

SUSTAINABILITY REPORT

SANTAM
SUSTAINABILITY
REPORT
2010



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A MESSAGE FROM THE SUSTAINABILITY CHAIRMAN



SUSTAINABILITY WORKS AT SANTAM BECAUSE IT IS AN INTEGRAL PART OF OUR BUSINESS PHILOSOPHY

Santam's deliberate and considered approach to business over the last 92 years has served us well and we have used sustainability as a lens across our company. I do not believe that it would be a stretch to say that our resilience through the tough economic climate in 2010 can be attributed to the company's robust and mature systems and practices.

We made an impact on the global sustainability stage through our association with the United Nations Environment Programme. We brought back what we learnt at this forum and incorporated it into our strategy. We also demonstrated our willingness to commit our skills to the collective response, to act on opportunities and be part of the solution through our association with South Africa's Department of Energy with our solar water geyser initiative and through our stakeholder engagement with local municipalities around climate-related risk management.

What makes Santam remarkable is our ability to implement our values internally and externally. When we are recognised by employees as one of South Africa's Best Companies to Work For; or as the best personal, commercial and corporate short-term

insurer by intermediaries; or as a trustworthy brand by policyholders, it demonstrates our focus on, and our belief in, the importance of how we are experienced and perceived in our broader environment. The trust and positive associations that Santam inspires in all its interactions might be termed as a 'soft issue' – but in fact it forms the backbone of our longevity in the market.

Human resource development is essential to economic growth and development – and our people give us a competitive advantage. In this, as in other aspects, the pursuit of excellence remains key. For example, when we look at employment equity we ask: how do we transform while generating the necessary business principles, practices and culture to promote excellence?

We have addressed legislative requirements systematically and proactively. For example, when faced with the challenge of not having enough black intermediaries, we initiated a programme to develop them.

Sustainability works at Santam because it is an integral part of our business philosophy at board level and it is guided by clear policies and

strategies. Operational impact is enhanced by the close collaboration across key business units and the corporate office. Risk management and the sustainability and strategy units work as a team to ensure that Santam has a coherent strategy that runs through every business unit in the company.

Our sustainability log clearly shows how one aspect fits seamlessly into another. That interdependence of sustainability areas and complementary goals ensures a more viable business strategy and greater impact on our operating environment.

Another reason that sustainability has become entrenched in Santam is because of internal reporting mechanisms. These feed into each other and ultimately into strategy design. Therefore, we are in a strong position to deliver integrated reporting which is an organic extension of these internal systems.

The integration of sustainability into its core is not something that a company can achieve overnight. I believe that we are able to achieve this integration as we have:

- a board that takes sustainability seriously;

-
- a management team that follows through on it;
 - maintained the necessary alliances and stakeholder engagements;
 - worked with sustainability experts to refine our strategy; and
 - influenced the evolution of policies in our country to support our environment.

We have committed the necessary energy and human capital to understanding the context that we operate in – and this helps us build a more responsive and resilient company. Essentially, we have invested in the future as some gains cannot be realised immediately. Our community programmes, our communications around climate change and our engagement with stakeholders are all long-term commitments that will have powerful albeit indirect consequences on our future bottom line.

We understand and believe that a broader, more informed citizenry and leadership will result in an environment where we will experience less fraud and corruption, where risks are better managed by the collective, and where young South Africans can reach their full potential as adults.

I would like to thank all Santam employees who are passionate about

sustainability for their insights and productivity over this past year. We have asked hard questions of the company throughout 2010 and we have emerged stronger for it.

I look forward to 2011 with excitement.



Namane Magau

Chairman: Sustainability committee

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



WE RECOGNISE THAT ADAPTATION TO **CLIMATE RISKS** IS JUST AS IMPORTANT AS DEALING WITH THE SHORT- AND MEDIUM-TERM THREATS SURROUNDING UNPREDICTABLE CLIMATE PATTERNS

We are living in a time of unprecedented change. The global risk landscape is constantly shifting as climate, demographic, economic, social and ecological factors dynamically interact with each other. The insurance industry is one of society's trusted managers of risk. As such, it is not only one of the largest industries in the world, but also one of the most vulnerable to increasing systemic risk.

What distinguishes one company from the next is its ability to adapt to the systemic risk that arises from the interaction of these environmental, social and governance (ESG) changes. Therefore, we identify and respond to risks we believe are relevant to our industry and we consistently communicate the message of risk management to our clients. This report documents the actions we took in response to these challenges in 2010.

The interconnected nature of systemic risk requires that we collaborate with other organisations and initiatives to respond to it. Our understanding of systemic risk is informed by extensive engagement with experts in relevant fields. This includes the ClimateWise initiative, the South African Insurance Association initiative, collaborative research with the Council for Scientific

and Industrial Research and the University of Cape Town, and other local and international agencies and partnerships. These platforms are also an opportunity for Santam to play an advocacy role around systemic risk – a role we have extended to stakeholder groups ranging from the motor industry to crime forums and municipalities.

RESPONSES TO INCREASING SYSTEMIC RISK

Climate risk is exacerbated by climate change and it represents a critical systemic risk for Santam. We continue addressing it through short-, medium- and long-term responses. Indications are that the domestic short-term insurance industry will again be faced with tough underwriting conditions in 2011 as insurers are faced with a spate of claims in the wake of wide-ranging floods across South Africa. We have taken cognisance of the anticipated weather patterns and we are confident that our insurance book is resilient. We recognise that adaptation to climate risks is just as important as dealing with the short- and medium-term threats surrounding unpredictable climate patterns.

This year we also formalised a Responsible Investment Mandate. This will allow the company to make

investments that will offset or displace its environmental footprint regarding energy, waste and water; incorporate ESG issues into its investment decisions and analysis; and will aim to align with the United Nations Principles for Responsible Investment.

On a more direct level, we recognise that all businesses will be required to act responsibly in containing emissions. This is justified in terms of our responsibility to mitigate the long-term effects of climate risk and through the realisation of energy cost savings. Since 2008 we have initiated various campaigns to raise environmental awareness within the company.

CLIENT-CENTRIC SYSTEMS

There have been ongoing changes in the South African consumer profile. Consumers are becoming more sophisticated and knowledgeable and this has important implications on our product design and distribution channels. Therefore, we are adapting our strategy to include more innovative distribution methods and products. Our ability to respond to clients' rapidly changing demands will determine our future growth. This is particularly so for the new "emerging" segment in South Africa.

Santam is starting to reap the rewards of the vision that was created in 2006 to modernise and improve our insurance services through the Insurance Service Transformation Programme. This extensive re-engineering of our internal claims processes has already resulted in significant changes. For example, we believe that we are now able to respond to changing consumer, market and regulatory demands faster than any of our competitors.

PEOPLE AND TRANSFORMATION

Talent management remains an important priority for us and reflects our core belief that our people are responsible for the improvements, transformation and positive results that we achieved in 2010.

We have made enormous strides in transforming the workforce in the past three years while preserving our original values. This is a significant achievement. Our focus on attracting black talent to the group has paid off and our black workforce has increased to 55% of the total employee complement. We are proud of this improvement of 9% over three years.

ACKNOWLEDGEMENTS

We know that sustainability as it relates to our people and the planet

at every level of our company and the long economic prosperity of our company is important. Therefore, sustainability is valued and implemented across Santam.

I would like to thank the sustainability committee for keeping the board informed. I also extend my gratitude to the sustainability management team for driving and monitoring our sustainability strategy and the sustainability issue owners for implementing our plans. I also acknowledge the Santam employees for their enthusiastic support of our initiatives. We will remember 2010 for the far-reaching sustainability achievements which we made during the year. Driven by our talented and passionate people, we will continue turning challenges into opportunities in 2011.



Ian Kirk
Chief Executive Officer

GUIDE TO ACRONYMS

ACRONYM	MEANING
AASES	Accountability Stakeholder Engagement Standards
ABI	Association of British Insurers
AHI	Afrikaanse Handelsinstituut
B&B	Bed and breakfast
BBBEE	Broad-based black economic empowerment
BD	Broker distribution
BEE	Black economic empowerment
BEEC	Business ethics and economic crime
BMF	Black Management Forum
BMMP	Broker Management Model Project
BUSA	Business Unity South Africa
CAP	Climate Action Partnership
CCC	Commercial contact centres
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CoGP	Codes of Good Practice
COGTA	Co-operative Governance and Traditional Affairs
CPM	Commercial Portfolio Management
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
DoE	Department of Energy
dti	Department of Trade and Industry
EAP	Employee Assistance Programme
EE	Employment equity
ELM	Entry-level market
EMP	Ethics management programme
ESG	Environmental, social and governance
EVP	Employee value proposition
FAIS	Financial Advisory and Intermediary Services
FI	Financial initiative
FIA	Financial Intermediaries Association
FS	Financial Sector
FSC	Financial Sector Charter
FTE	Full-time employee
G3	Global Reporting Initiative guidelines
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GWP	Gross written premium
HR	Human resources
INSETA	Insurance Sector Education and Training Authority
ISTP	Insurance Services Transformation Project
IT	Information technology

ACRONYM	MEANING
JSE	JSE Limited
KAM	Key account manager
KPI	Key performance indicator
MBR	Motor body repairs
MSSA	Marketing surveys and statistical analysis
NBI	National Business Initiatives
NCA	National Credit Act
NEEF	National Employment Equity Forum
NGO	Non-governmental organisation
NICRO	National Institute for Crime Prevention and the Reintegration of Offenders
NPAT	Net profit after tax
NPO	Non-profit organisation
NPS	Net promoter score
NQF	National Qualifications Framework
OHS	Occupational health and safety
PBO	Public Benefit Organisation
PPI	Protection of Personal Information Bill
PSI	Principles for Sustainable Insurance
PWC	PricewaterhouseCoopers
QA	Quality assurance
RM	Relationship manager
SAIA	South African Insurance Association
SAICB	South African Insurance Crime Bureau
SAIE	South African Institute for Entrepreneurship
SALGA	South African Local Government Association
SAPS	South African Police Service
SBIDI	Santam Black Intermediary Development Initiative
SC	Sustainability committee
SHE	Safety, health and environmental
SIM	Sanlam investment management
SME	Small and medium enterprise
SOP	Standard operating procedures
SPSF	Sanlam Professional Secretaries Forum
SPV	Special Purpose Vehicle
SRI	Socially responsible investment
STI	Short-term Insurance
TAG	Transformation Advisory Group
UNEP	United Nations Environment Programme
UNPRI	United Nations Principles of Responsible Investment
ZCC	Zion Christian Church

ENVIRONMENTAL REFERENCE LIST

GENERAL TERMS	MEANING
Global warming	The increase in the <i>average</i> temperature of the earth's surface and oceans. This in turn changes the climate and the long-term weather patterns.
Climate change	A long-term change in the statistical distribution of <i>weather</i> patterns over <i>periods of time</i> , regardless of cause.
Impact of climate change on natural disasters	Climate change increases the frequency and intensity of natural disasters.
Climate change adaptation	The response to the changing climate to minimise the predicted impacts of climate risks. (For example: Santam's work in Agriculture, helping farmers improve their resilience to drought conditions; and the Association of British Insurers' (ABI) works around improving flood-resilient mechanisms in the UK.)
Climate change mitigation	Action taken to permanently eliminate or reduce the long-term risk and hazards of climate change. (For example: Santam's effort in reducing energy and water use, and managing its carbon footprint.)
Systemic risk	Risks imposed by interlinkages and interdependencies of ESG factors in a system where the failure of a single entity or cluster of entities can cause a <i>cascading failure</i> . (Climate change is one of the systemic risks as it is impacted or influenced by ESG factors.)
ESG (environmental, social, governance)	<p>Environmental primarily refers to climate change, biodiversity loss and ecosystem degradation, water management, and pollution.</p> <p>Social primarily refers to financial inclusion, human rights, emerging man-made health risks, and ageing populations.</p> <p>Governance primarily refers to regulations, disclosure, ethics and principles, and alignment of interests.</p>
Key ESG issues for the insurance industry	<ul style="list-style-type: none"> – Climate change – Disaster risk reduction – Biodiversity and ecosystem services – Water management – Pollution – Human rights – Social and financial inclusion – Emerging health risks – Ageing populations – Regulations – Disclosure and transparency – Ethics and business principles – Alignment of interests
Role of insurance	Through risk prevention, risk mitigation and risk sharing, the insurance industry can protect society, catalyse finance and investment, foster innovation, shape markets and promote socio-economic stability and sustainable growth.
Collaborative risk management	Systemic risks are shared risks which need to be managed collectively. Therefore insurers need to collaborate with other stakeholder such as business partners and government.

ENVIRONMENTAL REFERENCE LIST

SANTAM TERMS	MEANING
Santam sustainability committee	A subcommittee of the Santam board overseeing governance matters including the company's response to systemic risk and opportunities. The Santam Environmental Forum gives feedback to the board on a quarterly basis.
Santam Environmental Forum	This forum consists of senior representatives from business units across risk services, insurance services, market development, distribution, specialist business and corporate services. Its main objective is to take practical actions to integrate environmental, social and governance (ESG) considerations into the core business and operation. This forum is represented to the Sanlam Group environmental committee.
Sanlam Group environmental committee	The committee at Sanlam with the objective to ensure that the Sanlam Group, as a global player with global economic and environmental impacts, aligns with "best practice" in the environmental sustainability space.
Santam Ecocentric Journey	A theme that was launched at the Ecocentric Journey Conference in September 2009. It implies that actions that make both ecological and economic sense need to be taken to achieve collaborative risk management. Raising awareness on systemic risks played a vital role in the Ecocentric Journey.
Santam environmental policy	A set of policies and targets embracing various environmental values and principles that will inform Santam's planning and decision-making from an environmental perspective.
Santam Responsible Investment Mandate	Santam formalised a responsible investment mandate which states that we strive to: <ul style="list-style-type: none"> – make investments that will offset, or displace, the environmental footprint of Santam with regard to energy usage, water usage and contribute to recycling and waste management; – incorporate ESG issues into investment analysis and decision-making; and – ensure that our actions align with the United Nations Environment Programmes Principles for Responsible Investment (UNEP PRI).
Santam solar geyser replacement initiative	This initiative was launched in February 2010 and gives clients the option of a solar geyser in an event of a claim for an electrical geyser.
Risk and resilience in a changing world – the insurance collaboration	A partnership formed in June 2010 between Santam, CSIR (Council for Scientific and Industrial Research) and University of Cape Town's Centre of Criminology. The key objective is to better understand the system dynamics between risk and resilience in a socio-ecological landscape, and the role of insurance industry in shaping societal behaviours.
South African coastal project	This strategic project at Santam aims to refine the company's tools for risk analysis especially in coastal areas vulnerable to the increasing climate risks. This project will also act as a stepping stone towards the more complex GIS (Geographical Information System) foundation project which will improve Santam's underwriting and risk management capabilities in the long term.

OTHER TERMS	MEANING
UNEP FI	United Nations Environment Programme Finance Initiative – a global partnership between UNEP and the financial sector to understand the impact of environmental and social considerations on financial performance.
UNEP FI Insurance Commission (previously known as insurance working group)	One of the work streams at UNEP FI. The Insurance Commission comprises leading insurers and reinsurers committed to addressing current and emerging sustainability issues concerning the insurance industry in the context of financial performance and sustainable development.
PSI (Principles for Sustainable Insurance)	A UNEP FI's initiative with the goal to develop a set of globally applicable best practice principles, including concrete actions. The aim is to facilitate the systematic consideration of environmental, social and governance (ESG) risks and opportunities in insurance companies' business strategies and operations.
PSI working group	The working group consists of insurance representatives from around the globe. The group developed the consultation version of the Principles for Sustainable Insurance (PSI) and provided the content for the case studies attached to PSI.
PSI consultation meeting	The purpose of the PSI regional consultation meetings is to obtain global input on the draft principles to ensure that the PSI development process is global, inclusive and consultative. The meetings are UN facilitated, insurance industry led with multi-stakeholder attendance and will be held in 2011 in seven geographic regions – Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania.
ClimateWise	A collaborative insurance initiative through which members aim to work together to respond to the myriad risks and opportunities of climate change.
ClimateWise principles	The six founding principles of ClimateWise that guide members in working individually and collectively to reduce the economy's and society's long-term risk from climate change, within the confines of a competitive market.
ClimateWise reports (Santam ClimateWise report)	A report based on the six ClimateWise principles which every member is obliged to submit to ClimateWise on an annual basis. All reports from members are independently reviewed and presented in a consolidated report at the end of each reporting cycle (December).
ClimateWise working groups	Working groups formed by ClimateWise to gather some of the members and share ideas on specific topics such as sustainable claims management; insurance roles in climate change adaptation; and climate risk adaptation in developing countries.
SAIA	South African Insurance Association
SAIA Sustainable Insurance Forum	SAIA's strategic response to the challenge of increasing systemic risk (ESG risk factors) to the industry (SAIA's sustainability strategy and response framework).
SAIA Risk Forum	One of the outcomes of SAIA Sustainable Insurance Forum. The main objective is to pool expertise and create a "National Risk Radar" (macro understanding of ESG risk factors for the industry) that will capture the overall risk perspective as the broader industry sees it together with other stakeholders.
CDP (Carbon Disclosure Project)	An independent not-for-profit organisation encouraging thousands of organisations from across the world's major economies to measure and disclose their greenhouse gas emissions, water use and climate change strategies through the CDP framework.
NBI (National Business Initiative)	NBI acts as a channel for businesses to add value to the policy-making process on, among other matters, climate change at a national level. NBI also facilitates the South African Carbon Disclosure Project (CDP).

ABOUT THIS REPORT

SANTAM'S 92-YEAR HISTORY IS AN ELOQUENT TESTAMENT TO OUR ABILITY TO ADAPT TO **SOCIAL, ENVIRONMENTAL AND ECONOMIC** SHIFTS OVER THE LONG TERM

This sustainability report encompasses Santam's sustainability-related activities from 1 January 2010 to 31 December 2010. It covers the scope and operations of our direct business units regarding material issues. Our intermediary partners operate their business activities independently of Santam. Therefore, we report only on matters that directly link partners to our business imperatives.

All data and statistics in this report relates to Santam South Africa business operations unless otherwise stated. For example, our transformation statistics relate to the Santam group including targeted subsidiaries, while carbon footprint data relates to the Santam head office and five regional offices.

Our previous sustainability report was for the period 1 January 2009 to 31 December 2009. There have been no significant changes to the Santam business that would affect our reporting since that time. Our parent company Sanlam publishes its own sustainability report that you can read at www.sanlam.co.za.

Our report is provided online although a small number of copies have been printed for distribution.

ALIGNMENT TO THE GLOBAL REPORTING INITIATIVE (GRI)

Our sustainability report is informed by the GRI (G3) reporting guidelines for the period 1 January 2010 to 31 December 2010. We have made reference to the GRI's G3 indicators and we are self-declared level-B compliant. This is based on the information contained in this report.

You can view our GRI content index for the period 1 January 2010 to 31 December 2010 on page 62.

REPORT ASSURANCE

We have not obtained independent third-party assurance of this sustainability report for the 2010 reporting period. However, strategic statistical data such as that relating to transformation, broad-based black economic empowerment and our carbon footprint have been independently assessed and verified. Our internal audit unit performed a review of selected data and statements reflected in this report. Based on the work done, the statements and data in the report are in line with the supporting evidence provided by management.

FURTHER INFORMATION

This sustainability report is the primary source of our sustainability-

related information for the reporting period of 1 January 2010 to 31 December 2010. For any additional sustainability-related information, please refer to:

- the relevant sections of our 2010 annual report, or
- our comprehensive corporate website at www.santam.co.za.

If you have any queries about this report or sustainability at Santam, please contact: Ray-ann Sedres – Head: Integrated sustainability and CSI at ray-ann.sedres@santam.co.za or 021 915 7135.

MANAGING SUSTAINABILITY AT SANTAM



Sustainability Committee
From left: BP Vundla, NM Magau,
JG le Roux, YG Muthien

Santam's 92-year history is an eloquent testament to our ability to adapt to social, environmental and economic shifts over the long term. Today's reality is that our country is undergoing significant social and economical transformations, clients are more informed and empowered, and environmental resources are becoming increasingly constrained.

We see ourselves continuing our tradition of responsiveness and resilience in future by incorporating the broad context of our operations into our core business through our sustainability strategy.

The key to understanding risk is the concept of systemic risk: this is a systems methodology approach to viewing our world – and to addressing how that world impacts what we do and how we do it.

The initiatives and policies that fall under the banner of sustainability feed into our management of systemic risk and this strengthens our overall approach to risk management.

OUR MATERIAL SUSTAINABILITY ISSUES

Four years ago, we developed a sustainability management framework.

This covers 10 sustainability components which cover elements that have been identified as material to the company. We regularly monitor and report on these components. The 10 components and their elements are covered in detail in this report.

These sustainability components are:

- 1. Sustaining our client base (p. 16)**
Incorporating the issues: alignment of products, processes and initiatives to client needs and expectations; client satisfaction, retention and growth; and client privacy and confidentiality.
- 2. A sustained intermediary base (p. 21)**
Incorporating the issues: maintaining equitable relationships with intermediaries; growth in our black intermediary base; impact of HIV/Aids on our intermediary base; and intermediary compliance with industry standards.
- 3. A sustained supplier base (p. 25)**
Incorporating: preferential procurement; as well as environment, health and safety in the supply chain.

- 4. Maintaining an ethical culture and managing economic crime (p. 28)**

Incorporating: management of economic crime; management of ethical behaviour relating to advertising; application of ethical behaviour through the values process aimed at employees.

- 5. Solutions aligned to social and environmental needs (p. 33)**

Focusing specifically on growth in the emerging market and products fulfilling a growing consumer environmental consciousness.

- 6. Human capital (p. 35)**

Incorporating: attraction, retention and development of employees with emphasis on equity; the impact of HIV/Aids on our workforce; employee wellness; and occupational health and safety of employees while at work.

- 7. Extending influence for the benefit of society (p. 40)**

Incorporating: aligning corporate social investment initiatives with social, business, economic and environmental needs; and our broader socio-economic influence on society specifically through stakeholder engagement.

MANAGING SUSTAINABILITY AT SANTAM

8. Transformation including ownership and control (p. 45)
Covering broad-based black economic empowerment (BBBEE) in line with the Department of Trade and Industry (dti) Codes of Good Practice (CoGP), while accounting for the Financial Sector Charter (FSC) Codes currently in development.

9. Responsible investments (p. 49)
Covering direct investment to address social, economic and environmental needs.

10. Managing impacts on the environment (p. 51)
Incorporating: environmental risk management, feeding into products and solutions adapted for environmental change; and internal facilities management to support Santam's environmental positioning.

and approach. This charter and our strategy were developed with reference to various standards and legislation. These include the:

- King II and III reports on Governance for South Africa (King II and III);
- FSC and the dti's CoGP for BBEEE;
- Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines; and
- the JSE's SRI Index.

A four-member sustainability committee meets quarterly at which time feedback is presented on each of the 10 components of our sustainability management framework. This feedback is provided through a sustainability risk log. Certain components are discussed in depth according to an annual schedule of report submissions. The chairman of the sustainability board committee then reports to the board of directors on pertinent issues that may arise.

Sustainability is driven at management level by its own dedicated business unit. The head of this business unit reports to the executive head of market development. This ensures

direct access to the executive committee. Our structure reaches into the business operations through senior line managers who are accountable for monitoring sustainability components in their functional areas. Complementing the work of these "component owners", are functional responsibilities dedicated to enterprise development, environmental management and stakeholder relations.

The various King reports have guided the way in which sustainability was integrated at Santam. The sustainability, enterprise risk management and strategy business units have spent the year building a closer relationship to further embed sustainability concepts across the company.

Santam's broad capabilities regarding risk management are considered a competitive advantage. During 2010 we started to work on aligning our sustainability risk log with the overall risk monitoring process.

We embarked on a "health check" early in 2010 to assess whether the company made sufficient progress

GOVERNANCE STRUCTURES AND SYSTEMS

Sustainability is driven by our culture and is implemented through purpose-built policies and management structures. Our *Sustainability Charter* (p. 60) guides our intentions

Influence or impact attributed to the issue	Santam issues (from most to least important)
Moderate to major influence	<ul style="list-style-type: none"> - Direct investment to address social, economic and environmental needs - Client satisfaction, retention and growth - Attraction, retention and development of employees with the emphasis on equity - Alignment of products, process and initiatives to client needs and expectations - Maintaining equitable relationships with intermediaries - Achieving BEE ownership and control as per dti scorecard - Preferential procurement - Growing the black intermediary base - Intermediary compliance with industry standards - Management of fraud - Growing our product and service offerings for the emerging market - Corporate social investment (CSI) - Client privacy/confidentiality - Products and solutions adapted for environmental change - Application of ethical behaviour through the values process aimed at employees - Environment, health and safety in the supply chain - Internal facilities management to support Santam's environmental positioning
Weak to moderate influence	<ul style="list-style-type: none"> - Employee wellness - Management of ethical behaviour related to advertising - Occupational health and safety of employees - The impact of HIV/Aids on our intermediary base - The impact of HIV/Aids on our workforce
No influence to weak influence	<i>No issues rated as such</i>

SUSTAINABILITY GOVERNANCE



in sustainability management. We used the internal audit business unit and a specialist consultancy firm, Trialogue, to do this audit. The results determined that we are making good progress. It suggested projects and metrics to demonstrate the business value of sustainability to further encourage national integration.

What we did during 2010

A group of eight component owners who manage various aspects of sustainability were interviewed to establish a sense of internal priority regarding the sustainability elements. The interviews were used to rate each of the sustainability issues according to criteria developed by the Hauser Centre and the Initiative for Responsible Investment at Harvard University.

These criteria considered the issue in terms of:

- Financial impact on financial risk or reward
- The degree to which this issue is being shaped by policy or regulation
- Peer-based norms
- The importance of the issue to other stakeholders
- Opportunity for innovation arising from this issue

The result of the rating expressed as a percentile (with 100 points being of highest importance and zero reflecting no perceived impact) is shown in the table on page 12.

These results are suggestive as we only interviewed eight people. However, the rating gives a sense of priority to the issues being addressed. This will be taken into account in future sustainability management and reporting. The rating also confirms that most issues currently included within the sustainability framework are seen as moderate to high importance when viewed across the criteria used for this rating.

We also engage with our stakeholders in the wider community and this influences our sustainability strategy. Talking with our stakeholders is part of our approach to understanding our business context and our impact on society. Please see page 42 for more information on our stakeholder engagement approach and initiatives in the section “*Extending influence for the benefit of society*”.

SUSTAINABILITY-RELATED AWARDS

We are proud to report that the effort and work that Santam has put into integrating sustainability into the company has been acknowledged as follows:

- **ACCA South Africa Awards for Sustainability Reporting 2010**
Runner up – Most Improved Sustainability Report
- **Johannesburg Stock Exchange: SRI Index**
Listed as a best performer in the low-impact industry category –

one of six companies recognised. Santam’s total score was made up of meeting all elements of the JSE SRI environmental requirements and by scoring 86 out of 88 on social indicators and 63 out of 65 on governance indicators.

- **Carbon Disclosure Leadership Index**
Ranked 12th out of the top 16 businesses for carbon footprint disclosure.





**IT'S UP TO US TO
CARE FOR OUR
SOCIETY AND
BY SUPPORTING
THOSE WHO NEED
IT, WE CAN MAKE
A DIFFERENCE
WITH EACH NOBLE
DEED.**

SUSTAINING OUR CLIENT BASE (sustainability component 1)



WE AIM TO OFFER AN EXCELLENT CLAIMS- HANDLING SERVICE TO OUR CLIENTS

No company can be sustainable without retaining and responsibly growing its client base.

We aim to sustain our client base by:

- Creating the best product and service offering for each client segment
- Managing client satisfaction, retention and growth
- Providing client education
- Ensuring client privacy and confidentiality

We aim to balance growth with profitability. This requires a considered approach and is where our client-centric strategy has started to make an impact. We have segmentation frameworks for personal and

commercial clients, intermediary needs and possible loyalty drivers and destroyers. These frameworks also have risk classifications that rate the relative importance of retaining the intermediary or client. These frameworks form the basis of our retention strategy.

ALIGNMENT OF PRODUCTS, PROCESSES AND INITIATIVES TO CLIENT NEEDS AND EXPECTATIONS

The short-term insurance market evolves rapidly. Products are commoditised and the market is highly competitive. We track changes in the market and develop products and distribution strategies that align with the needs of evolving markets. This invariably entails shifting our mind set and approaches to respond to changes in society.

We have researched the needs and expectations of different client segments extensively to improve our product and service offerings. This has allowed us to support our existing clients better and to target potential new clients more effectively. The risk of not addressing this issue is loss of market share due to an offering that is not relevant or competitive.

Our approach

Commoditisation in the personal lines business unit and in the small and medium enterprise (SME) section of the commercial market has increased price sensitivity to such an extent that we had to adopt a client-centric approach in pricing. We have followed this approach in solution development and marketing. Client-centricity was introduced and integrated into the

company during 2009. It was built on extensive research conducted during 2008. Employees, relationship managers and intermediaries received client-centricity training in 2009 as part of the roll-out of the strategy to educate them on client needs.

We follow a segmented approach to developing client value proposition. This allows our personal and commercial business lines to determine the right business initiatives through their strategies. Personal and commercial lines forums were established to ensure multi-disciplinary collaboration between underwriting, claims, marketing and distribution. These forums meet regularly and continuously apply their minds to consumer needs and to revising Santam's offering and approach.

Our product development business unit is ultimately responsible for developing client-centric and competitive client solutions based on the feedback from these forums. For example, this has resulted in research focused on the smaller commercial market being commissioned in 2010 – with a resultant product being developed and due for launch in 2011.

Our client-centric approach has also inspired us to make other changes such as:

- simplifying the wording in contracts;
- offering more choice in cover; and
- advanced claims experience in personal lines.

We aim to offer an excellent claims-handling service to our clients. Administration inefficiency in claims handling and fraud (dealt with in *"Maintaining an ethical culture and managing economic crime"* on page 28) are two of the main sources of escalating costs for insurers.

We believe that an above par claims service is one of the ways in which

we can create loyalty with our clients – and this in turn supports client retention. Our attempts at offering our clients' an advanced claims experience includes personal claims handlers, speedy claims settlement on certain lifestyle items and a lifetime guarantee on repair work. Client loyalty and retention are affected by an insurance company's ability to settle claims quickly as this is the reason why clients take out insurance – to provide them with financial cover at a time when they need it.

Santam's extensive re-engineering of the claims processes over the past five years has allowed us to make sustainable reductions in claims handling costs, while improving turnaround times and quality of service. This reduced average claims cost contributed to the improved underwriting margins experienced during 2010.

What we did during 2010

- We prioritised refining product pricing and benefit packaging. This has allowed us to retain clients and strengthen our established offering.
- We initiated a multi-channel strategy to cater for clients who prefer to deal directly with insurers. This allows flexibility of choice for the client, but does not undermine the importance placed on the intermediary channel. For more information on the role and management of our extensive intermediary network, see *"A sustained intermediary base"* (page 21).
- In May we began with the first deliveries of our new claims cards to Santam claimants. This secure card has a cash claim payment loaded onto it. The Santam claims card is an open-loop card. This means it will be accepted at any Visa Electron merchant – resulting in greater convenience for the

client. Clients are rewarded for risk-limiting behaviour with cash on their cards. Another risk-reducing benefit for Santam is that the cards ensure that clients purchase re-insurable items.

- We revisited our brand and marketing strategy. The branding focuses on our strengths as a focused short-term insurer who is known to be a diligent, reliable and a respectable company that prides itself on excellence.
- Our Insurance Services Transformation Project (ISTP) is re-engineering our claims processing functionality to provide a better service to intermediaries and policyholders. This project completed its third year and continues delivering process efficiencies with client value. In October, we started using predictive analytics tools that allow us to draw real-time reports on historical data and predictive modelling that improves the risk assessment of claims. Our claims services employees all have desk-top materials that assist them in quickly accessing the information needed to better assist clients with their claims.

All of this coalesces to form a tight unit focused on our clients. An example of how this worked in 2010 is where we modified a product to realise value for our clients. The line was motor insurance and the "problem" was carbon tax.

Government's CO₂ Emissions Tax on motor cars took effect from 1 September 2010. The tax encourages the use of more fuel-efficient vehicles by taxing cars with larger engine sizes and poorer fuel efficiency. On average, this adds approximately R5 000 to R10 000 to the vehicle price. Cars bought after 1 September 2010 have this

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tax included in the price but Santam will still replace cars bought before that date where the insured sum is insufficient due to the CO₂ tax component not being included.

Our aspirations

Client-centricity is a business philosophy with no end date. It is a principle that we will follow on an ongoing basis to ensure that we remain relevant to our clients and competitive to our rivals. We have set ourselves quantifiable targets which facilitate business targets. And, we will continue to strive towards meeting them for the good of the company.

CLIENT SATISFACTION, RETENTION AND GROWTH

There is ongoing financial pressure on clients due to the depressed economic climate and the lower investment income experienced in 2010. This underscored the need to focus on keeping clients with Santam. Retention is a key issue for us and is one receiving significant attention – specifically regarding our personal lines. We have made good progress in the specialist areas and we will examine optimising cross-selling within the business units.

We balance growth and profitability by taking into account affordability for the client while at the same time identifying the correct rate for the risk involved. Client-centric pricing ensures that there is less cross-subsidising – where good risks pay for poor risks – as the model enables us to be competitively priced for good risks and to increase the pricing on poor risks or reserve the right not to take them on at all.

We have a strategic imperative to enter and grow new markets, and we aim to capture significant business in the middle- and mass-insurance market segments. We are working on

enhancing our capability and product offering in the entry-level market. This is discussed in more detail in the chapter “*Solutions aligned to social and environmental needs*” on page 33.

Our approach

Satisfaction and retention work hand in hand. Being an intermediated brand presents some challenges when attempting to obtain feedback from clients regarding the service they receive. Therefore, to function as a client-centric company, we are continuously strengthening our relationships with intermediaries. Our efforts include an emphasis on the retention of our clients to our mutual benefit – this makes satisfaction analysis a necessity. We believe that frequent communication will contribute to intermediary buy-in providing us with increased access to our mutual clients to, among other things, more frequently measured service ratings.

We conduct three types of client research:

- Client needs assessments (for product development)
- Brand health tracking
- Service measurements

When we deal with complaints, our first goal is that our employees try to resolve the complaints immediately. If a complaint cannot be resolved, it is escalated. The process and philosophy of dealing with complaints is applied in a uniform manner across the different business units and by our various distribution partners. Distribution partners must align with our process and decisions due to the fact that Santam, as the underwriter, is ultimately accountable for complaints resolution.

We see a strategic value in analysing and responding to complaints. The quality management unit wants to reposition our head office’s complaints

business unit as a “care unit”. This unit will identify opportunities to engage with our clients constructively and reduce client-related risks.

Consumer education

Santam is committed to addressing the needs of new markets. To do this, it is critical that this market understands the short-term insurance industry to understand the value it can add. This requires some form of intervention to guide, educate and inform the market. To ensure we are aligned with credible and experienced programmes, we have been supporting the consumer education initiatives driven for the industry by the South African Insurance Association (SAIA).

Santam sits on the consumer education committee and can therefore affect decision-making. More recently, our entry-level market team has been participating in these committee meetings to ensure that the education takes place in areas in which we are doing business.

To assist policyholders in making informed decisions, guidelines on how to select an intermediary are available on the Santam website and communicated through the media.

What we did during 2010

Service

We have previously conducted a survey with a representative sample of intermediaries and clients to assess their service experience. This is usually done through an external research company. The survey was not undertaken in 2010, but it will resume in 2011. The questionnaire is being reviewed internally to incorporate more service-related elements.

Growth – organic

Our client service and excellent claims ratios contribute to client retention and encourage growth. Clients with positive experiences at the queries

Our performance

COMPLAINT STATISTICS FOR 2008 – 2010	2010		2009		2008	
Sources		%		%		%
OSTI*	1 042	43.91	1 165	53.40	1 195	55.20
Non-OSTI	1 331	56.09	1 017	46.60	970	44.80
TOTAL	2 373		2 182		2 165	
Average number of complaints per month	197.75		181.83		180.42	

COMPLAINT STATISTICS FOR 2008 – 2010	2010		2009		2008	
Category		%		%		%
General service	256	10.79	224	10.27	200	9.24
Policy admin/underwriting complaints	297	12.52	246	11.27	347	16.03
Complaints about claims	1 789	75.39	1 684	77.18	1 591	73.49
Complaints by intermediaries/trade partners	31	1.31	28	1.28	27	1.25
TOTAL	2 373		2 182		2 165	

* Ombudsman for Short-term Insurance

and claims stages are more likely to recommend Santam to others.

The client care business unit is equipped with the requisite expertise to deal effectively with all complaints sources or channels. Our goal is to ensure a positive client experience by virtue of timeous complaint resolution. We will introduce an internal arbitrator function in 2011 to further enhance and support the alternate dispute resolution process. The strategic intent is to build up the credibility of the client care business unit to ensure complaints are directed to Santam's internal complaints resolution process. This will decrease the cost of complaints handling through external complaints channels and reduce brand/reputational risk.

Incident management initiated a client satisfaction index with the Multi-SOS and Immediate Resolution call centres in 2009. This process obtains daily feedback from our intermediaries and clients and rates call centre performance on a scale of 1 to 10. The monitoring encourages agents to maintain the high levels of service that Santam promises its intermediaries and its clients.

Any agent rating of six or lower is immediately transmitted to our

internal quality mailbox. The client is then contacted to resolve their concerns.

The incident management survey results for 2010 are:

- Average agent rating – Multi-SOS – 8.04 (1 381 surveys completed)
- Average agent rating – Immediate Resolution – 7.8 (700 surveys completed)

These ratings form part of every agent's key result areas. The top five rated agents are announced weekly and a prize is awarded.

Our aspirations

One of our key client service initiatives for 2011 is to accurately measure our net promoter score (NPS). This measures our clients' propensity to promote us. This is particularly relevant in an age of increased social networking which has amplified the power and reach of word of mouth.

CLIENT PRIVACY AND INFORMATION SECURITY

The nature of our business gives us access to confidential client information – breaching this confidentiality poses not only a regulatory risk, but also a reputational one. Therefore, it is important that we

maintain our reputation as a provider of integrity with secure systems.

The Protection of Personal Information Bill (PPI) will be promulgated early in 2011 and Santam will be required to comply with this. From a litigation point of view, a breach could result in civil claims. Therefore, this represents a financial risk to the company.

We need to ensure that a client's privacy is protected and this is linked to our ability to protect information from unauthorised access or manipulation. When managing information, we ask ourselves the following important questions:

- Are we using information for what we say we are?
- Are measures in place to control the use of information?
- What measures are in place to protect information once extracted?

We are confident that the structures that we have in place are working well.

Our approach

Each business unit head manages client data for their division and is ultimately responsible for overall data privacy. Corporate legal services advises management on the current laws pertaining to privacy and

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instructs them how to comply with these laws.

We have shared official communications with employees regarding the protocol around the sensitivity of handling client data. The quarterly *Compli-Alert* newsletter for management covers typical compliance issues and updates them on what is happening in the legislative landscape. This includes detail on the PPI. Santam's electronic newsletter is called *Today@Santam* and is issued to all employees. Our legal compliance team uses this platform to reinforce the processes around handling personal information. This team also issues targeted emails to people who are affected by relevant legislation.

We have built a control mechanism whereby access to client data is authorised by one senior person in IT. This will enable us to:

- effectively manage the issue of client privacy;
- ensure that data is correctly tracked; and
- record the details of data owners.

This will regulate our ability to monitor access to data and allow us to fully comply with the requirements of the PPI.

Our systems are being aligned with the eight principles of the PPI which are:

1. Accountability – The company must have policies in place and manage the issue effectively.
2. Processing limitation – Permission to collect personal information must be attained and information must only be used for the purpose it was collected for.
3. Purpose specification – The person must be made aware of what the information will be used for, and

once this purpose is achieved, the information must be destroyed.

4. Further processing limitation – If the company wants to use the information for any further purpose than what it was acquired for, it must contact the person to attain permission again. If the information is kept, the person has a right to know what is being kept.
5. Information quality – The company should have mechanisms for checking the accuracy and completeness of records.
6. Openness – The company must notify the person and the regulator before using the information.
7. Security safeguards – Controls against risks must be implemented, monitored and in the case of a breach the person and the regulator must be notified.
8. Data participation – Personal info must be kept up to date at all times, and this process must be communicated effectively.

What we did during 2010

The Sanlam Group Information Security Initiative was tasked with reviewing and improving our group's identity and access management systems and processes in 2009. It was established that the existing maturity of data controls was low. We focused on tightening these controls in 2010.

We already have policies in place on protection of information and client information and during the year our focus was on access and identification management. We identified all processes that use client information and the controls required to manage this. In the distribution office, client lists are controlled in terms of intermediary exchange – where every request from intermediaries for

information is recorded. Internally, we have a network access management system and basic authorisation systems in place for access to information.

In future, we will be implementing stricter controls around information ownership and flow within Santam.

Our performance

We have piloted a new product called Safend, which will track the movement of information and identify any possible breaches. No incidents of confidentially breaches were recorded in 2010.

A SUSTAINED INTERMEDIARY BASE (sustainability component 2)



IT IS CORE TO OUR BUSINESS TO **ENCOURAGE** INTERMEDIARIES' **SUPPORT** AND LOYALTY THROUGH INDIVIDUALISED **RELATIONSHIP** **BUILDING**

In 2010 we saw increasing pressure on intermediary-driven business. In personal lines, savvy consumers shop around for the best deals, often going directly to insurers. In the commercial lines, intermediaries are competing in a smaller market as the effects of the recession continue to squeeze business.

The trend of non-traditional players such as retailers, entering the market continued. It is increasingly challenging for intermediaries to maintain their financial competitiveness while at the same time consumers demand better service and convenience.

In this pressurised short-term insurance environment, intermediaries bring us their clients for underwriting. They do this because they trust

our ability to protect their assets while offering optimised rates. We continue improving our services to intermediaries to prove worthy of their trust.

MAINTAINING EQUITABLE RELATIONSHIPS WITH INTERMEDIARIES

Almost 98% of our business is sourced through and managed by a network of more than 4 000 intermediaries. The business prospects of both Santam and our intermediaries are dependent on a healthy, supportive and mutually beneficial business relationship. Commission levels are roughly the same between the various competitors in the insurance sector. Therefore, the differentials we can offer are superior service and good relationships. By focusing on strengthening these elements, we encourage our

intermediaries to keep their business with us.

Intermediaries have once again commended us on our efforts by rating our relationship with them the best in the industry in the latest Financial Intermediaries Association of Southern Africa (FIA) survey. We were announced as the winners for the best personal, commercial and corporate short-term insurer categories at the FIA awards in 2010 for the second consecutive year.

However, our intermediaries are aware that the traditional one-channel approach restricts Santam's potential growth. Therefore, in 2010 we initiated a shift in our strategy to remain resilient in a rapidly changing insurance environment by developing a multi-channel approach.

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We are responding to the inevitable changes in consumer behaviour and the insurance market. We have done so with initiatives such as Multi-channel Distribution and E-Biz, the feature-packed, user-friendly website we developed in 2010 and launched in January 2011. Existing Santam initiatives that tap into alternate distribution channels include Blue Jeans, MiWay and life insurers STI Brokers. Santam bought out Sanlam's share in MiWay late in 2010 thereby securing a 100% shareholding in MiWay. This strategic move strengthens our position in the direct market.

Despite this move from our traditional strategy, intermediaries remain a priority for our company. They will continue to play a crucial role in implementing other legs of our strategy such as the growth into new and emerging markets. Intermediaries are also vital in communicating risk awareness to clients and encouraging an environment that is more sustainable for the insurance industry and the broader society.

Our approach

It is core to our business to encourage intermediaries' support and loyalty through individualised relationship building. We have developed differentiated intermediary value propositions, tailoring solutions for different types of intermediaries.

Over the past three years, we have focused on two strategic projects to improve our services to intermediaries:

1. Our Insurance Services Transformation Project has re-engineered our claims processing functionality to provide an improved service to intermediaries and policyholders while reducing costs. This is discussed in more detail in "Sustaining our client base" on page 16.

2. Our Broker Management Model Project (BMMP) provides intermediaries with expertise, guidance and convenience through a holistic client-management approach. Key account managers (KAM) on a national level and regional relationship managers (RM) support intermediaries with marketing and sales information and transactional assistance. They also provide strategic guidance to enhance the business potential. Relationship managers are actively encouraged to facilitate intermediary growth and are incentivised to do so through their key performance indicators (KPIs).

Management

Broker distribution manages the relationship with the intermediary from a sales growth perspective. Broker distribution comprises the various components that look after intermediaries, such as broker services and broker management.

Broker services recently underwent an internal restructure in response to the identification of inefficiencies experienced by intermediaries relating to the role of the RM. These were raised at the regional intermediary forums in the first two quarters of the year. The role of the RM is now clearly defined with their primary intention being that of managing and improving their relationship with their clients.

Transactional support (such as the provision of quotes, policy administration, renewals and claims) is provided by centralised contact centres (CCC).

Engagement

After gaining invaluable experience we have designed a well thought through process to facilitate change in the intermediary environment. We have also built up a good relationship with the FIA. We discuss changes at length with the association before

implementation and get the FIA's endorsement before proceeding.

In addition to regular one-on-one communication, Santam broker services holds countrywide, regional intermediary forums quarterly. We make use of this opportunity to share information, marketing statistics and the like; ensuring intermediaries are well positioned for the changes taking place. We help intermediaries manage their risks and we have created a draft strategy for each national intermediary which sets out possible responses to potential threats.

Our intermediary magazine is called *Focus*, and is published four times a year. This magazine keeps intermediaries updated with legislation, company and industry news, and improvements to Santam's services.

What we did during 2010

We rolled out several initiatives which have built on our relationships with, and services to our intermediaries.

- During February and March we held intermediary conferences throughout the country. We addressed key issues including driving growth on our commercial line, the latest developments in the claims area and new technologies we've employed.
- There has been open communication of our involvement in Sanlam Direct with our CEO meeting with national intermediaries to discuss this move.
- The restructuring of broker services into 12 regions, divided into a north and south division, has been well received. It has resulted in a flatter structure and more manageable spans of geographic and managerial control. Our aim was to improve communication and the speed of decision-making. The results of the restructuring are already making a discernible impact.

- We have invested in addressing the gap between the skills levels of old and new intermediary models through a development programme. The BMMP works well for the majority of intermediaries. However, others have noted that the relationship was strained in the change-over. Portfolio administration, online intermediaries, CPM and outsourced administration are helping to address this issue.
- In October, we rolled out a process optimisation project in our CCCs for quotes and policy administration.
- Our new online quoting tool, Web-e, has been a success, with 170 intermediaries visiting the site 80 000 times a month.
- We implemented a retention strategy in commercial and personal lines in mid-2009.
- We focused all support units – including risk services, contact centres and marketing – on performing against this strategy. As a result, the number of quote requests from intermediaries has increased, the conversion rate of quotes to signed policies has increased, and there has been a downturn in loss of policies.

Our performance

Santam was rated Best Short-term Insurer in the corporate, commercial and personal categories by the FIA for the second year running. This is a tangible vote of confidence that we are performing well as it is the intermediaries who vote for the winners of this award.

Our aspirations

Maintaining intermediary relations will remain a dynamic issue in 2011, with several initiatives planned. These include the following:

- We are developing models to differentiate intermediary channels to better implement our multi-channel approach. We will pilot some of these models towards the end of the first quarter in 2011.
- We will repeat our popular intermediary conferences in 2011 in a slightly different format.
- We aim to continue improving what we offer our intermediaries with expanded services for intermediaries who support us.
- We will be paying particular attention to intermediaries that take advantage of the flexibility offered by our Differentiated Broker Model.
- We will continue implementing our cross- and up-selling strategy. We will ensure that intermediaries are aware of and use the entire Santam value proposition.

GROWTH IN OUR BLACK INTERMEDIARY BASE

We believe that growing a strong black intermediary base will hasten our transformation and play an integral role in our expansion into emerging markets.

Our approach

Each RM has a KPI stipulating the minimum number of black intermediary contracts required each year. We are also improving our employment equity (EE) profile, so that our RMs are more closely aligned with the intermediary market. For more information on Santam EE, see *“Human capital”* on page 35.

Our commitment to growing our black intermediary base runs deeper than simply co-opting intermediaries. We also actively develop intermediaries through the Santam Black Intermediary Development Initiative (SBIDI). The SBIDI is a joint initiative between

the sustainability team and the business development team within the broker distribution unit.

SBIDI was launched in mid-2008 and initially focused on unemployed matriculants who participated in a 10-month training programme. However, while some of the graduates were employed by Santam, most of the SBIDI graduates could not be placed due to a lack of experience.

What we did during 2010

We tried to create more opportunities for young people completing the SBIDI training. As such, we decided to change our approach in 2010. We recruited individuals with degrees or diplomas and found existing black intermediaries to mentor them during the 10-month training process. In exchange, we trained employees of the participating intermediaries. In essence, the programme provides training and development opportunities for graduates, intermediary employees and existing intermediaries.

The insurance sector education and training authority (INSETA) endorsed the SBIDI training and assisted with funding graduates and intermediary employees. We also tailored a part-time course for black intermediary senior management. This was aimed at assisting them with growth, and focused on how to remove barriers to expansion.

Graduates: Graduates are trained in three areas: 1) An introduction to short-term insurance; 2) Santam personal and commercial lines; and 3) Entrepreneurial and business skills development. The graduates are assisted with career planning by the Santam human resources and sustainability business units. In 2010, 18 black intermediaries assisted with the mentoring of black interns.

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Intermediary employees: This part-time programme is similar to the graduate programme, but the third module is oriented to developing business and administrative skills. The intermediary employee programme started with 42 participants.

Existing intermediaries: This part-time programme for existing intermediaries was launched on 29 April 2010. Sixty black intermediaries were recruited to join the first training group.

We held a number of road shows in January 2010 to share the SBIDI plans for the year ahead with intermediaries. Approximately 109 intermediaries attended the sessions held in Cape Town, Gauteng and Durban. The 2010 SBIDI programme was rolled out in March in the Western Cape and Gauteng, and was later extended to Durban.

Our performance

We are proud to report that five of the 31 graduates who completed their training in 2010 were placed with our assistance with intermediaries or within the Sanlam Group. We will assist all the graduates to find work during 2011.

The SBIDI programme has been a platform to create awareness of the importance of sustainable development of human capital in the financial training and intermediary sectors.

Our aspirations

We are adapting our approach to creating more independent black intermediaries in response to what we've learned over the past three years. Our 2011 SBIDI planning will implement more changes. This includes investigating the tied agent model, funding graduates once they have completed the SBIDI training, and engaging more black intermediaries in the broader financial industry to

encourage them to cross-sell short-term insurance.

The target enrolment numbers for the 2011 SBIDI programme are:

- 30 graduates
- 160 intermediaries (existing and new)

IMPACT OF HIV/AIDS ON OUR INTERMEDIARY BASE

An assessment was done a few years ago by SAIA on the impact of HIV/Aids on the financial services sector from 2000 to 2015. The results indicate that this sector is the least impacted by HIV/Aids. This indicates that the impact of this risk for Santam is relatively low.

INTERMEDIARY COMPLIANCE WITH INDUSTRY STANDARDS (FAIS)

It improves the professionalism and image of our industry if intermediaries give professional advice and service to clients. Poor advice and service tarnish the industry and negatively affect perceptions of Santam as clients do not realise they are not dealing with the company directly.

Our approach

We provide ongoing training to ensure compliance of employees and intermediaries. We regularly remind business units of the compliance standards required by Santam employees. Action plans are in place to train intermediary employees to meet compliance deadlines when these change.

The product training business unit assists intermediaries still in need of accreditation. Fortunately all employees in broker distribution (BD) who were required to be FAIS compliant by the end of April 2010 have successfully met the deadline.

Our business development unit works with SBIDI to ensure that BEE partners and intermediaries are trained in compliance.

A SUSTAINED SUPPLIER BASE (sustainability component 3)



WE HAVE A WIDE NETWORK OF SUPPLIERS IN DIVERSE INDUSTRIES AND THE BUYING POWER TO SIGNIFICANTLY INFLUENCE TRANSFORMATION WITHIN THAT NETWORK

Santam is committed to diversifying our supplier base, while maintaining quality and cost-efficiency to best serve our clients. The substantial amounts we spend on procurement make this a material issue. We acknowledge the critical role we can play in the transformation of the sectors that we regularly do business with.

PREFERENTIAL PROCUREMENT

We have a wide network of suppliers in diverse industries and the buying power to significantly influence transformation within that network. Therefore, we have set preferential procurement targets for the next few years in alignment with the Department of Trade and Industry (dti) Codes – in the absence of a gazetted financial services code. We anticipate

an increased focus on the financial services code with a workable draft released in December 2010. The code will provide a single measure for our industry which we will take into account when setting our future targets for preferential procurement.

Our approach

The group sourcing business unit is responsible for managing and delivering the BBBEE procurement strategy. An operations and governance unit monitors and reports progress and non-compliance issues. The entire management team addresses the opportunities and the challenges as they arise.

The availability of black suppliers is taken into consideration as part of the strategic sourcing process. BBBEE is

either pre-approved or given priority weighting in the scoring evaluation criteria during supplier selection. This gives a competition-based incentive for transformation.

Our recent focus has been on alignment of systems, reporting and operational processes for procurement transformation. Shifting to broad-based screening has been a high priority. We are rescreening suppliers in line with broad-based principles. This allows Santam to refine our approach to preferential procurement. Our overall strategy is to source mainly from level 4 and higher suppliers. We are now looking specifically for black- and female-owned businesses to transform our supply chain more effectively.

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There are commodity-specific challenges in meeting our preferential procurement targets. For example, if the industry is very capital intense, or there are traditionally not many black businesses in the sector (motor parts and engineering are examples of these).

We are sometimes required to nurture companies to the point where they can support procurement on a fully commercial basis to develop BBBEE suppliers. In some cases, we have provided loans and financial advice to small businesses to assist them with cash flow.

What we did during 2010

We conducted a review of our group policies and procedures to improve our service delivery. This included the update of our procurement policy to include clauses that promote sustainability with our suppliers.

We invested in expanding our procurement services to our portfolio management partners to influence the procurement spend in that area to be more BBBEE effective.

Our performance

BBBEE forms part of the evaluation criteria for all new sourcing initiatives. This has resulted in BBBEE procurement scoring 16.5 out of the 20 points for preferential procurement for the 2010 (unverified) scorecard. This is down from the previous level of 18.47 at the end of 2009 because we included our subsidiary businesses. The challenge remains in securing contracts with more black- and women-owned businesses and we will be giving this more focus in future.

Our aspirations

We have identified targeted areas to focus on in 2011. These are:

- Further alignment with and incorporation of broad-based

principles into strategic sourcing and supplier selection processes

- Continued assessment of the supplier base in line with broad-based principles
- Reporting on FSC and the broad-based measurement of suppliers
- Procurement-specific input into the enterprise development strategy
- Establishing and aligning broad-based targets with the overall BEE strategy
- Lending support to Santam Namibia regarding the procurement dimension of the Namibian FSC

Our preferential procurement target is to achieve 65% of total sourceable spend with level 4 and above suppliers within the next two years.

ENVIRONMENT, HEALTH AND SAFETY IN THE SUPPLY CHAIN

Santam conducts business in a safe and responsible manner and strategic business partners are selected in line with the same value systems.

The quality assurance business unit plays a pivotal role in the supplier selection process. We sell an intangible promise to our clients: the promise that their claim will be met. We rely heavily on our supplier base to enhance our reputation and brand. This makes it imperative that our suppliers deliver a service or product that is beyond reproach in line with what we stand for as a business.

What we did during 2010

- Group sourcing and quality assurance has set up a model for closer interaction aligned with the Santam Environmental Policy. An example of this is the solar water geyser project. This offers clients the option of replacing an electric

geyser with an approved solar geyser when claiming for a burst. This initiative was rolled out in February.

- We added sustainability-related clauses to relevant service agreements. These clauses include compliance with the Occupational Health and Safety Act and the Waste Management Act, along with SHE specifications developed with Santam sustainability consultants. These expanded agreements have been signed by our suppliers.
- The quality assurance and sustainability business units have investigated the opportunity to include clauses related to the management of HIV/Aids in the workforce of our suppliers. The complexity involved has been greater than expected. However, we have continued to do research on the prevalence of HIV/Aids policies within our supply base and to inform suppliers of the benefits of such policies, where necessary.

Environment

With the assistance of our suppliers, we have been able to measure and track our carbon emissions due to air travel and car rental. Our suppliers have also assisted us in reducing the electricity consumption in our main buildings by applying technologies to realise efficiencies.

We are reviewing a green supply chain for the provision of photocopiers and printers. Our objective is to reduce printing and photocopying and to use less paper-intensive methods. We already encourage electronic invoicing from our suppliers.

Our aspirations

Quality assurance has expanded the current evaluations on motor body repairers – a core group of suppliers – to incorporate reviews on the facilities

and compliance with legislation. There will be a full roll-out of inspections and control self-assessments in 2011 to encourage overall compliance with the contractual terms.

We will continue with similar initiatives such as those outlined above to ensure clients and intermediaries receive the service they expect, and that suppliers have the support that they need to deliver to our standards.

STRENGTHENING RELATIONSHIPS WITH SUPPLIERS: THE MOTOR BODY REPAIR FORUM

A motor body repair (MBR) forum was established in Cape Town and Gauteng by the Claims procurement motor team in 2010. This will be rolled out nationally in 2011. The forum's purpose is to help us understand how best to assist and support our preferred MBR shops in servicing our policyholders.

The objectives of the MBR forum are to:

- understand the challenges of the MBR business and their operating environment;
- identify ways and means of assisting with minimising the MBRs' current marketplace challenges;

- be supportive of the MBRs and not be seen as an insurer that only "appoints and then audits" suppliers;
- build strategic, mutually beneficial partnerships with key MBRs;
- get feedback from MBR suppliers on how they experience Santam so that we may remain a credible insurer within the industry;
- enable us to understand the MBRs' expectations of Santam;
- create a forum that may be used as a working group for future MBR initiatives;
- enhance goodwill with our supply partners.

In recent forums we have received constructive input and feedback from the MBRs on how they experienced Santam and what their expectations are in terms of their relationship with us. We also explored ideas around cost saving and these will be taken forward in working groups.

"We take this opportunity to congratulate you, and your team, for taking the initiative of involving your MBRs and value our expressed opinions." – John Figueiredo, MF Autobody

MAINTAINING AN ETHICAL CULTURE AND MANAGING ECONOMIC CRIME (sustainability component 4)



INSURANCE COMPANIES NEED TO TASK ECONOMIC CRIME AS A TOP PRIORITY

Economic crime has risen to its highest level in the past six years – and the insurance industry is no exception. This is one of the many insights of the 2009 Global Economic Crime Survey, conducted by PricewaterhouseCoopers (PwC) among 3 037 respondents from 54 countries.

According to the PwC survey, during difficult economic times, the incentive to commit fraud increases while the focus on fraud detection, prevention and investigation generally diminishes. Insurance companies need to task economic crime as a top priority and develop robust anti-fraud regimes to address this serious issue.

Against this background, the forensic services unit decided to conduct a thorough review of our current

fraud prevention model. As a result, we started discussions with role-players in the forensic field in 2009. We obtained valuable insights and interesting concepts relating to their approach to fraud prevention.

The concept of fraud is often misinterpreted and used very restrictively within business. When discussing the impact of fraud there is often reference to claims, while theft and corruption is often overlooked. Therefore, we have decided to move away from the concept of fraud and adopt the more holistic concept of economic crime.

Economic crime is defined as “an illegal act (or a constantly evolving set of acts) generally committed by deception or misrepresentation (fraud) by someone (or a group) who

has special professional or technical skills for the purpose of personal or organisational financial gain or to gain (or attempt to gain) an unfair advantage over another individual or entity”.

Economic crime includes fraud, money laundering, corruption, bribery, white-collar crime, commercial crime and cyber crime.

Research has indicated that there are two types of economic crime:

- *Opportunistic economic crime* – This is usually perpetrated by an individual who has a chance to inflate a claim and normally involves no premeditated planning. While instances are high, the rand value per incident is usually relatively low.

– *Organised economic crime* – This is a well-planned, complex or elaborate scheme perpetrated by an individual or an organised group with the intent to defraud. These perpetrators often know how “the system” works and manipulate it for their own financial gain. The incidence of organised crime is lower than opportunistic crime, but the total rand value per incident is far greater.

Economic crime has a huge impact on our industry. Its direct impact is through inflated and invalid claims, corruption and collusion, false payments, theft of premiums, and syndicated schemes, to name a few. Economic crime also has an indirect impact on us. For example, through the impact of drunken driving and the ever-increasing criminal activity in trio-crimes: house robberies, business robberies and hijackings.

According to the SAIA, worldwide insurance fraud adds about 15% to insurance premiums. If this estimate is applied to the local insurance industry, it amounts to R3 billion a year. Working on a market share of 22.4%, the impact on Santam amounts to approximately R672 million.

Our approach

Our objective is to detect, deter and redress economic crime and other forms of abuse of Santam’s corporate system.

We have initiated a Business Ethics and Economic Crime (BEEC) programme which will manage fraud, theft, corruption, dishonesty (which includes deception or unethical behaviour), money laundering and computer crimes in a structured, business-focused approach.

Channels available to report fraudulent acts to forensics include:

- SMS short code: 31640

- Email: forensic.services@santam.co.za
- Fraudline (South Africa): 0860 600 767; (Namibia): 0800 002 020
- Fax: (021) 915 8197
- Snail mail: Forensic Services, PO Box 3881, Tyger Valley 7536
- Electronic reporting form: Forensic Services’ website (internal use only)
- SAICB (South African Insurance Crime Bureau): 0860 002 526

What we did during 2010

We developed and started the implementation of the BEEC programme. We also wanted to understand why people commit insurance crime. We believe that if we can understand why, we can change the behaviours of our intermediaries and our policyholders. Although various studies investigating this issue have been performed internationally, the literature review performed by Marketing Surveys and Statistical Analysis (MSSA) revealed limited research to examine the factors that contribute to such perceptions from a South African perspective.

Early in 2010, MSSA ran a survey on “exploring attitudes towards fraud tolerance”. This study set out to explore perceptions and attitudes towards insurance fraud. The following was found:

- Survey respondents portrayed a strong sense of ethical consciousness towards general and insurance-related unethical behaviour. However, despite this ethical belief system, survey respondents also perceive South African consumers to be very tolerant towards insurance fraud in general. A primary justification for this is the reasoning: “It’s not my place to get involved”.
- Survey respondents also perceive insurance fraud to be a fairly common occurrence in South Africa.

– There are differences in the perceptions of personal and commercial policyholders. For example, perceptions are that personal policyholders would commit insurance fraud more due to a greed factor, while the motivation from a commercial perspective is more of financial necessity (back-against-the-wall or to improve cash flow).

- On average, personal policyholders perceive premiums to be higher by 24%, while commercial policy holders perceive it to be higher by 27%.
- Intermediaries, on the other hand, were of the opinion that on commercial premiums, the percentages are lower because of lower incidences of fraud. On average, they believe premiums are higher by only 5%. However, on personal policies premiums it could be up to 20% higher.

Using this information, we have started building a framework to identify the cycle of economic crime – from unethical behaviours to more organised crimes. We have identified different ways of discouraging crime – from soft incentives to hard-line approaches.

Our framework consists of three phases: 1. deter and prevent; 2. detect and respond; and 3. recover and redress. Each phase requires its own initiatives and tools, as detailed below:

1. *Deter and prevent* – We aim to maintain an ethical and honest working environment, with minimal residual risks for unethical behaviour and opportunistic crime.

Good progress is being made with updating our business ethics and economic crime policy and code of conduct. A key focus is to establish common language between human resources, ethics and forensics

MAINTAINING AN ETHICAL CULTURE AND MANAGING ECONOMIC CRIME (sustainability component 4)

and to ensure clarity of roles and responsibilities.

Another key focus is the integration of economic crime prevention tactics as it relates to opportunistic crime into the business strategies of claims, procurement and portfolio management. We aim to do this through enterprise risk management, internal audit and incorporating economic crime into the strategies of relevant business units.

This year we focused on building our capability to establish a best practice merit assessment team through a partnership with Censeo Assessment and Verification Services and Blake and Associates. A percentage of claims are put through a detailed and comprehensive merit assessment by Censeo in which all the aspects of the claim are reviewed in detail.

We have also appointed a forensic auditor and we are currently working on establishing an internal audit plan that will focus on opportunistic fraud at business process level.

2. *Detect and respond* – We will create secure and trusted reporting channels, increase our detection rate, and initiate effective investigations.

Our current system is complaint-driven with alerts gathered through tip-offs and branch requests. We continue to provide ongoing training and awareness to improve the number and quality of tip-offs received. We are establishing proper knowledge management structures and processes to increase the effectiveness of this process.

We need to ensure that we can handle an increased number of

opportunistic crime tip-offs in a structured manner. A key enabler for this is the implementation of a case management tool. We have selected an application that can support us in this endeavour and we will be implementing the system in 2011.

The case management system will also be a building block for the establishment of our “intelligence driven” alert management as opposed to our traditional “complainant-driven” alert management.

We have a central team of people who focus on data mining and analytics that support the work performed by the forensics and internal audit team. Analytics is a strategic function and the key focus is the detection of perpetrators not identified through the complainant-driven alert management.

3. *Recover and redress* – We aim to recover the maximum amounts and facilitate appropriate sanctions once we have responded to an actual incident.

Both civil and criminal money recovery processes are costly and time consuming. As such, we focus on areas where we can prevent a payment (e.g. open claim) or where we can recover monies without additional costs (e.g. pension fund pay-outs of employees).

Part of this process is facilitating an appropriate sanction for misconduct. Santam will end its relationship with the perpetrator by applying the principles of zero tolerance. This involves a consistent application of our approach whenever there is an offence: all suspected or proven offences are reported to the authorities. Through our efforts

with the SAICB, we also try and ensure that perpetrators identified do not re-enter the industry.

Engagement

Santam cannot win the war against economic crime alone. In 2010, we became a signatory to the SAIA and the SAICB code adopting zero tolerance to fraud.

We are actively involved in the SAICB. They participate in industry-wide investigations, run various initiatives to prevent crimes relating to vehicle hijacking and theft, and they participate in the industry-wide clean-up of the Isipingo pound. More information on these can be obtained at www.saicb.co.za.

We also initiated a public-private partnership. The Economic Crime Forum was formed in September 2010. This forum comprises the local government, the National Prosecuting Authority, the SAICB and the South African Police Services (SAPS). The forum aims to leverage each partner’s expertise to take a collaborative stance in dealing with economic crime within the insurance sector.

The forum met for the first time in September 2010. A result of this first gathering was a meeting with the Deputy Director of Public Prosecutions where Santam agreed to provide training for prosecutors to improve their understanding of the insurance environment.

Forum members will meet every six months and will interact on an ongoing basis. We have launched a newsletter, *Crime Times*, which will detail information about the forum’s activities. This initiative was piloted in the Western Cape, and we plan to roll it out to the rest of South Africa once we have established a model that works well and delivers results.

Our performance

Below is a summary of the key financial performance targets for the 12 months ending 31 December 2010.

MEASUREMENT	Actual: 31 December 2010		Actual: 31 December 2009	
	Number	Value R'000	Number	Value R'000
Tip-offs received	418	41 945	551	57 464
SAPS reported cases	58	11 885	54	6 504
Cases closed for the period	483	–	506	–
Open cases – own				
– Under investigation	213	–	268	–
– SAPS	453	–	391	–
TOTAL – open cases	666	–	659	–

In our 2009 report we outlined our marketing campaign and fraud training for intermediaries. Unfortunately this did not take place in 2010. Instead, we made a strategic decision to invest in research to understand who we are targeting and what messages we want to convey.

However, we have undertaken to commit to ad hoc communication to employees throughout the year. At present we are developing an employee handbook with information on Santam's relevant policies, rules and an internal resource for accessing economic crime-related information. We continue with awareness initiatives through the forensic services website. We used the *Focus* magazine for communication with intermediaries on ethical and fraudulent issues.

Our aspirations

We intend to continue implementing the programme outlined above and we aspire to change the behaviours of our policyholders, intermediaries, suppliers and employees.

We believe that our efforts will make Santam an economic crime-free environment in the long-term.

INSTILLING ETHICAL BEHAVIOUR AMONG OUR EMPLOYEES

King III's corporate governance requirements emphasise the strategic importance of ethical corporate

behaviour for business sustainability. If ethical behaviour is not managed, we run the risk of damaging the trust of clients, intermediaries and business partners. Trust is an important commodity in financial services – especially in the current climate. It forms an integral part of our revised brand proposition. Santam delivers on this promise through various initiatives that consistently align our company and our ethical standards.

Our approach

We consider integrity a core business strength and offering. We have a code of ethics and a set of values in place that co-exist with our fraud policy. The internal audit and human resources business units report independently to the board's risk committee on ethical and value issues. The sustainability board committee has an oversight role of the three policies (code of ethics, values and fraud policy) that drive this issue.

This has resulted in the management of ethical behaviour being quite fragmented. Therefore, in 2010 we began a process of creating an overarching approach to instil and encourage ethical behaviour at Santam.

We formalised a set of values in 2006 through a process that involved intensive employee input and discussion. This resulted in

high awareness of the document and its content. Our values are managed by the human resources business unit and conveyed as part of every employee's induction process. Values are an important and measurable component of each person's performance contract, with a weighting of between 5% and 10%. Processes are in place to manage ethical behaviour – these include a "gift register" where employees declare any gift given or received over R750 and this is signed off by their manager.

There is currently no policy in place regarding ethical advertising. A stringent internal approval process is in existence and is supported by the corporate legal team as required.

As with our suppliers, we hold our employees to the highest ethical standards and we trust them to behave accordingly. However, there is a Disciplinary Code that guides our responses should steps need to be taken against an employee. Sanctions range from written warnings to dismissal.

What we did during 2010

We updated our ethics risk profile again. This profile considers governance, ethics and culture dimensions and is measured through several internal and external surveys. The most recent results are shown

MAINTAINING AN ETHICAL CULTURE AND MANAGING ECONOMIC CRIME (sustainability component 4)

in the table under "our performance" below.

The audit and forensics business unit have restarted a process to update and integrate a set of policies that align with each other and with our ethics risk profile and current values. This requires the integration of the code of conduct, disciplinary code and fraud policy – although each will remain as self-standing documents. We are separating the policy and process elements of each of these documents to communicate the core values to employees in a simple way during 2011.

Our performance

We started building a model to indicate ethical vulnerabilities within the company. We will refine it when further information becomes available with input from stakeholders. At this stage we are using the following dimensions:

– Governance risk – are we complying with the governance of ethics?

This risk relates to compliance in underlying policies and procedures. It refers to specific elements of the ethics programme (is there a code of conduct, has training taken place, etc.).

– Ethics risk – do employees know what they should do?

There is no guarantee that complying with the ethics programme actually reduces risks or addresses the underlying behaviour patterns that lead to risk in the first place. Therefore, the adequacy of an ethics programme cannot be determined without evaluating its impact on behaviours that create the risks.

– Culture risks – will employees do the right thing?

Effectively managing governance risk will identify best practice in oversight. Effectively managing ethics risk will identify and train employees on what they should be doing. However, the critical foundation element for determining culture is whether all employees, will do the right thing.

Santam scores close to the target ranges and our overall opinion is that our ethics risk profile is strong. We will continue to monitor results and prepare more detailed analysis per business unit.

In 2010, there were no fines for violations or non-compliance.

Our aspirations

Our code of conduct will be made more user-friendly and interactive so that employees feel more comfortable referring to it when making decisions. We want to establish a common language between human resources, risk, sustainability and forensics to ensure clarity of roles and responsibilities.

We aim to finalise our code of conduct within a consolidated policy. We will put training and awareness initiatives in place regarding this consolidated ethics, economic crime and conduct policy. We are planning for roll-out later in 2011.

We will also conduct the KPMG Integrity Thermometer/Ethics Risk Assessment survey with Sanlam in 2011, which will feed into our ethics risk profile.

DIMENSION	Risk indicator	2010	2009	2008	Target
Governance risk The governance of ethics	Internal assurance reports	No assurance performed	No assurance performed	–	–
Ethics risk Do employees know what to do when faced with ethical dilemma?	KPMG Ethical Risk Assessment (with Sanlam)	Not surveyed	73%	71%	>70%
	Ethics-related actions (internal survey)	71.6%	73.5%	–	>65%
Culture risk Will employees do the right thing?	Santam Morale Measurement	67.1%	70.1%	–	>65%
	Deloitte Best Company to Work For Survey	75.2%	77.2%	74.4%	>74%

SOLUTIONS ALIGNED TO SOCIAL AND ENVIRONMENTAL NEEDS (sustainability component 5)



BY DEVELOPING PRODUCTS THAT RESPOND TO SOCIAL AND ENVIRONMENTAL NEEDS, WE WILL DO OUR DUTY AS A CORPORATE CITIZEN

Santam's traditional clients are individuals, companies and farmers. These clients are becoming more aware of how climate change and other environmental impacts affect their risk profile. At the same time, the shifting social dynamic in South Africa requires a response from our company. We see these challenges as opportunities. By developing products that respond to social and environmental needs, we will do our duty as a corporate citizen and we are opening new avenues for doing business.

Our approach

Our efforts in developing products and services for a changing world look to:

- improve access to products and services for lower-income clients; and

- make innovative products and solutions available to mitigate the effects of climate change and increasing environmental challenges.

Entry-level market (ELM): Our new and external markets unit drives strategies for servicing the ELM. The product development business unit supports this unit in developing solutions targeted at the lower-income groups. We launched Multi-home in 2006 making us among the first insurers to offer household policies to the ELM. It is a simple, single-need product with very competitive rates.

Drivers of the ELM are low premiums and high volume. However, careful consideration must be given to distribution costs which can erode potential revenue and impact

profitability. To address this, we collaborate with various affinity groups who act as our intermediaries in the ELM. These include, inter alia, the Zion Christian Church (ZCC), and micro-financers such as lemas and Blue. Our clients are members and clients of these entities and loyal to the partner's brand.

We believe that the key to success in this market is providing education to the previously uninsured. Our main partner in this is the SAIA. They have been running various consumer education initiatives throughout the country. One such initiative in 2010 was the radio talks on four indigenous radio stations over 26 weeks of which Santam participated in fielding questions from listeners.

SOLUTIONS ALIGNED TO SOCIAL AND ENVIRONMENTAL NEEDS (sustainability component 5)

Green products: Products with an environmentally-friendly value proposition are developed with input from the Sanlam Environmental Committee. More detail on our governance of "green" issues can be found in the section "*Managing impacts on the environment*" on page 51. We are uncovering ways to incorporate thinking around environmental impacts into our product range across the business through our ongoing research and our commitment to our ecocentric journey.

What we did during 2010

Social needs

Over the years, the financially illiterate have identified brands that supply their day-to-day needs. We have and are still entering into agreements with some of these companies with a view to tapping into their client bases.

This association approach forms part of our ELM strategy. During 2010 we worked on growing our portfolio of distributors and we redefined the type of intermediary suited for this role.

Revenue from a number of our partners is growing steadily. For example, the complete acquisition of Centriq during 2010 has been beneficial and we expect continued growth in 2011.

The in-house new and external markets' support services have

greatly improved ELM's ability to gear itself for delivery in the new year. A management information system has been built which allows the unit access to accurate figures and forecasts.

Environmental needs

Solar geyser initiative – As mentioned previously, we launched a solar geyser initiative in 2010. This gives clients the opportunity to replace a damaged geyser with an environmentally friendly solar-heated one. We investigated the successes and challenges of this initiative to improve the offering to our clients. Cover for solar geysers in the commercial buildings content will be provided for as part of the sum insured.

Agriculture and climate risk – Extreme weather occurrences have had a significant impact on the insurance sector recently. It is important to match the rating to the underlying risk while keeping premiums competitive, and therefore we are working with clients and intermediaries to find a sustainable solution for this problem. While farmers' biggest challenge is seasonal variability, it helps them cope with these short-term fluctuations. We are focused on gathering information to better understand the longer-term impacts of climate change on our clients, and to propose suitable solutions to mitigate these risks. Santam Agriculture is improving its underwriting and rating model to

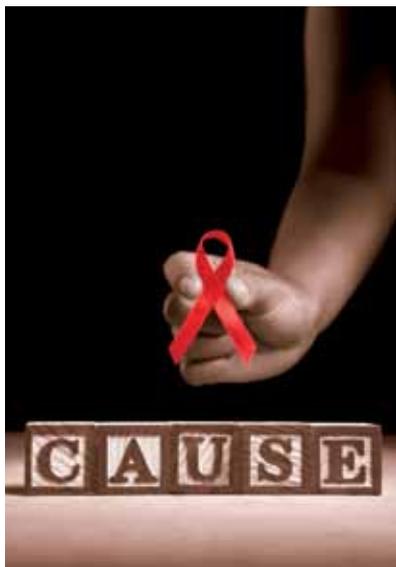
cater for innovations such as drought-resistant crops. Crop insurance covers quantitative and qualitative damage to crops – for example, hail can ruin fruit for the export market. As a leader in crop insurance, Santam Agriculture shares its expertise with farmers as part of the Santam service offering.

Santam Agriculture has a top agricultural meteorologist as part of the team. This strengthened our capacity to provide greater certainty for farmers by providing them with specialist products that address their needs.

Our aspirations

- ELM will drive growth in 2011 through new partnerships and by supporting initiatives with existing partners that will improve their marketing and expand their books.
- We subscribe to the ClimateWise principles. This is discussed in more detail in the section "*Managing impacts on the environment*" on page 51. ClimateWise principle 3 (Support climate awareness among our clients) has a subprinciple that speaks to products: "Encourage our clients to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services". We will continue to look for ways to fulfil this principle.

HUMAN CAPITAL (sustainability component 6)



SANTAM OPERATES IN A HIGHLY COMPETITIVE ENVIRONMENT WHERE KNOWLEDGE AND RELATIONSHIPS ARE PIVOTAL TO OUR SUCCESS

ATTRACTING, RETAINING AND DEVELOPING EMPLOYEES WITH EMPHASIS ON EQUITY

Santam operates in a highly competitive environment where knowledge and relationships are pivotal to our success. We can attribute our achievements to the skills and competencies of our people. This makes attracting, retaining and developing our employees a core business focus area. We place particular emphasis on the growth and development of our black employees – particularly African employees – given our strategic focus on expanding our client base in the ELM.

Our approach

We have a clear and extensive employee value proposition (EVP). This is supported by a range of human resources (HR) activities from

attraction to appointment, induction, talent management and retention. Our EVP has two key focus points in developing and retaining employees:

1. Employment equity (EE) goals aim to address the under-representation of black employees particularly at management level.
2. Skills development and training initiatives aim to empower high-potential individuals for specialist, management and leadership positions.

We try to fill most vacancies at senior management, professional, skilled and supervisory levels with black candidates. This is in line with the commitments made in our EE plan. We also ensure a targeted approach to succession planning, career-path

planning and mentoring opportunities for internal black employees.

We have two formal national structures through which we position the combined EE and transformation issues across our group. These are the National EE Forum and the Transformation Advisory Group (TAG). The National EE Forum ensures that we comply with our EE and diversity responsibilities and drives the company's EE Plan. TAG has a broader transformation agenda and talks directly to the CEO. We also have a further five EE forums that deal specifically with EE issues along business unit lines.

Executives are held accountable for EE progress within their divisions in conjunction with a delegated EE champion and the appropriate HR manager.

HUMAN CAPITAL

(sustainability component 6)

Performance weightings for progress against EE plans have recently been enhanced. This has enabled a greater focus by the various business units which will increasingly translate into greater numbers of internal black employees being placed in the more senior job grades.

Our focus on diversity will continue to create a culture which is inclusive and which lends itself to greater retention of talented people. We have run a number of diversity and other audits within Santam. These have demonstrated that the work experience still differs among different organisational groupings from an ethnic, job level, disability and gender perspective. Therefore, we have held workshops aimed at building an understanding of what diversity appreciation entails and we will continue to do so going forward.

We retain employees through a variety of measures. Some of these are:

- Financial incentives and rewards are part of this retention strategy.
- More importantly, we create work experiences and opportunities for employees who demonstrate expertise, drive and commitment.
- We provide fast-tracked opportunities supplemented by tailored developmental opportunities ranging from individual coaching to academic programmes of their choice for employees who demonstrate the capacity for leadership.
- We take succession planning seriously. We identify and mentor talent, we discuss the issue in our management forums and we assign responsibility to take succession plans forward.

Another example of the recognition we give employees is the Fire Awards

which was launched in 2009. These awards seek to encourage employees and managers to recognise the positive behaviour of their colleagues. Each person receives 100 "seeds" a month with which to reward value-congruent behaviour in a colleague, while each line manager receives 100 "seeds" a month per reporting employee to award employees in any business unit. These "seeds" can be exchanged for goods at the end of the month. Each award is accompanied by a written recognition message from the line manager. The goals of the Fire Awards are to:

- Provide a recognition programme that will align with the company vision, values and the strategic objectives. This makes it possible for employee contributions to be recognised in these areas.
- Create a high-performance culture in Santam through a combined focus on performance, recognition and reward.

Santam's labour climate

Santam has a mutually respectful relationship with Sasbo, the financial sector union. The total number of Sasbo members within Santam is 835, or 35% of our employees.

We have a sound and stable labour climate, with few labour-related disputes.

	2010	2009
Disciplinary dismissals	11	16
CCMA cases	7	8

What we did during 2010

We made significant progress on the skills development front. We introduced skills development targets for course enrolment and spend. We identified certain core employee category areas where there are skill shortages and we continue to build the skills of our black employees as part

of our EE plans. The training spend for black employees has increased from 4% in 2009 to 5% of payroll (unverified) in 2010.

	2010 (unverified)	2009 (verified)	2008 (verified)
Total spend on black employees (% of payroll)	5%	4%	2%

We also ran a series of programmes to build supervisory and middle-management capability, we maintained our graduate and learnership programmes, and we retrained all employees in our performance management system. We also ran large numbers of courses for all levels of employees in a range of soft skills ranging from assertiveness training to conflict resolution and negotiation skills. We continue to fund the studies of significant numbers of employees across a range of diploma and degree courses.

Achieving the EE targets we aspire to remains a challenge for the company. We met most of our overall EE targets in our recruitment drives in 2010. However, we fell short of our goals for recruiting black employees. Unverified 2010 BBBEE ratings show that we have retained our position on EE, maintaining our 2009 level of 7.32/15 (which was a significant improvement on 2008's 2.97).

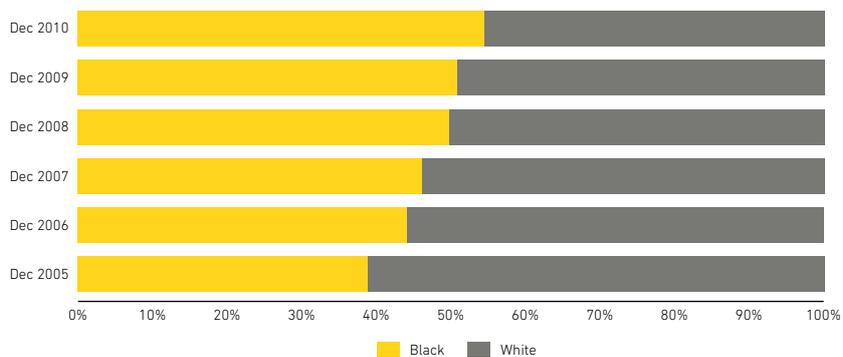
The reality is that competition for talented human capital is fierce in our industry, particularly for black people. In addition, we experienced a higher turnover of black employees than we are comfortable with. We will continue to address this issue through our ongoing development and succession initiatives.

Approximately 55% of Santam employees are black. However, there is considerable variability across the different employment levels. The lower levels are well represented,

EMPLOYEE REPRESENTATION PER LEVEL

	Total black employees %				Total white employees %			
	2010 (unverified)	2009	2008	2007	2010 (unverified)	2009	2008	2007
Exco	20.0%	16.7	12.5	25	80.0%	83.3	87.5	75.0
Senior Management	23.9%	25.9	22.6	18.1	76.1%	74.1	77.4	81.9
Professional	30.5%	29.7	27.2	25.3	69.5%	70.3	72.8	74.7
Skilled	49.1%	49.2	45.7	39.8	50.9%	50.8	54.3	60.2
Semi-skilled	78.6%	76.1	74.7	69.6	21.4%	23.9	25.3	30.4
Unskilled	98.3%	100	100	100	1.7%	0	0	0
TOTAL	54.4%	50.8	49.7	46.1	45.6%	-	-	-

Progress in Overall Employee Composition since 2005



PERCENTAGE OF EMPLOYEES BY GENDER AND RACE

Gender	Black	%	Indian	%	Col.	%	Total Black	%	White	%	Total	%
Female	280	19.0%	130	8.8%	397	27.0%	807	54.9%	663	45.1%	1 470	57.7%
Male	204	19.0%	87	8.1%	290	27.0%	581	54.0%	495	46.0%	1 076	42.3%
TOTAL	484	19.0%	217	8.5%	687	27.0%	1 388	54.5%	1 158	45.5%	2 546	100.0%

TERMINATIONS BY RACE AND GENDER

Gender	Black	Col.	Indian	White	Grand Total
Female	46	51	18	85	200
Male	33	42	12	69	156
TOTAL	79	93	30	154	356

PROMOTIONS BY RACE AND GENDER

Gender	Black	Col.	Indian	White	Total
Female	52	104	38	104	298
Male	44	65	21	55	185
TOTAL	96	169	59	159	483

TOTAL INVESTMENT FOR STUDY AID

Study aid type	Black	Coloured	Indian	White	Total
Insurance-related study aid	R99 925.90	R174 698.00	R32 588.00	R110 340.00	R417 551.90
Work-related study aid	R185 133.42	R291 145.50	R81 961.70	R285 554.91	R843 795.53
TOTAL	R285 059.32	R465 843.50	R114 549.70	R395 894.91	R1 261 347.43

HUMAN CAPITAL

(sustainability component 6)

TOTAL INVESTMENT FOR TRAINING

Description of training	Black	Coloured	Indian	White	Total
Claims training	R32 881.28	R99 512.78	R52 260.93	R334 825.50	R519 480.48
Computer training	R47 124.47	R56 117.08	R22 323.21	R122 968.38	R248 533.13
Contact centre training	R0.00	R0.00	R0.00	R0.00	R0.00
External conferences and seminars	R36 621.23	R70 987.99	R39 280.88	R307 349.88	R454 239.99
IT	R18 266.98	R107 440.50	R60 357.65	R109 765.15	R295 830.29
Leadership and management development	R360 790.28	R636 461.35	R632 404.95	R2 927 694.99	R4 557 351.57
Learnerships	R463 478.40	R86 902.20			R550 380.60
Other	R162 319.64	R440 790.57	R119 685.83	R483 759.78	R1 206 555.81
Product training	R21 147.51	R54 211.59	R13 309.27	R77 883.25	R166 551.63
Soft skills training	R206 710.64	R189 862.93	R90 063.72	R481 825.63	R968 462.91
System training	R378.74	R1 256.19	R1 230.23	R1 731.48	R4 596.65
TOTAL	R1 349 719.17	R1 743 543.19	R1 030 916.66	R4 847 804.04	R8 971 983.06

SKILLS DEVELOPMENT TARGETS

Area	Statistics
Learnership	25 learners to join the 2011 programme of which five will be people with a disability; 100% of the participants will be black
Graduate programme	90% of graduates will be black
Study aid	65% of study aid awarded to employees will go to black employees
Senior management development programme	65% of participants will be black
Junior leadership development programme	65% of participants will be black

but there is less representation of black people at higher levels. Our black representation on Exco stands at 20% – we consider it a priority to enhance this number through a range of training, succession planning and retention initiatives. All of these are elements of our strategy to bring more black people up through the ranks.

Approximately 58% of our employees are women; however, only 26% of all employees in the senior level (job grade 6 and above) are women. This is indicative of the financial industry in general. We appear to be on par with other industry players from overall gender statistics. But we are lagging behind regarding the number of black women we employ. However, we remain committed to offering opportunities

to women to grow and advance in Santam.

A workgroup tackling disability was put in place in 2010. Their focus is to meet the needs of people with disabilities – from attracting and placement to issues like disability status declaration and building infrastructure. Progress has been made but is slow.

Training

Employee development is ongoing and most employees take advantage of some form of training in any given year. Details for the past year are as follows:

- 1 442 employees requested further development;

- 16 employees received mentorship from senior employees (2009/2010);
- 17 employees received mentorship from senior employees (2010/2011); and
- 38 senior employees received coaching

All of our full-time employees receive performance reviews twice a year.

Our performance

We also support employees, who want to obtain degrees or qualifications that are relevant to the insurance industry or to their positions, through study aid and study leave.

Our aspirations

As mentioned previously, we know that we are lagging in the appointment of

senior black African employees. To address this, we will be conducting a full review of our EE plan, with revised targets starting in 2011.

We are also aware that there are income differentials. This can be explained due to length of service and age. However, we will look at analysing and addressing this appropriately over a period of time.

The skills development targets that we have put in place for the next two to three years are listed in the table on page 38.

THE IMPACT OF HIV/AIDS ON OUR WORKFORCE

HIV/Aids was determined by SAIA as a low risk in our sector. However, it still has the potential to impact individuals in our company. In a national context of high-infection rates, we consider it a moral imperative to take this issue seriously.

Our approach

We make voluntary counselling and testing available each year as part of wellness and health days. HIV/Aids assistance is also integrated into our employee assistance programme. A special treatment programme forms part of our medical aid arrangement.

What we did during 2010

Voluntary counselling and testing was offered to all employees during June as part of wellness days presented countrywide.

We used World Aids Day on 1 December, to send a communication to employees. We gave each employee a beaded red ribbon which they could wear to show their support for people living with HIV/Aids.

EMPLOYEE WELLNESS

What we did during 2010

Sanlam and Santam created a joint group wellness strategy aimed at standardising a core offering to

employees. It comprises three prongs: our employee assistance programme, preventative health screening and HIV/Aids management. Our focus in 2010 was on stress management as stress is closely tied with lifestyle diseases. A series of stress management talks were held across the country beginning in September. A web-based stress management programme was introduced in October and ran for four weeks.

Numerous wellness days were held countrywide in June with the help of our medical aid providers. We offered screening for diabetes, high blood pressure, cholesterol, body mass index (BMI) and HIV/Aids. Lifestyle assessments were made including nutritional habits, stress evaluation and exercise/activity levels.

Financial wellness is also part of our offering to our employees. Taking control of one's money can improve one's state of mind. Therefore, since 2008 we have been offering debt counselling in terms of the National Credit Act. Once again we partnered with Sanlam to offer a series of financial education workshops on topics such as estate planning, budgeting and saving for retirement. Workshops were started in October after conducting a survey to establish what employees' needs are.

Our aspirations

During 2009/2010 the Lighter Side of Life weight management challenge was run in conjunction with Sanlam. Several sponsors were used to put approximately 30 employees through a weight loss, exercise and lifestyle change programme. This project was a great success in the Sanlam Group and we will be reintroducing this into our company in 2011. The participants' progress is plotted and reported online. The challenge educates employees about weight loss while helping selected employees to reach their health goals.

Seven Santam employees were among those selected from the Sanlam Group in 2009/2010 to participate in the Lighter Side of Life Challenge. In total, this group lost 138.1 kilograms and participants recorded excellent improvements in their blood pressure and cholesterol levels – inspiring their colleagues!

OCCUPATIONAL HEALTH AND SAFETY OF OUR EMPLOYEES AT WORK

We provide a safe working environment and educate our employees in supporting this. Employees were informed of their rights and responsibilities under the Occupational Health and Safety Act. They signed a document stating that they are aware of these.

Occupational health and safety (OHS) is managed as part of the facilities management process. Santam's 10 largest buildings received an on-site inspection and service from external compliance agents, Scott Safe, during 2010. All buildings complied with the requirements.

We implemented an assessment process for our smaller branch offices. Early indications from the results indicate that evaluated offices substantially comply with the requirements of the Department of Labour.

EXTENDING INFLUENCE FOR THE BENEFIT OF SOCIETY (sustainability component 7)



WE ARE COMMITTED TO CREATING A STABLE AND PROSPEROUS SOCIETY

Corporate social investment (CSI) is a regulated activity in South African business. However, it is above all a moral imperative in Africa. In the Financial Sector Charter's definition, "CSI means projects aimed primarily at black groups, communities and individuals that have a strong developmental approach and contribute to transformation."

Santam supports this vision of prosperity for all. This will encourage social stability, grow potential markets and go some way in addressing the injustices of the past.

Our approach

Our business is in proactively managing risk. We believe that in making South Africa's youth the focus of our CSI programme, our social contribution

is consistent with our brand promise: prevention is better than cure.

We are committed to creating a stable and prosperous society – one that ensures a successful country with markets rich with potential. We can contribute to this thriving society if we give young people the skills, opportunity and security to develop their creative and entrepreneurial abilities.

Our CSI programme is implemented by a two-person team headed by a CSI manager, who reports to the head of sustainability. A committee was set up in 2009 for the approval of voluntary employee involvement. Business units often initiate and run their own small, ad hoc projects through this facility. The CSI team has developed a funding process framework which

was distributed to business units and individual employees. Since August 2010, CSI donations have been centralised, enabling all projects to be linked to business needs and the CSI strategy.

We partner with selected non-profit organisations (NPOs), non-governmental organisations (NGOs) and public benefit organisations (PBOs) to deliver on our objectives. We have put measures in place to manage the risks of associating with NPOs. This includes communication with the beneficiary organisations around project management. We monitor and evaluate all beneficiary organisations and they have all signed memorandums of agreements. When objectives are not met, we investigate what the barriers were and how these can be addressed.

The eight NPOs supported through our payroll giving programme are:

- Ithemba Trust
- Reach for a Dream
- WWF
- The South African Red Cross Association
- CANSA
- Cotlands
- CHOC
- NSPCA

CSI initiatives are sometimes used by the business units as a way to gain an understanding of new markets. In these cases, the business unit ensures that initiatives are consistent with Santam's CSI strategy and government's national objectives.

What we did during 2010

Our CSI strategy is driven by answering the question: What do young people need? We have identified three legs to our programmatic approach: youth development, youth entrepreneurship and youth security.

Youth development

Our youth development programme seeks to equip young people with the skills to be relevant and successful in their futures. A flagship project is our long-running Santam Child Art programme. This comprises a competition, an exhibition (which will become an online exhibition in 2011), a calendar, art classes and educator development. The theme for 2010 was "How can I make a difference in the world?". We received 3 812 entries from 210 schools and art schools nationally.

We commissioned stakeholder research on the Child Art programme. The research led to a revised strategy with a stronger focus on development. The 48-year-old competition remains a central part of the programme; but by allocating more resources to the educational aspects of the programme, we are intent on making

a meaningful contribution to teaching art in schools. The programme will also be thematically linked and more comprehensively integrated within our business.

We hope that the competition encourages children to pursue careers in the visual arts and teaching art is not necessarily about training future artists. It is about teaching and inspiring children to use their minds creatively – a skill that will stand them in good stead in an increasingly complex world.

Youth entrepreneurship

We believe that in supporting youth entrepreneurship, we are extending young people the opportunity to build sustainable futures for themselves. A flagship project is our partnership with the South African Institute for Entrepreneurship (SAIE).

We sponsor learning materials and training in the Eastern Cape and Northwest Province. This started with 57 high schools in the Fort Beaufort and Queenstown districts in the Eastern Cape. Research conducted by the SAIE in the area showed that almost half the learners failed the final matric business studies paper in 2009. Our R3.9 million sponsorship will be spent on training, equipping and mentoring children and educators. This contribution will be spread over four years. This will impact more than 17 000 learners between grades 9 and 12.

Youth security

Young people need to be protected as they develop, and peaceful environments give them the "safe space" to realise their potential. A flagship project is our partnership with the National Institute for Crime Prevention and the Reintegration of Offenders (NICRO).

The programme is currently active in the townships of Mpumalanga and

Eastern Cape provinces and is an effort to reduce crime and offer young people alternative skills, knowledge, and experience.

The NICRO Safety Ambassadors Programme involves learners in a variety of activities that train them in assertiveness, decision-making, socialisation and resilience. At each school, 20 learners are trained as safety ambassadors to reassert these values in their schools on an ongoing basis. The programme was run in seven schools in Mpumalanga and three schools in the Eastern Cape in 2010. A total of 266 learners participated directly and then shared their knowledge with their peers. By the end of 2010, we had invested R789 915 in the project. During 2011, we will be sponsoring schools in the Western Cape and KwaZulu-Natal.

Making CSI work – volunteerism

We recognise that employee involvement in CSI-related projects can grow employee confidence, build internal brand affinity and draw people together.

We employ a variety of methods to encourage employee contribution to charitable causes. This includes cash contributions through payroll deductions and employees' voluntary involvement in charitable causes in their own communities.

Some 17 Santam "community heroes" dedicated their time serving the less fortunate in 2010. They received donations from Santam towards their worthy causes. Santam is proud of its ambassadors and their efforts to address the problems faced by our society. Details regarding the organisations that received donations from Santam are on page 42.

EXTENDING INFLUENCE FOR THE BENEFIT OF SOCIETY

(sustainability component 7)

EMPLOYEE VOLUNTEERISM BENEFICIARIES

Name of beneficiary	Employee/s volunteer	Province
Al Noor Orphanage Trust	Noorjehan Moosa	Western Cape
Amcare Cheerleaders	Elizabeth Derman	Gauteng
Bavumeleni Children's Centre	Glenda Hanna	Western Cape
Bloem Shelter	Bloemfontein Broker Services – Technical Support Team – Ina de Bruyn, Anna-marie van der Merwe, Carine Henning	Free State
Centurion Hope Foundation	Melvin Naidoo	Gauteng
Committee for Crime Prevention Northern Cape	Len Pretorius	Northern Cape
Docks Mission Church of South Africa	Lance Petersen	Western Cape
Eagles Nest Ministries	Marlon Botha	Western Cape
Family Church (Study Budyz)	Millicent van der Walt	Western Cape
House of Tembiso	Christa van der Merwe	Western Cape
Keep the Dream (Help to care – South Africa)	Bronwyn Pegram	Western Cape
Lofdal Community Projects (Eagles Rest)	Mpume Dlodla	Western Cape
Pirates Club (Silverstars Hockey)	Michelle Pansegrouw	Gauteng
Quarry Heights Community Outreach Project	Sandy Beykirch	KwaZulu-Natal
St Joseph's Home for chronically ill children	Sandra Aspeling	Western Cape
Tembisa Christian Family Church (Now Generation)	Tshepo Mokgotho	Gauteng
Zanethemba Charity Foundation	Nadia Botha	Eastern Cape

Our Performance

The CSI investment for 2010 amounted to R7.2 million.

Sector	2010 (unverified)	2009	2008
Total expenditure of NPAT*	0.70%	0.84%	0.99%

* net profit after tax

The budget breakdown by focus area was as follows:

CSI INVESTMENT PER FOCUS AREA

Sector	2010	2009
Education	21%	55%
Arts and culture	16%	16%
Youth security	12%	7%
Health	6%	4%
Development programmes	4%	1.7%
Sport	0%	1%
Environment	6%	0.3%
Overheads	16%	*
Other (incl. volunteering)	*	15%
TOTAL	100%	100%

* In 2010 a new BBBEE reporting system was introduced at Santam to record the CSI investments. Due to this, a new category called overheads was introduced and the costs allocated in the category "Other" was split into specific fields.

Our aspirations

We will continue encouraging our employees to contribute to charitable causes and community building – including making cash contributions through payroll deductions. It is important to inject passion and enthusiasm for community work in our employee culture.

Partnerships with NGOs, our implementing agencies, continue being the key to driving outcomes in Santam's CSI focus areas.

The developmental aspect of Child Art will extend its reach through developing art literacy in children. We will continue to offer workshops to more art educators and supporting the art curriculum by while using art as a medium for achieving other educational goals: developing life skills, innovation and creativity.

BROADER SOCIO-ECONOMIC INFLUENCE ON SOCIETY

We need to understand how our company operates within broader society to maintain our relevance and monitor our impact. Therefore, we are

dedicating more resources to listening to and building relationships with our stakeholders. As a corporate citizen with extensive reach, we leverage off our influences in the industry to affect social and economic objectives both for ourselves and the country.

We are positioned as an entity that manages risk. Our ultimate goal is to reach a point where we can influence potential risks to minimise or decrease them. This methodology depends on collaboration and interaction with a wide range of stakeholders from policymakers to clients and suppliers.

Stakeholder engagement reduces costs

Employees are critical. Engaging employees across the company can give us insight into more effective processes; for example, by eliminating duplication and ways in which our operational effectiveness can be increased. We can also identify how to enhance process efficiency. We can create solutions that address systemic risks associated with floods, road safety, security and fire by engaging local government.

Stakeholder engagement reduces operational and regulatory risk

We have a responsibility to lobby on policy and engage key influencers on issues such as global warming, food security, transformation or any other matter of strategic importance to our business sustainability. Engaging stakeholders that materially affect our operations enhances the risk management process at Santam.

Our stakeholders are those groups who are affected by or who can affect our company. They fall into three broad categories:

Internal – for example; employees, Exco, senior managers, shareholders and unions.

Industry – for example; the SAIA, the FIA, Afrikaanse Handelsinstituut (AHI), Business Unity South Africa (BUSA), the Black Management Forum (BMF), ClimateWise, the Ombudsman, the National Business Initiative (NBI) and various large corporations.

Broader socio-political – local, provincial and national government; parliament; the South African Local Government Association (SALGA); Business Against Crime; the Department of Safety and Security and others.

Successful stakeholder engagement gives legitimacy in different arenas, thereby, giving us a competitive advantage.

We use stakeholder management as a means of innovating and generating new business opportunities in non-traditional markets. It allows us to be more responsive to socio-economic and environmental trends. This can also generate goodwill. Engaging with the stakeholders closest to us, our employees can reduce inefficiencies and duplication within the company. This will save us money and time – effectively impacting our bottom line.

Stakeholder engagement also feeds the integrated reporting process and this is required by King III and the South African Integrated Reporting Committee's guidelines released in January 2011.

Our approach

Stakeholder management is a business unit within market development and includes the sustainability and CSI business units. These three business units work closely together.

The following documents provide guidelines for the implementation of our stakeholder management strategy:

Stakeholder engagement policy

– ensures a consistent approach to stakeholder engagement across the company and clarifies roles and responsibilities. This policy helps reduce operational and reputational risk.

Stakeholder engagement charter – embodies Exco's commitment to upholding fundamental principles in stakeholder engagement.

Stakeholder engagement toolkit

– provides templates and other management tools in line with Accountability Stakeholder Engagement Standard (AA100SES). The templates and other management tools are used to record and structure activities between Santam and stakeholders.

Stakeholder engagement information system – includes a web-based database for monitoring stakeholder engagement, which will be merged into our existing intranet structure.

We focus our efforts on stakeholders in priority areas. These are areas that align with our business strategy and where our potential impact is greatest. These are:

- government
- environment
- nation-building and transformation
- areas where our company can grow successfully

What we did during 2010

One of our key engagements involved a formal communication to intermediaries, the media and employees by our CEO, regarding the increased shareholding in MiWay and stake in Indwe. This was important due to the move away from our traditional strategy by moving into the direct channel – and had the potential for resistance. However, the news was well received and there was little negative feedback from the intermediary community.

We have also been actively engaging with various industry, government and academic bodies in 2010. Our key engagements include:

SAIA (South African Insurance Association)'s Sustainable Insurance Forum

– In April 2010, industry body SAIA formed the Sustainable Insurance Forum. The aim was to formulate the plans needed to create a sustainable insurance sector. The head of our strategy unit was given a mandate to co-ordinate this initiative for SAIA and to facilitate the development of a short-term insurance sustainability strategy on systemic risk (ESG factors). We hope to encourage other industry players to work with government and address the issue of increasing systemic risk.

South African Local Government Association (SALGA) and Co-operative Governance and Traditional Affairs (CoGTA)

– We engage with SALGA to promote better climate risk management at an operational and policy-making level. Our engagement with CoGTA helps us understand local government's turn-around strategy and allows us to participate

EXTENDING INFLUENCE FOR THE BENEFIT OF SOCIETY (sustainability component 7)

in the Business Adopt-a-Municipality campaign. This initiative sees private companies assisting government to address service delivery problems in vulnerable communities. This has a direct impact on our core business, which is affected by floods, fires and security risks.

Department of Energy (DoE) – We have engaged extensively with the DoE's energy efficiency initiatives with our solar water geyser initiative. We delivered a presentation at the National Solar Water Heating conference and gave the government our input in shaping public policy on this issue. Through this partnership with the DoE, we will assist with achieving the department's goal of rolling out 1 000 000 solar water heaters by 2014.

The Insurance Lab – This is a partnership between Santam, the Council for Scientific and Industrial Research (CSIR) and the University of Cape Town's Centre of Criminology. It sees the partners co-funding a research project focusing on risk and resilience for business and society. This project will provide us with a

systemic understanding of how ESG is evolving and will enhance our knowledge base and competitive advantage. This collaboration will contribute to our ultimately offering shareholders and policyholders value through a deep understanding of the real risk in the ESG context.

Emerging farmer support – South Africa needs more young emerging farmers to ensure sustainable food production. Therefore, we entered into a partnership with Temo Agri Services to provide emerging farmers in the Brits district with a world-class risk management service and mentorship. Temo Agri Services trains emerging farmers in farm management, finance, HR, marketing and logistics. Santam Agriculture provides crop insurance and risk management, and works with the team to ensure that the farmers' management practices are in line with the requirements of the insurance policy. The project's mentorship programme is its strength and new farmers are guided by experienced farmers to develop the necessary technical skills to become successful commercially.

Black Management Forum (BMF)

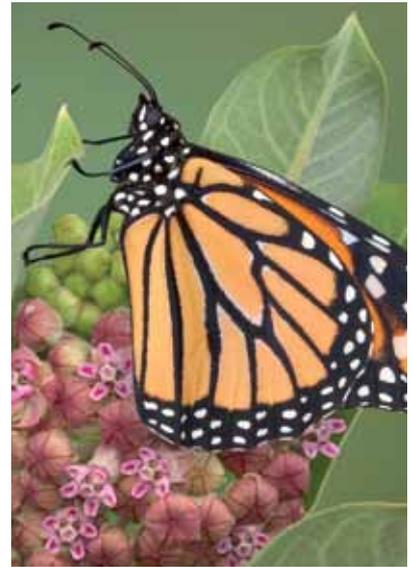
– Santam joined the BMF as a corporate member to engage issues of employment equity, transformation and to attract black talent to Santam.

Our aspirations

We continue to look for ways to align our strategic business objectives with national government priorities. This includes climate change, energy security, job creation, food security, water availability, and flood risk.

We will continue seeking engagements and collaborate with communities, local and provincial structures, and national government to assist with these challenges.

TRANSFORMATION INCLUDING OWNERSHIP AND CONTROL (sustainability component 8)



TRANSFORMATION IS AN INTEGRAL PART OF THE ORGANISATIONAL STRATEGY AND IS MANAGED AS A DELIBERATE PROCESS

Santam needs to continue adapting to changing contexts and client needs to remain viable, relevant and successful in future. Of particular importance within our local context is our capacity to position ourselves as a transformed company that lives up to the expectations of our democracy since 1994.

A transformed Santam will add value to our brand, to our capacity to grow and to our overall profitability. Our transformation strategy sets out measurable targets which will see us build internal capacity and diversity; appeal to a wider audience, enter new markets; and extend our influence with suppliers, partners and government.

The group has improved its BBBEE scorecard over three years from

a level 6 contribution to a level 3 contribution. This demonstrates our concerted commitment to transformation.

Our approach

Transformation is an integral part of the organisational strategy and is managed as a deliberate process.

We have developed a transformation strategy, which is regularly assessed and adapted to a changing transformation landscape. This strategy informs the newly formed transformation committee which is chaired by the CEO. He takes ultimate responsibility for ensuring that black representation is achieved at Exco and openly addresses these issues with the NEEF (National Employment Equity Forum). The executive head of people and brand was assigned the

role of overseeing the transformation management function for the sustainability committee of the board.

Component owners have been identified and made accountable for the various elements of transformation. They drive these from within their own business units, keeping company objectives in mind. Implementation is driven centrally to ensure consistency with the Department of Trade and Industry (dti) Codes, our transformational objectives and our brand messaging. The Financial Sector Charter (FSC) process has been resurrected and we will monitor these developments with a view to aligning with this code when it is formally adopted.

In the absence of the FSC Codes, we are assessed annually against the dti

TRANSFORMATION INCLUDING OWNERSHIP AND CONTROL (sustainability component 8)

TRUST ALLOCATIONS

	Business partners	Employees	Community
Share in Santam's BEE scheme for allocation	49%	26%	25%

Allocation year-on-year	Business partners	Employees	Community
Portion allocated as at end 2010	33%	68%	5%
Portion allocated as at end 2009	24%	59%	0%
Portion allocated as at end 2008	24%	47%	0%
Portion earmarked for future allocations to existing partners*	52%	0%	0%
Portion available for future allocation to new partners	15%	32%	95%

* Including allocation to Sanlam staff trust (35% of 52%)

Codes through Aqrate, an approved verification agency. The results are made available to all stakeholders on our website (www.santam.co.za).

The results of our November 2009 sustainability audit highlighted risks and opportunities associated with sustainability. These included transformation and placed emphasis on entrenching transformation within our business strategy which we will do even further in 2011.

We also began formalising the alignment of transformation targets between ourselves and our subsidiaries. Santam acquired the balance of the 33.3% of Kagiso Risk Solutions' effective interest in Centriq in June 2010, making it wholly owned by Santam. Centriq was included in Santam's most recent BBBEE rating and shares the company's level 3 contributor status.

What we did during 2010

Ownership

Santam's shareholders transferred 10% of its shares to a SPV (special purpose vehicle) in 2007. This vehicle holds shares for three key black stakeholder groupings: communities, business partners (including intermediaries) and employees. Allocations were finalised for the 2010 year in all three groups.

Emthunzini Broad-based Black Economic Empowerment Community Trust

The governance forums and structures for implementation were finalised. Approximately R5.5 million was allocated to identified beneficiaries at a trustee meeting in August 2010.

Emthunzini Black Economic Empowerment Business Partners Trust

Allocations to strategic business partners, intermediaries, the Sanlam BEE Staff Trust and non-executive directors were made at a trustee meeting in August 2010. A liaison was also appointed by broker distribution to communicate information regarding unit values and other relevant scheme information to improve efficiency.

Emthunzini Black Economic Empowerment Staff Trust

Units in this trust were allocated to new employees, those promoted during 2009, and those appointed and promoted in 2010.

Management control

A second black female Exco member was appointed in December 2009. We continue to work towards an Exco that reflects our transformation policy. Black representation on Exco was at 20% (unverified) at the time this report was written. The CEO remains responsible for ensuring diversity

on the executive level. We will aim to increase the number of black people on Exco through a continual process of succession, of redefining executive roles and external placements. At the end of December 2010 the board was 5.64% black, of which 3.05% are black females (unverified). This indicates that we have made good progress in diversifying our board representation.

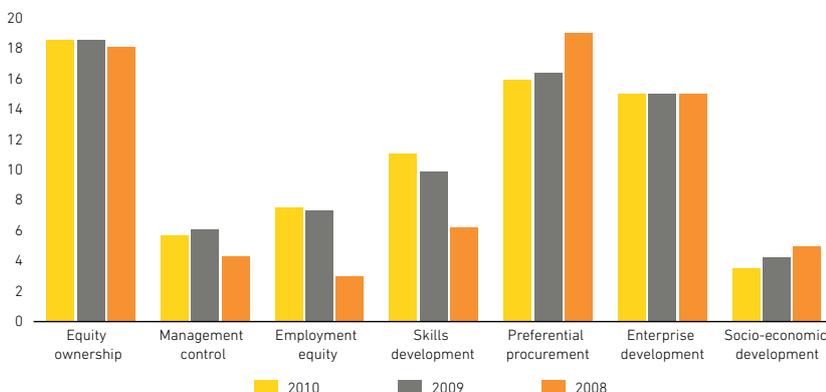
Employment equity (EE)

Progress on EE continues to be challenging. We are aware of where the issues lie and our plans to address our challenges are outlined in our overall EE Plan (2007 – 2011), the EE plans of the main business units and our workplace skills plan. We have initiated an internal director general review process in anticipation of the Deputy General of Labour's planned EE audits. This assesses our level of alignment and progress to inform our EE plan review, due in 2011.

A key component of our transformation strategy is a continuous focus on talent management. We consciously worked at bringing our employee complement closer to South Africa's demographic profile in 2010.

At 31 December 2010, the Santam staff complement consisted of:

**BBBEE SCORE YEAR-ON-YEAR PER ELEMENT
(2010 unverified)**



- More women (58%) than men (42%)
- More black employees (54%) than white (46%)

During the year:

- We employed 129 new employees; 80% of them black and 57% of them women
- A total of 68% of our promotions were for black employees

We remain committed to operating within an 80/20 appointment ratio.

Skills development

Skills development was a highlight in 2010. We have almost doubled our scores by encouraging a significantly higher number of individuals to take part in our leadership development programmes.

We realise that the achievement of our EE goals is related to our skill development initiatives and spend. We expect to see our increasing investment in skills development show returns in our EE scores in the coming years. A look at our 2008, 2009 and 2010 (unverified) scorecard statistics for employment equity and skills development show a clear improvement year on year.

EE and skills development BBBEE scores year on year

	2010 (unverified)	2009	2008
Employment equity	7.53	7.32	2.97
Skills development	11.07	9.83	6.22

Initiatives promoting this element are discussed in more depth in the section "Human capital" on page 35.

Preferential procurement

Santam has implemented a targeted procurement process to increase its procurement from companies that have made significant progress in the area of transformation. This is based on the measurement criteria set out in the dti Codes.

Initiatives promoting this element are discussed in more depth in the section "A sustained supplier base" on page 25.

Enterprise development

We have once again been active in making investments in and loans to black intermediaries. This has scored us full points on this element. Our Santam Black Intermediary Development Initiative (SBIDI) builds skills and support structures among emerging intermediaries building a resilient black intermediary base.

We have set ourselves empowerment financing targets which will be implemented through the government and its development finance institutions. Capital investments are made through various conduits, including SAIA and our investment partners.

Initiatives promoting this element are discussed in more depth in the sections "A sustained intermediary base" on page 21, "A sustained supplier base" on page 25 and "Responsible investments" on page 49.

Socio-economic investment

This element is expressed through our CSI programme. Our CSI programme supports disadvantaged youth and helps to build a solid foundation for South Africa's future. It is also a way of engaging with our stakeholders in new markets and is therefore closely aligned with our core business.

Initiatives promoting this element are discussed in more depth in the section "Extending influence for the benefit of society" on page 40.

Our performance

Santam has shown considerable progress against the dti's scorecard over the past four years. We have improved our rating from level 5 in 2007 to level 4 in 2008, and level 3 at

TRANSFORMATION INCLUDING OWNERSHIP AND CONTROL (sustainability component 8)

the end of 2009. Based on our internal review, we look set to maintain our level 3 status through the end of 2010.

BBBEE STATUS YEAR-ON-YEAR

	2010 (unverified)	2009	2008
Total score	77.15	77.28	70.47
BBBEE status	3	3	4
BBBEE procurement recognition level	110%	110%	100%
Black ownership	26.4%	26.4%	25.1%

Our aspirations

We have made good progress improving our scores based on dti's Codes of Good Practice. We are now preparing to align ourselves with the FSC Codes which will bring our transformation targets in line with

the aspirations of our industry sector. We are a recognised leading short-term insurer – as such, we consider it critical for us to perform well against these new Codes.

Internal transformation targets are undeniably important. However, our contribution to transformation, like our business, spreads beyond our buildings. Our subsidiaries are also part of our transformation journey. Therefore, we will continue to pursue our transformation strategy through acquisitions and the alignment of corporate cultures.

In addition, Santam is committed to transforming the insurance industry through the SBIDI programme – an initiative with knock-on effects for all insurers, who can benefit from trained black intermediaries.

RESPONSIBLE INVESTMENTS (sustainability component 9)



ENVIRONMENTAL SOCIAL AND GOVERNANCE ISSUES ARE INCORPORATED INTO INVESTMENT DECISION-MAKING

We recognise that in the long-term interests of our beneficiaries, our fiduciary duties should include consideration of environmental, social and governance (ESG) impacts. This is in alignment with the United Nations Principles for Responsible Investment (UN PRI).

We presently focus on transformation-related financing in accordance with legislation. We are beginning to integrate elements of ESG-based investment decision-making as the result of poor management of these issues in our portfolio could affect its long-term performance. This has culminated in our development of a responsible investment mandate.

Our approach

Santam's approach to responsible investment is based on the

prescriptions of the sector-specific Financial Sector Charter (FSC). This speaks of empowerment funding which, with the Department of Trade and Industry (dti) Codes, sets out a structured national approach to empowerment. This means that in addition to the targeted investments as required by the FSC, we also invest in enterprise development in accordance with the dti Codes.

However, we do not have the internal capacity to identify, evaluate and exercise investment opportunities that meet charter requirements. This task is outsourced to Sanlam Investment Management (SIM) which manages Santam's investment portfolio.

Sanlam signed up to the UN PRI in 2007. They have begun adopting the UN PRI's six principles using

an incremental approach focusing first on governance issues. Sanlam has made good progress towards implementing the UN PRI principles, and voluntarily completed the UN PRI survey in May 2010 (this is only required of signatories in their fourth year of participation in the principles programme).

Sanlam has developed a range of actively managed funds that strive to bring about social and economic change through the investment process. SIM's social responsibility investment (SRI) funds are performing exceptionally well. According to an Alexander Forbes investment performance survey for the year ending September 2010, SIM was rated first out of the nine measured equity funds, and first out of the five measured bond funds.

RESPONSIBLE INVESTMENTS

(sustainability component 9)

The investment target set for Santam by the FSC amounts to R234 million, based on criteria stipulated in the FSC in 2003. Moving forward, our targets will be based on the FSC Codes, which should be formalised in 2011.

In addition to the FSC targeted investments, we also invest in enterprise development. Targets are based on the dti Codes of Good Practice for Enterprise Development. Targets will be a minimum of 3% of Santam's long-term expected earnings after tax, which translates to a target of about R45 million by 2012.

Progress on implementation against targets is reported to the sustainability committee on a quarterly basis. Evaluation of investment opportunities to meet the requirements of the mandate provided by the sustainability committee is ongoing.

What we did during 2010

The ongoing difficulties regarding different targets remained an issue. There is still no clarity regarding new

targets in terms of the FSC code. We only expect the details to be known towards the middle of 2011.

In the meantime, we have identified relevant focus areas in line with our sustainability management framework. We are working towards ensuring that, as far as possible, ESG issues are incorporated into investment decision-making.

Santam drafted a responsible investment mandate which is in the process of being ratified. The mandate says Santam will:

- make investments that will offset or displace our environmental footprint regarding energy usage, water usage and will contribute to recycling and waste management;
- incorporate ESG issues into investment analysis and decision-making; and
- ensure that our actions are aligned to the UN PRI.

Our performance

Our aim for 2010 was to maintain the level of investment in infrastructure bonds and South African Tax Securitisation in the Santam portfolios. And we have achieved this. Some R396 million was invested in investments classified as targeted investments at 31 December 2010. The total qualifying targeted investments amounted to R172 million (2009: R133 million) subsequent to the weighting applied in terms of the FSC guidelines. Our investment in targeted investments has improved significantly over the past three years.

Our aspirations

One of the objectives for 2011 will be aligning our responsible investment initiatives to the new targets of the FSC Code, once it is finalised. This will include setting longer-term investment targets than the five-year plan we are currently working on.

MANAGING IMPACTS ON THE ENVIRONMENT (sustainability component 10)



THE **INSURANCE** INDUSTRY ACKNOWLEDGES THAT **SYSTEMIC RISKS** ARE SHARED RISKS WHICH NEED TO BE MANAGED COLLECTIVELY

THE CHANGING ENVIRONMENT AND RISK LANDSCAPE

We are living in a time of unprecedented change as ESG factors dynamically interact with each other, resulting in the systemic risks we face today. Climate change is already causing an increase in the intensity and frequency of natural disasters around the globe. The damages caused by these natural disasters are often exacerbated by other unsustainable trends such as ecosystem degradation, unplanned urbanisation and poor land-use management. The insurance industry, that primarily deals with risk, is particularly impacted by this change in the risk landscape.

The insurance industry acknowledges that systemic risks are shared risks which need to be managed collectively. There are also

opportunities for the sector to work with stakeholders and promote multiple ESG benefits. This new way of thinking encouraged global insurers to work together and engage with stakeholders such as government to initiate constructive collaborations. The local insurance industry is also gaining momentum in this through the South African Insurance Association (SAIA) who started developing their sustainability strategy and collective industry response framework to address systemic risks and opportunities.

Through risk prevention, risk mitigation and risk sharing, the insurance sector can protect society, catalyse finance and investment, foster innovation, shape markets and most importantly promote socio-economic stability and sustainable growth.

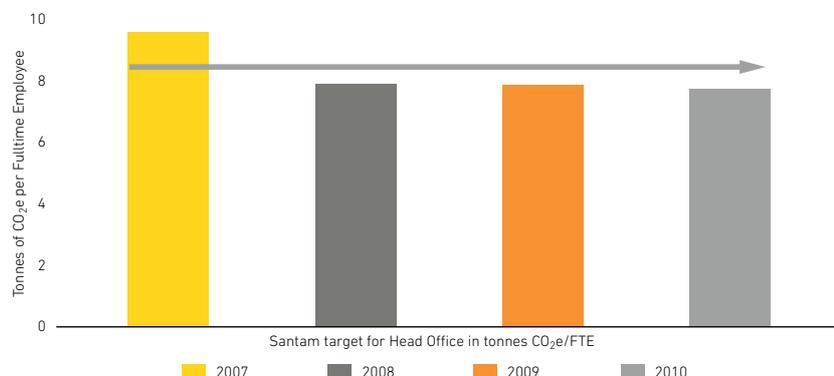
Our approach

Santam is a future-focused company. Therefore, we acknowledge that systemic risk such as climate change cannot be ignored and that there are limits as to how much risk can be transferred to the insurance industry. We also understand that insurance can play an active role in promoting pragmatic and collaborative risk management in society and economy. With that in mind, we hosted the Ecocentric Journey Conference in 2009 and embarked on a journey to raise awareness and foster dialogue on systemic risk in the insurance sector. In the same year we joined ClimateWise as the first African member. Under the guidance of the ClimateWise principles, Santam has made significant progress in addressing the increasing climate risk both internally and externally.

MANAGING IMPACTS ON THE ENVIRONMENT

(sustainability component 10)

COMPARISON OF EMISSIONS YEAR-ON-YEAR (HEAD OFFICE ONLY)



In 2010 Santam became a member of the United Nations Environment Programme (UNEP) Finance Initiative (FI), and specifically its Insurance Commission Board for Africa and Principles for Sustainable Insurance (PSI) working group. We actively contributed to the development of the PSI which aims to develop a set of globally applicable best practice principles. These include concrete actions to facilitate the systematic consideration of ESG risks and opportunities in insurance companies' business strategies and operations. In the local context, we are acting as the strategic coordinator for SAIA sustainable insurance forum with the objective to formulate the plans needed to enhance the resilience and sustainability of the insurance sector. Santam will continue to collaborate with SAIA in this regard and support its newly-formed risk forum for the industry.

We believe that through participating and contributing to these initiatives we are gaining a better understanding of systemic risks and opportunities and therefore enabling ourselves to create a comprehensive approach to address them. From an environmental point of view, we will continue to use the ClimateWise principles as guidelines for our actions.

CLIMATEWISE PRINCIPLE 1: Reduce the environmental impact of our company before joining ClimateWise in May 2009, we mainly focused our effort on reducing our own impact on the

environment. The idea was that we should get our own house in order before influencing those around us. The Santam integrated sustainability unit was given the responsibility to raise environmental awareness within Santam and develop an environmental policy with targets to manage the company's carbon footprint.

What we did in 2010

Energy use management

This has always been an important part of our facilities management which has traditionally focused on reducing peak demand to control costs. Energy has been pushed to the top of the agenda as we have incorporated environmental awareness into our corporate policies and engaged in increasingly transparent and detailed reporting.

Implementation of our environmental policy and targets

Our resource-reduction targets were set across a three-year period from January 2008 to December 2010 and have been implemented successfully. We spent the second half of 2010 considering and developing the next set of targets in conjunction with Sanlam and our other stakeholders.

CDP submission and internal carbon audit

We completed our carbon footprint for 2009 and expanded it to cover 70% of employees. We once again submitted a report to the Carbon Disclosure Project

(CDP) where we were placed on the Leadership Index for transparency on our emissions. We used the greenhouse gas protocol corporate accounting and reporting standard to determine our emissions.

Employee awareness and education

Employee awareness and education continued during the year. We aim to instil a "savings culture" by encouraging employees to think about their resource consumption at work and at home. Employees have been made aware of energy, water and waste issues through articles in the monthly internal magazine, *Essence*, and through workshops supported by the City of Cape Town. We have extended these workshops to the Illovo and Auckland Park offices.

Employee travel survey

We conducted environmental sessions with stakeholders in September 2010 to gather suggestions for ways to reduce our indirect emissions caused by employee travel. The carbon-calculated commuting survey was sent to head office and the five regional offices. The response rate equated to 26% of our employees. More than two thirds of employees were interested in working from home or making use of flexi-time to reduce their time in traffic and thereby reduce emissions. These suggestions will be integrated into a campaign to reduce employee travelling in 2011.

Other operational interventions

- We offered project-specific training to support business units (such as the solar geyser claims team), to address environmental knowledge gaps.
- The Illovo office piloted technology to track energy consumption. The results are encouraging. We plan to expand this to head office in Tyger Valley and other major buildings.
- A project to replace inefficient light fittings in Illovo was completed. Together with the consumption-tracking initiative, this has resulted in energy savings.
- Tap water filters were installed in all kitchens at head office to improve the quality of drinking water and reduce the use of bottled water.
- We renewed our focus on water management to eliminate leaks.
- Paper recycling is continued at head office and at four of the northern regional offices.
- Glass recycling was launched at head office.
- Claims services commissioned the first phase of the electronic document processing (DPC) project. This will significantly reduce the amount of paper we use. We expect our print costs across claims services to decrease by 51% on completion.
- Eco-friendly event planning continued to be applied in major events at Santam. This includes the UNEP FI Principles for Sustainable Insurance regional consultation event in March 2010 in Johannesburg, co-hosted by Santam and SAIA.

This principle is monitored on our sustainability risk log under the element “internal facilities management to support Santam’s environmental positioning”.

CLIMATEWISE PRINCIPLE 2: Incorporate climate change into our investment and broader strategies

Santam is aware that systemic risks have direct and indirect implications for company performance and shareholder value. Therefore the concept is built into our strategy planning and enterprise risk management process to ensure that we continue monitoring and identifying their impact on Santam.

What we did in 2010

Systemic risk research

We conducted a systemic risk identification and status quo assessment. The UNEP FI questionnaire, used for the 2009 report “Global state of sustainable insurance”, was sent to people dealing with risk in the Sanlam Group. This was done to obtain information on the group’s current understanding on systemic risk.

Santam Responsible Investment Mandate

Santam formalised a Responsible Investment Mandate which states that from an environmental perspective we strive to:

- make investments that will offset or displace the environmental footprint of Santam with regard to energy usage, water usage and contribute to recycling and waste management;
- incorporate ESG issues into investment analysis and decision-making; and
- ensure that our actions are aligned to the UNEP PRI. This is discussed in the section “Responsible investments” on page 49.

This is monitored on our sustainability risk log under the element “direct investment to address social, economic and environmental needs”.

UNEP statement for environmental commitment for the insurance industry

Santam joined the UNEP FI and became a signatory to its statement for environmental commitment for the insurance industry. This statement states that members should in their strategies:

- reinforce the attention given to environmental risks in their core activities;
- manage internal operations and reflect environmental considerations; and
- support insurance products and services that promote sound environmental practice.

Our Environmental Forum will ensure that Santam’s core operation adheres to these principles alongside the ClimateWise principles.

CLIMATEWISE PRINCIPLE 3: Support climate awareness among our clients and value chain

Our Environmental Forum was formed in 2009. At that time, the level of environmental awareness in the insurance value chain was relatively low compared to the rest of the world. This encouraged us to raise awareness and influence our business partners through dialogue and engagement. Communication and product innovation are also playing a key role in helping our stakeholders, including our clients, understand the concept of systemic risk and the importance of collaborative risk management.

What we did during 2010

Solar geyser replacement initiative was launched

We are the first insurer in South Africa to provide clients with an option to

MANAGING IMPACTS ON THE ENVIRONMENT

(sustainability component 10)

choose a solar geyser in the event of a claim for an electrical geyser. This initiative was launched in February and it gave us the opportunity to:

- raise climate awareness among our clients;
- influence others to reduce their ecological footprint;
- engage with stakeholders such as Eskom (national supplier of energy in South Africa) and support its energy efficiency campaign; and
- help clients save on electricity costs.

Our commercial lines business unit also introduced changes such as cover provided for solar water heaters as part of the sum insured on commercial buildings. Some of our products that take environmental issues into consideration are discussed in the section “*Solutions aligned to social and environmental needs*” on page 33.

Procurement policy reviewed

We reviewed our procurement policy and included a sustainability clause which recommends that suppliers make their best effort to comply with the relevant environmental legislation and consider the environment in their business operations.

Santam Agriculture's climate risk database and experimental farm

Santam Agriculture continuously maintains a climate database that is used for determining changes in climate risks over time. This information is made available on a website dedicated to helping farmers identify possible climate risks. This enables them to take proactive steps in protecting their assets. Santam Agriculture also educates clients on sustainable farming practices such as water management techniques and latest findings from its experimental farm.

Raising awareness on systemic risk using communications

We continued our effort to raise awareness on systemic risk through the effective use of our media channels. Externally, media efforts were directed at insurance-related publications and mainstream business and financial media. This includes the *Focus* magazine, our newsletter to intermediaries. Internally, the intranet, *Today@Santam* and *Essence* were used as channels of communication.

This principle is monitored on our sustainability risk log under the elements “products and solutions adapted for environmental change” and “alignment of suppliers to the environmental positioning of Santam”.

CLIMATEWISE PRINCIPLE 4: Lead in risk analysis

Our participation at UNEP FI global roundtable in 2009 was another milestone for Santam where the idea of systemic risk and the ESG factors came to the foreground. It became clear to us that a holistic approach to risk management is needed, and that insurers need to improve underwriting capability and promote proactive risk management to ensure the sustainability of the industry and the economy as a whole.

What we did during 2010

Risk and resilience in a changing world – the insurance collaboration

In June, Santam formed a partnership with the CSIR and University of Cape Town's Centre of Criminology. The key objective of this collaboration is to better understand the system dynamics between risk and resilience in a socio-ecological landscape, and the role of insurance industry in shaping societal behaviours. The collaboration commenced with research that focuses on the Eden municipal area (Southern Cape). Increased climate risk became more evident in this area in recent years due to environmental degradation,

poor land-use management and other social factors. Santam has been actively contributing to the project by bringing in expertise and data, and aligning them to projects such as the South African coastal project.

South African coastal project

The aim of this strategic project is to refine our tools for risk analysis especially in coastal areas vulnerable to the increasing climate risks. This project will also act as a stepping stone towards the more complex Geographical Information System (GIS) foundation project. This will improve our underwriting and risk assessment capabilities in the long run.

Academic research on climate risk adaptation

We sponsored an academic research project that investigated to which extent municipalities are addressing climate risk adaptation, and what the barriers and enabling factors to adaptation are at a municipal level. We anticipate that these resources will enhance our collaboration with government stakeholders and also our current work in the insurance lab collaboration.

SAIA's Risk Forum

Through our involvement as strategic coordinator for SAIA's Sustainable Insurance Forum, we supported the decision to form a SAIA Risk Forum whose task it is to pool expertise and develop a risk radar for the industry. This is a practical step to take forward SAIA's sustainability strategy for the short-term insurance industry.

ClimateWise working group

Santam actively participated in the work streams at ClimateWise – such as the working group on climate adaptation in developing countries – to improve understanding of how the insurance industry can better promote risk reduction measures with government and other stakeholders.

CLIMATEWISE PRINCIPLE 5: Inform public policy making

Systemic risk is a shared risk; therefore, every stakeholder has a role to play in increasing society's resilience to the changing risk landscape. The insurance industry has the expertise in risk analysis and the experience in risk management to influence and help governments who are often the insurers of last resort, in developing appropriate policies to manage ESG risk.

What we did during 2010

At a global level

Through ClimateWise and UNEP FI, Santam presents a voice in the global climate negotiations as an insurance representative of a developing country. A highlight in this regard was our contribution to the "Global insurance industry statement on adapting to climate change in developing countries". This statement was developed by four leading global insurance organisations with the aim to assist government in understanding the role of insurance in climate change adaptation.

At a national level

Santam has been involved with the National Business Initiatives (NBI), which acts as a channel for businesses to add value to the policy-making process on climate change at a national level. We are also engaging with the Department of Energy (DoE) regarding the government's initiative to proactively roll out solar water heaters. We anticipate that through our involvement with SAIA, we will have more opportunities to provide input in government's new policies relating to climate change.

At a local level

Santam engaged with local municipalities through the South African Local Government Association (SALGA) regarding risk management issues such as land-use planning, fire services etc. We are also finalising

the "Business Adopts-a-Municipality" concept which aims to assist municipalities with risk mitigation around fire, flood and storm water.

CLIMATEWISE PRINCIPLE 6: Report and be accountable

The Santam sustainability committee oversees governance matters relating to the company's response to systemic risk and opportunities; while the Santam Environmental Forum, consisting of senior representatives from various business units, is responsible for actions that integrate ESG consideration into the core business.

What we did during 2010

ClimateWise report

We submitted our first ClimateWise annual report in June. The feedbacks from independent reviewers were positive for both compliance and disclosure of the report.

- Final compliance score: 37 out of 50
- Final disclosure score: 36 out of 50

Report to the board on Santam's position on systemic risk

The progress on systemic risk research and overall enterprise risk management is reported to the board through the risk committee. A risk report, with climate risk integrated, is produced regularly to track progress against goals and identify possible gaps in enterprise risk management.

Every quarter the Santam Environmental Forum reports its progress to the sustainability committee, through the Santam integrated sustainability unit, using the ClimateWise principles as a framework. A sustainability report is released as part of the annual reporting cycle.

Carbon Disclosure Project (CDP)

Santam has participated in the CDP since 2008 and was consistently

placed on the Leadership Index for transparency on our emissions.

Overall commitment and accountability

Our environmental policy clearly states that Santam is committed to complying with relevant environmental laws and regulations and applying best practice principles identified in and reporting against:

- The JSE Social Responsibility Index (SRI)
- The Carbon Disclosure Project (CDP)
- The Global Reporting Initiative (GRI) (Integrated Sustainability Reporting)
- King III Codes

Our aspirations

In 2011 we will continue to use the ClimateWise principles as guidance for our actions and environmental positioning:

- Principle 1: Reduce the environmental impact of our company

We will further reduce our impact on the environment by raising further environmental awareness within the company; refining and expanding our current actions at other offices; introducing new measures at our facilities such as motion sensor light switches; and developing more specific environmental targets for the different business units at Santam.

- Principle 2: Incorporate climate change into our investment and broader strategies

We will continue to find opportunities to promote risk management in our operational activities with the aim to deliver benefits for the company practically while promoting ESG benefits.

- Principle 3: Support climate awareness among our clients and value chain

We will continue to raise climate awareness among our clients and value chain by refining our current

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(sustainability component 10)

initiatives (such as solar geyser replacement initiative); introducing environmental criteria in relevant procurement adjudication processes; and educating clients about climate risk management. We will also be investigating opportunities for new products that promote environmental benefits. Through our involvement as strategic coordinator for SAIA's sustainable insurance forum we also aim to raise further awareness about systemic risk in the broader industry.

– **Principle 4: Lead in risk analysis**

We will finalise phase 1 of the insurance lab collaboration with the University of Cape Town (UCT) and the Council for Scientific and Industrial Research (CSIR), synthesise key insights and discuss the way forward. Internally we will

continue to refine our tools for risk assessment based on knowledge from both the South African coastal project and the insurance lab collaboration. We will continue to support SAIA's sustainability strategy and the formation of the Risk Forum for the industry. We will continue supporting the work streams at ClimateWise around climate risk adaptation in the developing world at international level.

– **Principle 5: Inform public policy making**

We will continue to engage with global policy makers through our membership at UNEP FI and ClimateWise. This will include input to the loss and damage component at United Nations Framework Convention on Climate

Change (COP17) in Durban later this year. At a national level we will continue supporting the government, particularly the DoE, with their initiatives. We will also provide any further input to policy relating to climate change through NBI and SAIA. We aim to increase our engagement with local governments to improve practical risk management on the ground.

– **Principle 6: Report and be accountable**

The Environmental Forum will continue to report to the Santam sustainability committee. We will continue to report to the CDP, ClimateWise and the public through the annual sustainability report. We will also keep ourselves up to date with any developments regarding integrated reporting framework.

SCORECARD

Element	Subcategory	Weighting	Target	2010			2009		
				Achieved	Score	Total	Achieved	Score	Total
Ownership (20)	Voting rights black people	3	25%	27.80%	3.00	18.49	27.80%	3.00	18.49
	Voting rights black women	2	10%	3.05%	0.61		3.00%	0.61	
	Economic interest black people	4	25%	26.40%	4.00		26.40%	4.00	
	Economic interest black women	2	10%	2.94%	0.59		2.90%	0.59	
	Economic interest black designated groups	1	2.5%	18.90%	1.00		18.90%	1.00	
	Ownership fulfilment	1	Yes	No	0.00		No	0.00	
	Net equity interest	7	100%	105.60%	7.00		100.00%	7.00	
	New entrants	2	10%	6.44%	1.29		6.10%	1.29	
	Black designated groups	1	10%	19.96%	1.00		18.90%	1.00	
Management (10)	Exercisable voting rights black people	3	50%	35.71%	2.14	5.64	32.10%	1.93	6.06
	% black executive board members	2	50%	0.00%	0.00		0.00%	0.00	
	% black senior top managers	5	40%	20.00%	2.50		25.00%	3.13	
	% black other top managers	0	40%	0.00%	0.00		0.00%	0.00	
	% black independent board members	1	40%	80.00%	1.00		60.00%	1.00	
Employment Equity (15)	% black disabled employees	2	2%	0.31%	0.00	7.53	0.30%	0.00	7.32
	% black senior managers	5	43%	22.15%	2.58		20.80%	2.42	
	% black middle management	4	63%	29.02%	1.84		27.00%	1.71	
	% black junior management	4	68%	52.91%	3.11		54.20%	3.19	
	EAP targets	3	87.5%	0.00%	0.00		0.00%	0.00	
Skills Development (15)	% Skills spend on black people	6	3%	4.74%	6.00	11.07	4.00%	6.00	9.83
	% Skills spend on black disabled people	3	0.3%	0.00%	0.03		0.00%	0.01	
	% Learnerships	6	5%	4.20%	5.04		3.20%	3.82	
Preferential Procurement (20)	% spend on all suppliers	12	50%	45.59%	10.94	15.91	48.10%	11.55	16.36
	% spend on BEE QSEs & EMEs	3	10%	23.21%	3.00		23.50%	3.00	
	% spend on 50% black owned	3	9%	5.16%	1.72		4.20%	1.41	
	% spend on 30% black women owned	2	6%	0.75%	0.25		1.20%	0.40	
Enterprise Development (15)	% of net profit after tax	15	3%	7.40%	15.00	15.00	5.15%	15.00	15.00
Socio-Economic Development (5)	% of net profit after tax	5	1%	0.70%	3.52	3.52	0.84%	4.22	4.22
TOTAL		100			77.15	77.15		77.28	77.28

* 2010 included MiWay and Centriq
2009 included Centriq





**FOR US TO
LIVE WITH A
CONSCIENCE IS
NOT CHOICE, IT'S
A NECESSITY,
SO THAT WHAT
WE HAVE TODAY
IS AVAILABLE
TOMORROW.**

SUSTAINABILITY CHARTER

1. CONSTITUTION

The sustainability committee ("the committee") is a committee of the Santam Limited ("Santam") board of directors ("the board") with the responsibility to recommend for approval, monitor and advise on all material and relevant issues that have a significant impact on the company and its stakeholders.

These responsibilities are underpinned by the organisational Sustainability Framework, which serves to ensure that Santam:

- has a sustained client base;
- develops products to accommodate change – from a societal and environmental perspective;
- has a sustained supplier base;
- has the appropriate human capital processes and systems in place;
- transforms its ownership and control appropriately;
- cultivates an ethical culture and is able to manage fraud effectively;
- applies environmental impact management;
- has a sustained intermediary base;
- extends influence to the benefit of the society; and
- applies responsible investment practices.

2. MEMBERSHIP

2.1 The committee will consist of no less than three suitably qualified, experienced and representative non-executive directors appointed by the board. The majority of these shall be independent directors.

2.2 The board will appoint the committee chairman from the independent directors and determine the period for which he/she shall hold office.

2.3 Suitably qualified persons may be co-opted onto the committee when necessary to render such specialist services as may be necessary to assist the committee in its deliberations on any particular matter, but shall have no voting rights.

3. PURPOSE

The committee will assist the board with the following responsibilities and will:

- 3.1 Recommend policies for approval.
- 3.2 Monitor the implementation of policies through the consideration of management reports on the issues envisaged above, as well as noting the activities of the human resources committee regarding employment equity.
- 3.3 Consider and recommend for approval, the reporting for purposes of the Financial Sector Charter and the Department of Trade and Industry Codes of Good Practice, transformation reporting and the results of the BBBEE audits for purposes of the Department of Labour.
- 3.4 Consider and recommend for approval, the reporting on sustainability issues in the annual sustainability report.
- 3.5 Advise Santam management of ways and means to improve the effectiveness of its sustainability policies and the setting of targets and time frames in relation thereto.

3.6 Report to the board on the status of sustainability issues.

3.7 Monitor the Santam Group's compliance with the requirements set for inclusion in the JSE's sustainability index and make appropriate recommendations if and when required.

3.8 Encourage independently managed subsidiaries, associates and significant investments to develop policies, guidelines and practices congruent with Santam's sustainability policies.

3.9 Monitor and receive reports covering all substantive matters relating to the sustainability issues listed, including:

- i. Santam's business units;
- ii. managed subsidiaries (and may request such reports from the relevant representatives of the companies serving on the boards of these companies or their equivalent committees); and
- iii. independently managed subsidiaries, associates and significant investments where appropriate, and may request the relevant representatives of Santam serving on the boards of these companies or their equivalent committees to assess whether such matters are receiving due attention in the manner congruent with Santam's policies.

3.10 Consider substantive national and international regulatory and technical developments

in all fields relevant to the company's identified sustainability issues.

3.11 Facilitate participation, cooperation and consultation on sustainability matters of governments, national and international organisations, national authorities, other companies and other influencing and/or relevant bodies.

3.12 Monitor and make recommendations as to the optimal utilisation of resources to optimise the company's long-term sustainability.

The chairman of the committee (or in his/her absence, an alternative member) shall attend Santam's annual general meeting to answer questions concerning sustainability issues within the Santam Group, and on developments and/or implementation.

4. MEETINGS

4.1 Meetings of the committee will be held as the committee deems appropriate. However, the committee should meet at least twice each year. Meetings should be organised so that attendance is maximised. The chairman of the committee or any member of the committee may call a meeting at any other time.

4.2 The notice of each meeting of the committee, confirming the venue, time and date, and enclosing an agenda of items to be discussed, will other than under exceptional circumstances be forwarded to each member of the committee not less than five working days prior to the date of the meeting.

4.3 The quorum for decisions by the committee will be more than one half of the independent members of the committee present at that stage.

5. PROCEEDINGS

5.1 Unless varied by these terms of reference, meetings and proceedings of the committee will be governed by Santam's Articles of Association ("the Articles") regulating the meetings and proceedings of directors and committees.

5.2 The company secretary will take minutes of meetings. Minutes of all meetings shall be circulated to all the members of the committee and to other members of the board. Any director may, provided there is no conflict of interest, obtain copies of the committee's minutes. The chairman will be advised of such requests in due course.

5.3 The chairman of the committee will give verbal feedback to the board on the committee's deliberations, at the subsequent board meeting.

6. REMUNERATION

6.1 Having regard to the functions performed by the members of the committee in addition to their functions as directors in relation to the activities of the committee, and pursuant to the specific power conferred upon the board by the Articles, non-executive members of the committee may be paid such special remuneration in respect of their appointment as will be determined by the board.

6.2 Such special remuneration will be in addition to the annual fees payable to directors.

6.3 The remuneration of the committee members will be set by the board annually after considering recommendations in this regard from the human resources committee.

7. GENERAL

7.1 The committee, in carrying out its tasks under these terms of reference, may in consultation with the Chairman of the board, and in cooperation with the board's company secretary, obtain such outside or other independent professional advice both inside and outside Santam in order for it to perform its duties.

7.2 These terms of reference may be amended as required, subject to the approval of the board.

GRI G3 CONTENT INDEX

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Strategy and analysis				
1.1	Statement from the most senior decision-maker of the company	Full	SR – Message from our Chairman AR – Message from our CEO	2 4
1.2	Description of key impacts, risks and opportunities	Full	SR – Our material sustainability issues	11
Organisational profile				
2.1	Name of the company	Full	SR, AR and website	
2.2	Primary brands, products, and/or services	Full	SR – Alignment of products, processes and initiatives to client needs and services AR – Operational review	16, 25
2.3	Operational structure of the company	Full	AR – Operational review Website	
2.4	Location of the company's headquarters	Full	AR and website	
2.5	Countries in which the company's operations are located		AR	
2.6	Nature of ownership		AR	
2.7	Markets served	Partial	SR – Alignment of products, processes and initiatives to client needs and services SR – Solutions aligned to social and environmental needs	16, 25 33
2.8	Scale of the reporting company	Partial	Website	
2.9	Significant changes during the reporting period in terms of size, structure or ownership	Not applicable		
2.10	Awards received during the reporting period	Full	SR – Managing sustainability at Santam	11
Report profile				
3.1	Reporting period for information provided	Full	SR – About this report	10
3.2	Date of most recent previous report	Full	SR – About this report	10
3.3	Reporting cycle	Full	SR – About this report	10
3.4	Contact point for questions about the report or its contents	Full	SR – About this report	10
Report scope and boundary				
3.5	Process for defining report content	Full	SR – Managing sustainability at Santam	11
3.6	Boundary of the report	Full	SR – About this report	10
3.7	Any specific limitations on the scope or boundary of the report	Full	SR – About this report	10
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Full	SR – About this report SR – A sustained intermediary base	10 21
3.9	Data measurement techniques used	Partial	SR – Various sections	
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	Not applicable		
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Partial	SR – Managing impacts on the environment	51

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
GRI content index				
3.12	Table identifying the location of the standard disclosures in the report	Full	SR – This GRI table	
Report assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report	Full	SR – About this report	10
Governance, commitments and engagement				
4.1	Governance structure of the company, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Full	SR – Governance structures and systems AR – Governance	11
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Full	AR – Governance	
4.3	For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Full	AR – Governance	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Partial	AR	
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives and the company's performance		AR	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Full	AR	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the company's strategy on economic, environmental and social topics		AR	
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Full	SR – Various sections	
4.9	Procedures of the highest governance body for overseeing the company's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with international agreements	Full	SR – Managing sustainability at Santam	11
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Partial	SR – Managing sustainability at Santam	11
Commitments to external initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the company	Not reported		
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the company subscribes or endorses	Full	SR – Various sections	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	Full	SR – Extending influence for the benefit of society SR – Managing impacts on the environment	40 51

GRI G3 CONTENT INDEX

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Stakeholder engagement				
4.14	List of stakeholder groups engaged by the company	Full	SR – Extending influence for the benefit of society	40
4.15	Basis for identification and selection of stakeholders with whom to engage	Full	SR – Extending influence for the benefit of society	40
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Partial	SR – Extending influence for the benefit of society	40
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the company has responded to those key topics and concerns, including through its reporting	Partial	SR – Extending influence for the benefit of society	40
Core economic indicators				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Full	AR – Financial statements SR – Extending influence for the benefit of society	40
EC2	Financial implications and other risks and opportunities for the company's activities due to climate change	Full	AR – CEO's statement SR – Managing impacts on the environment	51
EC3	Coverage of defined-benefit plan obligations	Not reported		
EC4	Government assistance	Full	No significant financial assistance received from government	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Partial	SR – A sustained supplier base	25
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Not applicable		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Full	SR – Extending influence for the benefit of society	40
Additional economic indicators				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Not applicable		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Not reported	Not considered material	
Core environment indicators				
EN1	Materials used by weight or volume	Not applicable		
EN2	Percentage of materials used that are recycled materials	Not applicable		
EN3	Direct energy consumption by primary source	Full	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51
EN4	Indirect energy consumption by primary source	Full	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51
EN8	Total water withdrawal by source	Not reported		

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Core environment indicators				
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not reported		
EN12	Description of significant impact of activities, products, and services on biodiversity in protected areas and areas of high-biodiversity value outside protected areas	Not applicable		
EN16	Total direct and indirect greenhouse gas (GHG) emissions by weight	Partial	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51
EN17	Other relevant indirect GHG emissions by weight	Partial	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51
EN19	Emissions of ozone-depleting substances by weight	Not reported	Not material	
EN20	NO, SO and other significant air emissions by type and weight	Not reported	Not material	
EN21	Total water discharge by quality and destination	Not reported		
EN22	Total weight of waste by type and disposal method	Not reported		
EN23	Total number and volume of significant spills	Not applicable		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Partial	SR – Solutions aligned to social and environmental needs; SR – Managing impacts on environment	33 51
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not reported	Not material	
Additional environment indicators				
EN5	Energy saved due to conservation and efficiency improvements	Partial	SR – Managing impacts on environment 2010 Carbon Footprint report	51
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Full	SR – Solutions aligned to social and environmental needs; SR – Managing impacts on environment	33 51
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partial	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51
EN9	Water sources significantly affected by withdrawal of water	Not reported		
EN10	Percentage and total volume of water recycled and reused	Not reported		
EN13	Habitats protected or restored	Not reported		
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Not reported		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable		
EN18	Initiatives to reduce GHG emissions and reductions achieved	Partial	SR – Managing impacts on the environment, 2010 Carbon Footprint report	51

GRI G3 CONTENT INDEX

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Additional environment indicators				
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not applicable		
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting company's discharges of water and run-off	Not reported		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the company's operations, and transporting members of the workforce	Not reported		
EN30	Total environmental protection expenditures and investments by type	Partial	SR – Extending influence for the benefit of society	40
Core labour practices and decent work indicators				
LA1	Total workforce by employment type, employment contract, and region	Partial	SR – Human capital	35
LA2	Total number and rate of employee turnover by age group, gender and region	Partial	SR – Human capital	35
LA4	Percentage of employees covered by collective bargaining agreements	Full	SR – Human capital	35
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not reported		
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Not reported	Not material	35
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Partial	SR – Human capital	35
LA10	Average hours of training per year per employee by employee category	Partial	SR – Human capital	35
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Not reported		
LA14	Ratio of basic salary of men to women by employee category	Not reported		
Additional labour practices and decent work indicators				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not reported		
LA6	Percentage of total workforce represented in formal joint management, worker health and safety committees that help monitor and advise on occupational health and safety programmes	Not reported		
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported		
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	SR – Human capital	35
LA12	Percentage of employees receiving regular performance and career development reviews	Full	SR – Human capital	35

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Core human rights indicators				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Partial	SR – A sustained supplier base	25
HR4	Total number of incidents of discrimination and actions taken	Not reported		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not reported		
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	Not applicable		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	Not reported		
Additional human rights indicators				
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported		
HR8	Percentage of security personnel trained in the company's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Not reported		
Core society indicators				
S01	Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities	Full	SR – Extending influence for the benefit of society SR – Solutions aligned to social and environmental needs	40 33
S02	Percentage and total number of business units analysed for risks related to corruption	Partial	SR – Maintaining an ethical culture and managing economic crime	28
S03	Percentage of employees trained in the company's anti-corruption policies and procedures	Full	SR – Maintaining an ethical culture and managing economic crime	28
S04	Actions taken in response to incidents of corruption	Full	SR – Maintaining an ethical culture and managing economic crime	28
S05	Public policy positions and participation in public policy development and lobbying	Full	SR – Maintaining an ethical culture and managing economic crime SR – Extending influence for the benefit of society SR – Managing impacts on the environment	28 40 51
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not reported		
Additional society indicators				
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Not reported		
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Not reported		

GRI G3 CONTENT INDEX

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*	Page
Core product responsibility indicators				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	Not applicable		
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Partial	SR – Solutions aligned to social and environmental needs	33
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Partial	SR – Maintaining an ethical culture and managing economic crime	28
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not reported		
Additional product responsibility indicators				
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impact of products and services during their life cycle, by type of outcomes	Full	No significant fines, non-monetary sanctions or legal actions for non-compliance with laws and regulations	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Not reported		
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction	Partial	SR – Sustaining our client base	16
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Full	No significant fines, non-monetary sanctions or legal actions for non-compliance with laws and regulations	
PR8	Total number of substantiated complaints regarding breaches of client privacy and losses of client data	Full	SR – Sustaining our client base	16

Key

Full	<i>This indicator was fully addressed by Santam in this 2010 Sustainability Report and supporting documents, or in Santam's Annual Report 2010 or Santam's corporate website.</i>
Partial	<i>This indicator was partially addressed by Santam in this 2010 Sustainability Report and supporting documents, or in Santam's Annual Report 2010 or Santam's corporate website.</i>
Not reported	<i>This indicator was not covered by Santam in its reporting for 2010.</i>
Not applicable	<i>This indicator was not relevant in the context of Santam's operations.</i>
Not required	<i>This indicator was not required for conformance to GRI Application Level B.</i>
SR	<i>This refers readers to coverage of the relevant indicator in the named section of this 2010 Sustainability Report.</i>
AR	<i>This refers readers to coverage of the relevant indicator in the named section of Santam's Annual Report 2010.</i>

EXECUTIVES AND DIRECTORS

Currently 10 executives make up the senior management team, with Ian Kirk as Chief Executive Officer, appointed in June 2007. Santam has 12 directors, serving on its board. The Chairman of the board is Vusi Khanyile.

SANTAM SENIOR MANAGEMENT

IM Kirk, H Nigrini, E Gibbens, M Reyneke, J de Klerk, H Nortje, T Mvusi, Y Ramiah, Q Matthew and J Melville.

SANTAM LIMITED BOARD OF DIRECTORS

VP Khanyile* (Chairman), B Campbell*, MD Dunn*, BTPKM Gamedze*, DCM Gihwala*, IM Kirk** (Chief Executive Officer), JG le Roux*, NM Magau*, JP Möller*, YG Muthien*, P De V Rademeyer*, MJ Reyneke** (Financial Officer), GE Rudman*, J van Zyl* and BP Vundla*

* Non-executive Director

** Executive Director

Company secretary

Masood Allie

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