santam

2021 INTEGRATED REPORT

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INTEGRATED REPORT

IGNITING SUSTAINABLE GROWTH

The world, our business, and people's lives are constantly changing, and as the leading general insurer, we continually adapt as we face new risks.

In 2021 we have continued to deal with the consequences of the global pandemic on all our stakeholders. We have also faced the headwinds of macro-economic instability, widespread unemployment, civil unrest and catastrophe events, all of which have impacted the insurance industry.

Within this context, we asked ourselves: How do we continue to create value and ignite growth for our business and our stakeholders? For Santam, the answer lies in our Building a FutureFit Santam strategy, underpinned by our brand promise: ***Insurance good and proper***.

Insurance good and proper enables us to demonstrate purpose and good corporate citizenship. We paid our highest ever amount of R24.5 billion in claims, thereby supporting clients in their moments of need. We believe that a responsible and forward-thinking approach is the best way to reduce and prevent risk, foster innovation, improve business performance and drive environmental, social and economic sustainability. We invest in initiatives that help reduce risk and build resilience in society.

In 2021, we continued to implement our Building a FutureFit Santam strategy to achieve excellent financial results, and impact society in positive ways. Throughout this report we explain the strides we have taken to ignite sustainable growth.

In the South African market we:

- Launched a fully digital insurance product through MiWay Blink
- Continued to invest in our direct channels and capabilities
- Invested in partnerships
- Continued to be the best intermediary enabler, and enhanced our product offerings and distribution channels by investing in digital solutions
- Pursued cross-selling initiatives with Sanlam Retail Mass and Sanlam Private Wealth
- Maintained our growth momentum in the Santam Alternative Risk Transfer (ART) businesses

In our African and international markets we:

- Continued to grow our Pan-African specialist business with Sanlam Pan-Africa through an increased focus on African global clients and a one-client approach
- Continued building our other international business through Santam Re and Santam Specialist by focusing on key territories: Eastern Europe, the Middle East, and Africa
- Diversified and grew the Santam Re book of business to reduce volatility

As we look to a new financial year, we will continue to drive these initiatives and implement new ones.

A SNAPSHOT OF 2021

OUR SALIENT FINANCIAL FEATURES

Gross claims paid:
R24.5 billion
(2020: R21.1 billion)

Return on capital of
28.5%
Long-term goal: >24%

Conventional insurance net underwriting margin
8.0%
(2020:2.5%) Target range: 4% to 8%

GWP conventional insurance growth of
5% to R32.7 billion
(2020: R31.1 billion)

Economic capital coverage ratio of
169%
(2020: 161%) Target range: 150% to 170%

Final dividend of 790 cents per share

Our generally stable dividend policy has enabled ordinary dividend per share compounded growth of 7.5% over 10 years.

Special dividend of 800 cents per share

Conventional insurance: investment return on insurance funds of
1.5%
(2020: 2.1%) Long-term goal: 2.5% of net earned premium (NEP) through the cycles.

Conventional insurance: acquisition cost ratio of
30.0%
(2020: 29.3%)

Standard & Poor's Global rating: BB local currency, global scale; zaAAA South African national scale
(2020: BB+ local currency, global scale; zaAAA South African national scale)

ART operating result of
R276 million[1]
(2020: R165 million)

Santam's share of the operating result of Sanlam Pan-Africa and SAN JV:
R377 million
(2020: R381 million)

GWP outside South Africa:
R5.3 billion
(2020: R5 billion)

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.

[1] *Net of non-controlling interests.*

A SNAPSHOT OF 2021

OUR STRATEGIC ESG PERFORMANCE

Founding signatory of the **United Nations Environment Programme's Principles for Sustainable Insurance**

Constituent of the **FTSE4Good Index Series** and **FTSE/JSE Responsible Investment Top 30 Index**

Signatory to the TCFD
We will publish our first TCFD report for financial year 2021

We maintained our ClimateWise score of **68%** and our CDP (formerly the Carbon Disclosure Project) score of **A-**

Secured employment for
6 025 people
(2020: 5 973)

Certified as a
Top Employer
by the Top Employer Institute for the sixth consecutive year

We maintained a
Level 1 BBBEE rating
According to the Financial Sector Charter (FSC)

We helped support
63 municipalities
through Partnership for Risk and Resilience (P4RR) initiatives
(2020:54)

To date, we invested **R57 million** with the Association for Savings and Investment South Africa (ASISA) Enterprise and Supplier Development (ESD) Fund

Santam group committed **R146 million** in the Resilient Investment Fund

In the latest[1] Ombudsman for Short-Term Insurance (OSTI) Annual Report **Santam** achieved a referral rate of **1.54** complaints for every 1 000 claims submitted compared to the industry average of 2.52 complaints

Santam achieved an overturn ratio of **8.37%** compared to an industry overturn ratio of 16.37%

MiWay achieved a referral rate of **2.84** complaints for every 1 000 claims submitted which is an improvement from 2020 referral rate of 3.63 complaints and an overturn ratio of **6.33%** compared to an industry overturn ratio of 16.37%.

Santam improved its rating in the Hellopeter Trust Index to **6.3 out of 10**
(2020: 4 out of 10)

MiWay achieved **10 out of 10**

[1] *These results are from the 2020 OSTI Annual Report, the 2021 OSTI Annual Report will be published in May 2022.*

OUR REPORTING SUITE

A suite of additional online publications supplements this integrated report (report). These can be accessed on our corporate website:

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

Our King IV application register confirms our alignment with the 17 governance principles.

The group's standalone corporate governance report, which provides details on the board's composition, board member qualifications and experience, and sets out the mandates for all board committees.

A summary is included in this report

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

Our remuneration report, which includes information on non-financial key performance indicators used to assess executive performance and determine incentives.

A summary is included in this report

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.

More detail can be found here

Santam's inaugural Task Force on Climate-related Financial Disclosures (TCFD) report. This report introduces our approach to identifying, assessing and addressing climate-related risks and opportunities.

More detail can be found here

OUR 2021 INTEGRATED REPORT

Scope, boundary and materiality

This report covers the 12 months ended 31 December 2021 (reporting period or year). It provides a concise and transparent assessment of our ability to create and retain sustainable value for our stakeholders. It is our primary report to the providers of financial capital. We apply the principle of materiality to assess what information is included in our integrated report. Our stakeholders' interests were considered to determine what is material and appropriate to include.

The reporting boundary applies to financial and non-financial information. It includes our general insurance and investment operations, and applies to Santam Ltd and its subsidiaries, which forms the Santam business portfolio as outlined in the *group overview*.

Reporting process and approval

This report is the result of combined material input from across the group. Supported by their operational teams and internal reporting throughout the year, the following individuals and business functions provided information for disclosure in the report:

- Santam board chairperson
- Chief executive officer (CEO)
- Chief financial officer (CFO)
- Chief risk officer
- Head: Investor relations
- Chief marketing officer and brand team
- Santam Commercial and Personal
- Santam Specialist
- Santam Re
- MiWay
- Santam ART
- Sanlam Pan-Africa partner businesses
- Finance team
- Strategy and sustainability unit
- Company secretary
- Total rewards team

All content contributors and the executive committee review the report to ensure accuracy and that all material issues are addressed.

The report was reviewed by the audit committee and the social, ethics and sustainability (SES) committee.

The reviewed report was recommended to the board, who approved it on 2 March 2022.

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 group's performance and ability to create sustainable value.

FRAMEWORKS AND ASSURANCE

The 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)
- Value Reporting Foundation's Integrated Reporting <IR> Framework
- JSE Listings Requirements, JSE Debt Listings Requirements
- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]
- ESG-focused, industry-specific indicators tracked by FTSE Russell

How our reporting elements are assured:

- PricewaterhouseCoopers Inc (PwC) provided assurance of the summary consolidated financial statements
- Deloitte reviewed our annual ClimateWise report as part of the global ClimateWise assurance process
- Verify CO_2 provided assurance on carbon emission data as part of Sanlam's CDP 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 of directors (board)

Timeframes and forward-looking statements

This report is intended to enable stakeholders to make informed assessments of our ability to create and preserve value in the short term (the next 12 months), medium term (two to five years) and long term (more than five 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 the board approved this report.

Reader's guide

To promote easy reading and engagement with the content in this report, we have included interactive tools:

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READ MORE WITHIN THIS REPORT

SUPPLEMENTAL INFORMATION

- Santam's performance over seven years, by key performance indicator.
- A glossary of insurance and financial terms and abbreviations.
- The group's administrative information.

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:

A MESSAGE FROM OUR CHAIRPERSON

I am pleased to present my first report to you as the incoming chairperson of the Santam group. I am excited and inspired to play a part on the board of this group, with its clear purpose and strong growth prospects.

2021 continued to be impacted by the devastating impact of COVID-19, which 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 July 2021, we saw civil unrest in certain parts of South Africa, which also contributed to unemployment and impacted the insurance industry.

However, the Santam group has weathered the storm and positioned itself to enter the coming years with a positive outlook.

Santam's guiding purpose is to safeguard what is important to its clients. It delivers on this purpose through its role as a general insurer, supported by strategic partnerships and products and services that help clients and communities mitigate risk in the face of unexpected catastrophes.

At the same time, Santam is cash generative and financially strong, and delivers competitive returns for shareholders. The group has deep roots in South Africa, a growing international footprint and has the right scale, brands, products, channels, distribution networks and geographical spread to grow locally and internationally.

GOVERNANCE

Santam, as a leader in the insurance 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 prosperous and FutureFit society.

It is clear that governance at Santam extends beyond compliance to support strategic performance and ultimately enhance value for stakeholders. The board's aim is to ensure the governance outcomes of an ethical culture, good performance, effective control and legitimacy.

The board promotes and supports high ethical standards of corporate governance and endorses the principles of King IV.

KEY BOARD TOPICS AND PRIORITIES FOR 2021

Managing the impact of the COVID-19 pandemic, and finalisation of Contingent Business Interruption (CBI) claims

The board is pleased with the legal clarity obtained on the ruling of the 18-month indemnity period to be applied to the Ma-Afrika Hotels and Stellenbosch Kitchen policies with CBI extensions. Refer to the CEO report for more details. The board is pleased that as at 31 December 2021 gross CBI claims of R3.2 billion (including relief payments of R1 billion in 2020) were paid to the impacted policy holders, providing much needed relief for the South African economy during a challenging economic climate.

REVIEWING THE EXECUTION OF BUILDING A FUTUREFIT SANTAM WITH A FOCUS ON STRATEGIES FOR GROWTH

The board annually reviews the FutureFit Santam strategy. We believe that the plans the group has in place remain relevant as a clear path for future growth, while enabling it to be adaptable and withstand a volatile external economic environment.

Spurred by the impacts related to COVID-19, companies around the world must recognise the need to respond to the social, environmental and economic pressures the world faces today. It is apparent that ESG is not a buzzword or trend at Santam but rather embedded into the group's strategy as fundamental to the long-term sustainability of the group, its clients and their societies.

In particular, climate change is a complex and evolving phenomenon that poses risks to the security of our clients, society and the global economy. The consequences of climate change are already evident in more extreme weather events. The potential increased scale and frequency of severe weather and natural disasters directly impacts the insurance industry.

In response, Santam has declared its support for the TCFD recommendations. In doing so, the group joins more than 1 800 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures. The board received TCFD training in 2021.

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 another successful hosting of our virtual AGM.

At the AGM, shareholders voted 90.56% in favour of Santam's remuneration policy, and 90.31% in support of the implementation report.

CONSIDERING THE SANTAM BOARD'S COMPOSITION AND SUCCESSION PLANNING

I am pleased to see the outcome of the work performed by the board to strengthen succession at board and executive management levels, and to improve diversity in terms of race, gender, skill sets and age.

As detailed in Lizé's message in this report, there were a number of appointments to Santam's executive management team. This is part of the group's succession strategy to ensure a deep bench of diverse and skilled leadership.

In addition, as vacancies arose on the board, and there were requirements for additional board appointments, the nominations committee prioritised board diversity in line with the group's diversity policy.

- At the AGM on 2 June 2021, chairperson Vusi Khanyile and independent non-executive director Bruce Campbell retired from the board. They brought a wealth of industry experience and institutional knowledge to the board over many years. The board and executive management thank them for their lengthy service and we wish them well with all of their future endeavours.
- In May 2021, the group announced my appointment as chairperson, as well as the appointment of independent non-executive directors Caroline Da Silva, Shadi Chauke and Debbie Loxton with effect from 3 June 2021.

With these appointments, the board's balance and independence are reinforced and its composition comprehensively reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

PLAYING A MEANINGFUL ROLE IN SOCIETY

Through the group's core business activities, they provide peace of mind and stability in the face of unexpected events every day. We saw this in action in 2021 when, following COVID-19-related restrictions and widespread rioting, thousands of South African citizens and small businesses were supported by Santam. Similarly, we assisted farmers by paying gross crop claims of R1.1 billion toward the end of the financial year when they were adversely affected by extreme weather events. The fair and timely payment of claims of a total of R24.5 billion (including CBI claims) is testament to the value of general insurance for the economy.

In addition, I have observed an optimism about the future of South Africa at Santam, and an earnest commitment to help where possible, and to invest in our country.

The group's aspirational vision is to narrow the risk protection gap through collaborative, proactive risk management activities and the provision of reliable, inclusive risk solutions. Thus, again through its core business activities, Santam prioritises the South African transformation agenda across its value chain, taking concrete steps to drive meaningful change in the group and in society. This extends to the work the group does with municipalities through P4RR and targeted CSI initiatives.

OUTLOOK AND APPRECIATION

Looking ahead, the board acknowledges the reality of the ongoing COVID-19 pandemic despite signs of increased economic activity and some recovery in certain parts of the world.

I would like to thank the board for welcoming myself and the other new board members. I am grateful to be part of a board that challenges each other and takes difficult decisions for the benefit of the company.

All my fellow board members have conducted their roles effectively and diligently, providing sound overall guidance to Santam. I would especially like to thank our previous chairman, Vusi Khanyile for his skilled leadership, inspiration and insights. I would also like to take this opportunity to thank outgoing CEO Lizé Lambrechts for her leadership and inspiration. She leaves Santam in a strong position to be able to execute on the strategy. All the best for her future endeavours. I also look forward to working with incoming CEO Tava Madzinga, who comes with excellent insurance experience and business credentials.

Thank you to the management team for its leadership and hard work in delivering and executing on the strategy during the year. I am confident that the executive management team will consistently drive Santam's business strategy, not only to achieve satisfactory results, but also to create value in the long run for all stakeholders.

Finally, thank you to the group's employees, intermediaries, clients, providers of capital and all other stakeholders for continuing to support Santam to provide ***Insurance good and proper***.

Pinky Moholi

Chairperson

WHO WE ARE

Santam Ltd (Santam or the group) is a proudly South African general insurance group with a growing international premium contribution. We offer a range of policies against eventualities such as property damage, motor accidents, loss of income, crop losses and catastrophe loss. We help mitigate risk, and clients' insured losses are paid out of invested premiums. Our head office is in Cape Town, South Africa.

Santam was founded in 1918 and listed on the JSE in 1964 under the insurance (non-life) sector. The group 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 62.1% of Santam's shares[1].

OUR GUIDING PURPOSE	**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 ASPIRATIONAL VISION	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 GROUP VALUES	**Humanity** Being understanding and kind towards all people	**Innovation** Being at the forefront of new ideas, methods, products and designs	**Integrity** Being honest and having strong moral principles	**Passion** Being engaged and interested in what we do	**Excellence** Being committed to surpassing expectations and standards

We employ **6 025 people** across the group

(2020: 5 973)

We do business with **3 306 intermediaries**

(2020: 3 038)

[1] *Nasdaq shareholder register*

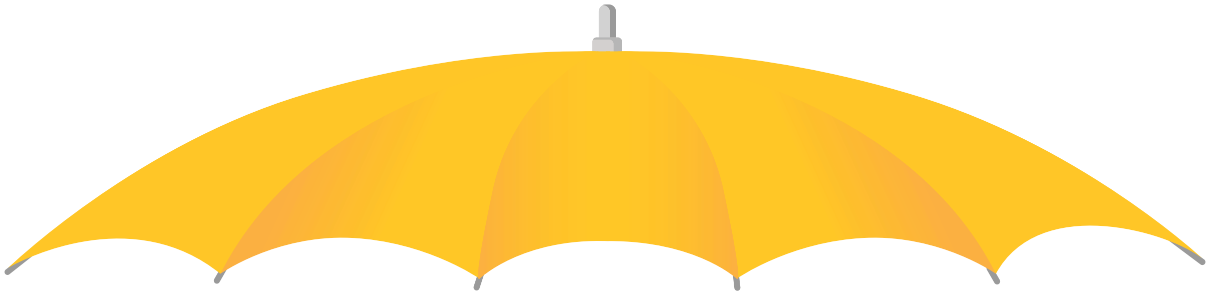
FUTUREFIT SANTAM: OUR BUILDING BLOCKS TO CREATE SHAREHOLDER VALUE

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:

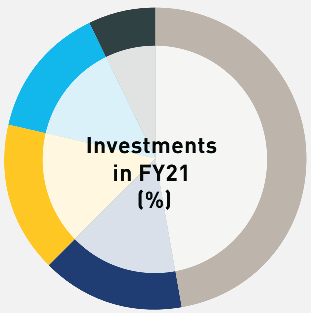
- Extend leadership position in South Africa through intermediary enablement, digital innovation, partnerships
- Deliver ***Insurance good and proper***: most trusted, relevant and purpose-driven brand
- Client experience: creating intuitive client journeys enabled by technology
- Help build resilient 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
- Enabling insights-driven insurance and informing strategic direction through trusted data

Read more about these strategic themes and building blocks from page 29

We offer our products and services through our business portfolio:

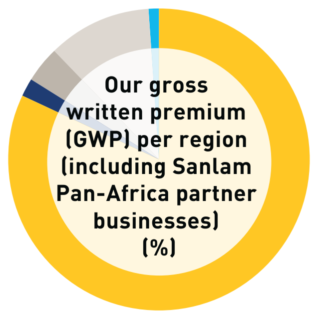


Insurance operating segments:	**Conventional insurance**				**Alternative Risk Transfer (ART)**	**Sanlam Emerging Markets (SEM) partner businesses**
Business units:	Santam Commercial and Personal	Santam Specialist	Santam Re	MiWay	Centriq and Santam Structured Insurance	Santam's investments and strategic partnerships including Sanlam Pan-Africa



Interest-bearing instruments and preference shares	47%
Listed equities	15%
Investment in Saham Finances	16%
SEM participation investments	15%
Other assets	7%

We derive revenue from insurance activities and investments. 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 UN Principles for Responsible Investment and signatory to the Code for Responsible Investing in South Africa (CRISA).



South Africa	82%
Namibia	2%
Rest of Africa	4%
Southeast Asia, India, Middle East	11%
Other	1%

WHY INVEST IN SANTAM

- Santam is the market leader in South Africa. We have a meaningful and growing contribution to GWP from countries outside South Africa.
- As a proudly South African company, we are committed to giving back and we believe that long-term sustainability supports our ability to continue to pay claims. We settled R24.5 billion in claims during 2021 (2020: R21.1 billion).
  - We continue to empower black intermediaries through our Black Broker Development programme.

For more information, refer to the strategy section

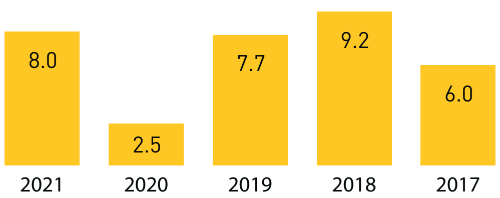
- Santam has a skilled and experienced management team. The leadership collectively hold more than a century of insurance industry experience, and we maintained our status as a Top Employer for six consecutive years.
- The group is highly cash generative; we consistently reach our long-term goal to achieve real growth in excess of South African gross domestic product (GDP) and consumer price index growth.

Read about our growth plans in the strategy section

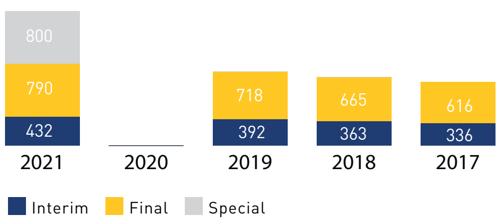
- We take pride in our world-class scientific underwriting capability, including diverse and specialist insurance skills which enable us to consistently achieve a net underwriting target range of 4% to 8% of net earned premiums. The revised net underwriting target range from 2022 onwards is 5% to 10% of net earned premiums. The average net underwriting margin over the past five years was 6.3%.
- Our stable dividend policy enabled an ordinary dividend per share compounded growth of 7.5% over 10 years.
- 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, ClimateWise.
- We recognise the importance of climate risk in our industry, therefore in 2021 we declared support for the Task Force on Climate-related Financial Disclosures (TCFD), joining more than 1 800 companies worldwide in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risks through better disclosures.

For more information, refer to our TCFD report

Net underwriting ratio (%)



Dividends per share (cents)



Maintaining shareholder value over the medium term

- Deliver shareholder value with return on capital of 24%
- Conventional insurance targets:
  - GWP growth of CPI plus GDP plus 1 to 2%
  - Net underwriting margin within the target range of 5% to 10%
  - Investment return on insurance funds of 2.5% of net earned premium
- Grow and extend our leadership position in South Africa by increasing our policy count to 2 million by 2025
- Grow our gross written premium from outside South Africa to more than 20% of total conventional GWP by 2025

WHAT WE OFFER

INSURANCE OPERATING SEGMENT: CONVENTIONAL INSURANCE	Classes of general insurance products	Brands
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	• Accident and health • Engineering • Guarantee • Liability • Marine • Motor • Property	santam personal santam commercial
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, South Korea, and Southeast Asia. Santam Re operates under the Santam general insurance licence, enabling 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.	• Accident and health • Engineering • Guarantee • Liability • Marine • Motor • Property	santam Re
MIWAY Our direct insurance business in South Africa MiWay is a direct general insurer that underwrites predominantly personal lines general insurance business through direct selling. This is supported by a smaller intermediated personal lines business. MiWay also underwrites commercial lines insurance. MiWay Blink is a fully digital car insurance offering.	• Motor • Property • Liability • Other value-added products	MiWay.co.za

INSURANCE OPERATING SEGMENT: CONVENTIONAL 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*** (in run off) provides a wide range of surety solutions, 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 micro-enterprises (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 multi-peril crop insurance.

Classes of general insurance products

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

Brands

INSURANCE OPERATING SEGMENT: ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM ART

Our alternative 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

- 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)

- Individually designed domestic and cross-border risk finance solutions
- Post-retirement medical aid products

INSURANCE OPERATING SEGMENT: SANLAM EMERGING MARKETS PARTNER BUSINESSES

SANTAM'S INVESTMENTS AND STRATEGIC PARTNERSHIPS INCLUDING SANLAM PAN-AFRICA

Our investments in emerging markets

Sanlam Emerging Markets (SEM) is responsible for Sanlam's financial services business in emerging markets outside South Africa.

Through our partnership, Santam has economic participation in 33 countries in:

- Africa
- India
- Middle East
- Southeast Asia

The group's interests in Sanlam emerging markets partner businesses (%)

Saham via SAN JV
10%

Other Sanlam Pan-Africa target shares
10% **of Sanlam's interest**

Shriram General Insurance Company Ltd (SGI) (India)
15%

Pacific & Orient Insurance Co. Berhad (P&O) (Malaysia)
15.4%

WHAT WE DO

Santam's business model shows the interconnected systems that enable the group to create and preserve value in the short, medium and long term, and generates a compelling value proposition for our stakeholders.

OUR CAPITAL INPUTS

FINANCIAL CAPITAL

- Upfront premiums
- Investment income on funds from insurance activities
- Investment returns on shareholder investments

HUMAN CAPITAL

- Employees
- Intermediaries
- Business partners

MANUFACTURED CAPITAL

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

INTELLECTUAL CAPITAL

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

SOCIAL AND RELATIONSHIP CAPITAL

Good relationships of trust with:

- Clients
- Intermediaries
- Suppliers
- Shareholders
- Regulators
- The communities where we operate

NATURAL CAPITAL

The environmental resources used throughout our operations (including insured risks):

- Energy
- Water
- Waste

UNDERWRITING AND PRICING OF RISKS

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, policy terms and conditions, and potential claims against the policy. Policies are underwritten and priced using expert underwriting skills, and actuarial analysis and modelling techniques to assess the underwriting risk, analyse clients' claim history and predict claims behaviour over time. Enhancing ESG-sensitive underwriting is also part of our Building a FutureFit Santam strategy.

DESIGNING RISK SOLUTIONS AND POLICIES

Santam's policyholders include individuals, commercial and corporate business owners, and institutions. We develop diversified and bespoke 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 Sanlam 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.

ADMINISTRATION

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

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.

MANAGING INVESTMENTS AND ALLOCATING CAPITAL

We responsibly 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.

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.

OUR CAPITAL OUTCOMES	KEY OUTCOMES IN 2021	FUTURE AVAILABILITY OF THE CAPITALS
FINANCIAL CAPITAL We maintained the appropriate balance between strategic investment and operational efficiencies which is critical to create value. We use financial capital to: • Fund business activities like acquisitions, 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.	• We help support 63 municipalities through partnership for Risk and Resilience (P4RR) initiatives. • Gross claims paid of R24.5 billion. • Tax paid R626 million. • Dividends paid R704 million.	Worsening macro-and socio-economic conditions constrain financial capital. We are prudent in allocating financial capital. Our strong financial capital position provides us with resilience in challenging market conditions. We maintain our financial capital through efficient treasury and investment initiatives, effective risk management, and the use of our approved internal capital model.
HUMAN CAPITAL We use financial capital to remunerate fairly and expand and transfer skills to safeguard the availability of human capital. We contribute to the development of this 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).	• Secured employment of 6 025 (2020: 5 973). • We invested in 29 trainees through our graduate programme, four students through full bursaries and 64 learnerships, thus contributing to skills and job creation in South Africa.	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. We continue to attract and retain the top talent in the industry. We improve and transfer skills through group-wide training initiatives.
MANUFACTURED CAPITAL We safeguard clients' manufactured capital, as physical assets constitute a large portion of our risk pool. Badly maintained infrastructure and poor driving behaviours can have a negative impact. To mitigate this, we invest in infrastructure development projects and incentivise responsible behaviours, thereby also increasing social and relationship capital and improving the quality of assets we insure.	• Given the impact of COVID-19, we enhanced our product offerings for the benefit of policyholders working from home in both Santam (SmartPark) and MiWay.	In terms of insured assets, deteriorating infrastructure can increase risk profiles and even render certain assets uninsurable. New ways of working, spurred by COVID-19, will affect how we use the group's physical infrastructure going forward.
INTELLECTUAL CAPITAL This provides a competitive advantage and manifests in product development, distribution, pricing and client-centricity.	• Launched our first fully digital insurance product through MiWay Blink. • Invested in digital solutions to enable our intermediaries.	The availability of intellectual capital is impacted by our ability to implement social innovation and technology-driven change. We invest financial capital in technology, research, and training to stay at the forefront of developments.
SOCIAL AND RELATIONSHIP CAPITAL 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.	• We supported 63 municipalities through P4RR.	Reputational challenges can diminish this capital. Santam takes steps to support our clients and pay claims. Our investments of financial and intellectual capital into transformation initiatives, P4RR, CFE and corporate social investment (CSI), create positive outcomes for communities, thus improving this capital. In addition, we engage the media to show transparency on our positioning and to safeguard our relationships with clients and other stakeholders.
NATURAL CAPITAL 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, claims settlement, and procurement activities. Some of these impacts reduce natural capital.	• We became signatory to the TCFD. • We maintained a ClimateWise score of 68%. • We maintained a score of A- in the CDP in 2021 emphasising our leadership position.	Increasing environmental and climate risks affect the availability of natural capital. We reduce our impact by improving environmental sustainability across our value chain and incentivising behaviours that preserve natural capital and by investing responsibly.

Our capital outputs include the range of risk management services and reliable, inclusive risk solutions, as listed under our business portfolio

CHIEF EXECUTIVE OFFICER'S REPORT

2021 was a year in which Santam not only delivered excellent financial results, but also took strides in progressing our FutureFit 2025 strategy. In addition, the group demonstrated good corporate citizenship by actively seeking ways to positively impact South African society.

KEY PERFORMANCE HIGHLIGHTS

COVID-19 continues to impact economies worldwide, with ongoing uncertainty as the pandemic unfolds. However, the global economy is slowly improving, and we expect to see a recovery in global insurance premiums.

South African society continues to grapple with many socio-economic challenges. However, we are cautiously optimistic about the country's economic growth prospects.

The Santam group reported strong operating results. Growth was a challenge across most of our business units. We do believe that strategic growth initiatives across the group will position us for future growth. We experienced a more normalised claims environment compared to the hard lockdown of 2020. The lower interest rate environment resulted in lower investment return on insurance funds and investment income.

Headline earnings per share increased to 2 495 cps (2020: 905 cps). Following the improved operating results, the group resumed its dividend payments in September 2021. A final dividend of 790 cents per share and a special dividend of 800 cents per share were declared on 2 March 2022.

Conventional insurance

Conventional insurance gross written premium growth of 5% was achieved. Santam Specialist was impacted by a number of large fire claims during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December. The Commercial and Personal intermediary business and MiWay also experienced increased loss ratios during the fourth quarter following a very wet summer season.

Santam Re delivered exceptional growth. The business performance was however negatively affected by the SASRIA reinsurance claims.

We achieved a net underwriting margin of 8%. The average net underwriting margin over the past five years was 6.3%, and consistently within the target range of 4% to 8%. Given the ongoing focus on improved underwriting results, the board approved a revision of the net underwriting margin target range to 5% to 10% going forward together with a special dividend of 800 cents per share.

Alternative Risk Transfer insurance

Both SSI and Centriq delivered excellent operating results, attributed to solid growth in income from clients and investment results.

Sanlam Pan-Africa general insurance businesses

Santam's share of the general insurance net insurance result from the Sanlam Pan-Africa businesses decreased by 1%.

Detailed performance per business unit is discussed in the CFO report.

LARGE CLAIM EVENTS AND THE IMPORTANCE OF INSURANCE

Progress on matters relating to contingent business interruption claims

In October 2021, the South African Supreme Court of Appeal provided judgment on the 18-month indemnity period to be applied to the Ma-Afrika Hotels and Stellenbosch Kitchen policies with CBI extensions. The judgment impacted certain policies structured similarly to the Ma-Afrika policy, issued by our hospitality and leisure division. These policies comprise less than a third of the 3 200 notified CBI claims. We accepted the outcome of the appeal, which provided the legal clarity we were seeking, and have made good progress in finalising the claims impacted by the judgment and the remainder of the CBI claims.

Up to 31 December 2021, gross CBI claim payments of R3.2 billion have been made, including relief payments of R1 billion made in August 2020. Based on the CBI claims settled and the expected reinsurance recoveries, we reduced our net expected CBI claims by R450 million. The first reinsurance recovery was made in September 2021.

Significant claim events such as these impact the availability of reinsurance capacity and the pricing of insurance. However, these events also highlight the absolute necessity of insurance to ensure financial resilience when unexpected adversity occurs. The total CBI claims paid is the largest amount from a single event in Santam's history, by a significant margin. This shows the value of insurance as a safety net for the South African economy during challenging times.

Civil unrest

The civil unrest in July 2021 in South Africa impacted Santam in two ways.

We actively assisted SASRIA, the state-owned insurer set up to cover unrest-related claims, to administer Santam clients' claims brought against SASRIA related to the destruction of property and looting. Other insurers did the same and we are proud of the way the industry and government worked together to help clients, many of which are SMMEs.

Secondly, Santam Re has a small participation percentage on the SASRIA reinsurance program capped at a maximum of R315 million. Based on the reinsurance claims submitted by SASRIA, Santam Re raised net claims provisions of R237 million at 31 December 2021.

WE IGNITED SUSTAINABLE GROWTH THROUGH STRATEGIC INVESTMENT AND EXECUTION

Our strategy and the progress made in 2021 are outlined in the strategy section of this report. The strategic initiatives discussed there, as well as in the business unit performance section, were developed to ignite sustainable growth, and we expect to see the benefits in 2022. I am proud to say that despite the considerable effort needed to deal with the various impacts of COVID-19 related claims and restrictions, as well as South Africa's socio-economic challenges, the group collectively made considerable progress in executing on our strategic pillars.

ESG, climate change and societal impact

Santam has always had a robust and evolving ESG-focus, linked to our brand promise of *Insurance good and proper*. Worldwide, weather-related catastrophes and cyber events are increasing significantly, leading to a hardening of insurance premium rates, which requires us to be diligent in our underwriting practices and creative in finding affordable solutions to safeguard what is important to our clients.

The impetus to tackle climate change risks and transition towards a low-carbon economy is growing. 2021 saw a strong focus on what climate change means for us as a general insurance company and what we are doing about it. This is a complex issue and we continue to examine risk and impact scenarios across the group. The first step was our adoption of the TCFD principles and setting up governance structures at every level to address climate change. We are confident that we will be an industry leader and enabling partner to stakeholders in this regard.

In partnership with local municipalities, we continued to invest in the P4RR initiatives as listed in the strategy section to support South Africa's most vulnerable communities. We also aligned our CSI contributions to our work at municipal level for the greatest impact. These initiatives were challenging in the first half of the year, as face-to-face interactions were limited. It is encouraging to see that this did not diminish the impact, as our people found innovative ways to engage.

Exceptional client experiences, backed by investments in technology

We initiated the Santam experience journey. This is an exciting culture shift through which we identified areas of enhancement to work towards even more consistently excellent Santam experiences for intermediaries and clients.

We also embraced the fact that ecosystems and partnerships with non-traditional players are key to growth and accessing new markets. We continue to partner with Sanlam and other industry innovators to unlock cross-selling opportunities and meet our clients' evolving needs.

The growth of cyber insurance and the shift to digital distribution channels are key drivers to insurance growth, with increasing global investment into InsurTech. In South Africa, this affords us new opportunities to grow, to digitise and to narrow the risk protection gap. We continued to invest in improving our digital end-to-end insurance offering, in terms of internal efficiencies, intermediary enablement, and to create excellent, intuitive client experiences.

Internally, we continue to migrate applicable business functions onto our Guidewire digital platform to maintain and improve on our high standards of operational efficiency. This platform also aids new product innovation. Santam has an expanding portfolio of digital assets and innovation is driven largely at business unit level. New products and innovations included improved self-service capabilities for clients and intermediaries in Santam Commercial and Personal, digital client portals and cyber security solutions in Santam Specialist, and MiWay Blink, the business's first entirely digital offering. Details can be found in the business unit performance section.

Supporting our employees

Diversity and inclusion in our employee base was a focus for 2021. We made good progress to improve diversity across race, gender, age, and skillsets. In addition, we reflected on new ways of working and are investing in systems and infrastructure needed to support hybrid working models for our employees going forward.

Improving vaccination levels against COVID-19 is key to supporting growth. Santam has a legal and ethical obligation to provide a safe environment to our people. Therefore, and in line with our peers in the financial services industry, we formulated a policy for mandatory employee vaccinations against COVID-19.

EXECUTIVE MANAGEMENT CHANGES

In addition to the board changes discussed in the governance summary, there were several additions to Santam's executive management team. In line with our succession strategy, we extended the team to ensure we develop leadership capabilities at the right level and provide meaningful exposure to key senior leaders within the group. The following appointments were made:

- Karl Socikwa – Executive head: market development and sustainability
- Burton Naicker – CEO: MiWay
- Andrew Coutts – Executive head: intermediated business
- Gerald Van Wyk – Executive head: strategic business development
- Tinyiko Ribisi-Termark – Executive head: corporate legal services
- Tebogo Moshakga – Company secretary

The executive management team and I look forward to working with our new colleagues and wish them every success. Burton replaces René Otto, who retired on 31 December 2021. Through the founding of MiWay, Rene was instrumental in revolutionising general insurance, and it has been a privilege working with him. We wish him all the best for the future.

In December we announced the appointment of Tava Madzinga, who will replace me as CEO when I retire at the end of June 2022. Tava has wide-ranging experience in the insurance and broader financial services sector in South Africa, Sub-Saharan Africa, the Middle East and Europe. I have full confidence that he is well positioned to take the group forward, and I wish him well.

OUTLOOK AND APPRECIATION

I am proud to say that Santam is well positioned for the future. I am confident that the Building a FutureFit Santam strategy, and the undoubted ability and commitment of our executive team and employees to implement it, will ensure long-term business sustainability and growth.

The brand accolades received this year are an indication that despite the potential reputational risk posed by media coverage related to CBI claims, Santam's clients still trust us to deliver on our brand promise of Insurance good and proper. Thank you to all Santam employees for their exceptional efforts in this regard, to executive management for their dedication, and the board for their support.

I would like to thank our outgoing chairperson, Vusi Khanyile, for his support and guidance over the past years. On behalf of the executive management team, I welcome the group's new chairperson, Pinky Moholi, whose skills and experience are sure to prove invaluable in the years to come.

From the group, sincere thanks to our clients for their continued support and loyalty, and to our partners, intermediaries and suppliers for their shared commitment to safeguarding what is important to our clients.

Lizé Lambrechts

Chief executive officer

OUR OPERATING CONTEXT

Our guiding purpose: To safeguard what is important to our clients

As the global economy recovers from the COVID-19 pandemic, there is a need for economic growth. An efficient, stable financial sector, and a thriving insurance sector, are critical in any healthy economy. As part of the sector, Santam helps people and businesses be more resilient. We assist individuals and businesses to transfer, share and mitigate their risks, thereby aiding society to recover from unforeseen events, and igniting sustainable growth.

Therefore, we remain committed to ensuring the group's ongoing resilience and sustainability in a challenging macro-economic environment. As part of the group's strategic decision-making process, we continue to identify and respond to:

- Santam's top risks and opportunities
- The material matters relevant to Santam

RISK MANAGEMENT

Risk management provides a framework within which Santam can grow in a sound way, while identifying opportunities.

At Santam, the board is responsible for the overall governance of risk and it is assisted by the risk committee in discharging this responsibility. In terms of our business philosophy, the Santam board sets tight principles that need to be applied throughout the group, including adopting the group enterprise risk management 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.

Risk management involves two key actions:

- Identifying, measuring, monitoring and reporting on risk
- Identifying opportunities, as the counterpoint of each risk is opportunity

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 events of the past two years – especially related to the impact of COVID-19 on our clients, employees and the business – have highlighted the importance of robust risk management. Although Santam's risk appetite has not changed as a result, we conducted an in-depth review of our combined assurance risk management model and risk governance structures.

Combined assurance is a partnership between Santam's business operations, the group risk management function, internal and external audit and the board, each of which has a distinct role to play. Our 2021 review aimed to confirm that these roles are clearly defined and understood by those accountable. We used a "Responsible Accountable Consulted Informed" (RACI) matrix to identify and assign accountabilities for each risk and confirmed the processes for reporting to the risk management function, the risk committee and the board.

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.

In addition, the board reviewed and approved the group internal control policy.

Regulatory oversight and risk is one of the key focus areas in the insurance industry. Our regulatory steering committee, comprising representatives from across the group, addresses regulatory compliance requirements. In 2021, we continued to engage with the industry and regulators on policy developments to align implementation efforts.

For more information, refer to our corporate governance report

SANTAM'S TOP RISKS

Risk	Description	Trend	Our response
Political and social risks in South Africa and low economic growth	Economic conditions directly impact our clients' ability or appetite to spend money on insurance premiums and risk mitigation. South Africa's low economic growth exacerbates high unemployment and limited growth in the insurable asset pool. Inflation influences consumer spending, which may result in increased cancellations and returned debit orders.		• Business unit specific initiatives for achieving growth and profitability • Several partnerships with government and industry bodies assist and proactively address certain areas of concern • Diversifying Santam's business outside South Africa
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 • Our P4RR initiative aims to help vulnerable municipalities improve their risk management • Santam partners with the Department of Cooperative Governance, 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
Cyber risk	Cyber risk is the risk of a security breach of Santam's information technology 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 Sanlam/Santam controlled environment.		• Sanlam and Santam have a shared service approach to managing cyber risk • 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 continuous 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 Sanlam/Santam controlled environment are well understood and managed • Santam is assessing the insurance opportunities that cyber risk creates
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 focused on understanding climate-related risks (physical and transitional) in accordance with the recommendations of the TCFD, as these risks affect the underwriting and investment sides of our business • We completed our ClimateWise and carbon disclosure reports which respond to the TCFD-aligned questions on the group's climate action initiatives • We have committed to TCFD reporting and published our first TCFD report

Risk	Description	Trend	Our response
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 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
Performance of our strategic investments	Santam has material investments in SAN JV (Saham) and other Sanlam Emerging Markets entities (India and Malaysia). The performance of these entities affects Santam's ability to create stakeholder value.	›	• Fostering a close working relationship with Sanlam Pan-Africa • We participate at a board level on all material Sanlam Emerging Markets General Insurance entities • Embedding our partnership model for Santam Specialist in Africa
Poor quality data affecting decision making	The exploitation of data in a general 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 group • The data lake created to store this information is well governed and will form the basis for all financial reporting and operational processes • We established an information management department that oversees all data and data governance activities across the group
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
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 group and externally • 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 support wider industry initiatives to increase the uptake of professional learning and qualifications

OUR MATERIAL MATTERS IN CONTEXT

We call our material matters the drivers of change, as they have the potential to significantly impact the group's performance, and our ability to ignite sustainable shared value. We stress-test the drivers of change against the group's material risks, and our stakeholders' legitimate concerns. Our strategy responds to the drivers of change by mitigating risks and pursuing opportunities.

The key drivers of change:

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

Our strategic review concluded that these key drivers of change remain most material to Santam.

Santam's responses have also adapted to changes in the macro-economic environment, new trends and our stakeholders' evolving needs and expectations.

IN 2021

However, certain drivers were accelerated by COVID-19 mitigation efforts. For 2021, the drivers that were most magnified and consequently are the focus in this report were:

- Ethical leadership and the trust deficit, particularly in the South African context
- The risk protection gap, and increasing climate and environmental risks
- ESG embeddedness, which is increasingly relevant to most of our stakeholders including the providers of capital
- Industry 4.0 and the emergence of digital ecosystems
- Workforce for the future and the evolving world of work, elevated by the impact of COVID-19

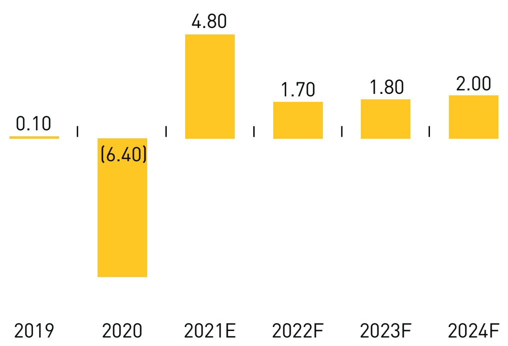
The South African context – macro-economic conditions

With the easing of COVID-19-related lockdown restrictions, there are signs of increased economic activity, however, recovery has weakened due to the resurgence of COVID-19 infections. South Africa's weak economy, political unrest and the impact of failing power, water, port, rail and road infrastructure, hinder economic growth and increase the trust deficit. This also makes insurance less affordable, resulting in the increased vulnerability of South African citizens and businesses.

For our strategic response, initiatives undertaken and performance metrics, read more:

Helping to build resilient societies: through transformation, financial inclusion and P4RR
Extend leadership position in South Africa through intermediary enablement, digital innovation, partnerships
CEO report
CFO report
Business unit strategic performance

South African GDP growth rate (%)[1]



[1] The SARB guidance in Jan 2022

The international context – diversification and growth

The latest World Economic Outlook published by the International Monetary Fund (IMF) in January 2022 predicts the global economy to experience growth of 5.9% in 2021 and 4.4% in 2022. 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 Sanlam Pan-Africa partner businesses. International diversification exposes us to currency volatility, but also provides a hedge against the rand's devaluation. A rapid shift to online processes and procedures is allowing companies – including Santam – to bypass some of the usual setup roadblocks when entering new markets.

For our strategic response, initiatives undertaken and performance metrics, read more:

Diversifying in Africa and internationally: building the Pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist
CFO report
Sanlam Pan-Africa partner businesses' strategic performance
Santam Re's strategic performance
Santam Specialist's strategic performance

SANTAM MATERIAL MATTERS IMPACTED IN 2021

Ethical leadership and the trust deficit

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

Actions implemented include:

- Implemented formal governance structures to manage ethics
- Published the Santam Group Human Rights Statement
- Formalised conflict of interest processes for employees
- Participated in the GIBS Ethics Barometer survey
- Various awareness campaigns, including the completion of 9 800 online training modules by staff on various ethical matters

For our strategic response, initiatives undertaken and performance metrics, read more:

We expect Santam's leadership to act with integrity and promote transparency and trust. Our code of ethics entrenches ethical leadership principles.

More information can be found in our corporate governance report.

Helping to build resilient societies: through transformation, financial inclusion and P4RR

The risk protection gap, which is exacerbated by 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. The reality in South Africa is that many individuals and businesses do not have the resources to invest in insurance. Yet these are often the individuals who need it most to keep extreme poverty from their door when systemic risk events occur.

According to the Santam Insurance Barometer Report, 50% of total crops in South Africa are uninsured.

Effective risk management and underwriting leads to fewer claims, resulting in more affordable insurance premiums over the long term. This is preferable to reducing cover, which only increases underinsurance and widens the risk protection gap.

Santam continues to innovate and partner to help address the risk protection gap by developing products for, among others, SMMEs.

Santam's aspirational 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.

For our strategic response, initiatives undertaken and performance metrics, read more:

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

Helping to build resilient societies: through transformation, financial inclusion and P4RR

The Santam Insurance Barometer Report

In September 2021, we published the 2020/21 Santam Insurance Barometer Report. This report surveyed 400 corporate and commercial entities, 401 consumers, and 150 intermediaries across South Africa. Our goal was to discover how the risk landscape has changed, to measure the general level of awareness in the market about current and emerging risks, and explore what stakeholders can do to remain relevant in the insurance value chain.

Insights from the report have enhanced our understanding of Santam's material drivers of change, and are included in the discussion that follows.

Find the full 2020/21 Santam Insurance Barometer Report on our website.

In terms of emerging risks, the corporate and commercial entities surveyed ranked their top risks as the COVID-19 pandemic impact on business interruption (57%) followed by political unrest (48%), social change (44%), cyber crime (36%) and climate change (35%).

ESG embeddedness and increasing climate and environmental risks

The COVID-19 pandemic was a powerful accelerant of risk – an example of risk changing shape in a swift and unexpected way, leading to rapid and meaningful change in our industry. In addition, emerging risks are increasing exponentially – changing weather patterns that cause extreme flooding or drought, deteriorating water and power infrastructure, and rising instances of cyber crime. All these risks have significant consequences for:

- The insurance industry through exclusions and higher premiums
- The broader economy because of less capital available for growth initiatives

Insurers need to prioritise our understanding of these risks and drive the innovation and collaboration and continued access to capital needed to help individuals and businesses remain resilient.

We recognise that our businesses operate within ESG systems. It is critical that we understand and respond to the shifting trends within these networks, both for the impact we can have on them, and the impact they can have on our business:

INSURANCE INDUSTRY IMPACT

As a general insurer, the plans, policies and investment decisions we make today will impact the future world we operate in. Therefore, we have a responsibility to use scientific evidence to create and contribute to the development of a sustainable, resilient planet and society.

Investors increasingly consider Santam's ESG impact when making investment decisions. This includes the ESG performance of our extended value chain, for example, in supplier selection and client ESG risk management.

To help meet the raft of emissions targets set to combat climate change, some reinsurers are beginning to scale back their willingness to underwrite new risk in, for example, the fossil fuel industry, thereby redirecting capital to more sustainable industries.

THE IMPACT ON SANTAM

Identifying, understanding and managing risks are at the core of the insurance industry. ESG risks include catastrophe events, social unrest and reputational damage due to governance failures.

Over the past few years, the world has seen a notable increase in the frequency and severity of ESG-related incidents (wildfires, floods, protests, etc.) across the globe. In addition, COVID-19 highlighted the need to improve society's resilience to big financial shocks, like epidemic diseases, climate and environmental risks.

For a general insurer like Santam, ESG risks, particularly climate and environmental risks, increase the possibility of large-scale claims and can render potential clients uninsurable.

Innovative and collaborative risk management is critical to address these risks.

For our strategic response, initiatives undertaken and performance metrics, read more:

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

Helping to build resilient societies: through transformation, financial inclusion and P4RR

Industry 4.0 and the emergence of digital ecosystems

The rapid adoption of technology disrupted traditional business models, with most companies forced to digitise faster than planned. For insurers, this impacts not only how clients engage with them, directly or through intermediaries, but also their specific insurance needs.

INSURER-LED INNOVATION AND COLLABORATION

Industry 4.0 is reshaping the expectations of clients. There is no doubt that the COVID-19 pandemic altered the risk landscape. The onus now falls to parties in the insurance value chain to adapt to client needs. Ensuring that client expectations are met, that they receive value for money, and have peace of mind should be the ultimate goal.

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.

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 Santam Insurance Barometer Report found that three out of every four individuals are using more technology than before the pandemic.

CYBER RISK AND INSURING AGAINST CYBER CRIME

The technology trend comes packaged with a rising threat of cyber crime, but also the opportunity to insure against it.

Cyber risk is now widely recognised as a global emerging risk. The cost of third-party liability and fines following a major data breach can be high and loss or damage to digital assets is often not covered by standard insurance solutions. Where cyber criminals are successful, having the right cover in place will provide timely access to service providers that will help businesses manage any potential fallout and possible clean-up operations, allowing them to operate as seamlessly as possible while managing the situation.

For our strategic response, initiatives undertaken and performance metrics, read more:

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

In 2021, we added a strategic theme – Enabling insights-driven insurance and informing strategic direction through trusted data – which responds to industry 4.0 and the emergence of digital ecosystems.

Workforce for the future and the evolving world of work

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

As technology develops, so does the need for ever-evolving skillsets. Inversely, 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. This propelled IT and digitisation to the forefront for almost all industries. However, 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

For our employees and our clients, it is important that Santam's brand values align with their own.

INTERMEDIARIES ARE SEEKING BETTER SUPPORT FROM INSURERS

Intermediaries have always been integral to the success of insurers. They are essential players in the insurance value chain, making material contributions across the advice, sales, marketing, and claims handling functions.

Part of the traditional role of the intermediary was to sell generic products that would transfer risk away from their clients. However, the escalation of risk exposure and complexity, coupled with affordability issues and cheaper alternative channel solutions, render a product-based intermediary model uncompetitive. To continue to provide their clients with cost-effective but comprehensive cover that meets their needs, intermediaries will need to take a more client-centric approach, offering tailored insurance services. As professional risk advisers they could bring focus to the practice of risk prevention and mitigation as opposed to pure risk transference.

The Santam Insurance Barometer Report found that 50% of intermediaries predict they will need to offer expert product and risk advice within the next two years.

Assisting intermediaries to provide exceptional client experiences through product and risk management training and development is crucial.

For our strategic response, initiatives undertaken and performance metrics, read more:

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

Extending our leadership position in South Africa through intermediary enablement, digital innovation and partnerships

KEY STAKEHOLDER RELATIONSHIPS

Santam builds and maintains quality relationships with material stakeholders. We are committed to understanding and responding to our stakeholders' interests and expectations.

HOW WE MANAGE STAKEHOLDER RELATIONSHIPS

Our stakeholder relations business function ensures we follow industry and international best practice in managing the requirements and views of our stakeholders.

Each material stakeholder grouping is assigned to an executive and secondary relationship owners. These executives provide quarterly feedback to the head of stakeholder relations through our digital stakeholder hub, which aids accurate and consistent reporting.

Detailed engagement per stakeholder group is included below.

HOW WE GOVERN STAKEHOLDER RELATIONSHIPS

On behalf of the board, the SES committee is responsible for ensuring group stakeholder relationships are managed effectively and in line with policy, governance codes and best practice.

The head of stakeholder relations reports material stakeholder issues to the SES committee and the board.

HOW WE MONITOR THAT STAKEHOLDER ENGAGEMENT IS EFFECTIVE

The SES committee monitors the quality and effectiveness of our stakeholder relationships and engagements, and escalates material stakeholder issues to the board.

We review our stakeholder universe annually to ensure that new and emerging stakeholders are included.

OUR STAKEHOLDERS

CLIENTS: Our priority is to retain existing clients and acquire new clients by improving their experience across the entire client journey.

How we engage

- Intermediaries
- Client surveys, market research and strategic reviews
- Feedback
- Consumer Financial Education

Needs and expectations

- Innovative and flexible product solutions
- Competitive and transparent pricing
- Exceptional client experiences and ease of use
- Responsible and appropriate advice
- Safeguarding of client privacy
- The assurance that we will pay legitimate claims and provide relief in times of significant financial strain

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 tracking and analysis
- Ombudsman for Short-Term Insurance (OSTI) findings
- Complaints managed by the Santam client care division
- Net Promoter Scores

EMPLOYEES: Our 6 025 employees are diverse and skilled and assist Santam to achieve our FutureFit Santam strategy. Our employee value proposition considers the employee of the future and is grounded in inclusivity, passion, personalised rewards, and a purpose-filled life for each employee.

How we engage

- Digital engagement, myWorkSpace
- Face-to-face engagement
- CEO roadshow and management conference
- Engagement through unions

Needs and expectations

- Alignment with the group's purpose and values
- Fair and competitive remuneration
- Effective performance management
- Training and development for personal and career advancement
- Opportunities for innovation and digital enablement for new ways of working
- An ethical, fair, inclusive and safe work environment
- Protection of labour and human rights

How we assess value creation for this relationship

- Annual employee engagement survey and Barrett Culture Survey
- 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 the Santam head office in Cape Town and at our offices at Alice Lane in Johannesburg

PROVIDERS OF CAPITAL: **Our providers of capital include shareholders, institutional investors and investors in Santam subordinated debt instruments. Our performance and sustainable growth directly impact the providers of capital.**

How we engage	Needs and expectations	How we assess value creation for this relationship
• Annual General Meeting (AGM) • Results presentations • Investor conferences • One-on-one meetings • Reports • The Vault online investor relations communication tool	• Return on investment • Transparency, accountability and good corporate governance • A strong balance sheet and effective growth strategy • Long-term sustainability	• 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.

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 engage	Needs and expectations	How we assess value creation for this relationship
• Procurement processes • Industry bodies • Supplier development initiatives • Engagement on compliance, ethical conduct, and adherence to contracts	• Suppliers expect Santam to meet our contractual terms and agreements • Long-term beneficial relationships, regular engagement and support	• We foster long term relationships with all our suppliers in line with our procurement strategies • The quantum of work may vary each year, but Santam rarely terminates agreements with its trusted suppliers

INTERMEDIARIES: **Santam's 3 306 intermediaries guide clients through the structure of policies and offer advice, information and assistance regarding risk management strategies and claims processes.**

How we engage	Needs and expectations	How we assess value creation for this relationship
• Broker portal • Virtual roadshows • Online training initiatives • We engage with the FIA and black intermediaries regarding industry transformation imperatives	• Innovative products and services • Product and regulatory training • Fair incentives and sales remuneration • Support and infrastructure to enable productivity • Digital applications and tools • Responsible insurance services and solutions	• The number of new intermediaries • Our investment into training intermediaries and the value they derive from training • We monitor the feedback received from digital engagement channels • Intermediary sentiment gathered through the Santam Insurance Barometer Report • We monitor intermediary Net Promoter Score

COMMUNITIES: **Our communities include the citizens of the countries where we operate, and our strategic partners and suppliers. Santam is a responsible corporate citizen that supports the South African societal development imperative.**

How we engage	Needs and expectations	How we assess value creation for this relationship
• P4RR • CSI initiatives • Consumer Financial Education • Employee volunteerism	• Skills development • Employment opportunities • Financial education and inclusion • Contributions to social and environmental issues • Transparent and comprehensive reporting on material ESG-related risks and opportunities	We ask ourselves the following questions 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?

GOVERNMENT AND INDUSTRY REGULATORS: **Santam views the government as a partner to help us navigate the challenges and opportunities of the market. We are regulated by various laws and regulatory bodies in the countries where we operate, which ensure a reliable insurance sector, reduces systemic risk and promotes a functioning economy. This increases client confidence and reduces the potential for reputational risk.**

How we engage	Needs and expectations	How we assess value creation for this relationship
• With Sanlam, Santam regularly engages with governmental stakeholders in South Africa • Engagement with the PA and the FSCA • Discussions with government representatives, legal entities and institutions, both locally and abroad	• Payment of taxes, levies and fees • Compliance with regulatory and legal requirements • Strong governance frameworks and ethics • Active participation in industry and regulatory engagements • Protection of consumer, environment, labour, and human rights • BBBEE and transformation • Occupational health and safety standards	• Annual and quarterly regulatory reporting and compliance

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

How we engage	Needs and expectations	How we assess value creation for this relationship
• Santam's "always on" approach, robust campaign calendar and media plan • Television, radio, digital platforms, print and outdoor advertising • Thought leadership articles • Product launches • Focused engagements with key financial journalists	• Transparency and availability • A clear purpose and values	• Assess mainstream media sentiment of Santam coverage

OUR STRATEGIC RESPONSE – BUILDING A FUTUREFIT SANTAM

Our strategy is a response to:

Our operating context, including the drivers of change and material risks and opportunities

Our stakeholders' expectations and concerns

Santam's three ESG focus areas are integrated into our FutureFit Santam strategy, as indicated in the relevant themes below.

The board reviews the strategy annually to:

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

The board confirmed and approved the strategy on 1 June 2021.

In 2021, we implemented key strategic initiatives as listed under our strategic themes:

- Delivering Insurance good and proper: 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 and partnerships
- 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
- Enabling insights-driven insurance and informing strategic direction through trusted data
- 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

SANTAM'S STRATEGIC THEMES

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

SANTAM IS A RESPONSIBLE CORPORATE CITIZEN, WE:

- Invest responsibly
- Drive transformation
- Practice sound governance
- Align with global industry norms
- Understand ESG impacts
- Have a positive impact on society

SANTAM ESG FOCUS: RUNNING A RESPONSIBLE BUSINESS

- Demonstrate stakeholder safety, fairness and inclusion
- Demonstrate good governance
- Address sensitive risks, particularly climate change

OUR PERFORMANCE IN 2021

We continued to protect and enhance Santam's brand reputation

Despite the potential reputational risk posed by extensive media coverage of the CBI claims legal process, our brand health tracker concluded that Santam's strong heritage, and the group's reputation for integrity, honesty, reliability, and treating clients fairly, remain intact.

During 2021, we initiated projects to enhance client and intermediary experience at both Santam and MiWay. The focus areas for 2021 were:

- Critically evaluating client journeys and improving on key touch points.
- Creating more convenience by diversifying our communication channels.
- Continuing to bolster Digital capabilities to enable client convenience and improve operational efficiencies.
- Improving client education with the introduction of tutorials and simplified communication.

The key insights to date are as follows:

- Santam achieved client and intermediary net promoter scores of 56% and 57% respectively, which are in line with our internal targets.

In addition, further reports and analyses yielded the following:

- In the latest OSTI Annual Report published in 2021, Santam achieved a referral rate of 1.54 complaints received by OSTI for every 1 000 claims submitted, compared to the industry average of 2.52 complaints, a clear indication of fairness and equity
- Santam achieved 6.3 out of 10 in the Hellopeter Trust Index for client satisfaction, an online platform where clients can share complaints and compliments, compared to a score of 4 in 2020. MiWay achieved 10 out of 10
- Santam was named as one of Kantar BrandZ's Top 30 Most valuable South Africa Brands
- MiWay achieved an OSTI referral rate of 2.84 in 2021 (2020: 3.63) complaints for every 1 000 claims submitted

FUTURE FOCUS

- Santam aims to maintain a net promoter score of 50% or more
- Both Santam and MiWay aim to achieve Hellopeter Trust Index score of 8 or more
- MiWay aims to maintain a high standard of client service and a good reputation on the fair treatment of clients across the client journey
- Improve Santam's OSTI overturn to 8% and less

Consumer financial education

Santam's CFE programmes target individual and commercial clients. CFE is applied at group level through a targeted approach focusing on the Santam emerging client market

Climate action

The group is enhancing its response to climate-related risks (physical and transitional) in accordance with the recommendations of TCFD. Some of these risks are incorporated in the underwriting and investment policies of our business.

We continue to participate with Sanlam in CDP to disclose our climate action. We have been a member of ClimateWise since 2009 and were a founding member of the UN PSI in 2012. We completed our ClimateWise and carbon disclosure reports which align to the TCFD-aligned recommendations. Santam maintained a ClimateWise score of 68%.

In September 2021, the board formally adopted the TCFD recommendations and Santam became a TCFD signatory.

We published our inaugural TCFD report, which is available on our website, with our ClimateWise report and climate change position statement.

Renewable energy

Our underwriting processes support the Renewable Energy Independent Power Producers Programme. Santam is working closely with reinsurers to ensure that our clients' legacy infrastructure remains insurable during what is likely to be a lengthy transition to cleaner energy.

FUTURE FOCUS

- We will maintain our inclusion in the FTSE/JSE Responsible Investment Top 30 Index
- We aim to consistently achieve a ClimateWise score of 68 or higher
- We will work to achieve mature TCFD reporting
- We will work towards aligning TCFD recommendations and integrate climate change into the existing risk management framework
- We will conduct climate scenario analysis and formulate our climate change response

Investing in client experience: creating intuitive client journeys enabled by technology

THIS ENABLES US TO ENSURE THAT OUR CLIENTS:

- Remain satisfied with our value offering
- Experience safety, fairness and inclusion

OUR PERFORMANCE IN 2021

The Santam experience

We implemented key performance indicators for this initiative which aims 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

The MiWay experience

- New App launch which includes a new client communication and education feature
- Launched WhatsApp client onboarding video

FUTURE FOCUS

- Santam aims to continue to digitally enable both our clients and brokers under the Santam experience banner
- MiWay aims to encourage more clients to subscribe to the Emergency Alert feature on MiWay's App
- MiWay continues to convert clients to digital service channels and communication platforms
- Both Santam and MiWay continue to simplify policy wordings and educate clients

Helping to build resilient societies: through transformation, financial inclusion and Partnership for Risk and Resilience (P4RR)

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
- Taking decisive action on climate change

SANTAM ESG FOCUS: HELP BUILD RESILIENT COMMUNITIES

- Invest in financial education for underserved communities
- Narrow the risk protection gap
- Partner for resilience

OUR PERFORMANCE IN 2021

Santam's Black Broker Development programme

We empowered 144 black intermediaries through our Black Broker Development programme.

The programme provides black intermediaries with the support to address industry challenges. We supported some emerging intermediaries to be compliant with the Financial Advisory and Intermediary Services Act, 37 of 2002 (FAIS). This was done using the agency model Sanlam Blue Star in the form of training.

In total, 213 learners have been trained through the Black Broker Development learnerships between 2016 and 2021.

Driving transformation in our supply chain

We contributed to addressing the social and empowerment challenges in South Africa by steadily increasing procurement from black-owned suppliers.

In 2021 preferential spend on black-owned suppliers was R3 billion.

Santam continues to invest in the ASISA ESD Fund, which 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.

Santam's BBBEE certificate can be found online

P4RR

Through P4RR, the Emthunzini BBBEE Community Trust invests in risk-reducing interventions that are managed by Santam and other willing partners, such as SASRIA. Through research studies, we provide support to the National Disaster Management Centre and the Municipal Infrastructure Support Agency.

Santam partnered with the Department of Cooperative Governance and Traditional Affairs, the South African Local Government Association, and 63 local district municipalities to support and promote infrastructure maintenance and resilience to mitigate disaster-related risks.

We facilitated the establishment of a Climate and Disaster Resilience Fund (CDRF). The CDRF is an independent fund, served by independent directors, whose priority projects are aimed at supporting the mitigation of increasing disaster risks that present as a result of climate change, under-capacity of municipalities and social unrest. The fund is intended to be operational in quarter 2 of 2022.

CSI

We invested in corporate social initiatives that enabled more effective management of the group's risk pool and to help us develop new markets and appropriate products for these markets:

- We partnered with the Department of Basic Education to implement safety measures at special needs schools, which have unique safety needs. 264 school safety officers were trained with six schools receiving virtual and physical risk assessment training from Santam, the Department of Basic Education (DBE), and the National Disaster Management Centre (NDMC)
- In support of P4RR initiatives, we partnered with Red Cross South Africa to conduct disaster management and first aid training for 68 volunteers at local municipalities
- We continued our partnership with the National Sea Rescue Institute of South Africa to conduct water wise training for learners, reaching 275 130 learners (2020: 241 414)
- Through our employee volunteerism programme, 33 Santam employees participated in staff volunteerism during 2021. Santam Mandela Day was commemorated by a donation to Rise Against Hunger to provide food parcels to fund 20 736 meals.

CONSUMER FINANCIAL EDUCATION

We partnered with SAIA to offer Consumer Financial Education programmes, which introduce more people to the benefits of insurance.

Other programmes in 2021 included:

- A programme for emerging farmers
- Several initiatives with taxi owners and taxi associations, on behalf of VUM

WE HAVE MAINTAINED OUR LEVEL 1 BBBEE RATING

See the SES committee report in our corporate governance report for detail.

FUTURE FOCUS

- We work to maintain our current level 1 BBBEE rating
- By 2025:
  - Our aim is to have over 900 black intermediaries contracted to the group
  - Our goal is to partner with 100 municipalities to reduce risk and build resilience
  - We want to narrow the risk protection gap by expanding our insurance offering to include more than 300 000 policies amongst uninsured South Africans

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

WE 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

OUR PERFORMANCE IN 2021

Supporting intermediaries in their evolving role

As detailed in the section on Santam's key drivers of change the role of intermediaries is evolving into one of professional risk advice to best meet our clients' individualised needs.

The take-up of Santam's extensive product and systems training initiatives, as well as the dedicated intermediary portal, is providing much-needed support to intermediaries.

We have also seen that a greater awareness of other valuable initiatives, such as the interactive platform for intermediary feedback, Insurance Sector Education and Training Authority accreditation courses, and the business coaching offering, is needed.

We managed to digitally enable more than 4 500 intermediaries.

Public-private partnerships

Individuals or businesses and insurers share the responsibility to protect themselves against uninsurable risks. For the most part, protection must come in the form of better risk management. It falls to insurance industry stakeholders to drive awareness around such practices. Where risk is unavoidable, governments should use their sizeable balance sheets and ability to legislate to form public-private partnerships with insurance industry stakeholders to provide some protection.

Santam Specialist is piloting index insurance 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. This reduces the need for post-event assessments and allows for the claims settlement process to be quicker and more objective. The project aims to benefit smallholder farmers in South Africa by adopting new technologies to increase their resilience to extreme weather shocks, such as droughts, excessive rainfall, and extreme temperatures.

FUTURE FOCUS

- Santam aims to grow and extend its leadership position in South Africa by adding one million additional policies by 2025
- Santam's historic lack of scale in value-added services presents an opportunity for growth
- Partnerships with Sanlam and other corporates
- MiWay aims to continue to enhance MiWay Blink, Business Insurance and broker product offerings and distribution channels

Read more on our medium-term growth initiatives

Diversifying in Africa and internationally: building the Pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist

WE ACHIEVE THIS BY:

- Building the Pan-African specialist business with Sanlam Pan-Africa to transition into a continent-wide solution
- Selectively building other international business through Santam Re and Santam Specialist

OUR PERFORMANCE IN 2021

Growing a Pan-African Specialist business with Sanlam Pan-Africa

- In the Saham and Santam operational joint venture agreement, we increased our focus on African global clients in the agricultural, marine, engineering, liability, and property sectors
- We aligned the risk appetite and underwriting philosophy of our partner businesses with our own

Investing in other international growth (Santam Re)

- Our territorial focus areas for expansion are Africa and the Middle East, and Eastern Europe
- We continue to diversify and grow the Santam Re book of business to reduce volatility
- We have applied rigor in our underwriting approach and continue to increase the number of contracts as well as our client base
- We saw continued growth using New Re AA-rated paper: Santam has a long-term arrangement with Munich Re, via its New Re subsidiary

FUTURE FOCUS

- We aim to grow our GWP from outside of South Africa to 20% of our total conventional GWP by 2025

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

TO DELIVER AN INNOVATIVE EXPERIENCE FOR CLIENTS OF THE FUTURE, AND PROMOTE GROWTH ENABLED BY DIGITAL INNOVATION, 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
- Enhanced digital capabilities in Broker Portal for intermediated distribution
- Updating the Santam client App and Portal to continuously improve client self service capabilities and ease of doing business, for direct and intermediated clients

OUR PERFORMANCE IN 2021

Technology investments

- Santam has invested in modern technologies to enable future digital ecosystem partnerships. The investment in new technologies will enable us to:
  - Improve client service and efficiencies
  - Build our own ecosystems and participate with other strategic digital ecosystem partners
  - Continue to realise long-term shareholder value
- We implemented the new Guidewire claims module for the motor book, following successful non-motor book implementation
- We launched the MiWay Blink purely digital end-to-end insurance platform through a web/app interchange, which offers car insurance. Product lines will be expanded over time
- The continued investment in digital capabilities resulted in a 10% increase in average daily usage of the Santam Broker Portal, a 10% increase on the daily usage of clients using the Santam Client Portal and more than doubling the daily use on the Santam client app

Efficiency and optimal decision-making

- We have seen benefits and savings from the implementation of Guidewire, the new underwriting and claims platforms, as well as other investments in technology
- Our continued investment in modern architecture and platforms is moving the group to be more digitally orientated, with no back-office legacy architecture and 24/7 availability across multiple distribution channels
- We aim to grow our conventional book without material increase on our acquisition costs thereby realising benefits from strategic projects implemented

Cyber security excellence

- 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
- Our employees received continuous user awareness cybersecurity training
- We perform a significant amount of third-party risk analysis to ensure that the risks posed by businesses not managed within the Sanlam-/Santam-controlled environment are well understood

FUTURE FOCUS

- We will effectively implement and execute a digital strategy across the group
- We aim to completely eliminate the old mainframe system in our technology architecture by 2025

Enabling insights-driven insurance and informing strategic direction through trusted data

DATA AND ITS USE ARE BECOMING INCREASINGLY IMPORTANT TO INSURANCE ORGANISATIONS. RECOGNISING THE IMPERATIVE TO LEVERAGE DATA AS AN ASSET, SANTAM ADDED THIS NEW STRATEGIC BUILDING BLOCK DURING 2021. WE WILL ACHIEVE THIS THROUGH:

- Prioritised executive focus and visible leadership of data priorities and governance
- Clear accountability for data and information
- Group-wide focussed data quality improvement initiatives
- Improvement of data and information literacy and capacity
- Enablement of a data-driven culture
- Implementation of a fit for purpose data architecture and modern infrastructure
- Effective use of internal and external data sources

OUR PERFORMANCE IN 2021

The focus in 2021 was to develop our strategy and approach that will ensure the exploitation of a modern, fit-for-purpose data infrastructure in support of our strategic objectives. In addition to several projects already underway, including the implementation of IFRS 17, that contribute to a modernised data infrastructure, we started to lay a solid foundation of sound data governance through:

- Establishment of appropriate governance structures and forums on all organisational levels
- Contracting of accountability for prioritised initiatives, including IFRS 17 and compliance to the Protection of Personal Information Act
- Establishment of a Data Office and assignment of the role of a chief data officer
- Identification of key data fields for focused data quality improvement across the group as well as agreement on a standardised approach to manage data quality improvement
- Implementation of Data Governance standards in support of our Group Information and Data Policy commenced, aligned to the Data Governance roadmap of Sanlam
- Data and information literacy training through structure training modules commenced

FUTURE FOCUS

2022 will see a continued focus to lay a strong foundation for our information and data strategy. Key metrics have been agreed by the Santam Information Management Authority, our executive authority for data governance, focusing on the improvement of key data fields, continued implementation of data governance standards and improving data literacy and capacity throughout the organisation.

We will also develop a clear roadmap for our medium- and long-term objectives to enable insights-driven insurance.

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

TO BE COMPETITIVE IN A RAPIDLY CHANGING WORLD AND BUILD OUTSTANDING HUMAN CAPITAL, WE EMPLOY A MULTI-PRONGED APPROACH:

- Targeted external talent acquisition
- Internal capacity-building through development programmes that grow the talent pipeline over time
- 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

SANTAM ESG FOCUS: TALENT AND CULTURE

- Promote a diverse, equitable and inclusive workforce
- Improve employee wellbeing
- Improve employee engagement

OUR PERFORMANCE IN 2021

The group has a targeted people strategy, which includes talent management, a transformative culture, employee wellness, and gender pay equity.

Santam was certified as a Top Employer by the Top Employer Institute for the sixth consecutive year.

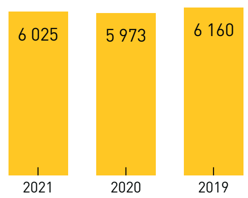
Diversity and inclusion

Santam has a diverse and inclusive group culture, which we continue to nurture and develop. The employee engagement score measures how employees experience their leaders, the culture in the workplace, their role, their alignment to the organisational purpose and strategy and whether they feel included, supported and are being developed. Our employee engagement score for 2021 was 78% compared to 74% in 2020.

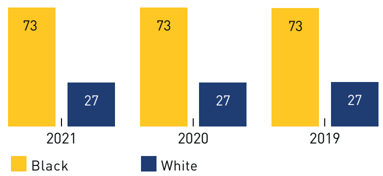
Our 2021 engagement results show that we have a highly engaged workforce, who would recommend Santam as a place to work to their friends and families.

A profile of our employees

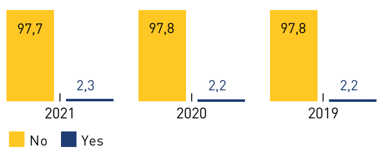
Number of permanent employees



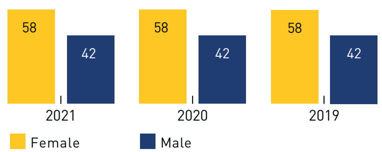
Employees by race (%)



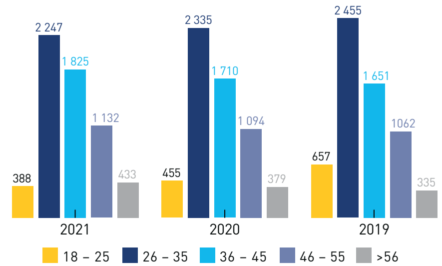
Employees with disabilities (%)



Employees by gender (%)



Employees by age (number)



Initiatives performed to strengthen diversity and inclusion:

- Disability awareness and disclosure campaign
- Communication and engagement centered on Pride Month, Youth Month, Womens Months, Heritage Month and 16 days of activism against women and children
- Targeted diversity and inclusion offerings to support various demographic groups such as supercharge your career for young professionals and a retiree lifestyle planning programme
- Integration of diversity and inclusion themes into the wellness offering
- Conducted Conversations in Diversity sessions in various business units
- Trained and certified additional diversity facilitators

Initiatives performed to strengthen culture entropy

- Leadership communication and support to drive leading with empathy. This enabled growth mindset culture attributes of grow, develop and thrive
- Cascaded culture score and entropy results per business to create an understanding of the measurement and the expected growth and improvements
- Enhanced communication and engagement through the CEO Connect sessions started in September, to engage and communicate to all employees across the group
- Driving key employee experience enhancements to shape the desired culture and provide support to our people during remote work

Leadership and culture programme initiatives performed:

We trained 72 leaders across the group, of which 61% were black and 76% were female in the following initiatives

- Coaching (for senior and middle management) through Coach Matching and Ennea
- Frontline Leader Programme for 54 leaders at WITS Digital Campus
- Leadership Transition Programme – Ennea International
- Sanlam Leadership Programmes (Ignite Middle Management programme and Catalyst Senior Management Programme by GIBS)
- Women in Leadership Programme Henley Business School

Understanding new ways of work

The shift away from traditional nine-to-five, in-office careers toward a more flexible approach was accelerated by COVID-19 lockdowns.

Santam aims to protect people, not jobs. As such and in partnership with Sanlam, we opened vaccination stations for the benefit of employees and the public. Santam further implemented mandatory vaccination for all its employees.

Training and development

Santam is a participant and contributor to the Insurance Sector Education and Training Authority. In 2021, we invested in 29 graduates in the programme (30 in 2020).

FUTURE FOCUS

- We aim to improve our employee engagement score to above 80%

Optimising our financial performance: deliver sound results, stewardship and diversification

OUR LONG-TERM VALUE DRIVERS ARE:

- Sustainable growth of GDP plus CPI plus 1% to 2%
- Return on capital – long-term ROC target of 24%
- Sustainable net underwriting margin of 5% to 10% of net earned premium
- Investment return on insurance funds of 2.5% of net earned premium

Read about our performance against this strategic theme in the CFO report

CHIEF FINANCIAL OFFICER'S REPORT

The Santam group reported strong operating results, despite the impact of several significant claim events, particularly the adverse weather conditions during the fourth quarter of 2021. Conventional insurance reported growth of 5% despite the severely constrained economic climate. We are, however, excited about various growth initiatives which are showing positive results and should assist sustainable future growth.

KEY FACTORS IMPACTING OUR FINANCIAL PERFORMANCE

HIGHLIGHTS	CHALLENGES
Net underwriting margin of 8%	Growth in the South African and Namibian intermediated business
Strong growth achieved by MiWay and Santam Re	Low interest rate environment contributed to lower investment return on insurance funds
Excellent operating results achieved by the ART businesses	Resilient underwriting results in a year characterised by significant weather events, civil unrest and several large fire claims
Return on Capital of 28.5%	Steady progress in finalising open CBI claims

THE SANTAM GROUP'S FINANCIAL PERFORMANCE

Our key indicators

Santam's financial strategic pillar is to optimise our financial performance by delivering sound results, stewardship and diversification. We use the following metrics to track the group's financial performance and shareholder value creation:

Long performance target	Indicator	FY21 target	FY21 actual	Performance status	Longer term performance target
Capital ROC/Economic capital coverage Ratio	Return on capital	**20%**	28.5%	Achieved through effective capital management and strong underwriting and investment results	24%
	Economic capital coverage ratio	**150% – 170%**	169%	Benefiting from approved internal capital model	145% to 165%
Growth	Growth in conventional GWP	**5.5%**	5.3%	Strong growth achieved by direct distribution channel in South Africa and business flows from SPA-GI partnership	CPI plus GDP plus 1% to 2%
	Conventional GWP direct channels proportion of total South Africa	**19%**	19%		22%
	Conventional GWP outside South Africa as a percentage of total GWP	**16%**	16%		20%
Profitability	Conventional insurance net underwriting margin	**7.5%**	8.0%	Ongoing focus on profitable growth	5% to 10%
	Conventional insurance float return margin	**1.8%**	1.5%		2% to 2.5%
	Conventional insurance expense ratio	**17.4%**	16.6%		
	ART operating earnings (net of NCI)	**R178m**	R276m	Strong growth in fee income from clients and investment results	

OUR FINANCIAL PERFORMANCE ASPECTS

Santam's financial performance is measured and reported according to:

The group's insurance results per operating segment

Our investment results

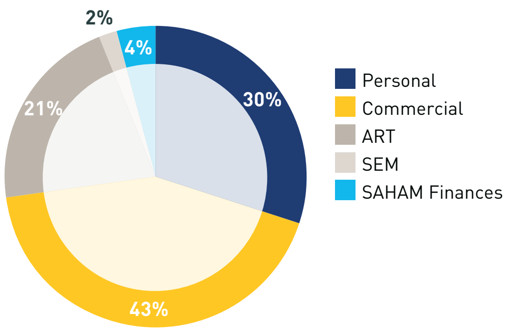
Capital management and solvency

LINES OF BUSINESS AND GEOGRAPHIC DIVERSIFICATION (INCLUDING SEM PARTNER BUSINESSES)

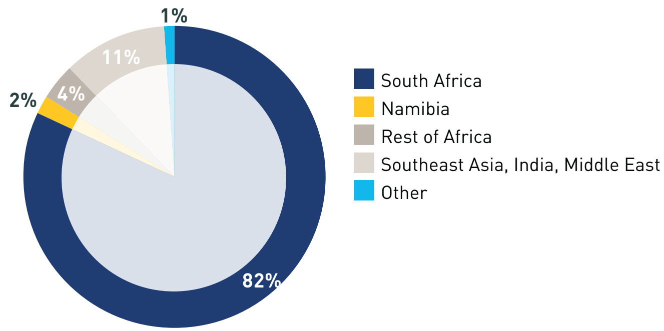
Strong growth was achieved in business written from outside South Africa and Namibia, while the direct distribution channel in South Africa continues to expand.

INSURANCE RESULTS PER OPERATING SEGMENT AND BUSINESS UNIT

Gross written premium per business segment 2021



Gross written premium per geographical area 2021



CONVENTIONAL INSURANCE

The conventional insurance business demonstrated its resilience in a year characterised by the continued negative impact of COVID-19 on the economy, several large fire claims, the civil unrest in July and excessive rains across large parts of South Africa during the fourth quarter. A net underwriting margin of 8.0% was achieved (2020: 2.5%). The 2020 financial results were negatively impacted by the net CBI claims provisions.

SANTAM COMMERCIAL AND PERSONAL

The business unit reported low growth for the year. However, various growth initiatives are showing positive results, which should assist future growth.

The very wet summer season had a negative impact on the loss ratios.

For strategic initiatives in FY21 and outlook click here

SANTAM SPECIALIST

The Santam Specialist business achieved improved growth during the second half of the year and gross written premiums in 2021 were in line with the year ended 31 December 2020. Strong growth was achieved in the liability business, while a number of the specialist classes reported improved growth, benefitting from reduced and less stringent lockdown measures. The corporate property business reported much improved gross written premiums for the second half of 2021, despite the decision to cease underwriting business outside of Africa.

Several large claims impacted the business during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December.

For strategic initiatives in FY21 and outlook click here

SANTAM RE

Santam Re continued to report strong growth in its third-party business, positively impacted by new business written during the reporting period.

The business unit's performance was affected by its participation on the SASRIA reinsurance program, following the civil unrest in July 2021. Santam Re provided for net reinsurance claims of R237 million at 31 December 2021, based on claims notified to date. The maximum net exposure relating to the SASRIA programme is limited to R315 million.

For strategic initiatives in FY21 and outlook click here

MIWAY

MiWay achieved impressive growth of 9% (7% when excluding premium relief support to policyholders in 2020) in the current operating environment.

The loss ratio was significantly impacted by the adverse weather conditions in the fourth quarter but still reported reasonable underwriting results under these conditions, with a loss ratio of 60.9% (2020: 50.6%) and an underwriting profit of R285 million (2020: R486 million).

For strategic initiatives in FY21 and outlook click here

Contingent Business Interruption (CBI) Claims

The judgment by the Supreme Court of Appeal on the length of the indemnity period to be applied to the Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd policies with CBI extensions, provided the legal clarity Santam sought. Santam continues to make steady progress in finalising the open CBI claims. Gross CBI claim payments of R3.2 billion have been made to end of December 2021, inclusive of the relief payments of R1 billion made in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts. Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. However, there is still uncertainty about the ultimate liability which will only be eliminated once the process has been finalised. The release of the R450 million net CBI provision contributed approximately 1.7% to the net underwriting margin.

Conventional insurance: GWP per insurance class

Gross written premiums in the property class grew by 3% due to solid growth by Santam Re and an improved contribution from the corporate property business in the second half of 2021.

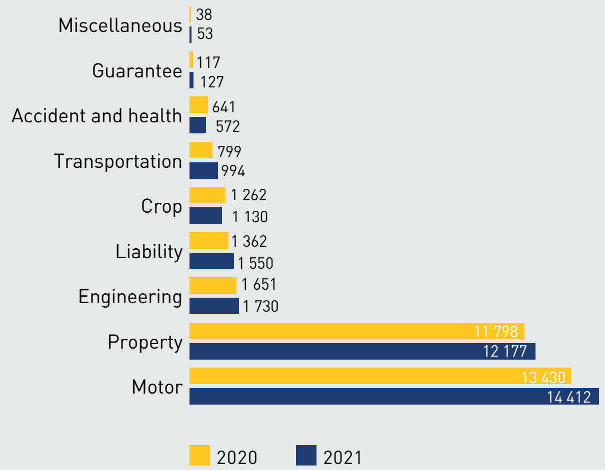
The motor class reported growth of 7%. The strong growth achieved by MiWay and Santam Re was offset by more muted growth of the motor business written by the Santam Commercial and Personal business.

The liability and transportation classes achieved strong growth, supported by both the Santam Specialist businesses and Santam Re.

Gross written premiums in the accident and health class contracted by 11%, due to the continued impact of COVID-19 travel restrictions on the travel insurance business.

The crop insurance class also reported lower gross written premiums in 2021, mainly due to the timing of premiums being raised for the 2020/2021 crop season.

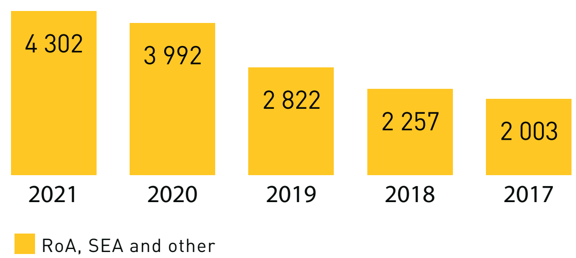
Conventional insurance: GWP per insurance class (R million)



Conventional insurance: GWP outside South Africa and Namibia

Santam Re and Santam Specialist business achieved strong growth over the past five years. The partnership with SPA GI added R385 million gross written premium during 2021 (2020: R200 million).

RoA, SEA and other (R million)



Conventional insurance underwriting results

Santam experienced a much more normalised claims environment in 2021. Several large fire claims impacted the Santam Specialist business during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December. The very wet summer season also had a negative impact on the Commercial and Personal business and MiWay's loss ratios. Santam Re's performance was affected by its participation on the SASRIA reinsurance program, following the civil unrest in July 2021. Santam Re provided for net reinsurance claims of R237 million at 31 December 2021, based on claims notified to date. The maximum net exposure to the SASRIA program is limited to R315 million.

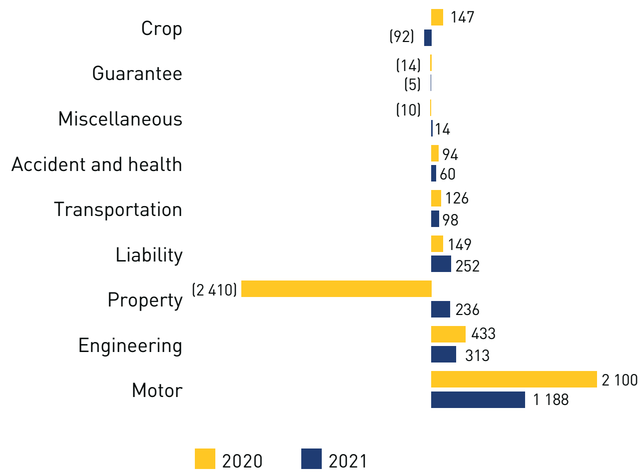
The motor class achieved satisfactory underwriting performance in the intermediated and direct distribution channels. The motor loss ratio returned to more normalised levels as the claims frequency and severity increased following reduced lockdown restrictions. MiWay's loss ratio was significantly impacted by the adverse weather conditions in the fourth quarter but still reported reasonable underwriting results under these conditions, with a loss ratio of 60.9% (2020: 50.6%) and an underwriting profit of R285 million (2020: R486 million).

The underwriting performance of the property class also normalised after the impact of the CBI claims incurred in 2020, although it was negatively impacted by several large fire claims as well as the SASRIA reinsurance claims during 2021. The release of the CBI claims provision of R450 million contributed to an underwriting profit of R235 million (2020: loss of R2.4 billion) for the property class.

The crop business experienced significant claims due to hail and excessive rains across widespread regions in the summer rainfall areas during November and December. Frost claims in certain regions also contributed to the overall gross claims paid and reserved for the year exceeding R1.1 billion, resulting in a net underwriting loss of R92 million for the crop business in 2021. The crop business is significantly reinsured via a panel of reinsurers who in partnership with Santam, ensure that a sustainable long-term approach is taken to manage the negative impact of high claims incidence years.

The engineering class was impacted by several large claims, resulting in weaker underwriting results compared to 2020. The liability class delivered excellent underwriting results with limited adverse claim developments.

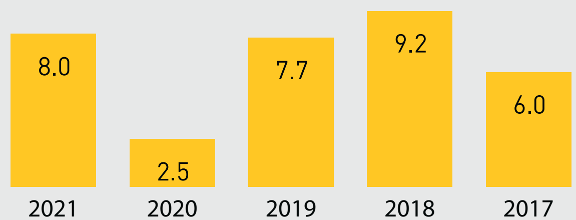
Conventional insurance: Net underwriting surplus per insurance class (R million)



Conventional insurance: Net underwriting ratio

Given the ongoing focus on improved underwriting results, the board approved the revision of the net underwriting margin target range to 5% to 10%.

Net underwriting ratio (%)



Conventional insurance: Net acquisition costs

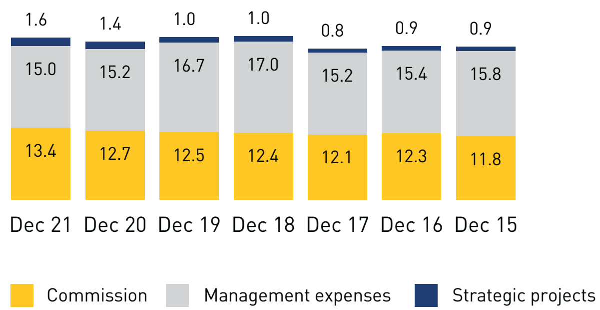
Ongoing cost containment efforts remain an area of focus.

The net acquisition cost ratio increased to 30.0% (2020: 29.3%) mainly due to the net commission ratio increasing to 13.4% (2020: 12.7%). The key drivers of the increased net commission ratio were the lower reinsurance commissions received following the hardening of the reinsurance market in 2021 and the higher commission rates paid by Santam Re.

The management expense ratio was 16.6% (2020: 16.6%) on the back of continued cost containment efforts and increased strategic project spend compared to 2020.

Strategic project costs, included as part of management expenses, amounted to 1.6% (2020: 1.4%) of net earned premium. These costs relate mainly to the completion of a new claims platform, the IFRS 17 implementation project, data enhancements and digital solutions.

As % of net earned premium



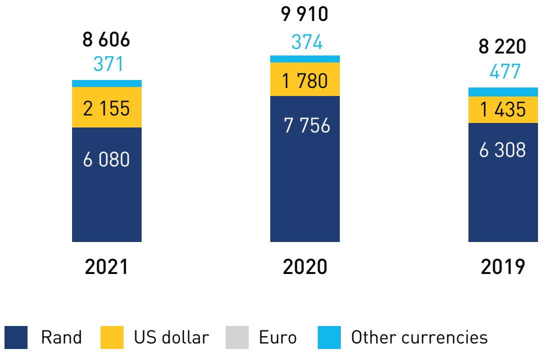
Conventional insurance investment return on insurance funds

The investment return on insurance funds of 1.5% (2020: 2.1%) of net earned premium was negatively impacted by the lower interest rate environment and a higher US dollar component backing the insurance reserves.

Conventional insurance: Currency mix of assets backing net insurance funds

The significant reduction in the rand denominated funds compared to 2020 is because of the CBI settlements in 2021.

Conventional insurance: Currency mix of assets backing net insurance funds (R million)



ALTERNATIVE RISK TRANSFER (ART)

The ART business reported operating results net of non-controlling interests of R276 million (2020: R165 million). Income from clients increased by 22% to R470 million (2020: R385 million), supported by excellent growth in fee income and positive investment results. The underwriting results benefited from prior period reserve releases, following more certainty on COVID-19-related claims exposures and recoveries from reinsurers.

	Centriq R million	SSI R million	2021 Total R million	Centriq R million	SSI R million	2020 Total R million
Income from clients	**320**	**150**	**470**	263	122	385
Participation in underwriting results	**57**	**13**	**70**	24	10	34
Administration expenses	**(151)**	**(113)**	**(264)**	(152)	(102)	(254)
Operating result net of non-controlling interest	**226**	**50**	**276**	135	30	165

Centriq

For strategic initiatives in FY21 and outlook click here

SSI

For strategic initiatives in FY21 and outlook click here

SEM PARTNER BUSINESSES

Gross written premium growth

The Sanlam Pan-Africa General Insurance (SPA GI) business (including SAN JV) achieved gross written premium growth of 13% in constant currency terms (5.5% in actual currency). The growth was driven by higher volumes in the motor and health business lines in Morocco and an improved performance from Continental Re. Weaker sales in the assistance business and the cancellation of loss-making health business in Cote d'Ivoire had a negative impact on premium growth. SAN JV (excluding Lebanon) achieved gross written premium growth of 5% (approximately 12% in constant currency terms).

Shriram General Insurance Ltd (SGI) gross written premiums declined due to the lack of premium increases on third-party business as regulated by government and lower volumes from the credit businesses during the COVID-19-related lockdown periods.

Net insurance result

Santam's share of the general insurance net insurance result from the SEM businesses of R377 million was marginally lower compared to R381 million in 2020.

SPA GI (including SAN JV) recorded a net underwriting margin of 4.4% (2020: 6.1%), below the 5% to 9% target range. The portfolio recorded adverse claims experience in Cote d'Ivoire, Continental Re and some of the smaller Eastern and Southern regional countries, as well as a weaker performance from the health business. SAN JV recorded a 5.6% net underwriting margin relative to 6.9% (excluding Lebanon) in 2020.

SPA GI achieved an excellent return on insurance funds of 11.9% (as a percentage of net earned premiums), up from 2.9% in 2020. The Moroccan business reported a float margin of 20.9% on the back of strong equity markets. Further progress was achieved in transitioning the float investment portfolio to a lower level of equity and property exposure and increased bond exposure. Good value was realised in reducing the equity weighting although it lowered the exposure to the strong equity market performance over the year. An investment return on insurance funds of 12.8% (2020: 2.8% excluding Lebanon) was achieved by SAN JV.

In India, Shriram General Insurance's (SGI's) earnings were impacted by the lack of regulated premium increases on third-party business for the past two years and limited ability to finalise claims. Courts in India continue to operate at limited capacity, which limits the ability to finalise claims. SGI's net insurance results however remained satisfactory at 25.2% of net earned premiums. Pacific and Orient Insurance in Malaysia recorded higher earnings largely driven by improved growth from direct channels, reserve releases, good float returns, and a lower claims ratio.

SEM investment holdings

For strategic initiatives in FY21 and outlook click here

INVESTMENT RESULTS

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 493 million (2020: R1 027 million). Foreign currency gains and fair value gains on listed equities were the key contributors to the stronger investment performance.

Investment approach

Santam follows a policy of managing its investment portfolios in a diversified manner. We aim 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 2021, funds to the value of R4 billion (2020: R3.5 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.

Santam's short-term liquidity requirements (rand and foreign currency) are managed by the Santam group treasury function, to optimise the yields on the group's liquid balances and realising group efficiencies regards to bank and foreign currency transactions.

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 every quarter.

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.

Our investment results

Santam's listed equity portfolio achieved a return of 27.4% for the year ended 31 December 2021, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 23.5%.

On 3 February 2021 the group renewed its derivative collar structure over listed equities to the value of R1 billion, based on the SWIX 40, to provide continued capital protection, realising a loss of R142 million (R77 million of the loss was recognised for the year ended 31 December 2020). The structure expired on 3 May 2021 and realised a further loss of R31 million. It was rolled over for another three-month period that expired on 3 August 2021, realising a gain of R15 million, bringing the total loss accounted for in the 2021 financial year to R81 million, which reduced the listed equity portfolio's return of 27.4% by 7%.

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

Foreign currency gains of R373 million (2020: R60 million) were recorded. This included unrealised foreign currency gains of R100 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2020: R17 million).

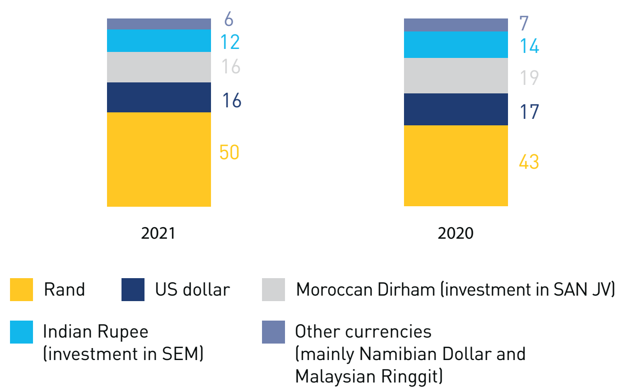
Net gains on financial assets and liabilities of R171 million (2020: net losses of R113 million) include fair value gains on listed equities and local and foreign bonds partly offset by realised losses on derivatives. Positive fair value movements (excluding the impact of currency movements) of R52 million (2020: R17 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, contributed to the investment performance.

Net income from associated companies of R78 million (2020: loss of R810 million) included SAN JV net income of R8 million (2020: income of R32 million). The 2020 loss from associated companies included an impairment of SAN JV intangible assets of R656 million. The carrying value of SAN JV at 31 December 2021 was R1 848 million (2020: R1 823 million).

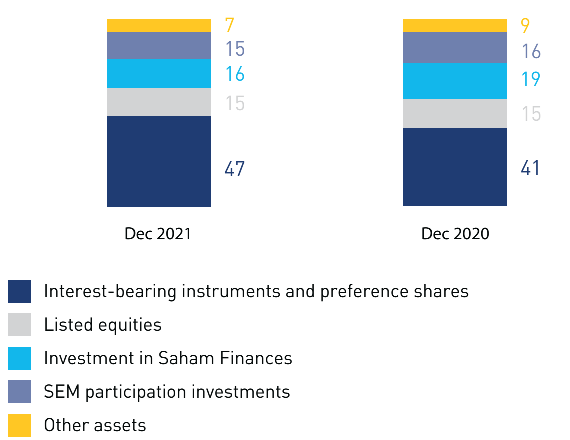
Exchange rate information for key currencies impacting the results

Currency	Closing rate FY20	Closing rate FY21	Average rate FY20	Average rate FY21
US dollar	14.69	**15 96**	16.34	**14.76**
Indian rupee	0.20	**0.21**	0.22	**0.20**
Moroccan dirham	1.65	**1.72**	1.73	**1.64**

Shareholder funds currency mix (%)



Shareholder funds asset mix (%)



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 20% in 2021 and the longer-term target is 24%. Capital is allocated to the various businesses in the group and the returns on these businesses are measured against the threshold hurdle rate.

Economic solvency and capital

On 12 April 2021, the group redeemed the R500 million floating rate subordinated debt which became callable during that month.

Following good progress made with the CBI claims process the capital protection provided by the derivative collar structure over listed equities was no longer required and the structure was therefore not renewed when it expired on 3 August 2021. The group economic solvency capital requirement at 31 December 2021, based on the internal model, amounted to R8.3 billion (2020: R7.4 billion) compared to the actual capital of R13.9 billion (2020: R11.9 billion). This equates to an economic capital coverage ratio of 169% (2020: 161%), at the top end of the capital target range of 150% to 170% applicable during 2021. The economic capital coverage ratio at 31 December 2020 already included the anticipated redemption of R500 million subordinated debt in April 2021.

Following the reduction in the regulatory capital add-on to the approved regulatory internal model from 20% to 10% by the Prudential Authority in November 2021, the Santam board has reduced the target economic capital coverage ratio band from between 150% and 170% to between 145% and 165% and remains comfortable operating at the lower end of this range. In addition to the economic capital coverage ratio band, the regulatory capital coverage ratio must exceed predefined threshold levels which have remained unchanged. The group remains committed to efficient capital management.

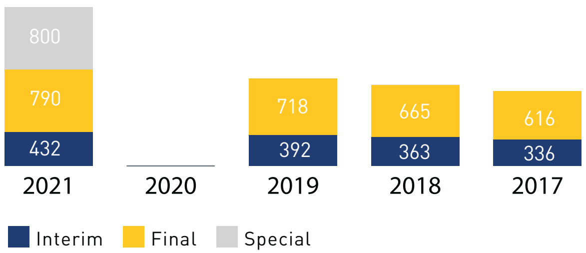
The legal clarity on the CBI indemnity period and progress made to settle the open CBI claims provided more certainty on the group's capital position. Taking this into account and the capital position at 31 December 2021, the board approved an ordinary final dividend of 790 cents per share and a special dividend of 800 cents per share, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Dividends

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

Dividends per share (cents)



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. Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach (PAA) will be applied to the bulk of the insurance book.

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 significant impact across the group's operating model. Due to the fundamental changes required, 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. Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be consistently implemented throughout the group. A roadmap for transition and the dual run during 2022 has been prepared and shared with business stakeholders. This includes the completion of the system development to implement IFRS 17, the production and audit of transition balances, a dual run of financial results based on IFRS 4 and IFRS 17, updating of the budgeting process to align to IFRS 17 and finalisation of reporting and disclosures. Future financial and data governance processes and accountabilities will be finalised and implemented. The tax implications regarding the adoption of IFRS 17 are also being considered and Santam representatives actively participate in industry discussions in this regard.

Although the financial impact of IFRS 17 has not yet been fully assessed, given the nature of the Santam book, the bulk of the book will be measured using the PAA measurement methodology. This implies that the most notable impact on the net asset value of the group will be due to the introduction of discounting on the Group's claim provisions.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK

Higher expected interest rates and inflationary pressures will decrease disposable income in South Africa. The 2021 economic growth in South Africa is estimated by the South African Reserve Bank (SARB) to be 4.8%, reducing to 1.7% in 2022. Annual inflation (CPI) is forecast to increase to 4.9% in 2022, up from 4.5% in 2021.

It is expected that economic activity will, in the short to medium term, continue to be constrained by weak consumer spending. However, we are cautiously optimistic about South Africa's economic growth prospects.

There was a significant hardening of the international reinsurance market, following significant global catastrophe events in 2021. The increased reinsurance premiums also impacted South African insurers. Santam has a well-structured reinsurance program and risk retention levels, enabling us to optimise net underwriting results in an environment of increased reinsurance premiums.

Investment markets are likely to remain uncertain and volatile. Santam's investment income will benefit from higher interest rates. The non-rand-denominated investments expose the group to foreign currency volatility. However, it does also provide a hedge against the operational impact of a weakening rand.

The group remains committed to delivering profitable growth while optimising its capital base.

Hennie Nel

Chief financial officer

BUSINESS UNIT PERFORMANCE

SANTAM COMMERCIAL AND PERSONAL

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

Strategic performance and growth initiatives in 2021

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- We continue to invest in digital solutions, not just to improve self service capabilities for clients and intermediaries, but also to support new business growth. This is achieved by:
  - The launch of the brand new Sales Portal for our Direct business, that reduced time to quote by more than half. This will be made available to intermediaries in 2022 as well
  - Finalisation of the personal insurance quote on *www.santam.co.za*, integrating to the GuideWire core policy administration application to ensure accuracy
  - Launching WhatsApp as client channel for policy administration and for claims
  - Expanding the use of chatbots, both internally and for our clients
- We conducted underwriting and pricing reviews, supported by market analysis conducted as part of the Santam experience initiative
- In light of the CBI claims experience and increased risks related to climate change, we focused on exposure management and reviewed and amended wording for a number of policies
- We invested in an in-house merit claims unit, focused on high-risk merit claims, which has been implemented nationally for the vehicle theft investigations teams and is delivering excellent cost to benefit ratios
- We completed a proof-of-concept assessment for early fault detection "smart geysers" and conducted training for the relevant employees and intermediaries

Outlook and future focus areas

Easing of lockdown restrictions and the gradual return to pre-COVID-19 ways of living and working are expected to normalise some of the unusual trends we experienced in the past two financial years, particularly for our motor vehicle class of insurance.

However, certain shifts are here to stay, and to remain at the forefront of general insurance innovation, we will focus on the following initiatives in the short term:

- The roll-out of the Guidewire claims system to the motor vehicle class of insurance, which will improve efficiencies and the ease of the claims process
- Digital offerings to enable intermediary efficiency and excellence
- Cross-selling partnerships with Sanlam Retail Mass and Sanlam Private Wealth
- The launch of a value-added product solution

SANTAM RE

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. The focus is to further enhance low volatility through increased diversity of contract, client, and class of business.

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.

The business has a high-quality portfolio of treaty participations with good margins and relatively low volatility.

Strategic performance and growth initiatives in 2021

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- We diversified into non-property and non-proportional classes of business, and this remains a focus going forward.

Outlook and future focus areas

- Climate change is undoubtedly increasing the frequency and severity of catastrophe events. This has led to a global focus on reinsurance policy wording and pricing, and a review of our catastrophe event policies.
- We continue to pursue growth opportunities in Africa, eastern Europe and the Middle East.
- We continue to focus on internal efficiencies and to reduce the transactional costs of the business.

MIWAY

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.

Strategic performance and growth initiatives in 2021

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- We launched MiWay Blink, our first fully digital car insurance offering. MiWay Blink was recently announced as a finalist for the 2021 MTN App of the Year awards and user feedback has been overwhelmingly positive. The focus is now on scaling the product and expanding its distribution network.
- We launched several value-added product innovations, supported by system improvements and an expanded sales team. These include a motor warranty product and an emergency alert offering which alerts us when a client is involved in a collision.
- We introduced a client interaction analytics platform to extract operational intelligence and monitor client experience, a task that used to be manual and subjective.
- We are adopting robotic process automation across the business to ease the burden of repetitive tasks for employees and create capacity for meaningful client engagement and innovation.

Outlook and future focus areas

We plan to contribute to growth in 2022 by continuing to drive product innovation and system efficiencies. Planned initiatives include:

- MiWay Blink, which offers clients individualised premiums based on their driving style, plans to expand its product offering and additional features
- Launching a driver behaviour-based rewards programme to incentivise better driving habits
- Identification of distribution networks and platforms with which we can partner and integrate to increase offline-to-online opportunities instead of relying on digital marketing only
- Investment in system developments to facilitate intermediary interaction and self-help services

SANTAM SPECIALIST

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 together with offering clients an A-rated licence capability in selected markets.

Strategic performance and growth initiatives in 2021

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- In line with the group's focus on tighter underwriting disciple, we reviewed policy wording across a range of our offerings
- Echelon private client insurance (high net worth personal lines) and Stalker Hutchinson Admiral (liability insurance class) were converted from underwriting management agencies which were subsidiaries to divisions, creating cost and operational efficiencies
- We expanded our market reach by developing new products
- We launched a cyber security product aimed at small, medium and micro-enterprises, and Vulindlela Underwriting Managers (Insurance solutions for minibus taxis in South Africa) developed micro-enterprise insurance asset cover called Zenzele

- We improved the use of data analytics, where appropriate, to gain market insight through information gathering, sharing and data mining
- Santam Marine and Santam Bonds introduced digital client portals and conducted intermediary training to assist client onboarding
- We continued to focus on expanding the Pan-African specialist class business in partnership with Sanlam
- Emerald Risk Transfer exited much of its international markets to be more focused on local and African opportunities
- We implemented regulatory and assurance initiatives aimed at improving the business unit's overall governance and control environment, and managing the operational, regulatory, and conduct of business risk exposure
- We discontinued the Santam Performance Guarantee business and will manage our obligations to run off this portfolio over the next few years due to the long-tail nature of the contracts

Outlook and future focus areas

Given the depressed socio-economic circumstances, Santam Specialist will prioritise growth in market share, and will continue to focus on delivering superior underwriting results. Focus areas for 2022 will include:

- New product and new market development
- A continued focus on client retention and enhanced relationships with intermediaries
- In the travel insurance business, we will focus on repositioning for a more digitised future
- We will continue to actively manage expenses
- Growing the partnership with Sanlam Pan-Africa

SANTAM ART

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. Besides 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 be innovative in the alternative insurance solutions space.

Strategic performance and growth initiatives in 2021

Both SSI and Centriq delivered excellent performance by building solid platforms and cementing partnerships. Co-operation with other business units within the group remains a priority.

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- We continued to develop our relationships with intermediaries and gave them options to build solutions for their clients. Locally, both SSI and Centriq developed and launched innovative new products.
- We continued to implement technologies to improve efficiency and streamline processes, and this will continue to be a focus going forward. We automated Santam ART's finance processes for improved efficiency.
- Centriq focused on reinforcing strong relationships with reinsurers.
- We successfully grew SSI's annuity line of business by attaining new clients and continued to use SSI's licences in Mauritius to build an international and well-diversified business, by launching a new life insurance product in 2021.

Outlook and future focus areas

Santam ART's priority is to build a well-diversified business by continuing to identify opportunities and providing innovative solutions. In 2022 we will:

- Identify opportunities to diversify internationally
- Continue to tailor innovative solutions in response to market needs, and use technology to improve efficiency and streamline processes
- Continuing with the development and retention of human capital, support our existing partners, and seek new partnership opportunities
- We will consolidate our IT systems to build efficiencies within the larger group

SANLAM PAN-AFRICA PARTNER BUSINESSES

The business unit's 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 leadership 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 have 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 Sanlam Pan-Africa and key subsidiary board representatives

Strategic performance and growth initiatives in 2021

The Sanlam Pan-Africa General Insurance business (including SAN JV) achieved strong gross written premium growth in constant currency terms. It recorded a net underwriting margin of 4.4% (2020: 6.1%), below the 5% to 9% target range. An excellent return on insurance funds was however achieved on the back of strong equity markets.

For financial performance information, see the CFO report

Strategic initiatives that contributed to growth:

- Investment returns improved significantly in 2021 due to the recovery of equity markets, which are being consolidated as we shift our investment mix, especially in Morocco, by de-risking equity and properties to the benefit of bonds. In time, this will reduce volatility and yield.
- We continued to enhance our claims processes, with Sanlam Pan-Africa General Insurance in Morocco leading the efforts in motor vehicle insurance.
- In the health insurance line of business, significant progress was made to standardise data from multiple sources and proactively manage the portfolio profitability.
- To improve capital management, management assessed the businesses' local regulatory solvency and risk-based solvency to limit excess operational capital.

Outlook and future focus areas

Global economic recovery could potentially position Africa as a competitor to Asian countries involved in Europe's supply chain and we expect more infrastructural and industrial investments to happen. The strategic initiatives should allow the continued drive to good profitable growth and to further improve the underwriting margin as a priority. In 2022 Sanlam Pan-Africa will:

- Focus on the most profitable channels and market segments which they understand well, based on the strong data analytics capability in the business and wider group
- Continue to pursue cross-selling opportunities, and set up specific leadership accountabilities and targets
- Start the strategic project to replace our business platform in Sanlam Pan-Africa General Insurance

SANTAM'S LEADERSHIP TEAM

LIZÉ LAMBRECHTS (58)
Chief executive officer
BSc (Hons), FIA, EDP (Manchester)
Appointed in 2015

EDWARD GIBBENS (52)
Executive head of Santam Commercial and Personal
FIISA, BCom, MBA, AMP (Insead)
Appointed in 1992 (appointed to executive management in 2005)

QUINTEN MATTHEW (58)
Executive head of Specialist business
FIISA, EDP (Manchester)
Appointed in 2003 (appointed to executive management in 2010)

TINYIKO RIBISI-TERMARK (38)
Executive head of corporate legal services
LLB , LLM, Attorney of the High Court of South Africa
Appointed in 2020 (appointed to executive management in 2021)

HENNIE NEL (53)
Chief financial officer and executive head of Santam ART
CA(SA)
Appointed in 2012

MOKAEDI DILOTSOTLHE (52)
Chief marketing officer
BCom (Hons), MBA
Appointed in 2016

BURTON NAICKER (47)
Incoming CEO of MiWay
MBA (Wits)
Appointed in 2021

GERALD VAN WYK (38)
Executive head of strategic business development
BCom
Appointed in 2018 (appointed to executive management in 2021)

EBRAHIM ASMAL (57)
Executive head of group sourcing and transformation
Appointed in 2009 (appointed to executive management in 2012)

ENID LIZAMORE (45)
Executive head of human resources
BA, Postgrad Dip Human Resource Management
Appointed in 2018

RENÉ OTTO (63)
Outgoing CEO of MiWay
BLC LLB, LLM, Admitted Advocate of the High Court
Appointed in 2007 (appointed to executive management in 2012), retired Dec 2021

KEVIN WRIGHT (56)
Executive head of business information and technology services
BCom, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS
Appointed in 2014

ANDREW COUTTS (47)
Executive head of intermediated business
BCom (Law), CA(SA)
Appointed in 2013 (appointed to executive management in 2021)

ASHER GREVLER (47)
Chief risk officer
BBusSc, FIA, FASSA, CERA
Appointed in 2004 (appointed to executive management in 2018)

KARL SOCIKWA (53)
Group Executive head of market development and sustainability
BCom, LLB, MAP, IPBM, TSM (Insead), AMP (Harvard)
Appointed in 2021

JOHN MELVILLE (56)
Executive head of underwriting services, reinsurance and international
BBusSc (Hons), FIA, FASSA, MCR (IMD)
Appointed in 2010

SANTAM'S BOARD OF DIRECTORS

NOMBULELO (PINKY) MOHOLI (62)

Chairperson

BSc Electrical & Electronics Engineering
Appointed 03 June 2021

Nombulelo graduated with an engineering degree and has more than 30 years' experience in multiple industry sectors such as Technology, Finance and Insurance, Mining and Retail. She currently serves as a non-executive director on the boards of Engen, Woolworths Holdings and Anglo American Platinum.

MONWABISI FANDESO (63)

Lead Independent non-executive director

BSC (Hons), MBA
Appointed 15 January 2020

Monwabisi 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.

PRESTON SPECKMANN (65)

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 finance director of MMI Holdings for a period of 16 years. He is a former PwC audit partner.

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

He also chairs the Risk and Finance Forums of Sanlam Investments and Sanlam Emerging Markets.

MACHIEL REYNEKE (65)

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 10 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.

DAWN MAROLE (61)

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.

DEBORAH (DEBBIE) LOXTON (58)

Independent non-executive director

CA(SA), Bachelor of Accounting, Bachelor of Commerce
Appointed 03 June 2021

Deborah is a Chartered Accountant with more than 30 years experience in audit, risk, finance and governance, including 15 years experience in the insurance industry.

She spent six years as an audit partner at PwC, has held executive positions at the Old Mutual group, has served as an independent non executive director at financial services companies, including Telesure and Scor.

CAROLINE DA SILVA (57)

Independent non-executive director

BA, Postgraduate Diploma in Management Practice
Appointed 03 June 2021

Caroline has more than 30 years' experience in the Insurance industry and served in various executive roles at the Financial Services Board and Financial Sector Conduct Authority between August 2013 and October 2020.

MMABOSHADI (SHADI) CHAUKE (42)

Independent non-executive director

CA(SA), Bachelor of Commerce, Bachelor of Accountancy
Appointed 03 June 2021

Mmaboshadi is a Chartered Accountant with more than 15 years' post-qualifying experience in the external audit and financial services sectors. She is a former registered auditor, having served five years as an audit partner at Deloitte & Touche South Africa until February 2018. She currently serves as an independent non-executive director on the boards of Mr Price Group, Afrocentric Investment Corporation, The Small Enterprise Foundation and Mamor Capital.

PAUL HANRATTY (60)

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.

JUNIOR JOHN NGULUBE (64)

Non-executive director

BSc (Hons) (Agri) (Zimbabwe), MSc (Agri) (Penn State), Dip Financial Management
Appointed 23 April 2018

Junior is the 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.

ABIGAIL MUELELWA MUKHUBA (42)

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.

Executive directors

LIZÉ LAMBRECHTS (58)

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 and SAIA.

HENNIE NEL (53)

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 as 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, Saham Reinsurance Limited and Santam Namibia Ltd.

Group company secretary

TEBOGO MOSHAKGA (38)

Company secretary
Bcom Law, LLB, Higher Diploma in Tax Law, MAP
Appointed 1 August 2021 pursuant to section 84(4)(a) of the Companies Act, No. 71 of 2008

Tebogo is an admitted Advocate of the High Court of South-Africa. She has over 15 years' experience in the financial services industry, both in banking and insurance sectors, where she held various roles, the last 10 years being in Company Secretarial. She previously worked at Investec Private Bank, PPS Insurance, Landbank, Bonitas Medical Aid Scheme and Momentum Metropolitan Holdings.

GOVERNANCE SUMMARY

The group's first standalone corporate governance report, which provides detail on the board's composition, board member qualifications and experience, and sets out the mandates for all board committees, can be found on our website.

GOVERNANCE STATEMENT OF COMMITMENT

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 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 2021, 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 memorandum of incorporation and constitutional documents.

OUR 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. 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.

BOARD FOCUS AREAS

Key areas of focus in 2021

- The ongoing operational impact of the COVID-19 lockdowns and the vaccination policy of the group
- The management of contingent business interruption insurance claims arising from the pandemic and the process to achieve legal certainty, including potential reputational damage to the Santam brand
- Progress in terms of the group strategy for the years 2021 to 2026, including the group's international strategy, growth plans, digital platforms, and potential structural growth opportunities
- The board reviewed the financial objectives, capital planning, performance targets of the business and approved the interim and year-end financial results and this integrated report
- The board:
  - Adopted the TCFD principles for reporting
  - Approved the interim and final dividends
  - Approved the budget for 2022
  - Approved the appointment of four new directors
- Following the announcement of the retirement of Lizé Lambrechts, the current group CEO in June 2022, the board considered potential candidates and approved the appointment of Tava Madzinga as the new group CEO effective 1 July 2022

Key areas of focus in 2022

- Induction of the new group CEO
- Strategy implementation and strategic initiatives, including partnerships and other growth plans
- Capital planning
- Implementation of "New Ways of Work"

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 *https://www.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 2021.

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.

IT governance in 2021

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

CHANGES TO THE BOARD IN 2021

Mr Khanyile and Mr Campbell stepped down as members of the Santam board with effect from 2 June 2021. The two directors had reached their retirement age.

- Mr Khanyile stepped down as chairman of the board, member of the human resources and remuneration committee and chair of the nominations committee.
- Mr Campbell stepped down as a member of the audit committee, risk committee and social, ethics and sustainability committee.
- Ms Nombulelo (Pinky) Moholi, Ms Caroline Da Silva, Ms Mmaboshadi (Shadi) Chauke and Ms Deborah (Debbie) Loxton were appointed as independent non-executive directors of the company with effect from 3 June 2021. The appointments were made to fill vacancies on the board and to enhance the overall skill set of the board.

To add to the skill sets of the respective committtees, the board approved the following appointments to board committees with effect from 3 June 2021:

- Ms Moholi as the independent chairperson of the board, member and chair of the nominations committee and member of the human resources and remuneration committee;
- Ms Loxton as a member of the audit committee, risk committee and investment committee;
- Ms Chauke as a member of the audit committee, risk committee and social, ethics and sustainability committee; and
- Ms Da Silva as a member of the risk committee and social, ethics and sustainability committee.

BOARD COMPOSITION AND MIX

As at 2 March 2022, the board comprised 13 directors, of whom two are executive directors. Of the 11 non-executive directors, eight are independent.

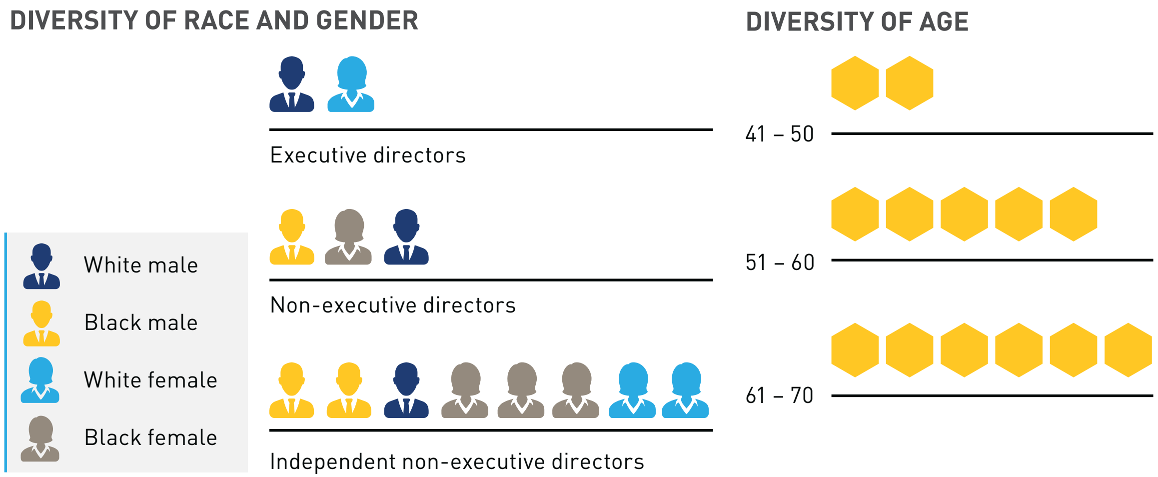
The non-executive directors on the Santam board can all influence decision-making. These directors bring a diverse range of skills and experience to the board and provide insight and add value to board meetings. It is their responsibility to exercise their judgement freely and independently.

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.

Directors at 2 March 2022



REMUNERATION SUMMARY

The group's standalone remuneration report provides detail on Santam's remuneration philosophy and policy, and their implementation in 2021, including non-financial key performance indicators used to assess executive performance and determine incentives. The report can be found on our website.

OVERVIEW

The Santam human resources and remuneration committee (HRRC) and executive team acknowledge the ongoing potential financial impacts of COVID-19 on our employees, their families and broader society. During 2021, our approach to remuneration was informed by several elements, including the remuneration decisions made during 2020, our performance during the financial year as compared to our strategic imperatives, including the finalisation of contingent business interruption (CBI) claims.

In 2020, the COVID-19 landscape and the material impact it had on business performance informed decisions taken on remuneration policy for guaranteed pay, bonuses and long-term incentives (LTIs). For example:

- For guaranteed pay, the pay increases were generally frozen for senior and executive employees, with inflationary and performance-based increases for junior employees.
- In terms of bonuses, the minimum annual business bonus targets were not achieved in 2020. However, the HRRC approved a modest discretionary pool to reward exceptional performance and retain key and critical talent, with the exception of group executives who received no bonuses.

2021 saw some positive economic outlook albeit not certain as the world continues to deal with the COVID-19 virus. In the face of continued uncertainty, we continued to make prudent remuneration decisions to assure the livelihood of our employees and the sustainability of the Santam business.

2021 was a year in which Santam not only delivered excellent financial results, but also took strides in progressing our FutureFit 2025 strategy. The Santam group reported strong operating results despite of the impact of several significant claim events, particularly the adverse weather conditions during the fourth quarter of 2021. Our leaders and employees were empowered through our recognition programme to reward those who have in the face of adversity continued to deliver ***Insurance good and proper*** with passion, humanity, integrity, excellence, innovative thinking, and tenacity.

2021 REMUNERATION

In 2021

The HRRC considered the following matters and approved (where relevant):

- Changes to the remuneration approach based on feedback received from shareholders, investors and proxy voting advisor engagements
- Benchmarking remuneration levels and practices to local comparator groups
- Monitoring and approving STIs and LTIs, as appropriate
- Benchmarking Santam executive directors and Santam executive committee members' remuneration against a suitable market
- Benchmarking Santam non-executive directors' remuneration against a suitable market and recommending fee proposals to be considered by shareholders at the 2022 AGM
- Review of Santam's remuneration policy and practices in South Africa against prudential standards, King IV, applicable governance principles and market best practice
- Remuneration design for heads of control and persons whose actions may have a material impact on the organisation's risk exposure
- The remuneration review/annual increases and STI and LTI awards of the Santam executive committee
- STI measures achieved for accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs
- Findings and analysis on gender pay equity across all levels in the Group and appropriate actions in this regard
- Considering measures to support existing strategies to correct the under-representation of black people at all levels of the organisation
- Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards
- A review of executives' minimum shareholding requirements against market best practice to ensure appropriate investment levels and aid risk alignment for remuneration

Outcomes and key remuneration decisions

- **Total guaranteed pay (TGP):** In April 2021, pay increases were generally frozen for senior and executive employees in response to the effects of the pandemic on the business, with inflationary and performance-based increases for junior employees.
- **Performance bonuses:** The bonus outcomes for 2021 reflect performance relative to business scorecards set, with higher reward in areas where there was out-performance. Detail of targets and achievements is outlined in our full remuneration report.
- **LTIs:**
  - Santam and Sanlam PDSP: The outcome of ROC (for Santam PDSP) achievement resulted in 100% LTI vesting in June 2021 in relation to the three LTI tranches (2016, 2017 and 2018) of the Santam PDSP. For Sanlam PDSPs purposes, as we reported in last year's report, for all performance shares financial year 2020 is removed and replaced by financial year 2021. Therefore, all performance share tranches have an added year of measurement. The final tranche of the historic 2016 PDSP award vested. The unvested PDSPs (eligible for vesting after 2021 year-end) will be measured and finalised in June 2022. Detail of performance targets and achievement are outlined in our full remuneration report.
  - Santam and Sanlam DSP: The executive directors' scorecard achievements were evaluated over the DSP performance period/s for 2021. Due to their roles and line of sight these scorecards are based on financial metrics and some strategic metrics which support the Santam business strategy. In June 2021 DSPs vested 100% for Lizé Lambrechts and Hennie Nel. The vested DSPs related to awards made in 2016, 2017 and 2018. Further detail can be found in our full remuneration report.

Executive changes

As communicated at the end of 2021, Lizé Lambrechts will retire as Chief Executive of Santam on 30 June 2022 with Tava Madzinga, a highly seasoned leader, being appointed into this role. All appointments and terminations were treated in accordance with the approved remuneration policy insofar as it relates to vesting and forfeiture of incentives.

Key policy changes

To ensure Santam is aligned with industry best practice a review against peer companies was conducted to benchmark the Minimum Shareholding Requirement (MSR) for executive committee members. The review indicated that the Santam levels are below market on all the levels and the minimum requirement was therefore adjusted to align to the comparator group benchmarks. Further detail is disclosed in our full remuneration report.

To read our full remuneration report click here.

SHAREHOLDER ENGAGEMENT INITIATIVES

In terms of King IV, Santam should obtain the endorsement of its shareholders relating to the Group's remuneration policy and the implementation report of this policy at the AGM. If more than 25% of the total votes cast by the shareholders present and by proxy, are against either resolution the Company will issue an announcement on SENS inviting shareholders who voted against the Resolution to meet with the members of HRCC. The process to be followed will be set out on SENS if applicable.

At the 2021 AGM (relating to the 2020 financial year) our remuneration policy received positive vote of 90.56%, and our implementation report received a positive vote of 90.31%.

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 and will hold engagement sessions if required. If shareholders would, at any other time during the year, like to make suggestions or provide input to the HRCC, such feedback will be appreciated and will be handled in the same manner as set out above.

During 2021, 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. Below is a summary of the feedback/key areas discussed and Santam's proposed actions aligned to market best practice:

FEEDBACK	RESPONSE
Weightings and not actual performance measures of the Short-term Incentive (STI) plan disclosed.	The nature of the performance targets is disclosed in our full remuneration report. Where appropriate, minimum target and maximum targets (retrospectively) have been included and an explanation provided if certain targets based on business plans cannot be disclosed.
Minimum hurdle rate for the PDSP reduced.	For the LTI scheme – the revised threshold to 16% from 20% (in the prior year), was to recognise the adverse economic situation, low interest rate environment and the impact of Covid. This form of discretion will only be applied by the HRRC in very exceptional circumstances. Please do note that full vesting will still only occur if the average ROC over the period of vesting is 24%.
Discretionary bonuses paid even when profit hurdle not met.	The approved STI discretionary pool by HRRC was largely applied to the junior employees, this is because our junior employees do not qualify for an automatic thirteenth check and the discretionary bonus pool was used to give our lower job grade employees close to a thirteenth check in a very difficult year. In exceptional cases the pool was used to aid retention of key and very high performing senior employees. Executive committee members did not receive any bonuses at all. The discretionary bonus pool was mostly funded from bonuses we qualified for in the past but did not distribute fully.
The financial metrics for the 2020 DSP and PDSP share allocation vesting measurement was excluded.	2020 was an outlier event where Santam's financial performance was heavily impacted by a CBI claims provision. Using 2020 financial data either in measurement or a baseline would create a high degree in volatility in the outcomes which will impact on our ability to retain our high performing employees.

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 continuous engagement in this regard including individual meetings on a regular basis with our largest shareholders and proxy voting advisors in order to proactively seek feedback to ensure they are involved earlier in the policy review process.

For the 2022 AGM the remuneration policy and the implementation report of the remuneration report will be tabled separately for non-binding advisory votes by shareholders. In the event that either or both the policy and implementation report are voted against by 25% or more of the voting rights exercised, the ongoing engagement process will be followed.

FUTURE AREAS OF FOCUS

During 2022 the HRRC will continue to focus on a holistic review of variable remuneration design with specific focus on:

- Bonus deferral mechanisms for executive committee members.
- Simplification of the performance share plan (PDSP) which will include a shift to awarding performance shares only to both executive committee members and senior management.

Looking ahead, subject to the regulations applicable to office work and supported by the Santam group mandatory vaccination policy, the group intends that all employees move from the remote working model to the new ways of work hybrid model officially from 1 March 2022.

APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Responsibility for and approval of the group and company annual 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:

NT Moholi
Chairperson

L Lambrechts
Chief executive officer
2 March 2022

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 62 to 92, 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 summary consolidated financial statements false or misleading.
- Internal financial controls have been put in place to ensure that material information relating to the group and its consolidated subsidiaries 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 annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code.
- 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

L Lambrechts

L Lambrechts
Chief executive officer
2 March 2022

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.

T Moshakga
Company secretary
2 March 2022

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 62 to 92 of the Santam 2021 Integrated report, which comprise the summary consolidated statement of financial position as at 31 December 2021, 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 2021.

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 requirements of the JSE Limited Listings 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 2 March 2022. 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 requirements of the JSE Limited Listings 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: C van den Heever

Registered Auditor

Cape Town, South Africa

2 March 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited as at 31 December 2021 R million	Restated[1] Audited as at 31 December 2020 R million
ASSETS			
Intangible assets		**989**	968
Property and equipment		**702**	760
Investment in associates and joint ventures		**2 284**	2 205
Strategic investment – unquoted SEM target shares	7	**1 691**	1 538
Deferred income tax		**78**	102
Deposit with cell owner		**90**	161
Cell owners' and policyholders' interest		**11**	14
Financial assets at fair value through income	7	**31 047**	29 394
Reinsurance assets	8	**14 892**	8 946
Deferred acquisition costs		**961**	839
Loans and receivables including insurance receivables	7	**8 312**	6 855
Current income tax		**5**	15
Cash and cash equivalents		**4 496**	4 383
Total assets		**65 558**	56 180
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(570)**	(527)
Other reserves		**37**	19
Distributable reserves		**11 862**	9 761
		11 432	9 356
Non-controlling interest		**630**	736
Total equity		**12 062**	10 092
LIABILITIES			
Deferred income tax		**85**	104
Cell owners' and policyholders' interest		**4 908**	4 238
Reinsurance liability relating to cell owner		**90**	161
Financial liabilities at fair value through income			
Debt securities	7	**2 552**	3 089
Investment contracts	7	**1 970**	1 838
Derivatives	7	**1**	80
Lease liabilities		**764**	782
Financial liabilities at amortised cost			
Repo liability		**926**	867
Collateral guarantee contracts		**155**	128
Insurance liabilities	8	**36 040**	28 871
Deferred reinsurance acquisition revenue		**561**	517
Provisions for other liabilities and charges		**188**	153
Trade and other payables including insurance payables	7	**4 851**	5 089
Current income tax		**405**	171
Total liabilities		**53 496**	46 088
Total shareholders' equity and liabilities		**65 558**	56 180

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million	Change
Gross written premium		**42 129**	38 273	10%
Less: reinsurance written premium		**14 766**	12 756	
Net written premium		**27 363**	25 517	7%
Less: change in unearned premium				
Gross amount		**1 573**	1 549	
Reinsurers' share		**(794)**	(693)	
Net insurance premium revenue		**26 584**	24 661	8%
Interest income on amortised cost instruments	9	**206**	185	
Interest income on fair value through income instruments	9	**1 346**	1 435	
Other investment income	9	**552**	398	
Income from reinsurance contracts ceded		**2 067**	2 089	
Net gains/(losses) on financial assets and liabilities at fair value through income	9	**732**	(273)	
Other income		**352**	347	
Net income		**31 839**	28 842	10%
Insurance claims and loss adjustment expenses				
Gross amount		**29 734**	25 205	
Recovered from reinsurers		**(13 329)**	(8 435)	
Net insurance benefits and claims		**16 405**	16 770	(2%)
Expenses for the acquisition of insurance contracts		**5 539**	5 124	
Expenses for marketing and administration		**4 794**	4 449	
Expenses for investment-related activities		**93**	66	
Amortisation and impairment of intangible assets		**68**	70	
Investment return allocated to cell owners and structured insurance products		**982**	418	
Total expenses		**27 881**	26 897	4%
Results of operating activities		**3 958**	1 945	103%
Finance costs		**(313)**	(318)	
Net income/(loss) from associates and joint ventures		**78**	(810)	
Impairment of associates and joint ventures		**–**	(15)	
Income tax recovered from cell owners and structured insurance products	10	**592**	429	
Profit before tax		**4 315**	1 231	251%
Tax expense allocated to shareholders	10	**(879)**	(371)	
Tax expense allocated to cell owners and structured insurance products		**(592)**	(429)	
Total tax expense		**(1 471)**	(800)	84%
Profit for the year		**2 844**	431	560%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income				
Share of associates' currency translation differences		**18**	424	
Total comprehensive income for the year		**2 862**	855	235%
Profit attributable to				
– equity holders of the company		**2 745**	327	739%
– non-controlling interest		**99**	104	(5%)
		2 844	431	
Total comprehensive income attributable to				
– equity holders of the company		**2 763**	751	268%
– non-controlling interest		**99**	104	(5%)
		2 862	855	
Earnings attributable to equity holders				
Earnings per share (cents)	12			
Basic earnings per share		**2 491**	296	742%
Diluted earnings per share		**2 478**	295	740%

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2020	103	(482)	(405)	10 326	9 542	521	10 063
Profit for the year	–	–	–	327	327	104	431
Other comprehensive income:							
Share of associates' currency translation differences	–	–	424	–	424	–	424
Total comprehensive income for the year ended 31 December 2020 restated[1]	–	–	424	327	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)
Equity interest issued in cell captive	–	–	–	–	–	166	166
Dividends paid	–	–	–	(793)	(793)	(50)	(843)
Non-controlling interest acquired	–	–	–	(64)	(64)	(5)	(69)
Balance as at 31 December 2020 restated[1]	**103**	**(527)**	**19**	**9 761**	**9 356**	**736**	**10 092**
Profit for the year	**–**	**–**	**–**	**2 745**	**2 745**	**99**	**2 844**
Other comprehensive income:							
Share of associates' currency translation differences	**–**	**–**	**18**	**–**	**18**	**–**	**18**
Total comprehensive income for the year ended 31 December 2021	**–**	**–**	**18**	**2 745**	**2 763**	**99**	**2 862**
Issue of treasury shares in terms of share option schemes	**–**	**77**	**–**	**(77)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(120)**	**–**	**–**	**(120)**	**–**	**(120)**
Share-based payment costs	**–**	**–**	**–**	**86**	**86**	**–**	**86**
Equity interest issued in cell captive	**–**	**–**	**–**	**–**	**–**	**22**	**22**
Dividends paid	**–**	**–**	**–**	**(477)**	**(477)**	**(227)**	**(704)**
Non-controlling interest acquired	**–**	**–**	**–**	**(176)**	**(176)**	**–**	**(176)**
Balance as at 31 December 2021	**103**	**(570)**	**37**	**11 862**	**11 432**	**630**	**12 062**

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Cash flows from operating activities			
Cash generated from operations		**3 279**	5 948
Interest paid		**(295)**	(326)
Income tax paid		**(626)**	(437)
Acquisition of financial assets		**(30 712)**	(31 205)
Proceeds from sale of financial assets		**30 238**	26 005
Net cash from/(used in) operating activities		**1 884**	(15)
Cash flows from investing activities			
Acquisition of financial assets		**(1)**	(30)
Acquisition of subsidiaries, net of cash acquired	**11**	**–**	(4)
Purchases of equipment		**(19)**	(65)
Purchases of intangible assets		**(89)**	(81)
Net cash used in investing activities		**(109)**	(180)
Cash flows from financing activities			
Purchase of treasury shares		**(120)**	(155)
Purchase of non-controlling interest in subsidiary	**11**	**(176)**	(69)
Proceeds from issue of unsecured subordinated callable notes		**–**	1 000
Redemption of unsecured subordinated callable notes		**(500)**	–
Dividends paid to company's shareholders		**(477)**	(793)
Dividends paid to non-controlling interest		**(227)**	(50)
Equity interest issued to cell captive		**22**	–
Payment of principal element of lease liabilities		**(156)**	(141)
Net cash used in financing activities		**(1 634)**	(208)
Net increase/(decrease) in cash and cash equivalents		**141**	(403)
Cash and cash equivalents at beginning of year		**4 383**	4 642
Exchange (losses)/gains on cash and cash equivalents		**(28)**	144
Cash and cash equivalents at end of year		**4 496**	4 383

[1] *Refer to note 18 for the detail regarding the restatement.*

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 Listings and Debt Listings Requirements for summary financial statements, and the requirements of the Companies Act 71 of 2008, as amended, applicable to summary financial statements. The JSE Limited Listings and Debt Listings Requirements require 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 and 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: 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 annual 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 2021

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2021:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)
- IFRS 16, *Leases* COVID-19-Related Rent Concessions Amendment

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 2021

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 is for 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 (PAA) 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 be 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)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Standards not yet effective in 2021 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

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 to measure a group of insurance contracts using the premium allocation approach are met, 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.

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 majority 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 recognises losses earlier on contracts that are expected to be onerous. Based on the group's analysis to date, the group does 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 significant 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 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 implemented throughout the group. There is continuous engagement with the auditors on the policy and methodology papers as they review the group's transition to IFRS 17. Auditing of the principles in these policy papers will continue in 2022. 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. The tax implications regarding the adoption of IFRS 17 are also being considered and representatives from the group actively take part in industry discussions in this regard.

The transition to IFRS 17 and the financial impact assessment will remain a key focus during 2022. It is expected that due to the short contract boundaries for most of the insurance book, a fully retrospective approach will be applied with limited application of the modified retrospective approach and fair value approaches. A roadmap for transition and the dual reporting run has been prepared and has been shared with business stakeholders.

The IFRS 17 project team will focus on the following key areas during 2022:

- Complete the system development and key controls required to implement IFRS 17
- Produce and request business sign-off, as well as external audit sign-off, on transition balances
- Commence with an IFRS 4 and IFRS 17 dual reporting run
- Update the budgeting process to ensure alignment to IFRS 17
- Finalise the layout and disclosure of IFRS 17 compliant annual financial statements
- Finalise the management reporting and key performance measures
- Continue engaging with the executive committee and business through various training initiatives
- Finalise and implement future financial and data governance processes and accountabilities

A combined assurance approach is being followed whereby group internal audit and external audit are incrementally testing the new IFRS 17 landscape. Opportunities for control improvements have already been identified for implementation.

Although the financial impact of IFRS 17 has not yet been fully assessed, given the nature of the Santam book, the expectation is that the vast majority of the book will be measured using the PAA measurement methodology. This implies that the most notable impact on the net asset value of the group will be due to the introduction of discounting on the group's claim provisions.

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 2021. There have been no changes since 31 December 2020, except as indicated below.

In 2021, the COVID-19 global pandemic has continued to have 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 CBI claims that have occurred and were notified during 2020, that remain unsettled at the end of the reporting period, have been updated based on actual claims development experience. An endorsement was added to all Santam commercial policies to make it clear that no CBI cover relating to infectious diseases is provided for any new claim events or lockdowns from 1 June 2020 onwards. 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.

4. CONTINGENT BUSINESS INTERRUPTION (CBI) CLAIMS RESERVES

Santam was party to legal proceedings in 2021. The outcome of the proceedings provided Santam with legal certainty in respect of its liability for Infectious and Contagious Disease cover, as well as the length of the indemnity period that applied to certain policies written by Santam's Hospitality and Leisure division.

Santam accepted the judgment of the courts and commenced paying claims during 2021. These claims payments were in addition to the R1 billion in interim relief paid to policyholders in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate liability which will only be eliminated once the process has been finalised.

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 2021.

There have been no material changes to the risk management policies since 31 December 2020.

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework in response to the increased risks arising as a result of COVID-19. Monitoring, management and mitigation of these risks is an ongoing process:

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.	• Experienced actuaries responsible for the actuarial valuation of the liabilities have determined the reserves. • Following the submission and payment of a significant portion of CBI claims, the reserving assumptions have been refined and there is more certainty with regards to the ultimate exposure. • Margins are held to be at least sufficient at the 75th percentile in accordance with group policy.
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 exist, 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.	• 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.
Operational risk	
This risk relates to customer relationship 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 clients 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.

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 and SSI
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV

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 San JV insurance businesses, 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. Results from these businesses are also included as reconciling items in order to reconcile to the summary consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV.

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

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 as 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.

Since the group reported its segmental results for the year ended 31 December 2020, the segmental disclosure has been adjusted to condense the additional information for SAN JV (100%) to focus on the results from SAN JV's general insurance, in the general insurance format, reconciled to attributable earnings from the SAN JV group. Management believes that the information relating to SAN JV's life and other underlying operating segments is no longer of significance, as a result of their limited contribution to profits, to the chief operating decision-maker and management determined that it is no longer useful for the users of the summary consolidated financial statements.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. SEGMENT INFORMATION (continued)

6.1 Segment report

FOR THE YEAR ENDED 31 DECEMBER 2021

	Insurance							
Business activity	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	32 745	9 384	2 846	44 975	1 119	46 094	(3 965)	42 129
External	32 296	9 384	2 846	44 526	1 119	45 645	(3 965)	41 680
Intersegment[5]	449	–	–	449	–	449	–	449
Operating result before non-controlling interest and tax[1]	2 465	306	377	3 148	–	3 148	(377)	2 771
Reallocation of operating result	–	–	(377)	(377)	–	(377)	377	–
Investment income net of investment-related fees	–	1 025	152	1 177	956	2 133	–	2 133
Investment return allocated to cell owners and structured insurance products	–	(982)	–	(982)	–	(982)	–	(982)
Finance costs[2]	–	(43)	–	(43)	(210)	(253)	–	(253)
Income from associates and joint ventures	–	–	8	8	70	78	–	78
Santam BEE costs	–	–	–	–	–	–	(2)	(2)
Amortisation and impairment of intangible assets[3]	(21)	(1)	–	(22)	–	(22)	–	(22)
Income tax recovered from cell owners and structured insurance products	–	592	–	592	–	592	–	592
Profit before tax	2 444	897	160	3 501	816	4 317	(2)	4 315

1 *Includes depreciation of R203 million for Conventional and R12 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 R8 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.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020 RESTATED[6]

Business activity	Insurance: Conventional R million	Insurance: Alternative risk transfer R million	Insurance: Santam's share of SAN JV and other SEM businesses R million	Insurance: 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 tax[1]	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[6]	–	–	(873)	(873)	48	(825)	–	(825)
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	(841)	852	381	1 233	(2)	1 231

[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.*

[6] *(Loss)/Income from associates and joint ventures including impairment disclosed in the Santam's share of SAN JV and other SEM businesses segment was restated by R215 million from R658 million to R873 million. Refer to note 18 for further detail regarding the restatement.*

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Revenue	**32 745**	31 098
Net earned premium	**25 858**	24 320
Net claims incurred	**16 023**	16 593
Net commission	**3 458**	3 083
Management expenses (excluding BEE costs)[1,2]	**4 313**	4 029
Net underwriting result	**2 064**	615
Investment return on insurance funds	**400**	501
Net insurance result	**2 464**	1 116
Other income	**118**	106
Other expenses	**(117)**	(104)
Operating result before non-controlling interest and tax	**2 465**	1 118

[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 (continued)

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 2021		Audited Year ended 2020	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**572**	**60**	641	94
Crop	**1 130**	**(92)**	1 262	147
Engineering	**1 730**	**313**	1 651	433
Guarantee	**127**	**(5)**	117	(14)
Liability	**1 550**	**252**	1 362	149
Miscellaneous	**53**	**14**	38	(10)
Motor	**14 412**	**1 188**	13 430	2 100
Property	**12 177**	**236**	11 798	(2 410)
Transportation	**994**	**98**	799	126
Total	**32 745**	**2 064**	31 098	615
Comprising				
Commercial insurance	**19 206**	**1 126**	18 215	(1 176)
Personal insurance	**13 539**	**938**	12 883	1 791
Total	**32 745**	**2 064**	31 098	615

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Income from clients	**470**	385
Participation in underwriting results[1]	**101**	34
	571	419
Administration expenses	**(265)**	(254)
Operating result before non-controlling interest and tax	**306**	165

[1] *This relates to Centriq Insurance and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV AND OTHER SEM BUSINESSES

	Audited Year ended 2021			Audited Year ended 2020		
	SEM R million	SAN JV R million	Total R million	SEM R million	SAN JV R million	Total R million
Revenue	**1 026**	**1 820**	**2 846**	1 183	1 785	2 968
Operating result before non-controlling interest and tax	**156**	**221**	**377**	258	123	381

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Revenue	**1 026**	1 183
Net earned premium	**822**	994
Net claims incurred	**593**	644
Net acquisition cost	**274**	301
Net underwriting result	**(45)**	49
Investment return on insurance funds	**201**	207
Other income	**–**	2
Operating result before non-controlling interest and tax	**156**	258

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV'S GENERAL AND REINSURANCE BUSINESS

General insurance	Audited Year ended 2021 R million	Restated[1] Audited Year ended 2020 R million
Revenue	**1 820**	1 785
Net earned premium	**1 221**	1 258
Net claims incurred	**763**	757
Net acquisition cost	**389**	409
Net underwriting result	**69**	92
Investment return on insurance funds	**156**	37
Other expenses	**(4)**	(6)
Operating result before non-controlling interest and tax	**221**	123
Life business: Operating result before non-controlling interest and tax	**18**	–
Consolidation and other adjustments	**(35)**	(5)
Operating result before non-controlling interest and tax	**204**	118
Income tax expense	**(81)**	(28)
Profit after tax	**123**	90
Non-controlling interest	**(57)**	(29)
Net results from financial services	**66**	61
Net investment return on shareholders' funds[2]	**(15)**	(138)
Net other expenses[1]	**(8)**	(88)
Attributable earnings	**43**	(165)

[1] *Other expenses includes the net profit/loss for the following lines of business: health, property and Elite. It includes a restatement of R215 million, refer to note 18 for detail.*

[2] *Investment return on shareholders' funds include impairments and foreign currency translation differences.*

SANTAM'S SHARE OF SAN JV ATTRIBUTABLE EARNINGS RECONCILIATION TO EQUITY ACCOUNTING PROFIT AND LOSS EARNINGS

	Audited Year ended 2021 R million	Restated[1] Audited Year ended 2020 R million
Attributable earnings[1]	**43**	(165)
Amortisation of other intangible assets on a SAN JV level	**(31)**	(28)
Impairment of goodwill on a SAN JV level	**–**	(656)
Other – consolidation adjustments on a SAN JV level	**(4)**	(24)
Net income/(loss) from associate	**8**	(873)

[1] *Attributable earnings was restated by R215 million from an income of R50 million to a loss of R165 million.*

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Investment income	**869**	717
Net gains/(losses) on financial assets and liabilities at fair value through income	**180**	(128)
Income from associates and joint ventures	**70**	48
Investment-related revenue	**1 119**	637
Expenses for investment-related activities	**(93)**	(66)
Finance costs	**(210)**	(190)
Net total investment-related transactions	**816**	381

For a detailed analysis of investment activities, refer to notes 7 and 9.

6.2 Geographical analysis

	Gross written premium		Non-current assets	
	Audited Year ended 2021 R million	Audited Year ended 2020 R million	Audited as at 2021 R million	Audited as at 2020 R million
South Africa	**36 845**	33 310	**2 117**	2 111
Rest of Africa[1]	**2 599**	4 169	**1 980**	1 934
Southeast Asia, India and Middle East	**5 065**	3 362	**1 346**	1 321
Other	**466**	400	**–**	–
	44 975	41 241	**5 443**	5 366
Reconciling items[2]	**(2 846)**	(2 968)	**–**	–
Group total	**42 129**	38 273	**5 443**	5 366

[1] *Includes gross written premium relating to Santam Namibia Ltd of R982 million (2020: R971 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 (continued)

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 as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Financial assets mandatorily measured at fair value through income		
Strategic investment – unquoted SEM target shares	**1 691**	1 538
Financial assets at fair value through income	**31 047**	29 394
	32 738	30 932
Expected to be realised after 12 months[1]	**25 978**	21 973
Expected to be realised within 12 months	**6 760**	8 959
Loans and receivables including insurance receivables	**8 312**	6 855
Receivables arising from insurance and reinsurance contracts	**6 421**	5 392
Loans and receivables excluding insurance receivables	**1 891**	1 463
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	**4 523**	5 007
Expected to be settled after 12 months	**3 217**	4 123
Expected to be settled within 12 months	**1 306**	884
Trade and other payables including insurance payables	**4 851**	5 089
Payables arising from insurance and reinsurance contracts	**2 498**	2 874
Trade and other payables excluding insurance payables	**2 353**	2 215

[1] *Including unquoted SEM target shares amounting to R1 691 million (2020: R1 538 million).*

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 below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2020. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments are determined as follows:
  - 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.*

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 2021	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	3 061	–	–	3 061
Unlisted equities and similar securities	–	–	1 765	1 765
Interest-bearing investments				
Government interest-bearing investments	–	5 666	–	5 666
Corporate interest-bearing investments	–	14 742	60	14 802
Mortgages and loans	–	84	–	84
Structured transactions				
Structured notes	–	216	–	216
Investment funds	–	6 113	–	6 113
Cash, deposits and similar securities	–	1 031	–	1 031
Financial assets at fair value through income	3 061	27 852	1 825	32 738
Debt securities	–	2 552	–	2 552
Investment contracts	–	1 970	–	1 970
Derivative liabilities	–	–	1	1
Financial liabilities at fair value through income	–	4 522	1	4 523

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2021 (audited)				
Opening balance	**1 609**	**60**	**(80)**	**1 589**
Acquisitions	**1**	**–**	**–**	**1**
Settlements	**–**	**–**	**132**	**132**
Gains/(losses) recognised in profit or loss	**155**	**–**	**(53)**	**102**
Closing balance	**1 765**	**60**	**(1)**	**1 824**
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

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R155 million gain (2020: R26 million gain) recognised on equity securities, a R152 million gain (2020: R34 million gain) relates to the SEM target shares, of which R100 million (2020: R17 million gain) relates to foreign exchange gains, and R52 million (2020: R17 million increase) to an 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 Ltd (SGI) of R38 million (excluding the impact of exchange rate movements) was impacted negatively by lower premium growth in the current financial year due to the continuing impact of the COVID-19 pandemic on sales volumes.

On 4 June 2021, Santam subscribed for a further target share in NICO Holdings General Insurance (Malawi) at a cost of R1 million. Santam's participation interest did not change. 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 419 million (2020: R1 293 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% (2020: 14.3%). A rand/Indian rupee exchange rate of 0.214 (2020: 0.201) was used to translate the DCF valuation result in Indian rupee to rand. An average net insurance margin over a 10 year period of 24.0% (2020: 23.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R265 million (2020: R234 million) or increase by R436 million (2020: R398 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the fair value will increase or decrease by R142 million (2020: R129 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 R110 million (2020: R109 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.

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 of R500 million have all been redeemed on the optional redemption date on 12 April 2021, and the fixed rate notes have an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

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

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 April 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 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, Santam is required to maintain liquid assets equal to the value of the callable notes until their maturity. 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. They are all classified as level 2 (2020: level 2) in the fair value hierarchy.

Santam's international credit rating was downgraded by one notch from BB+ to BB in May 2020. The rating was reaffirmed in December 2020. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

7.3 Derivatives

At 31 December 2021, the group had exchange traded futures with an exposure value of R1 223 million (December 2020: R1 080 million). The exchange trades futures relate to interest rate derivates used to manage interest rate risk in Santam's fixed income portfolios.

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 of 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 new structure entered into on 3 November 2020 provided 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. 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 company rolled the collar structure. The structure offered almost full downside protection from the implementation level of 11 857 and expired on 3 May 2021 and realised a loss of R31 million. On 3 May 2021, the company rolled the collar again until expiry on 3 August 2021, at an implementation level of 12 223. The structure was not renewed on 3 August 2021 and a final gain of R15 million was realised (inclusive of the fair value gain of R19 million at 30 June 2021).

At 31 December 2021, the group also had interest rate swaps as part of the international bond portfolio. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability amounted to R11 million (2020: R46 million) and R11 million (2020: R46 million) respectively.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**163**	73
– claims incurred but not reported	**123**	48
General insurance contracts		
– claims reported and loss adjustment expenses	**17 779**	12 286
– claims incurred but not reported	**3 884**	4 004
– unearned premiums	**14 091**	12 460
Total gross insurance liabilities	**36 040**	28 871
Expected to be settled after 12 months	**2 328**	1 974
Expected to be settled within 12 months	**33 712**	26 897
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**6**	12
– claims incurred but not reported	**11**	14
General insurance contracts		
– claims reported and loss adjustment expenses	**11 926**	5 663
– claims incurred but not reported	**704**	1 197
– unearned premiums	**2 245**	2 060
Total reinsurers' share of insurance liabilities	**14 892**	8 946
Expected to be recovered after 12 months	**489**	381
Expected to be recovered within 12 months	**14 403**	8 565
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**157**	61
– claims incurred but not reported	**112**	34
General insurance contracts		
– claims reported and loss adjustment expenses	**5 853**	6 623
– claims incurred but not reported	**3 180**	2 807
– unearned premiums	**11 846**	10 400
Total net insurance liabilities	**21 148**	19 925

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

Insurance liability estimates

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2021 and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2021. 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.

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 2021.

COVID-19-related claims estimates

Judgement 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, uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities:

- The assumptions used to determine the underlying exposure at a policy level
- The impact of the claims payment experience to date

Reinsurance assets:

- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty
- Expected recoveries from applicable reinsurance contracts

The group's projected ultimate net insurance exposure at 31 December 2020 was R3 billion comprising gross claims payments of R1 billion, a gross liability provision of R5.3 billion for open claims and a reinsurance asset of R3.3 billion.

Following the payment of a significant number of claims and a review of CBI provisions, the group's projected ultimate net insurance exposure at 31 December 2021 was R2.55 billion. This comprised gross claims payments of R3.2 billion, a gross liability provision of R3.2 billion for open claims, a reinsurance recovery net of reinstatement premiums of R0.6 billion and a reinsurance asset of R3.2 billion.

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.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam's projected net ultimate exposure for CBI claims has reduced by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate exposure which will only be eliminated once the process has been finalised.

A sensitivity analysis on the unsettled claims within the net CBI provision of R2.55 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 6% (2020: 30%). A 10% negative movement in the assumptions used would result in an increase in the net provision of 6% (2020: 31%).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Audited Year ended 31 December 2021 R million	Audited Year ended 31 December 2020 R million
Investment income	**2 104**	2 018
Interest income derived from	**1 552**	1 620
Financial assets measured at amortised cost	**206**	185
Financial assets mandatorily measured at fair value through income	**1 346**	1 435
Other investment income	**552**	398
Dividend income	**250**	316
Foreign exchange differences	**302**	82
Net gains/(losses) on financial assets and liabilities at fair value through income	**732**	(273)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**989**	(209)
Net realised gains/(losses) on financial assets excluding derivative instruments	**157**	(66)
Net fair value gains/(losses) on financial assets excluding derivative instruments	**885**	(27)
Net realised/fair value losses on derivative instruments	**(53)**	(116)
Net fair value losses on financial liabilities designated as at fair value through income	**(257)**	(64)
Net fair value gains/(losses) on debt securities	**30**	(8)
Net realised losses on investment contracts	**(287)**	(56)
	2 836	1 745

10. INCOME TAX

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Normal taxation		
Current year	**1 472**	759
Prior year	**(72)**	(8)
Other taxes	**6**	1
Foreign taxation – current year	**60**	17
Total income taxation for the year	**1 466**	769
Deferred taxation		
Current year	**5**	31
Total deferred taxation for the year	**5**	31
Total taxation as per statement of comprehensive income	**1 471**	800
Income tax recovered from cell owners and structured insurance products	**(592)**	(429)
Total tax expense attributable to shareholders	**879**	371
Profit before taxation per statement of comprehensive income	**4 315**	1 231
Adjustment for income tax recovered from cell owners and structured insurance products	**(592)**	(429)
Total profit before tax attributable to shareholders	**3 723**	802

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.1**	0.8
Foreign tax differential	**0.1**	0.6
Exempt income	**(1.5)**	(10.0)
Investment results	**(0.5)**	(0.9)
(Income)/loss from associates and joint ventures	**(0.6)**	29.0
Previous year's overprovision	**(1.9)**	(0.8)
Other permanent differences	**(0.3)**	(0.5)
Other taxes	**0.2**	0.1
Net (reduction)/increase	**(4.4)**	18.3
Effective rate attributable to shareholders (%)	**23.6**	46.3

[1] *Refer to note 18 for the detail regarding the restatement. The percentage adjustment for Income from associates and joint ventures was restated from 16.9% to 29.0%, and all other percentage adjustments were recalculated using the restated profit before tax.*

11. CORPORATE TRANSACTIONS

For the year ended 31 December 2021

ACQUISITIONS

Mirabilis Holding Company (Pty) Ltd

During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

For the year ended 31 December 2020

ACQUISITIONS

JaSure Financial Services (Pty) Ltd

On 1 January 2020, the Santam 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 Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million.

Insure Group Managers Finance (Pty) Ltd

On 1 July 2020, the Santam 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 (continued)

12. EARNINGS PER SHARE

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Earnings per share (cents)	**2 491**	296
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Adjusted for share options	**0.58**	0.61
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.78**	110.91
Diluted basic earnings per share (cents)	**2 478**	295
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Adjusted for:		
Impairment of associates and joint ventures	**–**	15
Loss on sale of associates	**4**	–
Share of associates' impairment of assets	**–**	692
Tax charge on share of associates' impairment of assets	**–**	(36)
Headline earnings (R million)	**2 749**	998
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Headline earnings per share (cents)	**2 495**	905
Diluted headline earnings per share		
Headline earnings (R million)	**2 749**	998
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.78**	110.91
Diluted headline earnings per share (cents)	**2 481**	900

[1] *Refer to note 18 for the detail regarding the restatement.*

13. DIVIDEND PER SHARE

Dividend per share (cents)	**1 222**	–
Special dividend per share (cents)	**800**	–

14. IMPAIRMENT TESTS

Associates – Impairment of goodwill and other assets

The recoverable amount of goodwill and other intangible assets (non-insurance related) for impairment testing purposes has been determined based on the value in use of the businesses. Impairment testing in respect of insurance-related other intangible assets forms part of the liability adequacy test of insurance liabilities. 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.

SAN JV (100%)

The consolidated carrying value of SAN JV comprise of net asset value (NAV), other intangible assets and goodwill. SAN JV holds 100% of the formerly known Saham Finances Group. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value. Santam holds 10% of SAN JV, as an investment in associate.

Changes to SAN JV'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, as well as impairment tests performed as part of the liability adequacy test, affect the carrying value through other intangible assets.

SAN JV's value in use increased from R20.3 billion at 31 December 2020 to R22.6 billion at 31 December 2021. The carrying value of SAN JV is R20.4 billion at 31 December 2021 (2020: R20.1 billion after an impairment of R6.6 billion). The valuation at 31 December 2021 supported the carrying value and did not result in additional impairments for the current reporting period.

The rand weakened against most currencies in the portfolio, most notably against the Morocco dirham by some 4.4%. The recoverable amount increased in Morocco dirham terms by 6.3%.

The valuation of the general insurance and life operations in Lebanon are maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

Premium growth has outperformed the valuation assumptions since 2020, but at a lower than expected margin. Although the environment remains uncertain and the emergence of new COVID-19 variants can still impact the recovery significantly, the outlook is more positive than a year ago. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on the investments backing the policyholder liabilities. On aggregate, the general insurance portfolio's risk discount rates increased in line with the US risk free yield. This rate is used as a starting point in the determination of local country risk adjusted risk free rates. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the SAN JV footprint as a result of COVID-19.

As reflected in the table below, there were no significant adjustments made to the key assumptions in determining the value in use for cash-generating units (excluding Lebanon).

	General insurance		Life	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Weighted average local discount rate[1]	**11.4%**	11.0%	**14.2%**	11.6%
Weighted average perpetuity growth rate	**5.4%**	5.7%	**6.1%**	4.9%
VNB multiples	**n/a**	n/a	**10.0% – 16.9%**	10.0 – 16.3
Revenue: compounded annual growth rate (range of values over the 10 years)	**6.6% – 10.9%**	6.3% – 8.9%	**n/a**	n/a
Net insurance result margin[2]	**9.6% – 17.3%**	11.0% – 17.0%	**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.*

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and non-life 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. IMPAIRMENT TESTS (continued)

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 prior year amounted to R6 560 million.

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2021				
Value in use	19 697	2 955	–	22 652
Carrying value	17 918	2 452	–	20 370
Excess over carrying value	1 779	503	–	2 282
Gross impairment previously recognised	(4 327)	(502)	(1 731)	(6 560)

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 value[1]	1 956	
Risk discount rate +1%	1 785	(8.7%)
Risk discount rate -1%	2 212	13.1%
Perpetuity growth rate +1%	2 116	8.2%
Rand exchange rate depreciation +10%	2 152	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 R170 million and the value of new business of R137 million of which the sensitivities are provided below:

	Embedded value R million	Change R million
1. Embedded value sensitivity analysis		
Base value	170	
Risk discount rate increase by 1%	165	(3.1%)

	Present value of future new business R million	Change R million
2. Value of new business sensitivity analysis		
Base value	137	
Risk discount rate increase by 1%	125	(8.8%)

Refer to note 6.1 for the impact of the 2020 impairment on the segmental report. The impairment was included under the Santam's share of SAN JV and other SEM businesses operating segment.

15. RELATED PARTIES

During 2021, there have been no significant related party transactions that requires 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 note 27 of the group's annual financial statements for the year ended 31 December 2021.

16. SUBSEQUENT EVENTS

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

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 relate 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 as at 31 December 2021 R million	Shareholder Audited as at 31 December 2021 R million	Policyholder/ cellholder Audited as at 31 December 2021 R million
ASSETS			
Intangible assets	989	989	–
Property and equipment	702	702	–
Investment in associates and joint ventures	2 284	2 284	–
Strategic investment – unquoted SEM target shares	1 691	1 691	–
Deferred income tax	78	78	–
Deposit with cell owner	90	–	90
Cell owners' and policyholders' interest	11	–	11
Financial assets at fair value through income	31 047	16 590	14 457
Reinsurance assets	14 892	13 793	1 099
Deferred acquisition costs	961	805	156
Loans and receivables including insurance receivables	8 312	5 117	3 195
Current income tax assets	5	5	–
Cash and cash equivalents	4 496	3 144	1 352
Total assets	**65 558**	**45 198**	**20 360**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(570)	(570)	–
Other reserves	37	37	–
Distributable reserves	11 862	11 862	–
	11 432	11 432	–
Non-controlling interest	630	447	183
Total equity	**12 062**	**11 879**	**183**
LIABILITIES			
Deferred income tax	85	61	24
Cell owners' and policyholders' interest	4 908	–	4 908
Reinsurance liability relating to cell owners	90	–	90
Financial liabilities at fair value through income			
Debt securities	2 552	2 552	–
Investment contracts	1 970	–	1 970
Derivatives	1	1	–
Lease liabilities	764	764	–
Financial liabilities at amortised cost			
Repo liability	926	–	926
Collateral guarantee contracts	155	–	155
Insurance liabilities	36 040	25 116	10 924
Deferred reinsurance acquisition revenue	561	478	83
Provisions for other liabilities and charges	188	188	–
Trade and other payables including insurance payables	4 851	3 732	1 119
Current income tax liabilities	405	427	(22)
Total liabilities	**53 496**	**33 319**	**20 177**
Total shareholders' equity and liabilities	**65 558**	**45 198**	**20 360**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

17.1 Analysis of policyholder/shareholder statement of financial position (continued)

	Group Restated[1] Audited as at 31 December 2020 R million	Shareholder Restated[1] Audited as at 31 December 2020 R million	Policyholder/ cellholder Audited as 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	19	19	–
Distributable reserves	9 761	9 761	–
	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

[1] *Refer to note 18 for the detail regarding the restatement.*

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 2021 R million	Shareholder Audited Year ended 31 December 2021 R million	Policyholder/ cellholder Audited Year ended 31 December 2021 R million
Gross written premium	42 129	33 163	8 966
Less: reinsurance written premium	14 766	6 959	7 807
Net written premium	27 363	26 204	1 159
Less: change in unearned premium			
Gross amount	1 573	169	1 404
Reinsurers' share	(794)	(128)	(666)
Net insurance premium revenue	26 584	26 163	421
Interest income on amortised cost instruments	206	206	–
Interest income on fair value through income instruments	1 346	818	528
Other investment income	552	448	104
Income from reinsurance contracts ceded	2 067	1 625	442
Net gains on financial assets and liabilities at fair value through income	732	324	408
Other income	352	352	–
Net income	31 839	29 936	1 903
Insurance claims and loss adjustment expenses			
Gross amount	29 734	25 509	4 225
Recovered from reinsurers	(13 329)	(9 407)	(3 922)
Net insurance benefits and claims	16 405	16 102	303
Expenses for the acquisition of insurance contracts	5 539	5 014	525
Expenses for marketing and administration	4 794	4 773	21
Expenses for investment-related activities	93	93	–
Amortisation and impairment of intangible assets	68	68	–
Investment return allocated to cell owners and structured insurance products	982	–	982
Expenses	27 881	26 050	1 831
Results of operating activities	3 958	3 886	72
Finance costs	(313)	(270)	(43)
Net income from associates and joint ventures	78	78	–
Income tax recovered from cell owners and structured insurance products	592	–	592
Profit before tax	4 315	3 694	621
Income tax expense	(1 471)	(875)	(596)
Profit for the year	2 844	2 819	25

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

17.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

	Group Restated[1] Audited Year ended 31 December 2020 R million	Shareholder Restated[1] 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			
Gross amount	25 205	22 308	2 897
Reinsurers' share	(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 loss from associates and joint ventures	(810)	(810)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 231	802	429
Income tax expense	(800)	(371)	(429)
Profit for the year	431	431	–

[1] *Refer to note 18 for the detail regarding the restatement.*

18. CHANGES IN PRESENTATION

18.1 Restatement of the statement of cash flows

In light of the current economic environment and the impact of CBI claims, the group decided to change its presentation policy relating to non-strategic investment portfolios. All cash flows from the acquisition and sale of these investments are now included as part of operating activities, as these portfolios provide liquidity in case of significant claims events. This also aligns to industry practice and the presentation policy of the group's holding company, Sanlam Ltd. Comparative numbers have been restated, as a result of the change in presentation policy, as follows:

	Group Audited Year ended		
	Previously reported 31 December 2020 R million	**Restatement 31 December 2020 R million**	**Restated 31 December 2020 R million**
Net cash (used in)/from operating activities			
Acquisition of financial assets	(29 373)	(1 832)	(31 205)
Proceeds from sale of financial assets	25 315	690	26 005
Net cash (used in)/from investing activities			
Acquisition of financial assets	(1 862)	1 832	(30)
Proceeds from sale of financial assets	690	(690)	–
Net impact	(5 230)	–	(5 230)

18.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. With initial application in 2020, the opening balances of monetary assets and liabilities were restated by applying the consumer price index (CPI) differential between 1 January 2020 and 31 December 2020. The 2020 opening balances of non-monetary assets were restated by applying the CPI differential between the date these items were acquired or incurred and 31 December 2020. The group elected to recognise the impact in the foreign currency translation reserve (FCTR). An impairment loss was recognised in FCTR on initial adoption of IAS 29 when the remeasured amount of the non-monetary items exceeded the estimated recoverable amount on 1 January 2020. The 2019 comparative amounts in the annual financial statements for the year ended 31 December 2020 ("2020 annual financial statements") were not restated, and the initial impact of negative R123 million attributable to the group was recognised in FCTR in the share of associates' currency translation differences line of the statement of changes in equity (SOCE). It comprised the rebase of the underlying statement of financial position of SAN JV as at 31 December 2019 relating to equity of R1 388 million and the reduction of the indexed non-monetary items to the recoverable negative amount of R2 622 million which included both goodwill as well as other intangible assets.

Given the various complexities involved in consolidating LIA Insurance S.A.L. (LIA) (in Lebanon) in a hyperinflationary environment, including recognising additional expected credit losses in respect of financial assets (in terms of the group's policy), and impairments on other intangible assets and goodwill, the monetary assets on which the opening balance restatement at 1 January 2020 was based, were understated. As a result, the initial application of the IAS 29 opening balance adjustment of negative R123 million reported in the 2020 annual financial statements' SOCE should have been positive R92 million attributable to the shareholders. This resulted in an increase in FCTR of R215 million and a corresponding decrease in profit for the year ended 31 December 2020 from R646 million to R431 million, with a consequential impact on earnings per share and headline earnings per share.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. CHANGES IN PRESENTATION (continued)

18.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings (continued)

The error had no impact on net asset value or any of the group's other key performance indicators as hyperinflation accounting is regarded as a technical accounting requirement. Please see below impact on the 2020 annual financial statements:

	Group		
	Audited Previously reported as at 31 December 2020 R million	Audited Restatement as at 31 December 2020 R million	Restated Audited as at 31 December 2020 R million
Statement of financial position			
Capital and reserves attributable to the company's equity holders			
Other reserves	(196)	215	19
Distributable reserves	9 976	(215)	9 761
Net impact	9 780	–	9 780

	Audited Previously reported Year ended 31 December 2020 R million	Audited Restatement Year ended 31 December 2020 R million	Restated Audited Year ended 31 December 2020 R million
Statement of comprehensive income			
Results of operating activities	1 945	–	1 945
Finance costs	(318)	–	(318)
Net loss from associates and joint ventures	(595)	(215)	(810)
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	(215)	1 231
Total tax expense	(800)	–	(800)
Profit for the year	646	(215)	431
Other comprehensive income, net of tax			
Share of associates' currency translation differences	209	215	424
Total comprehensive income for the year	855	–	855
Profit attributable to:			
equity holders of the company	542	(215)	327
non-controlling interest	104	–	104
	646	(215)	431
Earnings attributable to equity holders			
Basic earnings per share (cents)	491	(195)	296
Diluted earnings per share (cents)	489	(194)	295
Headline earnings per share (cents)	1 100	(195)	905
Diluted headline earnings per share (cents)	1 094	(194)	900

18. CHANGES IN PRESENTATION (continued)

18.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings (continued

	Group Attributable to equity holders of the company								
	Previously reported Year ended 31 December 2020			Restatement Year ended 31 December 2020			Restated Year ended 31 December 2020		
	Other reserves R million	Distributable reserves R million	Total R million	Other reserves R million	Distributable reserves R million	Total R million	Other reserves R million	Distributable reserves R million	Total R million
Statement of changes in equity									
Profit for the year	–	542	542	–	(215)	(215)	–	327	327
Other comprehensive income									
Share of associates' currency translation differences	209	–	209	215	–	215	424	–	424
Net impact	209	542	751	215	(215)	–	424	327	751

The restatement above has no impact on the statement of financial position at 1 January 2020.

SEVEN-YEAR REVIEW (SANTAM GROUP)

	7 year compound growth% /average	2021	Restated 2020	2019	2018	Restated 2017	2016	2015
PERFORMANCE PER ORDINARY SHARE								
cents per share								
Headline earnings	5.2	**2 495**	905	2 069	2 099	1 425	1 086	1 844
Dividends	7.0	**1 222**	–	1 110	1 028	952	881	816
Special dividends		**800**	–	–	–	–	800	–
Net asset value		**10 377**	8 481	8 637	8 479	6 722	6 237	7 338
INSURANCE ACTIVITIES								
Net claims paid and provided (%)	63.7	**61.7**	68.0	62.3	60.6	65.9	65.1	62.1
Cost of acquisition (%)	29.2	**30.2**	29.5	30.0	30.2	28.0	28.5	28.3
Net commission paid (%)	11.9	**13.1**	12.3	11.9	11.6	11.4	12.0	10.8
Management expenses(%)	17.4	**17.1**	17.2	18.1	18.6	16.7	16.5	17.5
Combined ratio (%)	92.9	**91.9**	97.5	92.2	90.8	94.0	93.6	90.4
Underwriting result (%)	7.1	**8.1**	2.5	7.8	9.2	6.0	6.4	9.6
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 and finance costs		**1 698**	1 634	1 616	1 713	1 148	889	1 041
Net gains on financial assets and liabilities at fair value through income		**732**	(273)	321	(428)	261	42	235
RETURN AND PRODUCTIVITY								
Earnings expressed as % of average shareholders' funds (%)	22.6	**28.5**	8.0	22.2	33.5	21.9	8.2	36.1
Pre-tax return on total assets (%)	6.9	**6.6**	2.6	7.1	7.8	5.9	6.3	12.1
Effective tax rate (%)	27.1	**23.6**	36.5	27.4	25.9	21.3	28.2	26.9
Gross premium per employee (R '000)*	4 657	**5 435**	5 206	4 812	4 586	4 316	4 088	4 154
* *Alternative Risk Transfer premiums excluded*								
SOLVENCY AND LIQUIDITY								
Dividend cover (times)	1.7	**2.0**	–	1.8	2.1	1.9	1.4	2.9
Economic capital coverage ratio (%)		**169**	161	160	159	158	155	177
OTHER STATISTICS								
Number of permanent employees		**6 025**	5 973	6 177	6 043	5 990	5 749	5 313
Staff composition (% of black staff members)		**73.1**	73.0	72.8	71.4	69.9	67.6	62.9
Number of shareholders		**6 557**	6 992	7 110	6 815	5 879	6 414	5 859
Corporate social investment spend (% of NPAT)		**0.9**	4.0	1.1	0.6	0.8	0.9	0.8
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS								
Market price per share (cents)								
Closing		**26 900**	25 478	29 014	29 644	26 704	23 400	18 950
Highest		**28 900**	26 468	34 499	35 000	28 250	24 997	24 500
Lowest		**23 137**	23 001	27 800	26 201	23 115	17 350	16 750
Market capitalisation (R million)		**29 633**	28 107	32 053	32 743	29 471	25 799	20 868
Closing price/earnings (times)		**10.8**	86.1	14.6	14.1	18.7	21.5	10.3
Closing price/equity per share (times)		**2.6**	3.0	3.4	3.5	4.0	3.8	2.6
Closing dividend yield (%)		**4.5**	–	3.8	3.5	3.3	3.8	4.3
Number of shares issued (million)		**110.2**	110.3	110. 5	110.5	110.4	110.3	110.1
Number of shares traded (million)		**20.6**	21.1	11.1	16.1	13.6	19.6	25.8
Number of shares traded as a % of total number of shares in issue		**18.7**	19.1	10.0	14.6	12.3	17.7	23.4
Value of shares traded (R million)		**5 211.4**	5 782.7	3 315.0	4 937.3	3 385.9	4 325.4	5 597.4

	7 year compound growth% /average	2021	Restated 2020	2019	2018	Restated 2017	2016	2015
STATEMENTS OF COMPREHENSIVE INCOME								
Gross premium income	9.6	**42 129**	38 273	35 852	33 109	29 720	25 909	24 319
Net premium income	6.4	**27 363**	25 517	25 132	24 068	21 693	19 772	18 884
Underwriting result	3.3	**2 157**	617	1 884	2 097	1 280	1 268	1 779
Investment return on insurance funds		**610**	663	687	597	648	619	499
Net insurance result		**2 767**	1 280	2 571	2 694	1 928	1 887	2 278
Other income/expense			3					
Investment income & associated companies		**978**	(460)	662	756	402	(2)	1 258
BEE Costs		**(2)**	(2)	(3)	(8)	(3)	(9)	(71)
Amortisation of intangible asset/Impairment of goodwill/ impairment of loans		**(20)**	(19)	(35)	(29)	(31)	(21)	(93)
Income tax recovered from cell owners and structural insurance products		**592**	429	280	106	–	–	–
Income before taxation		**4 315**	1 231	3 475	3 519	2 296	1 855	3 372
Taxation		**1 471**	800	1 154	990	489	524	908
Non-controlling interest		**99**	104	122	102	140	119	116
Net income attributable to equity holders	2.6	**2 745**	327	2 199	2 427	1 667	1 212	2 348
STATEMENTS OF FINANCIAL POSITION								
Property and equipment		**702**	760	984	142	135	106	90
Intangible assets		**989**	968	948	885	841	885	827
Deferred tax asset		**78**	102	107	155	91	105	140
Investments in associates and joint ventures		**2 284**	2 205	2 661	2 927	1 789	1 536	252
Deposit with cell owners and cell owners' and policyholders' interest		**101**	175	206	204	184	163	187
Strategic investment and financial assets	14.2	**32 738**	30 932	25 885	23 777	20 267	14 799	14 740
Reinsurance assets and deferred acquisition costs		**15 853**	9 785	7 548	7 106	6 361	4 958	4 203
Loans and other receivables and cash		**12 813**	11 253	10 895	9 902	9 591	6 716	6 878
Non-current assets held for sale		**–**	–	–	–	–	8	541
Total assets		**65 558**	56 180	49 234	45 098	39 259	29 276	27 858
Shareholders' funds	5.9	**12 062**	10 092	10 063	9 365	7 924	7 345	8 547
Equity – non-current assets held for sale								
Financial liabilities, cell owners' and policyholders' interest and reinsurance liability relating to cell owners		**10 687**	10 401	8 747	8 055	7 821	3 649	2 408
Lease liabilities		**764**	782	978	–	–	–	–
Insurance liabilities and deferred acquisition revenue		**36 601**	29 388	23 696	21 149	18 174	13 869	12 944
Trade and other payables and tax		**5 444**	5 517	5 750	6 529	5 340	4 413	3 959

SEVEN-YEAR REVIEW (SANTAM GROUP) continued

	7 year compound growth% /average	2021	Restated 2020	2019	2018	Restated 2017	2016	2015
Total equity and liabilities		**65 558**	56 180	49 234	45 098	39 259	29 276	27 858
STATEMENTS OF CASH FLOW								
Cash generated from operating activities after finance costs	1.1	**2 510**	422	3 852	1 921	1 784	2 010	3 546
Income tax paid		**(626)**	(437)	(955)	(785)	(543)	(681)	(1 002)
Net cash from operating activities		**1 884**	(15)	2 897	1 136	1 241	1 329	2 544
Cash generated/(utilised) in investment activities		**(1)**	(30)	45	260	930	245	(696)
Net (acquisition)/disposal of associated companies		**–**	–	–	(923)	(152)	(1 467)	(2)
Acquisition of business/subsidiaries		**–**	(4)	(48)	(86)	852	70	–
Cash (disposed through sale)/acquired through acquisition of subsidiary		**–**	–	–	–	–	208	(183)
BBBEE staff trust acquired		**–**	–	–	–	–	–	132
Cash utilised in additions to property and equipment and intangible assets		**(108)**	(146)	(120)	(89)	(95)	(108)	(124)
Proceeds from sale of associated companies		**–**	–	–	168	23	–	625
Capitalisation of associated companies		**–**	–	(158)	(15)	(23)	(10)	(28)
Cash proceeds from unwinding of non-current assets held for sale		**–**	–	–	–	–	509	–
Net cash (used in)/from investing activities		**(109)**	(180)	(281)	(685)	1 535	(553)	(276)
Proceeds from issuance of ordinary shares							–	–
Purchase of treasury shares		**(120)**	(155)	(106)	(91)	(76)	(98)	–
Repurchase of shares		**–**	–	–	–	–	–	(801)
Proceeds from issue /(redemption) of unsecured subordinated callable notes		**(500)**	1 000	–	–	–	1 000	–
Increase/(decrease) in investment contract liabilities		**–**	–	–	–	(32)	31	(35)
Increase/(decrease) in collateral guarantee contracts		**–**	–	–	–	(1)	12	11
Dividends paid		**(704)**	(843)	(1 280)	(1 186)	(1 106)	(1 922)	(951)
(Decrease)/increase in cell owners' interest		**–**	–	–	–	(51)	(114)	16
Purchase of subsidiary from non-controlling interest		**(176)**	(69)	–	–	–	–	–
Payment of principal element of lease liabilities		**(156)**	(141)	(173)	–	–	–	–
Equity interest issued to cell captive		**22**	–	–	–	–	–	–
Net cash used in financing activities		**(1 634)**	(208)	(1 559)	(1 277)	(1 266)	(1 091)	(1 760)
Net increase/(decrease) in cash and cash equivalents		**141**	(403)	1 057	(826)	1 510	(315)	508
Cash and cash equivalents at beginning of year		**4 383**	4 642	3 618	4 321	2 887	3 349	2 561
Translation gains/(losses) on cash and cash equivalents		**(28)**	144	(33)	123	(76)	(147)	280
Cash and cash equivalents at end of year		**4 496**	4 383	4 642	3 618	4 321	2 887	3 349

SEVEN-YEAR REVIEW (CONVENTIONAL)

		7 year compound growth% /average	2021	2020	2019	2018	Restated 2017	2016	2015
INSURANCE ACTIVITIES									
Net claims paid and provided (%)	Avg	63.6	**62.0**	68.2	62.1	60.3	65.8	64.9	61.7
Cost of acquisition (%)	Avg	29.3	**30.0**	29.3	30.2	30.4	28.1	28.6	28.5
Net commission paid (%)	Avg	12.5	**13.4**	12.7	12.5	12.4	12.1	12.3	11.8
Management expenses (%)	Avg	16.8	**16.6**	16.6	17.7	18.0	16.0	16.3	16.7
Combined ratio (%)	Avg	92.9	**92.0**	97.5	92.3	90.7	93.9	93.5	90.2
Underwriting result (%)	Avg	7.1	**8.0**	2.5	7.7	9.3	6.1	6.5	9.8
Earned premium (%)			**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
STATEMENTS OF COMPREHENSIVE INCOME									
Gross premium income		6.8	**32 745**	31 098	29 725	27 711	25 853	23 503	22 071
Net premium income		6.4	**25 858**	24 320	23 673	22 371	20 893	19 245	17 845
Underwriting result		2.7	**2 064**	615	1 820	2 066	1 260	1 251	1 759
Investment return on insurance funds		(2.6)	**400**	501	579	532	584	558	468
Net insurance result		1.7	**2 464**	1 116	2 399	2 598	1 844	1 809	2 227

GLOSSARY

Acquisition costs	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, eg commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio.
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-based black economic empowerment
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
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 economic capital model
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
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.
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 2023)
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 – The pro rated gross written premium less reinsurance written premium that provided cover (i.e. was earned) during the reporting period
OSTI	Ombudsman for Short-Term Insurance
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
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
SAM	Solvency Assessment and Management
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
UN PSI	United Nations Environment Programme's Principles for Sustainable Insurance
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

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)

Rand Merchant Bank (A division of FirstRand Bank Limited) (debt sponsor)

TRANSFER SECRETARIES

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