

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Content type:	HR Policy
This policy is applicable to:	Sanlam Retail Affluent
Document owner:	Sanlam Retail Affluent: HR
Author:	Sanlam Retail Affluent HR: Rewards
Publish date:	01/11/2023

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

Contents

1. Overview	3
2. Purpose	3
3. Scope	3
4. BONUS SCHEMES OFFERED	3
4.1. Combination Scheme	3
5. GENERAL RULES OF THE PERFORMANCE BONUS	4
6. ADVANCE BONUS	5
6.1. Eligibility on Advance bonus	5
6.2. Terminations and clawback	6
6.3. Bonus Pensionability for Advance bonus	6
6.4. Tax treatment for Advance bonus	6
6.5. Advance bonus calculation	7
7. PERFORMANCE BONUS MEASURES FOR 2023	7
7.1. SANLAM RETAIL AFFLUENT SCORE CARD	7
8. TRANSFERRING STAFF WITHIN THE SANLAM GROUP	9
9. GUARANTEED BONUS TAX SMOOTHING	9
10. BONUS PENSIONABILITY	9
11. PAYMENT ADMINISTRATION RULES	10
12. RISK ALIGNMENT, ADJUSTMENTS AND CLAW-BACK	11
13. COMPLIANCE, RISK AND CONTROL	12

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

1. Overview

This document serves to outline the rules and calculations of

- guaranteed bonuses; and
- performance bonuses.

2. Purpose

The purpose of this policy is to ensure that a consistent approach is adopted in the process of eligibility for bonus payments as well as the calculation of bonus pools and bonus payment amounts.

3. Scope

This policy applies to all permanent Sanlam Retail Affluent employees except where unique bonus models apply.

A discretionary bonus applies to fixed term contract (FTC) employees with a contract of longer than 3 months and still employed when bonuses are declared. Specific guidelines are applied with this category of employees.

Excluded therefore are:

- Specific SanlamConnect (Distribution) roles in **Sanlam Broker Distribution; Sanlam Financial Advisers and Distribution Operations.**
- Glacier (Bonus pool size and bonus rules are subject to this document).

SanlamConnect and Glacier will communicate their applicable bonus schemes to their employees separately.

Also excluded from the schemes:

- Temporary employees (except specific fixed term contract employees)
- Employees on temporary disability for the full calendar year
- Seasonal Workers, Contractors, Directors

4. BONUS SCHEMES OFFERED

Two bonus options were offered to Sanlam Retail Affluent employees, namely a Profit Participation Scheme and a Combination Bonus Scheme. From 1 January 2024, only the Profit Participation Scheme will apply.

4.1. Combination Scheme

As from 1 January 2024, the combination scheme will no longer be applicable, only Performance bonus will apply.

A **Combination Bonus Scheme**, consisting of a guaranteed bonus component as well as a performance bonus component, is offered to all employees on these levels. Guaranteed bonuses do not apply to Glacier and Sanlam Direct.

Grades 1- 8:

- **Guaranteed Bonus:** The guaranteed bonus is equivalent to 6.67% of total guaranteed package (TGP) and will be paid in December 2023.
- **Performance Bonus:** The target bonus, payable if all targets are met, amounts to 8% of TGP. When targets are exceeded, the bonus percentage will be increased on a sliding scale up to a maximum of double the target bonus percentage. No interim payment will be made.

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

Employees who chose to participate **only** in the profit sharing, performance bonus scheme qualify for a target bonus of 17.6% of TGP if all targets are met. When targets are exceeded, the bonus percentage will be increased on a sliding scale up to a maximum of double the target bonus percentage.

For the sake of clarity, employees who are on a combination scheme and have been converted to profit sharing scheme as part of the performance bonus conversion and alignment, their March 2024 bonus will be calculated on the full 17.67%, minus the 6.67% of TGP paid as a guaranteed bonus in December 2023. This excludes Sales supporting roles in SanlamConnect.

Grades 9 - 12:

A **Performance Bonus Scheme** is offered to all employees on this level.

The target bonus, payable if all targets are met, amounts to 20% of TGP. When targets are exceeded, the bonus percentage will be increased on a sliding scale up to a maximum of double the target bonus percentage.

Grades 13 - 15:

A **Performance Bonus Scheme** is offered to all employees on this level.

The target bonus, payable if all targets are met, amounts to 30% of TGP. When targets are exceeded, the bonus percentage will be increased on a sliding scale up to a maximum of double the target bonus percentage.

General management:

A **Performance Bonus Scheme** is offered to all employees on this level.

The target bonus, payable if all targets are met, amounts to 36% of TGP. When targets are exceeded, the bonus percentage will be increased on a sliding scale up to a maximum of double the target bonus percentage.

Specific bonus contracting applies to Sanlam Retail Affluent Exco.

5. GENERAL RULES OF THE PERFORMANCE BONUS

- Performance bonus is modelled based on the Sanlam Retail Affluent (SRA) scorecard. The scorecard will be based on financial and non-financial KPI's. The non-financial KPI's are closely aligned to the key elements of the Fortress SA Strategy, in many cases related to key strategic milestones.
- The size of the various bonus pools for the business units in SRA will be determined by the achievement against their business unit scorecards. These business unit pools are then proportionally adjusted to collectively add up to the total SRA bonus pool available.
- The target size of the bonus pool (at SRA and business unit level) will be calculated as $TGP * \text{target bonus percentage of each individual}$.
- When determining the maximum bonus of 200%, the downside achievement of individual components of performance targets (i.e., VNB, profit etc.) will be limited to 0% (i.e. individual component performance cannot be negative) and the maximum capped at 200% for all components including VNB measurements.

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

- Non-financial KPI's will be measured linearly on the actual KPI score *i.e.*, 3.1, 3.2 3.3 etc. increments, where 1 constitutes 0% achievement and 5 constitutes 200% achievement.
- Performance targets are set after including the cost of performance bonuses.
- The incentive bonus for individual staff members on the incentive scheme, which will be paid from the abovementioned bonus pools, will be determined by the performance of the business unit (50% weighting) and of the individual (50% weighting).
- Individual performance will be determined by the existing performance management system. Underperformers (below KPI of 3) will not earn the full individual component of their bonus, according to a sliding scale. The distribution of the pool will depend on the individual KPA against the weighted KPA of the bonus pool. If your KPA is the same as the weighted average of the bonus pool, then the full bonus on the individual portion of the bonus will flow. This same sliding scale will also be applied to the component linked to the performance of the business unit. **See Annexure A** for performance bonus distribution on individual (50%) weighting).
- In the event of business unit, or Retail Affluent, having a nil bonus pool, an amount will be set aside to reward exceptional individual performance. The amount will be determined by the Sanlam Life and Savings QBR, and the utilization of this amount will be at the discretion of the cluster CEO.
- Incentive bonuses will be paid during March 2024 after the announcement of the audited results of Sanlam Retail Affluent.
- A *portion (equivalent to maximum 25% of the bonus pool)* of the target bonus will be advanced as an interim payment in December, and employees must be in Sanlam employment on the day when the performance bonuses are declared to participate in the bonus. The percentage of the target bonus that will be advanced will depend on the sales performance of SanlamConnect and will be at the discretion of the SRA CEO.
- The SRA CEO will have discretion to make adjustments to bonus achievements should there be any unintended outcomes. This includes a general adjustment of a specific bonus pool/s to create the funding for a more equitable bonus achievement between various businesses.
- Should Sanlam Retail Affluent conclude transactions during 2023, the impact of the transactions on the bonus elements, and the measurement against that, will be considered.

6. ADVANCE BONUS

Advance bonus is not automatic. If the Retail Affluent CEO and Exco decides to accelerate a portion of the March performance bonus based on certain achievements, a maximum of 25% bonus pool will be Advance and paid in December each year (with December salary).

Detailed below addendum performance bonus rules applicable for Advance bonus in December 2023.

6.1. Eligibility on Advance bonus

Eligible employees

- Employees on JG 1 – 8 on performance only scheme of 17.67%.
- Employees on JG9 – 12 on 20% of TGP
- Employees on JG 13 – 15 on 30% of TGP
- Employees on GM level on 36% of TGP
- Including qualifying expectations at the middle and senior management level
- Employees transferred in Retail Affluent example: SGT to Retail Affluent

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

- Fixed term contractor with more than three (3+) months contract who have been contracted to receive performance (i.e., below the earning threshold of R241,110,59 per year).

Ineligible employees for Advance bonus

Specific Sanlam Connect roles in Sanlam Broker Distribution; Sanlam Financial Advisers; Sanlam Direct, MiWayLife Sales agents and Distribution Operations.

Employees in the categories below will not be eligible for Advance bonus in December 2023. The full performance bonus in accordance with the bonus rules will be paid in March 2024.

- Exclude employees on job grade 1 - 8 eligible for Guaranteed bonus.
- Exclude under performers in a process of performance improvement process (PIP) and (employees in-training will receive advance bonus).
- New appointments with effective dates of 1 November and December 2023- only for Advance bonus.
- Retiring employees.
- On maternity when the advance bonus is paid.
- Retrenched employees.
- Permanently disabled.
- Transferred out of Retail Affluent.
- Death.

Employees who terminated their employment with Sanlam in December 2023 and January 2024 will not be eligible for the Advance bonus.

6.2. Terminations and clawback

For employees who are eligible and received an Advance bonus in December and decided to terminate their employment with Sanlam in December of that year, or January and February of the following year, the business reserves the right to recover the Advance bonus in full. This means Sanlam may claw back the full bonus based on conditions of this policy.

Claw back will not apply for employees who received the Advance bonus and transferred within the Sanlam Group.

6.3. Bonus Pensionability for Advance bonus

Each year, in February and again in May during the FlexPay process, you have the opportunity to review your choice regarding bonus pensionability. The bonus pensionability remains on your record for the rest of year until the next review cycle.

For the purposes of the Advance bonus, if you selected pensionability of bonus indicator, pensionability will also be applied. This means, December and March bonuses will be pensionable respectively unless the pensionability is changed in February or April/May

You will have an option to review this option again in February for the March performance bonus cycle and again in April/May during the FlexPay period.

6.4. Tax treatment for Advance bonus

If an employee is a provisional taxpayer, a second provisional return can be submitted on or before 28 February 2024. Furthermore, bonus is subject to PAYE that will be deducted by Sanlam – no need for an employee to pay provisional tax on the same.

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

6.5. Advance bonus calculation

The Advance Bonus is calculated as a percentage of TGP and percentage of assumed Target Performance Bonus (TPB).

FORMULA:

(Monthly TGP x TPB as a % of TGP) x Declared Advance Bonus Percentage x Months in service
= **Advance Bonus**

Calculation example:

Monthly TGP X Target Performance Bonus as a % of TGP X Declared Advance Bonus (e.g. 20%)
X Months in service = Advance Bonus

- R30,000 x 20% = R6,000
- R6,000 x 20% x 12 = **R14,400**

*TPB = Target Performance Bonus (as contracted per employee)

Bonus payment notes:

- The total value of the Advance bonus will be paid in December, which will be deducted from the wholly calculated bonus in March of the following year.
- Pro-rata payment will apply based on months of service.

7. PERFORMANCE BONUS MEASURES FOR 2023

The tables below set out the proposed 2023 incentive bonus bases for the various Sanlam Retail Affluent businesses.

The table below sets out the proposed performance measure and weights for SRA as a whole. This measurement is also, what is used as measurement for SRA performance in the various underlying businesses. The 50% of the achievement is based on financial targets and 50% is based on a weighted average of the non-financial targets.

7.1. SANLAM RETAIL AFFLUENT SCORE CARD

FINANCIAL KPI's	Weight %
SRA adjusted ROGEV	15.0%
Net Result from Financial Services	7.5%
Dividend (excluded Fintech)	7.5%
VNB (covered)	15.0%
NCCF / AUM (%)	5%
TOTAL WEIGHTING	50%

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

NON-FINANCIAL KPI's	Weight %
Leadership, culture, and transformation:	5%
DoL roadmap achievement	1.50%
Improve succession cover ratio: Maintain Tier succession. Improvement in Tier 4 succession ratio. On average Black succession coverage ratio should be 50%	1.00%
Culture initiatives	1.50%
Implement improved compliance controls	1.00%
Digitisation and Data	13%
IAP & GDE implementation	4%
Mainframe modernisation	2%
Improve Adviser effectiveness	3%
Grow BI value creation (R149.1m value creation)	2%
Delivery of new capabilities	17%
Quill finalisation and implementation	7%
Alex Forbes LISP implementation	4%
Absa LISP implementation	4%
Other partnerships and other new capabilities implementation	2%
Improved customer outcomes	4%
Improved satisfaction, some surveys only to be completed by year end.	2%
Retailisation / Member level outcomes	2%
Progress made with EB Bluestar	
ESG	5%
Future of Advice and Khula	3%
Broadening of solution set	2%
Cross-sell & Synergies	6%
Wealth Bonus & Rewards	3%
Cross general & synergies	3%
Total Weighting	50%

Important notice:

The Sanlam Group policy promotes effective compliance, risk management and control for the benefit of our customers, shareholders and all our stakeholders. The Group Governance model delegates to, and places responsibility on, individual business and management to operate effective compliance, risk management and control. In order to promote this policy, performance bonus due under this contract may be adjusted downwards at the sole discretion of the Group CEO and Group Human Resources Committee in the event that during the performance period the group CEO or GHRC considers that there has been

- 1) Ineffective compliance within the business area for which the individuals is responsible, or
- 2) that the appropriate escalation to the Group Risk, compliance or other control breaches has not been timeous, or
- 3) the risk has been assumed outside agreed risk appetite limits without re requisite approval. Or
- 4) that controls have been ineffective.

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

The extent of the adjustment to a performance bonus will reflect severely of the event or incident and is not limited to any specific percentage of the performance bonus.

8. TRANSFERRING STAFF WITHIN THE SANLAM GROUP

- The accrued guaranteed bonus will be paid on date of transfer if the employee is moving to a business where no guaranteed bonus applies.
- Any employee within the Sanlam Group is eligible to be awarded a performance bonus in respect of delivery for the number of months worked in the previous financial year.
- Where an employee transfers within the Sanlam Group, the default arrangement is that the receiving business, i.e. the business to which the person is transferred, should pay the full performance bonus for the financial year under consideration according to the performance scheme rules of that business.
- However, it is possible that at point of transfer a different arrangement is arrived at between the parties. For example, the departing business may under certain circumstances agree to award, and carry the cost, of a bonus for the months that the employee was in their business.
- The basis and arrangement for the annual performance bonus award to an individual must be agreed and committed to in writing as part of the transfer and new contractual arrangements at point of transfer. A transfer may not be concluded until this arrangement has been agreed.

9. GUARANTEED BONUS TAX SMOOTHING

At appointment and thereafter as part of the annual FlexPay process employees on the guaranteed bonus option can select the tax smoothing facility allowing you to spread the tax on the guaranteed bonus over the remaining months of the current tax year.

If you choose tax smoothing as an option, you should note that your monthly take home pay will reduce with the additional tax deduction.

Depending on the Flex event's effective date, the number of available months could be less than twelve (12). The balance of the tax will then be deducted in December with the bonus payment.

Please note: This functionality is not available to employees on the performance bonus or sales bonus scheme options.

10. BONUS PENSIONABILITY

Pensionability of bonuses is an individual choice. Members of the Sanlam Umbrella Fund (SUF) may elect that their particular bonuses be partly applied to be retirement funding.

The choice can be made at any one of the following events:

- At appointment.
- Annual FlexPay event (after annual review in April with effective date of 1 May).
- Each year in January.
- With a promotion or demotion.

The pensionability option will apply to **all** bonuses payable until the choice is changed by the employee (at any one of the above events).

Employees will be able to indicate what portion of their bonus(es) should be pensionable. The choice will be in categories of 10% up to 100% of bonus being pensionable.

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

If such a choice is made, the bonus will comprise of a cash element and employee contribution to the respective funds. The employee contribution will be deducted from the cash bonus amount before it is paid into the employee's bank account.

Tax implications are as follows:

- Any SUF contributions that might be contributed from any of the bonus (es) payments will be subject to the tax rules i.e., the annual maximum tax deductibility "cap" of R350 000 that forms part of the tax regime for retirement savings.
- Contribution will be allocated to your retirement fund.

11. PAYMENT ADMINISTRATION RULES

	PERFORMANCE BONUS	GUARANTEED BONUS
Eligibility	Have to be in service on the day when the performance bonuses are declared (this is also applicable for the performance bonus portion of staff on the combination bonus scheme).	Accrues monthly.
Payment base	Total guaranteed package as on the 31st of December	Package as on the first of each month.
Payment date	Performance Bonuses will be paid in March of the following year, as close as possible to the date the results are announced, and bonuses declared.	1 st Friday of December Pro rata at termination of service. No interim bonuses will be paid.
Pro rata calculations	<ul style="list-style-type: none">• Where a combination of bonus profiles applies; for example with a promotion where an employee moved from a combination scheme to a full performance bonus.• In the instance of a promotion or demotion.• If an employee's working hours change from full to half day or vice versa.• Transfer between business units with different bonus rules. (The TGP of the last month before the change action will be used for the period before the change and the December TGP will be used for the period after the change action.)	
Transferring between Office & Sales staff contracts	<p>Staff who has transferred from Office Staff to Sales staff</p> <ul style="list-style-type: none">○ The employee must still be part of the Sales staff at bonus declaration date.○ Bonuses will be paid in full in March of the following year, as close as possible to the date the results are announced, and bonuses declared. <p>Staff who has transferred from Sales Staff to Office staff.</p>	Pro rata bonus paid at time of transfer

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

	<ul style="list-style-type: none">○ Pro rata bonus only payable for the period as Office Staff○ Specific arrangements to be contracted for the bonus linked to the Sales Staff portion.	
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Pro rata period calculations

In the following instances, a prorate calculation is done for the period.

- New appointments
 - Retirement
 - Retrenchment
 - Unpaid leave
 - Maternity leave (unpaid)
 - Staff on unpaid sick leave and temporary disability
 - Permanent disability
 - Death
- Exceptions: Irrespective of the effective date, the pro rata bonus is always calculated for a full month in the case of **unpaid leave, unpaid maternity leave, retrenchment, permanent disability and death.**
 - One Twelfth of the bonus is forfeited for 1 full month's unpaid leave. The only exception will be where the first 4 months of unpaid maternity leave where an employee has not been in service for more than a year and the waiting period for maternity leave still applies. The bonus will not be forfeited in these instances.
 - **Full months worked:** >15 days service is regarded as a full month's service. If service is terminated with 15 or less days worked in the month, no bonus is payable for that particular month.

12. RISK ALIGNMENT, ADJUSTMENTS AND CLAW-BACK

Where performance achievements are subsequently found to have been misstated, which misstatement led to bonus being paid which should not have been paid, provision is made for redress. The Life and Savings Human Resources Committee ("HRC"), together with the Group HR and Remuneration Committee have discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly misstated. This ruling applies for both bona-fide and male-fide misstatements. In this regard, the relevant HR and Remuneration Committee may work with the necessary Audit Committee/s in the Sanlam Group to ensure that the assumptions are correct.

Unvested bonuses are subject to malus provisions and paid bonuses are subject to clawback provisions as determined in the Sanlam Group Malus and Clawback Policy. Essentially malus means that bonus value (partly or fully) may be forfeited prior to vesting date if certain trigger events take place, whilst clawback provides for clawback of bonus value (partly or fully) from an employee for a specific period after bonus payment date. For detailed provisions on the Sanlam Group Malus and Clawback Policy, please refer to the intranet where a full copy of this policy is contained. Where a formal investigation or disciplinary process or a process to address underperformance is initiated, bonus payment/s may be deferred until the outcome of the process. Should the outcome of the process warrant, the bonus may be adjusted partially or to zero.

13. COMPLIANCE, RISK AND CONTROL

The Sanlam Group policy promotes effective compliance, risk management and control for the benefit of our customers, shareholders and all our other stakeholders. The Group Governance model delegates to, and places responsibility on, individual businesses and management to operate effective compliance, risk management and control. In order to promote this policy, any performance bonus due under this contract may be adjusted downwards at the sole discretion of the Group CEO and Group Human Resource Committee in the event that during the performance period the Group CEO or GHRC considers that there has been (1) ineffective compliance within the business area for which the individual is responsible, or (2) that the appropriate escalation to the Group of risk, compliance or other control breaches has not been timeous, or (3) that risks have been assumed outside agreed risk appetite limits without the requisite approval or (4) that controls have been ineffective. The extent of the adjustment to a performance bonus will reflect the severity of the event or incident and is not limited to any specific percentage of the performance bonus.”

Sanlam Retail Affluent Bonus Policy & Procedure for 2023

Retail Affluent

Annexure A: performance bonus distribution on individual (50%) weighting

Example: In a scenario where a normal spread of performance ratings are achieved the 50% individual bonus portion will be payable as indicated. ***The General Rules also apply to Glacier.**

Rating score (KPA)	Performance factor	* Example: % of performance bonus on individual (50% weighting)
1 -1.9	0	0
2	0.5	50%
2.1	0.55	55%
2.2	0.6	60%
2.3	0.65	65%
2.4	0.7	70%
2.5	0.75	75%
2.6	0.8	80%
2.7	0.85	85%
2.8	0.9	90%
2.9	0.95	95%
3	1	100%
3.1	1.05	105%
3.2	1.1	110%
3.3	1.15	115%
3.4	1.2	120%
3.5	1.25	125%
3.6	1.3	130%
3.7	1.35	135%
3.8	1.4	140%
3.9	1.45	145%
4	1.5	150%
4.1	1.55	155%
4.2	1.6	160%
4.3	1.65	165%
4.4	1.7	170%
4.5	1.75	175%
4.6	1.8	180%
4.7	1.85	185%
4.8	1.9	190%
4.9	1.95	195%
5	2	200%

▪ **Please note:** If there is a performance bonus pool available, based on the company's achievements against set targets, this pool will be distributed based on performance. Business unit (50% weighting) and the individual (50% weighting) i.e. half of available bonus will flow to employees without considering performance but the other half of the bonus will be redistributed based on individual performance. This re-allocation based on performance will only apply from first-line management level and above i.e. grades 9 and above employees.