



**SANTAM LIMITED**  
**APPLICATION OF KING III PRINCIPLES - 2013**

This document has been prepared in terms of the JSE Listings Requirements and sets out Santam Limited's application of the principles contained in King III.

<b>Chapter 1. Ethical leadership and corporate citizenship</b>		
1.1	The board should provide effective leadership based on an ethical foundation.	<i>The Santam Board Charter stipulates that The board shall ensure that the company's ethics are managed effectively and is responsible for approving the company's Code of Ethics and Conduct and related policies.</i>
1.2.	The board should ensure that the company is and is seen to be a responsible corporate citizen.	<i>Santam has adopted a Sustainability Framework and the GRI principles, which guide it in its corporate responsibility. The social, ethics and sustainability committee which reports to the board and shareholders effects Santam's commitment to responsible corporate citizenship.</i>
1.3.	The board should ensure that the company's ethics are managed effectively.	<i>The Board has approved a Policy on Business Ethics and Economic Crime that gives guidance on how Santam responds to the risk of unethical behaviour and economic crime. The Policy sets out a structured approach to guide the company in managing ethics and economic crime. This includes a Code of Ethics, which promotes conducting business with integrity. Directors and employees are obliged to adhere to the Code of Ethics. Partnering companies, such as suppliers, joint ventures and intermediaries, not under Santam's control, are encouraged to adopt similar principles and standards</i>
<b>Chapter 2. Boards and directors</b>		
2.1.	The board should act as the focal point for and custodian of corporate governance.	<i>The Board Charter states that the board shall act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles.</i>
2.2.	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	<i>The Board Charter states that the board appreciates that strategy, risk, performance and sustainability are inseparable and will give effect to this by:</i> <ul style="list-style-type: none"> <li>▪ <i>Contributing to and approving the strategy;</i></li> <li>▪ <i>Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;</i></li> <li>▪ <i>Identifying key performance and risk</i></li> </ul>

	<p>areas;</p> <ul style="list-style-type: none"> <li>▪ Ensuring that the strategy will result in sustainable outcomes;</li> <li>▪ Considering sustainability as a business opportunity that guides strategy formulation.</li> </ul> <p><i>Santam's risk management process takes into account the full range of risks including strategic and operational risk encompassing performance and sustainability.</i></p>
2.3. The board should provide effective leadership based on an ethical foundation.	<i>Refer to 1.1</i>
2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen.	<i>Refer to 1.2</i>
2.5. The board should ensure that the company's ethics are managed effectively.	<i>Refer to 1.3</i>
2.6. The board should ensure that the company has an effective and independent audit committee.	<i>Refer to Chapter 3</i>
2.7. The board should be responsible for the governance of risk.	<i>Refer to Chapter 4</i>
2.8. The board should be responsible for information technology (IT) governance.	<i>Refer to Chapter 5</i>
2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	<i>Refer to Chapter 6</i>
2.10. The board should ensure that there is an effective risk-based internal audit.	<i>Refer to Chapter 7</i>
2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation.	<i>Refer to Chapter 8</i>
2.12. The board should ensure the integrity of the company's integrated report.	<i>Refer to Chapter 9</i>
2.13. The board should report on the effectiveness of the company's system of internal controls.	<i>The board obtains assurance and reports (in the integrated report) on the effectiveness of the group's systems of internal control in the integrated report.</i>
2.14. The board and its directors should act in the best interests of the company.	<p><i>The board acts in the best interests of the group by ensuring that individual directors:</i></p> <ul style="list-style-type: none"> <li>• <i>adhere to legal standards of conduct as set out in the new Companies Act</i></li> <li>• <i>exercise their fiduciary duties with the best interest of the group at heart</i></li> <li>• <i>are permitted to take independent advice in connection with their duties following an agreed procedure</i></li> <li>• <i>disclose real or perceived conflicts to the board and deal with them accordingly</i></li> <li>• <i>deal in securities only in accordance with the policy adopted by the board.</i></li> </ul>
2.15. The board should consider business	<i>This has not been required to date. The board</i>

	rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	<i>considers the group's going concern status at the interim and year-end meetings.</i>
2.16.	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	<i>The Chairman of the board, Mr GG Gelink, is an independent non-executive director. The CEO of the company is not the chairman of the board.</i>
2.17.	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	<i>The board has appointed Mr I Kirk as CEO. A delegation of authority has been approved by the board and is reviewed annually.</i>
2.18.	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	<i>The board is appropriately constituted. Of the 12 directors, nine are non-executive. Five of the nine non-executive directors are independent. Non-executive directors are appointed through a formal process and the knowledge, skills and resources required by the board are considered. The size and diversity of the board allows for the board to conduct its business effectively.</i>
2.19	Directors should be appointed through a formal process.	<i>Non-executive directors are appointed in terms of a formal policy. The nominations committee assists the board in identifying suitable members that will address the board's requirements in terms of knowledge, skills and resources. All appointments comply with the requirements of the Companies Act and the Company's Memorandum of Incorporation. Non-executive directors are formally appointed in terms of a letter of appointment.</i>
2.20.	The induction of and on-going training and development of directors should be conducted through formal processes.	<i>A formal induction programme is in place for new directors, which provides them with information on the group's strategy and operations as well as sets out their responsibilities as directors. The induction programme also introduces them to members of senior management and their respective duties. While Santam does not have any formal mentorship programmes for directors, only experienced and suitably qualified directors have been appointed to the board. On-going director development is encouraged, and director training sessions are held on a quarterly basis. Directors are regularly updated with briefings on matters relevant to the business, changes in risks and regulations applicable to the company.</i>
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	<i>Mr M Allie is the company secretary and the board deems him competent, suitably qualified and experienced. The board conducts an evaluation regarding the company secretary on an annual basis. The company secretary is not a director of the board, and assists the board with:</i> <i>- the nomination and appointment of directors through the Nominations Committee</i> <i>- assisting with the director induction and</i>

	<p><i>training programmes</i></p> <ul style="list-style-type: none"> <li>- <i>providing guidance to the board on director duties, responsibilities and good governance</i></li> <li>- <i>keeping board and committee charters up to date</i></li> <li>- <i>preparing and circulating board papers</i></li> <li>- <i>drafting the annual work plans of the board</i></li> <li>- <i>the preparation and circulation of minutes of board and committee meetings</i></li> <li>- <i>the evaluation of the board, committees and individual directors.</i></li> </ul>
2.22	<p>The evaluation of the board, its committees and the individual directors should be performed every year.</p> <p><i>The company performs a board assessment every year. The services of an external service provider are engaged every alternate year to conduct a formal assessment of the board and its committees. Internal evaluations are conducted during the years that an external evaluation does not take place. Evaluation procedures and results are reviewed by the Nominations Committee and discussed by the board. An overview of the material results of the evaluation is disclosed in the integrated report.</i></p>
2.23.	<p>The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.</p> <p><i>There board has delegated certain functions without abdicating its own responsibilities to committees. The committees are all appropriately constituted and their compositions are disclosed in the integrated report. All committees are chaired by independent non-executive directors, except for the human resources and remuneration committee, which is chaired by Dr J van Zyl, who is a non-executive director who is not independent. Although he is not independent, the board is supportive of his chairmanship of the human resources committee given his knowledge of the business, his commercial experience and the necessity to align the company's remuneration approach with the corporate strategy. Formal terms of reference are in place for each committee and are reviewed annually. The committee chairpersons report back to the board after each meeting.</i></p>
2.24.	<p>A governance framework should be agreed between the group and its subsidiary boards.</p> <p><i>A governance framework is in place between the group and its subsidiary boards.</i></p>
2.25.	<p>Companies should remunerate directors and executives fairly and responsibly.</p> <p><i>The human resources and remuneration committee assists the board in ensuring that the group's remuneration policy is aligned with the strategy and goals. The committee also reviews and approves remuneration of executive directors, proposes non-executive fees and reviews senior management participation in share-based and other long-term incentive schemes.</i></p>
2.26.	<p>Companies should disclose the remuneration of each individual director and certain senior executives.</p> <p><i>The remuneration of individual directors and prescribed officers are disclosed in the annual financial statements.</i></p>

2.27.	Shareholders should approve the company's remuneration policy.	<i>The remuneration policy is proposed to shareholders for a non-binding advisory vote at the AGM each year.</i>
<b>Chapter 3. Audit committees</b>		
3.1.	The board should ensure that the company has an effective and independent audit committee.	<i>The board has an appropriately constituted audit committee comprising of four independent non-executive directors.</i>
3.2.	Audit committee members should be suitably skilled and experienced independent non-executive directors.	<i>Members of the audit committee are all suitably qualified, skilled and experienced independent non-executive directors. The independent Chairman of the board, Mr GG Gelink, is a member of the audit committee. The board is supportive of his membership, given his substantial experience in audit process, international financial reporting standards and internal financial controls.</i>
3.3.	The audit committee should be chaired by an independent non-executive director.	<i>The audit committee is chaired by, Mr MD Dunn, who is an independent non-executive director.</i>
3.4.	The audit committee should oversee integrated reporting.	<i>The audit committee considers factors and risks that may impact on the integrity of the integrated report. The audit committee is responsible for recommending the integrated report to the board for ultimate approval.</i>
3.5.	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	<i>The audit committee oversees the assurance activities to ensure that they are constructed in a coordinated manner. Both internal and external audit functions report to the audit committee. The relationship between the external providers and the company is monitored by the audit committee through the interactions at various audit committee meetings. The audit committee is responsible for monitoring the appropriateness of the company's combined assurance model and ensuring that the significant risks facing the company are addressed.</i>
3.6.	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	<i>The audit committee considers the expertise and, resources of the finance function on an annual basis, and is satisfied therewith. The audit committee also evaluates the suitability of the expertise and experience of the finance director on an annual basis and will recommend to the board if any changes are necessary.</i>
3.7.	The audit committee should be responsible for overseeing of internal audit.	<i>The audit committee ensures that the company's internal audit function has the necessary resources to enable it to discharge its functions. The audit committee approves the internal audit plan.</i>
3.8.	The audit committee should be an integral component of the risk management process.	<i>The audit committee charter sets out its responsibilities towards risk management. The audit committee has satisfied itself that the financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and IT risks as it related to financial reporting have been addressed.</i>
3.9.	The audit committee is responsible for	<i>The audit committee recommends to the board</i>

<p>recommending the appointment of the external auditor and overseeing the external audit process.</p>	<p>and to shareholders the appointment of the external auditors and oversees the audit process. The audit committee approves the external auditor's terms of engagement and remuneration. The committee reviews the external auditor's independence and the effectiveness of the audit process annually.</p> <p>During 2013 the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors.</p> <p>In line with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which requires an individual partner not to be a key audit partner for more than seven years for a public interest entity, and the transitional provisions of the Companies Act, 71 of 2008, the audit committee has recommended that Ms C van den Heever of PwC be appointed as the individual and designated auditor who will undertake the company's audit for the financial year ending 31 December 2014. Although King III recommends that rotation of an individual engagement partner, at least every five years, enhances independence, the committee is satisfied that the company's external auditors are independent of the company. The committee also considered and determined the fees and terms of engagement of the external auditors.</p>
<p>3.10. The audit committee should report to the board and shareholders on how it has discharged its duties.</p>	<p>The audit committee formally reports to the board quarterly and to the shareholders in the integrated report on how it has fulfilled its duties in terms of the Companies Act during the financial year.</p>
<p><b>Chapter 4. The governance of risk</b></p>	
<p>4.1. The board should be responsible for the governance of risk.</p>	<p>The board charter stipulates that the board is responsible for the governance of risk. The board has delegated its responsibility for risk management to the risk committee. The risk committee is responsible for overseeing the company's risk management programme and reporting thereon to the board.</p>
<p>4.2. The board should determine the levels of risk tolerance.</p>	<p>Risk tolerances have not been defined due to the immaturity of formalised operational risk processes. The risk appetite has been defined and approved by the board. The risk appetite is continuously monitored by the risk committee and reported to the board on a quarterly basis.</p>
<p>4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities.</p>	<p>As per 4.1</p>
<p>4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan.</p>	<p>Management is accountable for implementing and monitoring the system and process of risk management and integrating it into the activities of the company. The Enterprise Risk and Compliance ("ERCM") manager is suitably</p>

	<i>qualified and experienced and interacts regularly on strategic risk matters with executive management and the risk committee.</i>
4.5. The board should ensure that risk assessments are performed on a continual basis.	<i>Risk assessments are performed on a regular basis and the outcomes thereof are reported to the risk committee.</i>
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	<i>Emerging risks are considered from various sources and international research. These are considered by the Executive Risk Committee and the ERCM manager. Quarterly reporting on new/emerging risks to risk committee occurs. Risk profiling has been introduced for intervention and to improve risk identification.</i>
4.7. The board should ensure that management considers and implements appropriate risk responses.	<i>ERCM processes are continuously updated to ensure that key risks are identified, assessed and treated appropriately. Management's responsibility is outlined in the ERCM policy and is communicated and well understood at all management levels.</i>
4.8. The board should ensure continual risk monitoring by management.	<i>Identified risks are monitored by the executive risk committee who consider the steps being taken to manage or mitigate such risks.</i>
4.9. The board should receive assurance regarding the effectiveness of the risk management process.	<i>Quarterly reporting to the risk committee occurs to ensure progress is monitored and processes are embedded. Maturity assessments are done annually.</i>
4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	<i>The business is aware of the disclosure requirements and makes the relevant disclosures when appropriate.</i>
<b>Chapter 5. The governance of information technology</b>	
5.1. The board should be responsible for information technology (IT) governance.	<i>The Santam board expressly takes responsibility for IT governance in the Board Charter. The Santam IT Charter has also been adopted by the board. The board receives a measure of independent assurance of the effectiveness of the IT internal controls from the external auditors (as far as it impacts on financial figures) and internal audit. An IT internal control framework has also been adopted by the company.</i>
5.2. IT should be aligned with the performance and sustainability objectives of the company.	<i>The board is of the view that the IT strategy is appropriately integrated. Consideration is given to ways to improve the performance and sustainability of the company through the use of IT.</i>
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework.	<i>Management is responsible for the implementation of structures and processes to execute the IT Governance Framework. Management informs the board about whether the company's IT function is on track to achieve its objectives and whether it is adequately protected from the risks it faces. A member of the executive committee is responsible for the management of IT.</i>
5.4. The board should monitor and evaluate	<i>A specific management committee oversees the</i>



	significant IT investments and expenditure.	<i>return on investment from significant IT projects. Internal audit provides assurance over IT governance</i>
5.5.	IT should form an integral part of the company's risk management.	<i>IT risks form part of the company's risk management activities. Status updates regarding IT disaster recovery issues are reported to the audit committee and continue to receive attention.</i>
5.6.	The board should ensure that information assets are managed effectively.	<i>The company's Information Security Committee oversees matters of this nature. The systems are in place and reported in the IT Risk Register. The IT Charter, which empowers management to implement the strategy, has been approved by the Board.</i>
5.7.	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	<i>The Risk Committee ensures that IT risks are addressed and assist the board in carrying out its IT responsibilities. Internal audit provides assurance over IT governance.</i>
<b>Chapter 6. Compliance with laws, rules, codes and standards</b>		
6.1.	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	<i>The company strives to comply with all applicable laws to the best of its ability. The company aims to achieve a balanced approach in its outlook on compliance and considers the rights of the company when dealing with compliance matters. In instances where possible contravention of a regulation is suspected, or anticipated, remedial measures are put in place as a priority. The board discloses details of its compliance framework in the integrated report. Compliance is monitored by the Risk Committee and in applicable instances, the Social, Ethics and Sustainability Committee and reported to the board. A Compliance Framework has been adopted that (give a little more info?).</i>
6.2.	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	<i>Processes are in place to ensure that the board is informed of relevant laws, rules, codes and standards as part of the induction and regular director training. Updates and presentations on changes are provided when appropriate. Directors are encouraged to keep abreast of general content of the applicable regulatory framework.</i>
6.3.	Compliance risk should form an integral part of the company's risk management process.	<i>Compliance risk forms part of the risk management process. The Compliance function provides assistance to the board and management in complying with applicable laws, rules, codes and standards.</i>
6.4.	The board should delegate to management the implementation of an effective compliance framework and processes.	<i>The Legal Compliance policy has been approved by the board and management is responsible for the implementation thereof. Compliance with laws, rules, codes and standards are incorporated in the Code of Ethics in order to entrench a culture of compliance. The Compliance department provides the risk committee and the board with the assurance regarding controls around compliance. Appropriate structures and</i>



	<i>indicators relevant to compliance have been developed by management. An appropriately skilled compliance officer has been appointed. Details of material instances of non-compliance by the company or directors are included in the Integrated Report.</i>
<b>Chapter 7. Internal audit</b>	
7.1. The board should ensure that there is an effective risk based internal audit.	<i>An effective risk based internal audit is in place. One of the key functions of internal audit is to perform an assessment of the effectiveness of risk management and the internal control framework.</i>
7.2. Internal audit should follow a risk based approach to its plan.	<i>The internal audit planning aligns with the risk management process.</i>
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	<i>Internal Audit plays an important role in providing assurance to the board regarding the effectiveness of the system of internal controls and risk management of the company. The board reports on the effectiveness of the system of internal controls in the integrated report.</i>
7.4. The audit committee should be responsible for overseeing internal audit.	<i>The audit committee is responsible for overseeing the internal audit. Internal audit provides independent assurance on risk management and systems of internal control. Internal audit reports at all audit committee meetings. The Head of Internal Audit meets with the audit committee chairman before each audit committee meeting.</i>
7.5. Internal audit should be strategically positioned to achieve its objectives.	<i>Internal audit reports to the Audit Committee and has the respect and co-operation of both the board and management. The internal audit function is skilled and resourced to the extent that their tools and audit techniques keep pace with the complexity and volume of risk and assurance needs.</i>
<b>Chapter 8. Governing stakeholder relationships</b>	
8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation.	<i>Gaps between stakeholder perceptions and company performance are managed and considered to enhance corporate reputation. The company's reputation and its linkage with stakeholders are considered by the Social, Ethics and Sustainability Committee. Important stakeholder groupings have been identified by management.</i>
8.2. The board should delegate to management to proactively deal with stakeholder relationships stakeholders and the outcomes of these dealings.	<i>Santam has a Stakeholder Engagement Policy and Charter in place. Formal and informal processes are in place to interact with stakeholders in terms of the Stakeholder Engagement Policy. Adequate disclosure is made in the Integrated Report. Shareholders are invited to attend the AGM.</i>
8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	<i>The company considers the legitimate interests and expectations of stakeholders in its decision making. The best interests of the company are balanced with the interests of its stakeholders.</i>

8.4.	Companies should ensure the equitable treatment of shareholders.	<i>The board ensures the equitable treatment of shareholders. The majority of the non-executive directors on the board are independent.</i>
8.5.	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	<i>The company has a dedicated stakeholder relations department and communicates with stakeholders in a number of ways. The company provides complete, timely and accessible information to its stakeholders in its integrated report, SENS announcements, interim report, and the company website.</i>
8.6.	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	<i>The board endeavours to ensure that disputes are resolved as effectively, efficiently and expeditiously as possible. However, the board does not intend to institute a formal dispute resolution process in the foreseeable future. The existing processes operate satisfactorily and do not require a more formal mechanism. In the event that disputes with shareholders should arise, shareholders have remedies in terms of the Companies Act at their disposal.</i>
<b>Chapter 9. Integrated reporting and disclosure</b>		
9.1.	The board should ensure the integrity of the company's integrated report.	<i>The board is responsible for the integrity of the integrated report and approves the report prior to publication.</i>
9.2.	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	<i>Sustainability reporting is well integrated into Santam's financial reporting.</i>
9.3.	Sustainability reporting and disclosure should be independently assured.	<i>The Audit Committee oversees the provision of assurance over sustainability issues.</i>