke			X

THE SANTAM BOARD

The board's responsibility to ensure best practice in company conduct is entrenched in the board charter. The charter, which is reviewed annually, describes the powers of the board and ensures that there is an appropriate balance of power and authority. Through its charter, the board has reserved matters specifically for its attention to ensure it exercises full control over significant matters, including strategy, finance and compliance.

The board charter sets out, among other things, the composition, meeting frequency and the specific responsibilities to be discharged by the board as a whole and by the directors, executives and officers individually. These responsibilities are determined in terms of:

- The company's Memorandum of Incorporation (MOI)
- The Companies Act
- The JSE Listings and Debt Listings Requirements
- King IV
- The Insurance Act, 18 of 2017

These serve as reference points for directors, executives and prescribed officers for the conduct of their affairs and dealings with respect to, and on behalf of, the company.

The board charter prescribes that directors should behave in the best interests of the company and take special care to avoid any conflict between their own and the company's interest. All board members are required to declare any potential conflicts of interest between their obligations to the company and their personal interests. If a potential conflict of interest arises, any affected director is required to recuse themselves accordingly from the part of the meeting in which the matter in which they have an interest is discussed. Directors are required to submit a declaration of all financial, economic and other interests at least annually, or whenever there are significant changes.

The board charter delineates the board's responsibility for the governance of ethics and notes that the board should set the direction for the approach to ethics. The board is consequently responsible for approving codes of conduct and ethics policies that articulate its direction on organisational ethics. The board receives periodic reports from the SES committee in this regard.

The board is also responsible for determining the direction of responsible corporate citizenship within the company. The board has delegated the monitoring of the company's corporate citizenship to the SES committee.

IN 2020 ...

During 2020, the board placed considerable focus on the operational impact of the Covid-19 lockdown, the management of contingent business interruption insurance claims arising from the pandemic, and the funding of relief payments to clients and support initiatives to affected stakeholders. The board also approved the budget for 2021 and considered the progress in terms of the group strategy for the years 2020 to 2025. In addition, the board reviewed the financial objectives, capital planning, performance targets of the business and approved the interim and year-end financial results and the 2020 integrated report. The appointment of the new directors was also considered and supported.

In 2021, the board's focus will be on progressing the execution of the strategy, capital planning and stakeholder management.

SALIENT FEATURES OF THE BOARD CHARTER

The board's key purpose is to safeguard the group's prosperity by collectively directing its affairs, while acting in the best interests of its stakeholders.

The MOI sets out the powers of the board of directors, and the Companies Act and the delegation of authority document govern the exercise of these powers.

The matters reserved for the board include:

- Approval of:
 - The group's vision and values, the group's strategic objectives, business plans, annual budget, dividend policy and the monitoring of the group's performance against set objectives
 - All dividends, the integrated report and the annual financial statements
 - Financial risk management and capital policies, acquisitions, joint ventures and disposals above the limits set out in the delegation of authority framework and the MOI, and significant changes in accounting policies
- Monitoring of and reporting on sustainability management
- Ultimate responsibility for IT governance

Only salient points of the board charter and the terms of reference of the board committees have been included in this report. The complete documents are available on the company's website.

The board is satisfied that it has discharged its duties and obligations as contained in its charter during the reporting period. The board charter is available online at www.santam.co.za.

RESPONSIBILITY AND ACCOUNTABILITY DELEGATION OF AUTHORITY

The company's delegation of authority provides an approval framework to ensure that the business is optimally managed within a decentralised management environment. The board delegates the power to run the day-to-day affairs of the group to the chief executive officer, who may delegate some of these powers. The board reviews its delegated authorities annually.

CHAIRPERSON AND LEAD INDEPENDENT DIRECTOR

The chairperson of the board provides overall objective leadership to the board of directors. The chairperson's primary function is to preside over meetings of directors and shareholders, to enable the smooth functioning of the board and to oversee the dissemination of timely and accurate information to allow the directors to perform their duties effectively. Santam's chairperson, Vusi Khanyile, is an independent non-executive director.

CEO AND CFO

The CEO, Lizé Lambrechts, reports to the board and is responsible for managing the execution of the strategy as approved by the board. Board authority conferred on management is delegated through the chief executive officer in terms of approved authority levels.

The CEO is a full time permanent employee. Hennie Nel is the company's full time CFO. As with all executive committee members, succession plans are in place for the CEO and CFO.

IN 2020 ...

In line with the recommendations of King IV, the board appointed a lead independent director during March 2020.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

All directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the group. In doing so, the directors must act in the best interests of the group at all times, and do not derive any profit as a result of their fiduciary relationship with the group.

BOARD COMMITTEES

The committees assist the board in discharging its duties and responsibilities. Ultimate responsibility rests with the board and it does not abdicate its responsibility to the committees.

The committees report on their activities to the board every quarter and the minutes of the committee meetings are provided to all board members. Notwithstanding the delegation of functions to the committees, the board remains ultimately accountable for the proper fulfilment of these functions – aside from the statutory functions of the audit committee relating to the appointment, fees and terms of engagement of the external auditor.

COMPANY SECRETARY

The company secretary provides guidance to the board collectively and to individual directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the company. The directors have unlimited access to the advice and services of the company secretary.

The company secretary plays a pivotal role in the company's corporate governance and ensures that, in accordance with the pertinent regulations, the proceedings and affairs of the board, the company and, where appropriate, shareholders, are administered properly. The company secretary monitors directors' dealings in securities to ensure adherence to the policy governing directors' dealings in securities. The company secretary attends all board and committee meetings and is responsible for director training and induction, as well as the board evaluation process. The company secretary acts as secretary for the committees of the board.

In terms of the JSE Listings Requirements, the board is required to consider and satisfy itself annually regarding the competence, qualifications and experience of the company secretary. The board conducted a formal evaluation of the company secretary for the year under review and is satisfied that he has the necessary competence, qualifications and experience to carry out the required responsibilities of his position. The company secretary is a full-time employee and has been employed as a company secretary of JSE-listed companies since 2009. The company secretary is not a director of any group company and the board is satisfied that an arm's-length relationship has been maintained between the company secretary and the board. The directors are

satisfied that the company secretary provides a central source of guidance and advice to the board and within the company on matters of good governance.

Read more about the company secretary's qualifications in the profile on page 59.

BOARD COMPOSITION AND MIX

As at 3 March 2021, the board comprised 11 directors, of whom two are executive directors. Of the nine non-executive directors, six are independent.

IN 2020 ...

The following changes to the board took place during 2020:

Monwabisi Fandeso was appointed on 15 January 2020

Ian Kirk resigned from the board on 30 June 2020 following his retirement as Sanlam Chief Executive

Paul Hanratty was appointed on 11 August 2020 following his appointment as Sanlam Ltd CEO

Abigail Mukhuba was appointed on 16 November 2020 as a representative of Sanlam, following her appointment as Sanlam CFO

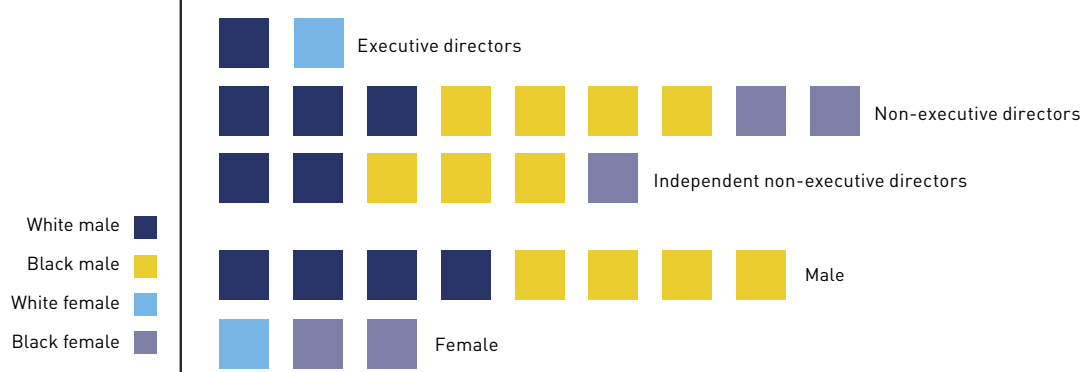
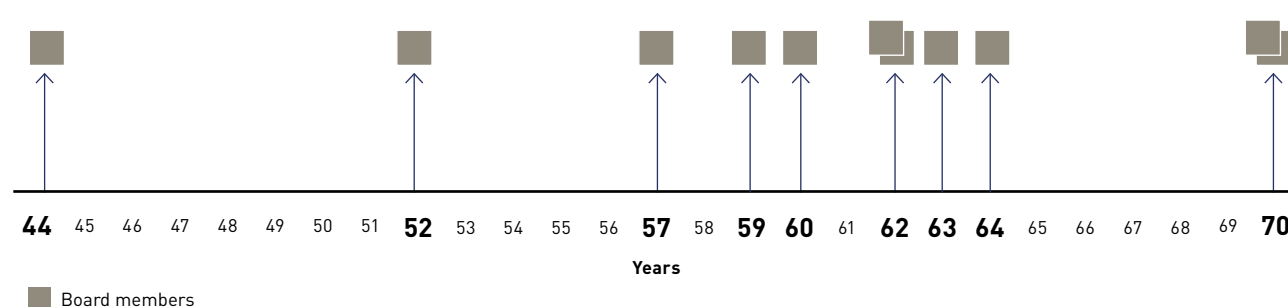
* THE CFO, HENNIE NEL WAS APPOINTED AS THE COMPANY'S DEBT OFFICER ON 27 OCTOBER 2020 TO COMPLY WITH PARAGRAPHS 7.3(G) AND 6.39 OF THE JSE DEBT LISTINGS REQUIREMENTS.

The non-executive directors on the Santam board can all influence decision-making. These directors bring a diverse range of skills and experience to the board and provide insight at and add value to board meetings. It is their responsibility to exercise their judgement freely and independently.

In the board's opinion, there is no business or other relationship within the current structure that could materially interfere with the impartial judgement of any of the non-executive directors.

The independent non-executive directors have a standing closed session agenda item at every board meeting to deliberate any issues they wish to discuss with the chairman or the chief executive officer and/or any other directors.

The board is of the view that its current composition, mix of knowledge, skills, experience, diversity and independence is appropriate in order for it to effectively discharge its governance responsibilities. It has however identified diversity of gender as an area for improvement and is in the process of implementing its plan to improve gender diversity.

**DIRECTORS AT
3 MARCH 2021****DIVERSITY OF AGE****APPOINTMENT AND RE-ELECTION
OF DIRECTORS**

The nominations committee ensures that the board's composition reflects demographic and gender diversity and contains the appropriate mix of skills and experience.

When appointing directors, the board considers its needs in terms of skills, experience, diversity, size and demographics. A formal, transparent board nomination process is prescribed in a policy that details procedures for appointment to the board. This policy was reviewed in December 2020. The company also supports the principles and aims of appropriate diversity at board level. The board also reviewed its Board Diversity Policy during December 2020.

In terms of this policy, if there is a vacancy on the board or if an additional board appointment is required, the board will consider making an appointment that will attain or maintain the level of race, gender and age diversity that is considered appropriate at the time. Aspects that will be also considered include the skills, expertise, experience and background required to fill such a position, the availability of suitable candidates and the development potential of candidates.

The board will also consider any additional requirements that may be necessary to ensure a suitable mix of skills and experience on the board and its committees to best serve the interests of the company and its stakeholders. It also considered all the diversity requirements when proposing the appointment of the directors appointed during 2020. The focus for 2021 will be to make progress towards achieving the gender target for female directors. The board currently meets its target regarding the number of black directors.

Based on the recommendation from the nominations committee, the board considers the nomination of new directors for appointment, or reappointment in the case of existing directors, and makes recommendations to shareholders for approval. Directors do not have a fixed term of appointment. In accordance with the company's MOI, a third of the non-executive directors must retire at the AGM annually. Non-executive directors are subject to retirement, by rotation, every three years. In line with company policy, executive directors retire on the third anniversary of their appointment or re-election to the board. The board has also resolved that independent directors who have served on the board for longer than nine years are also required to retire at every AGM due to their tenure. These directors may avail themselves for re-election by shareholders. This provides the opportunity for shareholders to express their view if they have concerns regarding the independence of these directors due to their tenure. The details regarding the directors standing for re-election at the next AGM are contained in the company's notice of AGM. Directors appointed by the board after the AGM are required to retire at the following AGM and stand for election by shareholders.

Shareholders can nominate a director for appointment. Five other shareholders must second nominations of this nature. Abridged CVs of the nominated directors are circulated to shareholders with the notice of the AGM. The company's shareholders therefore have the opportunity to participate in the election and re-election process of directors.

At the AGM, shareholders vote by a single resolution to determine whether the director will be appointed. The appointment of non-executive directors is formalised by a letter of appointment between the company and the non-executive director.

BOARD EVALUATION AND TRAINING

The board reviews the range of skills, experience and effectiveness of its directors annually.

This is done using an evaluation process developed according to the recommendations of King IV. The nominations committee considers the results of the evaluation and makes recommendations to the board, as appropriate.

IN 2020 ...

A formal, externally facilitated evaluation process is conducted at least every two years. The Institute of Directors facilitated the assessment during December 2020 and January 2021. This included an effectiveness assessment of the board collectively and an appraisal of the board committees and the chairman. The evaluation found no significant matters or material concerns in respect of the board and board committees' performance. The results indicated that the board functions effectively and that the core board processes work well. Board meetings were well organised and efficiently run, and all relevant aspects of the company's business were dealt with by the board and its committees.

The need to improve the diversity of age and gender on the board was noted. The board had previously identified the need to improve the board's collective understanding of IT and digitisation. This matter was addressed during 2020 via various information sessions.

The nominations committee conducted an informal review of the individual directors in February 2021, and no concerns were noted. The results of the evaluation were shared and discussed with the board. The performance of all directors standing for election at the AGM in June 2021 was considered by the board, and their re-election is supported. In March 2021, the board assessed the independence of the independent non-executive directors serving on the board for longer than nine years and concluded that there are no relationships or circumstances likely to affect, or appearing to affect these directors' objectivity and judgement.

The board is satisfied with the performance of its members and has executed its responsibilities under the evaluation policy.

An ongoing director development programme focuses on existing board members and aims to create an evolving understanding of the business, governance and the compliance environment in which the company operates. The director development programme includes regular training updates and information sessions. During 2020, sessions were conducted regarding inter alia, market conduct risk, information technology, digitisation, Santam's own risk and solvency assessment and developments in the macro-economic environment.

New directors complete a formal induction programme designed to meet the individual needs and circumstances of each director. Directors receive appropriate training, reading material and guidance on their duties and responsibilities, Santam's business environment and ESG issues relevant to the business.

DEALING IN SECURITIES

In accordance with the JSE Listings Requirements and the Debt Listings Requirements, Santam has adopted a policy that sets out the procedure directors must follow before they, or any of their associates, deal in the company's securities.

Directors and the company secretary must obtain prior written authorisation from the chairman to deal in the company's securities. The company secretary retains a record of all such share dealings and approvals. Senior management and designated employees exposed to unpublished, price-sensitive information in relation to the company's shares by virtue of their positions are prohibited from trading in Santam securities during the company's closed and prohibited periods, and require written approval from the chief executive officer to deal in Santam shares at all times.

ESG ISSUES

The board acknowledges that there are qualitative issues that influence the company's ability to create value in the future. These relate to investment in human and intellectual capital, the extent of the company's social transformation and ethical, safety, health and environmental policies and practices.

Read more about Santam's material matters and key future drivers from page 16 of the integrated report. Find further detail in the social, ethics and sustainability committee report on page 74.

COMPLIANCE

Santam's compliance philosophy encapsulates integrity, fair dealing, accountability, objectivity, independence, good governance, transparency and collaboration. The company recognises the importance of compliance with its legal, regulatory and ethical obligations and that these affect its operations and accountability to all stakeholders. The Santam group compliance function adopts a risk-based approach that considers the nature, scale and complexity of business while enforcing good governance, efficiency and effectiveness.

Santam's dedicated group compliance function is responsible for implementing the group compliance framework. The compliance function identifies legislation applicable to the group, informs the business of pertinent regulatory requirements (and amendments), analyses the impact of these requirements on business operations, facilitates the introduction of controls and monitors compliance. For increased efficiency and effectiveness, the compliance function collaborates with other risk assurance providers on certain matters and works closely with other entities within the group.

IN 2020 ...

The group placed substantial focus on legislative compliance. Key focus areas included market conduct, POPI implementation, compliance with the binder regulations and compliance regarding premium collection. The board approved the revisions to the Santam group Compliance Policy.

Read more in the risk management report on page 79.

BOARD AND COMMITTEE MEETINGS

The board met six times at scheduled meetings in 2020. These included quarterly meetings and board strategy meetings in June and December to approve the group's strategic direction. The board also held two ad hoc meetings during 2020.

Details of member attendance at board and committee meetings

	Board	Audit committee	Risk committee	HRRC	Nominations committee	Investment committee	SES committee
Number of meetings held during 2020	8	4	6	4	4	4	2
B Campbell	8	4	6				2
PE Speckmann	8	4	6				
VP Khanyile	8			4	4		
PB Hanratty ¹	6			2	2		
IM Kirk ²	3			2	2		
L Lambrechts	8		6			4	
MLD Marole	8			4	4		2
AM Mukhuba ³	4		1				
HD Nel	8		6			4	
JJ Ngulube	8						2
MJ Reyneke	8	4	6			4	
MP Fandeso	8	4	6				

¹ PB HANRATTY WAS APPOINTED ON 11 AUGUST 2020; ² IM KIRK RESIGNED ON 30 JUNE 2020; ³ AM MUKHUBA WAS APPOINTED ON 16 NOVEMBER 2020.

BOARD COMMITTEES

Risk committee report

The risk committee is chaired by Machiel Reyneke, an independent non-executive director. The committee, supported by the chief risk officer, assists the board in fulfilling its governance from a risk and control perspective and in executing its compliance and risk management responsibilities. The committee is responsible for identifying, evaluating and effectively managing all significant risks. It must also provide adequate oversight of Santam's own risk and solvency assessment and internal capital model processes.

Compliance with relevant laws and regulations is integral to Santam's risk management process and is monitored continuously. The committee operates in terms of formal terms of reference approved by the Santam board.

The functions of the risk committee include assisting the board to:

- Implement an effective policy and plan for risk management that enhances the company's ability to achieve its strategic objectives
- Continuously monitor, maintain and improve the maturity and effectiveness of the risk management processes
- Disclose risk in a comprehensive, timely and relevant manner
- Monitor and review the overall risk profile, including the significant risks Santam faces, and see that the response addressing these key risks is appropriately defined and resolved by management
- Monitor the effectiveness of compliance management and address the outcomes

The committee met six times during the year. Details of attendance at meetings by committee members are provided in the table above.

Representatives of the external auditors, internal auditors, financial risk management, enterprise risk management, compliance and the chief risk officer, chief underwriting officer and executive head of IT and operations attend committee meetings.

The committee is satisfied with the adequacy of governance, compliance and risk management structures and processes in place at Santam.

IN 2020 ...

Key areas of focus during 2020 included contingent business interruption claims, reinsurance matters and insurance risk exposure. In addition the committee continued to monitor Santam's capital status, the internal capital model reports, adherence to the company's risk appetite. The committee reviewed the measures adopted to address the key risks facing the organisation, including IT governance and security, financial risk and compliance.

The committee assessed the performance and expertise of the chief risk officer, the head of compliance, the head of financial risk management and the head of enterprise risk management. The committee found their performance and expertise to be appropriate.

No penalties, fines or sanctions were imposed during 2020.

Future areas of focus for the committee include monitoring IT security and underwriting risks.

Read more in the risk management report from page 79.

The risk committee is satisfied that it has fulfilled its responsibilities in terms of its charter.

Audit committee report

Preston Speckmann, an independent non-executive director chairs the audit committee. The committee is constituted as a statutory committee of Santam with respect to its duties in terms of the Companies Act, and as a committee of the Santam board with respect to all other duties assigned to it by the board. The committee is responsible for, among other things, the company's sound financial standing and effective internal financial controls and processes. The committee reviews the overall quality and integrity of financial and integrated reporting disclosures.

The Santam audit committee acts as the audit committee of the MiWay group of companies, the Centriq group of companies and the Santam Structured Insurance group of companies.

In terms of its charter, the audit committee must consist of a minimum of three independent directors who are appointed by shareholders at the AGM. As at 31 December 2020, the committee consisted of four independent non-executive directors. The committee's primary function, in addition to those required by the Companies Act, is to help the board oversee financial matters. The committee operates by formal charter and an annual work plan approved by the board. The chairman of the board is invited to attend all meetings of the audit committee.

The qualifications of the audit committee members are provided in the board profiles from page 58.

The functions of the audit committee include assisting the board in:

- Overseeing integrated reporting.
- Reviewing and recommending for approval by the board the annual financial statements, the interim reports, preliminary or provisional result announcements, the integrated report, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.
- Approving the terms of engagement and remuneration for the external auditor and ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Overseeing the effectiveness of Santam's assurance functions and services.
- Recommending to the board the engagement of an external assurance provider on material sustainability issues, if relevant.
- Defining a policy for non-audit services to be rendered by the external auditor to the company or a related company and pre-approving the contracts for non-audit services to be rendered by the external auditor.
- Considering changes to the dividend policy and recommending dividend declarations to the board.
- Reviewing the basis on which the company has been determined a going concern.
- Nominating the external auditor of the Santam group and its subsidiaries (who, in the opinion of the committee, are independent of the company) for appointment by shareholders.
- Reviewing and recommending the disclosure of sustainability issues in the integrated report for approval by the board to ensure that it is reliable, does not conflict with the financial information and provides a balanced view.
- Reviewing accounting policies and practices and considering any significant changes to or departure from accounting policies and practices.
- Assisting the board with monitoring the financial assistance provided by Santam to its subsidiaries.

The committee was satisfied with the quality of the external audit of the 2020 Group Annual Financial Statements.

IN 2020 ...

The audit committee has evaluated the performance and independence of the external auditors. It confirmed the independence of the auditors from the organisation and recommended the appointment of the external auditors and audit partner at the company's AGM. The committee also considered and determined the external auditors' fees and terms of engagement. The Committee has fulfilled its responsibilities pursuant to par 3.84(g)(iii) of the JSE Listings Requirements. A policy and controls are in place to address the provision of non-audit services by the external auditor. During the year under review, non-audit services conducted by PwC included providing tax-related advice and services, IFRS 17 advice and internal audit advice. The total fees for non-audit services conducted by the external auditor amounted to R1 million. PwC and its predecessors have served as the company's auditors for 92 years. The current audit partner was appointed as the designated partner in November 2019.

In considering the 2020 annual financial statements, significant matters considered by the committee included reviewing key judgements and the valuation of unlisted investments. The committee considered reports prepared by management to assess whether the issues have been addressed appropriately. The committee considered the relevant audit quality indicators, including the audit firm's system of quality control. The audit committee has requested from the audit firm information detailed in paragraph 22.15(h) of the JSE Listings Requirements in their assessment of the suitability for the appointment of the audit firm and the designated individual. No legal or disciplinary proceedings have been concluded against the external audit firm in the past seven years. The proposed individual audit partner for the year ending 31 December 2021, Chantel van den Heever, is a JSE-accredited auditor and does not appear on the JSE's list of disqualified auditors. No matters in terms of paragraph 22 of the JSE Listings Requirements exist that may preclude Ms van den Heever from accepting the appointment as individual auditor.

During 2020, the committee placed substantial focus on the impact of COVID-19 on financial reporting as well as IFRS 17 implementation. The committee also commenced preparation for the implementation of mandatory audit firm rotation. The committee considered proposals for the appointment of new external auditors with effect from January 2024. The committee will conclude the appointment process during 2021, subject to regulatory approval.

As per JSE Listings Requirement 3.84 and as per paragraph 7.3(e)(i) of the Debt Listings Requirements, the audit committee considered the expertise and experience of the executive financial director during November 2020. The committee is satisfied that the appropriate level of expertise and experience to manage the responsibilities of that position have been met, as required by the JSE. The audit committee is also satisfied with the finance function's expertise and adequacy of resources. The committee is satisfied that adequate financial reporting procedures exist and that they are functioning well.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman. This ensures that their independence is in no way impaired. The external and internal auditors are provided with the opportunity to address the audit committee at each meeting without the presence of management.

The internal audit function is provided in-house. Its scope and functions are covered in the internal audit section of this report. The committee is satisfied with the effectiveness of the head of internal audit and with the arrangements for internal audit. The committee believes that the design and implementation of the internal financial controls are effective.

Audit committee members are encouraged to keep up to date with developments that affect their required skill set. The audit committee has considered factors and risks that may affect the integrity of the Santam integrated report and has reviewed the disclosure of sustainability issues in the report to verify that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board, as it is of the view that the assurance provided is adequate, given the maturity of the processes in place.

The committee met four times during the financial year. Details of attendance of meetings are provided on page 71. The committee believes it has complied with its legal and regulatory responsibilities for the year. The committee reviewed the company's integrated report and recommended it to the board for approval.

The audit committee is satisfied that it has fulfilled its responsibility during the year in terms of its charter.

Human resources and remuneration committee (HRRC) report

The HRRC is chaired by Dawn Marole, an independent non-executive director. The committee comprises three non-executive directors, the majority of whom are independent. The chief executive officer and certain members of management attend committee meetings by invitation, but excuse themselves at the appropriate times.

Read more about the committee members' qualifications in the board profiles from page 58.

The HRRC is responsible for and has the authority to consider and make recommendations on the following, among other things:

- Determining and approving the general remuneration policy that must be tabled at each AGM for a non-binding advisory vote by shareholders
- Preparing an annual remuneration report
- Developing the remuneration strategy for executive directors and members of the executive committee
- Developing short-term incentive plans for board approval by setting annual targets, monitoring progress towards targets, and reviewing the incentive plans regularly to ensure that a strong link with performance is maintained
- Managing the contracts of employment of executive directors and executive committee members to ensure their terms are compliant with the principles of best practice
- Developing, monitoring and testing appropriate performance drivers for short-term and long-term incentives
- Developing long-term incentive schemes for board approval, setting individual and group performance hurdles and guidelines for annual allocations, and performing regular reviews of the structure of the schemes
- Considering the remuneration of non-executive directors of the board and its committees and making proposals to the board for final approval by shareholders at the AGM
- Planning for succession
- Managing human capital imperatives
- Considering the individual remuneration packages for executive directors and executive committee members, including incentive schemes and increases, to ascertain that they are appropriate

Read more about Santam's remuneration approach, policy and implementation in the remuneration report online at www.santam.co.za.

The HRRC met four times during the year. Details of attendance at meetings are provided on page 71.

The company's remuneration policy and implementation report were tabled at the AGM in 2020 for shareholders to make separate non-binding advisory votes and to enable the shareholders to express their views on the remuneration policies adopted and their implementation. In terms of the remuneration policy, if either the remuneration policy or the implementation report is voted against by 25% or more of the voting rights exercised at the AGM, the board will start an engagement process to ascertain the reasons for the dissenting votes and will address reasonable objections and concerns raised appropriately. At the 2020 AGM, 97.4% of the voting rights exercised voted in favour of the remuneration

policy, and 97.5% of the votes exercised were in favour of the implementation report. The engagement process was therefore not formally required. Under the guidance of the HRRC, members of the management team nevertheless conducted an engagement process to discuss any areas of concern regarding the group's remuneration practices. No significant concerns were identified during this process.

Human capital salient features in 2020

Employees
Employee profile: 73% black, 27% white
Appointment ratio: 85% black, 15% white
10 bursaries awarded
Learnerships: 69 black learners in progress
Graduates: 33 black graduates in the group
Culture: 76% satisfaction rate for engagement barometer

During 2020, the HRRC also supervised and considered the following matters:

- Progress regarding delivery of the HR strategic initiatives
- Review of the Santam group Fit and Proper Policy in order to align it with the new regulatory requirements
- Benchmarking remuneration levels and practices with local comparator groups for employees, executives and non-executive directors
- Monitoring employee-related metrics, such as head count, employee turnover and transformation
- Contracting deliverables of the executive directors
- Monitoring the talent management strategy and succession planning
- Identifying people-related risks and taking measures to mitigate these risks
- Reviewing Santam's short-term incentive plan
- Monitoring and approving short-term incentives (performance bonuses) and long-term incentives
- Revising the remuneration policy and practices and liaising with stakeholders regarding remuneration-related queries

The HRRC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Nominations committee report

The nominations committee is chaired by Vusi Khanyile, the independent chairman of the board. In terms of its charter, the committee considers board effectiveness and succession planning, and recommends candidates for board vacancies based on skill, experience and the need to ensure diversity and balance in the composition of the board.

The committee comprises of three non-executive directors, the majority of whom are independent. The chief executive officer attends committee meetings by invitation.

Read more about the committee members' qualifications in the board profiles from page 58.

The nominations committee met four times during the year. Details of attendance at meetings are provided on page 71. In 2020 the committee focused on reviewing the composition of the board and improving the skills set and gender diversity thereof. The committee considered the Board Diversity Policy when shortlisting and nominating new directors to the board.

As part of the process of reviewing the composition of the board, the committee considered the benefits of all aspects of diversity, including age, gender and skills set. The committee conducted a formal process to review the performance of the board, individual directors and the committees.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Social, ethics and sustainability (SES) committee report

MEMBERSHIP AND MEETINGS

The SES committee comprised three non-executive directors during 2020. The committee is chaired by Dawn Marole, an independent non-executive director. The majority of the members of the committee are independent. Read more about the committee members' qualifications in the board profiles from page 58. The committee is supported by members of the executive committee and senior management.

According to its terms of reference, the committee is required to meet formally at least twice per year or as required for the effective performance of its duties. The committee met twice in 2020 (see page 71).

MANDATE AND RESPONSIBILITIES

The SES committee is constituted in terms of the Companies Act and has an independent role. It monitors the group's functions as required by the Companies Act and its regulations, and other regulatory requirements, such as King IV. It assists the board in effectively integrating relevant and material ESG issues (including related corporate sustainability matters) into the group strategy.

In addition to performing this function for the Santam group, the committee fulfils the role of social and ethics committee for all Santam's South African subsidiaries that have the requisite public interest score.

SES committee responsibilities:

- Recommend for approval, monitor and advise on all material ESG issues that could have a significant impact on the group and its stakeholders
- Consider, monitor and guide strategy and policy decisions with respect to group client interests and fairness, including the impact of group conduct on clients
- Ensure group ethics and governance are managed effectively
- Provide assurance regarding the quality of reporting and disclosures on the group's ESG and responsible citizenship performance
- Ensure group stakeholder relationships are managed effectively
- Provide assurance regarding the management of and reporting on key BBBEE transformation activities

The social, ethics and sustainability committee placed focus on prioritising the protection of employees and business partners while continuing to ensure that there was business continuity, in spite of the pandemic. The committee also considered Santam's progress regarding the integration of material ESG issues, monitored Santam's transformation initiatives and supplier development projects. The committee reviewed Santam's Stakeholder Management Policy and recommended the updated policy to the board for ultimate approval. Santam's Climate Risk Assessment was considered, and it was noted that the company's FTSE Russel ESG ratings had improved from 4.5 in 2019 to 4.7 in 2020.

The board ensures that ethics is managed effectively at Santam and provides leadership based on an ethical foundation. The implementation and execution of the code of ethics is delegated to management. In 2020, the SES committee paid particular attention to managing the risks regarding conflict of interest and the mitigation of fraud.

Responsible investment

The Santam board is responsible for ensuring that the group promotes good governance by investing responsibly. With the assistance of the primary asset manager, Sanlam Investments, the committee monitors the application of responsible investment principles and practices.

Santam promotes societal resilience by investing in initiatives that generate social and environmental impact, such as the Santam Resilient Investment Fund, the South African SME Fund, ESD and CSI initiatives. The SES committee considered the impact of these funds and was satisfied with progress.

Corporate citizenship

The board is responsible for determining the direction of responsible corporate citizenship in the group. This function is delegated to the SES committee.

As the leading general insurer in South Africa, it is Santam's responsibility and ongoing challenge to narrow the risk protection gap and to enhance insurance penetration. The committee monitored the company's progress regarding the availability of products to sell into the uninsured market. The committee highlighted the importance of understanding the needs of this market.

Santam continues to support Consumer Financial Education (CFE) initiatives through SAIA. The CFE programmes target individual and commercial clients. CFE is applied at group level through a two-pronged approach:

- Funding is provided to SAIA to deliver CFE to the public
- A targeted approach focusing on the Santam emerging client market

Responsible corporate citizenship salient features

P4RR	CSI spend	Resilient Investment Fund	CFE and financial inclusion products
The Emthunzini BBBEE Community Trust invested R9 million in vulnerable communities through P4RR Santam contributed R5 million towards commercial risk reduction in municipalities and R7.9 million towards COVID-19 relief	Over R15 million spend Focus areas: • COVID-19 relief • Solidarity Fund donation • Drive community risk awareness • Increase capacity for disaster response and relief • Address fire-related high-risk hot spots	R125 million (Fund has active loans to 32 borrowers) Focus areas: • Interventions to minimise negative social impacts caused by the ongoing lockdown • Fund exposure includes renewable energy affordable to middle income homes, SME financing and education	Over 1.4 million people were reached through CFE initiatives 23 products, verified by the Financial Sector Transformation Council, were approved and are available to emerging clients Sold over 100 000 policies into the uninsured market

Sustainable development

Santam is guided by the ESG-related standards included in the FTSE/JSE Responsible Investment Index, the UN Environment's Principles for Sustainable Insurance (PSI) and ClimateWise. The PSI is housed by UNEP FI, the finance initiative of the UN and is fully aligned and supportive of the United Nations Sustainable Development Goals.

The SES committee reviewed Santam's ESG performance in this regard and believes that the standards were addressed by the internal controls, policies and procedures governing corporate conduct of the group. Santam has recently adopted the Task Force on Climate related Financial Disclosure (TCFD) policy, which is a voluntary framework regarding disclosures for climate-related risks and opportunities.

Stakeholder relations

Santam's engagement with stakeholders is governed by our stakeholder relations policy and strategy. The group has implemented a stakeholder information and activity tracker tool, which enhances compliance with King IV and reporting on stakeholder management. Stakeholder management training has also taken place.

Conduct of Business

The Committee noted that during August 2020 the business had provided R1 billion in relief payments to mainly small and medium-sized commercial policyholders in the hospitality, leisure and non-essential retail services industries that have the CBI cover extension and suffered a loss due to the national lockdown.

Transformation

The SES committee oversees transformation governance and reports to the board on progress. The central tenet for transformation at Santam is to create an inclusive environment by conducting our business activities in a manner that resonates with all our stakeholders. Our focused transformation strategy ensures delivery on the following objectives:

- Driving high-impact transformation initiatives for business and societal value
- Creating a diverse and inclusive culture across our value chain
- Driving transformation using innovation
- Leading transformation compliance

The transformation strategy is fully integrated into the group's business functions and responsibilities. Santam executive management is responsible for implementing the transformation strategy. Each executive's transformation accountabilities are included in their respective annual key performance areas.

On an industry level, and as the leading general insurer in South Africa, Santam plays a key role in SAIA. SAIA facilitates transformation discussions with parliament and regulators and fosters industry cooperation on wider economic transformation.

Santam's transformation hub, which was launched in June 2019, acts as a holistic and consolidated communication platform that speaks to Santam's transformation commitments, deliverables and intent.

Read more by accessing the following link: <http://www.santam.co.za/financial/sustainability/transformation/>.

Transformation salient features

ESD
35 jobs were created through the Sanlam, Santam and ASISA Supplier Development programme - SMME average revenue growth: Project Accelerator 18% and Project Elevator is 29% for the year - Santam SMME investment: over R175 million

BBBEE

The committee reviewed the report compiled by the company's appointed BBBEE verification agency.

BBBEE status year on year

2020	2019	2018	2017	2016
Level 1	Level 1	Level 1	Level 2	Level 2

Scorecard 2020

Element	Weighting	Final score
Ownership	23	27
Management control	8	3.39
Employment equity	12	7.34
Skills development	20	17.23
Preferential procurement	20	20.46
Enterprise development	5	6
Supplier development	10	11
Consumer education	2	3
Socio-economic development	3	3
Access to financial services	12	10.36

Element summary feedback

Element	Summary feedback
Ownership	Santam decreased its black-owned and black-controlled shareholding. The business achieved an overall black ownership representivity of 34.06% (2019: 35%). The group maintained its FSC ownership score of 27 points (2019: 27 points).
Management control and employment equity	Santam continues to drive diversification in its management structures across the group. The group improved its employment equity positioning year on year. At the end of 2020, Santam achieved an EE FSC score of 10.73 points (2019: 10.15). Black Other Executive representivity remains unchanged at 40% (2019: 40%), Black Senior management levels, relative to total employee complement, improved to 35.88% (2019: 33.33%), Senior Black Female management reduced slightly to 15.27% (2019: 15.28%). The results are directly aligned to the group's people transformation objectives.
Skills development	Santam FSC skills development score decreased slightly to 17.23 points (2019: 17.58 points). Total skills spend of group leviable amount remained the same as 2019 at 4.24%.
Preferential procurement	Santam FSC preferential procurement score remained stable despite the inclusion of the Broker commissions in the 2020 Procurement Spend. 20.46 points (2019: 20.69). The group also managed to still beat the FSC targets for Black Owned and Black Women Owned spend to achieve 33.39% (2019: 30%) and 15.28% (2019: 10%) respectively.
Enterprise and supplier development	The group continues to invest in small and medium businesses through our investment opportunities and formalised supplier development programmes. Santam achieved 3 points year on year, with clear alignment to its preferential procurement objectives.
Consumer education	The group continued its focus on the small-business emerging market and invested R11 million (2019: R10 million) into CFE initiatives. Santam retained 3 points (2019: 3 points).
Socio-economic development	At the end of 2020, the group had invested over R15 million (2019: R15.5 million). Santam retained our 3 points (2019: 3 points).
Access to financial services	Santam sold 176 779 policies into this market in 2020; this is a decline (2019: 217 000). This is a direct impact of COVID-19. We did improve our FSC Access score to 10.36 points (2019: 9.81 points) as a result of more composite policies being accounted.

The SES committee is satisfied that it has fulfilled its responsibilities in accordance with the committee charter for the year.

EMPLOYMENT EQUITY

Santam's EE targets for 2019 to 2021 were approved by the executive HRRC and submitted to the Department of Labour. For 2021, the SES committee will require Santam's business units to report on initiatives taken to meet EE targets.

THIS INTEGRATED REPORT

Together with the audit committee, the committee reviewed the ESG disclosures contained in this integrated report and recommended it to the board for approval. The committee is comfortable with the accuracy and level of disclosures.

Investment committee report

The investment committee is chaired by Machiel Reyneke, who is an independent non-executive director. The committee currently comprises two executive directors, one non-executive director and one independent non-executive director. The committee meets to evaluate and monitor the investment portfolio (excluding strategic investments), as well as the performance of investment managers. These meetings comprise quarterly feedback sessions with investment analysts and four formal investment committee meetings a year. The investment committee guides the board on the mandates of investment managers and makes recommendations about the company's investment philosophy. The investment committee charter also reflects the company's intention regarding responsible investment.

The investment committee assists the board in practising responsible investment that promotes good governance and value creation by the companies in which Santam invests. The investment committee sets the direction for responsible investing. The outsourced service providers are required to report on their application of the responsible investment principles incorporated in the Santam group Investment Policy, and the investment committee reviews these reports. The investment committee ensures that the outsourced service providers are engaged by means of a formal mandate that gives effect to the Santam Responsible Investment Policy.

IN 2020 ...

The committee met four times during the year. Among the matters considered by the investment committee in 2020 were Santam's capital management plan, the issuance of unsecured subordinated callable notes, the revision of the investment guidelines for the international debt portfolio, and the collar over Santam's equities to provide capital protection during periods of volatile market conditions. Details of attendance of meetings are provided on page 71 and details of the investment committee members' qualifications from page 58.

The investment committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Ad hoc board committees

The board has the right to appoint and authorise special ad hoc board committees to perform specific tasks from time to time. The relevant board members make up these committees. No ad hoc committees were appointed during 2020.

Other committees

The independent committee of the board consists of all the independent directors and convenes on an ad hoc basis to consider board matters pertaining to related parties. No meetings were required during the year under review.

Executive committee

Executive management and the board work closely to determine the group's strategic objectives. The board delegates authority to the chief executive officer and the executive committee for the implementation of the strategy and the ongoing management of the business. The chief executive officer, assisted by the executive committee, are mandated by the board, through the company's delegation of authority framework, to deal with the day-to-day running of the company's affairs. The chief executive officer chairs the executive committee, which comprises the executive management of all the significant business units of the company. It meets and deals with all matters relating to:

- Implementing the agreed strategy
- Monitoring performance
- Considering the company's policies

The board regularly reviews the levels of delegated authority to the chief executive officer.

IT governance

Santam considers information to be a strategic asset. Our IT systems provide the platform on which the group does business and, combined with technology and data, constitute a source of future business opportunities. IT and digital technology represent a growing source of competitive advantage to enhance our intellectual capital.

We rely on standardised processes and controls to extract and exploit information for decision-making and to maintain data quality at an acceptable level. IT governance drives accountability, responsibility and the effective management of business information across the group. A key strategic focus for the group is to continuously mature information and cyber security processes, and develop and implement business application platforms that will enable Santam to:

- Deliver products more speedily
- Reduce exposure resulting from incorrect risk calculations
- Protect Santam and customer data
- Move closer to our partners and clients through different user experience platforms
- Reduce the overall operational cost of contact centres

The Santam board is responsible for technology (including digital) and information governance and acknowledges that these aspects are critical to the group. The governance of technology and information is defined in the Santam group IT governance charter, the information governance charter and the information security charter. There are appropriate steering committees for each area.

THE IT GOVERNANCE CHARTER

The Santam board manages the execution of IT governance through the IT governance charter, which describes the IT governance principles, mechanisms and responsibilities to be applied within Santam and its subsidiaries, associates, partnerships and joint ventures.

The charter sets out the board's responsibilities relating to the governance of technology; the recognition of the fiduciary duties of the board members of subsidiary companies and business entities; IT governance principles for the group; the recognition of Sanlam Group IT in the Santam governance model; and the various bodies that govern IT in the Santam group. These bodies include:

- Boards of directors
- Business unit chief executive officers
- Audit and risk committees
- Executive management structures
- IT management committees
- Strategic IT investment structures
- Information and IT security governance structures

THE INFORMATION GOVERNANCE CHARTER

The Santam information governance charter sets out the ownership and governance principles of information within the Santam group. To this end, the charter's core purpose is effective information management and governance, which constantly enhance the value and quality of information and direct data usage and information.

Information governance and management are the responsibility of the board and heads of departments, or their designated representatives (data stewards). This warrants a carefully designed system of information governance and management by the Santam information governance authority committee (SIGA) to guarantee optimal attention of key stakeholders and role players.

SIGA reports to the audit and risk committees through the SIGA chairperson (group chief information officer). The SIGA chairperson reports progress to the Santam executive committee.

THE INFORMATION SECURITY CHARTER

The information security charter expands on the IT governance charter by describing the governance of information security. This charter sets out the various information security principles, governing bodies and role players responsible for providing the board with a clear and understandable view of the state of information security and resultant risks within the group.

The information security committee (chaired by the group chief information officer) is responsible for adherence to the information security charter and the implementation of an information security management system to protect Santam's technology and information assets.

IT MANAGEMENT AND REPORTING

The charters are implemented through quarterly reporting to the audit and risk committees and the board, which covers all Santam subsidiaries, associates, partnerships and joint ventures. To monitor IT risks and the effective control of IT and information within the group, the board mandates the executive team to implement the IT governance framework. IT governance is managed on a day-to-day basis at a business unit level.

Quarterly reporting to the audit and risk committees includes the appetite of the respective business units for specific strategic, technical, operational and information risks, as well as updates on governance framework implementation, access governance and vulnerability management.

The Santam board delegates the prioritisation and approval of major IT investments to the strategic investment steering committee, which consists of Santam executives.

This committee ensures that projects follow the governance framework, oversees the execution of the project life cycle and assesses the value delivered to the organisation.

IN 2020 ...

IT GOVERNANCE IN 2020

During the year under review, our IT governance focus areas were to:

- Monitor and manage cyber risk
- Continually manage risks pertaining to Santam third parties
- Adopt four new group policies which, in 2021, will replace the charters. These policies are the Santam group IT Policy, Santam group Information and Data Policy, Santam group Digital Behaviour Policy and Santam group Cyber Security Policy

Cyber risk

Reduced exposure to cyber risk and business disruption are key focus areas of the Santam group Information Security Strategy. Tracking against activities in this strategy are reported on in the quarterly Santam IT risk, governance and information security report. This report goes to the Santam risk committee and forms part of the Santam information security committee and the IT steering committee agendas. Some focus areas for 2020 were:

- Improved user awareness regarding cyber security
- Reassessment of the cyber risk related to Santam core systems
- Review of the IT risk appetite statements and measures and subsequent approval by the risk committee
- Improved management and review of privileged accounts

Compliance

Binder regulations and policyholder protection rules are current compliance requirements. The Protection of Personal Information Act (POPI) mandates the implementation of controls to protect personal information in all its forms in Santam and its subsidiaries. The implementation of these controls was divided into phases that deal with accidental loss of information (phase 1) and malicious leakage of information (phase 2). Initiatives on phase 1 have been completed and are operational and phase 2 started in 2019 and continued throughout 2020.

Third-party risk

Santam third-party risk management initiatives were enhanced to cover additional third parties to the binder holders that are currently being assessed annually. These initiatives included activating cloud risk assessments on the third-party risk management platform that is being used. Enterprise risk management also drafted a third-party governance and risk management framework which was approved by the risk committee. This will enhance the governance and assessment of third-party risk going forward.

INFORMATION GOVERNANCE FRAMEWORK

IFRS 17 heralds a major overhaul in how the insurance industry accounts for its insurance contracts from a financial perspective. The industry is focused on defining the solution, and analysts are taking a keen interest on how the reporting changes introduced will affect insurers' financial performance.

For Santam, IFRS 17 brings about significant change in the way Santam collects, governs, stores and uses data to ensure the way we report results and measure performance comply with the standard.

RISK MANAGEMENT REPORT



Santam's board recognises and acknowledges that it is accountable for establishing and maintaining an effective risk management process, including the system of internal control.

The board is of the opinion that the risk processes at Santam are effective in continually identifying and evaluating risks, and in ensuring that these risks are managed in line with the business strategy and within the board-approved risk appetite.

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE PROCESSES

Santam has a system of internal control as part of the overall risk management process. The system provides the board with reasonable assurance that the business is operated consistently within:

- The strategy as determined by the board
- The business objectives
- The policies and processes
- The laws and regulations that apply to the group

The system of internal control aims to detect and prevent any significant risk from materialising and to mitigate any adverse consequences that may arise. The board is supported by the control functions within Santam, which include the internal audit, risk management, actuarial and compliance functions. Several business units have quality assurance functions that continually identify specific control weaknesses that need to be addressed. The risk and audit units work closely with these functions to ensure that an appropriate system of control is in place.

SYSTEM OF INTERNAL CONTROL

The board is ultimately responsible for the effectiveness of the group's system of internal control. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The board can only provide reasonable and not absolute assurance against material misstatement or loss.

The board confirms that the process for identifying, evaluating and managing the significant risks faced by the group is effective and ongoing. This process was in place for the year under review and up to the date of approval of the integrated report. The board reviewed and approved the group Internal Control Policy during the year under review.

In addition to designing and operating suitable internal controls, management is responsible for identifying and evaluating significant risks that apply to its areas of business. Self-assessment and hierarchical reporting processes were established, which generate a trail of accountability regarding internal controls. These procedures are relevant across group operations. They provide for successive assurances to be given at increasingly higher levels of management and, finally, to the board.

This process is facilitated by enterprise risk management (ERM) and group internal audit, that together provide a high degree of assurance about the operationality and validity of the system of internal control. Planned corrective actions are monitored independently for timely completion.

INTERNAL FINANCIAL CONTROLS

The board confirms that effective systems of internal control and risk management are maintained. During the year there were no breakdowns in the functioning of the internal financial control systems that had a material impact on the Santam Ltd group annual financial statements.

The board is satisfied that the annual financial statements fairly present the financial position, changes in equity, results of operations and cash flows for the group in accordance with IFRS, and that these statements are supported by reasonable and prudent judgements that were applied consistently.

INTERNAL ASSURANCE PROVIDERS

The main internal independent assurance provider in Santam is the internal audit department. Through the audit committee, internal audit provides objective and independent assurance to management and the board of Santam about risk management, control and governance processes. Internal audit is governed by an internal audit charter, which is approved by Santam's board and reviewed annually. The charter defines the purpose, authority and responsibility of the function.

The head of internal audit provides a report at each audit committee meeting including an annual written assessment of its scope and findings. The head of internal audit reports to the chairman of the audit committee with administrative reporting to the chief financial officer and unrestricted access to the chief executive officer and/or any other member of executive management.

The group's approach to the governance of its operations is detailed in the board-approved Santam Group Governance Policy. In the policy, it is acknowledged that Santam, at any time, holds material investments (in terms of the level of shareholding and/or the value of the investment) in a number of entities, either through legal entities or other corporate or business arrangements. Internal audit has an audit strategy for each category of entity.

Internal audit plans ensure that all entities are considered in the audit plan based on their size, complexity and risk profile, as well as the nature of the investment and specific legal entity governance requirements. The annual internal audit plan is reviewed regularly so that it remains relevant and responsive to changes in the operating environment.

The audit committee approves the group's internal audit plan. Detailed audit plans for subsidiaries with separate licences are approved by their respective finance and risk committees.

Internal audit proactively reviews its practices and resources for adequacy and appropriateness to meet the increasingly demanding corporate governance and regulatory environment, including the requirements of King IV and other applicable regulation. The head of the internal audit control function was appointed at group level and was outsourced to MiWay Insurance Ltd, Centriq Insurance Ltd, Centriq Life Insurance Ltd, Santam Structured Life Ltd, Santam Structured Insurance Ltd, Santam Structured Reinsurance Ltd PCC and Santam Financial Services Ltd DAC.

EXTERNAL AUDIT

The external auditors, PricewaterhouseCoopers Inc, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group. External audit regularly communicates with internal audit to understand the scope of work and the results of its audits.

Santam has a formal pre-approval policy on the use of external auditors for non-audit services. The policy provides guidelines for dealing with audit, audit-related, tax and other non-audit services that may be provided by the independent auditor to Santam and its entities. It also sets out the services that may not be performed by the auditor. The services rendered by the auditors are monitored by the audit committee on a quarterly basis. Non-audit services rendered by the group's external auditors amounted to R1 million.

The external and internal auditors attend audit committee meetings and have unrestricted access to the committee and its chairman at all times, which ensures their independence is in no way impaired. The external and internal auditors have the opportunity to address the audit committee at each of the meetings without management being present.

Internal audit, other internal assurance providers and control functions regularly interact and consult with each other. For example, the quality assurance functions in the distribution, claims and underwriting business units, and the heads of risk management, actuarial and compliance control functions.

RISK MANAGEMENT

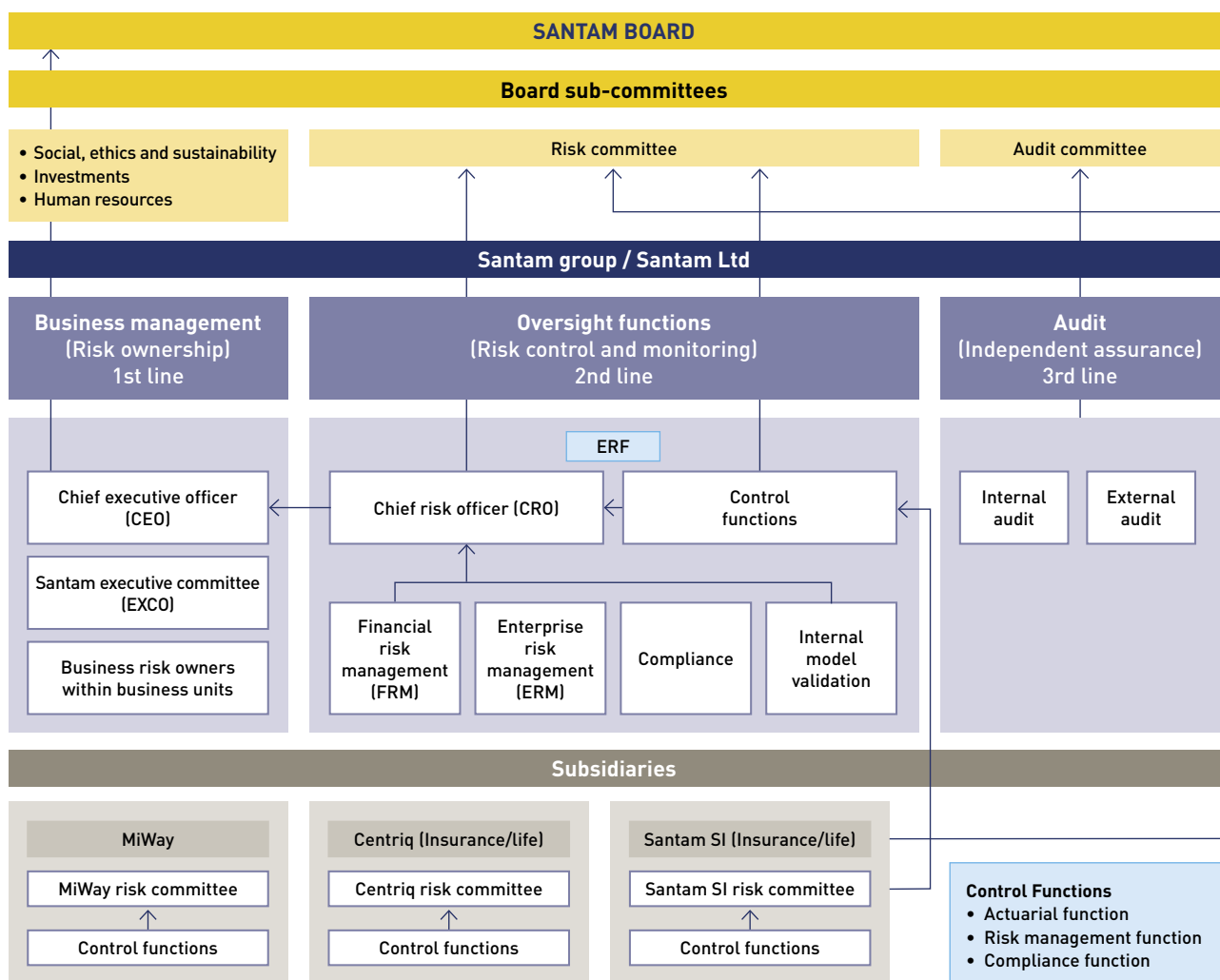
The objectives of risk management are:

- To create and protect value for stakeholders
- To improve decision-making
- To contribute to retaining and building Santam's leadership position in terms of financial performance, reputation, market share and policyholder protection

The board regularly reviews the risk management, internal control and compliance systems for effectiveness. The board is responsible for the overall governance of risk and it is assisted by the risk committee in discharging this responsibility.

The Santam board adopted the three lines of defence model for managing risk. This model defines the roles, responsibilities and accountabilities for identifying, managing, reporting and escalating risks and other matters throughout the group. This approach ensures that there is appropriate oversight of all areas of material risk and that risk management is embedded in the culture and daily activities of the business.

The group operates within a federated business model environment. In terms of this philosophy, the Santam board sets tight principles that need to be applied throughout the group, including adopting the group ERM policies and frameworks. The business units take responsibility for all operational and risk-related matters on an operational level within the limits set by the risk appetite, policies and frameworks.



The risk appetite process is key to the integrated strategic planning process and the continued monitoring of operations. The risk appetite is agreed and set at board level, indicating the overall limits and tolerance levels for the wide variety of risks faced by the organisation.

Risk appetite statements are aligned with the strategy and together provide direction for decision-making and execution in terms of the amount of risk the business can manage. The statements are a combination of quantitative and qualitative measures to provide clear guidance from a top-down perspective. These group statements are cascaded into the various business units, licensed entities and material subsidiaries.

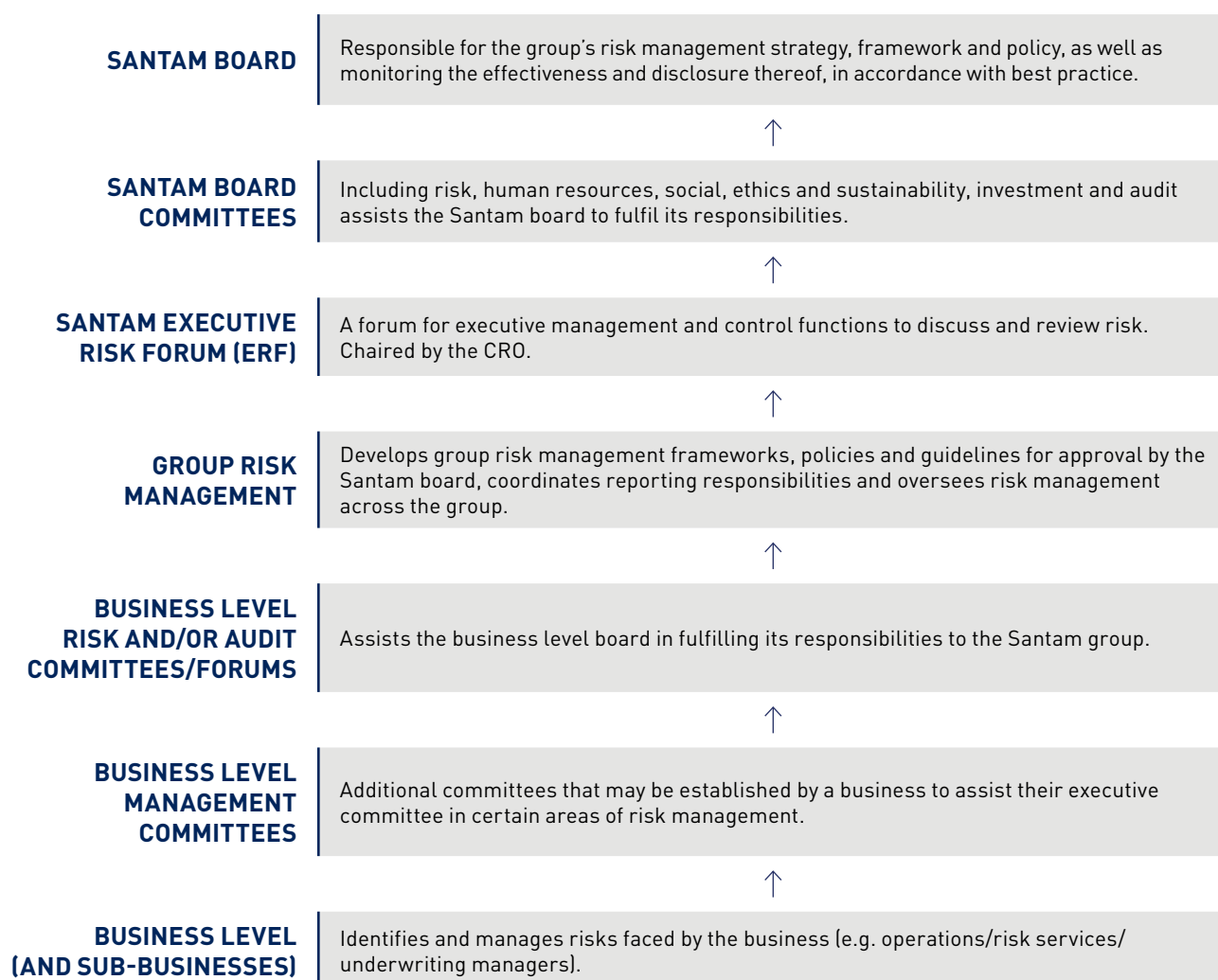
Risk appetites are in place for the main strategic business units. Risk reports are discussed quarterly by the various committees and boards, and ultimately feed into the overall group risk appetite, which is discussed and reviewed by the Santam risk committee. The diagram below depicts the flow of risk management information from the individual businesses to the Santam Ltd board.

RISK GOVERNANCE

The Santam group chief risk officer (CRO) has an independent line of accountability to the Santam board through the risk committee. The primary function of this role is to aid the board in its implementation, review and approval of the enterprise-wide risk governance framework, which includes Santam's risk culture, risk appetite, risk limits and corresponding capital and liquidity needs. This role is supported by Santam's other internal control functions.

In accordance with the Insurance Act, 18 of 2017, the heads of all control functions (actuarial, risk management, compliance and internal audit) were appointed for the Santam group and its licensed subsidiaries. The group actuarial, risk management and compliance control functions are supported by relevant functional teams at the subsidiaries to ensure adequate on-the-ground expertise and knowledge of the business.

The combined assurance framework brings together the relevant role players to review and update significant risks and establish potential assurance or oversight gaps. Any gaps are escalated to the audit committee. The key risks are jointly assessed by the various assurance providers.



RISK DISCLOSURE

The integrated ERM process is mature and is applied consistently throughout the group. Based on independent reviews and maturity assessments presented to the risk committee, the board is satisfied that the risk management processes are adequate for identifying current and emerging risks and ensuring that these risks are managed appropriately. Santam continuously monitors these risks and develops appropriate action plans to respond to them. The table below provides a summary of Santam's top risks:

Risk category	Risk	Trend	Description	Our response
Insurance	Santam's ability to achieve premium growth targets	→	Santam's ability to grow the group at an acceptable rate is the single biggest risk we face in terms of creating sustainable shareholder value.	Business unit specific initiatives for achieving growth and profitability in line with budgets. Monthly financial performance reviews measuring actual growth and margins against budget. Quarterly performance against strategy reviews. Significant focus on managing expense levels.
Insurance, market and operational	Political and social risks in South Africa	→	Economic conditions directly impact our clients' ability or appetite to spend money on risk mitigation. South Africa's low economic growth exacerbates high unemployment, inequality, and macro-vulnerabilities. Inflation influences consumer spending, which may result in increased cancellations and returned debit orders.	Santam is a committed corporate citizen. See transformation (page 75), the value we create for our stakeholders (page 26) sections for more information. Several partnerships with government and industry bodies assist and address certain concern areas proactively. Diversifying Santam's business outside South Africa. Santam's focus on extracting value from the Saham transaction in Africa.
Insurance	Failing infrastructure and lack of maintenance in South Africa impacting claims	→	Failure to adequately invest in, upgrade or secure public infrastructure networks, as well as commercial infrastructure and private property, can lead to pressures or breakdowns with system-wide implications – specifically from an insurance perspective.	Increased underwriting focus on the impact of failing infrastructure on claims experience. Through the P4RR and research studies, we provide support to the National Disaster Management Centre and the Municipal Infrastructure Support Agency. Santam partners with the Department of Cooperative Governance and Traditional Affairs, the South African Local Government Association, and local district municipalities to support and promote infrastructure maintenance and resilience to mitigate disaster-related risks. Our crisis management plan can be applied and adopted for a wide range of crisis scenarios.
Insurance	Increasing management expense ratios	↑	Expense ratios that grow at a faster rate than the growth in premiums erodes Santam's net underwriting margin. A sustainable business model relies on containing costs.	Detailed budgeting process followed included projections of future expenses. Monthly financial performance reviews measuring actual versus budgeted expenses. Strategic initiative, including the use of technology, to improve operational processes and reduce expenses.
Insurance	Climate risk, including catastrophe events and extreme weather	→	Climate change poses serious risks to the stability and quality of human society, and the global economy. The consequences of global warming are already evident in more extreme weather events. Santam faces the risk of an increase in the frequency and severity of extreme weather events (droughts, floods, wildfires, cyclones) and the consequent impact on its claims experience and business processes.	The group is working on understanding climate-related risks (physical and transitional) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as these risks affect the underwriting and investment sides of our business. We have been a member of ClimateWise since 2009 and were a founding member of the UN Environment's Principles for Sustainable Insurance in 2012. We completed our ClimateWise and carbon disclosure reports which respond to the TCFD-aligned questions on the group's climate action initiatives. Find these online, as well as the group's climate change position statement at http://www.santam.co.za/investor-relations/integrated-report/environmental-social-governance/ .
Insurance	Lack of A-rated paper on which to write international business	↑	Santam's ability to write business in foreign jurisdictions, outside of Africa, is predicated on it being able to offer the market A-rated paper. Many insurers require a strong credit rating from a recognised rating agency in order to place business with that counterparty.	Santam has a long-term arrangement with Munich Re, via its New Re subsidiary, that allows it to use New Re's very strong credit rating to back business written in foreign jurisdictions. Business written via this facility is 100% ceded back to Santam.

Risk category	Risk	Trend	Description	Our response
Operational	Cyber risk	↑	Cyber risk is the risk of a security breach of Santam's IT systems affecting the Santam brand, confidentiality, availability and/or integrity of information, resulting in a financial loss and/or business disruption. The predominant risk in this respect lies with business not managed in the Santam/Santam controlled environment.	Sanlam and Santam have a shared service approach managing cyber risk. By pooling resources, budgets and skills, the group can mitigate cyber risks more efficiently. To understand and manage this risk, Santam maintains a cyber resilience framework which identifies material cyber risks and their management, as well as a crisis management guide to deal with cyber risk scenarios. Santam employees receive continual cyber security awareness training to improve user awareness of cyber security. Santam performs a significant amount of third-party risk analysis to ensure that the risk posed by businesses not managed within the Santam/Santam controlled environment are well understood.
Market	Performance of our strategic investments in Saham and Sanlam Emerging Markets (SEM)	→	Santam has material investments in Saham and other SEM entities (India and Malaysia). The performance of these entities affects Santam's ability to create shareholder value.	Fostering a close working relationship with Saham and SEM. Participating at a board level on all material Saham and SEM entities. Our technical expertise supports the SEM businesses, combined with specific operational controls around underwriting processes. Embedding our partnership model for Santam Specialist in Africa.
Operational	Ability to achieve Santam's transformation targets	↑	Inclusive economic transformation in South Africa requires contributions from the industry, and Santam as a leader in the industry, to create action plans.	Santam focuses on transformation initiatives that impact our people, intermediaries, suppliers, clients and communities Read more about our transformation initiatives on page 75.
Operational	Poor quality data affecting decision-making	↑	The exploitation of data within a non-life insurance environment is fundamental to the appropriate pricing and management of risks. Using data that is not complete, accurate and appropriate may lead to incorrect decisions.	Santam is upgrading its data architecture and processes to create a centralised store of all information across the Santam group. The data lake created to store this information is well governed and will form the basis for all financial reporting and operational processes.
Operational	Reputational damage and brand association risk	↑	The damage to a brand's public standing because of a scandal, disaster or accident can be devastating and long lasting. In today's environment, with the explosion of social media platforms and online review sites, reputation has become vulnerable.	Organisation-wide focus on delivering our brand promise of Insurance good and proper. Santam's reputation monitoring activities allow for around-the-clock monitoring and timeous, appropriate responses to all events that pose reputational damage to the group or any of our business units.
Operational	Skills shortage, including attracting and retaining top talent	↓	There are industry challenges regarding shortages of certain skills and, more generally, the quality of skills available. The insurance industry competes with other sectors for suitably qualified and skilled candidates with the appropriate level of performance.	Strong focus on managing Santam's human capital and developing talent pipelines within the company and externally. Santam's historic success in managing to retain key employees. Santam invests in the development of leaders to identify and coach emerging talent. Santam invests significantly in programmes that introduce learners and graduates to the business. We provide an extensive suite of total rewards and benefits to attract, retain and motivate employees. We review our talent and develop succession plans. We support wider industry initiatives to increase the uptake of professional learning and qualifications.

COMPLIANCE

The group operates in a highly regulated environment owing to the nature of its financial services operations. Long-term sustainability is inextricably linked to compliance with all applicable regulations and a productive relationship with the regulators who grant operating licences to the group's businesses. Regulatory compliance is therefore an important operational focus area.

Compliance functions with dedicated compliance officers are established at group and licensed entity level. The terms of reference for these functions focus on regulatory compliance.

These functions provide quarterly reports to the relevant board and executive committees and include updates on regulatory developments, augmented by training sessions to keep members abreast of all legislation applicable to the group.

Changes in South African regulations are monitored by the group compliance function. The compliance function is actively involved in commenting on proposed regulatory

changes directly and through industry bodies. The function is responsible for coordinating the implementation of new regulations across affected businesses.

Read more about the regulatory environment in which the group operates in the chief executive officer's report on page 39.

BUSINESS CONTINUITY

A key operational risk that spans Santam's business is the potential impact of a major disaster and/or disruption. The group responded to this threat by continually improving the group-wide business continuity framework to ensure that people are prepared, crisis infrastructure is tested and meaningful recovery plans are in place.

A steering committee is responsible for overseeing, reviewing and monitoring Santam's business continuity capability, specifically prioritising business recovery plans.

In 2019 and 2020, Santam worked hard at updating its business continuity plans. This work was a key reason for the group's successful response to the COVID-19 pandemic.

REMUNERATION REPORT SUMMARY



Our approach to remuneration

The Santam board is responsible for the governance of remuneration. The human resources and remuneration committee (HRRC) is mandated by the board to ensure Santam 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's strategy by incentivising the behaviour required to meet and exceed our predetermined strategic goals. 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, Santam takes cognisance of prevailing economic conditions and local and international governance principles. We take steps to ensure alignment with comparator groups, international best practice and the applicable regulatory and governance requirements in each country in which Santam operates, most notably King IV and Prudential Standards. The group conforms to the remuneration principles contained in the BBBEE Codes of Good Practice, issued by the Department of Trade, Industry and Competition in accordance with the BBBEE Act, 46 of 2013.

While compliance with the Santam remuneration policy is primarily targeted at Santam Ltd and its subsidiary companies, the group will influence the application of sound remuneration practices in those businesses where it does not hold a controlling interest.

The HRRC

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-term incentive (STI) and long-term incentive (LTI) schemes and setting remuneration packages of the Santam executive directors, the Santam executive committee and the Santam heads of control, relative to industry benchmarks. Recommendations made by the business 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 makes recommendations to the board regarding the remuneration of Santam's non-executive directors.

ONGOING ENGAGEMENT WITH SHAREHOLDERS

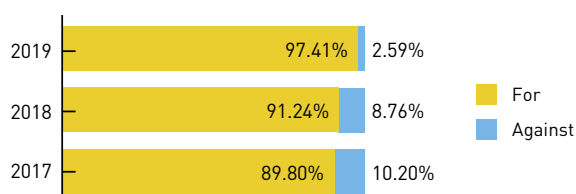
Our approach to engagement

- The HRRC welcomes ongoing engagement with shareholders and encourages shareholders to share their ideas with the company.
- Once shareholders have had time to study the remuneration report, we welcome feedback, preferably in writing. The company will respond to queries and input from shareholders in writing.
- If shareholders would, at another time, like to make recommendations or provide input to the HRCC, such feedback will be appreciated and will be handled in the same manner as set out above.

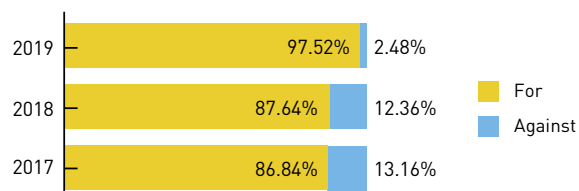
The group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the Santam AGM. At the 2020 AGM (relating to the 2019 financial year), a total of 97 574 337 votes (2019: 100 619 243) were cast on the advisory vote on the group's remuneration policy, and 97 679 064 votes (2019: 100 539 777) were cast on the implementation of the policy, with the clear majority of shareholders supporting the group's remuneration policy and practices.

The results of the voting over the past three years were as follows:

AGM IN RESPECT OF REMUNERATION POLICY



AGM IN RESPECT OF IMPLEMENTATION REPORT



IN 2020 ...

WE ENGAGED WITH SHAREHOLDERS, INVESTORS AND PROXY VOTING ADVISORS:

In these consultations we solicited feedback and discussion on the Santam remuneration policy, the implementation thereof and the disclosure of both aspects. Detail on these engagements can be found in our full remuneration report, available at www.santam.co.za/investor-relations/integrated-report/governance/. In summary, in line with market best practice, we enhanced disclosures of:

- Outcomes of testing of deferred share plan (DSP) vesting conditions for executive directors
- Benchmarking

We received positive feedback from shareholders and proxy voting advisors on the consultations, actions and increased disclosure. This is an ongoing process and we are committed to open and continual engagement in this regard.

REMUNERATION OVERVIEW

Policy and philosophy

The board recognises that appropriate remuneration for executive directors, members of the Santam executive committee and other employees is inextricably linked to the attraction, development and retention of top-level talent and intellectual capital within the group. Santam's operating environment is characterised by a tough economic climate, changing regulatory requirements and ongoing skills shortages. Therefore, 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
- 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 STI and LTI and retention processes
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution

The 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 shareholders' interests and those of the Santam brand or corporate identity require full disclosure, motivation and approval by subsidiaries' human resources committees, 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. 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 continues to apply a total reward strategy for its employees, as far as practicable. This offering comprises remuneration (which includes cash remuneration, STIs and LTIs), 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 group's performance, growth and sustainability.
- **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)
 - The interests of other stakeholders (for example employment equity and client experience)
 - The performance of the group as a whole
 - The performance of any region, business unit or support function
 - The employee's own performance contribution
- **Consistency and fairness:** The reward philosophy strives to be 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 necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the group's objectives and ensure its sustainability over the long term.
- **Shared participation in relevant components of remuneration:** Employee identification with the success of Santam is important owing to its direct link to Santam's and individuals' performance. All employees should be recognised and rewarded for their contribution and the value they add to Santam, and, in particular, for achieving excellent performance and results, in relation to Santam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated to all employees. In this process, the link between remuneration and the group's strategic objectives is clarified to all employees.
- **Market information:** Accurate and up-to-date market information, information on best practice and trend information from reputable sources are 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 relates to this 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 local and international remuneration trends and governance frameworks, most notably King IV™ and the Prudential Standards.

Key remuneration facts

For the 2020 financial year the Santam group reported reduced operating results under very difficult economic circumstances, particularly the negative impact of COVID-19.

- Contingent business interruption (CBI) claims following the national lockdown negatively impacted the underwriting results. The net underwriting margin of 2.5% was below the long-term target range of 4% to 8% of net earned premiums.
- Gross written premium growth was also adversely affected by the economic consequences of the strict measures put in place by government to control the spread of COVID-19, which led to the underachievement of growth targets.
- The management expense ratio was significantly better than target, supported by a strong focus on efficiencies and lower short-term incentives.
- Following limited new appointments in 2020, the group marginally missed its employment equity target.
- The preferential procurement and the financial inclusion targets were met despite the challenges of COVID-19 however the group marginally missed the target on skills development.

The minimum annual business bonus targets were not achieved however the HRRC approved a modest discretionary pool to reward exceptional performance and retain key and critical talent.

For the year ended 31 December 2020 the following LTI allocations were made:

365 626 shares [2019: 321 714] were made to 304 participants [2019: 315] under the DSP	37 472 shares [2019: 31 237] were made to 10 participants [2019: 10] under the performance deferred share plan (PDSP)
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Effects of COVID-19 and application to remuneration components

The COVID-19 landscape and the material impact it had on business performance informed decisions taken on remuneration policy for guaranteed pay, bonuses and LTIs as follows:

Guaranteed Pay: In April 2020 we continued with salary increases for employees, however for 2021 pay increases will generally be frozen for senior and executive employees, with inflationary and performance based increases for junior employees.

Bonuses: As previously stated, the minimum annual business bonus targets for Santam Limited were not achieved however the HRRC approved a modest discretionary pool to reward exceptional performance and retain key and critical talent. The group executive members received no bonuses irrespective of individual performance.

LTIs: Performance conditions for the 2020 award are outlined in our full remuneration report available at www.santam.co.za. Santam has absolute financial conditions for LTIs as relative measures are not deemed appropriate due to the limited number of direct competitors. Using 2020 data either in measurement or as a baseline would create high volatility in the outcomes. Therefore, the HRRC resolved to exclude 2020 financial measurements from the measurement of the 2020 awards.

LINKING REMUNERATION TO STRATEGY EXECUTION

Awards granted in terms of the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The award has individual performance hurdles attached to it. For Santam executive committee members, these hurdles are derived from business scorecards reflecting key financial and strategic objectives. The CEO, Lizé Lambrechts and the CFO, Hennie Nel have the following financial and strategic metrics for vesting of DSP:

Financial: group and business level		Lizé Lambrechts	Hennie Nel
Achieve desired market price performance	50% Weighting	X	X
Improve/achieve growth targets		X	X
Achieve Santam group net insurance result target		X	X
Achieve management cost ratio target		X	X
Improve/achieve return to shareholders in excess of target return on capital		X	X

Strategic measures supporting the group's strategy		Lizé Lambrechts	Hennie Nel
Capital optimisation	50% Weighting	X	X
Growing and diversifying the business		X	X
Achieve ART operating profit and review of ART strategy			X
Drive optimisation of management expenses (getting the cost base in line)		X	X
Optimise return on insurance funds and investment income			X
Treating Customers Fairly (TCF)		X	
Achieve employment equity, skills development, preferential procurement and financial inclusion targets		X	X
Review of Santam's strategy (Building a Future-Fit Santam)		X	

FUTURE AREAS OF FOCUS

During 2021 the HRRC will continue to focus on a holistic review of variable remuneration design for executive committee members, including cash bonuses, deferral mechanisms, types and levels and performance conditions of LTI awards, a review of the minimum shareholding requirement against market best practice and risk alignment. The review will be based on market best practice and will support performance outcomes and long-term value creation.

We will continue to build strong, ethical leadership to lead Santam's people and embed the Santam Way values. We will continue to strive for an employee-led human resources offering and build a personalised reward and recognition offering to create a compelling employee proposition. We will use technology to develop employee experiences that enhance employee engagement and are aligned with the workforce of the future.

09

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Responsibility for and approval of the summary consolidated financial statements

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the summary consolidated financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting.

The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on its behalf by:



VP Khanyile

Chairman

3 March 2021



L Lambrechts

Chief executive officer

PREPARATION AND PRESENTATION OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

STATEMENT ON INTERNAL FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

- the summary consolidated financial statements, set out on pages 91 to 122, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS.
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
- internal financial controls have been put in place to ensure that material information relating to the group have been provided to effectively prepare the financial statements.
- the internal financial controls are adequate and effective and can be relied upon in compiling the summary consolidated financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



HD Nel

Chief financial officer
3 March 2021



L Lambrechts

Chief executive officer

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



M Allie

Company secretary
3 March 2021

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LIMITED

Opinion

The summary consolidated financial statements of Santam Limited, set out on pages 91 to 122 of the Santam 2020 Integrated report, which comprise the summary consolidated statement of financial position as at 31 December 2020, 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 Limited for the year ended 31 December 2020.

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 3 March 2021. 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: Chantel van den Heever

Registered Auditor

Cape Town

3 March 2021

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
ASSETS			
Intangible assets		968	948
Property and equipment		760	984
Investment in associates and joint ventures		2 205	2 661
Strategic investment - unquoted SEM target shares	7	1 538	1 474
Deferred income tax		102	107
Deposit with cell owners		161	180
Cell owners' and policyholders' interest		14	26
Financial assets at fair value through income	7	29 394	24 411
Reinsurance assets	8	8 946	6 821
Deferred acquisition costs		839	727
Loans and receivables including insurance receivables	7	6 855	6 237
Current income tax assets		15	16
Cash and cash equivalents		4 383	4 642
Total assets		56 180	49 234
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		103	103
Treasury shares		(527)	(482)
Other reserves		(196)	(405)
Distributable reserves		9 976	10 326
		9 356	9 542
Non-controlling interest		736	521
Total equity		10 092	10 063
LIABILITIES			
Deferred income tax		104	78
Cell owners' and policyholders' interest		4 238	3 964
Reinsurance liability relating to cell owners		161	180
Financial liabilities at fair value through income			
Debt securities	7	3 089	2 080
Investment contracts	7	1 838	1 618
Derivatives	7	80	-
Lease liabilities		782	978
Financial liabilities at amortised cost			
Repo liability		867	785
Collateral guarantee contracts		128	120
Insurance liabilities	8	28 871	23 207
Deferred reinsurance acquisition revenue		517	489
Provisions for other liabilities and charges		153	123
Trade and other payables including insurance payables	7	5 089	5 280
Current income tax liabilities		171	269
Total liabilities		46 088	39 171
Total shareholders' equity and liabilities		56 180	49 234

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million	Change
Gross written premium		38 273	35 852	7%
Less: reinsurance written premium		12 756	10 720	
Net written premium		25 517	25 132	2%
Less: change in unearned premium				
Gross amount		1 549	1 494	
Reinsurers' share		(693)	(588)	
Net insurance premium revenue		24 661	24 226	2%
Interest income on amortised cost instruments	9	185	186	
Interest income on fair value through income instruments	9	1 435	1 580	
Other investment income	9	398	288	
Income from reinsurance contracts ceded		2 089	1 995	
Net (losses)/gains on financial assets and liabilities at fair value through income	9	(273)	321	
Other income		347	271	
Net income		28 842	28 867	(0%)
Insurance claims and loss adjustment expenses		25 205	19 894	
Insurance claims and loss adjustment expenses recovered from reinsurers		(8 435)	(4 813)	
Net insurance benefits and claims		16 770	15 081	11%
Expenses for the acquisition of insurance contracts		5 124	4 878	
Expenses for marketing and administration		4 449	4 536	
Expenses for investment-related activities		66	70	
Amortisation of intangible assets		70	79	
Investment return allocated to cell owners and structured insurance products		418	614	
Total expenses		26 897	25 258	6%
Results of operating activities		1 945	3 609	(46%)
Finance costs		(318)	(368)	
Net loss from associates and joint ventures		(595)	(42)	
Impairment of associates and joint ventures		(15)	(4)	
Income tax recovered from cell owners and structured insurance products	10	429	280	
Profit before tax		1 446	3 475	(58%)
Tax expense allocated to shareholders	10	(371)	(874)	
Tax expense allocated to cell owners and structured insurance products		(429)	(280)	
Total tax expense		(800)	(1 154)	(31%)
Profit for the year		646	2 321	(72%)
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		209	(315)	
Total comprehensive income for the year		855	2 006	(57%)
Profit attributable to:				
– equity holders of the company		542	2 199	(75%)
– non-controlling interest		104	122	(15%)
		646	2 321	
Total comprehensive income attributable to:				
– equity holders of the company		751	1 884	(60%)
– non-controlling interest		104	122	(15%)
		855	2 006	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		491	1 990	(75%)
Diluted earnings per share		489	1 978	(75%)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non- controlling interest R million	
Balance as at 1 January 2019	103	(467)	(90)	9 311	8 857	508	9 365
Profit for the year	–	–	–	2 199	2 199	122	2 321
Other comprehensive income:							
Share of associates' currency translation differences	–	–	(315)	–	(315)	–	(315)
Total comprehensive income for the year ended 31 December 2019	–	–	(315)	2 199	1 884	122	2 006
Issue of treasury shares in terms of share option schemes	–	91	–	(91)	–	–	–
Purchase of treasury shares	–	(106)	–	–	(106)	–	(106)
Share-based payment costs	–	–	–	85	85	–	85
Share of associates' other movements in retained earnings	–	–	–	(7)	(7)	–	(7)
Dividends paid	–	–	–	(1 171)	(1 171)	(109)	(1 280)
Balance as at 31 December 2019	103	(482)	(405)	10 326	9 542	521	10 063
Profit for the year	–	–	–	542	542	104	646
Other comprehensive income:							
Share of associates' currency translation differences	–	–	209	–	209	–	209
Total comprehensive income for the year ended 31 December 2020	–	–	209	542	751	104	855
Issue of treasury shares in terms of share option schemes	–	110	–	(110)	–	–	–
Purchase of treasury shares	–	(155)	–	–	(155)	–	(155)
Share-based payment costs	–	–	–	80	80	–	80
Share of associates' other movements in retained earnings	–	–	–	(5)	(5)	–	(5)
Non-controlling interest acquired	–	–	–	(64)	(64)	(5)	(69)
Equity interest issued in cell captive ¹	–	–	–	–	–	166	166
Dividends paid	–	–	–	(793)	(793)	(50)	(843)
Balance as at 31 December 2020	103	(527)	(196)	9 976	9 356	736	10 092

¹ A subsidiary of the group issued an equity interest in cell captives during the year relating to amended cell share agreements entered into with cell shareholders. The amendment resulted in the initial contracts being derecognised and the new contracts classified as equity. According to the amended contracts, the group has sole discretion on payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the shares issued are now classified as equity compared to being classified as a liability before.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million
Cash flows from operating activities			
Cash generated from operations		5 948	5 831
Interest paid		(326)	(339)
Income tax paid		(437)	(955)
Acquisition of financial assets		(29 373)	(24 169)
Proceeds from sale of financial assets		25 315	22 529
Net cash from operating activities		1 127	2 897
Cash flows from investing activities			
Acquisition of financial assets		(1 862)	(913)
Proceeds from sale of financial assets		690	958
Acquisition of subsidiaries, net of cash acquired	11	(4)	(48)
Purchases of equipment		(65)	(53)
Purchases of intangible assets		(81)	(67)
Capitalisation of associates	11	–	(158)
Net cash used in investing activities		(1 322)	(281)
Cash flows from financing activities			
Purchase of treasury shares		(155)	(106)
Purchase of non-controlling interest in subsidiary		(69)	–
Proceeds from issue of unsecured subordinated callable notes		1 000	–
Dividends paid to company's shareholders		(793)	(1 171)
Dividends paid to non-controlling interest		(50)	(109)
Payment of principal element of lease liabilities		(141)	(173)
Net cash used in financing activities		(208)	(1 559)
Net (decrease)/increase in cash and cash equivalents		(403)	1 057
Cash and cash equivalents at beginning of year		4 642	3 618
Exchange gains/(losses) on cash and cash equivalents		144	(33)
Cash and cash equivalents at end of year		4 383	4 642

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (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*.

The summary consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity, credit facilities and investment portfolio.

In the context of the current challenging environment a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19-related claims;
- ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: severe COVID-19-related claims, including adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the summary consolidated financial statements.

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:

Standards effective in 2020

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2020:

- Amendments to IFRS 3 – *Business Combinations*
- Amendments to IFRS 7 – *Financial Instruments: Disclosures*
- Amendments to IFRS 9 – *Financial Instruments*
- Amendments to IAS 1 – *Presentation of Financial Statements*
- Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

No material impact on the summary consolidated financial statements, resulting from the adoption of these amendments made to IFRS, was identified.

Standards not yet effective in 2020

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

IFRS 17 INSURANCE CONTRACTS

The IASB issued IFRS 17 Insurance Contracts in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17, including the amendments, has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach applicable mainly for short-duration contracts.

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- be measured at the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows);
- a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period).

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements are met to measure a group of insurance contracts using the premium allocation approach, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Standards not yet effective in 2020 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the bulk of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also requires that losses are recognised earlier on contracts that are expected to be onerous. Based on the group's analysis to date we do not expect a significant impact on the financial results due to onerous contracts.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a pervasive impact across the group's operating model. Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established. Within the project team are further sub-teams including: data acquisition, data integration, IFRS 17 valuation, general ledger, consolidation and reporting integration. In addition, during 2020 the project commenced with the documentation of the future financial processes. During 2021 there will also be a significant focus on the group's new information management target operating model.

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including: finance, risk, information technology, operations and group internal audit.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be consistently implemented throughout the group. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly.

Development of systems to implement IFRS 17 for the group's gross and inward reinsurance business is in progress and the work on outward reinsurance business has commenced. The transition methodology and financial impact assessment will be a key focus area during 2021. It is expected that due to the short contract boundaries for the majority of the insurance book a fully retrospective approach will be applied with limited application of the modified retrospective approach for contracts with longer contract boundaries. Parallel run testing of the IFRS 17 solution is scheduled to take place in 2022.

Further focus areas for 2021 include an evaluation of future management reporting and key performance indicators, the treatment of related party transactions, business training initiatives and designing the required solution controls.

Once IFRS 17 internal development has been completed, there will be greater clarity on the impact of the standard on the results. The impact of the change on the group's solvency position is expected to be limited.

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 2020. There have been no changes since 31 December 2019, except as indicated below.

In 2020, the COVID-19 global pandemic has had a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the claim events that have occurred that are expected to give rise to claims by the end of the reporting period but remain unsettled have been adjusted for the potential impact of COVID-19. This includes frequency, severity and development pattern assumptions. Refer to note 8 for additional information.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19. Refer to note 14 for additional information.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

4. COVID-19 IMPACT

Premium relief

Premium relief of R310 million was granted to policyholders in the form of discounts and premium holidays. It is accounted for as a decrease in gross written premium in the period in which the relief is formally communicated to the individual policyholders.

Contingent business interruption (CBI) claims

The company has raised a net technical provision of R2 billion at 31 December 2020 as a best estimate of its net exposure in relation to policies with contagious and infectious disease CBI extensions. The provision raised is in addition to the R1 billion of interim relief payments made in August 2020, which will be offset against valid claims arising from the assessment process.

Following the Supreme Court of Appeal (SCA) ruling on Guardrisk's Café Chameleon case and the ruling of the UK Supreme Court in the FCA test case matter, legal certainty has been achieved with regards to policy response. It was confirmed that commercial policy wordings with the relevant extension will provide cover for business interruption losses caused by the COVID-19 pandemic in general, and the government response to it, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

A recent judgment by the Western Cape High Court, with regards to a specific policy (Ma-Afrika) written by the company's Hospitality and Leisure Division (H&L), ruled that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam's view is that the indemnity period is limited to three months and will contest this ruling at the Supreme Court of Appeal. This matter only relates to H&L clients, which make up less than a third of total policies with CBI extensions.

In determining the appropriate level of provisions, the company has considered the underlying exposure, the recent court judgments, the uncertainty with regards to the length of the indemnity period on specific H&L policies as well as the extent of the response to CBI claims by the company's reinsurance counterparties.

The potential outcome of an appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of the company's reinsurance recoveries may still impact the company's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

Impact on financial results

The underwriting results in the current period were impacted by the COVID-19 pandemic.

The motor class reported strong underwriting performance, benefiting from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Total premium relief of R310 million was provided by MiWay and Santam Commercial and Personal Business to motor policyholders in recognition of reduced travelling during the lockdown period. Following the relaxing of lockdown regulations from 1 June 2020, claims frequency started to normalise, but was still lower than the prior year.

The property class also benefitted from reduced claims activity during the lockdown from April 2020. This was however offset by R1 billion of relief payments in August 2020, as well as a further technical provision for CBI claims of R2 billion at year-end.

Investment return on insurance funds and investment income on shareholders' funds were negatively impacted by the lower interest rate environment.

The group's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios have been included in the current review cycle and it can be confirmed that both the group's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

5. 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 2020.

There have been no material changes to the risk management policies since 31 December 2019, except as indicated below.

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group. A detailed assessment of the risks faced specifically in relation to COVID-19 has, therefore, been undertaken. This includes risks we believe could threaten the group's business model, future performance, solvency or liquidity.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework charged with defining and ongoing management of the strategies designed to accelerate decision-making and mitigate the increased risk arising as a result of COVID-19 as far as possible. In response to COVID-19, key mitigants and controls have been considered and several key actions have been implemented to mitigate the additional risks that have been identified:

Key risks and exposures

Key mitigants and controls

Reserving risk

There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging.

The ongoing legal uncertainty relating to the indemnity period in policies with CBI extensions written by the H&L division of the company, and the extent of reinsurance recoveries, increases the risk of estimation uncertainty.

- Experienced actuaries responsible for estimation of the actuarial valuation of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost.
- This has involved extensive discussion and interaction among the underwriting, claims and legal functions to understand the exposure and claims experience to date, and to confirm the legal position on cover.
- Reserves were reviewed by the chief risk officer (CRO) and considered by the Executive Risk Forum attended by the chief executive officer (CEO), chief financial officer (CFO), CRO and chief underwriting officer, and the board, audit and risk committees.
- Claims case reserves represent the best estimate of outstanding value and were reviewed by the CRO.
- Legal counsel supports the group's view on CBI policy wording relating to the indemnity period for H&L policies.
- Margins are held to be at least sufficient at the 75th percentile in accordance with group policy for uncertainties.

Underwriting and claims risk

There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.

- Additional monitoring procedures have been implemented to track COVID-19-related claims including frequency and changes in payment patterns.
- A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts and take necessary actions.
- Well-defined risk appetite statements, which are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary.
- Extensive control validation and assurance activities are performed over underwriting pricing and claims.

Market, credit and currency risk

There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations.

COVID-19 has generated increased levels of market volatility, in particular in late March 2020 increasing the risk of credit default and downgrade.

Customers facing financial difficulty may not make premium payments.

- The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia. The group also entered into a zero cost collar to protect the value of the equity portfolio, refer to note 7.3.
- The group matches its foreign currency liabilities and capital requirements with appropriate foreign currency assets. The impact of exchange-rate movements on the group's performance and capital position is closely monitored. When deemed necessary, the group implements foreign currency hedging structures in order to manage its financial exposure to exchange rate movements.
- The group's investment strategy continues to be reviewed in light of COVID-19 developments and frequency of engagement with the group fund managers has been increased.
- Increased credit risk monitoring is in place to proactively manage financial risk arising from potential default of policyholders on their premiums.
- The group has provided payment relief to customers experiencing financial difficulty as a result of COVID-19.

Operational risk

This risk relates to customers and/or reputational damage arising from operational failure such as information technology (IT) system failure.

The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the customer.

- Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing the group's customers during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met.
- IT services have been maintained across the group with infrastructure continuing to support the remote working environment.
- Operational risk and resilience processes and procedures are in place, including incident management.
- IT and data risks remain under close monitoring, especially cyber threat.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. 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), Santam re and MiWay;
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq Insurance Group (Centriq) and Santam Structured Insurance (SSI); and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV (Saham).

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.

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 Saham 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 (Saham).

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.

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.

Investment activities

Investment activities are all investment-related activities undertaken by the group. 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. Revenue is earned from the various investment portfolios managed in the form of interest, dividends and fair value gains or losses, as well income from associates and joint ventures that are not considered to be strategic investments.

All activities

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

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 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

6. SEGMENT INFORMATION (continued)

6.1 Segment report

FOR THE YEAR ENDED 31 DECEMBER 2020 (AUDITED)

Business activity	Insurance							
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	Total R million	Investment R million	Total R million	Reconciling and unallocated ⁴ R million	IFRS total R million
Revenue	31 098	7 175	2 968	41 241	637	41 878	(3 605)	38 273
External	30 821	7 175	2 968	40 964	637	41 601	(3 605)	37 996
Intersegment ⁵	277	-	-	277	-	277	-	277
Operating result before non-controlling interest and tax¹	1 118	165	381	1 664	-	1 664	(381)	1 283
Reallocation of operating result	-	-	(381)	(381)	-	(381)	381	-
Investment income net of investment-related fees	-	462	32	494	523	1 017	-	1 017
Investment return allocated to cell owners and structured insurance products	-	(418)	-	(418)	-	(418)	-	(418)
Finance costs ²	-	(44)	-	(44)	(190)	(234)	-	(234)
(Loss)/income from associates and joint ventures including impairment	-	-	(658)	(658)	48	(610)	-	(610)
Santam BEE costs	-	-	-	-	-	-	(2)	(2)
Amortisation and impairment of intangible assets ³	(18)	(1)	-	(19)	-	(19)	-	(19)
Income tax recovered from cell owners and structured insurance products	-	429	-	429	-	429	-	429
Profit before tax	1 100	593	(626)	1 067	381	1 448	(2)	1 446

¹ Includes depreciation of R213 million for Conventional and R11 million for ART.

² Finance costs relating to lease liabilities has been included in operating result.

³ Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 million has been included in operating result.

⁴ Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.

⁵ Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

Business activity	Insurance			Total Investment R million	Investment R million	Total R million	Reconciling and unallocated ⁴ R million	IFRS total R million
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million					
Revenue	29 725	6 127	2 771	38 623	859	39 482	(3 630)	35 852
External	29 487	6 127	2 771	38 385	859	39 244	(3 630)	35 614
Intersegment ⁵	238	–	–	238	–	238	–	238
Operating result before non-controlling interest and tax¹	2 400	171	495	3 066	–	3 066	(495)	2 571
Reallocation of operating result	–	–	(495)	(495)	–	(495)	495	–
Investment income net of investment-related fees	–	614	257	871	745	1 616	–	1 616
Investment return allocated to cell owners and structured insurance products	–	(614)	–	(614)	–	(614)	–	(614)
Finance costs ²	–	–	–	–	(294)	(294)	–	(294)
(Loss)/income from associates and joint ventures including impairment	–	–	(89)	(89)	43	(46)	–	(46)
Santam BEE costs	–	–	–	–	–	–	(3)	(3)
Amortisation and impairment of intangible assets ³	(34)	(1)	–	(35)	–	(35)	–	(35)
Income tax recovered from cell owners and structured insurance products	–	280	–	280	–	280	–	280
Profit before tax	2 366	450	168	2 984	494	3 478	(3)	3 475

¹ Includes depreciation of R208 million for Conventional and R15 million for ART.

² Finance costs relating to lease liabilities has been included in operating result.

³ Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R12 million has been included in operating result.

⁴ Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.

⁵ Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
Revenue	31 098	29 725
Net earned premium	24 320	23 673
Net claims incurred	16 593	14 711
Net commission	3 083	2 950
Management expenses (excluding BEE costs) ^{1,2}	4 029	4 192
Net underwriting result	615	1 820
Investment return on insurance funds	501	579
Net insurance result	1 116	2 399
Other income	106	93
Other expenses	(104)	(92)
Operating result before non-controlling interest and tax	1 118	2 400

¹ Amortisation of computer software has been included in management expenses.

² Finance costs relating to lease liabilities has been included in management expenses.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

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

	Audited Year ended 31 December 2020		Audited Year ended 31 December 2019	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	641	94	585	24
Crop	1 262	147	886	(87)
Engineering	1 651	433	1 601	312
Guarantee	117	(14)	246	(58)
Liability	1 362	149	1 310	159
Miscellaneous	38	(10)	21	7
Motor	13 430	2 100	13 340	1 201
Property	11 798	(2 410)	10 974	212
Transportation	799	126	762	50
Total	31 098	615	29 725	1 820
Comprising:				
Commercial insurance	18 215	(1 176)	17 117	928
Personal insurance	12 883	1 791	12 608	892
Total	31 098	615	29 725	1 820

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	31 December 2020 R million	31 December 2019 R million
Income from clients	385	331
Participation in underwriting results ¹	34	59
	419	390
Administration expenses	(254)	(219)
Operating result before non-controlling interest and tax	165	171

¹ This relates to Centriq and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM AND OTHER SEM BUSINESSES

	31 December 2020			31 December 2019		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue	1 183	1 785	2 968	1 140	1 631	2 771
Operating result before non-controlling interest and tax	258	123	381	319	176	495

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	31 December 2020 R million	31 December 2019 R million
Revenue	1 183	1 140
Net earned premium	994	879
Net claims incurred	644	510
Net acquisition cost	301	254
Net underwriting result	49	115
Investment return on insurance funds	207	204
Other income	2	-
Operating result before non-controlling interest and tax	258	319

¹ This relates to Centriq Insurance and Santam Structured Insurance's selective participation in underwriting risk across the portfolios of traditional insurance business.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM'S GENERAL AND REINSURANCE BUSINESS

	31 December 2020 R million	31 December 2019 R million
Revenue	1 785	1 631
Net earned premium	1 258	1 225
Net claims incurred	757	776
Net acquisition cost	409	425
Net underwriting result	92	24
Investment return on insurance funds	37	145
Other (expenses)/income*	(6)	7
Operating result before non-controlling interest and tax	123	176

* Other (expenses)/income includes the net profit/loss for health, property and Elite lines of business.

ADDITIONAL INFORMATION ON SAHAM (100%)

	Life business		General Insurance ¹		Consolidation and Other ²		Saham Total	
	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million
Revenue								
Financial service income	962	1 229	13 458	14 085	543	283	14 963	15 597
Long-term insurance contracts	884	1 139	–	–	–	–	884	1 139
General insurance contracts	–	–	12 577	12 248	–	–	12 577	12 248
Investment return on insurance funds	50	70	376	1 454	–	–	426	1 524
Other	28	20	505	383	543	283	1 076	686
Sales remuneration	(260)	(212)	(1 605)	(1 617)	–	–	(1 865)	(1 829)
Underwriting policy benefits	(259)	(376)	(7 579)	(7 757)	–	–	(7 838)	(8 133)
Administration cost	(440)	(468)	(3 035)	(2 947)	(609)	(460)	(4 084)	(3 875)
Gross result from financial services	3	173	1 239	1 764	(66)	(177)	1 176	1 760
Tax	(30)	(61)	(284)	(504)	39	17	(275)	(548)
(Loss)/profit after tax	(27)	112	955	1 260	(27)	(160)	901	1 212
Non-controlling interest	(21)	(38)	(250)	(354)	(18)	(6)	(289)	(398)
Net result from financial services	(48)	74	705	906	(45)	(166)	612	814
Project expenses	(2)	–	–	–	–	–	(2)	–
Net investment return on shareholders' funds	(201)	(101)	(755)	(108)	(148)	(2)	(1 104)	(211)
Amortisation of intangibles	–	(5)	(39)	(24)	(15)	(10)	(54)	(39)
Impairments	(40)	–	(318)	–	–	–	(358)	–
Foreign currency translation differences	–	–	17	(76)	70	(40)	87	(116)
Net other (expenses)/earnings	(2)	–	26	–	–	–	24	–
Hyperinflation ³	(325)	–	1 616	–	–	–	1 291	–
Attributable earnings	(618)	(32)	1 252	698	(138)	(218)	496	448

¹ General insurance includes the following lines of business: general insurance, health, property, reinsurance and Elite.

² Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure, Netis Group.

³ The impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies for LIA (Lebanon) is included in the hyperinflation line.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	31 December 2020 R million	31 December 2019 R million
Investment income	717	724
Net (losses)/gains on financial assets and liabilities at fair value through income	(128)	91
Income from associates and joint ventures	48	43
Investment-related revenue	637	858
Expenses for investment-related activities	(66)	(70)
Finance costs	(190)	(294)
Net total investment-related transactions	381	494

For a detailed analysis of investment activities, refer to notes 7 and 9.

6.2 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million
South Africa	33 310	31 986	2 111	2 269
Rest of Africa ^{1, 2}	4 169	3 701	1 934	2 414
Southeast Asia, India and Middle East ²	3 362	2 633	1 321	1 384
Other	400	303	–	–
	41 241	38 623	5 366	6 067
Reconciling items ²	(2 968)	(2 771)	–	–
Group total	38 273	35 852	5 366	6 067

¹ Includes gross written premium relating to Namibia of R971 million (2019: R1 044 million).

² Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES)

The group's financial assets and liabilities including insurance receivables and payables are summarised below by measurement category.

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Financial assets		
Strategic investment – unquoted SEM target shares	1 538	1 474
Financial assets at fair value through income	29 394	24 411
	30 932	25 885
Expected to be realised after 12 months ¹	21 973	20 094
Expected to be realised within 12 months	8 959	5 791
¹ Including unquoted SEM target share amounting to R1,538m (2019: R1,474m)		
Loans and receivables including insurance receivables	6 855	6 237
Receivables arising from insurance and reinsurance contracts	5 392	5 118
Loans and receivables excluding insurance receivables	1 463	1 119
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	5 007	3 698
Expected to be settled after 12 months	4 123	3 590
Expected to be settled within 12 months	884	108
Trade and other payables including insurance payables	5 089	5 280
Payables arising from insurance and reinsurance contracts	2 874	3 044
Trade and other payables excluding insurance payables	2 215	2 236
Trade and other payables including insurance payables are expected to be settled within 12 months.		

7.1 Financial instruments measured at fair value on a recurring basis

The table on the following page 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 2019. 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 is determined as follows:
 - Listed equities and similar securities: valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
 - Unlisted equities and similar securities: valued using the discounted cash flow (DCF) or net asset value method based on market input.
 - Interest-bearing investments:
 - Quoted interest-bearing investments 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.¹
 - Unquoted interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
 - Structured transactions: valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
 - Investment funds:
 - Quoted investment funds 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 investment funds 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.¹
 - 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. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

¹ These investments are classified as level 2 as the markets that they trade on are not considered to be active.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 Financial instruments measured at fair value on a recurring basis (continued)

Audited at 31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 577	–	–	2 577
Unlisted equities and similar securities	–	5	1 609	1 614
Interest-bearing investments				
Government interest-bearing investments	–	4 496	–	4 496
Corporate interest-bearing investments	–	14 358	60	14 418
Mortgages and loans	–	146	–	146
Structured transactions				
Structured notes	–	264	–	264
Investment funds	–	5 191	–	5 191
Cash, deposits and similar securities	–	2 226	–	2 226
Financial assets at fair value through income	2 577	26 686	1 669	30 932
Debt securities	–	3 089	–	3 089
Investment contracts	–	1 838	–	1 838
Derivative liabilities	–	–	80	80
Financial liabilities at fair value through income	–	4 927	80	5 007
Audited at 31 December 2019 (restated)	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 420	–	–	2 420
Unlisted equities and similar securities	–	4	1 553	1 557
Interest-bearing investments				
Government interest-bearing investments	–	3 019	–	3 019
Corporate interest-bearing investments	–	12 029	60	12 089
Mortgages and loans	–	165	–	165
Structured transactions				
Structured notes	–	365	–	365
Derivative assets	–	35	–	35
Investment funds	–	4 480	–	4 480
Cash, deposits and similar securities	–	1 755	–	1 755
Financial assets at fair value through income	2 420	21 852	1 613	25 885
Debt securities	–	2 080	–	2 080
Investment contracts	–	1 618	–	1 618
Financial liabilities at fair value through income	–	3 698	–	3 698

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 Financial instruments measured at fair value on a recurring basis (continued)

The following table presents the changes in level 3 instruments:

	Equities and similar securities R million	Interest-bearing investments R million	Derivative liabilities R million	Total R million
31 December 2020 (audited)				
Opening balance	1 553	60	–	1 613
Acquisitions	30	–	–	30
Settlements	–	–	(50)	(50)
Gains/(losses) recognised in profit or loss	26	–	(30)	(4)
Closing balance	1 609	60	(80)	1 589
31 December 2019 (audited)				
Opening balance	1 390	61	–	1 451
Acquisitions	18	–	–	18
Settlements	(114)	–	–	(114)
Gains/(losses) recognised in profit or loss	259	(1)	–	258
Closing balance	1 553	60	–	1 613

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R26 million gain (December 2019: R259 million gain) recognised on equity securities, a R34 million gain (December 2019: R256 million gain) relates to the SEM target shares, of which R17 million (December 2019: R82 million) relates to foreign exchange gains (December 2019: loss), and R17 million to an increase (December 2019: R338 million increase) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of Shriram General Insurance Company (SGI) of R50 million (excluding the impact of exchange rate movements) is mainly attributable due to a more favourable dividend withholding tax regime in India. This was offset to some extent by lower premium growth forecasts in the short term, due to the impact of the COVID-19 pandemic and an economic down-turn on sales volumes.
- Santam's economic participation via the SEM African target share portfolio was amended to reduce the participation percentage from 35% to 10% effective 1 January 2019. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value. On 30 June 2020, Santam subscribed for a further target share in FBNGI at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.

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 investment relates to the target share which provides a participatory interest in SGI to the value of R1 293 million (2019: R1 226 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (2019: 14.3%). A Rand/Indian Rupee exchange rate of 0.201 (2019: 0.197) was used to translate the DCF valuation result in Indian Rupee to Rand. An average net insurance margin over a 10 year period of 23.4% (2019: 22.6%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R234 million (December 2019: R237 million) or increase by R398 million (December 2019: R420 million), respectively. If the relative foreign exchange rate increase or decrease by 10%, the fair value will increase or decrease by R129 million (December 2019: R123 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R109 million (December 2019: R105 million). The remaining target shares are mostly impacted by changes in exchange rates.

Refer to note 7.3 for disclosure relating to the derivative liabilities.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.2 Debt securities

During April 2016, the company issued 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 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.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R500 million floating rate subordinated debt issued in 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%. The effective interest rate for the floating rate notes issued in November 2020 represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

Per the conditions set by the Prudential Authority, the company 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.

7.3 Derivatives

At 31 December 2020, the group had exchange traded futures with an exposure value of R1 080 million (Dec 2019: R386 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 2020 of R46 million (Dec 2019: R69 million) and R46 million (Dec 2019: R69 million) respectively.

On 10 September 2018, the company entered into a foreign currency collar against the US dollar. As at 31 December 2018, the instrument's valuation amounted to R25 million. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R37 million. On 12 June 2019 the company entered into another foreign currency collar against the US dollar. As at 30 June 2019, the instrument's valuation amounted to R17 million. The collar unwound on 27 December 2019 resulting in a profit of R5 million.

A further foreign currency collar on R500 million worth of US dollar exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the US dollar. As at 31 December 2019, the foreign currency collar was valued at R34 million. The collar expired on 19 May 2020 realising a loss of R54 million.

On 6 August 2020, the company entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure continues to provide full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expired on 3 February 2021. Refer to note 16. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million.

The zero cost collar is classified as level 3 on the fair value hierarchy. Since implementation of the collar, all fair value losses have been recognised through the statement of comprehensive income. The significant input in to its valuation is the level of the SWIX40 index. A 10% increase in the index level would result in R107 million loss, and a 10% decrease in the index level would result in a R104 million gain.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.4 Reclassification of financial assets

In order to align with the group's holding company, Sanlam Ltd, the classification categories of financial assets at fair value through income were changed and restated. In total, financial assets at fair value through income did not change.

GROUP	As published 31 Dec 2019 R million	Restatement R million	Restated 31 Dec 2019 R million
Financial assets at fair value through income			
Equity securities			
– quoted	2 420	(2 420)	–
Listed equities and similar securities ¹	–	2 420	2 420
– unquoted			
Strategic investment – SEM target shares	1 474	(1 474)	–
Unquoted other	83	(83)	–
Unlisted equities and similar securities ¹	–	1 557	1 557
Total equity securities	3 977	–	3 977
Debt securities/interest-bearing investments			
– quoted			
Government and other bonds	4 276	(4 276)	–
Collateralised securities	315	(315)	–
Money market instruments (long-term instruments)	3 338	(3 338)	–
– unquoted			
Government and other bonds	922	(922)	–
Money market instruments (long-term instruments)	5 517	(5 517)	–
Redeemable preference shares	130	(130)	–
Government interest-bearing investments ¹	–	3 019	3 019
Corporate interest-bearing investments ¹	–	12 089	12 089
Mortgages and loans ¹	–	165	165
Structured notes ¹	–	365	365
Total debt securities/interest-bearing investments	14 498	1 140	15 638
Unitised funds/investment funds			
Unitised investments			
Underlying equity securities	697	(697)	–
Underlying debt securities	3 783	(3 783)	–
Investment funds ¹	–	4 480	4 480
Total unitised funds/investment funds	4 480	–	4 480
Derivatives			
Foreign currency collar	34	–	34
Futures	1	–	1
Total derivatives	35	–	35
Short-term money market instruments	2 895	(2 895)	–
Cash deposits and similar securities¹	–	1 755	1 755
Financial assets at fair value through income	25 885	–	25 885

¹ These categories were presented for the first time for the six months ended 30 June 2020.

The disclosure of equity securities remains largely unchanged. The category of debt securities has been replaced with interest-bearing investments. With the exception of some floating rate notes which were previously included as short-term money market, interest-bearing investments contain largely the same securities that were previously classified as debt securities. In the previous disclosure government and corporate bonds were classified in the same line, whereas in the new disclosure government bonds and other notes are disclosed separately to corporate bonds and other notes. These two types of interest-bearing investments have different risk characteristics. The old category of long-term money market has been reallocated to corporate interest-bearing investments and cash deposits and similar securities as appropriate. Cash deposits and similar securities include negotiable certificates of deposit (NCDs) and fixed deposits held with major banks. These instruments, which are included in the group's investment portfolios and are not used in the day to day cash requirements, would have previously been disclosed as long-term or short-term money market instruments. Floating rate notes previously categorised as long-term or short-term money market instruments are now included in corporate interest-bearing investments. Structured transactions contain investments which were previously disclosed as collateralised securities and derivatives. Investment funds were previously labelled as unitised investments.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	73	37
– claims incurred but not reported	48	45
General insurance contracts		
– claims reported and loss adjustment expenses	12 286	9 171
– claims incurred but not reported	4 004	3 064
– unearned premiums	12 460	10 890
Total gross insurance liabilities	28 871	23 207
Expected to be settled after 12 months	1 974	2 353
Expected to be settled within 12 months	26 897	20 854
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	12	10
– claims incurred but not reported	14	13
General insurance contracts		
– claims reported and loss adjustment expenses	5 663	4 297
– claims incurred but not reported	1 197	699
– unearned premiums	2 060	1 802
Total reinsurers' share of insurance liabilities	8 946	6 821
Expected to be recovered after 12 months	381	521
Expected to be recovered within 12 months	8 565	6 300
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	61	27
– claims incurred but not reported	34	32
General insurance contracts		
– claims reported and loss adjustment expenses	6 623	4 874
– claims incurred but not reported	2 807	2 365
– unearned premiums	10 400	9 088
Total net insurance liabilities	19 925	16 386

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

Insurance liability estimates

Estimation methodologies and reserving processes remained consistent and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2020. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods before the pandemic are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- frequency, based on different levels of reported claim counts observed;
- severity, based on different average claims costs observed;
- direct COVID-19 ultimate claims costs, including the outcome of legal proceedings.

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

Details of the group accounting policies in respect of insurance contract liabilities can be found in note 4 of the group's annual financial statements for the year ended 31 December 2020.

At 30 June 2020, the group had raised a technical provision of R1 290 million as the best estimate of its exposure relating to policies with CBI extensions. The best estimate was subject to significant uncertainty, which at that time included the uncertainty with regard to the findings of the courts in relation to Santam's Ma-Afrika case.

For the year ended 31 December 2020, the company has raised a net technical provision of R2 billion as the best estimate, taking into account the outcome of the Ma-Afrika case, the Supreme Court of Appeal judgment on Guardrisk's Café Chameleon case as well as other findings locally and internationally in relation to CBI cover. The group has recognised a provision in relation to all qualifying policies.

Judgment is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the group's exposure to CBI claims. There remains, however, significant uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgment applied includes:

INSURANCE LIABILITIES

- The likelihood of successfully appealing the Western Cape High Court ruling on the length of the indemnity period applicable to certain policies written by the H&L division.
In its judgment handed down on 17 November 2020, the Western Cape High Court determined that the indemnity period that is stated in the Business Interruption Section of the policy schedule (18 months for the Ma-Afrika policy) rather than the indemnity period in relation to business interruption extensions (3 months). The group has obtained external legal advice on this matter, and, based on that advice, believes that there is a reasonable prospect of success in relation to the appeal; and
- The assumptions used to determine the gross exposure at a policy level (including the determination of lost profits as a result of the business interruption, and any cost savings experienced).

REINSURANCE ASSETS

- The impact of judgments applied in the measurement of the insurance liability above, which impacts the total value of claims potentially ceded to the reinsurer, as well as the determination of timing for aggregation purposes; and
- The proportion of CBI claims which aggregate as a single loss occurrence under the company's catastrophe reinsurance treaty.

The group's best estimate of the insurance liability and reinsurance asset at 31 December 2020 is R5.3 billion and R3.3 billion respectively.

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

A sensitivity analysis on the net CBI provision of R2 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 30%. A 10% negative movement in the assumptions used would result in an increase in the net provision of 31%.

Leave to appeal the Ma-Afrika judgment in relation to the indemnity period was granted on 16 February 2021. Management is in the process of engaging with the participants on the reinsurance programme. The level of gross exposure at the policy level will be finalised as detailed information becomes available from policyholders' assessed claims.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million
Investment income	2 018	2 054
Interest income derived from	1 620	1 766
Financial assets measured at amortised cost	185	186
Financial assets mandatorily measured at fair value through income	1 435	1 580
Other investment income/(losses)	398	288
Dividend income	316	291
Foreign exchange differences	82	[3]
Net (losses)/gains on financial assets and liabilities at fair value through income	(273)	321
Net fair value (losses)/gains on financial assets mandatorily at fair value through income	(209)	468
Net realised (losses)/gains on financial assets excluding derivative instruments	(66)	58
Net fair value (losses)/gains on financial assets excluding derivative instruments	(27)	358
Net realised/fair value (losses)/gains on derivative instruments	(116)	52
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	(64)	(147)
Net fair value losses on debt securities	(8)	(8)
Net realised losses on investment contracts	(56)	(139)
	1 745	2 375

10. INCOME TAX

Normal taxation		
Current year	759	1 043
Prior year	(8)	20
Other taxes	1	2
Foreign taxation – current year	17	74
Total income taxation for the year	769	1 139
Deferred taxation		
Current year	31	25
Prior year	–	(10)
Total deferred taxation for the year	31	15
Total taxation as per statement of comprehensive income	800	1 154
Income tax recovered from cell owners and structured insurance products	(429)	(280)
Total tax expense attributable to shareholders	371	874
Profit before taxation per statement of comprehensive income	1 446	3 475
Adjustment for income tax recovered from cell owners and structured insurance products	(429)	(280)
Total profit before tax attributable to shareholders	1 017	3 195
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.6	0.4
Foreign tax differential	0.5	0.1
Exempt income	(7.9)	(2.1)
Investment results	(0.7)	–
Income from associates and joint ventures	16.9	0.4
Previous year's (overprovision)/underprovision	(0.6)	0.4
Other permanent differences	(0.4)	0.2
Other taxes	0.1	–
Net increase/(reduction)	8.5	(0.6)
Effective rate attributable to shareholders (%)	36.5	27.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. CORPORATE TRANSACTIONS

For the year ended 31 December 2020

ACQUISITIONS

JaSure Financial Services (Pty) Ltd

On 1 January 2020, the group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	(1)
Trade and other payables	(5)
Net asset value acquired	(6)
Non-controlling interest	3
Goodwill	9
Purchase consideration paid	6

Echelon Underwriting Managers (Pty) Ltd

The group purchased the 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

Insure Group Managers Finance (Pty) Ltd

On 1 July 2020, the group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250,000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	1
Loans and receivables	42
Cash and cash equivalents	2
Trade and other payables	(45)
Net asset value acquired/Purchase consideration paid	-

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. CORPORATE TRANSACTIONS (continued)

For the year ended 31 December 2019

ACQUISITIONS

Vantage Insurance Acceptances (Pty) Ltd

On 1 March 2019, the group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million in cash, including contingent payments estimated at R6 million. Goodwill raised relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	9
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(2)
Trade and other payables including insurance payables	(5)
Net asset value acquired	9
Goodwill	22
Future contingent consideration payable	(6)
Purchase consideration paid	25

X'S Sure (Pty) Ltd

On 1 March 2019, the group acquired a shareholding of 100% in X'S Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	18
Financial assets at fair value through income	14
Loans and receivables including insurance receivables	3
Cash and cash equivalents	3
Deferred income tax	(8)
Insurance liabilities	(2)
Trade and other payables including insurance payables	(5)
Current tax liability	(1)
Net asset value acquired	22
Goodwill	14
Future contingent consideration payable	(6)
Purchase consideration paid	30

SAN JV (RF) (Pty) Ltd

During May 2019, as well as November 2019, pro rata funding took place in terms of which the company injected a further total of R158 million into SAN JV (RF) (Pty) Ltd.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	542	2 199
Weighted average number of ordinary shares in issue (million)	110.30	110.48
Earnings per share (cents)	491	1 990
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	542	2 199
Weighted average number of ordinary shares in issue (million)	110.30	110.48
Adjusted for share options	0.61	0.70
Weighted average number of ordinary shares for diluted earnings per share (million)	110.91	111.18
Diluted basic earnings per share (cents)	489	1 978
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	542	2 199
Adjusted for:		
Impairment of goodwill and other intangible assets	–	3
Impairment of associates and joint ventures	15	4
Share of associates' impairment of assets	692	80
Tax charge on share of associates' impairment of assets	(36)	–
Headline earnings (R million)	1 213	2 286
Weighted average number of ordinary shares in issue (million)	110.30	110.48
Headline earnings per share (cents)	1 100	2 069
Diluted headline earnings per share		
Headline earnings (R million)	1 213	2 286
Weighted average number of ordinary shares for diluted headline earnings per share (million)	110.91	111.18
Diluted headline earnings per share (cents)	1 094	2 056
13. DIVIDEND PER SHARE		
Dividend per share (cents)	–	1 110

14. IMPAIRMENT TESTS

14.1 Goodwill

In accordance with the group's accounting policy, the group tests annually whether goodwill has suffered any impairment.

Each cash generating unit (CGU) was critically examined with reference to the following key metrics to determine if any impairment exists:

- Forecasted growth in gross written premium for 2021 taking the impact of COVID-19 in to account.
- Forecasted profitability based on net underwriting result and profit after tax, taking the impact of COVID-19 in to account.

The result of this assessment was that goodwill relating to the Accident and Health business required a formal impairment test due to its exposure to COVID-19. A total of R76 million in goodwill is recognised on the Accident and Health business, out of a total R685 million goodwill recognised by the group.

When testing for impairment, the recoverable amount of the CGU, based on value in use, was determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment test is applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary
- Current changes in operations are assessed to determine whether it will have an impact on the valuation
- The discount rates applied in the cash flow projections are reassessed

The salient features of the impairment test were as follows:

- A discount rate of 24% was applied, taking into account uncertainty resulting from COVID-19.
- A capital requirement of 25% of net earned premium.
- Forecasted income statements including a reduction in gross written premium and underwriting losses due to COVID-19.
- A terminal growth rate of 5%.

No impairment was deemed necessary from the testing.

The nature of goodwill mainly relates to employee skill and industry knowledge.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets

The recoverable amount of goodwill and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

The embedded value (plus a value of new life insurance business multiple) for life businesses or fair value of general insurance businesses therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required.

Saham (100%)

The carrying value of Saham comprise of net asset value (NAV), other intangible assets and goodwill. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value.

Changes to Saham's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, affect the carrying value through other intangible assets and goodwill.

Saham's value in use reduced from R25 billion at 31 December 2019 to R22 billion at 30 June 2020, mainly due to the impact of COVID-19 and the increased sovereign risk in Lebanon, partially offset by the impact of a weaker Rand. At the time of the 30 June 2020 valuation, the ultimate impact of COVID-19 on the economic environment and ultimately our operations across the Saham portfolio were very uncertain. The assumed cashflows represented our best estimate of the recovery path at the time but assuming risk discount rates that reflected the high level of uncertainty. The end-result implied an impairment of the carrying value of the Saham investment at 30 June 2020. The largest drivers of the valuation was attributable to the general insurance businesses, contributing 87% of the total value with the life businesses contributing the remaining 13%.

The valuation was updated as at 31 December 2020 to reflect our better understanding of the short-term recovery expected. On average, the risk discount rates reduced to reflect our higher level of comfort with the assumed cashflows. We do, however, remain conscious of the impact that future waves of COVID-19, the emergence of new variants of the virus and local lockdowns may have on our operations. The level of uncertainty therefore remains high and the risk discount rates continue to reflect this. The relative contribution of the general insurance businesses remained the same as at 30 June 2020.

The result of the valuation impact was a further decrease of the value to R20 billion at December 2020. This is mainly the result of exchange rates. Most notably within the portfolio was weaker Angola Kwanza since June 2020. In addition to this, the Rand has also strengthened significantly against the most significant exchange rates in the portfolio (namely the US Dollar, the West African Franc and the Moroccan Dirham) and this reduced the value in Rand. However, the valuation at 31 December 2020 supported the carrying value.

Most of the premium paid for synergies as part of the Saham acquisition has been written off to R422 million at 31 December 2020. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham footprint as a result of COVID-19.

The following key assumptions were adjusted:

General insurance businesses

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This resulted in lower assumed growth on the assets held backing the claims liabilities which affects the valuations of the general insurance operations;
- Top-line growth was reduced across the board for general insurance operations, through lower assumed premium growth assumed in the valuation models for the general insurance operations; and
- The valuation of the general insurance operations in Lebanon is maintained at zero, as a meaningful economic recovery is not expected in the foreseeable future.

Life insurance businesses

- The valuation of the life insurance business in Lebanon is maintained at zero, in line with the general insurance operations. The other Saham life operations resulted in no significant impairments; and
- New business inflow assumptions for the other life businesses were revised downwards due to lower economic growth forecasts.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets (continued)

Key assumptions

Key assumptions in determining the value in use for cash generating units (excludes Lebanon):

	General insurance		Life			
	31 December 2020	30 June 2020	31 December 2019	31 December 2020	30 June 2020	31 December 2019
Weighted average local discount rate ^{1,3}	11.0%	11.3%	11.7%	11.6%	11.6%	13.5%
Weighted average perpetuity growth rate	5.7%	5.9%	5.7%	4.9%	4.6%	5.8%
VNB Multiples	n/a	n/a	n/a	10.0 - 16.3	10.0 - 16.3	15.9 - 24.0
Revenue: compounded annual growth rate (range of values over the 10 years)	6.3% - 8.9%	5.7% - 11.5%	6.2% - 9.9%	n/a	n/a	n/a
Net insurance result margin ²	11.0% - 17.0%	11.0% - 18.0%	10.0% - 19.0%	n/a	n/a	n/a

¹ It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the Rand is expected to increase this return over time.

² Expressed as a percentage of net earned premiums.

³ Weighted average local discount rate for 30 June 2020 has been aligned with current year methodology.

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and general insurance cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (GDP) growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

The gross impairment of goodwill and other intangible assets amounts to R6.9 billion (R6.6 billion net of tax).

The impairment comprises of the following on a 100% view:

- Write-down of goodwill in respect of the premium paid at acquisition for synergies of R2 822 million.
- Reducing the valuation of the Lebanon businesses to zero (which is still regarded as a going concern), resulting in impairments of goodwill of R815 million, other intangible assets of R816 million (net of tax) and other net assets of R100 million.
- Write-down of goodwill as a result of the COVID-19 impact on future economic growth and investment return assumptions amounts to R2 007 million.

An impairment assessment was conducted as at 30 June 2020 which resulted in the recognition of impairment. A reassessment was conducted as at 31 December 2020. As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the current year amounted to R6 560 million. Impairment to the carrying value of goodwill recognised as at 30 June 2020 is not reversed.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets (continued)

Key assumptions (continued)

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2020				
Value in use	17 950	2 390	–	20 340
Carrying value after impairment	17 646	2 496	–	20 142
Impairment recognised during the current year	(4 327)	(502)	(1 731)	(6 560)

Goodwill, included in the 30 June 2020 carrying values above pre-impairment, are allocated to the CGUs as follows: R13.4 billion (General insurance), R2.2 billion (Life) and R816 million (Lebanon) respectively. Remaining goodwill after impairments amounts to R9.0 billion (General insurance) and R1.7 billion (Life) respectively.

General insurance businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change
Base value¹	1 795	
Risk Discount Rate +1 %	1 605	(10.6%)
Risk Discount Rate -1 %	2 074	15.5%
Perpetuity growth rate +1%	1 929	7.4%
Rand exchange rate depreciation +10%	1 975	10.0%

¹ This value includes notional dividends.

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R232 million and the value of new business of R103 million of which the sensitivities are provided below:

1. Embedded value sensitivity analysis

	Embedded value R million	% change
Base value	232	
Risk discount rate increase by 1%	224	[3.5%]

2. Value of new business sensitivity analysis

	Present value of future new business	% change
Base value	103	
Risk discount rate increase by 1%	88	[14.6%]

15. RELATED PARTIES

During 2020, there have been no related party transactions that require disclosure to gain an understanding of the changes in the financial position or results since the last annual period. There have also been no changes in the nature of the related party transactions as disclosed in notes 10, 12 and 27 of the group's annual financial statements for the year ended 31 December 2020.

16. EVENTS AFTER THE REPORTING PERIOD

The equity collar over equities to the value of R1 billion to provide capital protection entered into by the group on 3 November 2020 matured on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020). On 3 February 2021, the group rolled the collar structure. The structure offers almost full downside protection from the implementation level 11 857 and expires on 3 May 2021. The equity collar reduces balance sheet volatility in a time of underwriting performance uncertainty because of CBI claims.

On 22 February 2021, Santam's application for leave to appeal the length of the indemnity period in the Ma-Afrika judgment was granted by the Western Cape High Court.

On 24 February 2021, the Minister of Finance announced that the South African corporate tax rate will decrease from 28% to 27% effective on 1 April 2022. The group does not expect this change to have a material impact on the statement of financial position as at 31 December 2020.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

17. 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.

17.1 Analysis of policyholder/shareholder statement of financial position

	Group Audited at 31 December 2020 R million	Shareholder Audited at 31 December 2020 R million	Policyholder/ cellholder Audited at 31 December 2020 R million
ASSETS			
Intangible assets	968	968	-
Property and equipment	760	760	-
Investment in associates and joint ventures	2 205	2 205	-
Strategic investment – unquoted SEM target shares	1 538	1 538	-
Deferred income tax	102	117	(15)
Deposit with cell owner	161	-	161
Cell owners' and policyholders' interest	14	-	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	-
Cash and cash equivalents	4 383	3 309	1 074
Total assets	56 180	38 382	17 798
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	-
Treasury shares	(527)	(527)	-
Other reserves	(196)	(196)	-
Distributable reserves	9 976	9 976	-
	9 356	9 356	-
Non-controlling interest	736	570	166
Total equity	10 092	9 926	166
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	-	4 238
Reinsurance liability relating to cell owners	161	-	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	-
Investment contracts	1 838	-	1 838
Derivatives	80	80	-
Lease liabilities	782	782	-
Financial liabilities at amortised cost			
Repo liability	867	-	867
Collateral guarantee contracts	128	-	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	-
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	46 088	28 456	17 632
Total shareholders' equity and liabilities	56 180	38 382	17 798

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

17.1 Analysis of policyholder/shareholder statement of financial position (continued)

	Group Audited at 31 December 2019 R million	Shareholder Audited at 31 December 2019 R million	Policyholder/ cell owner Audited at 31 December 2019 R million
ASSETS			
Intangible assets	948	948	–
Property and equipment	984	984	–
Investment in associates and joint ventures	2 661	2 661	–
Strategic investment – unquoted SEM target shares	1 474	1 474	–
Deferred income tax	107	95	12
Deposit with cell owner	180	–	180
Cell owners' and policyholders' interest	26	–	26
Financial assets at fair value through income	24 411	13 116	11 295
Reinsurance assets	6 821	6 125	696
Deferred acquisition costs	727	649	78
Loans and receivables including insurance receivables	6 237	3 970	2 267
Current income tax assets	16	15	1
Cash and cash equivalents	4 642	3 345	1 297
Total assets	49 234	33 382	15 852
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(482)	(482)	–
Other reserves	(405)	(405)	–
Distributable reserves	10 326	10 326	–
	9 542	9 542	–
Non-controlling interest	521	521	–
Total equity	10 063	10 063	–
LIABILITIES			
Deferred income tax	78	80	(2)
Cell owners' and policyholders' interest	3 964	–	3 964
Reinsurance liability relating to cell owners	180	–	180
Financial liabilities at fair value through income			
Debt securities	2 080	2 080	–
Investment contracts	1 618	–	1 618
Lease liabilities	978	978	–
Financial liabilities at amortised cost			
Repo liability	785	–	785
Collateral guarantee contracts	120	–	120
Insurance liabilities	23 207	15 080	8 127
Deferred reinsurance acquisition revenue	489	419	70
Provisions for other liabilities and charges	123	123	–
Trade and other payables including insurance payables	5 280	4 298	982
Current income tax liabilities	269	261	8
Total liabilities	39 171	23 319	15 852
Total shareholders' equity and liabilities	49 234	33 382	15 852

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

17.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Audited Year ended 31 December 2020 R million	Shareholder Audited Year ended 31 December 2020 R million	Policyholder/ cellholder Audited Year ended 31 December 2020 R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses	25 205	22 308	2 897
Insurance claims and loss adjustment expenses recovered from reinsurers	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net losses from associates and joint ventures	(595)	(595)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 446	1 017	429
Income tax expense	(800)	(371)	(429)
Profit for the year	646	646	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

17.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

	Group Audited Year ended 31 December 2019 R million	Shareholder Audited Year ended 31 December 2019 R million	Policyholder/ cellholder Audited Year ended 31 December 2019 R million
Gross written premium	35 852	30 049	5 803
Less: reinsurance written premium	10 720	5 923	4 797
Net written premium	25 132	24 126	1 006
Less: change in unearned premium			
Gross amount	1 494	411	1 083
Reinsurers' share	(588)	(128)	(460)
Net insurance premium revenue	24 226	23 843	383
Interest income on amortised cost instruments	186	186	-
Interest income on fair value through income instruments	1 580	916	664
Other investment income	288	243	45
Income from reinsurance contracts ceded	1 995	1 554	441
Net gains/(losses) on financial assets and liabilities at fair value through income	321	356	(35)
Other income	271	271	-
Net income	28 867	27 369	1 498
Insurance claims and loss adjustment expenses	19 894	17 585	2 309
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 813)	(2 833)	(1 980)
Net insurance benefits and claims	15 081	14 752	329
Expenses for the acquisition of insurance contracts	4 878	4 409	469
Expenses for marketing and administration	4 536	4 510	26
Expenses for investment-related activities	70	70	-
Amortisation and impairment of intangible assets	79	79	-
Investment return allocated to cell owners and structured insurance products	614	-	614
Expenses	25 258	23 820	1 438
Results of operating activities	3 609	3 549	60
Finance costs	(368)	(308)	(60)
Net losses from associates and joint ventures	(42)	(42)	-
Impairment of associates and joint ventures	(4)	(4)	-
Income tax recovered from cell owners and structured insurance products	280	-	280
Profit before tax	3 475	3 195	280
Income tax expense	(1 154)	(874)	(280)
Profit for the year	2 321	2 321	-

10 SUPPLEMENTS

SEVEN-YEAR REVIEW



	7-YEAR COMPOUND GROWTH %/ AVERAGE	2020	2019	2018	Restated 2017	2016	2015	2014
PERFORMANCE PER ORDINARY SHARE								
<i>cents per share</i>								
Headline earnings	(4.5)	1 100	2 069	2 099	1 425	1 086	1 844	1 446
Dividends*	8.4	–	1 110	1 028	952	881	816	742
Special dividends		–	–	–	–	800	–	–
Net asset value		8 481	8 637	8 479	6 722	6 237	7 338	6 115
* NO DIVIDEND HAS BEEN DECLARED FOR 2020. THE GROWTH RATE PRESENTED FOR DIVIDENDS IS THE 6 YEAR COMPOUND GROWTH BETWEEN 2014 AND 2019.								
INSURANCE ACTIVITIES								
Net claims paid and provided (%)	63.9	68.0	62.3	60.6	65.9	65.1	62.1	63.1
Cost of acquisition (%)	29.0	29.5	30.0	30.2	28.0	28.5	28.3	28.2
Net commission paid (%)	11.6	12.3	11.9	11.6	11.4	12.0	10.8	10.9
Management expenses(%)	17.4	17.2	18.1	18.6	16.7	16.5	17.5	17.3
Combined ratio (%)	92.8	97.5	92.2	90.8	94.0	93.6	90.4	91.3
Underwriting result(%)	7.2	2.5	7.8	9.2	6.0	6.4	9.6	8.7
Earned premium (%)		100.0	100.0	100.0	100.0	100.0	100.0	100.0
INVESTMENT ACTIVITIES								
Interest and dividends net of asset management fees		1 634	1 616	1 713	1 148	889	1 041	683
Net (loss)/profit on financial assets and liabilities at fair value through income		(273)	321	(428)	261	42	235	286
RETURN AND PRODUCTIVITY								
Earnings expressed as % of average shareholders' funds (%)	22.1	8.0	22.2	33.5	21.9	8.2	36.1	24.8
Pre-tax return on total assets (%)	7.3	2.6	7.1	7.8	5.9	6.3	12.1	9.0
Effective tax rate (%)	27.8	36.5	27.4	25.9	21.3	28.2	26.9	28.4
Gross premium per employee (R'000)*	4 455	5 206	4 812	4 586	4 316	4 088	4 154	4 020
* ALTERNATIVE RISK TRANSFER PREMIUMS EXCLUDED								
SOLVENCY AND LIQUIDITY								
Dividend cover (times)		–	1.8	2.1	1.9	1.4	2.9	2.1
Economic capital coverage ratio (%)		161	160	159	158	155	177	–
OTHER STATISTICS								
Number of permanent employees		5 973	6 177	6 043	5 990	5 749	5 313	5 163
Staff composition (% of black staff members)		73.0	72.8	71.4	69.9	67.6	62.9	60.8
Number of shareholders		6 992	7 110	6 815	5 879	6 414	5 859	5 268
Corporate social investment spend (% of NPAT)*		4.0	1.1	0.6	0.8	0.9	0.8	0.8
* DTI CODES FROM 2009 TO 2012; FINANCIAL SERVICES SECTOR CHARTER 2013 BASE YEAR 1992								
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS								
Market price per share (cents)								
Closing		25 478	29 014	29 644	26 704	23 400	18 950	21 500
Highest		26 468	34 499	35 000	28 250	24 997	24 500	22 000
Lowest		23 001	27 800	26 201	23 115	17 350	16 750	19 700
Market capitalisation (R million)		28 107	32 053	32 743	29 471	25 799	20 868	24 647
Closing price/earnings (times)		51.8	14.6	14.1	18.7	21.5	10.3	14.9
Closing price/equity per share (times)		3.0	3.4	3.5	4.0	3.8	2.6	3.5
Closing dividend yield (%)		–	3.8	3.5	3.3	3.8	4.3	3.5
Number of shares issued (million)		110.3	110.5	110.5	110.4	110.3	110.1	114.6
Number of shares traded (million)		21.1	11.1	16.1	13.6	19.6	25.8	8.6
Number of shares traded as a % of total number of shares in issue		19.1	10.0	14.6	12.3	17.7	23.4	7.5
Value of shares traded (R million)		5 782.7	3 315.0	4 937.3	3 385.9	4 325.4	5 597.4	1 651.2

** BASE YEAR 1992

	7-YEAR COMPOUND GROWTH %/ AVERAGE	2020	2019	2018	Restated 2017	2016	2015	2014
STATEMENTS OF COMPREHENSIVE INCOME (R million)								
Gross premium income	9.1	38 273	35 852	33 109	29 720	25 909	24 319	22 710
Net premium income	6.4	25 517	25 132	24 068	21 693	19 772	18 884	17 635
Underwriting result	(13.7)	617	1 884	2 097	1 280	1 268	1 779	1 494
Investment return on insurance funds		663	687	597	648	619	499	425
Net insurance result		1 280	2 571	2 694	1 928	1 887	2 278	1 919
Other income/(expense)		3	–	–	–	–	–	–
Investment (losses)/income & associated companies		(245)	662	756	402	(2)	1 258	601
BEE costs		(2)	(3)	(8)	(3)	(9)	(71)	(82)
Amortisation of intangible asset/impairment of goodwill/impairment of loans		(19)	(35)	(29)	(31)	(21)	(93)	(111)
Income tax recovered from cell owners and structured insurance products		429	280	106	–	–	–	–
Income before taxation		1 446	3 475	3 519	2 296	1 855	3 372	2 327
Taxation		800	1 154	990	489	524	908	660
Non-controlling interest		104	122	102	140	119	116	88
Net income attributable to equity holders	(16.3)	542	2 199	2 427	1 667	1 212	2 348	1 579
STATEMENTS OF FINANCIAL POSITION (R million)								
Property and equipment		760	984	142	135	106	90	117
Intangible assets		968	948	885	841	885	827	1 086
Deferred tax asset		102	107	155	91	105	140	161
Investments in associates and joint ventures		2 205	2 661	2 927	1 789	1 536	252	355
Deposit with cell owners and cell owners' and policyholders' interest		175	206	204	184	163	187	–
Strategic investment and financial assets	14.6	30 932	25 885	23 777	20 267	14 799	14 740	13 634
Reinsurance assets and deferred acquisition costs		9 785	7 548	7 106	6 361	4 958	4 203	3 963
Loans and other receivables and cash		11 253	10 895	9 902	9 591	6 716	6 878	5 440
Non-current assets held for sale		–	–	–	–	8	541	428
Total assets		56 180	49 234	45 098	39 259	29 276	27 858	25 184
Shareholders' funds	5.2	10 092	10 063	9 365	7 924	7 345	8 547	7 440
Financial liabilities, cell owners' and policyholders' interest and reinsurance liability relating to cell owners		10 401	8 747	8 055	7 821	3 649	2 408	2 140
Lease liabilities		782	978	–	–	–	–	–
Insurance liabilities and deferred acquisition revenue		29 388	23 696	21 149	18 174	13 869	12 944	12 274
Trade and other payables and tax		5 517	5 750	6 529	5 340	4 413	3 959	3 330
Total equity and liabilities		56 180	49 234	45 098	39 259	29 276	27 858	25 184

	7-YEAR COMPOUND GROWTH %/ AVERAGE	2020	2019	2018	Restated 2017	2016	2015	2014
STATEMENTS OF CASH FLOW (R million)								
Cash generated from operating activities after finance costs	(6.6)	1 564	3 852	1 921	1 784	2 010	3 546	2 350
Income tax paid		(437)	(955)	(785)	(543)	(681)	(1 002)	(420)
Net cash from operating activities		1 127	2 897	1 136	1 241	1 329	2 544	1 930
Cash generated/(utilised) in investment activities		(1 172)	45	260	930	245	(696)	(781)
Net (acquisition)/disposal of associated companies		-	-	(923)	(152)	(1 467)	(2)	-
(Acquisition)/disposal of businesses/subsidiaries		(4)	(48)	(86)	852	70	-	(28)
Cash acquired through acquisition/(disposed through sale) of subsidiary		-	-	-	-	208	(183)	3
BBBEE staff trust acquired		-	-	-	-	-	132	-
Cash utilised in additions to property and equipment and intangible assets		(146)	(120)	(89)	(95)	(108)	(124)	(167)
Proceeds from sale of associated companies		-	-	168	23	-	625	-
Capitalisation of associated companies		-	(158)	(15)	(23)	(10)	(28)	(16)
Cash proceeds from unwinding of non-current assets held for sale		-	-	-	-	509	-	-
Net cash (used in)/from investing activities		(1 322)	(281)	(685)	1 535	(553)	(276)	(989)
Purchase of treasury shares		(155)	(106)	(91)	(76)	(98)	-	(37)
Repurchase of shares		-	-	-	-	-	(801)	-
Proceeds from issue of unsecured subordinated callable notes		1 000	-	-	-	1 000	-	-
(Decrease)/increase in investment contract liabilities		-	-	-	(32)	31	(35)	(21)
(Decrease)/increase in collateral guarantee contracts		-	-	-	(1)	12	11	6
Dividends paid		(843)	(1280)	(1186)	(1 106)	(1 922)	(951)	(853)
(Decrease)/ increase in cell owners' interest		-	-	-	(51)	(114)	16	110
Purchase of non-controlling interest in subsidiary		(69)	-	-	-	-	-	-
Payment of principal element of lease liabilities		(141)	(173)	-	-	-	-	-
Net cash used in financing activities		(208)	(1 559)	(1 277)	(1 266)	(1 091)	(1 760)	(795)
Net (decrease)/increase in cash and cash equivalents		(403)	1 057	(826)	1 510	(315)	508	146
Cash and cash equivalents at beginning of year		4 642	3 618	4 321	2 887	3 349	2 561	2 343
Exchange gains/(losses) on cash and cash equivalents		144	(33)	123	(76)	(147)	280	72
Cash and cash equivalents at end of year		4 383	4 642	3 618	4 321	2 887	3 349	2 561

CONVENTIONAL INSURANCE

			7-YEAR COMPOUND GROWTH %/ AVERAGE	2020	2019	2018	2017	2016	2015	2014
INSURANCE ACTIVITIES										
Net claims paid and provided (%)	Avg	63.7		68.2	62.1	60.3	65.8	64.9	61.7	62.8
Cost of acquisition (%)	Avg	29.1		29.3	30.2	30.4	28.1	28.6	28.5	28.3
Net commission paid (%)	Avg	12.1		12.7	12.5	12.4	12.1	12.3	11.8	10.9
Management expenses(%)	Avg	17.0		16.6	17.7	18.0	16.0	16.3	16.7	17.4
Combined ratio (%)	Avg	92.7		97.5	92.3	90.7	93.9	93.5	90.2	91.1
Underwriting result(%)	Avg	7.3		2.5	7.7	9.3	6.1	6.5	9.8	8.9
Earned premium (%)				100.0	100.0	100.0	100.0	100.0	100.0	100.0
STATEMENTS OF COMPREHENSIVE INCOME (R million)										
Gross premium income		7.0		31 098	29 725	27 711	25 853	23 503	22 071	20 758
Net premium income		6.7		24 320	23 673	22 371	20 893	19 245	17 845	16 519
Underwriting result		(13.6)		615	1 820	2 066	1 260	1 251	1 759	1 480
Investment return on insurance funds		3.8		501	579	532	584	558	468	402
Net insurance result		(8.3)		1 116	2 399	2 598	1 844	1 809	2 227	1 882

GLOSSARY



Acquisition costs	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio.
AI	Artificial intelligence
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-based black economic empowerment
Binder	An authority issued by an insurer to another party to: enter into, vary or renew a short-term policy on behalf of that insurer; determine the wording of a short-term policy; determine premiums under a short-term policy; determine the value of policy benefits under a short-term policy; or settle claims under a short-term policy
Catastrophe event	Fire, earthquake, windstorm, explosion and other similar events that result in substantial losses
Cell captive insurer	An insurer that is structured with separate independent cells. The assets and liabilities of the cells are ring-fenced. Profits and losses from business introduced by the cell owner to the insurer are attributable to the cell owner.
CFE	Consumer Financial Education
Change management	A systematic approach to dealing with rapid change
Churn rate	The proportion of policyholders who leave an insurer during a given period
Claim	A demand to the insurer for indemnification for a loss incurred from an insured peril
Claims ratios	Ratios expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is considered. Also referred to as loss ratios.
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate social investment
Deferred acquisition costs	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's statement of financial position
Earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
Economic capital coverage ratio	The economic capital coverage ratio is equal to the available capital resources, comprising shareholder's funds and subordinated debt, divided by the solvency capital requirement as determined by Santam's internal capital model
ERM	Enterprise Risk Management
ESD	Enterprise Supplier Development
ESG	Environmental, social and governance issues (the social, ethics and sustainability committee of the board provides oversight over Santam's approach to ESG)
FTSE	Financial Times Stock Exchange
FIA	Financial Intermediaries Association of Southern Africa
FSC	Financial Sector Charter – The FSC is a transformation policy based on the terms of the Broad-Based Black Economic Empowerment Act, 53 of 2003, to promote social and economic integration and access to the financial services sector
FSCA	Financial Sector Conduct Authority – The regulator responsible for market conduct and consumer protection under Twin Peaks
General/short-term/non-life insurance	Defined in the Short-term Insurance Act, 53 of 1998 as providing benefits under short-term policies, which means agricultural insurance, engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies
GIS	Geographic Information System
GWP	Gross written premium – Premium that an insurer is contractually entitled to receive from the insured in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustments to premiums from prior years. Also defined as premium written and received but before deduction of reinsurance ceded.
IBNR	Claims incurred but not reported – Claims resulting from events that have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.

IFRS	International Financial Reporting Standards
IFRS 17 Insurance Contracts	Addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard (Effective 1 January 2022 (subject to IASB's due process))
IIRC	International Integrated Reporting Council
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) application register. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.
NEP	Net earned premium – A pro-rated amount of paid-in-advance premiums that now belongs to the insurer
OSTI	Ombudsman for Short-Term Insurance
P2P	Peer-to-peer
P4RR	Partnership for Risk and Resilience. The group's contribution to economic growth in South Africa includes the P4RR programme initiatives. These assist municipalities in building capacity to combat the risks of fire and flooding in invulnerable communities.
PA	Prudential Authority – The regulator charged with maintaining the stability of the financial system under Twin Peaks
PSI	Principles for Sustainable Insurance
RDR	Retail Distribution Review
Reinsurance	A form of insurance cover for insurance companies where an insurance company transfers a portion of its risks to the reinsurer
SACsi	South African customer satisfaction index
SAIA	South African Insurance Association
Salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured
SAM	Solvency Assessment and Management
SEM	Sanlam Emerging Markets
SMME	Small, medium and micro enterprises
SPA GI	Sanlam Pan-Africa General Insurance
SSI	Santam Structured Insurance
Sustainable insurance	A strategic approach by which all activities in the insurance value chain are performed in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with ESG issues
TCF	Treating Customers Fairly – An outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms
TCFD	Task Force on Climate-related Financial Disclosures
Underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each
UMAs	Underwriting management agencies
Underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned
Unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods
UNEP FI	United Nations Environment Programme Finance Initiative
VUM	Vulindlela Underwriting Managers

ADMINISTRATION



Santam is an authorised financial services provider (licence number 3416).

Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

A2X share code: SNT

Debt company code: BISAN

SPONSORS

Investec Bank Ltd (equity sponsor)

RMB (debt sponsor)

TRANSFER SECRETARIES

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