



INTEGRATED REPORT
2015

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ABOUT THIS REPORT

Santam Ltd (Santam or the group) is a South African company listed on the JSE since 1964 under the insurance (non-life) sector. The company was founded in 1918 and its headquarters is in Cape Town, South Africa.

This integrated report reviews the financial year for the 12 months ended 31 December 2015 and covers general insurance and investment operations in South Africa, the rest of Africa, India and Southeast Asia.

MATERIALITY

Santam aims to continuously improve its reporting process. In preparing this report, Santam launched a process to identify those matters that are most material to the group's ability to create value over the short, medium and long term. Providers of financial capital were identified as the primary target audience for the report, while taking the interests of a broader range of stakeholders into consideration.

The reporting team considered materiality according to the following:

- Santam's strategy and value-creation statement
- Santam's key risks – especially where risks are showing an upward trend
- The Santam sustainability framework and its focus areas
- Industry challenges and developments, including macro and micro trend examples

The team also identified potential challenges to the relevance and robustness of the material matters, including the ability to quantify the potential impact of some of these matters and the range of stakeholder feedback considered.

All matters that are considered material are addressed in this report.

Readers of the report should take note of a transaction that is underway and expected to be finalised in the first quarter of 2016:

- The proposed acquisition of a 30% interest in Saham Finances SA (Saham Finances), the insurance arm of the Saham Group, through a special purpose vehicle to be jointly held by Sanlam Emerging Markets (Pty) Ltd (SEM) with a 75% interest and Santam with a 25% interest, for a total cash consideration including transaction costs of US\$400 million. Santam will fund its proportionate share of the purchase consideration and

transaction costs of US\$100 million from the net proceeds on disposal of a portion of its listed equity portfolio, and from existing foreign currency assets.



Read more ...

about this transaction in the chief financial officer's report on page 22.

REPORTING GUIDELINES AND BOUNDARIES

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

- King Report on Governance for South Africa 2009 (King III)
- International Financial Reporting Standards (IFRS)
- The Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- The Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

As a listed entity Santam reports its broad-based black economic empowerment (BBBEE) annually which is accessible on its website. At the same time Santam participates in the Sanlam Group BBBEE verification process, as it owns 61.2% in Santam.

All references to the Santam branded business relates to Santam Commercial and Personal, Santam Specialist and Santam Re. MiWay, Centriq, Brolink, the specialist underwriting managers and international partner businesses operate under their own brands.

Cross-references to notes in this report are made with reference to the full set of the annual financial statements.



REPORTING ELEMENTS

The elements of the 2015 annual reporting suite can be accessed through the following channels:

Reporting element	Printed documents	Santam website	Target audience
2015 integrated report with summary consolidated financial statements	✓	✓	Providers of financial capital
Full annual financial statements	✓	✓	Providers of financial capital
Notice and proxy of the annual general meeting	✓	✓	Shareholders
Sustainability-related information and downloads	✗	✓	All stakeholders



Requests for printed copies of elements and supplementary documents or feedback can be submitted to the company secretary, Masood Allie, at masood.allie@santam.co.za or +27 21 915 7000.

APPROVAL AND ASSURANCE

Santam's 2015 integrated report is the result of combined material input from all the different business units reporting on their activities and achievements for the year. PricewaterhouseCoopers Inc provided assurance of the summary consolidated financial statements included in this report. Data relating to BBBEE were verified by AQRate.

The group's 2015 scope 1 and 2 carbon footprint will be verified by Ernst & Young and the assurance statement will be available on the Santam website by 31 March 2016.

Non-financial indicators were reviewed by an internal process that includes approval by the executive committee.

The 2015 integrated report was reviewed by the audit and the social, ethics and sustainability committees. The reviewed report was recommended to the board and final approval was granted on 2 March 2016. On this basis, the board is satisfied that the report offers the necessary substance for the providers of financial capital to make considered evaluations about the performance and sustainability of the group.

FORWARD-LOOKING STATEMENTS

In this report, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour", "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may differ from those that were anticipated. Forward-looking statements apply only as of the date on which they are made, and Santam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

NAVIGATIONAL ICONS

The following icons were applied throughout the report to improve usability and show the integration between the relevant elements of the report.



WEBSITE (WWW.SANTAM.CO.ZA UNLESS OTHERWISE SPECIFIED)



PAGE REFERENCE

2015 AT A GLANCE

KEY FACTS

	2015	2014
Gross written premium	R24.3 billion	R22.7 billion
South African market share	>22%	>22%
Claims ratio	62.1%	63.1%
Return on shareholders' funds	32.5%	24.7%
Headline earnings per share	1 844 cents	1 446 cents
Number of group employees	5 313	5 163
Santam group BBEE level*	3	3
Sanlam Group BBEE level (including Santam)	2	2
Santam black ownership percentage	28.8%	30.0%
Global credit rating	AAA(ZA) claims paying ability	AAA claims paying ability
Fitch rating	AA+ national insurer financial strength	AA+ national insurer financial strength
Standard & Poor's (S&P) rating**	BBB+ international rating za AAA national scale rating	BBB+ international rating AA+ national scale rating
Value of claims incurred	R11.5 billion	R10.9 billion

* Lower rating than Sanlam Group due to limited access products available in the general insurance sector.

** Santam's credit rating is capped at two notches above the sovereign rating.

KEY FINANCIAL GOALS

	Achieved in 2015	Long-term goal
Return on capital	32.5%	2015: >22.5% *2016: >24.0%
Gross written premium growth (including cell captive insurance)	7%	Real GDP growth
Gross written premium growth (excluding cell captive insurance)	8%	
Acquisition cost ratio	28.3%	27%
Underwriting margin	9.6%	4% – 8% through the cycles (previously 4% – 6%)
Investment return on insurance funds	2.7%	2.5% of NEP through the cycles
Solvency ratio	48.1%	35% – 45%

GDP = gross domestic product

CPI = consumer price index

NEP = net earned premium

* Increase in 2016 due to the increase in the risk-free rate.

THIS IS THE SANTAM GROUP

Santam is the leading general insurer in South Africa with a market share in excess of 22%. The group provides a diversified range of general insurance products and services in southern Africa and internationally through a network of 2 700 intermediaries and direct channels. The group's more than 1 million policyholders range from individuals to commercial and specialist business owners and institutions.

The group derives revenue from insurance activities and investments. Insurance activities include commercial and personal insurance and alternative risk cover. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting results as a measure of profitability.

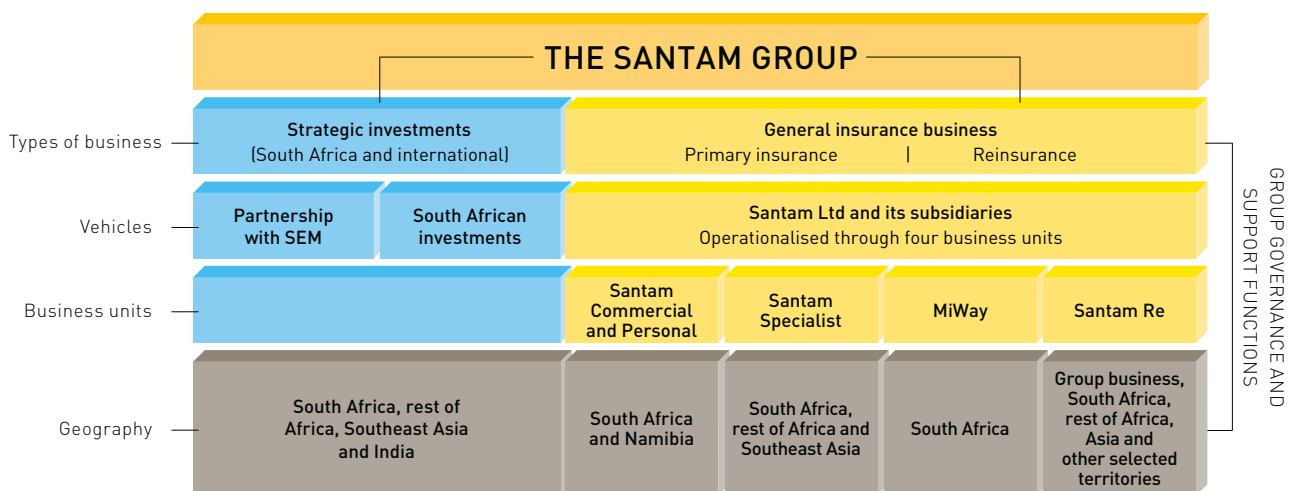
The group consists of the Santam branded business units (Santam Commercial and Personal, Santam Specialist and Santam Re) and wholly-owned subsidiaries – MiWay (direct insurer), Centriq (cell captive insurer) and Brolink (an independently managed insurance administration business). Included in Santam Specialist is a number of specialist underwriting managers.

The group further participates in investments and partnerships in emerging markets in Africa, India and Southeast Asia through collaboration with the Sanlam Emerging Markets (SEM) business.

The group's most significant associate constitutes its 40% interest in Western National Holdings (personal and commercial insurer). The group also holds a 24% interest in Indwe (an independently managed insurance intermediary business), following the sale of 76% of its shareholding on 31 December 2015.

The Santam business units set out in the accompanying diagram are responsible for implementing their market strategies that contribute collectively to the value creation of the group. The business units share various group governance and support functions for consistency and efficiency.

Santam is a subsidiary of South African life insurer, Sanlam, which holds 61.2% of Santam's shares.



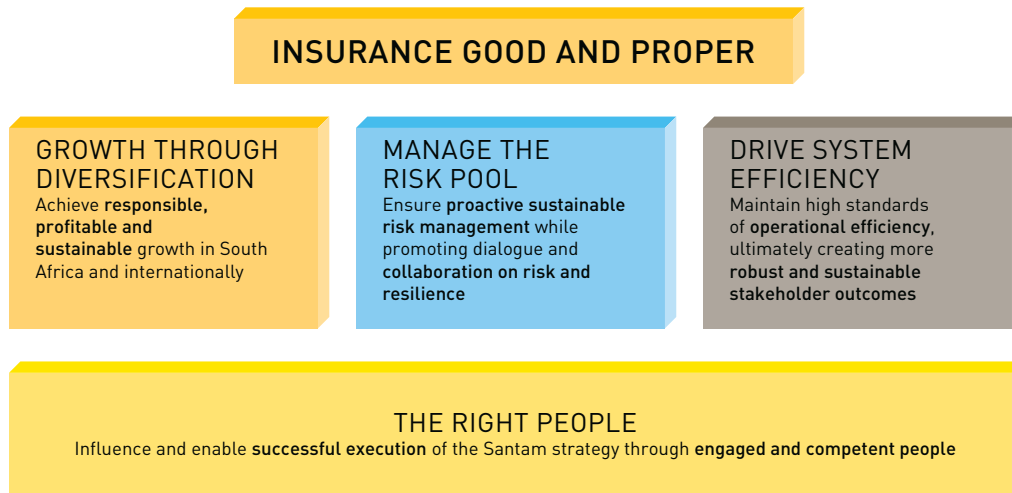
STRATEGY AT A GLANCE

Santam creates value by contributing to a robust, inclusive and responsible general insurance industry that offers stakeholders value and stability. This supports sustainable social, environmental and economic development.

Santam's long-term sustainability relies on the group's ability to manage systemic risk through partnerships, to diversify its geographic footprint, product and service offering and to improve operating efficiency. In addition, Santam is committed to consumer education and increasing access to insurance for emerging and uninsured communities and individuals.

Santam's commitment to its policyholders and clients is captured in the brand promise, **Insurance good and proper**. The group's strategy is defined by focus areas that are continuously refined to entrench the group's competitiveness and resilience, and to continue delivering sustainable and positive performance. Disciplined execution is measured against set targets.

The overall strategic portfolio risk of the group is considered low to medium as the group has a diversified portfolio of businesses with good growth prospects, backed by a healthy financial position and a supportive majority shareholder in Sanlam. Some mature businesses within the group face intensifying competition, which is balanced by attendant new businesses.



Read more ...
about Santam's strategy process and performance from page 28.

INVESTMENT CASE

COMPETITIVENESS

Santam's geographical footprint, scale, brand strength, business diversity and distribution networks put the group in a strong competitive position in South Africa, where it has a market share in excess of 22%. The group further benefits from the diversity of its product offering and multiple channel capabilities (including a growing direct channel market share), which have contributed to sustained underwriting surpluses despite highly adverse operating conditions. It currently insures 86 of the top 100 companies listed on the JSE and has a network of more than 2 700 intermediaries.

Through its partnership with SEM it offers intermediaries access to 13 insurance licences across the African continent, India and Malaysia.



Read more ...

about the ways in which Santam differentiates itself from competitors under the group profile on page 5.

CONSISTENCY

Santam has been able to consistently achieve underwriting profits, while adapting its business model to the prevailing market conditions and risks. Since its establishment in 1918, the group has diversified its portfolio, focusing on profitability rather than only on increasing market share. The group has enjoyed the benefit of a strong, stable and strategically aligned core shareholder in Sanlam.

Santam continues to be recognised in the market: it was voted the leading general insurer in South Africa by the intermediary community in the Personal Insurance category at the Financial Intermediaries Association of Southern Africa's (FIA) annual Insurer of the Year awards in 2015.



Read more ...

about Santam's long-term performance in the seven-year review on page 10.

COMPETENCE

Santam has a world-class scientific underwriting capability supported by a strong and experienced management team. Its pool of specialist insurance skills and knowledge is evident in the success of its specialist business, which offers a complex range of insurance cover. Due to its integrated systems and processes, the group is also able to proactively deal with and benefit from regulatory changes, which can constitute high barriers of entry into the industry for new players. Santam has a stringent capital management framework underpinned by an internally developed, risk-based model and embedded enterprise risk management framework, which is integrated into strategic decision-making and capital allocation.



Read more ...

about Santam's inherent expertise in the leadership report on page 16.

GROWTH THROUGH DIVERSIFICATION

Santam has a strong international diversification capability through its partnership with SEM, and through Santam Re and Santam Specialist. This will rapidly gain further traction in Africa following the announcement of the Saham transaction, whereas MiWay attracts new and previously uninsured policyholders through its new online life and business insurance offerings in South Africa. Acquisitive growth opportunities in the local market are limited due to Santam's dominant position, but organic growth remains a focus area, driven by Santam's well-established intermediary network, integration opportunities with Sanlam's distribution network and development of the Santam direct distribution channel.



Read more ...

about Santam's diversification in the strategic pillar report from page 34.

RETURNS

Efficient capital management and a stable dividend policy have enabled Santam to deliver consistent returns. An average return on capital of 25.3% was achieved over the last 10 years and 24.3% over the last five years. Ordinary dividend per share compound growth of 8.9% was achieved over the last 10 years and three special dividends were paid. The unwinding of the BBBEE scheme created a combined value of R1.1 billion to participants. A share buy-back at R190 per share facilitated the unwinding and reduced capital by R801 million in 2015.

The business is highly cash generative and investment performance has a solid track record.



Read more ...

about Santam's financial performance from page 71.

SUSTAINABLE AND RESPONSIBLE

Santam's integrated approach to managing long-term sustainability through improved management of systemic risk ensures alignment with the strategic drivers of the business. Santam's sustainability journey focuses on:

- reaching the uninsured market;
- treating clients fairly;
- responsible investment and solvency;
- disaster risk management through private public partnerships; and
- ensuring a diverse, productive employee base.

This is premised on a shared value approach through partnerships and includes initiatives such as the Business-Adopt-a-Municipality (BAAM) programme – now expanded under the banner of partnerships for risk and resilience.



Read more ...

about Santam's key sustainability drivers on page 29, about the partnerships for risk and resilience on page 37 and on the company's website.



THE SANTAM BRAND

Santam is associated with brands such as MiWay, Centriq, the specialist underwriting managers' brands and several niche business unit brands. The Santam brand remains the most recognised and awarded among the group brands, all of whom embrace the ethos around Santam's brand positioning, **Insurance good and proper**, which emphasises responsible and ethical insurance.

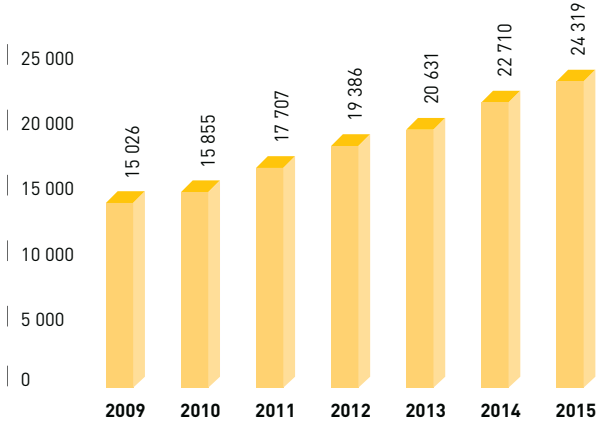
The Santam brand also received accolades from the annual Loerie Awards and Sunday Times Top Brands survey.



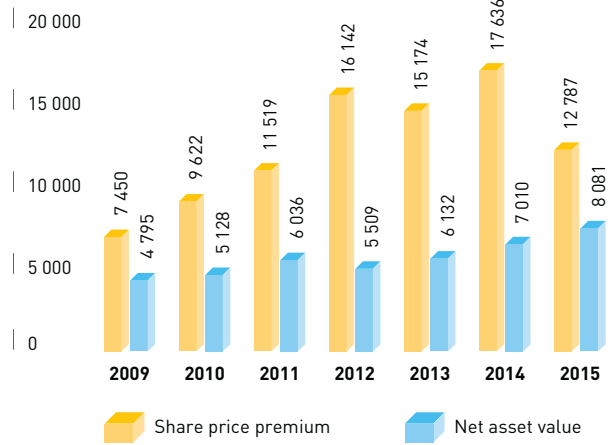
Find ...

details of Santam's brand awards on the company's website.

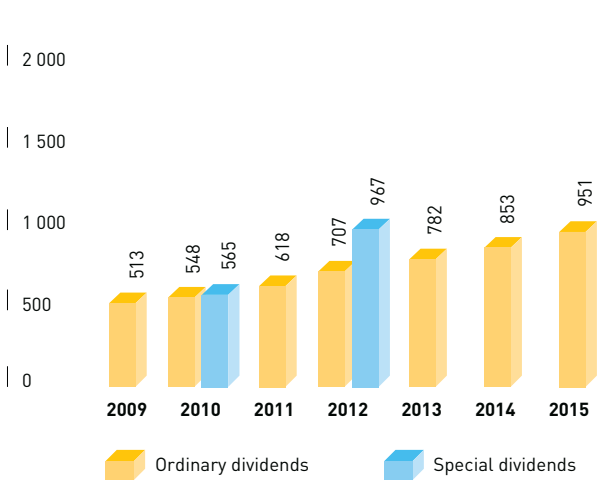
GROSS WRITTEN PREMIUM R'm



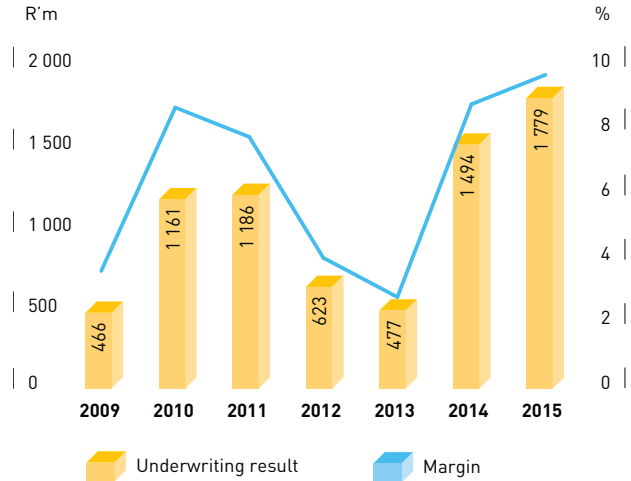
SHARE PRICE PREMIUM AND NET ASSET VALUE R'm



DIVIDENDS PAID R'm



UNDERWRITING RESULT



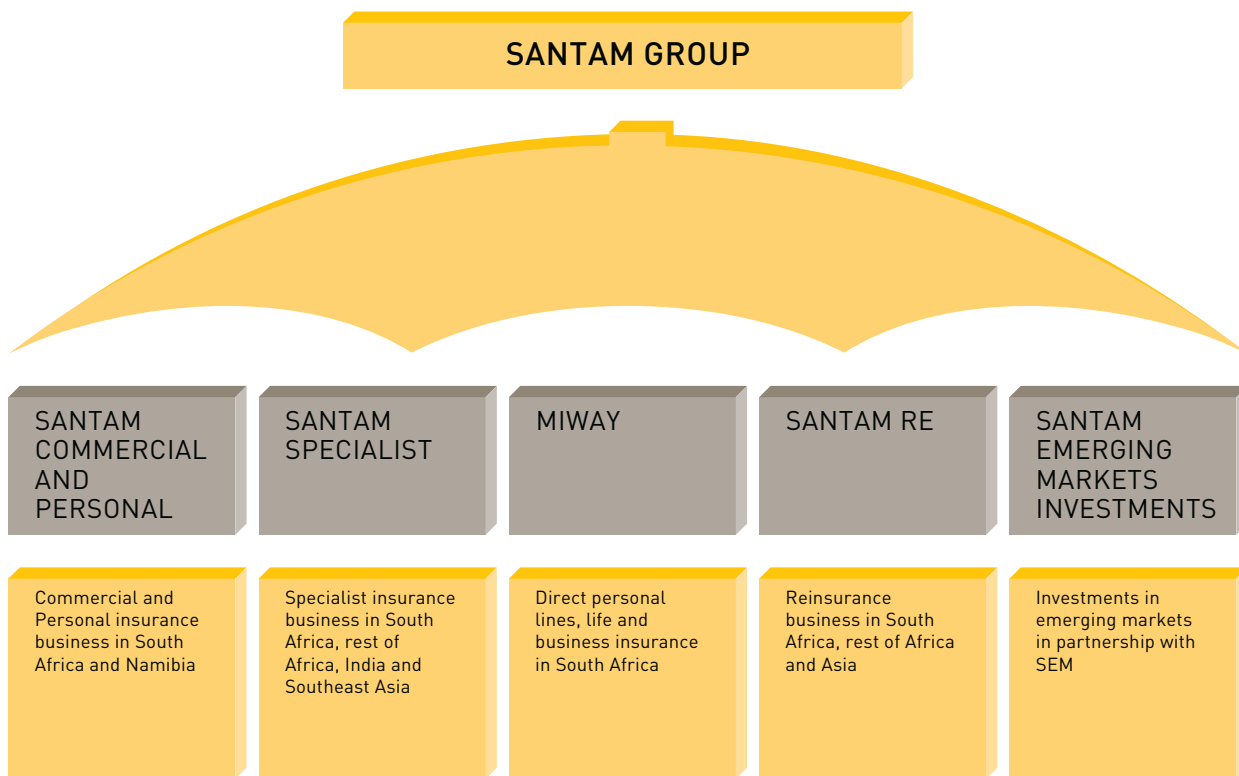
SEVEN-YEAR REVIEW

		SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2015	2014	2013	2012	2011	2010	Restated 2009
PERFORMANCE PER ORDINARY SHARE									
Cents per share									
Headline earnings	12.6	1 844	1 446	1 033	995	1 216	1 367	906	
Dividends		816	742	675	640	555	510	466	
Special dividends		–	–	–	–	850	500	–	
Net asset value		7 338	6 115	5 360	4 840	5 329	4 535	4 012	
INSURANCE ACTIVITIES									
Net claims paid and provided (%)	Avg	66.0	62.1	63.1	69.3	68.3	64.2	64.1	70.6
Cost of acquisition (%)	Avg	27.6	28.3	28.2	27.9	27.7	28.1	27.3	25.8
Net commission paid (%)	Avg	13.0	10.8	10.9	12.7	13.0	13.7	15.3	14.9
Management expenses (%)	Avg	14.6	17.5	17.3	15.2	14.7	14.4	12.0	10.9
Combined ratio (%)	Avg	93.6	90.4	91.3	97.2	96.0	92.3	91.4	96.4
Underwriting result (%)	Avg	6.4	9.6	8.7	2.8	4.0	7.7	8.6	3.6
Earned premium (%)			100.0	100.0	100.0	100.0	100.0	100.0	100.0
INVESTMENT ACTIVITIES									
Interest and dividends net of asset management fees			1 041	683	635	722	554	484	568
Net gain on financial assets and liabilities at fair value through income			235	286	449	480	189	537	479
RETURN AND PRODUCTIVITY									
Earnings expressed as % of average shareholders' funds (%)	Avg	26.5	32.5	24.7	20.0	19.3	25.0	37.1	26.6
Pre-tax return on total assets (%)	Avg	9.8	12.0	9.0	6.5	8.6	10.1	13.7	8.9
Effective tax rate (%)	Avg	27.3	26.9	28.4	20.4	36.7	25.7	26.3	26.5
Gross premium per employee (R000)*			4 154	4 020	3 913	3 680	3 608	5 116	4 883
<i>* Alternative Risk Transfer premiums excluded.</i>									
SOLVENCY AND LIQUIDITY									
Dividend cover (times)	Avg	2.5	2.9	2.1	1.5	3.9	2.2	3.1	2.1
Solvency margin (%)	Avg	44.5	48.1	45.6	42.3	41.4	47.7	44.8	41.7
OTHER STATISTICS									
Number of permanent employees			5 313	5 163	4 779	4 696	4 375	2 757	2 742
Employee composition (% of black employees)			62.9	60.8	59.9	59.8	56.8	54.4	50.8
Number of shareholders			5 859	5 268	5 530	5 565	5 169	4 616	4 303
Corporate social investment spend (% of NPAT)*			0.8	0.8	1.2	1.5	0.8	0.7	0.8
<i>* Dti codes from 2009 to 2012; Financial Services Sector Charter 2013.</i>									
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS									
Market price per share (cents)									
Closing			18 950	21 500	18 628	19 025	14 231	13 050	10 850
Highest			24 500	22 000	19 074	20 112	15 500	13 547	11 000
Lowest			16 750	19 700	18 291	13 950	11 707	9 710	7 000
Market capitalisation (R million)			20 868	24 647	21 306	21 651	17 555	14 750	12 245
Santam share price index**			2 427	2 767	2 384	2 437	1 967	1 640	1 347
FTSE – JSE financial index**			1 183	1 184	953	821	597	578	506
Closing price/earnings (times)			10.3	14.9	18.0	19.1	12.7	9.5	12.0
Closing price/equity per share (times)			2.6	3.5	3.5	3.9	2.9	2.9	2.5
Closing dividend yield (%)			4.3	3.5	3.6	5.5	3.6	3.9	4.3
Number of shares issued (million)			110.1	114.6	114.4	113.8	113.3	113.0	112.9
Number of shares traded (million)			25.8	8.6	13.4	12.1	12.6	18.5	21.9
Number of shares traded as a % of total number of shares in issue			23.4	7.5	11.7	10.6	11.1	16.3	19.4
Value of shares traded (R million)			5 597.4	1 651.2	2 538.8	2 018.6	1 674.4	2 039.5	1 915.6
<i>** Base year 1992.</i>									

Restatement for 2009 relates to an income tax adjustment.

	SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2015	2014	2013	2012	2011	2010	Restated 2009
STATEMENTS OF COMPREHENSIVE INCOME								
Gross premium income	8.4	24 319	22 710	20 631	19 386	17 707	15 855	15 026
Net premium income	6.6	18 884	17 635	16 900	15 822	14 674	13 519	12 894
Underwriting result	25.0	1 779	1 494	477	623	1 186	1 161	466
Investment return on insurance funds		499	425	374	415	388	396	420
Net insurance result		2 278	1 919	851	1 038	1 574	1 557	886
Investment income, associated companies and profit/(loss) on sale of subsidiaries		1 258	601	752	827	440	915	670
BEE Costs and MiWay deferred bonus plan expense*		(71)	(82)	(30)	(57)	(55)	(15)	(13)
Amortisation and impairment of intangible assets		(93)	(111)	(100)	(108)	(68)	(29)	(25)
Income before taxation		3 372	2 327	1 473	1 700	1 891	2 428	1 518
Taxation		908	660	300	624	486	639	402
Non-controlling interest		116	88	53	49	29	27	34
Net income attributable to equity holders	13.8	2 348	1 579	1 120	1 027	1 376	1 762	1 081
* MiWay deferred bonus plan to replace shareholding matured in 2014.								
STATEMENTS OF FINANCIAL POSITION								
Property and equipment		90	117	95	99	80	88	47
Intangible assets		827	1 086	1 072	990	994	988	143
Deferred tax asset		140	161	188	221	207	251	88
Investments in associates and joint ventures		252	355	318	261	274	211	198
Other non-current assets		187	-	-	-	-	-	-
Financial assets	15.1	14 740	13 634	12 757	10 538	10 057	8 090	6 337
Technical assets		4 203	3 963	2 713	2 095	1 832	1 518	2 070
Current assets		6 878	5 440	5 058	5 533	5 245	6 589	8 199
Non-current assets held for sale		541	428	415	-	-	-	-
Total assets		27 858	25 184	22 616	19 737	18 689	17 735	17 082
Shareholders' funds	10.6	8 547	7 440	6 532	5 617	6 141	5 219	4 672
Non-current liabilities		2 249	2 329	2 252	2 030	1 723	1 787	1 517
Technical provisions		12 944	12 274	10 862	9 805	8 577	7 803	8 316
Current liabilities and provisions		4 118	3 141	2 970	2 285	2 248	2 926	2 577
Total shareholders' equity and liabilities		27 858	25 184	22 616	19 737	18 689	17 735	17 082
STATEMENTS OF CASH FLOWS								
Cash generated from operating activities after finance costs	12.8	3 546	2 350	1 498	2 256	2 403	2 020	1 725
Income tax paid		(1 002)	(420)	(221)	(521)	(813)	(755)	(115)
Net cash from operating activities		2 544	1 930	1 277	1 735	1 590	1 265	1 610
Cash (utilised)/generated from investment activities		(696)	(781)	(945)	935	201	(270)	(1 477)
Net (acquisition)/disposal of associated companies		(2)	-	(25)	(6)	-	(17)	26
Acquisition of subsidiaries		-	(28)	(105)	-	(343)	(357)	(11)
Cash (disposed through sale)/ acquired through acquisition of subsidiary		(183)	3	15	-	3	262	(23)
Staff trust acquired		132	-	-	-	-	-	-
Cash utilised in additions to property and equipment and intangible assets		(124)	(167)	(106)	(93)	(66)	(27)	(36)
(Acquisition)/disposal of book of business		-	-	(9)	(81)	-	-	54
Proceeds from sale of associated companies		625	-	-	-	-	-	-
Capitalisation of associated companies		(28)	(16)	-	-	-	-	-
Net cash (used in)/from investing activities		(276)	(989)	(1 175)	755	(205)	(409)	(1 467)
Net purchase of treasury shares		-	(37)	-	-	(33)	(23)	(33)
Repurchase of shares		(801)	-	-	-	-	-	-
Proceeds from issuance of target shares		-	-	277	-	-	-	-
(Decrease)/increase in investment contract liabilities		(35)	(21)	29	(17)	(413)	129	(101)
Increase/(decrease) in collateral guarantee contracts		11	6	7	(39)	-	-	-
Dividends paid		(951)	(853)	(782)	(1 674)	(618)	(1 113)	(513)
Increase in cell owners' interest		16	110	111	90	26	42	87
Purchase of subsidiary from non-controlling interest		-	-	-	-	-	(90)	-
Net cash used in financing activities		(1 760)	(795)	(358)	(1 640)	(1 038)	(1 055)	(560)
Net increase/(decrease) in cash and cash equivalents		508	146	(256)	850	347	(199)	(417)
Cash and cash equivalents at beginning of year		2 561	2 343	2 471	1 598	1 143	1 379	1 938
Translation gains/(losses) on cash and cash equivalents		280	72	128	23	108	(37)	(142)
Cash and cash equivalents at end of year		3 349	2 561	2 343	2 471	1 598	1 143	1 379

OPERATIONAL PROFILES



SANTAM COMMERCIAL AND PERSONAL

For commercial insurance, Santam offers a business portfolio in South Africa and Namibia that serves small to large enterprises by providing commercial insurance solutions that suit the needs of entrepreneurs and businesses. For personal insurance, Santam offers a multiproduct and multichannel distribution portfolio that provides clients with comprehensive cover through a wide range of products. Policies target each segment's needs profile and can be tailored through flexible excess structures and policy benefits.

Santam Commercial and Personal also offers an independent administration capability through BroLink.

Santam Commercial and Personal lines distribution channels include:

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

SANTAM SPECIALIST

The Santam Specialist business focuses on the insurance of large and complex risks in niche market segments. Underwriting these classes of insurance requires skilled resources to assess and quantify the risk and exposure as provided through the unit's underwriting managers and niche business units. Products are client-driven and supported by bespoke underwriting, which demonstrates an understanding of this unique claims environment, to meet and exceed client expectations.

Santam Specialist provides insurance solutions in more than 60 countries, including Zambia, the Democratic Republic of Congo and Namibia.

The Santam Specialist business unit includes:

- **Underwriting managers and niche business units:**
 - **Associated Marine Underwriting:** Leading marine underwriter covering cargo, hull and liabilities.
 - **Corporate Sure Underwriting Managers (C-Sure):** Created exclusively for residential and commercial sectional title and share block properties, and designed to give intermediaries and clients comprehensive and innovative insurance solutions.

- **Emerald Risk Transfer:** Provider of property insurance solutions for large industrial and corporate businesses in South Africa and developing markets.
- **Echelon Private Client Insurance:** Focused on the high net worth personal lines segment of the market.
- **Hospitality and Leisure Underwriters:** Caters for the needs of the hospitality sector, from the smallest to the largest risks, including retail businesses such as restaurants and caterers to game lodges and hotels.
- **Mirabilis Engineering Underwriting Managers:** Offers a comprehensive range of engineering insurance solutions in South Africa and other developing markets.
- **Santam Aviation:** Specialises in general aviation for commercial and private sector insurance including hull, third-party and passenger liability insurance.
- **Santam Bonds and Guarantees:** Provides a wide range of surety solutions including construction guarantees, contract bonds and court bonds.
- **Santam Transport:** The leading heavy commercial vehicle insurer in South Africa, offering comprehensive cover to transport contractors.
- **Stalker Hutchison Admiral (SHA):** Provides insurance against broad-form liability, bankers blanket and computer crime, directors' and officers' liability, profession indemnity for traditional and emerging professions, as well as personal accident, kidnap and ransom, and motor fleet insurance.
- **Travel Insurance Consultants (TIC):** South Africa's largest travel insurance provider that offers specialised travel insurance solutions, including emergency medical, loss of money or baggage, travel supplier insolvency for leisure and corporate travellers.
- **Vulindlela Underwriting Managers (VUM):** Specialises in providing a range of insurance solutions for owners of minibus, midibus and metered taxis in South Africa. VUM has recently entered the SMME (small, medium and micro-enterprises) market to expand the relationship off the taxi base to include other assets and motor vehicles in emerging markets.
- **Centriq:** A specialist cell captive insurer that focuses on alternative risk transfer, underwriting management and affinity insurance sectors.
- **Santam Agriculture:** The leading crop insurer in South Africa, focusing on named peril insurance and multiperil crop insurance.

MIWAY

MiWay is a direct insurer in the group, underwriting predominantly personal lines general insurance business, with a business insurance product launched during 2014. MiWay supports Santam's strategy of growth through diversification and enables it to coexist well with, and complement, the intermediary business model within the group. MiWay launched an intermediary model in May 2015.

Current services include:

- General insurance (motor, home owners and home contents)
- Motor warranty
- Credit life
- Accidental death and disability
- Other value-added products
- Business insurance (launched in November 2014)
- Life insurance (underwritten by Sanlam Life Insurance Ltd and launched in March 2015)

SANTAM RE

Santam Re is a wholesale reinsurance service provider for the Santam/Sanlam group general insurance businesses and independent general insurers in South Africa, Africa, India and Asia including China and South Korea. Santam Re operates on the Santam general insurance licence and enables the group to optimise the size, quality and diversity of its overall risk pool, relative to its capital resources and risk appetite.

SANTAM EMERGING MARKETS INVESTMENTS

Through its partnership with SEM, Santam has economic participation in 13 countries in Africa, India and Southeast Asia.

Santam acts as the general insurance technical partner for SEM. The international diversification strategy is enabled by Santam Re and Santam Specialist. This forms part of the group's multichannel and multi-territory strategy through different business units.

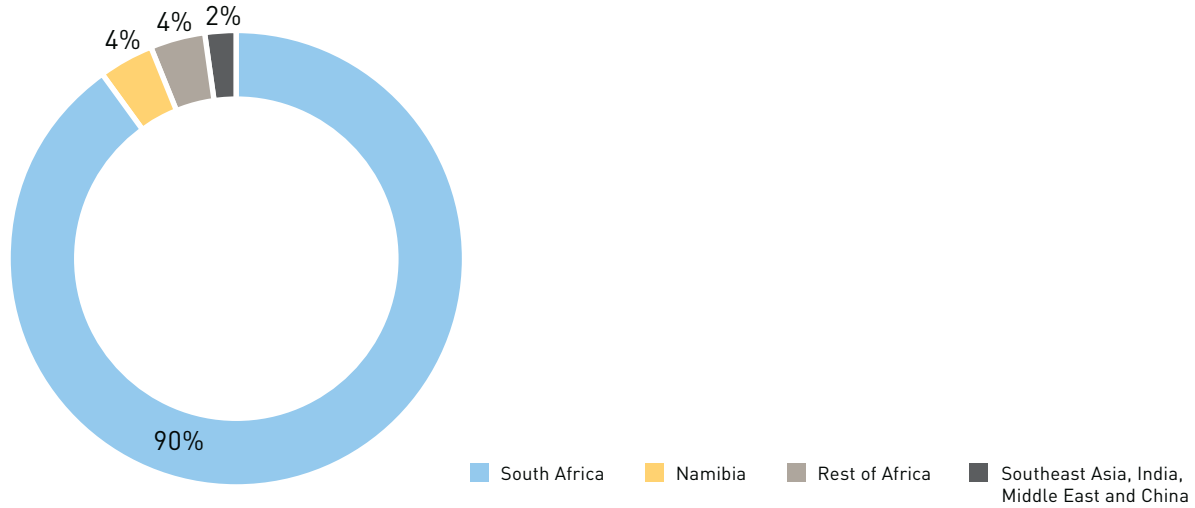
CLASSES OF GENERAL INSURANCE PRODUCTS

Santam Commercial and Personal	Santam Specialist	MiWay	Santam Re
Accident	Accident and health	Motor	Accident
Aviation	Alternative risk transfer	Property	Engineering
Engineering	Aviation	Life	Guarantee
Guarantee	Crop		Liability
Liability	Engineering		Marine
Marine	Guarantee		Motor
Motor	Liability		Property
Property	Life		Santam Re writes proportional and non-proportional reinsurance on marine and non-marine classes.
	Livestock and game		
	Marine		
	Motor		
	Property		

SANTAM'S OPERATIONS



GEOGRAPHIC DIVERSIFICATION % OF TOTAL GWP



LEADERSHIP REPORT

2015 saw the Santam wave captured at the perfect moment: a new chief executive officer stepping into an expanding group that is healthy, performing well and who is open to challenges and opportunities.

2015 SNAPSHOT

Santam achieved gross premium growth of 7% in challenging market conditions on top of 10% growth in 2014. We ascribe this to our diversified profile (general insurance offering, geographies, brands and channels).

Premium increases were the main drivers of topline growth, reflecting the very competitive situation in our core South African market, where consumers and businesses continually shop around for lower rates. Profitable growth remains a major challenge in more developed markets, whereas emerging markets are showing positive prospects.

The group achieved an underwriting margin of 9.6%, mainly due to good underwriting discipline and a relatively benign claims environment. As the group diversifies and expands, it becomes less exposed to a single market or business unit. In South Africa, premium increases compensated for inflation in the average cost per claim (ACPC). Claim frequencies were flat or lower than previous years. The emphasis in recent years on optimising the claims process throughout the value chain resulted in continued efficiency improvements.

Santam's international investments through SEM expanded through the acquisition of an insurance business in Kenya and increases in the group's interests in the Nigeria, Tanzania and Uganda businesses. In November 2015 Santam in conjunction with SEM announced the acquisition of a 30% interest in Saham Finances, the insurance arm of the Saham Group. The transaction is expected to be finalised during the first quarter of 2016.



Read more ...

about Santam's progress with diversification on page 68.

A further highlight for the year was the successful unwinding of our seven-year-old BBBEE scheme. In May 2007, Central Plaza Investments 112 (Pty) Ltd acquired 10% of Santam's shares with the following beneficiaries:

- Emthunzini Black Economic Empowerment Staff Trust
- Emthunzini Black Economic Empowerment Business Partners Trust
- Emthunzini Broad-based Black Economic Empowerment Community Trust

The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares and 24% were sold in the market through a successful bookbuild during the unwinding process and the balance distributed to participants.

The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Sanlam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.

CHALLENGES AND OPPORTUNITIES

The global operating environment is characterised by concerns over the global economy and foreign security and development policy. The impact of climate change, government efficacy and the increase in natural disasters also remain highly relevant for the insurance industry. Economic growth, a key driver of insurance demand, remains pedestrian at best in South Africa and most of the developed world, with other emerging market territories representing positive growth opportunities in general.

The depreciation of the rand against most hard currencies affected those business units with exposure to currency risk. The South African business mitigated the impact through initiatives for motor insurance, such as the use of alternative glass and certified replacement parts. In the same vein, Santam's credit rating – which was limited by the sovereign rating – negatively affected some existing business outside South Africa. Santam Re in particular suffered from subdued renewals due to Santam no longer having an A-international credit rating.

The global and local markets for general insurance remain challenging due to a range of factors, which include increasing regulatory requirements, changes in weather patterns, technology and the digitisation of the insurance market, and evolving client expectations.

The South African regulatory landscape is dominated by Solvency and Assessment Management (SAM), Treating Customers Fairly (TCF), binder regulations, the draft Retail Distribution Review (RDR) and the Financial Services Board's (FSB) cell captive review. All of these have significant implications for the way in which Santam operates in its home market. The group continuously engages with the regulator and internal stakeholders, and proactively develops policies and systems to implement the requirements as effectively as possible.

Santam's response to industry challenges is directed by its strategy and brand promise of **Insurance good and proper**. The strategy drives geographic and channel diversification, the diligent management of the risk pool and continuous process and system efficiency. Underlying these responses is the recognition that we rely on attracting and retaining the right people to navigate current conditions successfully.

Santam is proud of its growing footprint in selected markets and sustained strong leadership position in general insurance in South Africa. However, we are not complacent or blind to the increasing levels of competition – often from unconventional players or as a result of disruptive technology.

The intermediary aspect of the group's business model will remain a core differentiator. The direct insurance model is maturing although it remains the fastest growing division in the group.



Read more ...

about Santam's strategy and business model on page 32.

BUSINESS UNIT OVERVIEW

SANTAM COMMERCIAL AND PERSONAL

KEY STRATEGIC FOCUS AREAS

- Enable a multichannel distribution business
- Focus on segments with the most potential
- Implement strategic projects
- Focus on costs

Clients remain at the centre of the Santam Commercial and Personal business and inform all business decisions. The business unit remains reliant on strong relationships with distribution partners, particularly intermediaries, and benefits from scale and brand reputation.

The business unit delivered excellent results in a year characterised by a relatively benign claims environment and strong underwriting discipline in the business. This was evident in the number of instances where potentially unprofitable business was turned away. Policy churn remained stable despite premium increases. Santam Namibia performed particularly well.

Progress with the implementation of the strategic project to replace the current underwriting system continued according to plan. Existing practices are continuously reviewed and aligned with the regulatory environment.

Major claims events for the year included hail and storm damages in Pietermaritzburg during February, as well as in Pretoria, Limpopo, North West and Mpumalanga during November. Furthermore some large property claims were registered. Claims volumes decreased marginally mainly due to the favourable weather experienced and the lower average cost per claim (ACPC) of catastrophe claims. However, the ACPC increased for motor whereas non-motor claims decreased slightly. Even though the ACPC was under severe pressure in 2015, we managed to contain the year-on-year escalation. The ensuing year will, however, prove to be more challenging given the further deterioration of the rand against the dollar.

Data is regarded as a strong future competitive advantage, and is increasingly used to identify attractive market segments and to implement actuarial segmentation.



Read more ...

Business unit profile: This is the Santam group on page 5.

Operational progress: Strategic focus areas from page 34.

SANTAM SPECIALIST

KEY STRATEGIC FOCUS AREAS

- Diversify and grow footprint inside and outside South Africa
- Provide alternative risk solutions
- Focus on sustainable profitability in the South African market
- Grow crop business throughout Africa
- Optimise distribution and product synergies across the group

The Santam Specialist business showed good resilience in competitive market conditions during 2015, with a few large corporate property claims reducing the underwriting margin. Pricing competition was particularly strong as clients moved to competitors for lower premiums.

The crop portfolio delivered a solid overall result despite the severe drought. Gross written premium was negatively affected due to reduced plantings. A lower number of hectares was planted predominantly due to the impact of global El Niño conditions. Santam crop delivered a net underwriting result of R131 million (2014: R251 million).

Santam Specialist now earns 18% of its niche business' gross written premium outside of South Africa. The business unit is expanding its footprint by forging new relationships and building capability to perform more proactively in its chosen markets. This is supported by the SEM partnership and new business generated by Mirabilis and Emerald.

Centriq benefitted from growth mainly in the UMA and risk financing space. The underwriting result increased substantially, mainly due to the contribution in the UMA segment which saw improved margins. Income from clients increased due to increased income from management fees and investment spread.



Read more ...

Business unit profile: This is the Santam group on page 5.

Operational progress: Strategic focus areas from page 34.

MIWAY

KEY STRATEGIC FOCUS AREAS

- Organic growth in personal lines: focus on growing premiums and margin
- Grow new businesses: life, business insurance and broker-direct

MiWay's direct client relationships, enabled by an effective digital platform and strong brand, are the drivers for sustained growth. The business nevertheless remains agile and responds quickly to market needs and opportunities.

MiWay delivered great results due to excellent growth and lower management expenses. The business unit reported a gross written premium of R1.8 billion (19% higher than in 2014).

An increase in large claims resulted in a higher loss ratio at 60.9% (2014: 57.4%), slightly higher than the targeted loss ratio of 60.0%.

We are particularly pleased with the improvement in the retention rate.

The acquisition cost ratio reduced to 29.8% in 2015 compared to 31.7% in 2014 mainly due to scale benefits. MiWay ended 2015 with 242 000 clients (2014: 206 000) (excluding value added products) and 1 311 employees (2014: 1 240).

New initiatives that supported the results are the launch of the broker-direct channel, the new MiWay Business Insurance and MiWayLife. These enabled us to continue capturing market share seven years after launching MiWay. We are confident that the business can continue this growth trajectory for the medium term as new products and distribution channels are embedded.



Read more ...

Business unit profile: This is the Santam group on page 5.

Operational progress: Strategic focus areas from page 34.

SANTAM RE

KEY STRATEGIC FOCUS AREAS

- Pursue profitable growth
- Build the business judiciously for group diversification and long-term value

Santam Re is developing a footprint in key markets, where it applies agile systems and processes to support a robust underwriting process. Satisfactory underwriting results for the year were driven by the group business portfolios. The value of leveraging the group's capital resources and diversity to retain premiums that would otherwise have left the group by reinsurance spend reflected in strong insurance margins.

The underwriting margin was affected by provisions for large claims on Samsung in South Korea, the Tianjin explosion in China, the earthquake in Nepal and floods in India. International premium growth was negatively affected by the soft reinsurance market and Santam's lower S&P rating, although this was partly mitigated by the credit wrap arrangement with an international reinsurer.



Read more ...

Business unit profile: This is the Santam group on page 5.
Operational progress: Strategic focus areas from page 34.

SANTAM EMERGING MARKETS INVESTMENTS

KEY STRATEGIC FOCUS AREAS

- Strategic partnership with SEM for growth through diversification
- Building a strong reputation in emerging markets through partnerships

SEM and Santam have a participation agreement of 65%/35% in the group's general insurance businesses in emerging markets.



Read more ...

about this in the chief financial officer's report on page 22 and the strategic focus area on page 34.

Santam has expanded its strategic and technical support capability for SEM during the year. The group takes a long-term view on the SEM partner businesses and will continue investing in technical support capacity, despite slower growth than anticipated during the year. The business remains in a relationship and partnership building phase.



Read more ...

Business unit profile: This is the Santam group on page 5.
Operational progress: Strategic focus areas from page 34.

TRANSFORMATION, SUSTAINABILITY AND INNOVATION

Our people are essential to the successful implementation of Santam's strategy as they drive execution. Our focus over the medium term is to build an employee culture and capabilities to support diversification and transformation – in South Africa and other markets.

The development of technical skills remains an industry responsibility, as does the development of products that will enable access to previously excluded individuals and communities.

We continue expanding our engagement with government, communities and business to reduce risk on the ground. We are now working with non-governmental organisations (NGOs), international donors and a range of government institutions to create support and bring stability to communities that are vulnerable and at risk.

Santam's BBBEE transaction delivered on its objectives of empowerment and transformation. The community trust created value through its support of education, arts, culture, skills development and job creation, and will continue funding transformation initiatives on a project basis.

THE RISK LANDSCAPE

Santam has mature and effective risk management processes, which enable it to monitor and mitigate risks that could affect its ability to create value. Current strategic risks include:

STRATEGIC RISKS	DESCRIPTION AND SANTAM RESPONSE
DELIVERY ON GROWTH TARGETS THROUGH MULTIPLE DISTRIBUTION CHANNELS	<p>A dynamic operating and highly competitive environment including low-GDP growth demands that the group innovates to grow market share and achieve growth targets across multiple distribution channels and market segments. Premium affordability is under pressure, specifically in the commoditised and small business market segments impacted by economic conditions. The sovereign credit rating for South Africa has been under pressure. The corporate and commercial business lines are mostly impacted by the rating, as a further downgrade may negatively impact the ability of Santam to grow the reinsurance business. Strategic initiatives are in place to address some of the potential impacts.</p>
POLITICAL AND COUNTRY RISK	<p>Political and country risk drives a number of key risks faced by the Santam group businesses. Challenges to Santam's ability to grow business within South Africa and the rest of Africa means that the group has to manage systemic risk issues proactively. Examples include the stable provision of electricity, fire response capability and the implementation of building regulations. A number of partnerships with government and industry bodies are in place to assist and address some of the concern areas proactively.</p>
INTERNATIONAL DIVERSIFICATION RISK	<p>Santam is expanding in multiple territories, through SEM, the Santam Re and Santam Specialist businesses. This diversification introduces additional operational risks specifically in the underwriting process and through reliance on intermediaries within these other territories. Technical support is critical in some areas, combined with specific operational controls around underwriting processes.</p>
RISING CLAIMS COST	<p>To contain escalating claim costs and leakage (particularly where it is affected by the weakening rand), Santam is optimising its supply chain, focusing on efficiency of the claims processes and using data analytics to improve the underwriting margin. Automation of some of the processes also contributed to improved service delivery to clients and policyholders.</p>
STRATEGIC PROJECTS IMPLEMENTATION	<p>To optimise efficiency, the business has to migrate to new operational environments and technology platforms while not compromising stability. The Commercial and Personal business unit is currently in the midst of such an implementation, which is tightly managed and monitored by formal project and oversight structures. Progress and risks are monitored at board level, given the size of the investment. Good progress and high confidence levels highlight the overall downward trend of this risk over time. Management remains confident about the delivery of these projects.</p>
INVESTMENT PERFORMANCE	<p>The group actively manages its investment portfolio to optimise the investment return within the agreed risk appetite. Focus on optimising income on insurance funds was successful in 2015. Equity investments remain exposed to market volatility but is managed tightly via specific mandates and hedging when necessary.</p>
REGULATORY CHANGE	<p>Regulatory change remains at the top of the agenda for the financial services industry. Additional cost to meeting requirements and satisfying the regulator has occurred and is expected to continue in the foreseeable future. Regulatory change initiatives are managed throughout the business to affect changes should any gaps be identified as part of the regulatory change programme. The delay of SAM will extend efforts and costs into 2016 and the phased implementation of RDR is also closely monitored and managed from an executive and senior management perspective. Focus on insurer conduct continues and is embedded as part of the Santam strategy. Increased scrutiny and monitoring from the regulator is expected once the Twin Peaks approach has been fully implemented. The implementation of the Protection of Private Information (POPI) bill remains on the horizon with business preparing – albeit dependent on the parliamentary process.</p>



Read more ...
about risk management on page 64.

LEADERSHIP CHANGES

The leadership transition from Ian Kirk, now the chief executive officer of Sanlam, to Lizé Lambrechts was well-planned and executed. Jeanett Modise was appointed as executive head: human resources, effective 1 July 2015.

Further changes to the board include the appointments of Tantaswa Nyoka (née Fubu) on 1 January 2015 and Clement Booth on 1 July 2015, as independent non-executive directors.

Dr Johan van Zyl resigned as non-executive director from 1 September 2015. Johan has served on the Santam board since August 2001 and also served as chief executive officer of the group between August 2001 and April 2003. Johan has contributed significantly to the success of Santam during the period of his tenure. We would like to thank him for his dedicated contribution and wish him continued success in the future.

OUTLOOK

Santam's role is to contribute to a robust, inclusive and responsible general insurance industry that offers stakeholder value and stability. Our plan towards 2019 is encapsulated in Santam's Vision 2020, with implementation directed by strategic focus areas. In 2016 the focus will be to achieve policy unit growth despite expected headwinds given the continued volatility of the rand, increasing interest rates and low economic growth in South Africa.

One of the group's particular focus areas will be to manage offshore operations in emerging markets, and to allocate appropriate resources with technical and compliance expertise. Strategic focus areas outside South Africa through the medium term, include successfully expanding into Asia and the rest of Africa through SEM partnerships, Santam Specialist and Santam Re. In South Africa, focus areas include new segments, leveraging Santam's full multichannel capability and ensuring profitability through diligent risk assessment.

Santam will continue optimising its investment policies to improve earnings on insurance funds and shareholder investments – all within the approved framework and risk appetite. The board will continue strategically employing capital given the group's diversification ambition.

On the international front, SEM continues monitoring regulatory compliance and changes via board representation in countries and through regular engagements with country regulators to understand issues and plans. Most regulatory activity at the moment is around premium payment controls, reserving and solvency requirements, commission levels, policy wording approvals and tariffs.

The FSB issued a new roadmap for the RDR during November 2015. Santam continues to engage with the regulator and other stakeholders to proactively identify challenges and opportunities posed by the RDR and develop appropriate responses.

Overall we expect 2016 to be a tougher year – particularly in a normalised claims environment.

APPRECIATION

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

We thank the board for their support and ability to steer the group on its journey towards our vision for 2020. The executive management team has again proven their tenacity and commitment to the group, industry and all its stakeholders. We are proud of what we have achieved in 2015.

GRANT GELINK
Chairman

LIZÉ LAMBRECHTS
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

OVERVIEW

The Santam group reported excellent underwriting results for the 2015 financial year with a net underwriting margin of 9.6% compared to 8.7% in 2014. The results were positively impacted by disciplined underwriting actions and a relatively benign claims environment. Satisfactory gross written premium growth of 7% was achieved (8% excluding the impact of cell captive insurance business) in the current low-growth economic environment.

Investment income was positively impacted by foreign exchange gains and solid investment performance in volatile markets.

Headline earnings per share increased by 28%, while a return on capital of 32.5% on a rolling 12-month basis was achieved. Cash generated from operations increased to R3.7 billion (2014: R2.4 billion) on the back of the strong underwriting performance. The solvency margin of 48.1% was higher than the target range of 35% to 45%.

The group has revised its average net underwriting margin target range of 4% to 8% (previously 4% to 6%) following the assessment of the five-year strategic plan.

FINANCIAL RESULTS

A summary set of financial statements for 2015, prepared in accordance with IAS 34, is included in this integrated report. The full annual financial statements are available on our website at or in printed format on request from the company secretary.



Read more ...

about the key financial statistics are set out on page 4.

ECONOMIC ENVIRONMENT

Real annual GDP slowed to 1.3% for 2015, which equates to low growth of insurable assets for the insurance industry. The repo rate increased by 50 basis points in 2015, which resulted in more pressure on consumers and increased interest income for the group. The rand depreciated by 25% against the US dollar since January 2015 following the 10% depreciation in 2014, which has an ongoing negative impact on the group's insurance results as the weakened rand directly affects the claims cost (mainly imported motor parts).

INSURANCE RESULTS

UNDERWRITING PERFORMANCE

The net underwriting margin of 9.6% (9.1% excluding the alternative risk transfer [ART] arrangement) increased from the excellent margin of 8.7% (8.2% excluding ART arrangement) achieved in 2014. It also exceeded the seven-year average of 6.4%.

As part of managing its exposure to South Africa's sovereign credit rating, Santam entered into a three-year ART reinsurance quota share agreement with an international insurer towards the end of 2013, effective 1 January 2014, with an annual reinsurance quota share premium of R1 billion. The agreement includes a facility whereby Santam can use the insurer's AA-rated licence for business, which is dependent on a minimum international scale rating. The agreement generated dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence and also reduced Santam's net catastrophe exposure. The impact of the arrangement is illustrated in the table below:

Key ratios including and excluding effect of ART Quota Share

	Including ART Quota Share		Excluding ART Quota Share	
	2015	2014	2015	2014
% of net premium	%	%	%	%
Commission	10.8	10.9	12.2	12.1
Strategic projects	0.9	1.0	0.9	1.0
Management expenses	16.6	16.3	15.6	15.4
Total acquisition cost	28.3	28.2	28.7	28.5
Net underwriting margin	9.6	8.7	9.1	8.2

Gross written premium growth of 8%, excluding the impact of cell insurance business, was lower than the 12% achieved in the corresponding period in 2014, reflecting the impact of competitive market conditions and the downturn in the economic environment. Growth in the crop insurance business was negatively impacted by the strong El Niño weather system and the consequential drought conditions in South Africa. The drought resulted in significantly less crops being planted, reducing gross written premium for the crop insurance class by 19% compared to 2014.

The property and motor classes achieved solid growth, notwithstanding the cancellation of specific unprofitable books of business on outsourced platforms. The motor class benefitted from the 19% growth reported by MiWay (gross written premium of R1 771 million compared to R1 485 million in 2014). The engineering and transportation classes were under pressure due to competitive market conditions.

Growth of 15% was achieved in the alternative risk class, following good performance by the risk finance and underwriting management businesses.

The group's focus on international diversification gained momentum with gross written premium from the rest of Africa (excluding Namibia), India, South-East Asia and China of R1.4 billion (2014: R1.1 billion). Santam Namibia reported gross written premium in excess of R1 billion for the second consecutive year resulting in total gross written premium outside South Africa increasing to R2.4 billion (2014: R2.1 billion).

The motor and property classes of business delivered substantially improved underwriting results compared to 2014 on the back of lower claim frequencies and sustained corrective underwriting actions. The loss ratio was negatively impacted by the catastrophe hail events mainly in February and November 2015 with gross claims amounting to R290 million (2014 catastrophe event gross claims: R187 million). Santam's continued focus on optimising the claims and procurement processes also reduced the effect of the weakening exchange rate on motor claims. MiWay, the direct insurance business, achieved a claims ratio of 60.9% (2014: 57.4%) and contributed an underwriting profit of R163 million (2014: R159 million) despite significant investment in the new business insurance and broker-direct business models during 2015 amounting to R55 million.

The underwriting profit of the engineering class of business showed a significant increase compared to 2014, following fewer large claims reported. The contribution from the liability class also improved.

The crop insurance business achieved solid underwriting results despite the severe drought conditions which resulted in gross drought claims of more than R230 million being paid during the period January to June 2015. However, the lack of rainfall also resulted in lower exposure to hail damage. The net underwriting profit of R131 million was significantly lower than the exceptional results of R251 million in the comparative period, following the favourable weather conditions experienced in 2014.

Santam Re successfully retained profitable underwriting business for the group while delivering satisfactory results on third-party business. The soft reinsurance market also provided opportunities to optimise reinsurance placements in 2015.

Net insurance results unpacked excluding ART Quota Share

	2015 R'm	% of NEP	2014 R'm	% of NEP	5-year average %	10-year average %
Net earned premium (NEP)	19 487	100.0	18 187	100.0	100.0	100.0
Claims incurred	12 108	62.2	11 502	63.3	65.4	66.7
Acquisition costs	5 600	28.7	5 191	28.5	28.2	27.0
Underwriting result	1 779	9.1	1 494	8.2	6.4	6.3
Investment return on insurance funds	499	2.6	425	2.3	2.5	2.9
Net insurance result	2 278	11.7	1 919	10.5	8.9	9.2
Combined ratio		90.9		91.8	93.6	93.7

SANTAM INTEGRATED REPORT 2015

The net acquisition cost ratio of 28.7% (excluding the impact of the ART reinsurance quota share agreement) increased from 28.5% in 2014.

The management expense ratio (excluding the impact of the ART reinsurance quota share agreement) increased marginally to 15.6% (2014: 15.4%). New growth initiatives, as well as the impact of new business written by Centriq underwriting managers resulting in increased management fees, were the key drivers of the increased cost ratio.

Strategic project costs amounted to 0.9% of net earned premium (2014: 1.0%). These costs mainly related to continued development of a new core underwriting, administration and product management platform for the Santam intermediated business. Development costs of R58 million were capitalised in 2015, bringing the total amount capitalised since inception to R195 million. The project is progressing according to plan with more than 138 000 new and existing personal lines policies captured on the new system during 2015.

Santam will maintain its focus on cost-efficiencies to improve the management expense ratio over the medium term.

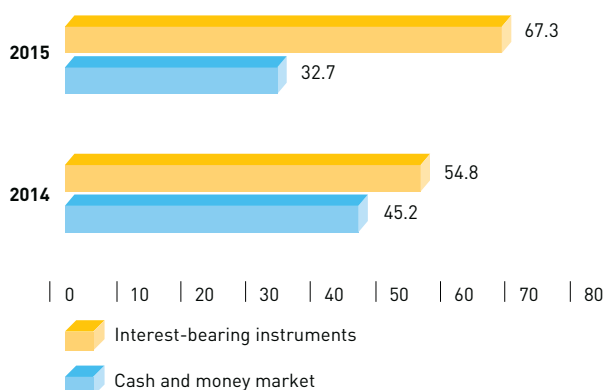
The net commission ratio (excluding the impact of the ART reinsurance quota share agreement) was 12.2% (2014: 12.1%). A decrease in the commission ratio due to the growth in MiWay, where limited commission expenses are incurred, was offset by lower reinsurance commissions earned on specialist business lines, including crop, following relatively worse loss ratios on this business compared to 2014.

In managing Santam's risk pool, the aim is to retain the optimum amount of risk after reinsurance, taking into account the group's risk appetite and the cost of reinsurance. The level of reinsurance earned premium as a percentage of gross earned premium increased from 13.7% in 2014 to 14.8% in 2015 on a comparable basis, excluding the impact of the ART reinsurance arrangement and cell business. Favourable reinsurance terms on specialist business lines, and increased reinsurance ceding by Centriq, were key drivers for the increase.

INVESTMENT RETURN ON INSURANCE FUNDS

The assets backing the net insurance funds (excluding Centriq group) increased from R6.8 billion in December 2014 to R7.5 billion as at 31 December 2015. The assets backing the net insurance funds (excluding Centriq group) were invested as follows:

ASSETS BACKING NET INSURANCE FUNDS (excl. CENTRIQ GROUP) %



Currency mix of assets backing net insurance funds (excl. Centriq group)		2015	2014
		R'm	R'm
Cash and other short-term interest-bearing instruments	Rand	6 255	5 954
	US dollars	459	509
	Other currencies	315	311
Debt securities	Rand	52	-
	US dollars	408	-
Total		7 489	6 774

INVESTMENT RESULTS

INVESTMENT INCOME

The investment return on insurance funds of R499 million increased from the R425 million earned in 2014, supported by a 50 basis points increase in interest rates during 2015, higher average insurance funds for the year, as well as the optimisation of the international asset portfolio.

Positive investment returns on the equity portfolio were locked in through the proactive rebalancing of the portfolio in February, May and November 2015 as follows:

Date and purpose	Equities sold
February 2015, for final dividend payment	R400 million
May 2015, for share buy-back	R400 million
November 2015, rebalancing in anticipation of Saham transaction	R750 million

A hedge structure over R1.3 billion of equities entered into for the period February to December 2015 realised a profit of R42 million.

Listed equities achieved a return of 4.1%, marginally outperforming the SWIX 40 benchmark of 3.6%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios include exposure to bonds and longer dated instruments and had R7 billion invested across the various group active income portfolios as at 31 December 2015. The active income portfolios achieved an average return of 6.5% for the year, which is considered to be a good outcome for the group in the light of the volatility experienced in the fixed interest market in December 2015.

The weakening of the rand during 2015 resulted in significant foreign currency gains of R362 million (2014: R71 million) included in investment income.

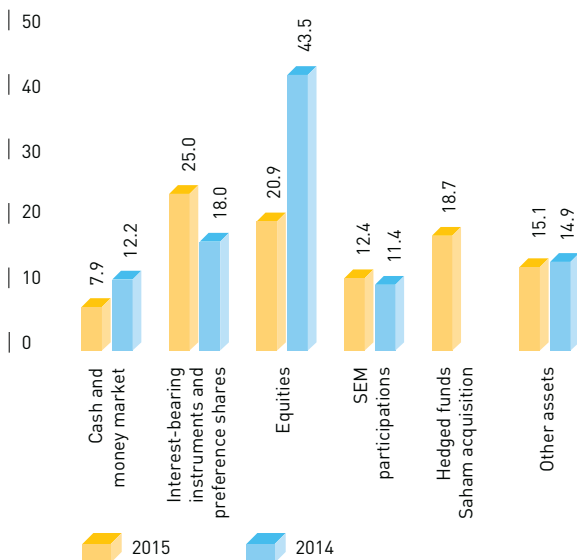
Positive fair value movements of R152 million (2014: R93 million) in Santam's interest in Sanlam Emerging Market's (SEM's) general insurance businesses in Africa, India and Southeast Asia enhanced the investment performance. The fair value movement included foreign exchange gains of R105 million (2014: R22 million). Dividend income of R22 million (2014: R21 million) from the SEM portfolio was also recognised. At year-end the SEM investments had a fair value of R1 005 million (2014: R807 million), which accounted for 12.4% of the group's shareholder funds at 31 December 2015.

Net earnings from associated companies of R53 million was slightly less than the R58 million reported in 2014 following the sale of the key contributor, Credit Guarantee Insurance Corporation of Africa Ltd for R602 million in October 2015. A profit of R392 million before tax was realised from this sale. The group also disposed of its 37.5% investment in Censeo (Pty) Ltd in May 2015 realising a profit of R21 million before taxation.

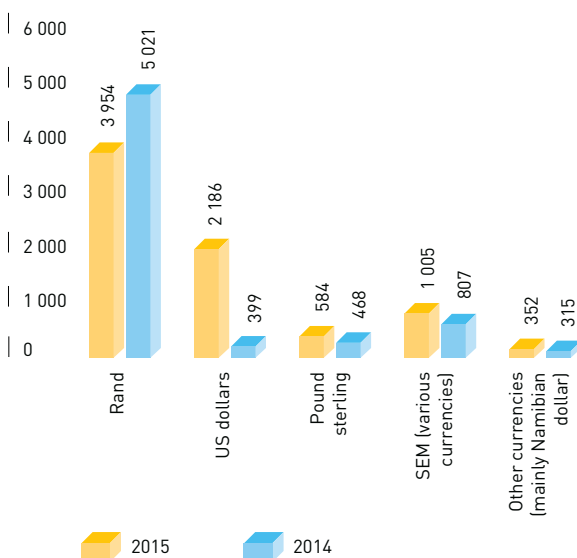
Santam generated a profit of R15 million from the sale of 76% of the effective shareholding in Indwe Broker Holdings Group (Pty) Ltd, effective 31 December 2015.

Investment results were negatively impacted by an impairment of intangible assets of R47 million relating to the group's administration businesses, Original Co-Sourcing SA (Pty) Ltd and Riscor Underwriting Managers (Pty) Ltd, following the reorganisation of the group's administration businesses.

SHAREHOLDER FUNDS %



SHAREHOLDER FUNDS R'm



INVESTMENT APPROACH

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



The asset allocation is also managed and monitored from an asset/liability perspective. This ensures that there are sufficient liquid funds available to meet Santam's insurance liabilities to ensure that the subordinated debt obligations are adequately covered by matching interest-bearing instruments, and that the shareholders' funds are not unduly exposed to investment risk. Foreign currency assets are also held to back foreign currency insurance business conducted by Santam, to not unduly expose shareholders' funds to currency risk. As at 31 December 2015, funds to the value of R1.4 billion (2014: R1.1 billion) backing the insurance liabilities and capital relating to the business written in foreign currency were invested in foreign currency bank accounts and global fixed income portfolios.

Investment management is mainly outsourced to Sanlam Investment Management, an external fund manager under predetermined mandates, which consists of a combination of various benchmarks, inter alia, SWIX 40 and SteFi. The overall performance of the fund manager against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis. The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with relevant FSB regulations.

SEM PARTICIPATION INVESTMENTS

Santam entered into a series of transactions with SEM in December 2013, in terms of which Santam acquired participation interests in SEM's emerging markets general insurance investments. The co-investment arrangement positions SEM as a single investor for the Sanlam Group's general insurance businesses in emerging markets, while enabling Santam to share in the economic interest of the current and future general insurance expansion in these markets. In principle, SEM and Santam participate on a 65%/35% basis, respectively, in the Sanlam Group's general insurance businesses in emerging markets. Through this participation, Santam obtains exposure to the Indian, Malaysian and African emerging markets, and has the opportunity to participate in the Sanlam Group's future emerging markets general insurance investments. Santam renders technical services to the SEM general insurance partner companies.

Santam has subscribed for shares of separate classes in SEM with each separate class linked to one of the following participation interests:

SEM investment holdings

	Incorporated in	Santam effective holding 2015 %	Santam effective holding 2014 %
Pacific & Orient Insurance Co. Berhad	Malaysia	15.4	15.4
Shriram General Insurance Co. Ltd	India	7.0	7.0
BIHL Insurance Company Ltd	Botswana	20.5	20.4
NICO Holdings general insurance subsidiaries	Malawi and Zambia	21.6	21.6
NICO Holdings general insurance subsidiaries	Uganda	29.3	21.6
NICO Holdings general insurance subsidiaries	Tanzania	18.1	14.4
Soras Assurance Generales Ltd	Rwanda	22.1	22.1
Socar SA Burundi	Burundi	7.3	7.3
FBN General Insurance Ltd (previously Oasis Insurance Plc)	Nigeria	12.3	8.7
Enterprise Insurance Company Ltd	Ghana	14.0	14.0
Gateway Insurance Company Ltd	Kenya	10.9	-

Santam accounts for these investments as fair value through income financial instruments; the changes in market value are included in the income statement.

The SEM investments accounted for 12.4% (2014: 11.4%) of the Santam group’s shareholder funds.

SEM participation investments

Region	2014 R'm	Additions/ (disposals) R'm	Fair value movements		2015 R'm
			Change in exchange rates R'm	Change in valuation R'm	
Africa	209	46	(2)	18	271
Southeast Asia	348	-	31	3	382
India	250	-	76	26	352
	807	46	105	47	1 005

Acquisition of interest in Saham Finances

During November 2015, agreements were concluded whereby SEM and Santam would jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%), for a total cash consideration including transaction costs of US\$400 million.

Saham Finances is an insurance group with operations in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. It writes mainly (exceeding 80%) non-life business through its 49 subsidiaries, and has a network of 650 branches with an employee complement of more than 3 000 people. Saham Finances also has a leading market share in many of its markets.

The transaction is expected to be finalised during the first quarter of 2016.

The transaction will be funded from the following internal capital resources:

- US\$35 million was purchased in the market in November 2015;
- The balance was obtained from existing dollar assets.

A cash flow hedge was implemented on 24 November 2015 to cover Santam’s foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R134 million recognised on the designated cash balances since implementation date were not recognised in the income statement but were recognised in the statement of changes in equity.

**CAPITAL MANAGEMENT AND SOLVENCY
CAPITAL MANAGEMENT PHILOSOPHY**

Santam’s capital management philosophy is to maximise the return on shareholders’ capital within an appropriate risk appetite framework. The aim is to increase shareholder wealth by actively managing the following:

- The amount and sources of capital in the business. This is also linked to the current and future regulatory capital requirements in terms of the existing and the newly formulated new solvency regime (SAM) requirements.
- The allocation of capital to business units or new business ventures/acquisitions.
- The amount and type of risk that the company is willing to assume in the pursuit of value creation.
- The reinsurance programme and asset allocation to optimise economic capital requirements.

Santam targeted to exceed a return on capital hurdle rate of 22.5% in 2015. Following the recent increase in the risk-free rate the 2016 capital hurdle rate was increased to 24%. Capital is allocated to the various businesses in the group and the returns on these businesses are measured against the required hurdle rate.

DISCRETIONARY CAPITAL AND SOLVENCY LEVEL

Santam's board of directors targets a solvency level between 35% and 45% of net written premium for the group, which is equivalent to a capital coverage ratio of 135% to 170%. The group economic capital based on the internal model currently amounts to R5.1 billion or an economic capital coverage ratio of 177%. Excess capital is maintained for the following reasons:

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

The group solvency ratio of 48.1% at 31 December 2015 exceeded our targeted solvency range. Net asset value per share increased from 6 115 cents at the end of 2014 to 7 338 cents at the end of 2015, mainly driven by the good insurance and investment earnings generated during the year. A review of optimal capital levels and targeted solvency range is performed. This review takes into account the current and future regulatory solvency requirements, the impact of the delayed implementation of SAM scheduled for January 2017, the structural change to the statement of financial position following strategic investments made and further potential acquisitions.

Santam Ltd established a new R4 billion unsecured subordinated callable note programme on 29 February 2016, and intends to issue notes under the programme of up to R1 billion in April 2016.

We remain committed to efficient capital management.

REGULATORY SOLVENCY AND CAPITAL REQUIREMENTS

One of the most important regulatory developments is the SAM that the FSB is in the process of developing for the South African long-term and general insurance industries to be in line with international standards. SAM will adopt the principles of the Solvency II, adapted to South African-specific circumstances, where necessary. The target date for implementation of the final requirements under the new regime, including the internal model approach for general insurers, is 1 January 2017.

As previously reported, Santam operates an internal capital model in line with best practice to assist management with capital management, risk quantification and decision-making.

Santam is in the process of applying to the FSB to use this internal model for determining its capital requirements once SAM is enacted

Dividends

The company paid an interim dividend of 288 cents per share, which was 10% higher than the 262 cents per share in 2014. Santam declared a final dividend of 528 cents per share for 2015 (2014: 480 cents per share), resulting in a total dividend of 816 cents per share for the year (2014: 742 cents per share). This represents an increase of 10%.

Santam's dividend policy aims for stable dividend growth in line with the company's long-term sustainable business growth. When special dividends are being considered, we take into account capital levels (as informed by the solvency margin target range of 35% to 45%), regulatory capital requirements and potential investment opportunities.

Corporate actions

In May 2007, Santam concluded a broad-based black economic empowerment (BBBEE) transaction in terms of which Central Plaza Investments 112 (Pty) Ltd (Central Plaza) acquired 10% of Santam's issued ordinary shares in terms of a scheme of arrangement.

To facilitate the BBBEE scheme unwind, Santam entered into an agreement with Central Plaza in terms of which Santam repurchased 4 215 000 Santam shares held by Central Plaza at a price of R190 per share for a total consideration of R801 million, effective 30 June 2015. The unwinding of the BBBEE scheme unlocked value of R1.1 billion for participants.

On 31 May 2015, Swanvest 120 (Pty) Ltd sold its 37.5% shareholding in Censeo (Pty) Ltd for R23 million. The net profit realised was R21 million and capital gains tax of R4 million was recognised.

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd for R602 million. The net profit realised was R392 million and capital gains tax of R91 million was recognised.

On 31 December 2015, Santam sold 76% of its shareholding in Indwe Broker Holdings Group (Pty) Ltd (Indwe) for R208 million to African Rainbow Capital (Pty) Ltd, a wholly-owned subsidiary of Ubuntu-Botho Investments (Pty) Ltd (51%) and Sanlam Ltd (25%). The transaction will establish Indwe as a leading black-owned insurance brokerage firm in South Africa with direct ties to Santam and Sanlam. The net profit realised was R15 million and capital gains tax of R5 million was recognised. The remaining 24% was classified as a joint venture and remeasured at fair value, resulting in a gain of R3 million (included in the profit on sale of Indwe).

Full details of the company's holdings in subsidiaries, associated companies and joint ventures are contained in note 46 to the annual financial statements.



HENNIE NEL

Chief financial officer

INTRODUCING SANTAM'S STRATEGY

STRATEGIC AND OPERATIONAL CONTEXT

Santam strives to maximise socio-economic welfare, enhance stakeholders' sustainability and build a more resilient world through the provision of risk solutions in selected emerging markets, while delivering on its brand promise of **Insurance good and proper**.

The group aligns its strategic thinking with global initiatives and institutions such as the United Nations Environment Programme Finance Initiative (UNEP FI), the United National Global Compact's sustainable development goal for financial services, ClimateWise and the South African Insurance Association (SAIA). These all recognise the interdependence between finance and environmental, social and governance (ESG) challenges, and the role financial institutions play for a more sustainable economy and world.

The general insurance sector faces key drivers that will fundamentally affect the market in South Africa and globally over the medium to long term. These already have a significant impact in the form of regulatory changes, the focus on environmental and social sustainability for risk mitigation and the technological advancement of society and business.

Three of these drivers are of particular importance:

- Shifting power and knowledge patterns
- Vulnerability of the systems in which the group is embedded
- The impact of living and working in a digital world

These drivers of change manifest as challenges and opportunities that require a group response, including:

- managing risks better on the ground where Santam does business;
- enhancing resilience to create shared value for Santam's significant stakeholders;
- ensuring an understanding of how technology is shaping the socio-economic world Santam insures and the group's business; and
- current practices to ensure long-term sustainability.

These challenges and opportunities include working with others at industry level to solve material sustainable development challenges, particularly in South Africa, that include insurance penetration, the affordability of and access to insurance, reducing the level of ESG inherent in the landscape (risk on the ground), transformation and skills development.

KEY THEMES IN GENERAL INSURANCE OUTSIDE SOUTH AFRICA

- 1** Profitable growth remains a major challenge in more developed markets
- 2** Emerging markets continue to show positive prospects, although these will be more challenging in the short term, given lower growth in China and the decline in global commodity prices
- 3** TCF and client-centricity are key
- 4** Regulatory advancement will continue
- 5** Technological advancement presenting new risks and opportunities

KEY THEMES IN GENERAL INSURANCE INSIDE SOUTH AFRICA

- 1** Subdued outlook for economic growth, coupled with socio-economic and sovereign rating challenges
- 2** Intense competition – continued competitive rates; pressure on profitability
- 3** TCF and client-centricity are key, and several fundamental changes in regulations
- 4** Real impact of increasing risks on the ground
- 5** Skills and transformation challenge
- 6** System and process efficiency remains an imperative, technological advancement presenting new risks and opportunities

STRATEGY PROCESS 2015

The group follows a regular and robust strategic review process, involving environmental scanning and research, dialogue and choice-making, goal and target setting, and performance monitoring. Every year the process focuses on material imperatives with increased potential impact in terms of business portfolio longevity and performance success.

The strategy development process is designed to:

- identify the material contextual drivers of the ESG systems that the business portfolio is embedded in;
- sense the changes in the competitive environment that are relevant;
- identify the strategic variables that the group has to manage for present and future success;
- make clear and informed choices about what the group will and will not do; and
- review and establish strategic imperatives and performance criteria at group and business unit level.

The group determines the strategic focus areas and targets. Each business unit then takes responsibility for its own strategy process, focusing on implementation through go-to-market strategies and projects, operational implications and resource allocations. A dashboard tracks strategic implementation against key metrics and is shared with the board on a quarterly basis.

The annual budget and business planning cycle ensures that the group take a system, portfolio-based and long-term view of resource allocation,

cultural and behavioural elements and strategic initiatives. The aim is to ensure the effective setting of and delivery on the strategy and targets.



Read more ...

about the strategy in summary on page 6 and key long-term goals on page 4.

STRATEGIC SUSTAINABILITY FRAMEWORK

The Santam group's sustainability framework continues integrating and aligning with the business strategy. The six capitals (see page 32) were considered in developing the framework and identifying three key material issues related to general insurance:

- Exposed markets and clients
- Rising systemic risk and vulnerability
- Pressure on human, social and natural capital

The sustainability framework forms the basis of the key performance indicators that are reported to the social, ethics and sustainability committee. Five key enablers continue to define Santam's response to its material business issues and challenges. In 2016 the framework will be refined even further following the adoption of a shared value approach.



Read more ...

about the governance of sustainability at Santam on page 55 and the six capitals on page 32.

SUSTAINABILITY FRAMEWORK



KEY ENABLERS	RATIONALE	VALUE CREATED IN 2015
<p>FAIR TREATMENT OF CLIENTS</p>	<p>Santam is committed to embedding the principles of TCF into its culture as the cornerstone of its brand promise, Insurance good and proper.</p>	<p>Read more ... about the principles under "growth through diversification" on page 34.</p>
<p>REACHING THE UNINSURED</p>	<p>Santam develops and implements its emerging market strategy through appropriate channels in the business to support growth and diversification. This includes the development of further products to reach the emerging market in alignment with the Financial Services Charter (FSC) targets and criteria.</p>	<p>Personal lines products targeted at the uninsured market are sold through Centriq, MiWay, the Santam motor portfolio and VUM products (taxi, liability and assetsure). In 2016, the focus will be on developing appropriate commercial products for small businesses. The continued education of Santam's access target markets is driven by marketing activities.</p> <p>R6 million was invested in consumer education across business channels and more than 66 000 policies were sold in the emerging market in South Africa through 10 FSC-approved products.</p>
<p>FOCUS ON RESPONSIBLE INVESTMENTS</p>	<p>The Santam Resilient Investment (SRI) Fund objective is to target investments based on Santam's ESG needs or focus.</p> <p>It also aims to find investments that are designed to reduce long-term systemic risks for the group, policyholders, fund members and broader society. The enterprise development (ED) management programme aims to partner with the Sanlam ED programme to the benefit of Santam suppliers.</p>	<p>The fund has restructured its mandate to focus on impact investments, i.e. investments into companies or organisations with the intention to generate social and environmental impact while at the same time generating a sustainable financial return. The SRI's mandate limits have been increased and focus areas confirmed around assisting households, building houses, creating jobs and environmental impact.</p> <p>Santam was appointed to the Association of Savings and Investment South Africa (ASISA) Fund's board following a R10 million investment in the ASISA Fund in 2015.</p> <p>In 2016, Santam will participate fully in the Sanlam ED programme for which seven suppliers have been identified. Four sectors are targeted:</p> <ul style="list-style-type: none"> - Information technology - Marketing - Motor body repairers - Building <p>Read more ... about Santam's Black Broker Development Programme on page 41.</p>
<p>BUILDING PARTNERSHIPS FOR RISK AND RESILIENCE</p>	<p>Santam works with local government through the BAAM and Partnership for Risk and Resilience programmes focusing on disaster risk management and reduction.</p>	<p>Read more ... about the partnerships for risk and resilience under "manage the risk pool" on page 37.</p>



KEY ENABLERS	RATIONALE	VALUE CREATED IN 2015
<p>DIVERSE, PRODUCTIVE EMPLOYEE BASE</p>	<p>The retention and development of scarce skills in the business remain a focus in support of business strategy.</p> <p>Employee wellness initiatives aim to proactively and positively influence the prevalence of lifestyle risk factors, reduce the impact of absenteeism and ultimately improve productivity.</p>	<p>Santam's strategic resourcing plan was approved by the human resource and remuneration committee. This plan covers initiatives that are intended to accelerate people transformation and diversity through additional capacity and skills development programmes targeted at management levels. This will further enable Santam to achieve the planned growth through diversification.</p> <p>The group initiated a diversity awareness and training programme.</p> <p>Read more ... about skills development under "the right people" on page 40.</p> <p>The impact of the bWell programme on physical and emotional health shows a positive increase in productivity levels.</p> <p>Financial health is addressed through a range of services to assist employees with debt counselling, budgeting and financial planning (including retirement fund planning support).</p> <p>Employees also enjoy the benefit of a concierge programme, Yell for Yellow, which assists them with work-life integration. Where possible, Santam offers flexible work arrangements.</p>



STAKEHOLDERS

The group shares a business, socio-economic and ecological landscape with a range of stakeholders in South Africa and abroad. During many years of formal and informal engagement, Santam has structured its engagement according to eight main stakeholder groupings:

- Clients
- Shareholders
- Employees
- Suppliers/business partners
- Industry regulators
- Industry networks
- Government
- Communities

Stakeholder engagement aims to build and maintain quality business relationships with all material stakeholders. Through effective dialogue and collaboration, the group aims to create a more resilient and sustainable business environment in support of its long-term strategy. Effective stakeholder relations and management is also a key competence for the group in terms of King III.

During 2015, the group prioritised stakeholders with the focus on reducing insurance risk on the ground. Key among these were national, provincial and local government in South Africa. Santam engages regularly by partnering in initiatives and programmes to reduce the impact of disaster risks on the lives and assets of communities in local municipalities.



Read more ...
about Santam's partnerships for risk and resilience on page 37.

The group's corporate social investment (CSI) strategy aims to address the social issues impacting Santam and its stakeholders.

Focus areas going forward include:

- Drive community risk awareness through partnerships to address the drivers of risk and inculcate appropriate risk response behaviour
- Partner with appropriate entities to increase capacity for disaster response and relief in vulnerable communities
- Assist with technology improvement to enable communities to use early warning systems to drive proactive risk management behaviour

- Address the causes of fire risks in communities by providing safer alternatives
- Where appropriate, assist neighbourhood watches with the necessary equipment to improve service to communities
- Focus on hotspots in high-risk communities and address high-risk activities through partnerships and programmes



Find ...

Santam's CSI initiatives on the company's website.

CASE STUDY: CONSUMER EDUCATION DRIVING CHANGES

As part of the Santam transformation commitment, the group actively promotes a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and which contributes to the establishment of an equitable society. This includes providing accessible financial services to black people and directing investment into targeted (access) sectors of the economy. Santam identified consumer education as a vehicle to target access audiences.

Santam continues supporting SAIA projects and piloting initiatives in the SMME and personal insurance market. In 2015 these efforts were expanded to include work with the distribution channels within Santam across a broad spectrum of specialist fields. The initiatives were aimed in particular through our specialist business partner, VUM, and took the form of radio campaigns and SMME workshops, themed *Risky Business*. These targeted the development of knowledge and skills on issues affecting new black businesses.

Santam Agri business targeted the black emerging farming community by offering three programmes:

- A financial skills training programme for emerging farmers and farming students themed *Money fo' sho!* in collaboration with key stakeholders from the agricultural sector.
- Business plan development, the registration and management of cooperatives and the basic principles of risk management for emerging farmers themed *Farmtogether*.
- An emerging farmer training programme to provide financial, business and farming skills needed to successfully convert subsistence farming into commercial farming.

It is envisaged that through initiatives like this, the industry will benefit from businesses that are more informed on risk management and are able to be more productive, thereby creating much-needed jobs in South Africa.

BUSINESS MODEL AND THE SIX CAPITALS

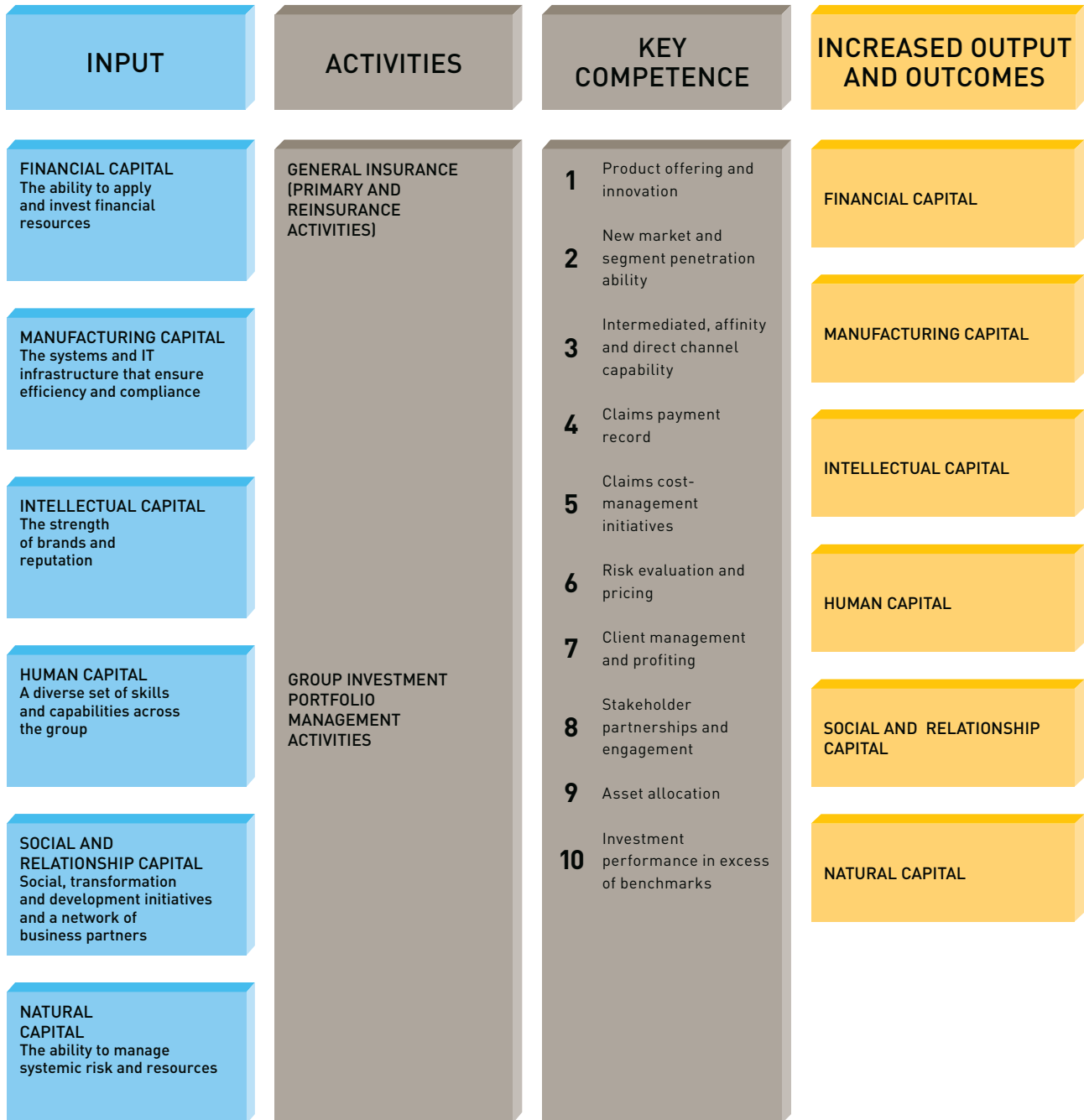
Santam's business model is based on the group's ability to manage the size, quality and diversity of the risk pool in which it operates. The group's key competencies are the differentiators that entrenched Santam's leading position in the local insurance industry and enabled it to diversify, thereby creating value over the short, medium and long term.

A key element of business success in the short, medium and long term is its integration of the six capitals as defined by the International Integrated Reporting Framework. This framework considers financial, manufacturing, intellectual, human, social and relationship, and natural capitals. It also represents the ability of the business to create value and the potential it can have on this holistically. The value of these capitals can affect the long-term viability of Santam's business model, and therefore its ability to create value over time.

Through its activities and relationships, the Santam group is able to increase all six capitals:

- Increased financial capital through drivers such as gross written premium, underwriting margin, investment return on insurance funds, responsible investments and cost savings (efficiency) thereby increasing dividends and social and development spend.
- Increased manufactured capital through expansion and business improvement activities.
- Increased intellectual capital confirmed by consistent awards, brand awareness, improved ability to price risk coupled with its innovative risk management capability.
- Increased human capital through training and development programmes, diversification practices, increased employment and client satisfaction feedback.
- Increased social and relationship capital in transformation commitments, expanded intermediary and supplier development programmes, good governance and safer and secure communities.
- Increased natural capital through effective systemic risk management initiatives such as the partnership for shared risk and resilience, inclusive of BAAM, and the expanded risk and resilience initiative (including landscape rehabilitation work).

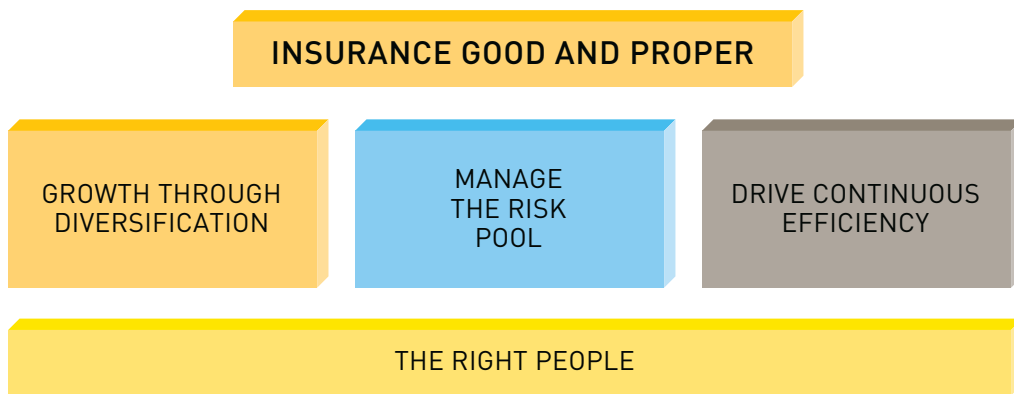
BUSINESS MODEL AND THE SIX CAPITALS



SANTAM ADDS VALUE THROUGH ITS BUSINESS MODEL, WHICH APPLIES AND INCREASES THE SIX CAPITALS, AND THEREBY MAXIMISES SOCIO-ECONOMIC WELFARE, ENHANCES STAKEHOLDERS' SUSTAINABILITY AND BUILDS A MORE RESILIENT WORLD – ENABLED BY THE PROVISION OF RISK SOLUTIONS TO CLIENTS IN SELECTED EMERGING MARKETS.

STRATEGIC OVERVIEW

Santam’s strategy consists of strategic focus areas that collectively drive the group’s value creation activities towards its long-term goals. The following section reports on progress per focus area for the year, highlighting achievements and challenges, and providing detailed examples of how these focus areas are delivering results through case studies.



GROWTH THROUGH DIVERSIFICATION

Through diversification we aim to achieve responsible, profitable and sustainable growth while making strategic insurance investments through international partnerships.

SUCCESSFULLY EXPAND OUTSIDE OF SOUTH AFRICA

Santam entered into a series of transactions with SEM since December 2013, in terms of which Santam acquired participation interests in SEM’s emerging markets general insurance investments. This enabled Santam to diversify geographically through a partnership model.

This model offers a soft entry into new markets. By identifying opportunities for Santam Specialist and Santam Re, the group can expand further while managing the risks of new territories. This model further grows Santam’s international intermediary network, as the group is able to refer business from South Africa to SEM partners in other areas.

Santam adds value to its partners in new territories by offering technical support, driving the value of its investments and extending the business sourced for Santam Specialist and Santam Re. Santam Specialist’s seamless infrastructure product is an example of a successful conduit to connect the varied and specialist skills to underwrite complex projects in Africa.

At the end of 2015 SEM announced the agreement by Sanlam and Santam to acquire a 30% stake in Morocco-based Saham Finances, which will further enhance Santam’s presence in Africa, with access to new and undeveloped general insurance growth markets. It allows the group to accelerate its diversification strategy and will create further opportunities for Santam Specialist and Santam Re.

Through SEM, Santam has investments in 13 general insurance licences across Africa, India and Southeast Asia. The group achieved R2.4 billion gross written premium income from outside of South Africa.



Read more ...

about the detail of the transaction in the chief financial officer's report on page 22.

DIVERSIFYING CHANNELS AND PRODUCTS

Diversification initiatives delivered new business growth for several business units. MiWay launched a broker-direct model by which intermediaries channel motor-only policies through MiWay. MiWay also expanded into life insurance in cooperation with Sanlam. It also now offers commercial insurance, where the unit targets small and medium enterprises.

Santam Commercial and Personal enhanced its distribution channels for intermediaries and also now caters for clients preferring to engage with their insurer on a direct basis.

Santam is also developing closer working relationships with Sanlam distribution channels to leverage general insurance opportunities through the wider group.

Santam continues exploring solutions to underinsurance using existing data analytics and actuarial models. The aim is to identify clients that are likely to be underinsured and drive the adjustment of insured amounts and associated premium levels.

The Santam Specialist business continued expanding into new product lines such as kidnap and ransom, unmanned aircraft/drones and cyber liability. The unit is growing penetration in the emerging market segment via VUM and building capability in the performance guarantee market.

The Santam Specialist business products and services remain predominantly distributed through agents or intermediaries; however, there is a growing need for Santam to have access to client information and for clients wanting to engage with their insurer while maintaining their intermediary relationship. Initiatives to support these channels included the development of the pocket underwriter, a technical tool to assist and evaluate client needs in the liability segment. Emerald, which underwrites property business, developed an application to support risk management and underwriting knowledge. Segments of the business, such as travel insurance, showed increased growth in online sales and the crop business maintained close relationships between the client/farmer and the agent, financier and suppliers.

A CULTURE OF CLIENT-CENTRICITY

Santam is committed to embedding the principles of TCF into its strategy and culture as the cornerstone of its brand promise, **Insurance good and proper**. A pragmatic approach is applied for TCF implementation balancing outcomes and fairness with business sustainability and commercial imperatives.

Key areas of progress for the year include:

- Improved quality of measurement
- Capabilities for outcomes mapped to relevant business units and processes
- Defined tolerance levels
- Voice of the client (VOC) results were launched in Santam Commercial and Personal businesses

Quarterly TCF forum meetings are held to monitor implementation and progress and a TCF dashboard is presented to the board.

Santam measures client satisfaction on three levels:

- Directly with clients after every interaction – from quotation through to the claims process. A benchmarking score of 80% must be achieved on a client satisfaction scale.
- A client diagnostic measure of overall satisfaction where the net repurchase intent and promoter scores are used as benchmarks.
- An external credible independent measure called the South African Customer Satisfaction Index (SAcsi).

According to SAcsi, client satisfaction in the short-term insurance industry is showing a declining trend. Santam retained its leadership position with an overall score of 77.3 (2014: 78.8). Santam's net promoter score (the likelihood that clients would recommend the brand) indicated that the group has significantly more promoters than previously and that clients are taking the time to actively promote the brand on public and social media platforms.

The 2015 report of the ombudsman for short-term insurance (relating to 2014 data) confirmed Santam's leading position regarding its ability to pay claims and treating the customer fairly. The number of Santam client complaints to the ombudsman in relation to the number of claims handled was well below the industry average. Santam handled the highest number of claims in the industry (14.2%), whereas only 7.1% of complaints received by the ombudsman were from Santam clients. The ombudsman upheld 71% of contested Santam complaints in favour of Santam. 2.8% of ombudsman complaints related to MiWay claims and 77.4% of these were upheld in favour of Miway.

MANAGE THE RISK POOL

Through managing our risk pool we ensure proactive sustainable risk management while we diversify.

MAINTAIN RISK ASSESSMENT CAPABILITY

To effectively manage its risk pool, Santam monitors trends and changes that can materially impact risk profiles and claims patterns. The group continuously adapts underwriting and risk management strategies to achieve Santam's targeted underwriting margin.



Read more ...

about key strategic risks and Santam's response in the leadership report on page 20.

These include critical infrastructure failure risk and South Africa's ability to deal with further unforeseen shocks. An important characteristic of key risk events is their systemic nature, which has the potential to affect society on multiple social levels.

Santam continues responding positively and proactively by:

- driving operational efficiency and enhanced risk management in response to soft pricing conditions;
- improving its risk assessment capabilities and rewarding clients for low-risk behaviour through its segmented pricing strategy;
- rewarding clients for selecting lower motor repair cost options;
- implementing advanced data analytics to identify clients that pose an excessively high risk to the insurance pool relative to the premium they pay, and aligning the terms on which they are underwritten;
- enhancing its risk-surveying capability by automating processing-related activities and enabling access to geospatial information, allowing surveyors to focus on risk assessment and advice;
- optimising a fraud analytics capability to identify fraud efficiently and reduce its impact on the risk pool;
- geocoding property risks to enhance landscape-based risk assessment;
- providing support to local authorities in the areas of fire and flood risk management; and
- driving industry initiatives to set and encourage adherence to appropriate national standards for fire safety.

Santam depends on information technology for critical infrastructure. Santam and Sanlam joined forces to defend themselves against cyberattacks. This joint effort, combined with a strong collaborative approach with other financial industry players, ensures that Santam remains as up to date as possible when combating cyberthreats.

As Santam diversifies geographically through SEM into Africa, India and Southeast Asia, the group's risk profile changes. The African business portfolio, in particular, is much smaller than South Africa, but concurrently less competitive, more volatile and provides significant growth opportunities.

Risks are specific to countries and require specialised underwriting. Santam is building capacity over time to ensure that the group can assess local capabilities, systemic weakness and build relationships.

FOCUS ON RISK MANAGEMENT

Santam's risk appetite and capital management strategy aim to quantify the amount of capital the company is willing to put at risk in the pursuit of value creation and are reviewed on a continuous basis. The risk appetite criteria include coverage of financial and non-financial risk categories to indicate how much risk the group is willing to take in the pursuit of achieving its strategic and operational goals. It is the group's intention to positively contribute to the systemic management of relevant and material ESG risks in areas where it operates.

A key element of risk management relates to Santam's internal model, which was built on a dynamic financial risk model of the business, and which has been continuously refined in preparation for the enactment of the SAM requirements. The model assists decision-making in many areas of insurance risk and capital management.

The group has been engaging with the FSB on the internal model and will start a formal application process for the approval of Santam's internal model early in 2016. The implementation of SAM has been postponed to 2017.

Santam's risk appetite and capital/return modelling framework makes explicit allowance for risk diversity and the degree of correlation that exists within the risk pool across insurance exposure classes, geographies, risk types, perils and currencies. It has been imperative to framing the group's risk diversification and underwriting strategy.

SANTAM'S ETHICAL APPROACH

Santam has a zero-tolerance approach to criminal conduct and therefore reports all cases to the South African Police Service (SAPS). There was a slight decrease in the number of cases reported during 2015 compared to the previous year. The group provides assistance in the investigation and prosecution of the cases that are reported.

Preventative action includes regular communication with Santam's intermediary network and policyholders, including safety tips via the Santam app. The group also supports SAPS and the National Prosecuting Authority through training, information sharing and joint investigative operations.

Santam recognises that the lack of safety and adequate security-related services in many communities prevents individuals from breaking the cycle of poverty, crime and economic hardship.

Therefore the group invests in programmes to address key social risks through its corporate social investment (CSI) initiatives.

CLIMATE CHANGE RISK

Santam was the first African member of ClimateWise – the global insurance industry’s leadership group driving action on climate change risk – and is a signatory to its principles. These principles form the basis of Santam’s climate change statement that was developed to provide an initial framework and to formalise the group’s response to increasing climate risk. The statement confirms that Santam is building partnerships to reduce risk at source and to forge resilient ecological and social systems. To this end, the group continues to:

- Invest in collaborative research-based projects that build capacity and drive down risks at the municipal level.
- Refine the understanding of climate and weather risk, and incorporate findings into the group’s decision-making processes.
- Support global efforts such as ClimateWise and UNEP PSI to drive action on climate change risk at government and corporate level.

Santam uses the *PwC Review of ClimateWise Principles* to track its progress in addressing climate risk. The ClimateWise principles provide an international standard tailored specifically to the insurance sector and adherence to these principles demonstrates a commitment to orientate business practice towards a resilient low-carbon economy.

Santam has improved its ranking among ClimateWise members from 17th in 2014 to 14th place in 2015. The group achieved an overall score of 49% (2014: 40%). The report highlights Santam’s contribution to several climate-related research projects to better understand climate change risks and how this influences Santam’s risk profile.

Santam is also a signatory to the *Paris Pledge for Action* in support of achieving and exceeding the implementation ambitions of the final COP21 agreement.



Find ...

Santam’s approach to climate change on the company’s website.

BUILDING PARTNERSHIPS FOR RISK AND RESILIENCE

Santam developed a partnership approach through initiatives to address the climate pressures on its risk pool over the past four years. Partnerships with a range of stakeholders are critical to ensure risk reduction on the ground, and reduce risk to communities and Santam’s business.

Internationally, Santam participated in the PSI Global Resilience Project and signed the Sendai Statement for disaster risk. The group is also a stakeholder council member of Global Infrastructure Basel’s voluntary Standard for Sustainable and Resilient Infrastructure.

In South Africa, the creation of partnerships for risk and resilience straddles the work done under BAAM and the Santam high-risk node initiative.

The number of high-risk local municipalities where Santam provides disaster risk management capability support increased from 15 in 2014 to 24 in 2015.

Under BAAM, the flood risk phase commenced with a two-month awareness programme prior to the beginning of the rainy season in the northern parts of South Africa. Highlights include:

- The Ehlanzeni district municipality conducted disaster awareness training sessions for 100 traditional leaders to prevent, mitigate and reduce disasters.
- The Thulamela local municipality initiated a community programme to raise awareness about measures to protect individuals and the community from floods.
- The Eden district municipality offered a theatre production that reached about 3 800 learners.

The Santam high-risk node initiative focuses on the district municipalities where Santam experiences high flood risk exposure. Two districts were prioritised in 2015: Ehlanzeni (Mpumalanga) and Sarah Baartman (Eastern Cape).

In Ehlanzeni, several structures were implemented to monitor progress and operational activities. Flood data was obtained and flood lines for Mbombela established, improving Santam’s ability to determine its risk priority areas based on risk aggregation. Risk mitigation actions were initiated at Santam clients and a proactive flood management model developed.

In the Eastern Cape, Santam partnered with a Dutch NGO, Four Returns and the German development bank, GIZ, to address risks relating to water scarcity in the farming community.

Initiatives at upstream catchment land rehabilitation level and downstream at business and community level are addressing the buy-in and commitment by stakeholders to support the catchment work and the subsequent impact of lack of water management at

community and business level. Land rehabilitation programmes have started, farming practices are being adapted and a business case has been developed to access funding.

The first Water Lab was held, focusing on land rehabilitation and catchments, water management (government structures, capacity and processes) and risk management.

CASE STUDY: TOTAL GRID FAILURE SCENARIO

Although Santam regards the likelihood of a national grid failure as low, it would have a very high impact from an insurance claims and a business continuity perspective.

In terms of the latter, Santam is dependent on infrastructure services and its ability to provide critical services such as water, sewerage, transport, diesel, communication, health and safety. Secondary to these are the dependencies on other services such as banking, equity markets and rand exchange rates. Given this scenario, the group's focus is to work with SAIA and other partners to review mitigation but also to influence, where possible, critical actions.

SAIA initiatives include engagement with Eskom, National Treasury and the FSB, particularly in driving a national disaster recovery plan.

The Santam crisis management plan was also updated to include a business continuity plan in the event of a total blackout.

DRIVE CONTINUOUS EFFICIENCY

By driving continuous efficiency, we maintain high standards of operational efficiency, ultimately creating more robust and sustainable stakeholder outcomes.

STRATEGIC PROJECTS OVERVIEW

Between 2010 and 2015, Santam invested significantly in new technology enablers to assist the commercial and personal business in realising its strategy. An analysis of the benefits delivered by these projects includes:

- Optimising the commercial lines contact centre's structures, processes and technology (an investment of R100 million) achieved improved productivity through the reduction of headcount even though the volume of transactions has increased by 21% since 2013.
- Establishing a new technology foundation and the optimisation of online interaction channels for employees, intermediaries and clients over a period of five years at a cost of R95 million. The main benefit is reduced call volumes and the ability to maintain service level agreements (SLAs).

The third project, which aims to be more responsive to client, intermediary and market demands by implementing a core underwriting and product management technological capability, is still underway. Most of Santam's new insourced personal lines business is now written onto the new platform, and 138 000 personal lines policies have been captured with full migration expected in 2016. The commercial application is still in a building phase, scheduled for completion in 2016. Total project cost to date was R460 million of which R195 million was capitalised.

SANTAM'S SUPPLY CHAIN INITIATIVES

Santam's suppliers form an integral part of the claims management process, with functional elements that include claims assessment, contact centres, drive-in centres, a variety of technical specialists, repairers and the internal arbitrator. To meet client requirements and improve service levels, Santam has built a sustainable network of suppliers that can service claims reliably and cost-effectively. This

enables the group to improve pricing and refine its product offering, which ultimately attracts and retains policyholders.

Significant savings were achieved in claims procurement; however, the deterioration in the exchange rate had a negative impact on prices of motor vehicle parts and paint costs. Numerous strategic initiatives and partnerships helped contain costs and contributed positively to the Santam group's loss ratio.

In segments of the Santam Specialist business, motor repairs are managed via supply of parts directly to motor body repairer to ensure cost containment, which ultimately drives affordable insurance premiums. Legal spend to external legal firms now relate only to complex matters, whereas in-house legal specialists manage standard claims.

Santam is leveraging group synergy with Sanlam. Initiatives related to IT infrastructure shared services, shared payroll, tax and sourcing services are now entrenched. Procurement contracts are also negotiated and concluded on behalf of group companies.

The Santam claims card is now well established and expanded offerings is underway – including the rollout in the Sanlam Group and optimisation of the supply base to support the value proposition.

Santam is committed to building a transformed supplier base that can provide good and cost-efficient client service with low environmental impact. The group continued its participation in the newly branded Sanlam Santam Enterprise Development Programme in partnership with ASISA. This partnership is aimed at investing in the sustainability of small and medium-sized enterprises in the group supply chain. The first phase of the programme assisted 11 small and medium enterprises that support 237 jobs, including 31 new jobs. In total, 96.9% of the group's spend is with BBBEE suppliers, of which 41.3% is qualifying small enterprises or exempt micro-enterprises.

CASE STUDY: CAR PART COST CONTROL AT SANTAM COMMERCIAL AND PERSONAL

Around 70% of Santam motor claims relate to motor vehicle accidents. According to SAIA, the insurance industry collectively spent between R15 billion and R16 billion on the replacement of parts in the repair of accident-related vehicles in 2014. Therefore, bringing down the cost of car parts is instrumental for the sustainability of the insurance sector.

A recently released Kinsey Report highlighted the considerable increase in the cost of spare and replacement motor vehicle parts. To counter this, Santam introduced a certified aftermarket parts programme to reduce repair costs. An aftermarket part refers to any part that is not directly sourced from the vehicle manufacturer. Aftermarket car parts provide a more economical alternative to Original Equipment Manufacturer (OEM) parts.

Santam aims to reduce repair costs and save vehicles that will be uneconomical to repair if fitted with OEM parts by fitting quality-certified aftermarket parts. This contributes to more competitive insurance premiums for policyholders and creates more work for business partners in the motor body repair industry. Santam does not compromise on the quality and safety of parts used.

THE RIGHT PEOPLE

Ensure that the right people are in the right positions to deliver on the chosen strategies.

SANTAM'S EMPLOYEES

Santam relies on the skills, resources and productivity of the group's employees to ensure that it delivers on its brand promise of **Insurance good and proper**. Therefore, the group's people strategy focuses on creating an enabling environment for employees to achieve the highest level of excellence, to drive innovation and to enhance the Santam value proposition to stakeholders.

The group aims to build a culture and people capabilities to manage the ongoing diversified growth and transformation of the business.

Santam's employee demographics at the end of the year constituted the following:

	Black		White		Total
	Female	Male	Female	Male	
Headcount	1 991	1 351	1 223	748	5 313
Percentage	37.47%	25.43%	23.02%	14.08%	100%
Terminations	513	396	161	81	1 151
Appointments	661	506	151	95	1 413
Turnover (%)	9.22%	7.12%	2.89%	1.46%	8.2%

In addition, at the end of 2015 there were 107 graduates and learners in service.

Employee turnover for 2015 was at a historic low of 8.2% (2014: 9.6%) due to macroeconomic factors and relatively high engagement levels in the business.

SKILLS DEVELOPMENT

Skills and talent development, as well as change management, rank as some of the top global risks in the insurance industry. This is as a result of the pace and nature of change, which is reaching new levels and challenging traditional models and practices. Santam requires specialised skills, particularly in underwriting and actuarial disciplines.

Santam developed a resourcing plan to accelerate the availability of skills. This includes a talent management plan that guides investment in the development and deployment of people, succession and leadership with a focus on providing technical skills tailored to suit the Santam skills competency profile.

The total group investment in skills development (excluding Santam Namibia) for the year was R84 million (2014: R83 million) of which 85% was targeted at black employees.

The Santam culture is underpinned by the Santam Way's values of integrity, passion, humanity, innovation and excellence. This culture has to reflect the Santam brand and enable the business to attract, engage and retain the right people.

Santam is monitoring and facilitating the implementation of action plans that were derived from the 2014 Culture and Engagement survey results. The next formal survey will be conducted in 2016.

Santam continues to invest in the development of leaders through various programmes at all management levels to ensure sustainable business performance. The focus on the implementation of technical insurance training programmes and the graduate internship programme ensure availability of critical insurance skills.

Santam has several learnership programmes, in which 100 learners participated in 2015. These include:

- The Santam general insurance learnership programme
- The Santam motor assessor learnership programme
- The Santam Black Broker development programme
- The empowerment incubator (Uyanda STI Careers (RF) (Pty) Ltd) where 100 black short-term intermediaries are being trained and given financial and business support to become successful intermediaries over the next three years.

The Santam black broker graduates have been identified as a potential channel to support the group's efforts to distribute VUM Access products in uninsured markets. All future graduates will complete the VUM Asset Sure product training and accreditation as part of their learnership.



Read more ...

about Santam's Black Broker Development Programme in the case study on page 41.

PERFORMANCE MANAGEMENT

Santam drives performance excellence through a culture of performance accountability, employee engagement, reward and recognition.



Read more ...

about performance incentives in the remuneration report on page 60.

All group employees have performance contracts in place for each year, with clear key performance indicators (KPIs), weightings, targets and measurements set for that period. These KPIs align with the group strategy and the business unit and team focus areas. In this way, the strategy is deployed into executive and business unit scorecards, and ultimately cascaded to individual performance contracts. Employees are formally appraised twice a year and informally given feedback on an ongoing basis. A four-level recognition framework and online 360-degree evaluation functionality was implemented to support the culture of performance excellence.

CASE STUDY: BLACK BROKER DEVELOPMENT PROGRAMME

The Santam Black Broker Development Programme played a significant role in building a pipeline of qualified young black insurance graduates for the industry. The programme also contributed to job creation as many of the young graduates found employment in the intermediary practices. Most importantly, the programme contributed to transformation of the intermediary network.

The programme is held in partnership with Santam, INSETA and the FIA.

The programme expanded over the last year with an additional 50 learners – an increase of 142% on the target for 2015. The new intake for 2016 will be 100 learners, making it the biggest general insurance learnership in the country.

KEY FACTS

Total number of learners since 2012	157
Number of participating intermediaries	84
Percentage of intermediaries repeatedly taking learners	13%
Percentage placement of learners	92%
Total number of learners for 2016	139

GOVERNANCE REPORT

BOARD OF DIRECTORS



From left: Monwabisi Fandeso (57), Malcolm Dunn (71), Clement Booth (61), Machiel Reyneke (58), Bruce Campbell (65), Yegs Ramiah (48), Themba Gamedze (57), Ian Kirk (58), Lizé Lambrechts (52), Grant Gelink (66), Hennie Nel (47), Kobus Möller (56)
Absent: Tantaswa Nyoka (née Fubu) (44) and Dawn Marole (55)



BOARD PROFILES

AT 2 MARCH 2016

GG GELINK (66)

Independent non-executive chairman

BComm (Hons), CA(SA), HEd, BAcc (Hons)

Appointed 1 June 2012

Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron) and MTN Zakhele. Chief executive officer of Deloitte Southern Africa from 2006 to 2012.

CB BOOTH (61)

Independent non-executive director

Executive Development Programme (Wits University)

Appointed 1 July 2015

Chairman of the supervisory board of Euler Hermes, non-executive chairman of Hyperion Insurance Group, former chief executive officer of Allianz SE, Germany, former chairman of the boards of Allianz UK and Allianz Global Corporate and Specialty. Former chairman and chief executive officer of Aon Re International and former chief executive officer of Munich Reinsurance Company of Africa in South Africa. Non-executive director of Sanlam Ltd and Allianz Ireland. Director of Saracens Rugby Club.

B CAMPBELL (65)

Independent non-executive director

BA, MBL, ACII & FCII (UK)

Appointed 4 October 2010

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

MD DUNN (71)

Independent non-executive director

FCA, CA(SA)

Appointed 16 April 2010

Director of Munich Reinsurance Company of Africa Ltd, Munich Mauritius Reinsurance Company Ltd and the Vumelana Advisory Fund NPC.

MP FANDESO (57)

Independent non-executive director

BSc (Hons), MBA

Appointed 10 October 2011

Director of SA Breweries (Pty) Ltd and SABSA Holdings Ltd. Previous chief executive officer of the Land and Agricultural Development Bank of South Africa.

T NYOKA (NÉE FUBU) (44)

Independent non-executive director

CA(SA), B Admin (Hons), HDip in Banking Law

Appointed 1 January 2015

Director of Grindrod Ltd, Grindrod Bank Ltd, Public Investment Corporation Ltd and former executive partner at KPMG.

BTPKM GAMEDZE (57)

Non-executive director

BA (Hons), MSc, FASSA

Appointed 16 October 2006

Director of Sanlam Emerging Markets (Pty) Ltd and Sanlam Investment Management (Pty) Ltd. Immediate past president of the Actuarial Society of South Africa and trustee of the Government Employees Pension Fund.

IM KIRK (58)

Non-executive director

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

Appointed 14 June 2007

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd. Previous chief executive officer of Santam Ltd from 2007 to 2014. Director of Channel Life Ltd, Genbel Securities (Pty) Ltd, Sanlam Capital Markets (Pty) Ltd, Sanlam Developing Markets Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings Ltd, Sanlam UK Ltd, Shriram Capital, Sanlam Netherlands Holding BV and WWF SA. Chairman of Association of Savings and Investment South Africa and Vumelana Advisory Fund NPC.

L LAMBRECHTS (52)**Chief executive officer**

BSc (Hons), FIA (1992), EDP (Manchester)
Appointed 1 January 2015

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd and chairperson of SAIA from 1 January 2015. Non-executive director of Sanlam Developing Markets, Sanlam Linked Investments, Sanlam Investments and Pensions UK, Channel Life, Glacier Financial Holdings and Sanlam UK.

MLD MAROLE (55)**Independent non-executive director**

BComm, Dip Tertiary Education, MBA
Appointed 13 December 2011

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

JP MÖLLER (56)**Non-executive director**

CA(SA)
Appointed 16 October 2006

Executive director of Sanlam Ltd and Sanlam Life Insurance Ltd. Director of Sanlam Emerging Markets (Pty) Ltd, Sanlam Capital Markets Ltd, Sanlam Investment Holdings (Pty) Ltd, Genbel Securities Ltd and Ubuntu-Botho Investment Holdings (Pty) Ltd.

HD NEL (47)**Chief financial officer, Executive director**

CA(SA)
Appointed 17 September 2012

Director of Centriq group of companies, Emerald Risk Transfer (Pty) Ltd, MiWay group of companies, Stalker Hutchison Admiral (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Swanvest 120 (Pty) Ltd, Brolink (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Mirabilis Engineering Underwriting Managers (Pty) Ltd, First Bank Nigeria Insurance Ltd, Guardian National Insurance Company Ltd and Indwe Broker Holdings Ltd.

Y RAMIAH (48)**Executive director**

BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney)
Appointed 13 December 2011

Director of Sanlam Ltd, Sanlam Life Insurance Ltd, Sanlam Investment Management (Pty) Ltd, Sanlam Investment Holdings Ltd and Adopt a School Foundation.

MJ REYNEKE (58)**Independent non-executive director**

CA(SA)
Appointed 26 August 2003

Director of Indwe Broker Holdings Ltd, MiWay group of companies, Centriq group of companies, Santam Namibia Ltd and Central Plaza Investments 112 (Pty) Ltd.

M ALLIE (40)**Company secretary**

BA, LLB
Appointed as company secretary on 1 February 2011

Admitted attorney with experience in corporate and commercial law, litigation and corporate governance. Former roles include company secretary of Oceana Group Ltd and Group Legal and Regulatory Affairs Manager of Parmalat SA (Pty) Ltd.

EXECUTIVE MANAGEMENT

Lizé Lambrechts (52)



Hennie Nel (47)



Yegs Ramiah (48)



John Melville (50)



Ebrahim Asmal (51)



Quinten Matthew (52)



René Otto (57)



Jeanett Modise (52)



Edward Gibbens (46)



Temba Mvusi (60)



Kevin Wright (50)



EXECUTIVE MANAGEMENT PROFILES

AT 2 MARCH 2016

LIZÉ LAMBRECHTS (52)

Chief executive officer

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

Appointed 2015

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

HENNIE NEL (47)

Chief financial officer

CA(SA)

Appointed 2012

Responsible for financial reporting, corporate finance, investments (including SEM partnership investments), internal audit, enterprise risk management, sustainability and corporate legal services.

YEGS RAMIAH (48)

Brand and marketing

BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney of the High Court of South Africa)

Appointed 2009

Responsible for brand development, marketing and communications with a strong focus on client attraction, retention and satisfaction.

JOHN MELVILLE (50)

Risk services

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

Appointed 2010

Responsible for the underwriting function (including strategy and pricing); product solutions; actuarial services (including rating, capital modelling and solvency management); developing and implementing reinsurance strategy; and developing Santam Re into a growth and profit contributor for the group. Oversees the development and maintenance of systems and processes to support the operation of these functions and technical support to SEM partner businesses.

EBRAHIM ASMAL (51)

Claims and group sourcing

Appointed 2009 (Appointed to executive management 2012)

Responsible for the management of the claims value chain, including assessments services and quality assurance. Also responsible for group sourcing and facilities, leveraging the group's procurement spending power to manage efficiency in the supply chain and drive opportunities related to new initiatives.

QUINTEN MATTHEW (52)

Santam Specialist

FIISA

Appointed 2003 (Appointed to executive management 2010)

Responsible for developing and expanding the underwriting manager model, niche segments, affinity markets and specialist insurance (including Centriq); provides strategic input to each business; promotes growth and profit objectives; focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, building on the synergy and support of Santam; and expands SEM partner business specialist capabilities.

RENÉ OTTO (57)**Chief executive officer of MiWay**

BLC LLB, LLM, Admitted Advocate of the Supreme Court
Appointed 2007 (Appointed to executive management 2012)

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

JEANETT MODISE (52)**Human resources**

BComm, MDP, MBL, SEP (Harvard), AMP (Insead)
Appointed 2014 (Appointed to executive management 2015)

Responsible for human resources. Leads and manages people strategy in line with best practice to enable successful execution of the Santam business objectives through engaged and competent people in an enabling work environment.

EDWARD GIBBENS (46)**Santam Commercial and Personal**

AIISA, BComm, MBA, AMP (Insead)
Appointed 1992 (Appointed to executive management 2005)

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

TEMBA MVUSI (60)**Market development – CSI**

BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)
Appointed 2008

Responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets and explores new intermediary opportunities in unserved markets; drives group-wide transformation to ensure company sustainability, setting targets and ensuring the company meets its broad-based black economic empowerment responsibilities; and corporate social investment.

KEVIN WRIGHT (50)**Operations and IT**

BComm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS
Appointed 2014

Responsible for client services, ensuring efficient policy administration, operation of sales and administration contact centres. Also responsible for information technology and business change to bolster the business strategy by leveraging information and technology and overseeing the building of systems capabilities to enhance Santam's agility and operational effectiveness.

STATEMENT OF COMMITMENT

Santam's board of directors aims to achieve high standards of effective corporate governance, integrity and ethics. The board is assisted by senior management in ensuring that the business complies with the regulatory landscape to ensure the sustainability of the business. Governance processes are reviewed on a regular basis in order to reflect best practice.

The board endorses the principles contained in King III and applied the principles contained in chapter 2 of King III during 2015. In instances where the company has elected not to apply certain recommendations, the rationale is explained in the relevant sections of this report.



Find ...

the register detailing Santam's application of all the King III principles on the company's website.

In terms of King III, the integrated report should disclose the terms of reference of all the board committees. Only a summary of these terms of reference have been included in this report.



Find ...

the complete terms of reference of all the board committees on the company's website.

The board is of the opinion that Santam applied the significant governance principles in King III and complied with the JSE Listings Requirements and Companies Act, 71 of 2008, during 2015.

During the year, Santam reviewed its governance processes to enhance alignment with legislative and regulatory changes and to reflect best industry practice. Various changes to the governance processes and structure were made to ensure compliance with the Financial Service Board (FSB) Board Notice 158 of 2014. The board and board committee charters were all also subjected to annual reviews as recommended by King III.

Santam's commitment to good governance is formalised in its charters, policies and operating procedures. Governance processes are regularly reviewed to take the evolving regulatory environment and best practice into account. The board's committees all fulfil key roles to ensure good corporate governance is applied at Santam.

Santam is responsible for conducting its affairs with prudence and to safeguard the interests of all its stakeholders.

The board is, inter alia, accountable for:

- allocating major roles and responsibilities according to the company's delegation of authority framework;
- ensuring there are clear and formal procedures in key areas so that regulators and auditors can readily review decisions and actions, both internally and externally; and
- conducting business in accordance with the company's code of ethics.

Santam's response to increasing levels of economic crime is entrenched in its enterprise risk management and is based on King III requirements and codified in its business ethics and economic crime (BEEC) policy. The group has expanded its efforts to curb the problem by engaging with stakeholders, resulting in the launch of Santam's economic crime forums in Durban, Cape Town and Johannesburg. Through the synergies created by the combining of efforts of Santam, the police's commercial crime unit, the asset forfeiture unit, South African Insurance Crime Bureau (SAICB), the criminal justice system and other insurers, the forums are yielding positive results.

Santam's code of ethics prescribes that all employees must strictly comply with all relevant legal requirements and regulations that apply to their area of work. The code of ethics also regulates conflict of interest and key ethical risks in the company.



Find ...

Santam's policy on business ethics on the company's website.

Santam advocates zero tolerance towards fraud and corruption and employees are kept apprised of the latest trends in fraud and crime, locally and internationally through its *Integrity* publication.



Read more ...

about Santam's fraud reporting details under the administration section on page 94.

DISPUTE RESOLUTION

The board does not at this stage intend to institute a formal dispute resolution process as recommended by King III. The existing processes operate satisfactorily and do not require a more formal mechanism. In the event that disputes with shareholders should arise, shareholders have remedies in terms of the Companies Act at their disposal.

BOARD AND COMMITTEES

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

The board is supported by various committees to carry out the oversight role of ensuring that the activities of the company are managed in the manner that is consistent with the ethical leadership and values of Santam.

The roles and responsibilities of each board committee are set out in terms of references that are reviewed annually by the board.

There are well-entrenched governance structures within Santam that ensure proper assurance is given to materially significant strategic and operational matters.

Directors have unrestricted access to all company information, and access to the advice and services of the group company secretary. Directors are entitled to seek independent professional advice, at the company's expense (after consultation with the chairman of the board), as and when required, in fulfilling their duties. No directors exercised this right during the period under review.

As at 31 December 2015, the board comprised 14 directors, of which three are executive directors. Of the 11 non-executive directors, the majority (seven) are independent. There is a formal, transparent board nomination process in terms of a policy detailing procedures for appointment to the board. This policy is reviewed annually. Appointments to the board are formal and transparent and are a matter for the board of directors as a whole, assisted by the nominations committee as required by section 3.84 of the JSE Listings Requirements. Directors are appointed, subject to re-election by the shareholders at the company's annual general meeting (AGM) and to the Companies Act provisions relating to their removal. The board charter depicts a clear division of responsibilities and authority at board level to ensure that no individual director has unfettered powers of decision-making or influence over the board.





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

The non-executive directors on the Santam board can all influence decision-making. The non-executive directors bring a diverse range of skills and experience to the board (see the board members’ profiles

on page 44). It is their responsibility to ensure their judgement is exercised freely and independently. In the board’s opinion, there is no business or other relationship within the current structure that could materially interfere with the impartial judgement of any of the non-executive directors.

When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics. The effectiveness of the board composition and the performance of all its directors are assessed annually.

THE SANTAM BOARD AT 31 DECEMBER 2015

Name	Executive	Non-executive	Independent non-executive
CB Booth			*
B Campbell			*
MD Dunn			*
MP Fandeso			*
BTPKM Gamedze		*	
GG Gelink (chairman)			*
IM Kirk		*	
L Lambrechts	*		
MLD Marole			*
JP Möller		*	
T Nyoka (née Fubu)			*
HD Nel	*		
Y Ramiah	*		
MJ Reyneke		*	

- Lizé Lambrechts was appointed as chief executive officer and as an executive director, effective 1 January 2015.
- Ian Kirk is classified as a non-executive director from 1 January 2015.
- Tantaswa Nyoka was appointed as an independent non-executive director, effective 1 January 2015.
- Clement Booth was appointed as an independent non-executive director, effective 1 July 2015.
- Dr Johan van Zyl retired from the board on 1 September 2015.
- Machiel Reyneke is classified as independent director from 1 January 2016.



Read more ...

about board members in the profiles on page 44.

BOARD CHARTER

The board's responsibility to ensure best practice in company conduct is entrenched in the board charter, which is reviewed annually to ensure alignment with the principles of good governance. The charter delineates the powers of the board, which ensures an appropriate balance of power and authority.

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

- the company's memorandum of incorporation (MOI);
- the Companies Act, 71 of 2008, as amended;
- the JSE Listings Requirements;
- King III; and
- the Short-term Insurance Act, 53 of 1998.

These documents are a reference point for directors, executives and officers on how to conduct their affairs and dealings in respect of, and on behalf of, the company.

The board charter prescribes that directors should conduct themselves in the best interest of the company and take special care to ensure that there is no conflict between their own interest and the company's interest. All board members are required to declare any potential conflict of interest between their obligations to the company and their personal interests. In the event that a potential conflict of interest arises, an affected director is required to recuse himself accordingly from the part of the meeting where the matter in which he has an interest is discussed.

Through its charter, the board has reserved matters specifically for its attention to ensure it exercises full control over significant matters including strategy, finance and compliance. The board is regularly advised and updated on the activities of the company. An ongoing director development programme focuses on existing board members and aims to create an evolving understanding of the business, governance and compliance environment in which it operates. The director development programme includes regular training updates and information sessions. New directors complete a formal induction programme and receive appropriate training, reading material and guidance on their duties, responsibilities, Santam's business environment and sustainability issues relevant to the business. The induction programmes are tailored to the needs of individual appointees.



Find ...

a copy of the board charter on the company's website.

SALIENT FEATURES OF THE BOARD CHARTER

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

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

The matters reserved for the board include:

- Approval of:
 - the company's vision and values;
 - the company's strategic objectives, business plans, annual budget, dividend policy and the monitoring of the company's performance against set objectives;
 - all dividends;
 - the integrated report and annual financial statements;
 - circulars to shareowners, including notices of shareholder meetings;
 - financial risk management and capital policies, including funding and the issue of ordinary shares and loan capital;
 - capital expenditure, acquisitions, joint ventures and disposals in excess of the limits set out in the delegation of authority document and the MOI; and
 - significant changes in accounting policy.
- Recommending changes to the MOI of the company, remuneration of directors, and remuneration policy to shareholders for approval.
- Composition of the board committees, electing a chairman of the board, approval of the appointment of the chief executive officer, executive directors and the company secretary.
- Monitoring of and reporting on sustainability management.
- Ultimate responsibility for IT governance.
- Commencing business rescue proceedings as soon as the company is financially distressed.

The board approved the strategy and budget for 2016. Material issues relating to the execution of strategy were considered. The board approved the interim and year-end financial results and the 2015 integrated report. The board also approved the appointment of new directors. The board is satisfied that it has discharged its duties and obligations as contained in its charter.

RESPONSIBILITY AND ACCOUNTABILITY

DELEGATION OF AUTHORITY

The company's delegation of authority provides an approval framework to ensure the company is optimally managed within a decentralised management environment. The board delegates the power to run the day-to-day affairs of the company to the chief executive officer, who may delegate some of these powers. The delegation of authority document codifies and regulates any such delegation of authority within the company. The board reviews its delegated authorities annually. There are a number of governance policies, which complement the delegation of authority, and are reviewed on a regular basis by the board.

CHAIRMAN

The chairman provides overall objective leadership of the board of directors. The chairman's primary function is to preside over meetings of directors and shareholders, and to ensure the smooth functioning of the board and that it receives timely and accurate information for the directors to perform effectively.

CHIEF EXECUTIVE OFFICER

The chief executive officer reports to the board and is responsible for managing the execution of the strategic direction of the company as approved by the board. Board authority conferred on management is delegated through the chief executive officer in terms of approved authority levels.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the company. In doing so, the directors will ensure that they act in the best interest of the company at all times, and do not derive any profit as a result of their fiduciary relationship with the company.

BOARD COMMITTEES

The committees assist the board in discharging its duties and responsibilities. Ultimate responsibility rests with the board and the board does not abdicate its responsibility to the committees. The committees report to the board quarterly as to how they carried out their responsibilities and the minutes of the committee meetings are provided to all board members. Notwithstanding the delegation of functions to the committees, the board remains ultimately accountable for the proper fulfilment of such functions, except for the statutory functions of the audit committee relating to the appointment, fees and terms of engagement of the external auditor.

COMPANY SECRETARY

The company secretary provides guidance to the board collectively and to individual directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the company. The directors have unlimited access to the advice and services of the company secretary. The company secretary plays a pivotal role in the company's corporate governance and ensures that, in accordance with the pertinent regulations, the proceedings and affairs of the board, the company itself and, where appropriate, shareholders are properly administrated. The company secretary monitors directors' dealings in securities to ensure adherence to the directors' dealings in securities policy. The company secretary attends all board and committee meetings and is responsible for director training and induction, as well as the annual board evaluation process. The company secretary is not a director of the company.

In terms of the JSE Listings Requirements, the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary. The board conducted a formal evaluation of the company secretary during the year and is satisfied that he has the necessary competence, qualifications and experience to carry out the required responsibilities of a secretary of a public company. The board is further satisfied that an arm's length relationship exists between the company secretary and the board. The directors are satisfied that the company secretary provides a central source of guidance and advice to the board and within the company on matters of good governance. The company secretary also acts as secretary for the committees of the board.



Read more ...

about the company secretary's qualifications on page 45.

BOARD COMPOSITION AND MIX

The efficacy of the board depends on its composition. There is an appropriate balance of power and authority on the board. The independent non-executive directors have a standing closed-session agenda item at every board meeting to deliberate on any issues that they may want to discuss with the chairman or the chief executive officer and/or any other directors.

Ongoing director development includes regular updates and information sessions on legislature and regulatory change.

BOARD EVALUATION

The board reviews the range of skills, experience and effectiveness of its directors annually. This is done using a formal evaluation process developed according to the recommendations of King III. The nominations committee considers the results of the evaluation and makes recommendations to the board as appropriate.

The 2015 evaluation included an effectiveness assessment of the board itself collectively, an appraisal of the board committees and the chairman. The evaluations conducted for the year found no significant matters or material concerns in respect of the board and board committee performance. The results indicated that the core board processes were working well and that the board was well balanced. The directors believe that board meetings were well organised and efficiently run and that all relevant aspects of the company's business were dealt with by the board and its committees.

The nominations committee conducted a review on each director during February 2016. The results of the evaluation was shared and discussed with the board. The performance of all directors standing for election at the AGM in June 2016 has been considered by the board, and their re-election is supported.

DEALING IN SECURITIES

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

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

SUSTAINABILITY MATTERS

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

The social, ethics and sustainability committee convenes regularly and reports directly to the board on, inter alia, the issues listed above.

LEGAL COMPLIANCE

Santam acknowledges the importance of compliance with the regulatory framework affecting its operations, and its accountability to all its stakeholders in this regard. The company has given substantial focus to legislative compliance during the year under review. Santam's legal compliance philosophy encapsulates integrity, fair dealing, accountability, objectivity, independence, good governance, transparency and collaboration.

In response to the regulatory environment within which it operates, Santam has a dedicated legal compliance function in place, which is responsible for implementing the legal compliance framework. The compliance function identifies legislation applicable to the group, informs business of pertinent regulatory requirements (and amendments thereto), analyses their impact on business operations, facilitates the introduction of controls aimed at ensuring compliance and monitors compliance. For increased efficiency and effectiveness, the legal compliance function collaborates with other risk assurance providers on certain matters, and works closely with other entities within the group. In implementing the compliance framework, a risk-based approach is adopted. In addition, Santam complies with mandatory industry codes.

Santam has a legal compliance framework that involves preparing and maintaining inventories of material laws and regulations, implementing policies based on these laws and establishing procedures to supervise compliance and mitigate risks.

Given the resources that strict compliance with non-mandatory industry codes would require, Santam adopts such codes, to the extent that they enhance good governance, efficiency and effectiveness.

BOARD AND COMMITTEE STRUCTURE

The board has delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have terms of reference, which are reviewed annually, and the directors confirm that the committees have functioned in accordance with these terms of reference during the year.

All committees are chaired by independent non-executive directors, except for the human resources and remuneration committee, which is chaired by a non-executive director who is not independent, IM Kirk. Although he is not independent, the board is supportive of his chairmanship of this committee given his knowledge of the business, his commercial experience and the necessity to align the company's remuneration approach with the corporate strategy.

The board met five times at scheduled meetings in 2015. Two ad hoc board meetings were also held during the year. The board meets at least once every quarter and holds a strategy meeting in August to approve the strategic direction of the company.

Details of attendance at board and committee meetings were as follows:

	Board	Audit committee	Risk committee	Human resources and remuneration committee	Nominations committee	Investment committee	Social, ethics and sustainability committee
NUMBER OF MEETINGS HELD DURING 2015	7	4	4	4	4	4	4
CB Booth	4	-	-	-	-	-	-
B Campbell	7	4	4	-	-	-	3
MD Dunn	7	4	4	-	-	-	-
MP Fandeso	5	1	1	-	-	-	-
BTPKM Gamedze	7	-	4	-	-	-	4
GG Gelink	7	3	3	4	4	3	-
IM Kirk	7	-	-	1	1	-	-
L Lambrechts	7	-	4	-	-	3	-
MLD Marole	6	-	-	4	4	-	4
JP Möller	7	-	4	-	-	3	-
T Nyoka (née Fubu)	6	3	3	-	-	-	-
HD Nel	7	-	4	-	-	4	-
Y Ramiah	7	-	-	-	-	-	2
MJ Reyneke	7	-	4	-	-	4	-
J van Zyl	5	-	-	3	3	-	-

Key:

- Not a member of the committee.

Clement Booth was appointed as a director effective 1 July 2015.

Bruce Campbell was appointed to the social, ethics and sustainability committee in March 2015.

Ian Kirk was appointed to the human resources and remuneration and nominations committees in September 2015.

Johan van Zyl retired from the board in September 2015.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Directors do not have a fixed term of appointment. In accordance with the company’s MOI, one third of the non-executive directors must retire at the AGM annually. In addition, executive directors retire on the third anniversary of their appointment or re-election to the board. Directors appointed by the board after the AGM are required to retire at the following AGM and stand for election by shareholders. Non-executive directors are subject to retirement by rotation every three years. Shareholders have the opportunity to nominate a director and five other shareholders must second the nomination. An abridged CV of the nominated director is sent with the notice of AGM, 14 days before the AGM. Therefore, the company’s shareholders have the opportunity to participate continually in the election and re-election process for directors.

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

BOARD COMMITTEES RISK COMMITTEE

The risk committee assists the board in fulfilling its governance (from a risk and control perspective), compliance and risk management responsibilities. The committee is chaired by an independent non-executive director and is responsible for ensuring that all significant risks are identified, evaluated and effectively managed, and that there is adequate oversight over Santam’s own risk and solvency assessment and internal model processes. Compliance with relevant laws and regulations is integral to Santam’s risk management process and is monitored on a continuous basis. The committee operates in terms of a formal charter approved by the Santam board.

The functions of the risk committee include assisting the board in ensuring that:

- the company has implemented an effective policy and plan for risk management that will enhance the company’s ability to achieve its strategic objectives;
- the maturity and effectiveness of the risk management processes and activities are continuously monitored, maintained and improved as required;
- the overall risk profile, including significant risks Santam faces are monitored and reviewed and the response to address these key risks are appropriately defined and resolved by management; and
- the disclosure regarding risk is comprehensive, timely and relevant.



The committee met four times during the year. Details of attendance at meetings are provided on page 56. The risk committee is satisfied that it has fulfilled its responsibility in terms of its charter. The committee is satisfied of the adequacy of governance, compliance and risk management structures and processes in place at Santam.

AUDIT COMMITTEE

The audit committee is constituted as a statutory committee of Santam in respect of its duties in terms of the Companies Act and a committee of the Santam board in respect of all other duties assigned to it by the board. During 2015, the committee consisted of five independent non-executive directors. The committee ensures, inter alia, that the company's financial standing is sound and that the internal financial controls and financial processes are effective. The committee reviews the overall quality and integrity of financial reporting and integrated and sustainability reporting disclosures.

The Santam audit committee also acts as the audit committee of the MiWay group of companies and Centriq group of companies.

The audit committee is appointed by shareholders at the AGM. Its primary function, in addition to those required by the Companies Act, is to help the board oversee financial matters. The committee operates in terms of a formal charter and annual work plan approved by the board. The audit committee is chaired by an independent non-executive director. The independent chairman of the board, Grant Gelink is a member of the audit committee. Although this is not in line with the recommendation contained in chapter 3 of King III, the board is supportive of his membership, given his substantial experience in audit process, international financial reporting standards and internal financial controls. Grant Gelink does not chair the audit committee. The committee also consisted of four other independent non-executive directors during 2015, exceeding the minimum recommended number of members.

The functions of the audit committee include:

- Overseeing integrated reporting.
- Reviewing and recommending for approval by the board the annual financial statements, the interim reports, preliminary or provisional result announcements, integrated report, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.
- Reviewing and recommending the disclosure of sustainability issues in the integrated report for approval by the board to ensure that it is reliable, does not conflict with the financial information, and provides a balanced view.
- Recommending to the board whether or not to engage an external assurance provider on material sustainability issues.
- Reviewing accounting policies and practices and considering any significant changes or departure from accounting policies and practices.

- Reviewing the basis on which the company has been determined a going concern.
- Considering changes to the dividend policy and recommending dividend declarations to the board.
- Nominating the external auditor of the Santam group and its subsidiaries (who in the opinion of the committee is independent of the company) for appointment by the shareholders.
- Approving the terms of engagement and remuneration for the external audit and ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Defining a policy for non-audit services to be rendered by the external auditor to the company or a related company and pre-approving the contracts for non-audit services to be rendered by the external auditor.
- Assisting the board in carrying out its IT responsibilities.

During the year, the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. The committee also considered and determined the external auditors' fees and terms of engagement.

As required by JSE Listings Requirement 3.84, the audit committee considered the expertise and experience of the executive financial director during November 2015 and the committee is satisfied that the appropriate requirements have been met. The audit committee is also satisfied with the finance function's expertise and adequacy of resources.

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

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

The committee met four times during the financial year. Details of attendance at meetings are provided on page 56. The audit committee is satisfied that it has fulfilled its responsibility during the year in terms of its charter. The committee believes that it has complied with its legal and regulatory responsibilities for the year. The committee reviewed the company's integrated report and recommended it to the board for approval.



HUMAN RESOURCES AND REMUNERATION COMMITTEE

The human resources and remuneration committee comprises only non-executive directors. The chief executive officer and certain members of management attend committee meetings by invitation but excuse themselves at the appropriate times.

The committee is responsible for, inter alia, the development and implementation of the group's remuneration philosophy. The total reward of executives is designed to ensure that a substantial portion is dependent on performance; both company performance and individual performance. The attainment of appropriate individual and group targets governs the eligibility of executives for annual performance bonuses and the vesting of their long-term incentive awards.

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

- Determining and approving the general remuneration policy that must be tabled at each annual general meeting for a non-binding advisory vote by shareholders.
- Preparing an annual remuneration report for inclusion in the company's integrated report.
- Development of the remuneration strategy for executive directors and members of the executive committee.
- Development of short-term incentive plans for board approval. It sets annual targets, monitors progress towards targets and reviews the incentive plans regularly to ensure that a strong link with performance is maintained.
- Development of long-term incentive schemes for board approval. It sets individual and group performance hurdles, as well as guidelines for annual allocations. It performs regular reviews of the structure of the schemes.
- Development, monitoring and testing of appropriate performance drivers for both short-term and long-term incentives.
- Management of the contracts of employment of executive directors and executive committee members, ensuring that their terms are compliant with good practice principles.
- The individual remuneration packages for executive directors and executive committee members including incentive schemes and increases to ensure they are appropriate.
- The remuneration of non-executive directors of the board and its committees. Proposals are made to the board for final approval by shareholders at the annual general meeting.
- Succession planning.
- Human capital imperatives.



The committee met four times during the financial year. Details of attendance at meetings are provided on page 56. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. In accordance with King III recommendations, the company's remuneration policy is to be tabled for shareholders to make a non-binding advisory vote at the AGM.

This vote enables the shareholders to express their views on the remuneration policies adopted and their implementation.

NOMINATIONS COMMITTEE

The nominations committee considers board succession and recommends candidates for board vacancies based on skill, experience and the need to ensure diversity and balance in the composition of the board. The committee comprises only non-executive directors and is chaired by the chairman of the board. The chief executive officer attends committee meetings by invitation. The committee met four times during the financial year. Details of attendance at meetings are provided on page 56. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.



SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The Santam group's social and ethics committee is constituted in terms of the Companies Act and had an independent role. The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to ethics, empowerment and stakeholder engagement. The committee also assists the board in ensuring that the sustainability strategy and objectives are effectively integrated into the business. The committee, in addition to performing the function for Santam Ltd, accepted the role of the social and ethics committee for all Santam's South African subsidiaries who have the requisite public interest score.

The responsibilities of the committee are as follows:

- Monitoring Santam's activities relating to social and economic development, broad-based black economic empowerment, and employment equity.
- Monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour, and managing environmental impact.
- Monitoring changes in empowerment charters and codes.
- Monitor functions required in terms of the Companies Act and its regulations.

The committee is also responsible for actively managing the material matters that affect the sustainability of the company, including:

- Minimising the risk associated with social, economic and environmental impact including stakeholder activism and government regulation.
- Ensure that the business aligns with legislative requirements such as King III, JSE Listings Requirements, broad-based black economic empowerment, and other applicable legislation.

Adding value by monitoring and guiding management on:

- developing and retaining a sustained client base;
- developing solutions to accommodate change – inclusive of societal and environmental change;
- developing and retaining a sustained supplier base;

- having appropriate human capital processes and systems in place;
- having a transformed business;
- cultivating an ethical culture and combating/curbing economic crime effectively;
- applying environmental impact management and practices;
- having a sustained intermediary base;
- extending influence to the benefit of society; and
- applying responsible investment practices.

The committee reviewed the strategy, plans and progress made towards achieving Santam's transformation targets. The committee further reviewed the report compiled by the company's appointed BBBEE verification agency. The committee also monitored Santam's sustainability performance regarding the JSE Socially Responsible Investment Index.

The committee comprises four suitably skilled and experienced directors, and is chaired by an independent non-executive director. The majority of members of the committee are non-executive directors. The committee is supported in its tasks by members of senior management, including human resources, sustainability, stakeholder relations, risk services, corporate social investment, the company secretary and finance. In terms of its terms of reference, the committee meets formally at least twice per annum, or as required for the effective performance of its duties. The committee met four times during 2015. Details of attendance at meetings are provided on page 56. The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year. In the execution of its duties, the committee reviewed, inter alia, ethics, compliance, stakeholder relations and corporate social investment reports submitted by management. The committee members believe that the group addresses the issues the committee is required to monitor in terms of the Companies Act.

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

INVESTMENT COMMITTEE

The investment committee meets to evaluate and monitor the investment portfolio and the performance of investment managers. These meetings comprise quarterly feedback sessions with investment analysts and four formal investment committee meetings a year. The investment committee guides the board on the mandates of investment managers, and makes recommendations regarding the company's investment philosophy. The committee reviewed the Santam group investment policy during 2015, which was approved by the board.

The committee is chaired by an independent non-executive director. The committee met four times during the financial year. Details of attendance at meetings are provided on page 56. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

AD HOC SUBCOMMITTEES

The board has the right to appoint and authorise special ad hoc board committees to perform specific tasks from time to time. The relevant board members make up these committees.

OTHER COMMITTEES

EXECUTIVE COMMITTEE

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

- the implementation of agreed strategy;
- the monitoring of performance; and
- the consideration of the company's policies.

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

STAKEHOLDER RELATIONS

Various methods of communication are used to keep employees, and other stakeholders, informed of company and group activities.



Read more ...

about Santam's stakeholders on page 31.

The board encourages shareholders to attend the AGM and provides a full explanation of the implications of the proposed resolutions.



REMUNERATION REPORT

REMUNERATION PHILOSOPHY

The group's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the human resources and remuneration committee takes appropriate market benchmarks into account, ensuring emphasis on pay for performance. This approach helps to attract, engage, retain and motivate key employees while ensuring their behaviour remains consistent with Santam's values. Our guiding principles for managing remuneration are as follows:

- Total rewards mindset – Reward is viewed in a holistic manner comprising a range of monetary (fixed and variable) and non-monetary components.
- Performance differentiation – There is strong differentiation based on performance, particularly for senior, specialist and leadership roles where line of sight to strategic imperatives is evident.
- Manager discretion – Management discretion is central to Santam's remuneration philosophy and is based on the requirement that reward must always be based on merit.
- Variable pay component – The variable pay component of total reward increases with seniority (organisational level), as the ability to impact business results increase. This is reflected in the quantum of the incentive opportunity offered by the performance bonus plan and long-term incentive scheme on more senior levels compared to junior employees.
- Performance aligned with strategy – Performance is the cornerstone of reward practices and there is clear differentiation between performers and non-performers. The reward consequences for individual employees are, as far as possible, linked to and influenced by the interests of the shareholders, the performance of the company as a whole and the individual employee contribution.
- Risk containment – Reward plans are structured to mitigate against excessive risk-taking.
- Consistency – The reward philosophy strives to be both consistent and transparent. Benchmarking is performed annually using consistent and recognised methodologies. The differential market value of various skill groups and roles is reflected in pay practices.
- Attraction and retention – The focus is on competitive remuneration practices that attract, engage and retain talent to deliver on the business strategy.

Share participation – High-performing employees are encouraged to identify with the success of the business through share participation as it establishes a clear link between their individual efforts and

the company's longer-term success. Vesting occurs over a five-year period.

Long-term incentives for subsidiaries – for the high-performing employees of the unlisted entities of the group, either share appreciation rights (SARs) or deferred bonus plans are used. For deferred bonus plans a percentage of net insurance result (NIR) is the key performance driver, while for the SARs a valuation for scheme purposes is used. Vesting in all cases occurs over a five-year period.

Best practice – Reward packages and people practices are geared to reflect local and international best practice.

Benchmarking – Pay practices are underpinned by globally recognised job and role evaluation processes, enabling us to draw valid comparisons to reputable surveys.

Communication – A range of channels are used to increase employees' understanding of pay practices and appreciation of the total rewards offering.

Risk management – Persons who receive equity or equity-linked deferred remuneration are prohibited from hedging their economic exposure to the resultant equity price risk.

REMUNERATION STRUCTURE

Total remuneration comprises fixed pay and variable performance-related pay, which is further divided into short-term incentives (with a one-year performance period) and long-term incentives (with three to five-year performance periods).

Total guaranteed package (TGP) is a fixed cost for the company, and is set at around the median for the relevant market, with a significant proportion of variable performance-related pay to incentivise and reward performance measured over the short term (one year) and long term (three to five years).

Short-term incentives are structured to reward the delivery of annual financial performance balanced with the achievement of strategic priorities, ensuring that the achievement of short-term financial performance is not at the expense of future opportunities. No part of executives' performance bonuses is guaranteed – the full bonus depends on individual and company performance. At executive level, the maximum bonus that can potentially be earned is 160% of TGP for the chief executive officer, 120% for the chief financial officer and 100% for the other executives.

Long-term incentives are an integral part of the company's approach to competitive performance-based pay, and are aligned with shareholder returns to ensure a clear line of sight between pay and long-term value creation for shareholders.

When determining pay, consideration is given to the total remuneration (being fixed pay plus short-term and long-term incentives) that may be earned at each level of performance. Furthermore, when determining the specific performance measures for each incentive plan, particular regard is given to environmental, social and governance issues, to ensure that the incentive arrangements do not inadvertently motivate or reward inappropriate outcomes or excessive risk-taking.

Before the quantum of awards is determined, extensive modelling of the potential outcomes is undertaken and adjustments are made so that remuneration remains appropriate in all circumstances.

At the end of each performance period, before any variable payments are confirmed, remuneration receivable is compared to the expected level of pay for actual performance achieved, to ensure that any payments remain appropriate to overall business performance and shareholder returns.

The table below summarises the structure of Santam's remuneration arrangements:

Element	Purpose	Performance period and measures	Operation and delivery
Guaranteed package	To compensate the employee for time and competence at a market-related rate, taking into account individual performance and contribution.	Guaranteed package is reviewed annually based on individual performance and market benchmarks.	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits (all benefits are funded from guaranteed package).
Short-term incentives: – Performance bonus	To create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk-taking. To retain and motivate key talent.	Performance is evaluated annually against contracted deliverables.	Performance is measured at company, business unit and individual level against predetermined performance targets. All bonuses are funded from bonus pools that are based on financial targets agreed at board level.
Long-term incentives: – Share participation – Deferred bonus plans and share appreciation rights	To increase employee motivation and create alignment between employee interests and shareholder interests. To retain the services of valuable and highly skilled individuals who are performing exceptionally. To increase employee motivation and create alignment between employee interests and shareholder interests. To retain the services of valuable and highly skilled individuals who are performing exceptionally.	Santam uses deferred shares as a long-term incentive. Vesting occurs over a five-year period and is subject to certain criteria: – Vesting for all participants is subject to acceptable individual performance in terms of the company performance-rating scale. – For participants with a share multiple exceeding three times annual remuneration package, a company performance hurdle applies. – The hurdle requires return on capital to exceed the cost of capital by at least 2% for multiples between three and five and 6% for multiples in excess of five. For the unlisted entities in the group, vesting takes place over a five-year period – for both share appreciation rights and deferred bonus plans. Awards are linked to NIR achieved (and the valuation of the relevant businesses for scheme purposes, in the case of share appreciation rights).	Awards are made annually based on seniority, performance and contribution. The size of awards aims to maintain an appropriate level of employee retention value. Awards are made annually based on seniority, performance and contribution. The size of awards aims to maintain an appropriate level of employee retention value.

Element	Purpose	Performance period and measures	Operation and delivery
Out-performance plan (OPP)	To reward superior performance at executive level over a three- to five-year measurement period.	No payment is made under the OPP unless expected growth in net insurance results exceeds the hurdle for the period. Full payment is only made if the stretch performance targets met. The maximum payment is 200% of annual total guaranteed package over the measurement period.	Awards are made on an ad hoc basis based on role, performance and contribution. The size of awards aims to maintain an appropriate level of incentive towards attaining strategic objectives.



Read more ...

about the directors' emoluments, shareholding and deferred share plan participation in the annual financial statements.

ALIGNMENT OF STRATEGY, PAY AND PERFORMANCE

The group's key strategic focus areas aim to deliver a significant return to shareholders compared to other financial services companies.

Accordingly, the performance measures for executive reward are linked to those same strategic focus areas as captured in the performance contracts of all executives. For the year ended 31 December 2015, the key strategic focus areas and performance

measures were linked to the group's financial, strategic and leadership targets or indicators derived from the group's strategy.

SERVICE CONTRACTS AND TERMINATION AGREEMENTS

Executive directors have service contracts with the company, which may be terminated with no less than three months' notice. Non-executive directors do not have service contracts, but serve the company under letters of appointment.

Executive directors	Date first appointed to the board	Notice period	Termination payment	Restraint of trade
Lizé Lambrechts Hennie Nel Yegs Ramiah	1 January 2015 17 September 2012 13 December 2011	3 months 3 months 3 months	Total guaranteed package is paid for the full notice period. Short-term incentives: Not contractual, but normal practice is to forfeit bonus for the (uncompleted) year in which an employee departs due to resignation. If an employee leaves by reason of retirement, injury, disability, ill health or redundancy, bonus is pro-rated. Long-term incentives: In the event of a voluntarily resignation or a termination on disciplinary grounds or for reasons of poor performance prior to the vesting of the awarded shares, such shares will be forfeited. In the event of retirement, retrenchment, death or permanent disability, the remaining awarded shares will be deemed to have vested on the date of the termination of services.	Executive directors have a 12-month restraint of trade included in their employment contracts. During the restraint period, normal total guaranteed package is paid should Santam elect to enforce the restraint.

The company's practice on executive service contracts and termination arrangements is set out above. The company's overriding principle is that there should be no reward for failure. The human resources and remuneration committee's approach, when considering payments in the

event of termination, is to take account of the individual circumstances including the reason for termination, any contractual obligations, and the relevant share plan and retirement fund rules.

THE ROLE PLAYED BY THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

In terms of Santam's delegation of authority document, the human resources and remuneration committee is delegated by the board to perform various functions and to make recommendations to the board on remuneration issues. The committee oversees the application of the company's remuneration policy, which aims to promote the achievement of strategic objectives and encourage individual performance. The committee considers the principles of Santam's remuneration philosophy to ensure that they are in line with approved business strategy and objectives. The committee reviews the remuneration of employees (including executive committee members) and the non-executive directors.

For company employees, the committee considers the nature and composition of total remuneration packages, which consist of guaranteed income, benefit options available, the choice of benefit service providers, short-term incentives, long-term incentives, retention mechanisms and retirement schemes.

- The employment contracts of the executive directors and executive committee members are managed in accordance with best practice principles. A culture that supports enterprise and innovation with appropriate short and long-term incentives that are based on fair and achievable performance objectives is promoted.
- The committee ensures that performance targets are stretching, verifiable and relevant, and must avoid duplication of performance drivers.
- Industry, local and international benchmarks and trends are considered when applying the remuneration policy.

- The committee makes recommendations to the board about general (mostly annual) adjustments in remuneration packages and in determining incentives.
- The committee recommends changes to the level of remuneration packages of the chief executive officer and individual members of the executive committee for approval by the board.
- The committee sets performance criteria and recommends performance bonuses for the chief executive officer and executive committee members. The performance of the chief executive officer and executive committee members are considered relative to performance criteria set by the committee, taking into account the prevailing business climate, market conditions and annual evaluations to assess the level of achievement of key predetermined objectives.
- Bonuses paid to the chief executive officer and executive committee members are a reflection of the performance of each individual and the company as a whole. The committee made the necessary recommendations on the above for approval by the board.
- The committee has recommended the non-executive directors' remuneration review to the board, who submitted the recommendation for approval by the shareholders.
- The committee regularly reviews the incentive schemes to ensure its continued contribution to shareholder value, setting appropriate limits for participation. The vesting of rights is based on performance conditions measured over a period appropriate to the strategic objectives of Santam. The committee guards against highly leveraged schemes, which would expose Santam to excessive cost or risk.

RISK MANAGEMENT REPORT

Santam's board recognises and acknowledges that it is accountable for the establishment and maintenance of an effective risk management system including the system of internal control.

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

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE PROCESSES

INTERNAL CONTROL

As part of the overall management of risk, management has implemented a system of internal control. The internal control system provides the board with reasonable assurance that the business is operated consistently with:

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

The system aims to prevent and detect any significant risk from materialising and to mitigate any adverse consequences thereof.

The board is supported by the control functions within Santam, which include the internal audit, enterprise and financial risk management and compliance functions. The functions are reviewed regularly as agreed with the board of directors.

CONTROL OPINION

The board reviewed the effectiveness of controls principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Consideration was given to other relevant input, including combined assurance reports, reports from internal and external auditors, compliance and the enterprise risk management process.

Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which include the internal financial controls) occurred during 2015.

INTERNAL FINANCIAL CONTROLS

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring employees are suitably qualified, that there is appropriate segregation of duties, and that appropriate reviews are performed.

The internal financial controls in the most significant accounting cycles in Santam Ltd, MiWay Insurance Ltd, Centriq Insurance and Centriq Life were documented and tested. No significant deficiencies were found. Results of this review were reported to executive management and the audit committee.

INTERNAL ASSURANCE PROVIDERS

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

The head of internal audit provides a report at each audit committee meeting and reports to the chairman of the audit committee, with administrative reporting to the chief financial officer and unrestricted access to the chief executive officer and/or any other member of executive management.

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

Internal audit plans ensure that all entities are adequately considered in the audit plan based on their size, complexity and risk profile; as well as specific legal entity governance requirements.

The annual internal audit plan is reviewed regularly to ensure it remains relevant and responsive to changes in the operating environment. The Santam audit committee approves the internal audit plan for the group. Detailed audit plans for subsidiaries with separate licences are approved by their respective finance and risk committees.

Internal audit systematically analysed and evaluated the significant risks and associated audit controls and, in terms of their agreed scope, they have not identified any material breakdown in internal control.

Internal audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the ever-increasingly demanding corporate governance and regulatory environment, including the requirements of King III and the FSB's SAM project. Board Notice 158 has been implemented and the relevant

notifications and applications were submitted and approved by the Regulator during 2015. The head of the internal audit control function was appointed at a group level and was outsourced to MiWay Insurance Ltd, Centriq Insurance and Centriq Life.

EXTERNAL AUDIT

The external auditors, PricewaterhouseCoopers Inc, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group.

To ensure that there is no duplication of effort, there is regular communication with internal audit to understand the scope of their work and the results of their audits.

Santam has a formal pre-approval policy on the use of external auditors for non-audit services. The policy provides guidelines on dealing with audit, audit-related, tax and other non-audit services that may be provided by the independent auditor to Santam and its entities. It also sets out the services that may not be performed by the auditor. The services rendered by the auditors are monitored by the audit committee on a quarterly basis. Non-audit services rendered by the group's external auditors amounted to R3.8 million. This includes R0.2 million for assurance-related services, R1.1 million for regulatory-related services and R2.5 million for other services.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman at all times, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity of addressing the audit committee at each of the meetings without management being present.

OTHER ASSURANCE

There is regular interaction and consultation between internal audit and other internal assurance providers and control functions, for example, the quality assurance functions in the distribution, claims and underwriting business units, and the heads of risk management and compliance control functions.

RISK MANAGEMENT AND COMPLIANCE

The objective of risk management is to create and protect value for legitimate stakeholders, improve decision-making and contribute to retaining and building Santam's leadership position in terms of financial performance, reputation/brand, market share and the protection of policyholders.

The board also ensures that the risk management, internal control and compliance systems are regularly reviewed for effectiveness. While the board is responsible for the overall governance of risk, it is assisted by the risk committee in discharging this responsibility.

The financial risk management function assists in the review and quantification of financial risk. The enterprise risk management function provides independent oversight and systems for the management of all categories of risks. Both these functions have direct reporting lines to the Santam risk committee to ensure independent and objective oversight over risks. These functions have formal mandates which are reviewed and approved by the Santam risk committee. An executive risk forum consisting of the chief financial officer, the executive head of risk services, the heads of risk and compliance control functions, the head of financial risk management and the corporate finance manager responsible for investments has been implemented to assist these functions in the coverage, review and challenge of material risks for the group.

Executive management remains accountable to the board in ensuring that suitable risk management and internal control processes are embedded and integrated into the strategic and operational management of the company.

Risk management policies and processes were updated to include new legislation and regulatory requirements (especially regarding SAM) and to consider the evolving scope of the group's business. According to the requirements of Board Notice 158 the heads for all the required control functions have been appointed at a group level and these roles have also been outsourced to MiWay and Centriq. The heads of risk and compliance control functions are supported by relevant functional teams at both MiWay and Centriq to ensure adequate "on-the-ground" expertise and knowledge of the business. The risk management and compliance policies form part of the group's governance framework and encompasses the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all material risks to which the group may be exposed.

Risk and compliance monitoring and management are continuous processes. However, to enable transparency and adequate oversight, formalised risk reporting structures and requirements are defined and aligned with the Santam risk committee responsibilities and requirements.

Various processes are implemented to ensure all aspects and categories of risks are covered, assessed and monitored to ensure that risks are managed within the overall Santam board's risk appetite.

Alignment between risk management and other assurance providers, including internal and external audit, compliance and quality assurance functions, is important to ensure that adequate assurance is provided over significant risks and any gaps identified and addressed. This process is referred to as the "combined assurance process". The combined assurance model documents and summarises the assurance provided over significant risks and are reported and reviewed by the audit committee at least on an annual basis.

Enterprise risk management (ERM) conducts a quarterly analysis of the exco's top strategic risks. Research, one-on-one, risk indicators as well as group workshops and interviews with exco and selected management are conducted to assist in gathering the necessary information.

The relevant board committees monitor specific risks with overall oversight and review provided by the risk committee.

RISK DISCLOSURE

The integrated ERM process is mature and is applied consistently throughout the group. Based on independent reviews and maturity assessments presented to the risk committee, the board is confident that the integrated ERM programme is adequate in identifying current and emerging risks and ensuring that these risks are managed appropriately.

BUSINESS CONTINUITY

A key operational risk, which spans Santam's business, is the potential impact of a major disaster and/or disruption. The group has responded to this threat by continually improving the group-wide business continuity framework to ensure that people are prepared, crisis infrastructure is tested, and meaningful recovery plans are in place. A steering committee is responsible for overseeing, reviewing and monitoring Santam's business continuity capability. A simulation exercise was conducted in March 2015 to assess whether the capability in place allows and enables the senior management team to respond appropriately to serious crisis incidents. The exercise provided senior management with practical insight and a general purpose crisis management capability. This knowledge was then used to develop action-driven checklists and the crisis management plan was updated accordingly. The plan can be applied and adopted for any serious crisis. The plan has been tested for a scenario such as a national electricity grid failure, with the resultant findings and requirements subsequently included in the crisis plan.



Read more ...

about Santam's grid failure scenario testing in the case study on page 38.

IT GOVERNANCE REPORT

The Santam board is responsible for the governance of IT, as recommended by the King III. The board has mandated the executive team to implement the Santam IT governance framework and reporting system to monitor the risks and effective control of IT within the group. Internal audit also provides assurance to management and the audit committee on the effectiveness of IT governance.

The governance framework is directed by the Santam IT charter, which describes the IT governance mechanisms, principles and responsibilities within the group. Santam IT reviewed and aligned a number of IT policies with the Sanlam Group policy standards.

SIGA is a governance forum, established in 2014 and mandated to govern the information management strategy, information management policies, procedures and guidelines. SIGA will facilitate a standard set of corporate-wide data conventions including business rules, data definitions, formulae and will focus on data quality and facilitate the resolution of information issues between systems and business areas.

The group IT strategy aims to develop and implement business application platforms that will enable the overall Santam strategy to deliver products more speedily, reduce Santam's exposure due to incorrect risk calculations, move closer to our partners and clients through different user experience platforms, and reduce the overall operational cost of contact centres. Furthermore, from a group perspective there is a significant focus from the business to increase

operating profit and reduce operational expenses. The IT strategy is also aligned with this strategic focus by reducing the complexity and number of applications within Santam, which should ultimately reduce the total cost of ownership of IT by 2018.

The main challenge for IT during 2015 was to align the company, business change and IT teams, to deliver quality solutions for strategic programmes within contracted timelines, budget requirements, and agreed scope. Going forward, designing, developing, implementing and supporting IT solutions according to the 2018 application portfolio roadmap and total cost of ownership targets will remain challenges.

The major IT investments for 2016 and 2017 will be developing and delivering further strategic solutions.

TRANSFORMATION REPORT

Santam's approach to transformation is holistic and continues to be embedded and integrated into how the business operates. The transformation focus remains on diversification of the workforce, intermediary and supplier network, providing opportunities for non-traditional markets to access Santam's products, as well as investment in the communities in which Santam employees live and where the group does business. Transformation initiatives reinforce the brand promise of doing *Insurance good and proper*.

TRANSFORMATION MANAGEMENT

The governance of the transformation process is driven largely by two board committees. The human resources and remuneration committee focuses on reviewing the employee elements of the transformation agenda, including employment equity, skills development and the BBBEE share scheme. The social, ethics and sustainability committee oversees issues relating to suppliers, distribution channels, access products, social diversification and the enterprise development agenda.

Management has set up a national employment equity forum. The forum is chaired by the chief executive officer, and its role is to consolidate all operational business units' employment equity and skills development objectives.

Each executive is held accountable for their business unit's appropriate transformation focus areas, including specific employment equity objectives which are integrated into their performance management deliverables. Executives also take accountability for driving key areas such as enterprise development coupled with supplier diversification, providing access products to emerging markets linked to consumer education, corporate social responsibility and diversifying distribution partners and channels.

Progress is tracked on a quarterly basis and reported to the respective board committees, which then in turn report to the board.

TRANSFORMATION HIGHLIGHTS 2015

Since inception, close to 2 400 Santam and Sanlam black employees were allocated shares through the BBBEE employee share ownership scheme. The scheme unwound in 2015, generating a R530 million return for Santam and Sanlam employees.

- 68 black business partners received Santam shares and cash to the value of R330 million with the unwinding of the Emthunzini BEE Business Partner Trust.
- R79 million (2014: R65 million) invested in learning and development for black employees of the Santam group.
- R10 million (2014: R3 million) invested into supplier development through the Sanlam/Santam Group Enterprise Development Programme.
- R16 million (2014: R12 million) invested in social corporate investment and consumer education programmes.
- R3 million (2014: R2 million) invested in Black Broker Development programmes with an increase of 47% in the number of learners.
- Sold over 66 000 policies in the emerging market in South Africa through 10 (2014: 8) FSC-approved products.

TRANSFORMATION PRIORITIES FOR 2016

Santam's focus for 2016 remains on diversifying its workforce, with targeted plans and actions in place. Supplier diversification remains a critical focus, with much emphasis continuing through targeted enterprise development initiatives and investments. Further strategies focussed on the uninsured markets continue and will be underpinned by wide consumer education initiatives. Further to this, Santam's influential role with its subsidiaries and associate underwriting managers will include a group transformation agenda. Santam continues integrating transformation into how the group does business and is not viewed as a standalone agenda.

BBBEE RATING

Santam jointly subscribes to the FSC as part of the Sanlam Group. Santam participates with the Sanlam Group in an annual verification. The Santam group achieved a level 3 at the end of 2015. The Sanlam Group achieved a level 2 at the end of 2015. The difference in rating is due to the limited access products available in the general insurance industry. Santam is actively working to develop products for the emerging market in South Africa.



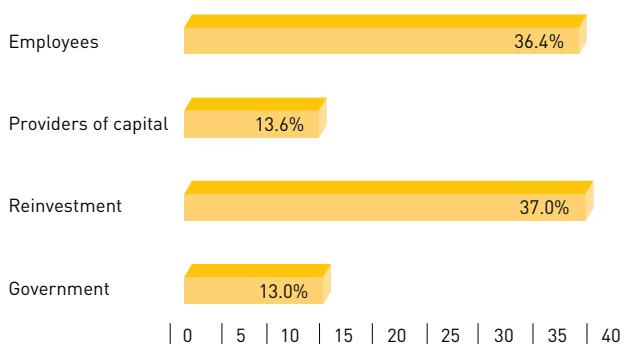
Find ...

details on this rating on the company's website.

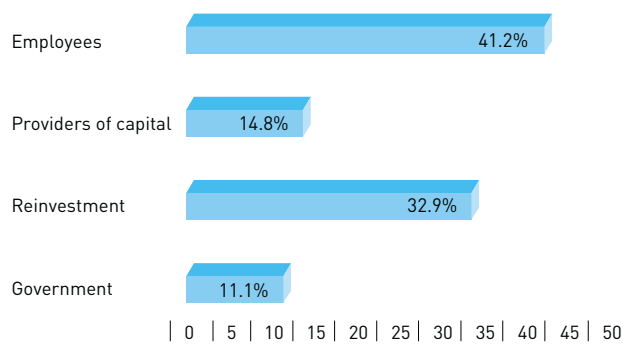
VALUE-ADDED STATEMENT

	Group 2015 R million	Group 2014 R million
Value added		
Gross written premium	24 319	22 710
Claims paid and cost of other services	19 153	17 876
	5 166	4 834
Investment income net of fees	1 840	1 110
	7 006	5 944
Value distributed		
Employee benefits	2 553	2 450
Government	908	660
Direct taxation on income	908	660
Providers of capital	952	878
Dividends paid	869	795
Finance cost on subordinated debt	83	83
	4 413	3 988
Retained for reinvestment and future support of business	2 593	1 956
Depreciation, amortisation and impairment of intangible assets	160	170
Retained income before transfer to reserves	2 068	1 367
Compulsory reserves for future support of business	365	419
	7 006	5 944

VALUE DISTRIBUTED – 2015



VALUE DISTRIBUTED – 2014



SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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APPROVAL OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

RESPONSIBILITY FOR AND APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the summary consolidated financial statements fairly present the financial position, the results of the operations and cash flows in accordance with IAS 34 *Interim Financial Reporting*.

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on their behalf by:



GG GELINK

Chairman

2 March 2016



L LAMBRECHTS

Chief executive officer

PREPARATION AND PRESENTATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS



The preparation of the summary consolidated financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel. The full set of annual financial statements are published on our website, or can be requested from the company secretary.

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008 (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



M ALLIE

Company secretary

2 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 74 to 90, which comprise the summary consolidated statement of financial position as at 31 December 2015, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 2 March 2016. Our auditor's report on the audited consolidated financial statements contained an Other matter paragraph: "Other reports required by the Companies Act" (refer below).



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

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other reports required by the Companies Act" paragraph in our audit report dated 2 March 2016 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2015, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC

Director: Zuhdi Abrahams

Registered auditor

Cape Town

2 March 2016

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
ASSETS			
Non-current assets			
Property and equipment		90	117
Intangible assets		827	1 086
Deferred income tax		140	161
Investment in associates and joint ventures		252	355
Financial assets at fair value through income			
Equity securities	6	2 730	3 896
Debt securities	6	9 721	7 837
Reinsurance assets	7	164	144
Deposit with cell owner		187	–
Total non-current assets		14 111	13 596
Current assets			
Cell owners' interest		6	9
Financial assets at fair value through income			
Derivatives	6	2	–
Short-term money market instruments	6	2 281	1 892
Reinsurance assets	7	3 514	3 372
Deposit with cell owner		67	–
Deferred acquisition costs		525	447
Loans and receivables including insurance receivables	6	3 449	2 869
Income tax assets		13	10
Cash and cash equivalents		3 349	2 561
Non-current assets held for sale	8	541	428
Total current assets		13 747	11 588
Total assets		27 858	25 184
EQUITY AND LIABILITIES			
Capital and reserves attributable to the company's equity holders			
Share capital		103	107
Treasury shares		(450)	(506)
Other reserves		548	238
Distributable reserves		7 880	7 171
		8 081	7 010
Non-controlling interest		466	430
Total equity		8 547	7 440
Non-current liabilities			
Deferred income tax		107	301
Financial liabilities at fair value through income			
Debt securities	6	974	999
Investment contracts	6	–	105
Derivatives	6	1	–
Cell owners' interest		980	924
Insurance liabilities	7	1 525	1 528
Reinsurance liability relating to cell owners		187	–
Total non-current liabilities		3 774	3 857
Current liabilities			
Financial liabilities at fair value through income			
Debt securities	6	24	24
Investment contracts	6	70	–
Financial liabilities at amortised cost			
Collateral guarantee contracts		105	88
Insurance liabilities	7	11 139	10 514
Reinsurance liability relating to cell owners		67	–
Deferred reinsurance acquisition revenue		280	232
Provisions for other liabilities and charges		122	91
Trade and other payables including insurance payables		3 412	2 717
Current income tax liabilities		318	221
Total current liabilities		15 537	13 887
Total liabilities		19 311	17 744
Total shareholders' equity and liabilities		27 858	25 184

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million	Change %
Gross written premium		24 319	22 710	7%
Less: reinsurance written premium		5 435	5 075	
Net written premium		18 884	17 635	7%
Less: change in unearned premium				
Gross amount		528	532	
Reinsurer's share		(167)	(119)	
Net insurance premium revenue		18 523	17 222	8%
Investment income	9	1 210	807	50%
Income from reinsurance contracts ceded		1 236	1 119	
Net gains on financial assets and liabilities at fair value through income	9	235	286	
Net income		21 204	19 434	9%
Insurance claims and loss adjustment expenses		13 980	14 315	
Insurance claims and loss adjustment expenses recovered from reinsurers		(2 470)	(3 437)	
Net insurance benefits and claims		11 510	10 878	6%
Expenses for the acquisition of insurance contracts		3 240	2 983	
Expenses for marketing and administration		3 277	3 050	
Expenses for investment-related activities		53	31	
Amortisation and impairment of intangible assets		117	130	
Total expenses		18 197	17 072	7%
Results of operating activities		3 007	2 362	27%
Finance costs		(116)	(93)	
Net income from associates and joint ventures		53	58	
Profit on sale of associated companies	11	413	-	
Profit on sale of subsidiary	11	15	-	
Profit before tax		3 372	2 327	45%
Income tax expense	10	(908)	(660)	
Profit for the year		2 464	1 667	48%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Currency translation differences		163	8	
Hedging reserve movement		134	-	
Tax on hedging reserve movement		(37)	-	
Total comprehensive income for the year		2 724	1 675	63%
Profit attributable to:				
– equity holders of the company		2 348	1 579	49%
– non-controlling interest		116	88	
		2 464	1 667	
Total comprehensive income attributable to:				
– equity holders of the company		2 608	1 587	64%
– non-controlling interest		116	88	
		2 724	1 675	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		2 090	1 382	51%
Diluted earnings per share		2 065	1 372	51%
Weighted average number of ordinary shares (millions)		112.34	114.26	
Weighted average number of ordinary shares for diluted earnings per share (millions)		113.72	115.09	

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Total R million	Non- controlling interest R million	Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million			
Balance as at 1 January 2014	107	(520)	224	6 321	6 132	400	6 532
Profit for the year	-	-	-	1 579	1 579	88	1 667
Other comprehensive income:							
Currency translation differences	-	-	8	-	8	-	8
Total comprehensive income for the year ended 31 December 2014	-	-	8	1 579	1 587	88	1 675
Sale of treasury shares	-	51	-	(51)	-	-	-
Purchase of treasury shares	-	(37)	-	-	(37)	-	(37)
Transfer to reserves	-	-	6	(6)	-	-	-
Share-based payment costs	-	-	-	123	123	-	123
Dividends paid	-	-	-	(795)	(795)	(58)	(853)
Balance as at 31 December 2014	107	(506)	238	7 171	7 010	430	7 440
Profit for the year	-	-	-	2 348	2 348	116	2 464
Other comprehensive income:							
Currency translation differences	-	-	163	-	163	-	163
Hedging reserve movement	-	-	134	(37)	97	-	97
Total comprehensive income for the year ended 31 December 2015	-	-	297	2 311	2 608	116	2 724
Sale of treasury shares	-	56	-	(56)	-	-	-
Repurchase of shares (refer to note 14)	(4)	-	-	(797)	(801)	-	(801)
Transfer to reserves	-	-	4	(4)	-	-	-
Share-based payment costs	-	-	-	124	124	-	124
Increase in capital contribution reserve (refer to note 14)	-	-	9	-	9	-	9
Dividends paid	-	-	-	(869)	(869)	(82)	(951)
Interest sold to non-controlling interest	-	-	-	-	-	2	2
Balance as at 31 December 2015	103	(450)	548	7 880	8 081	466	8 547

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited Year ended 31 December 2015	Audited Year ended 31 December 2014
	Notes	R million	R million
Cash flows from operating activities			
Cash generated from operations		3 656	2 443
Interest paid		(110)	(93)
Income tax paid		(1 002)	(420)
Net cash from operating activities		2 544	1 930
Cash flows from investing activities			
Acquisition of financial assets		(14 086)	(8 040)
Proceeds from sale of financial assets		13 348	7 556
Settlement of fence		42	(297)
Acquisition of subsidiaries	11	-	(28)
Cash (disposed of)/received through sale of subsidiaries	11	(183)	3
Staff trust acquired	14	132	-
Purchases of equipment		(39)	(69)
Purchases of intangible assets		(85)	(102)
Proceeds from sale of equipment		-	4
Acquisition of associated companies		(2)	-
Capitalisation of associated companies		(28)	(16)
Proceeds from sale of associated companies	11	625	-
Net cash used in investing activities		(276)	(989)
Cash flows from financing activities			
Purchase of treasury shares		-	(37)
Repurchase of shares		(801)	-
Decrease in investment contract liabilities		(35)	(21)
Increase in collateral guarantee contracts		11	6
Dividends paid to company's shareholders		(869)	(795)
Dividends paid to non-controlling interest		(82)	(58)
Increase in cell owners' interest		16	110
Net cash used in financing activities		(1 760)	(795)
Net increase in cash and cash equivalents			
		508	146
Cash and cash equivalents at beginning of year		2 561	2 343
Exchange gains on cash and cash equivalents		280	72
Cash and cash equivalents at end of year		3 349	2 561

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

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

2. Accounting policies

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

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2015:

- Amendment to IAS 19 – Employee benefits
- Annual Improvements 2010-12 cycle
- Annual Improvements 2011-13 cycle

There was no material impact on the summary consolidated financial statements identified.

3. Estimates

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

In preparing this summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that apply to the consolidated annual financial statements for the year ended 31 December 2015.

4. Risk management

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

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

The summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2015.

There have been no material changes in the risk management policies since the previous year-end.

5. Segment information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and are analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting result as measure of profitability.

Investment activities are all investment-related activities undertaken by the group, including strategic diversification activities. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income and net income from associated companies.

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

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

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

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay (2014 only) and the Santam BEE transaction costs are unrelated to the core underwriting, investment or strategic diversification performance of the group. Therefore, these costs are disclosed as unallocated activities.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5.1 For the year ended 31 December 2015

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	24 319	1 428	-	25 747
Gross written premium	24 319	-	-	24 319
Net written premium	18 884	-	-	18 884
Net earned premium	18 523	-	-	18 523
Net claims incurred	11 510	-	-	11 510
Net commission	2 004	-	-	2 004
Management expenses (excluding BEE cost)	3 230	-	-	3 230
Underwriting result	1 779	-	-	1 779
Investment return on insurance funds	499	-	-	499
Net insurance result	2 278	-	-	2 278
Investment income net of management fee and finance costs	-	777	-	777
Income from associates including profit on sale	-	466	-	466
Profit on sale of subsidiary	-	15	-	15
Santam BEE costs	-	-	(71)	(71)
Amortisation and impairment of intangible assets	(93)	-	-	(93)
Income before taxation	2 185	1 258	(71)	3 372

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	371	60
Alternative risk	2 248	20
Crop	840	131
Engineering	1 176	216
Guarantee	149	13
Liability	1 327	234
Miscellaneous	62	11
Motor	10 247	673
Property	7 213	330
Transportation	686	91
Total	24 319	1 779

Comprising:

Commercial insurance	13 142	1 231
Personal insurance	8 929	528
Alternative risk	2 248	20
Total	24 319	1 779

Investment activities

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5.2 For the year ended 31 December 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	22 710	726	-	23 436
Gross written premium	22 710	-	-	22 710
Net written premium	17 635	-	-	17 635
Net earned premium	17 222	-	-	17 222
Net claims incurred	10 878	-	-	10 878
Net commission	1 864	-	-	1 864
Management expenses	2 986	-	-	2 986
Underwriting result	1 494	-	-	1 494
Investment return on insurance funds	425	-	-	425
Net insurance result	1 919	-	-	1 919
Investment income net of management fee and finance costs	-	543	-	543
Income from associates net of impairment and losses on sale	-	58	-	58
MiWay DBP and Santam BEE costs	-	-	(82)	(82)
Amortisation and impairment of intangible assets	(111)	-	-	(111)
Income before taxation	1 808	601	(82)	2 327

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	350	49
Alternative risk	1 953	15
Crop	1 044	251
Engineering	1 127	169
Guarantee	22	-
Liability	1 246	220
Miscellaneous	53	5
Motor	9 629	524
Property	6 552	221
Transportation	734	40
Total	22 710	1 494
Comprising:		
Commercial insurance	12 298	1 177
Personal insurance	8 459	302
Alternative risk	1 953	15
Total	22 710	1 494

Investment activities

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

5.3 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2015 R million	31 December 2014 R million	31 December 2015 R million	31 December 2014 R million
South Africa	21 909	20 565	1 000	1 435
Rest of Africa ^{1, 2}	1 973	1 837	441	331
Southeast Asia, India, Middle East and China ^{1, 3}	437	308	733	599
Group total	24 319	22 710	2 174	2 365

¹ Includes gross written premium managed by specialist business and Santam Re.

² Includes gross written premium relating to Namibia of R1 056 million (Dec 2014: R1 055 million).

³ Includes gross written premium relating to China of R140 million (Dec 2014: R88 million).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
6. Financial assets and liabilities		
Financial assets		
The group's financial assets are summarised below by measurement category.		
Financial assets at fair value through income	14 734	13 625
Loans and receivables	3 449	2 869
Total financial assets	18 183	16 494

Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2014. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices). Listed bonds that did not trade actively during a financial period are classified as level 2 financial instruments. The fair value of the level 2 instruments is predominantly determined using discounted cash flow models based on market observable input.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no transfers between level 1 and level 2 during the current year. In the prior year, holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

All derivative instruments are classified as investments held for trading. The rest of the investment portfolio is designated as financial assets at fair value through income based on the principle that the entire portfolio is managed on a fair value basis and reported as such to the investment committee.

31 December 2015

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	1 643	-	-	1 643
Unitised funds	-	66	-	66
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 019	1 019
Total equity securities	1 645	66	1 019	2 730
Debt securities				
Quoted				
Government and other bonds	1 378	1 122	36	2 536
Collateralised securities	-	190	-	190
Redeemable preference shares	-	214	-	214
Money market instruments > 1 year	-	1 799	-	1 799
Unquoted				
Government and other bonds	-	132	-	132
Money market instruments > 1 year	-	4 459	-	4 459
Redeemable preference shares	-	101	29	130
Equity-linked notes	-	261	-	261
Total debt securities	1 378	8 278	65	9 721
Derivative instruments				
Exchange traded futures	-	2	-	2
Total derivative instruments	-	2	-	2
Short-term money market instruments	-	2 237	44	2 281
Total financial assets at fair value through income	3 023	10 583	1 128	14 734
Financial liabilities at fair value through income				
Debt securities	998	-	-	998
Investment contracts	-	70	-	70
Derivative instruments				
Interest rate swaps	-	-	1	1
Total derivative instruments	-	-	1	1
Total financial liabilities at fair value through income	998	70	1	1 069

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

31 December 2014

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 999	-	-	2 999
Unitised funds	-	75	-	75
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	820	820
Total equity securities	3 001	75	820	3 896
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	-	152	-	152
Redeemable preference shares	-	250	-	250
Money market instruments > 1 year	-	1 436	15	1 451
Unquoted				
Government and other bonds	-	24	-	24
Money market instruments > 1 year	-	4 127	-	4 127
Redeemable preference shares	-	50	28	78
Total debt securities	1 250	6 531	56	7 837
Short-term money market instruments	-	1 854	38	1 892
Total financial assets at fair value through income	4 251	8 460	914	13 625
Financial liabilities at fair value through income				
Debt securities	1 023	-	-	1 023
Investment contracts	-	105	-	105
Total financial liabilities at fair value through income	1 023	105	-	1 128

The following tables present the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
31 December 2015					
Opening balance	820	56	38	-	914
Acquisitions	51	-	1	-	52
Disposals/settlements	(5)	-	(2)	-	(7)
Transfers between asset classes	-	(4)	4	-	-
Gains/(losses) recognised in profit or loss	153	13	3	(1)	168
Closing balance	1 019	65	44	(1)	1 127
31 December 2014					
Opening balance	529	23	-	(203)	349
Acquisitions	186	-	-	-	186
Disposals/settlements	-	-	-	297	297
Gains/(losses) recognised in profit or loss	105	6	-	(94)	17
Transfer from level 1 and/or level 2	-	27	38	-	65
Closing balance	820	56	38	-	914

The investments in Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill) are classified as held for sale (refer to note 8). The investment in Cardrow had an opening balance of R308 million (Dec 2014: R299 million) with exchange gains of R82 million (Dec 2014: R8 million) and fair value gains of Rnil (Dec 2014: R1 million) during the year. The closing balance at 31 December 2015 amounted to R390 million (Dec 2014: R308 million). The investment in Beech Hill had an opening balance of R120 million (Dec 2014: R116 million) with exchange gains of R31 million (Dec 2014: R4 million) during the year. The closing balance at 31 December 2015 amounted to R151 million (Dec 2014: R120 million).

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Of the R153 million (Dec 2014: R105 million) gain recognised on equity securities, R152 million (Dec 2014: R93 million) relates to the SEM target shares, of which R105 million (Dec 2014: R22 million) relates to foreign exchange gains, and R47 million (Dec 2014: R71 million) to an increase in fair value.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R114 million (Dec 2014: R102 million) or increase by R172 million (Dec 2014: R156 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R73 million (Dec 2014: R60 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R79 million (Dec 2014: R73 million) or decrease by R78 million (Dec 2014: R74 million), respectively. Another assumption applied in the valuation model is that relating to terminal growth. For the purpose of this assumption, market expectations of nominal GDP growth have been utilised.

A 10% decrease or increase in the discount rate applied to the net asset values and/or the valuation multiples of the remaining unquoted equities held by the group would decrease or increase the market value by R6 million (Dec 2014: Rnil). A 10% increase or decrease in foreign exchange rates would increase or decrease the market value of the unquoted equities by R39 million.

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R100 million (Dec 2014: R106 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 12 June 2017.

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

Per the conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income.

During the first half of 2013, Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013 covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5%, respectively. The implementation levels were 7593 (SWIX 40 index), 7515 and 7694, respectively. A negative fair value of R204 million was recorded as at 31 December 2013 and a further loss of R93 million was incurred during the six months to 30 June 2014. The final tranche expired in May 2014 and the hedge was not renewed.

In February 2015, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 443, with upside participation (excluding dividends) of 10.9%. The structure matured on 17 December 2015 and was not renewed.

On 24 November 2015 Santam and Sanlam jointly announced that they entered into an agreement to acquire 30% of the share capital of Saham Finances. The transaction is expected to be finalised during the first quarter of 2016. Santam's portion of the acquisition price, including transaction costs, is US\$100 million. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances held to the value of US\$100 million to this transaction. The impact of this was that foreign currency gains recognised on the designated cash balances since the implementation date amounting to R134 million were recognised in other comprehensive income as a hedging reserve.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
7. Insurance liabilities and reinsurance assets		
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	13
– claims incurred but not reported	30	25
General insurance contracts		
– claims reported and loss adjustment expenses	6 273	6 227
– claims incurred but not reported	1 567	1 515
– unearned premiums	4 788	4 262
Total gross insurance liabilities	12 664	12 042
Non-current liabilities	1 525	1 528
Current liabilities	11 139	10 514
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	6
– claims incurred but not reported	7	5
General insurance contracts		
– claims reported and loss adjustment expenses	2 220	2 266
– claims incurred but not reported	272	237
– unearned premiums	1 176	1 002
Total reinsurers' share of insurance liabilities	3 678	3 516
Non-current assets	164	144
Current assets	3 514	3 372
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	7
– claims incurred but not reported	23	20
General insurance contracts		
– claims reported and loss adjustment expenses	4 053	3 961
– claims incurred but not reported	1 295	1 278
– unearned premiums	3 612	3 260
Total net insurance liabilities	8 986	8 526

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

8. Non-current assets held for sale

Santam Ltd initially set up the Santam International group in 2002 to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill), respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2014 and 2015. During the last quarter of 2015, agreements have been signed to commence the realisation of the deferred conditional rights.

Once the assets have been realised, management will commence a process to unwind the Santam International group. The completion of the unwinding process is subject to regulatory approval.

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
Assets that are classified as held for sale		
Financial assets at fair value through income		
Equity securities	390	308
Loans and receivables including insurance receivables	151	120
	541	428

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process. It was therefore also recognised within level 3 of the fair value hierarchy (see note 6).

9. Investment income and net gains/(losses) on financial assets and liabilities

	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million
Investment income	1 210	807
Dividend income	119	127
Interest income	729	609
Foreign exchange differences	362	71
Net gains/(losses) on financial assets and liabilities at fair value through income	235	286
Net realised gains on financial assets	1 010	481
Net fair value losses on financial assets designated as at fair value through income	(850)	(79)
Net fair value losses on financial assets held for sale	-	(3)
Net realised/fair value gains/(losses) on derivative instruments	43	(93)
Net fair value gains/(losses) on short-term money market instruments	7	(18)
Net fair value gains/(losses) on financial liabilities designated as at fair value through income	25	(2)
Net fair value gains/(losses) on debt securities	25	(2)
	1 445	1 093

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million
10. Income tax		
Normal taxation		
Current year	1 077	684
Prior year	24	-
Recovered from cell owners	(67)	(77)
Foreign taxation – current year	57	43
Total income taxation for the year	1 091	650
Deferred taxation		
Current year	(170)	13
Prior year	(13)	-
Recovered from cell owners	-	(3)
Total deferred taxation for the year	(183)	10
Total taxation as per statement of comprehensive income	908	660
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.7	1.9
Foreign tax differential	0.2	0.3
Exempt income	(1.2)	(1.6)
Investment results	(0.9)	(0.6)
Income from associates	(1.0)	(0.7)
Previous years' underprovision	0.3	-
Other permanent differences	0.7	1.0
Other taxes	0.1	0.1
Net (reduction)/increase	(1.1)	0.4
Effective rate (%)	26.9	28.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

11. Corporate transactions 2015

Disposals

Indwe Broker Holdings Group (Pty) Ltd

On 31 December 2015, Santam Ltd, as well as Swanvest 120 (Pty) Ltd, Main Street 409 (Pty) Ltd and Thebe Risk Services Holdings (Pty) Ltd (all wholly-owned subsidiaries of Santam Ltd) sold 26.34%, 13.82%, 16.8% and 19.04% respectively of their shareholding in Indwe Broker Holdings Group (Pty) Ltd to Sanlam Life Insurance Ltd (25%) and African Rainbow Capital (Pty) Ltd (51%) for R208 million in total. The net profit realised was R15 million and capital gains tax of R5 million was recognised. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture and remeasured to fair value, resulting in a gain of R3 million (included in the profit on sale).

Details of the assets and liabilities disposed of are as follows:

	R million
Property and equipment	23
Intangible assets	223
Deferred taxation	5
Loans and receivables	6
Cash and cash equivalents	183
Provisions for other liabilities and charges	(1)
Trade and other payables	(170)
Current income tax liabilities	(10)
Net asset value disposed of	259
Profit on sale	15
Less: Fair value of remaining investment	(66)
Less: Purchase price receivable	(208)
Purchase consideration received	-

Credit Guarantee Insurance Corporation of Africa Ltd

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd for R602 million. The net profit realised was R392 million and capital gains tax of R91 million was recognised.

Censeo (Pty) Ltd

On 31 May 2015, Swanvest 120 (Pty) Ltd sold its 37.5% shareholding in Censeo (Pty) Ltd for R23 million. The net profit realised was R21 million and capital gains tax of R4 million was recognised.

2014

Additions

Brolink (Pty) Ltd and H&L Underwriting Managers (Pty) Ltd

During 2014, Swanvest 120 (Pty) Ltd, a wholly-owned subsidiary of Santam Ltd, acquired the remaining 70% of the H&L Underwriting Managers (Pty) Ltd shareholding and 100% of Brolink (Pty) Ltd (Brolink). The purchase price for these transactions amounted to R28 million. The goodwill of R25 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R15 million, brandname of R1 million and an additional deferred tax liability of R4 million were also recognised on acquisition.

Details of the assets and liabilities acquired at fair value are as follows:

	R million
Intangible assets	16
Loans and receivables	8
Cash and cash equivalents	3
Deferred taxation	(4)
Trade and other payables	(10)
Net asset value acquired	13
Goodwill	25
Less: Deferred purchase consideration*	(10)
Purchase consideration paid	28

* Amount is variable and will be impacted by returns achieved until February 2016 and August 2017.

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
Goodwill reconciliation		
Opening balance	833	871
Acquisitions	-	34
Impairment	(47)	(72)
Disposal of subsidiary	(188)	-
Closing balance	598	833

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited Year ended 31 December 2015	Audited Year ended 31 December 2014
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Earnings per share (cents)	2 090	1 382
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Adjusted for share options	1.38	0.83
Weighted average number of ordinary shares for diluted earnings per share (million)	<u>113.72</u>	<u>115.09</u>
Diluted basic earnings per share (cents)	2 065	1 372
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Adjusted for:		
Impairment of goodwill and other intangible assets	52	72
Profit on sale of subsidiary	(15)	–
Tax charge on profit on sale of subsidiary	5	–
Profit on sale of associated companies	(413)	–
Tax charge on profit on sale of associated companies	95	–
Headline earnings (R million)	<u>2 072</u>	<u>1 651</u>
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Headline earnings per share (cents)	1 844	1 446
Diluted headline earnings per share		
Headline earnings (R million)	2 072	1 651
Weighted average number of ordinary shares for diluted headline earnings per share (million)	113.72	115.09
Diluted headline earnings per share (cents)	1 822	1 435
13. Dividend per share		
Dividend per share (cents)	816	742

14. Broad-based black economic empowerment (BBBEE)

In May 2007, Central Plaza Investments 112 (Pty) Ltd acquired 10% of Santam's shares with the following beneficiaries:

- Emthunzini Black Economic Empowerment Staff Trust
- Emthunzini Black Economic Empowerment Business Partners Trust
- Emthunzini Broad-based Black Economic Empowerment Community Trust

The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares (4 215 000 shares at a price of R190 per share for a total consideration of R801 million) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance distributed to participants.

The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Sanlam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.

The Emthunzini Black Economic Empowerment Staff Trust is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015. The net impact of the inclusion of the staff trust is an increase in cash of R132 million, the recognition of the capital contribution reserve of R9 million and an increase of 684 482 in treasury shares.

15. Events after the reporting period

Santam Ltd established a new R4 billion unsecured subordinated callable note programme on 29 February 2016 and intends to issue notes under the programme of up to R1 billion in April 2016.

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

(I) ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	1 093	18.66%	75 177	0.07%
101 – 1 000 shares	2 964	50.59%	1 244 288	1.08%
1 001 – 50 000 shares	1 691	28.86%	9 548 000	8.29%
50 001 – 100 000 shares	50	0.85%	3 706 774	3.22%
100 001 – 10 000 000 shares	60	1.02%	32 812 987	28.50%
More than 10 000 000 shares	1	0.02%	67 744 191	58.84%
Total	5 859	100.00%	115 131 417	100.00%

Type of shareholder				
Individuals	3 947	67.37%	3 646 815	3.17%
Companies	431	7.35%	86 506 756	75.14%
Growth funds/unit trusts	174	2.97%	12 163 754	10.56%
Nominee companies or trusts	1 163	19.85%	3 667 800	3.19%
Pension and retirement funds	144	2.46%	9 146 292	7.94%
Total	5 859	100.00%	115 131 417	100.00%

Shareholder spread	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	5 674	26.53%	172	100.00%	5 846	30.48%
Directors	8	0.02%	–	–	8	0.02%
Guardian National Insurance Ltd*	1	3.97%	–	–	1	3.76%
Trustees of employees' share scheme*	2	2.02%	–	–	2	1.91%
Holdings of 5% or more	2	67.46%	–	–	2	63.83%
Sanlam Ltd	1	62.19%	–	–	1	58.84%
Government Employees Pension Fund	1	5.27%	–	–	1	4.99%
Total	5 687	100.00%	172	100.00%	5 859	100.00%

The analysis includes the shares held as treasury shares.

* Owners of treasury shares.

(II) ANALYSIS OF DEBT SECURITY HOLDERS

	Number of debt security holders	% of total debt security holders	Number of units	% Interest
Analysis of debt security holders				
1 – 50 000 units	3	3.30%	116 622	0.01%
50 001 – 100 000 units	3	3.30%	266 656	0.03%
100 001 – 1 000 000 units	30	32.96%	16 197 430	1.62%
1 000 000 – 10 000 000 units	39	42.86%	142 953 025	14.29%
More than 10 000 000 units	16	17.58%	840 466 267	84.05%
Total	91	100.00%	1 000 000 000	100.00%
Type of debt security holder				
Brokers	2	2.20%	53 566 656	5.36%
Endowment funds	5	5.49%	11 958 600	1.20%
Insurance companies	12	13.18%	213 911 778	21.39%
Investment companies	1	1.10%	125 000 000	12.50%
Medical aid schemes	2	2.20%	1 150 000	0.12%
Mutual funds	40	43.96%	267 680 922	26.76%
Nominees and trusts	2	2.20%	1 490 000	0.15%
Pension funds	26	28.57%	287 542 044	28.75%
Private companies	1	1.10%	37 700 000	3.77%
Total	91	100.00%	1 000 000 000	100.00%

	Debt security holders in South Africa	
	Nominal number	% Interest
Government Employees Pension Fund	215 996 877	21.60%
Old Mutual Life Assurance Company (South Africa) Ltd	145 251 400	14.53%
MMI Group Ltd	125 000 000	12.50%
Sanlam Investment Management Enhanced Yield Fund	65 442 000	6.54%
RMB Capital Markets	53 500 000	5.35%
Other	394 809 723	39.48%
Total	1 000 000 000	100.00%

GLOSSARY

acquisition costs	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio.
AGM	annual general meeting
alternative risk transfer (ART)	The use of techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection.
BAAM	Business-Adopt-a-Municipality
BBBEE	broad-based black economic empowerment
binder	An authority issued by an insurer to another party to: enter into, vary or renew a short-term policy on behalf of that insurer; determine the wording of a short-term policy; determine premiums under a short-term policy; determine the value of policy benefits under a short-term policy; or settle claims under a short-term policy.
catastrophe (short-term)	Fire, earthquake, windstorm, explosion and other similar events that result in substantial losses.
cell captive insurer	An insurer that is structured with separate independent cells. The assets and liabilities of the cells are ring-fenced. Profits and losses from business introduced by the cell owner to the insurer are attributable to the cell owner.
churn rate	The proportion of policyholders who leave a supplier during a given time period.
claim (short-term)	A demand in the insurer for indemnification for a loss incurred from an insured peril.
claims incurred	Claims cost for an accounting period made up of: <ul style="list-style-type: none"> – claims paid for the period, including claims handling expenses, or – less outstanding claims at the end of the preceding accounting period, including IBNR, plus outstanding claims at the end of the current accounting period, including IBNR.
claims incurred but not reported (IBNR)	Claims resulting from events that have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
claims ratios	Ratios expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is taken into account. Also referred to as loss ratios.
CSI	corporate social investment
deferred acquisition costs	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's statement of financial position.

earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
ERM	enterprise risk management
ESG	environmental, social and governance
FIA	Financial Intermediaries Association of Southern Africa
FSB	The Financial Services Board, the regulator of insurance companies in South Africa
Financial Sector Charter (FSC)	The FSC is a transformation policy based on the terms of the BBBEE Act to promote social and economic integration and access to the financial services sector.
GDP	gross domestic product
general/short-term insurance	Defined in the Short-term Insurance Act as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
GRI	Global Reporting Initiative
gross written premium	Premium that an insurer is contractually entitled to receive from the insured in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustment to premiums from prior years. Also defined as premium written and received but before deduction of reinsurance ceded.
IFRS	International Financial Reporting Standards
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
KPIs	key performance indicators
Loss ratio	Refer to "claims ratios".
MOI	memorandum of incorporation
net written premium	Gross premium written or received on all business less return premium and premium ceded to reinsurers.
RDR	Retail Distribution Review
reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
SAICA	South African Institute of Chartered Accountants
SAIA	South African Insurance Association
salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured.
SEM	Sanlam Emerging Markets
Solvency Assessment and Management (SAM)	The project launched by the FSB to develop a new solvency regime for the South African long-term and general insurance industries to be in line with international standards and specifically the Solvency II initiative underway in Europe.

solvency margin	A measurement of the financial strength of a general insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
S&P	Standard & Poor's
TCF	Treating Customers Fairly
UMA	Underwriting management agencies
underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each.
underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.

ADMINISTRATION

AT 2 MARCH 2016

NON-EXECUTIVE DIRECTORS

CB Booth, B Campbell, MD Dunn, MP Fandeso, BTPKM Gamedze, GG Gelink (chairman), IM Kirk, MLD Marole, JP Möller, T Nyoka (née Fubu), MJ Reyneke

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer)
HD Nel (chief financial officer)
Y Ramiah

SPONSOR

Investec Bank Ltd

TRANSFER SECRETARIES

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COMPANY SECRETARY

M Allie

Santam is an authorised financial services provider (licence number 3416).

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Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

REPORT FRAUD

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