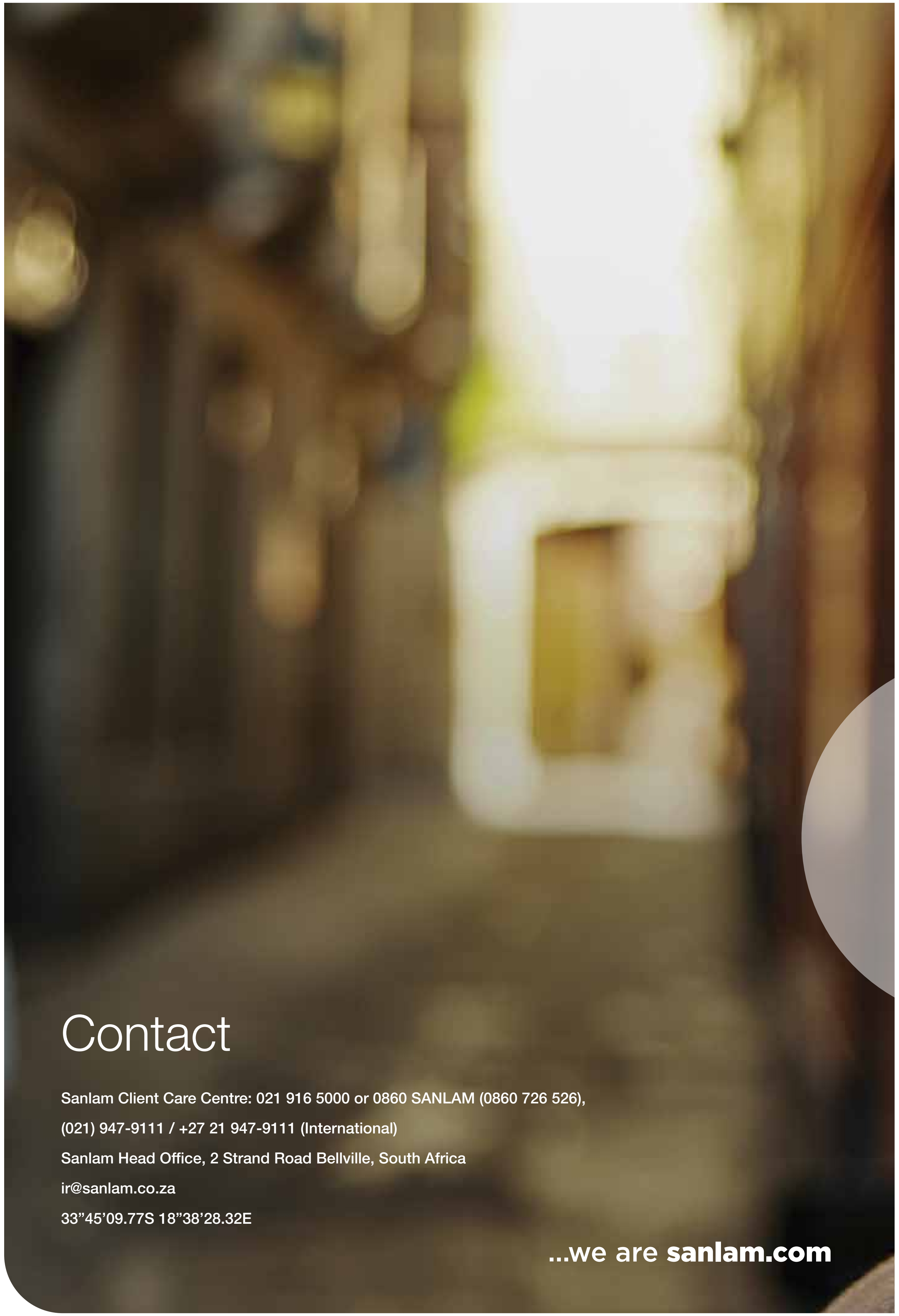

Contact

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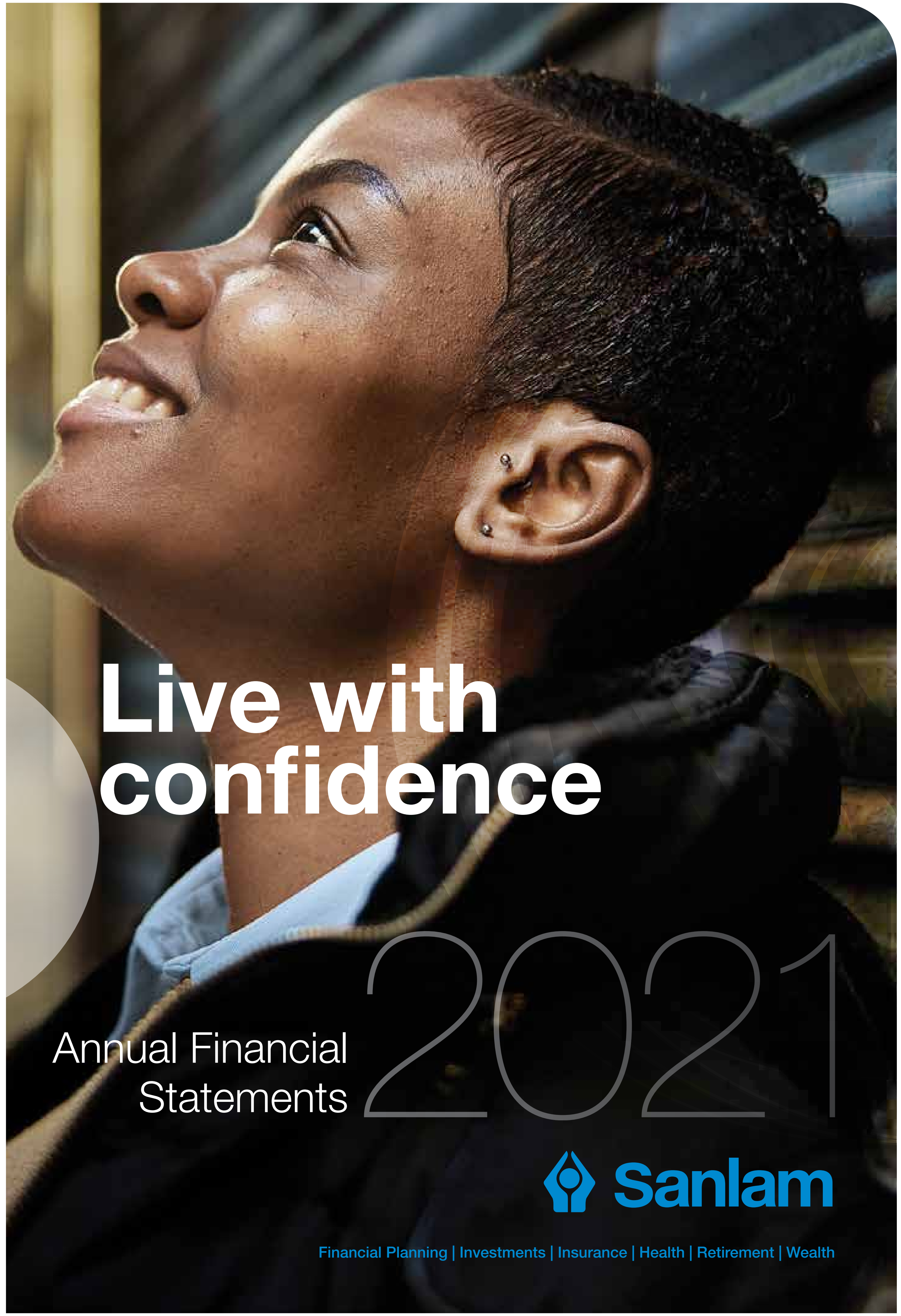
Sanlam

Sanlam Annual Financial Statements 2021



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Annual Financial Statements 2021

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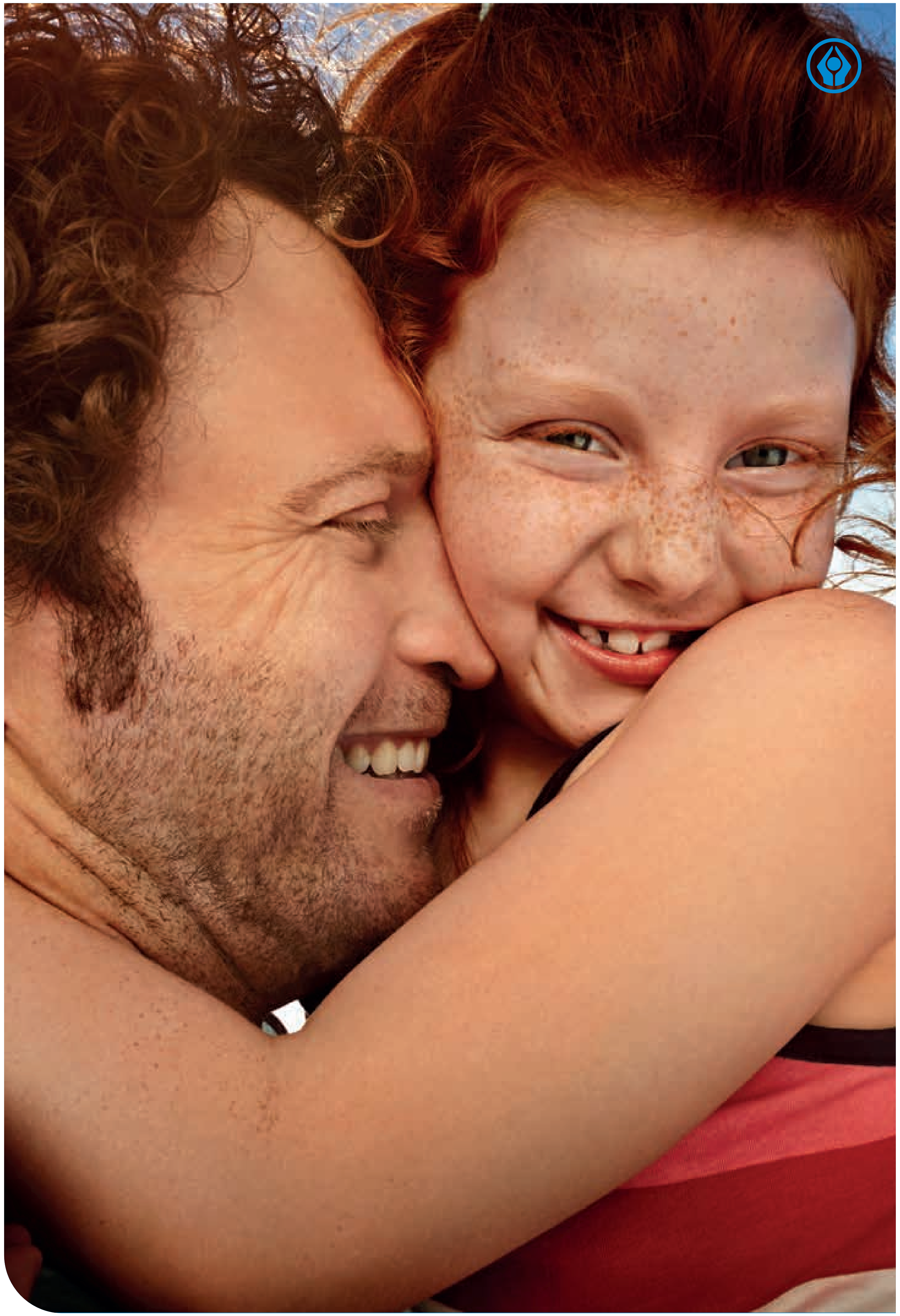

Directors' responsibility for **financial reporting**

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and company Annual Financial Statements of Sanlam Limited in accordance with International Financial Reporting Standards. 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 Annual Financial Statements has been delegated to management.

The responsibility of the joint external auditors, Ernst & Young Inc. and KPMG Inc. are to express an independent opinion on the fair presentation of the financial statements based on their audit of Sanlam Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the company during the period under review.

The responsibility of the joint external auditors, Ernst & Young Inc. and KPMG Inc., is to express an independent opinion on preparation of the Shareholders' Information.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Limited Group or company Annual Financial Statements. The Board is satisfied that the Annual Financial Statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS) and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' information included in the Annual Financial Statements. The responsibility for the preparation and presentation of the Shareholders' Information had been delegated to management.

A full description of how the Audit, Actuarial and Finance committee carried out its functions is included in the Corporate Governance report online.

The Board is of the opinion that Sanlam Limited is financially sound and operates as a going concern. The Annual Financial Statements have accordingly been prepared on this basis.

The Annual Financial Statements, the Corporate Governance report, the Remuneration Report and the Shareholders' Information on pages 187 to 225 were approved by the Board and signed on its behalf by:

Elias Masilela
Chair

P B Hanratty
Paul Hanratty
Group Chief Executive

Cape Town
9 March 2022

Internal Financial Reporting Control (IFC) environment

In accordance with the JSE Listings Requirement 3.84(k) published in November 2019, the Group Chief Executive and Finance Director of Sanlam Limited must attest to an adequate and effective internal financial reporting control (IFC) environment in the form of a responsibility statement in the full year 2021 annual report:

(a) the Annual Financial Statements set out on pages 68 to 166, fairly present in all material respects the financial position, financial performance and cash flows of Sanlam in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to Sanlam and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

P B Hanratty
Paul Hanratty
Group Chief Executive

Abigail Mukhuba
Finance Director

Cape Town
9 March 2022

Certificate by **Company Secretary**

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2021, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Sana-Ullah Bray
Company Secretary

9 March 2022

Directors' report

For the year ended 31 December 2021

NATURE OF BUSINESS

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out in the Integrated Report.

Sanlam Limited is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa and listed on the JSE Limited, A2X and the Namibian stock exchanges.

CORPORATE GOVERNANCE

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King Report on Corporate Governance™ for South Africa, 2016 (King IV). Disclosures with regard to compliance with the Code are provided in the Corporate Governance report.

GROUP RESULTS

Profit attributable to shareholders increased to R9 473 million in 2021 from R718 million (restated from R2 863 million) in 2020, largely due to positive investment market performance and a reversal of impairment of Shriram Capital, partially offset by the impacts of COVID-19 on mortality claims and some smaller impairments. Taking the above into account, the Group achieved satisfactory operational performance in 2021. Further details regarding the Group's results and prospects are included in the Financial Review in the Integrated Report. The information in the Corporate Governance and Remuneration Reports, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited. The holding company's interest in the after-tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholder's fund income statement on page 214.

SHARE CAPITAL

The issued ordinary share capital of the Company is 2 227 million shares. Refer to page 102 for further information.

DIVIDEND

The Board has declared a normal cash dividend of 334 cents per share (2020: normal dividend of 300 cents), payable on 11 April 2022, to shareholders registered on 18 April 2022. All payments through electronic bank transfer will take place on this date.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out on page 158.

DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving directors' interests were entered into in the year under review.

INTEREST OF DIRECTORS AND OFFICERS IN SHARE CAPITAL

Details of the shareholding by directors at the date of this report are provided in the Remuneration Report on pages 167 and 186.

DIRECTORS AND SECRETARY

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out on pages 94 to 101 of the Integrated Report. Also refer to the Governance Report.

SUBSEQUENT EVENTS

During the February 2022 Budget Speech, the South African Finance Minister announced a decrease in the corporate income tax rate from 28% to 27%, which will apply to companies with years of assessment ending on or after 31 March 2023. The Group does not expect this amendment to have a material impact. No other material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2021 as reflected in these financial statements.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the Annual Financial Statements as reflected on page 4, including the certificate by the Company Secretary on page 5, the Audit Committee Report for the 2021 financial year on page 34 of the online Corporate Governance Report and the analysis of shareholders on page 181 of the Integrated Report.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008 (THE ACT)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2021, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act. Refer to note 28 for financial assistance provided.

Independent Auditor's Report on the Consolidated and Separate Financial Statements

To the Shareholders of Sanlam Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Limited ("the Group and Company") set out on pages 14 to 250, which comprise:

- the group statement of financial position at 31 December;
- the group statement of comprehensive income for the year ended 31 December;
- the group statement of changes in equity for the year ended 31 December;
- the group statement of cash flow for the year ended 31 December;
- the capital and risk management report
- notes to the group financial statements for the year ended 31 December;
- the basis of presentation and accounting policies
- the policy liabilities and profit entitlement;
- the Sanlam Limited statement of financial position as at 31 December;
- the Sanlam Limited statement of comprehensive income for the year ended 31 December;
- the Sanlam Limited cash flow statement for the year ended 31 December;
- the Sanlam Limited statement of changes in equity for the year ended 31 December;
- Sanlam Limited notes to the financial statements, including a summary of significant accounting policies;
- remuneration details of executive directors and members of the group executive committee that are defined as prescribed officers.
- shareholders' (segmental) information

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Limited at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flow for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing the audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters apply only to the audit of the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report on the separate financial statements.

Independent Auditor's Report on the Consolidated and Separate Financial Statements To the Shareholders of Sanlam Limited continued

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of policy liabilities At 31 December 2021, the value of long-term policy liabilities was R641,196 million. Refer to note 15 to the Group financial statements long-term policy liabilities on pages 104 to 110, the policy liabilities and profit entitlement section of the accounting policies on pages 65 to 67 and the basis of presentation and accounting policies, use of estimates, assumptions and judgements on page 62. The long-term policy liabilities are measured in accordance with actuarial guidance in Standard of Actuarial Practice (SAP) 104 and in a manner allowed under IFRS 4 – Insurance Contracts in the consolidated financial statements. We considered the valuation of all material lines of the long-term insurance business to be significant to the audit of the Sanlam Limited Group ("Sanlam" or "the Group"). Specifically, the actuarial assumptions and methodologies that involve management's judgements about future events, both internal and external to the Group, for which small changes in the assumptions used can result in a material impact to the valuation of insurance contract liabilities and investment contracts. *Long-term policy liabilities:* The long-term policy liabilities' actuarial basis and methodologies that are reflected in the policy liabilities are subject to a considerable level of judgement. The operational assumptions are informed by Sanlam's actual experience, market data/practice, and expectations of future trends. Economic assumptions are typically based on the latest market conditions and are set in accordance with relevant guidance and the Sanlam Group approved policy. The assumptions that we considered requiring the most significant auditors' attention due to the impact on the life insurance actuarial valuations were: • Mortality and disability; • Persistency assumptions with regard to lapse, surrender and paid-up rates; • Future expenses; • Discount rates; and • Policies for managing and releasing discretionary reserves. Due to the COVID-19 pandemic there is a higher level of uncertainty in respect of mortality, longevity and persistency assumptions and management applied more judgement. Due to the significant judgement and estimation uncertainty involved in the determination of the long-term policy liabilities, their valuation is considered a key audit matter in our audit of the consolidated financial statements.	Our audit of the long-term insurance liabilities actuarial assumptions, models and methodologies applied in the valuation of material lines of the long-term insurance business, included the following audit procedures that were executed with the assistance of our actuarial specialists: • We assessed the valuation methodology and assumptions for compliance against the latest actuarial guidance, legislation and approved Group accounting policy; • We assessed the economic basis applied in the valuation, including allowances for credit risk and the risk discount rates, by independently validating the risk-free yield curve, product yield curves and the credit spreads; • We evaluated the assumptions applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing the insurance contract liabilities. This included performing, on a sample basis, inspection to assess the accuracy of key input assumptions, as well as to inspect whether the correct rates have been applied in the valuation models; • We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date. Our challenge focused on the following assumptions: mortality, disability, morbidity and lapse rates, maintenance expenses and valuation discount rates; • We assessed the consistency of the data used in experience reviews supporting key changes in assumptions with other audited information and evaluating the results of these experience reviews ensuring they were appropriately applied in the valuations; • Where actuarial judgement has been applied, we assessed the justification provided by management by benchmarking to similar situations and by obtaining input from within our wider actuarial practice; • We evaluated the appropriateness of discretionary margins applied and any adjustments to the levels of discretionary margins in the light of experience to ensure they were consistent with actuarial guidance, the Group's policies and IFRS; • We evaluated if the claims reserves met the minimum requirements of the liability adequacy test as per IFRS 4: Insurance Contracts. • We considered, in the light of the COVID 19 pandemic, the experience observed in the period and allowance for future elevated levels of potential risk; and • We considered whether the associated disclosures are compliant with IFRS 4 and with the methodologies and assumptions approved by the directors;

Key Audit Matter	How the matter was addressed in the audit

2. Valuation of general insurance technical provisions
 	
The Group's gross incurred but not yet reported ("IBNR") liability is included in outstanding claims that forms part of the general insurance technical provisions. Refer to note 10 on page 97. Also refer to the basis of presentation and accounting policies, use of estimates, assumptions and judgements on page 62.
 	
The calculation of this IBNR liability is subject to inherent uncertainty and significant estimation is required.
 	
We considered the valuation of the IBNR liability to be a matter of most significance to the current year audit of the consolidated financial statements due to the following:
 	
• Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date;
• The stochastic methodology applied by management to determine the IBNR liability;
• The significance of estimation uncertainty because of actuarial assumptions and the assumption that the historical claims development pattern will recur; and
• The magnitude of the IBNR liability and sensitivity to the key assumptions
 	
For the year ended 31 December 2021, the Group has re-estimated the projected ultimate net insurance exposure relating to CBI to R2.55 billion, taking into account the outcome of its court case and appeal, as well as other findings locally and internationally in relation to CBI cover. Refer to note 25 – Critical accounting estimates and judgements.
 	
The calculation of this reserve is subject to inherent uncertainty and significant estimation is required.
 	
We considered the valuation of the CBI claims provision to be a matter of most significance to the current year audit due to the following key judgements:
 	
• The level of judgement applied in the determination of aggregation for the purposes of the reinsurance recoveries.
• The magnitude of the CBI provision and sensitivity to the key assumptions (including the assumptions relating to recoveries from applicable reinsurance contracts).
	Our audit of the valuation of general insurance technical provisions, included the following audit procedures:
	
	• We assessed the reasonability of management's estimate of claims reserves by comparing previous claim estimates to the runoff experienced between initial recognition of the claims and the ultimate settlement of the claims.
	• On a sample basis, we tested the data used in calculating actuarial reserves by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid and claim number and by agreeing a sample of claims to the relevant documentation which detailed the loss event . We compared the claim values used by management to assessor reports. We also tested if the claims were valid claims by testing if the claims related to valid policies (e.g. if the item being claimed was included in the original policy and whether the premium has been paid up).
	• We made use of our actuarial specialists to test the model used by management to calculate the IBNR by performing the following procedures:
	  • We compared the methodology applied by management to the methodology applied within the industry;
	  • We recalculated the estimated claims development factors used in the model based on historical data; and
	  • We performed independent stochastic simulations, considering the standard industry practice. We compared the results of our independent simulations to management's proposed estimates (i.e. best estimate plus margin).
	
	In order to assess the reasonableness of judgements applied by management in the determination of the net CBI provision, using our actuarial and legal expertise, we:
	
	• Held discussions with management to understand the process, rationale and justifications for key judgements applied in determining the gross provision as well as the reinsurance share of the CBI claims provision;
	• Inspected correspondence with the reinsurers relating to whether or not the reinsurers agree to pay the claims;
	• Gained an understanding from management regarding the updated inputs into the CBI claims provision model, as well as to gain an understanding of the data used to derive these inputs;
	• On a sample basis, we tested the policy exposure and risk location data used to determine the inputs into the model for accuracy and completeness by comparing the data used to policy information and underwriting systems.
	• We evaluated the process, controls and governance procedures implemented with respect to the key judgements applied;
	• Using our actuarial expertise, we tested the mathematical accuracy of the model used to determine the gross provision as well as the reinsurance share of the CBI claims provision based on the above;
	• Reperformed the sensitivity analysis on the key areas of judgement affecting both the gross and reinsurance share of the CBI provision so as to assess whether the estimates are within an acceptable range; and
	• We considered whether the associated disclosures are compliant with IFRS 4 and with the methodologies and assumptions approved by the directors.

Independent Auditor's Report on the Consolidated and Separate Financial Statements To the Shareholders of Sanlam Limited continued

Key Audit Matter	How the matter was addressed in the audit
3. Valuation of unlisted investments At 31 December 2021, unlisted investments were valued at R257,788 million. Refer to note 33 to the Group financial statements, fair value disclosures on pages 139 to 147, note 8, investments on pages 80 to 93 and to the basis of presentation and accounting policies, use of estimates, assumptions and judgements on page 62. We considered the valuation of unlisted investments (specifically properties, unlisted debt and equity) to be an area requiring significant audit focus as a result of the significant value of these unlisted investments in the consolidated financial statements. Additionally, the sensitivity of the various unobservable valuation inputs, uncertain future cash flows and assumptions used in the valuation of unlisted investments requires considerable judgement, specifically: • the interest rate curve, liquidity and credit spreads and the assessment of credit risk with regards to the counter parties in respect of unlisted debt instruments; • the cost of capital, adjusted earnings multiples and budgets and forecasts in respect of unlisted equities; and • the capitalisation rate, discount rate and cash flow forecasts (including vacancy rates) in respect of property valuations. In the current year as a result of COVID-19 and the lockdowns, the Group was required to assess the impact of these conditions on forecast assumptions due to significant market volatility and also significant changes in market conditions. Due to the significant judgements applied, the estimation uncertainty and the audit work effort required, the valuation of unlisted investments is considered to be a key audit matter.	Our audit of the valuation of unlisted investments, included the following audit procedures that were executed with the assistance of our valuation specialists: • We assessed the appropriateness of valuation methodologies applied by management against generally accepted market practice; • We evaluated the key inputs and assumptions applied by management in determining fair value by making a comparison to our own understanding of the market, comparable evidence relied upon by management and to industry benchmarks; • Where valuation inputs were unobservable, our valuation specialists assessed these inputs by corroborating key inputs to valuation models and validating significant assumptions on a sample basis with reference to relevant industry market valuation considerations; • We assessed the reasonableness of the estimated cashflow by performing retrospective testing and comparing actual financial performance against previous forecasts. • We performed independent valuations on a sample basis and compared the output to the modelled valuations prepared by management; • We assessed the adequacy of the disclosures related to the valuation of unlisted financial instruments in terms of IFRS 7 Financial instruments disclosures and IFRS 13 Fair value measurement. In addition to the above, our specific procedures included the following: *Unlisted equities:* • We assessed that the assumptions and inputs used in the models are consistent with the business' past performance and management's business strategy and has been appropriately adjusted for the implicit risk of achieving this strategy under prevailing market conditions; and • Where deemed appropriate, we performed an independent corroboration of the valuations to comparable entities in the market. *Unlisted debt:* • We evaluated the valuation inputs by performing independent checks against external sources; and • In respect of counter party exposure, we considered, with support of our valuation specialists, whether credit risk had been appropriately applied in the valuation at year-end. *Properties:* • We evaluated and challenged the judgements applied by the internal valuers in determining the fair value of the investment property, in particular, the models and significant assumptions used in performing the valuations; • We engaged a suitably qualified auditors' expert to independently assess the reasonability and appropriateness of the valuation models, methodologies and inputs used by the internal valuers on a sample basis; and

Key Audit Matter	How the matter was addressed in the audit
3. Valuation of unlisted investments (continued)	• Performed further procedures based on a profile of the investment property population including an assessment of the valuation techniques used, the appropriateness of the forecast period in respect of rental income, comparison of rental income to the market and comparison of capitalisation and discount rates to those available in industry publications. In respect of the valuation of investments, we assessed the appropriateness of the incorporation of COVID-19 into the valuations performed by management and assessed their judgements against our understanding of the impact that COVID-19 has had on the market by using our valuation specialists and independent data.
4. Valuation of unlisted strategic investments for the purposes of goodwill and intangible assets' impairment testing Refer to note 25 of the Group financial statements, critical accounting estimates and judgements on pages 121 to 126, note 8.2, investments in associated companies and joint ventures on pages 82 to 87 and to the basis of presentation and accounting policies, use of estimates, assumptions and judgements on page 62. At 31 December 2021 goodwill amounted to R16,431 million, other intangible assets amounted to R746 million and value of business acquired was R4,718 million. The recoverable amount of goodwill and other intangible assets for purposes of impairment testing has been determined based on the value in use for both life and non-life insurance entities. Value of business acquired is assessed as part of the liability adequacy test. For investments in life insurance entities, value in use is determined as the embedded value of covered business together with a multiple of Value of New Business (VNB multiple). Actuarial assumptions and methodologies reflected in the embedded value of covered business is an actuarially determined estimate of the value of covered business using parameters informed by Sanlam's actual experience, market data/practice, and best estimate of expectations as to future trends. For non-life insurance entities, the value in use is determined on a discounted cash flow basis. We consider the valuation of life and non-life entities for impairment testing purposes to be a key audit matter, because of the sensitivity of the various unobservable valuation inputs. For non-life entities this includes risk discount rates, uncertain future cash flows and growth rate assumptions on the valuation of the investments that require considerable judgement. For life entities this will include the mortality, disability, persistency and expense assumptions.	Our audit included the following audit procedures: *Investments in non-life insurance entities* We performed the following with assistance from our valuation specialists: • We assessed the valuation models by comparing inputs to observable sources, including audited historical performance of the relevant entities; • We considered the appropriateness of inputs that required significantly more judgement, such as growth rates (including the impact of the COVID-19 pandemic on future revenue growth rates) by benchmarking inputs against those of other comparable industry participants; and • For selected significant strategic investments we performed a reasonability test for which our valuation specialists assisted us in providing a range of indicative equity values using a multiples-based approach, adjusting for company specific factors and then comparing the result to similar companies within the same geographic region. *Investments in life insurance entities* Our audit of the actuarial assumptions, models and methodology applied in the embedded value calculations, included the following audit procedures that were executed with the assistance of our actuarial specialists: • We assessed the embedded value methodology and assumptions for compliance by reviewing the methodology and assumptions against the latest actuarial guidance, legislation and approved Group policy, including consistency with the valuation of insurance contract liabilities; • We evaluated the assumptions applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing insurance contract liabilities. This includes assessing, on a sample basis, the accuracy of key input assumptions, as well as to inspect whether the correct rates have been applied in valuation models; • We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date. Our challenge focused on the following assumptions: mortality, disability, morbidity and lapse rates, maintenance expenses and valuation discount rates;

Independent Auditor's Report on the Consolidated and Separate Financial Statements To the Shareholders of Sanlam Limited continued

Key Audit Matter	How the matter was addressed in the audit
4. Valuation of unlisted strategic investments for the purposes of goodwill and intangible assets' impairment testing (continued) Due to the COVID-19 pandemic there is a higher level of uncertainty in respect of mortality, longevity, persistency and expense assumptions. This impacts the embedded value calculations of the life insurance entities. In addition, the pandemic increases the uncertainty on the future economic conditions in the countries in which the Group operates which impacts the cashflow assumptions on the non-life entities. Additional audit effort was required on the valuation of unlisted strategic investments which included the use of actuarial and valuation specialists and accordingly was considered a key audit matter in our audit of the consolidated financial statements.	• We performed an independent evaluation of the sensitivities of the embedded value to various changes in inputs; • We evaluated the key sources of profit and loss of the unlisted strategic investments and assessed management's analysis of movements in the embedded value and obtained evidence to support large or unexpected movements; • We assessed management's approach to adjusting for the impact of the COVID-19 pandemic including, the impact thereof on the persistency assumption by referencing comparable market scenarios; and • We assessed the multiples of VNB added to embedded value for reasonability by considering each entity's context and market in which it operates. *Goodwill impairment testing* • We compared the valuation output as determined in the procedures noted above to the carrying value at which non-listed strategic investments are recorded in the financial records to determine whether an indicator of goodwill impairment exists; and • We assessed the adequacy of the disclosures relating to goodwill in terms of IAS 36 Impairment of Assets.

Other matter

The consolidated and separate financial statements of Sanlam Group Limited for the year ended 31 December 2020 were audited by the incumbent auditor who is one of the joint auditors in the current year. The sole auditor for the prior year expressed an unmodified audit opinion on those financial statements on 31 March 2021.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sanlam Annual Financial Statements 2021", which includes the Certificate by the Company Secretary and the Directors' report and the Audit Committee report, which is included in the Corporate Governance Report 2021, as required by the Companies Act of South Africa and the Integrated Report 2021. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc and KPMG Inc. have been the joint auditors of Sanlam Limited for one year. Ernst & Young have been the auditors of Sanlam Limited for 24 years and the sole auditor for 15 years.

Ernst & Young Inc.	KPMG Inc
Ernst & Young Inc.	**KPMG Inc.**
Director: Christo du Toit	*Director: Pierre Fourie*
Registered Auditor	*Registered Auditor*
Chartered Accountant CA(SA)	*Chartered Accountant CA(SA)*
No. 3 Dock Road Waterway House V&A Waterfront Cape Town	KPMG Crescent 85 Empire Road Parktown
9 March 2022	9 March 2022

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Confidence Rule 30:
TO PROTECT WHAT MATTERS, YOU NEED TO KNOW WHAT MATTERS

Capital and **Risk Management report**

Capital management

Objective

Responsible capital management and allocation are an essential component of meeting the Group's strategic objective of shared value creation for all stakeholders, including maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV), as reported on page 198 of the Integrated Report. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise Return on GEV (RoGEV) and ensure appropriate solvency levels as a safeguard to our clients, regulators and broader society. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Accordingly, risk management is an important component of responsible capital management and allocation.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The methodology used to determine the allocation of required capital to South African covered business is aligned with the regulatory framework as defined in the South African Insurance Act, 18 of 2017, and supporting Prudential Standards.

The Group sets an appropriate level of required capital for Sanlam Life's covered business (defined on page 194) under the Prudential Standards, based on a standard formula Solvency Capital Requirement (SCR) targeted cover range of between 170% and 210% over a 10-year projection period. At the lower end of the range, Sanlam Life's covered business should be able to withstand two economic shock scenarios (as defined on page 20) and still have a SCR cover above 100%. A similar methodology was followed to set ranges for the other South African life insurers. This approach remains aligned with the overarching principle to set the level and nature of the supporting capital taking cognisance of minimum regulatory capital requirements, as well as economic, risk and growth considerations. For the non-South African insurers, the Group sets supporting capital levels according to risk appetites based on applicable local rules and operational requirements, but applying the same overarching principles as for South Africa.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital by subsidiaries that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. These hurdles form a key component of incentive scorecards. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value, while maintaining appropriate solvency levels. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, such as non-participating annuities.
- Due regard is given to liquidity risk management, particularly where derivatives are utilised for matching purposes.
- The asset mix of the long-term required capital, as well as estate reserves in the policyholder portfolios, also impact the overall capital requirement. The Group's balance sheet management function models the overall risk and expected return on assets, including the impact on required capital to determine the optimal asset mix in this regard.
- The optimal use of long-term debt in the Group's capital structure.
- Management of operational risk: internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.
- The optimal use of hedges, e.g. the interest rate derivatives currently in place.
- Efficient selection of reinsurance exposures.

The Group continues to improve and further develop its capital management models and processes in line with international best practice.

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks of the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising RoGEV.

Group Estate committee

The Group Estate committee, an internal management committee mandated by the Sanlam Limited Board, is responsible for reviewing and overseeing the management of the Group's shareholders capital base (inclusive of the estate reserves) in terms of the specific strategies approved by the Board. A similar committee was established to specifically consider the Sanlam Emerging Markets businesses.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives is set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not efficiently redeployed will be returned to shareholders in the most effective form.

Capital adequacy

Sanlam Group

For regulatory purposes, the Group's consolidated capital adequacy is assessed under the Insurance Act and relevant Prudential Standards.

The Group solvency ratio is assessed by comparing Group eligible Own Funds (OF) to Group SCR on the Prudential Standards basis.

The Prudential Standard requires insurance groups to calculate their group-wide capital adequacy using either the Deduction and Aggregation (D&A) method (default method) or, subject to the approval of the Prudential Authority (PA), the Accounting Consolidation (AC) method.

For reporting periods before December 2021, Sanlam used the D&A method to assess Group solvency. The key principles and requirements in relation to the assessment of Group capital adequacy under the D&A method include:

- The capital adequacy of the insurance Group must be assessed by aggregating adjusted solo OF and solo SCR of entities within the Group, with intra-Group transactions eliminated to avoid double-counting.
- The measurement of solo OF and solo SCR to be used in Group calculations will depend on the type of entity and holding, and may be based on regulatory capital requirements that apply in other sectors (for non-insurers) as follows:
  - South African insurers: OF and SCR as prescribed under the Prudential Standards.
  - Non-South African insurers applying Solvency II: OF and standard formula SCR as prescribed under Solvency II.
  - Non-South African insurers regulated in non-equivalent jurisdictions: OF and SCR as prescribed under the Prudential Standards. 13 insurers in the Group are still developing equivalent calculations as prescribed by the Prudential Standards. Sanlam plans to achieve full adherence by 2023. Combined, these 13 insurers account for less than 2% of Group OF.
  - Regulated banks and credit institutions: Regulatory capital resources and capital requirements are determined in line with banking regulatory requirements i.e. Basel III.
  - Other regulated entities (e.g., asset managers): In line with applicable regulatory and/or prescribed capital requirements.
  - Other non-regulated entities including holding companies: Where no capital requirements are prescribed: Adjusted IFRS net asset values for OF and SCR are based on the relevant prescribed equity stress under the Prudential Standards.
- No diversification benefits between entities are recognised under the D&A method.
- The determination of Group eligible OF must consider potential restrictions on the availability of certain OF, including the fungibility and transferability of OF across the insurance Group.
- The following changes and/or refinements to the Sanlam Group solvency methodology were implemented for 31 December 2021 (comparative numbers have not been restated).
  - A deduction for foreseeable dividends, which represent the proposed 2022 Sanlam Limited dividend, was made to eligible OF as at 31 December 2021 (previously the published ratios did not allow for a deduction for foreseeable dividends from the eligible OF. Similar adjustments have also been implemented for solo solvency ratios e.g., Sanlam Life).
  - The application made to the PA for approval to use the AC method along with other methodology changes, was approved for the 31 December 2021 reporting. The AC method allows for diversification between South African insurance subsidiaries. All other entities within the insurance Group must be assessed using the D&A method.

The Sanlam Group solvency cover was 173% at 31 December 2021, compared to 186% as at 31 December 2020. The reported Sanlam Group solvency position at 31 December 2020 of 191% has been restated to 186% to reflect the PA's revised methodology in the treatment of certain Sanlam Emerging Markets entities in the calculation of Group solvency that was applied retrospectively. No allowance was made for the foreseeable dividends payment in the 31 December 2020 solvency ratio. The reduction in the solvency ratio is largely attributed to a deduction for the foreseeable dividends payment although this was largely offset by the other methodology changes mentioned above.

Capital and Risk Management report continued

The following table provides an analysis of the contribution to Group solvency per major entity grouping and quality of capital:

Sanlam Group solvency

at 31 December 2021

R million	Sanlam Limited Own Funds	SCR	Surplus	SCR cover
2021				
Sanlam Life	123 378	57 705	65 673	214%
Covered business	35 639	20 075	15 564	178%
Participations	82 600	36 025	46 575	229%
Other capital	5 139	1 605	3 534	320%
Other Group entities[1]	60 102	32 015	28 087	188%
SA insurance	21 431	10 699	10 732	200%
SA other	4 658	2 241	2 417	208%
Non-SA insurance	22 316	12 561	9 755	178%
Non-SA other	11 697	6 514	5 183	180%
Sanlam Life consolidation entries[2]	(89 086)	(35 172)	(53 914)	
Total Sanlam Group Own Funds eligible to meet SCR	94 394	54 548	39 846	173%
Tier 1	89 112			
Tier 2	3 123			
Tier 3	2 159			
Total Sanlam Group Own Funds eligible to meet SCR	94 394			

R million	Sanlam Limited Own Funds	SCR	Surplus	SCR cover
2020				
Sanlam Life	116 261	45 202	71 059	257%
Covered business	36 238	18 356	17 882	197%
Participations	72 549	25 989	46 560	279%
Other capital	7 474	857	6 617	872%
Other Group entities[1]	54 719	32 341	22 378	169%
SA insurance	20 403	12 682	7 721	161%
SA other	3 686	2 851	835	129%
Non-SA insurance	19 233	11 253	7 980	171%
Non-SA other	11 397	5 555	5 842	205%
Sanlam Life consolidation entries[2]	(73 291)	(25 091)	(48 200)	
Total Sanlam Group Own Funds eligible to meet SCR	97 689	52 452	45 237	186%
Tier 1	92 425			
Tier 2	3 371			
Tier 3	1 893			
Total Sanlam Group Own Funds eligible to meet SCR	97 689			

[1] Values are shown net of participations and gross of intra-Group loans.
[2] Adjustments for Sanlam Life intra-Group participations.

Sanlam Life solo

For regulatory purposes, capital adequacy for the South African insurance operations is measured with reference to the standard formula as specified under the Prudential Standards.

The valuation of assets and policy liabilities for prudential capital adequacy under the Prudential Standards is different to the methodology for the published IFRS results.

The following table provides a reconciliation between the IFRS Shareholders' fund for the Sanlam Life solo entity (the largest insurer within the Sanlam Group) and its Own Funds.

Sanlam Life solvency

at 31 December 2021

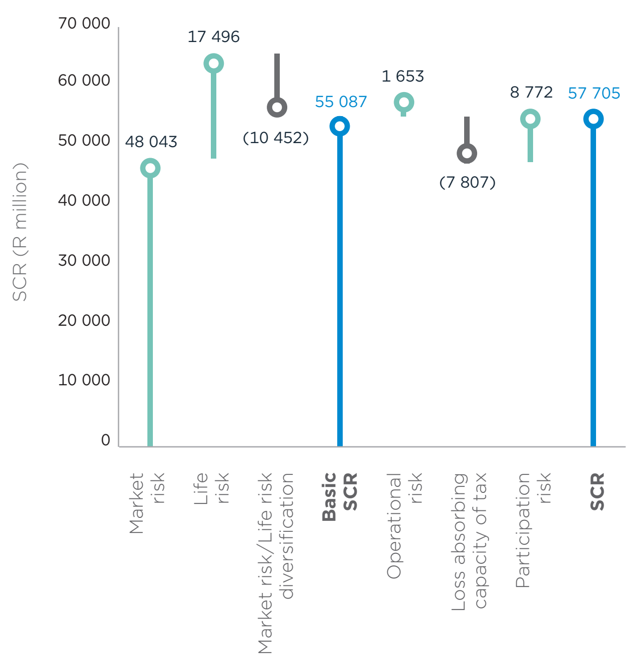
R million	Sanlam Life Insurance Limited 2021	2020
Reconciliation of IFRS Shareholders' fund to Own Funds (R'm)		
Shareholders' fund	107 495	98 692
Adjustments from IFRS to regulatory basis	(12 947)	(12 769)
Write-down intangibles including DAC and goodwill	(3 737)	(3 832)
Regulatory adjustment to valuation basis	(9 210)	(8 937)
Regulatory basis adjustments to policyholder liabilities	29 530	29 327
Liability valuation adjustments	48 103	47 064
Impact of risk margin	(8 476)	(7 422)
Increase in net deferred tax liabilities resulting from liability valuation differences above	(10 097)	(10 315)
Add subordinated debt	2 016	1 011
Basic Own Funds	126 094	116 261
Foreseeable dividends[1]	(2 716)	–
Own Funds eligible to meet SCR	123 378	116 261
SCR	57 705	45 202
SCR cover	214%	257%

[1] The foreseeable dividends represent the accrued profits in the dividend pool at 31 December 2021 for Sanlam Life.

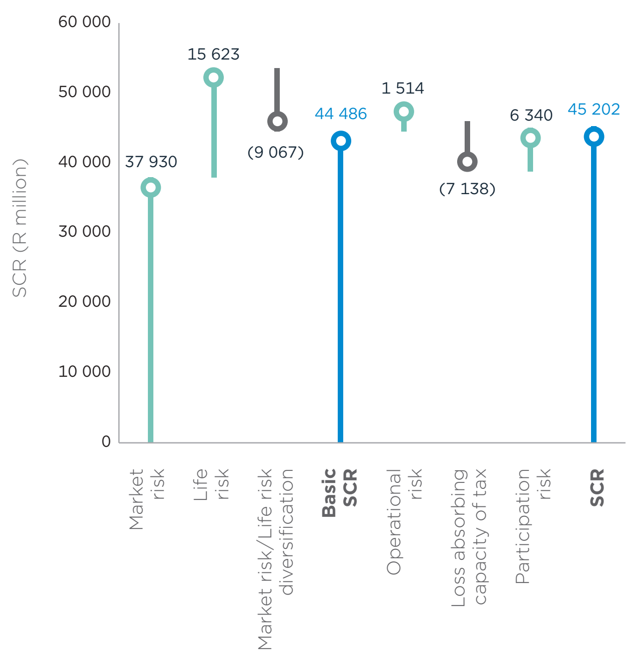
Sanlam Life solo SCR

The graph below shows the SCR for Sanlam Life (solo) and the main contributors to the SCR being market risk and life risk. The main drivers of market risk are exposure to financial instruments (especially resulting from future product fee income being linked to policyholder investment portfolios) and participations, interest rate movements and the value of investment guarantees. The main drivers of life risk include lapse assumptions, the level of interest rates as well as mortality/longevity assumptions.

31 December 2021



31 December 2020



Capital and Risk Management report continued

Sanlam Life covered business

For this view, the regulatory solvency balance sheet and SCR are adjusted to exclude strategic participations, cash available for dividend payments to Sanlam, discretionary capital and other capital not allocated to covered business. Sanlam sets the level of required capital for the Sanlam Life covered business on this view, based on a stated target SCR cover range of between 170% and 210%.

The SCR cover ratio for Sanlam Life covered business of 178% at 31 December 2021 remains within the stated target range.

Sensitivity analysis

The following table provides solvency sensitivity analysis for the Sanlam Group and Sanlam Life solo.

Sanlam Group

	Own Funds eligible to meet SCR		SCR		Surplus		SCR cover	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Base position	94 394	97 689	54 548	52 452	39 846	45 237	173%	186%
Equities -30%[1]	89 098	92 307	51 225	50 430	37 873	41 877	174%	183%
Interest rates -1%	95 672	98 916	55 287	53 000	40 385	45 916	173%	187%
Credit spreads +1%	93 723	97 181	54 642	52 450	39 081	44 731	172%	185%
ZAR appreciation 10%	94 006	97 124	54 675	52 471	39 331	44 653	172%	185%
Shock scenario[2]	82 090	86 440	51 186	49 278	30 904	37 162	160%	175%

Sanlam Life

	Own Funds eligible to meet SCR		SCR		Surplus		SCR cover	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Base position	123 378	116 261	57 705	45 202	65 673	71 059	214%	257%
Equities -30%[1]	93 967	89 396	36 327	32 980	57 640	56 416	259%	271%
Interest rates -1%	125 280	118 093	58 001	45 505	67 279	72 588	216%	260%
Credit spreads +1%	122 890	115 912	57 801	45 305	65 089	70 607	213%	256%
ZAR appreciation 10%	123 058	115 911	57 815	45 323	65 243	70 588	213%	256%
Shock scenario[2]	89 345	87 313	39 131	31 822	50 214	55 491	228%	274%

[1] For the equity sensitivity, the value of participations in Sanlam Life is also assumed to decline by 30%, while the Sanlam Group result considers the actual equity exposure within these participations.
[2] Equities decline by 30% and implied equity volatility increases by 25%.
Property values decline by 15%.
Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields.
Emerging market currencies decline by 20% against developed market currencies.
Credit spreads widen by 1%.

The sensitivities illustrate the resilience of the Sanlam and Sanlam Life balance sheets. The cover ratio improves for some equity sensitivities due to the effect of the equity symmetrical adjustment in the standard formula under the Prudential Standards that allows for a reduced equity stress after a downward adjustment to equity values.

Credit rating

The latest Standard & Poor's (S&P) ratings for Group companies are:

	Most recent ratings issued
Sanlam Limited	South Africa National Scale: zaA+
Sanlam Life Insurance Limited	South Africa National Scale: zaAAA
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaA+
Santam Limited	South Africa National Scale: zaAAA

Risk management

Governance structure

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Limited Board sets the Group Enterprise Risk Management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram depicts the generic flow of risk management information from the individual businesses to the Sanlam Limited Board.

Sanlam Limited Board
Responsible for the Group's risk management framework and policy, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Limited Risk and Compliance committee
Assists the Sanlam Limited Board in fulfilling its responsibilities

Sanlam Group Executive committee
Responsible as the Sanlam Board's executive overseer, to ensure that the businesses achieve optimal risk-adjusted returns

Group risk management*
Develops Group risk management framework, policy and guidelines for approval by the Sanlam Limited Board, coordinates reporting responsibilities and improves risk management across the Group

Business level (and sub-business) risk management
Identifies and manages risks faced by the business

Business level management committees
Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business level Risk and/or Audit committees/forums
Assist the business level Board in fulfilling its responsibilities to the Sanlam Limited Board

* Group risk management also acts as the risk management control function of Sanlam Life.

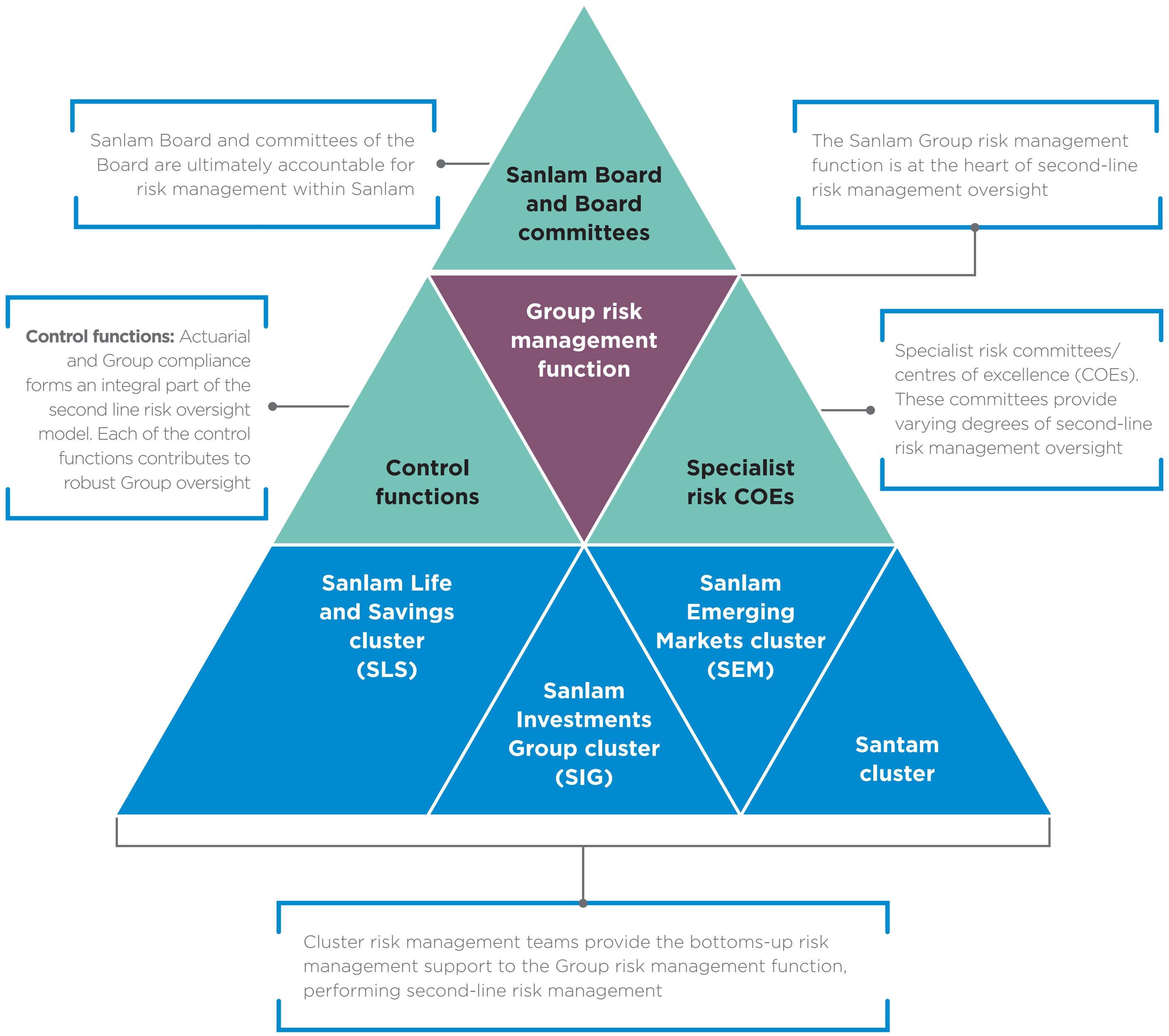
Role of Group risk management

The role of Group risk management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam Limited Board.

Group risk management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitee of business units' Finance and Risk Forums;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated into approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Estate committee and Asset and Liability committee at Group level, as well as the Group risk forum (see descriptions below);
- Guidance on risk-related matters at business level; and
- Involvement with specialist risk management issues at business level.

Overview of Sanlam Group risk function



A number of other risk management/monitoring mechanisms operate within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk management/monitoring mechanisms

Estate committees	Asset and Liability committees	Credit committees
Review and oversee the management of the Group's capital base	Determine appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	Oversee the identification, measurement and control of corporate credit risk exposure
Investment committees	**Treasury function**	**Non-Listed Asset Controlling Body**
Determine and monitor appropriate investment strategies for policyholder solutions	Manages the liquidity risks in the borrowing functions of Sanlam	Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited Board
Group risk forum	**Finance Director**	**Actuarial**
Aids coordination and transfer of knowledge between businesses and the Group, and assists Group risk management in identifying risks requiring escalation to the Sanlam Limited Board	Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques
Forensics	**Group secretariat and public officers**	**Group compliance function**
Investigates and reports on fraud and illegal behaviour in businesses	Review and report on corporate governance practices and structures. Report on applicable legal and compliance matters	Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Sanlam Group Technology (SGT)	**Risk officer (per business)**	**Internal audit**
Manages and reports Group-wide technology, cyber and information security risks	Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	Assists the Sanlam Limited Board and management by monitoring the adequacy and effectiveness of risk management in businesses
Actuarial forum		
Assists the Audit, Actuarial and Finance and the Risk and Compliance committees on actuarial related matters. It also assists the actuarial control function in providing oversight over first line activities in Group actuarial, most notably balance sheet management		

Group risk policies

The main policies are listed below:

- Sanlam Group Enterprise Risk Management (ERM) policy;
- Sanlam Group risk escalation policy;
- Sanlam Group capital management policy;
- Sanlam Group investment policy;
- Sanlam Group life underwriting policy;
- Sanlam Group general insurance underwriting policy;
- Sanlam Group general insurance reinsurance and other risk transfer policy;
- Sanlam Group life reinsurance and other risk transfer policy;
- Sanlam Group operational risk management policy;
- Sanlam Group business continuity management policy;
- Sanlam Group Own Risk and Solvency Assessment (ORSA) policy; and
- Sanlam Group stress testing policy.

The following also cover aspects with linkage to risk management:

- Sanlam Group governance policy;
- Sanlam Group IT governance policy;
- Sanlam Group financial crime policy;
- Sanlam Group fit and proper policy;
- Sanlam Group outsourcing policy; and
- Sanlam Group remuneration policy.

The policies above are aligned with the requirements set out in the Prudential Authority's Governance and Operational Standards for Insurers and Insurance Groups.

The current incumbents responsible for risk information flow to the Group Chief Risk Officer are covered in the Enterprise Risk Management policy.

Sanlam Group Enterprise Risk Management policy and plan

The Group ERM policy and plan include the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group risk escalation policy

The risk escalation policy defines the circumstances under which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantitative and qualitative measures.

Summary of Sanlam Group's risk appetite

The Sanlam Group has a risk appetite framework that aims to articulate the types and quantum of risks that the organisation are prepared to take (i.e. seek, accept or tolerate) in pursuit of its strategic objectives (including objectives of value creation and growth). It sets out the quantitative and qualitative boundaries on risk taking activities that apply across the organisation.

The risk appetite reflects the Group's overall philosophy to risk taking, thus reflecting how it balances its goals of efficiency, growth and return from a risk-taking perspective. It reflects the setting of targets for risk taking across the Group as a whole, plus the breakdown of these high-level statements into more detailed risk tolerances.

Risk appetite criteria are specified for each of the risk categories specified in the Group's risk classification standard, together with some additional criteria around capital and solvency risks and earnings risks. The Group's risk appetite statement is thus grouped into the following risk appetite buckets:

- Capital and solvency risks;
- Earnings risk;
- Market and asset concentration risks;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Conduct risk;
- Insurance risk (life and general insurance business);
- Brand and reputational risks; and
- Strategic risks.

Each cluster/business manages its risks within the Group ERM framework including the Group risk appetite statements.

Assessment of the effectiveness of the risk management process

According to King IV™, the Board should receive assurance regarding the effectiveness of the risk management process. The following process is followed to provide such assurance:

- Sanlam makes use of a robust model, aligned with industry best practice, to measure risk maturity across the different clusters on an annual basis. Internal audit will annually, in conjunction with Group risk management, prepare risk management process audit plans for approval by the Sanlam Limited Risk and Compliance committee.
- Typically, the larger businesses will be assessed by an external firm against the maturity model, from time to time.
- The information on the assessments will be presented to the cluster Finance and Risk Forum and to the Sanlam Limited Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
Operational risk	**Operational risk:** is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:
	Technology, cyber and information security (IT) risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical information. Cyber risk and information security risk are also included under this category.
	Business continuity risk: the risk that inadequate planning, controls and preparation are in place to ensure the organisation can overcome serious incidents or disasters and resume its normal operations within a reasonably short period.
	Going concern risk: the risk that inadequate processes, people and/or financial resources exist to continue business in the foreseeable future.
	Legal risk: the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgements from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for.
	Compliance/regulatory risk: the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[1], investment management mandates, as well as the failure to uphold the Group's core values and Code of Ethical Conduct.
	Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.
	Fraud/financial crime risk: the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.
	Taxation risk: the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in RoGEV or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.
	Regulatory change risk: the risk that unanticipated new Acts or regulations will result in the need to change business practices that may lead to financial loss.
	Process risk: the risk of loss as a result of failed or inadequate internal processes.
	Project risk: the risks that are inherent in major projects.
	Physical risk: risk related to financial loss that might occur due to natural and non-natural disaster events.
Conduct risk	**Conduct risk:** relates to the failure to deliver fair client outcomes or the failure to uphold integrity within the market. It also refers to the failure to uphold the Group's core values and Code of Ethical Conduct.
Brand and reputational risk	**Reputational risk:** is the risk that adverse publicity regarding the Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, *inter alia*, potential and existing clients, investors, suppliers and supervisors.
	Brand risk: is the risk that market perception of the organisation's brand might be weak or inferior when compared to other competitors within the market.

(1) Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current clients, regulators or supervisors, investors and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including Treating Clients Fairly).

Capital and Risk Management report continued

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
Strategic risk	**Strategic risk:** is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
	Capital risk: the risk related to the potential loss of part or all of on balance sheet capital.
	Competition risk: The potential for losses due to competitive pressures.
	Governance risk: is the risk that the effective, ethical management of a company by its executives and managerial levels is not achieved.
	Market share risk: risk related to the reduction of the organisation's market share or inability to grow/expand market share.
	Organisational strategy risk: risk that the structure of the organisation or the overall strategic direction of the organisation might cause the organisation not to achieve its strategic goals.
	Performance risk: risk that products or services offered by the organisation might underperform against market expectations.
	Product risk: the risk that relates to design defects within products which may cause loss to the organisation.
	Profit/earnings risk: risk that profitability/earnings of the organisation might be affected due to various internal/external factors.
	Investment risk: the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.
Market risk	**Market risk:** is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes:
	Equity risk: the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
	Interest rate risk: the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates.
	Currency risk: the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates.
	Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property as well as vacancy levels).
	Asset liability mismatching (ALM) risk: the risk of a change in value as a result of a deviation between asset and liability cash flows, prices or carrying amounts. ALM risk originates from changes in market risk factors.
	Concentration risk: the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).
	Market liquidity risk (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or make the required profit).
	Credit spread risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of market implied credit spreads over the risk-free interest rate term structure.

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
Credit risk	**Credit risk:** is the risk of default and deterioration in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has exposure. Credit risk includes:
	Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
	Downgrade or migration risk: risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator today.
	Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.
	Reinsurance counterparty risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Funding liquidity risk	**Funding liquidity risk:** is the risk relating to the difficulty/inability to access/raise funds to meet commitments associated with financial instruments or policy contracts.
Insurance risk (life business)	**Insurance risk (life business):** relates to life insurance classes regulated under the Insurance Act: risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Underwriting risk: the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.
	Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders.
	Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.
	Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).
Insurance risk (general insurance business)	**Insurance risk (general insurance business):** relates to general insurance classes regulated under the Insurance Act: risk arising from the underwriting of general insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Claims risk (premium and reserve risk): refers to a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into: reserve risk (relating to incurred claims) and premium risk (relating to future claims).
	Underwriting risk: relates to inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors. As a result, the insurer's costs may significantly exceed the premium income.
	Reinsurance risk: the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.
	Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.
	Concentration risk: the risk of financial loss due to having written large proportions of claims with businesses of the same/similar risk profile (including catastrophe risk).

Risk management: general risks

1. Operational risk

Operational risk is mainly governed through the Group operational risk management policy. This sets out the responsibilities for the following different lines of defence on how operational risk should be managed within the organisation:

- Business Exco/senior management (first line);
- Risk management (second line); and
- Internal audit (third line).

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions in addition to other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration are conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Operational key risk indicators are also identified and tracked across the various businesses to identify and assess risks effectively.

The management of risks associated with human resources is not addressed in this report but included in the Integrated Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The Chief Audit Executive of Sanlam is appointed in consultation with the Chair of the Audit, Actuarial and Finance committee and has unrestricted access to the Chair of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

Technology, cyber and information security (IT) risk

Technology, cyber and information security (collectively referred to as IT risks) are managed across the Group in an integrated manner following the ERM framework. Sanlam Group Technology (SGT) is the custodian of the Group's IT policy framework and ensures explicit focus on and integration with the Group's IT governance framework, which includes the governance of cyber resilience and information security.

The Group IT governance department and Group cyber security centre in SGT report to the Group Chief Information Officer (CIO) who facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide impact. The Group IT steering committee (a sub-committee of the Group Exco) provides guidance to the Group CIO regarding his/her duties, such as the definition and execution of the Group's IT strategy and the establishment of policy in response to IT risks.

The quarterly IT risk and CIO reports, summarising the Group-wide IT risk and IT strategy position, are delivered to the Group IT steering committee and the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Board considered a number of facts and circumstances and is of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the Annual Financial Statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that the rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are structured and documented appropriately.

Compliance risk

Laws and regulations

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitors the implementation and execution thereof.

Compliance with client mandates

Automated pre-compliance rules for clients' investment guidelines are loaded on the investment management operations' order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management systems. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and to indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Financial crime/fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour as set out in the Group's Code of Ethical Conduct, and undermine the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group forensic services are also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The Chief Executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Sanlam Limited Board. Quarterly reports are submitted by Group forensic services to the Sanlam and Sanlam Life Risk and Compliance committees on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed, as far as possible, through clear contracting. The Group monitors and influences events, to the extent possible, through participation in discussions with legislators, predominantly through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- a risk-based approach is followed in the design of operational processes and internal controls;
- operational processes are properly documented;
- employee training and the employment of a performance-based remuneration philosophy; and
- internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk

A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the ongoing management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group. The Group's outsourcing policy is also in line with the principles set out in the PA's Governance over Insurers (GOI) guidelines.

2. Reputational risk

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit, Actuarial and Finance and the Risk and Compliance committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. Conduct risk

Conduct risk is being monitored through various means within the individual business clusters. There is a specific focus on market and client conduct such as Treating Clients Fairly (TCF). These metrics are monitored and reported on a regular basis to all relevant stakeholders within the business clusters. Escalation of conduct risk matters arising from the business clusters to Group level will follow the normal risk escalation policy. The Sanlam Customer Interest committee also meets on a quarterly basis to discuss conduct related matters.

4. Strategic risk

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- the Group's strategic direction and success are discussed and evaluated at an annual special strategic session of the Sanlam Board as well as at the scheduled Board meetings during the year;
- as part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- the Sanlam Group Executive committee, which includes the Chief Executives of the various Group clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' and Group's strategies.

Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: by business area

The following business areas' risks are included:

- Investment management;
- General insurance;
- Life insurance; and
- Retail credit.

SanFin, Santam and the Group Office are excluded from the above business areas and are separately disclosed.

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The investment management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance

One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of the track record relative to benchmarks and/or peer groups. In order to mitigate this risk, the following areas are focused on:

- Recruitment and retention of high-quality investment professionals and support staff who are organised into stable teams, with a performance culture that receive pertinent training and development and regular employee appraisals;
- Optimisation of a robust investment process to ensure good investment decisions;
- Rigour of the procedures for portfolio implementation;
- Effectiveness of the dealing desk; and
- Analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investment Group's fiduciary responsibility to, at all times, act in the best interest of the clients and in accordance with the investment mandate directives.

General insurance

Sanlam Emerging Markets' (SEM) exposure to general insurance business includes significant exposures to general insurers in Morocco and Ivory Coast, an investment in Shriram General Insurance (through the holding in Shriram Capital and direct) in India and a holding in Pacific & Orient in Malaysia. In addition to these investments, SEM has smaller exposures to various other general insurance businesses, either directly or through Sanlam Pan-Africa, across Africa and in Lebanon.

The main risk emanating from the general insurance operations is insurance risk. Insurance risk refers to the risk of loss because of underwriting insurance contracts. More specifically, SEM defines insurance risk to include:

- Underwriting risk; and
- Reinsurance risk.

The SEM organisational structure was amended in January 2019 by splitting the portfolio across Africa by business line into Sanlam Pan-Africa General Insurance (SPA GI) and SPA Life Insurance (India, Malaysia and Lebanon are dealt with separately) to ensure the appropriate focus on the general insurance portfolio.

Sanlam Group, in collaboration with SPA GI's underwriting and reinsurance team, have developed a Group-wide underwriting framework in terms of the Board-approved underwriting and reinsurance policies, which are aligned to country specific prudential requirements.

This framework is implemented at subsidiary level through underwriting practice policies (approved by the subsidiary Boards) that set out the specific requirements and parameters within which insurance risks are managed and authorities delegated. Through SPA GI's central team's on-going monitoring and review processes, subsidiaries are held accountable to the framework.

A key benefit of the framework from a risk management perspective is that it facilitates oversight and collaboration between the central team at SPA GI level and the underwriting team of each subsidiary. It also allows the management of accumulation and concentration exposure that are seldom revealed across the different territories where SPA GI operates. Compliance is monitored by the second line risk function.

Underwriting risk

SPA GI manages underwriting risk through its underwriting strategy which comprises an effective underwriting guideline and proactive claims handling driven by the central team at SPA GI level. The underwriting strategy aims to ensure that the portfolio of insurance contracts issued is well diversified, adequately priced and retained within the Group at tolerable levels. Claims are actively managed to ensure they are appropriately reserved for and covered as originally intended by the contracts.

In general, SPA GI issues personal and commercial insurance policies through its subsidiaries, as well as reinsurance contracts in respect of most of the classes of business covered by Santam (as listed on page 47), apart from alternative risk transfer.

Underwriting risk results from fluctuations in the timing, frequency, and severity of insured events. It includes the risk that either premium or claims provisions turn out to be insufficient to pay insurance claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the underwriting risk.

To determine the underwriting risk faced by SPA GI and its subsidiaries, a stochastic simulation of SPA GI's claims is performed at a line of business level. Assumptions for each line of business are determined based on more than 10 years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely attritional losses, individual large losses, and catastrophe losses.

SPA GI also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled:

- Earthquake;
- Storm;
- Flood;
- Marine (cargo);
- Conflagration (property);
- Conflagration (liability);
- Latent liability; and
- Correlation events across line of businesses and countries.

Pricing for SPA GI's products is generally based upon a mix of historical claims frequencies and severity averages as well as market experience and adjustments for inflation. Pricing also takes into consideration acquisition expenses, administration expenses, the cost of reinsurance and for other loadings commensurate with the capital employed.

Underwriting limits (per risk and, where relevant, per event) and captive capacity utilisation are set for subsidiaries, underwriting managers and underwriters to ensure that SPA GI's risk appetite is appropriately delegated. Underwriting performance is monitored continuously, and the pricing policy is revised accordingly. Risk factors considered as part of the review are unique to each class of business and constantly evolve as the risk environment changes.

Expenses are monitored by each subsidiary on an approved budget and business plan.

SPA GI has a sufficiently diversified portfolio based on insurance classes and geography footprint. Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk are adequately managed.

Reinsurance risk

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to SPA GI's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. SPA GI obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. SPA GI has a set of reinsurance programmes that has been developed over many years to suit the risk management needs of the captive business.

The SPA GI's risk appetite is used to evaluate the type and level of reinsurance protection to purchase within SPA GI's risk appetite framework. The reinsurance programme is placed into the international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance programme are comprised of the following:

- Saham Re buys a multi-line aggregate excess of loss treaty, which protects the captives against the accumulation of multiple risk and catastrophe events over a financial year.
- Saham Re buys catastrophe cover based on a combination of probabilistic and scenario methodologies to support SPA GI in quantifying its view of risk.
- Individual excess of loss and catastrophe cover for property and engineering risks written under facultative arrangements by Saham Re, which provide protection to limit losses between the range US$2 million to US$100 million per risk and catastrophe, excluding reinstatement premiums, following a claim or claims against the cover. Saham Re protects its per risk loss exposure down to a maximum amount of US$2 million on any one risk and US$4 million on any one catastrophe.
- Saham Re's marine and casualty facultative portfolio is protected through a set of proportional reinsurance arrangements on a quota share basis.

The Board of Saham Re approves the reinsurance programme renewal process on an annual basis. The major portion of the reinsurance programme is placed with Group reinsurers/Underwriting Management Agencies (UMA) and external reinsurers that have an international credit rating of no less than A- from S&P or AM Best. For reinsurance counterparties who do not meet the minimum counterparty credit rating criteria, exposure limits apply based on the counterparty's international credit rating (S&P or AM Best). Compliance with the counterparty limit exposures is monitored on a continuous basis and reported quarterly to the SEM Finance and Risk Forum.

Market risk

SEM's general insurance businesses, most notably SPA GI and Shriram General Insurance, are exposed to market risk through investments that back policyholder liabilities and capital. These investments include exposures to both listed and unlisted equity, government and corporate bonds, property and cash.

Market risk is managed by investing in appropriate asset classes. Investment decisions are taken and governed by the local Investment committees with oversight from the SEM ALCO and Estate committees.

The SPA GI asset allocation strategy aims to ensure long-term value creation through an asset allocation that supports the targeted RoGEV while minimising volatility. Where the investment portfolios do not support the targeted RoGEV or do not do so optimally, these portfolios, through the local Investment committees and asset management functions, are restructured as and when opportunities arise.

Capital and Risk Management report continued

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees (such as market-related and stable bonus business), expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is linked directly to the fair value of the supporting assets) does not expose the life insurance businesses to direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as with the capital portfolio. Please refer to the policy liabilities and profit entitlement section on page 65 for a description of the different policyholder solutions, as well as to note 15 on page 104, which discloses the monetary value of the Group's exposure to the various solutions.

	Market risk				Credit risk	Liquidity risk	Insurance risk	
Life insurance businesses exposed to risk via:	Equity	Interest rate	Currency	Property			Persis-tency	Other insurance risks
Policyholder solutions								
Linked and market-related	✓(1)	✓(1)	✓(1)	✓(1)	✓(1)	✓(3)	✓	✓
Smoothed-bonus business:								
Stable bonus	✓(2)	✓(2)	✓(2)	✓(2)	✓(2)	✓(3)	✓	✓
Participating annuities	✓(2)	✓(2)	✓(2)	✓(2)	✓(2)	✓(3)	✓	✓
Non-participating annuities	×	✓(5)	×(4)	×(4)	✓	✓(5)	×	✓
Other non-participating liabilities								
Guarantee plans	×	✓(5)	×(4)	×	✓	✓(6)	✓	✓
Other	✓	✓	×(4)	✓	✓	✓(5)	✓	✓
Capital portfolio	✓(7)	✓	✓	✓	✓	✓	×	×

(1) Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.
(2) The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.
(3) Although liquidity risk is present, it is not a significant risk for the savings businesses due to an appropriate amount of liquid assets held in respect of expected outflows.
(4) An immaterial amount of assets is exposed to this risk.
(5) Liabilities are matched, as far as possible, with interest-bearing assets to ensure that the duration of assets and liabilities are closely aligned. This may also include derivatives which could give rise to liquidity risk.
(6) Liabilities are matched with assets that have similar maturity profiles.
(7) Sanlam Life's portfolio backing required capital consists of assets managed according to a hedged equity programme.
✓ Risk applicable to item.
× Risk not applicable to item.

The management of these risks is as follows:

1. Market risk

Linked and market-related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed-bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio and cancellation of non-vested bonuses in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2021, all material stable bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment returns are declared as bonuses. The capital portfolio is, however, exposed to some market risk as an underperformance in investment markets may result in an underfunded position that would require financial support from the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia*, the following:

- Limitations on exposure to volatile assets;
- Benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to investments in Group listed entities, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios are provided quarterly to the Sanlam Limited Board and the Sanlam Customer Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest-bearing, as well as derivatives to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is tested continuously, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Policyholder solutions' exposure to currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital and Risk Management report continued

Capital

Comprehensive measures and limits are in place to control the exposure of the Group's capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the Group's capital portfolio to currency risk is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Moroccan dirham	Lebanese pound	Angolan kwanza	Malaysian ringgit	Other currencies	Total
31 December 2021											
Investment properties	–	–	–	14	–	4 633	–	119	–	1 358	6 124
Equities and similar securities	28	240	24	205	–	6 815	7	–	100	773	8 192
Equity-accounted investments	–	–	–	1 806	13 510	–	–	–	468	–	15 784
Interest-bearing instruments	–	122	–	83	–	637	7	–	667	4 040	5 556
Government interest-bearing investments	–	122	–	–	–	115	5	–	107	3 396	3 745
Corporate interest-bearing investments	–	–	–	36	–	499	2	–	560	542	1 639
Mortgages, policy and other loans	–	–	–	47	–	23	–	–	–	102	172
Investment funds	–	2 384	34	1 062	–	6 161	–	3	1	412	10 057
Cash, deposits and similar securities	1	134	197	230	33	–	(19)	–	868	650	2 094
General insurance technical assets	–	494	–	129	–	966	143	356	–	1 597	3 685
Net working capital	38	1 878	530	79	322	8 064	(91)	(1 167)	505	(984)	9 174
Other liabilities[1]	(13)	(567)	(3)	(326)	(928)	(13 976)	(216)	(661)	–	(5 609)	(22 299)
Foreign currency exposure	54	4 685	782	3 282	12 937	13 300	(169)	(1 350)	2 609	2 237	38 367
Exchange rates (rand)											
Closing rate	18,15	15,96	21,62	1,36	0,21	1,72	0,00	0,03	3,82		
Average rate	17,47	14,76	20,32	1,33	0,20	1,64	0,00	0,02	3,57		
31 December 2020											
Investment properties	–	–	–	14	–	4 671	–	2	–	1 157	5 844
Equities and similar securities	24	241	50	45	–	5 608	171	–	53	694	6 886
Equity-accounted investments	–	–	–	1 571	11 124	–	–	–	426	–	13 121
Interest-bearing instruments	1	223	2	93	–	697	60	1	768	3 129	4 974
Government interest-bearing investments	–	56	–	–	–	2	41	–	124	2 489	2 712
Corporate interest-bearing investments	1	167	2	40	–	677	19	1	644	499	2 050
Mortgages, policy and other loans	–	–	–	53	–	18	–	–	–	141	212
Investment funds	–	265	31	1 053	–	4 665	–	3	2	638	6 657
Cash, deposits and similar securities	5	64	320	330	7	–	–	–	67	627	1 420
General insurance technical assets	–	597	–	78	–	779	1 131	163	–	1 340	4 088
Net working capital	152	1 715	951	(290)	350	8 413	(1 780)	(999)	406	(1 019)	7 899
Other liabilities[1]	(50)	(432)	(2)	(232)	(961)	(13 026)	(1 766)	(290)	–	(4 835)	(21 594)
Foreign currency exposure	132	2 673	1 352	2 662	10 520	11 807	(2 184)	(1 120)	1 722	1 731	29 295
Exchange rates (rand)											
Closing rate	17,97	14,69	20,08	1,36	0,20	1,65	0,01	0,02	3,64		
Average rate	18,64	16,34	20,99	1,44	0,22	1,73	0,01	0,03	3,91		

[1] Other liabilities include structured transaction liabilities and general insurance technical provisions.

The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Refer to page 227 of the Integrated Report for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

Life insurance businesses exposed to risk via:	Credit risk
Policyholder solutions	✓
Capital portfolio	✓

✓ Risk applicable to item.

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam corporate credit risk policy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Specialised Finance (SanFin), or the Sanlam Investments (SI) sub-cluster of Sanlam Investments Group (SIG) in terms of the investment guidelines granted to them by the life insurance operations. The Sanlam Limited Risk and Compliance committee have delegated responsibility for credit risk management to the SIG Central Credit committee. In Sanlam Emerging Markets, Botswana Insurance Fund Management (BIFM), Sanlam Investments Namibia, Sanlam Investments East Africa (SIEA) as well as the asset management team in Sanlam Pan-Africa perform investment activities. The Sanlam Emerging Markets ALCO and Estate committees oversee these activities as well as the investment activities of the SEM insurers who perform their own investment activities.

The governance structures ensure that an appropriate credit culture and environment are maintained, such that no transactions are concluded outside areas of competence, or without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity; anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk framework highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and to identify and administer problematic credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a Group exposure and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, and to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's and Global Credit Ratings) are taken into account when available.

As far as possible, taking into account materiality and available risk indicators, facilities are reviewed on an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. Compliance with these loan covenants is monitored on an ongoing basis for signs of deterioration in credit quality. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, and to ensure overall compliance with the credit risk policy.

In addition to the above measures, some portfolios are managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, clients and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in its own credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2021 and 2020 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

Capital and Risk Management report continued

The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure, including the exposure managed by SanFin, to instruments subject to credit risk using international rating scales.

Credit risk concentration by credit rating

Assets backing policy liabilities	AAA %	AA %	A %	BBB %	BB %	B %	Not rated %	Other %	Total %	Carrying value R million
31 December 2021										
Government interest-bearing investments	2	–	13	–	71	14	–	–	100	70 641
Corporate interest-bearing investments	–	–	5	8	62	17	5	3	100	74 225
Mortgages, policy and other loans	–	–	–	2	46	36	11	5	100	26 717
Structured transactions	–	–	1	17	79	1	2	–	100	8 996
Cash, deposits and similar securities	–	11	19	6	40	2	22	–	100	23 655
Held for sale	44	16	13	4	–	1	11	11	100	3 413
Net working capital[1]	–	(8)	(12)	14	68	(19)	57	–	100	(1 370)
Total	1	2	9	5	59	16	6	2	100	206 777
31 December 2020										
Government interest-bearing investments	11	1	5	1	58	17	7	–	100	66 538
Corporate interest-bearing investments	4	6	3	21	49	9	6	2	100	78 070
Mortgages, policy and other loans	–	–	–	1	51	29	13	6	100	22 757
Structured transactions	–	7	1	42	46	–	1	3	100	22 970
Cash, deposits and similar securities	9	14	5	17	34	1	13	7	100	30 014
Net working capital	–	–	–	–	–	–	100	–	100	(995)
Total	6	5	4	14	50	11	7	3	100	219 354

[1] Net working capital includes Structured transaction liabilities.

Credit risk concentration by credit rating

Capital portfolio	AAA %	AA %	A %	BBB %	BB %	B %	Not rated %	Other %	Total %	Carrying value R million
31 December 2021										
Government interest-bearing investments	–	–	2	–	39	54	1	4	100	4 830
Corporate interest-bearing investments	–	–	10	7	65	16	2	–	100	6 107
Mortgages, policy and other loans	–	–	–	1	21	21	40	17	100	386
Structured transactions	–	–	12	–	88	–	–	–	100	166
Cash, deposits and similar securities	–	7	27	8	37	6	12	3	100	5 444
Held for sale	–	(8)	18	–	1	2	87	–	100	937
Net working capital[1]	1	36	43	70	469	156	(676)	1	100	558
Total	–	3	15	7	57	27	(11)	2	100	18 428
31 December 2020										
Government interest-bearing investments	–	–	1	1	27	58	8	5	100	3 779
Corporate interest-bearing investments	9	5	5	18	46	5	11	1	100	6 411
Mortgages, policy and other loans	–	–	–	3	25	27	42	3	100	437
Structured transactions	1	3	–	18	29	–	48	1	100	226
Cash, deposits and similar securities	–	16	13	12	24	4	29	2	100	2 389
Net working capital	–	5	5	10	30	4	40	6	100	6 993
Total	3	5	5	11	33	15	24	4	100	20 235

[1] Net working capital includes Structured transaction liabilities.

More than 50% of the counterparties to structured transactions are institutions with at least a BB rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Capital and Risk Management report continued

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position as there are no financial guarantees provided to parties outside the Group. Please refer to note 28 on page 129, which discloses the possible obligations of the Group. There are also no loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. As far as possible, credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have international ratings of no less than A+ from S&P.

3. Liquidity risk

Life insurance businesses exposed to risk via:	Liquidity risk	Note
Policyholder solutions		3.1
Linked and market-related	✓	3.2
Other non-participating liabilities	✓	3.2
Smoothed-bonus business:	✓	
Participating annuities	✓	3.2
Stable bonus	✓	3.3
Non-participating annuities	✓	3.4
Other non-participating liabilities: Guarantee plans	✓	3.5
Capital portfolio	✓	3.6

✓ Risk applicable to item.

3.1 The following table summarises the overall maturity profile of the policyholder business:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2021					
Insurance contracts	9 815	29 846	58 018	88 979	186 658
Investment contracts	14 704	49 961	103 376	286 497	454 538
Total policy liabilities	24 519	79 807	161 394	375 476	641 196
Properties	671	–	–	9 753	10 424
Equities and similar securities	–	–	–	91 453	91 453
Government interest-bearing investments	5 387	10 312	54 035	–	69 734
Corporate interest-bearing investments	16 874	42 952	13 474	445	73 745
Mortgages, policy and other loans	4 127	14 733	7 075	2 788	28 723
Structured transactions	7 283	1 540	222	13	9 058
Investment funds(1)	–	–	–	340 700	340 700
Cash, deposits and similar securities(2)	15 000	4 936	303	–	20 239
Deferred acquisition costs	–	–	–	591	591
Long-term reinsurance assets	137	888	891	272	2 188
Term finance	–	–	–	–	–
Lease liabilities	(16)	(63)	(7)	–	(86)
Structured transactions liabilities	(897)	(100)	(251)	(82)	(1 330)
Net working capital	(4 243)	–	–	–	(4 243)
Total policyholder assets	44 323	75 198	75 742	445 933	641 196

(1) The effects of consolidating investment funds are not taken into account in the above analysis and controlled funds are reflected as investment funds.
(2) Cash, deposits and similar securities due within one year include current account balances which are available on demand.

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2020					
Insurance contracts	14 197	31 415	62 687	82 644	190 943
Investment contracts	12 173	58 260	79 786	284 365	434 584
Total policy liabilities	26 370	89 675	142 473	367 009	625 527
Properties	22	–	–	12 460	12 482
Equities and similar securities	–	–	–	76 267	76 267
Government interest-bearing investments	2 801	8 415	54 560	–	65 776
Corporate interest-bearing investments	15 111	44 321	17 808	429	77 669
Mortgages, policy and other loans	3 567	12 177	6 164	844	22 752
Structured transactions	16 397	3 313	3 261	–	22 971
Investment funds(1)	–	–	–	333 494	333 494
Cash, deposits and similar securities(2)	22 160	5 444	325	–	27 929
Deferred acquisition costs	–	–	–	589	589
Long-term reinsurance assets	121	921	944	272	2 258
Term finance	–	–	(78)	–	(78)
Lease liabilities	(15)	(40)	–	–	(55)
Structured transactions liabilities	(10 904)	(253)	(3 349)	(129)	(14 635)
Net working capital	(1 892)	–	–	–	(1 892)
Total policyholder assets	47 368	74 298	79 635	424 226	625 527

(1) The effects of consolidating investment funds are not taken into account in the above analysis and controlled funds are reflected as investment funds.
(2) Cash, deposits and similar securities due within one year include current account balances which are available on demand.

3.2 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking expected cash outflows into account. Please refer to the liquidity section on page 45 describing the liquidity risk management framework.

3.3 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.4 Liabilities are matched, as far as possible, with interest-bearing assets, to ensure that the duration of assets and liabilities are closely aligned. This may also include derivatives.

3.5 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short time frame if need be. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 59 for more information).

Capital and Risk Management report continued

4. Insurance risk

Life insurance businesses exposed to risk via:	Insurance risk: Persistency	Insurance risk: Other insurance risks
Policyholder solutions		
Linked and market-related	✓	✓
Smoothed-bonus business:	✓	✓
Stable bonus	✓	✓
Participating annuities	✓	✓
Non-participating annuities	×	✓
Other non-participating liabilities		
Guarantee plans	✓	✓
Other	✓	✓
Capital portfolio	×	×

✓ Risk applicable to item.
× Risk not applicable to item.

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) differs from that which is assumed. The Group is, however, also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Analytical models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. In response to the COVID-19 pandemic and related lockdown regulations, clients were offered premium holidays in certain cases to mitigate persistency risk. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken while Wealth Bonus, where applicable, is used to reward good persistency. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

- its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks;
- adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- claims handling policy; and
- adequate pricing and reserving including pandemic reserves.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The relevant Head of Actuarial Function approves the policy conditions and premium rates of new and revised products;
- A risk-based approach is followed towards testing for HIV/Aids, smoking and other underwriting factors, to balance the cost of testing with managing underwriting risk.
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of sub-standard risks;
- The risk premiums for group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted unit expenses is conducted and reported on.

Concentration risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle-income market and high net worth clients.

The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business by the major life insurance companies as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations.

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2021	Number of lives 2020
0 – 20	184 649	190 572
20 – 40	30 642	28 507
40 – 60	12 089	10 929
60 – 80	6 786	6 273
80 – 100	4 420	3 817
>100	13 360	11 124
	251 946	251 222

Value of benefits insured: non-participating life business (excluding funeral policies)

Benefits insured per individual life R'000	Number of lives 2021	Number of lives 2020[1]	Before reinsurance 2021 %	Before reinsurance 2020[1] %	After reinsurance 2021 %	After reinsurance 2020[1] %
0 – 500[2]	10 277 418	9 257 323	15	15	25	23
500 – 1 000	314 507	296 950	9	8	13	13
1 000 – 5 000	573 193	567 579	45	47	45	48
5 000 – 8 000	54 852	52 252	12	12	8	8
>8 000	38 012	35 871	19	18	9	8
	11 257 982	10 209 975	100	100	100	100

[1] Prior year values were restated due to more enriched data available from the BI platform in 2021.
[2] Including funeral policies, the number of lives in the 0 – 500 band increases by 3,1 million (2020: 3,8 million). Benefits insured before reinsurance increase to 23% (2020: 22%) and after reinsurance increase to 35% (2020: 34%).

The tables above indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

Geographical split of policy liabilities

The geographical exposure of the Group's consolidated life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	2021 R million	2021 %	2020 R million	2020 %
South Africa	566 126	88	493 190	78
Rest of Africa	60 402	10	60 172	10
Other International[1]	14 668	2	72 165	12
Total policy liabilities	641 196	100	625 527	100

[1] The reduction in the Other International exposure is due to the sale of certain entities in the UK during the year.

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit businesses in the SEM cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2021 is shown below:

R million	2021	2020
Gross balance	5 173	5 605
Impairments[1]	(1 091)	(1 208)
Net balance	4 082	4 397

[1] Expected credit losses.

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that is equity accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 8.2.4 on page 87.
- The Group treasury function also provided financing to SPL of R2 960 million at 31 December 2021 (2020: R3 510 million). This exposure is managed by SanFin. The maximum approved limit of financing that can be advanced to SPL is R4,9 billion.

Credit risk consists of credit standing and default risk. It is the company's policy to subject its potential clients to credit rating procedures. In addition, balances of advances are monitored on an ongoing basis. Collection strategies are in place to mitigate credit risk and all accounts that are in arrears are given due priority.

Sanlam Emerging Markets

Retail credit profits are a significant part of SEM's operating earnings. The majority of the Group's exposure to retail credit is made up of an investment in Shriram Capital (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) and a direct holding in Shriram Transport Finance Company. The carrying value of these investments on the Statement of Financial Position is R11 526 million (2020: R9 242 million), of which approximately 78% (2020: 73%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit investments include Letshego which is owned by Botswana Insurance Holdings and has a carrying value of R1 806 million (2020: R1 571 million), and Capricorn Investment Holdings in Namibia (which has a stake in Capricorn Investment Group, which owns 44% of Bank Windhoek) with a carrying value of R1 070 million (2020: R1 000 million).

The main risk emanating from the retail credit operations is credit risk. These investments have been equity-accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses and any funding guarantees provided.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Retail Credit committee on a quarterly basis.

The primary role of the SEM Retail Credit committee is to:

- Review SEM's exposure to its portfolio of associate investments into retail credit and banking businesses, as well as identify, measure and review key risk drivers;
- Propose appropriate risk appetite measures and monitor SEM's exposure against these measures as well as advise on appropriate actions to take with regards to breaches of the risk appetite;
- Assess the performance of the retail credit portfolio; and
- Liaise with SanFin as and when necessary to form a Group-wide view on relevant counterparties.

SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa, India and South-East Asia), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

SanFin

SanFin, which comprises of Financing Solutions and Market Solutions, was formed to strengthen the financial risk management of the Sanlam balance sheet in collaboration with Sanlam balance sheet management and Sanlam Group risk management. The aim is to centralise the management of shareholder credit risk, liquidity risk and interest rate risk.

Market risk

SanFin uses Value at Risk (VaR) to calculate market risk capital for all instruments by stressing the input market variables (eg. interest rates, equities, bond prices, etc.). VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with Sanlam's risk appetite relating to SanFin's business);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of three (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SanFin as a whole and takes the diversification of portfolios into account.

VaR is used as the basis for market risk capital computations. Limits are established for the amount of market risk capital that may be consumed. These limits are supplemented with limits on exposures and stresses metrics at different levels within SanFin, e.g. business level and within businesses.

Credit risk

For credit risk capital, SanFin utilises the concept of unexpected losses. Based on historical default data, expected losses are computed on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SanFin could incur over the particular time horizon with a certain level of confidence. In SanFin's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence level is used as the estimate of credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on external assets and funding is calculated. The stress test results are determined as follows:

- Credit ratings for external credit assets and funding are deteriorated by three rating notches;
- The impact of the deterioration in credit spreads is determined with reference to an internally generated credit spread matrix;
- The stressed credit spreads are used to revalue the credit assets and funding; and
- The cumulative net change in the valuations of credit assets and funding is reported as the test results.

The table below shows the possible effect of increased spreads related to a three-notch deterioration in credit rating.

R million	2021	2020
Maximum exposure to credit risk	57 089	43 525
Stress results (3 notch)	(824)	(861)

Maximum exposure to credit risk

SanFin's maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances. Please refer to note 28 on page 129, which discloses the possible obligations of the Group.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral and add-ons to exposures are implemented in line with a credit exposure quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis, the use of netting agreements, or guarantees issued by third parties.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 42% (2020: 43%) of total credit risk capital, but only 16% (2020: 18%) of the total exposure. SanFin is therefore not exposed to significant concentration risk.

Liquidity risk

Within SanFin, the maximum available facilities of R7 billion (2020: R7 billion) exceed the amount utilised of R3,4 billion (2020: R3,6 billion), indicating available unutilised funding sources. In order to keep commitment fees contained within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Utilised committed facilities granted by SanFin to various counterparties were R261 million (2020: R132 million). A significant portion of trading account assets and liabilities is due within one year.

Hedging of long-term liabilities within SanFin is achieved by investing in shorter dated credit instruments in combination with bond forwards and bond futures to match the interest rate sensitivity of the liabilities as closely as possible. This introduces roll-over risk at futures close out and/or forward maturity dates, additional cash requirements emanating from collateral and margin calls during periods of market stress events, as well as decreasing cash amounts raised from bond carry roll-overs as bond values fall. To manage these additional liquidity risks in the Group, a liquidity risk management policy has been developed and has been approved by the Sanlam governance structures. The policy is based on the principles of Basel III (including, where required, the need for high quality liquid assets to be held to cover liquidity requirements during periods of market and liquidity stress events), with specific attention given to the management of hedge roll-over risk. However, it should be noted that different to banks, a life company's balance sheet has an inherent ability to absorb illiquidity due to the nature, term and structure of its liabilities. This ability to absorb illiquidity is used to mitigate the liquidity risks within SanFin.

Capital and Risk Management report continued

Term finance liabilities in respect of margin business are matched, as closely as possible, by assets with an appropriate maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2021					
SanFin term finance liabilities	(480)	(80)	–	–	(560)
Term finance liabilities held in respect of SanFin margin business	(480)	(80)	–	–	(560)
Assets held in respect of SanFin term finance	149	–	113	298	560
Equities and similar securities	–	–	–	298	298
Corporate interest-bearing investments	–	–	113	–	113
Working capital assets and liabilities	149	–	–	–	149
Net term finance liquidity position[(1)]	(331)	(80)	113	298	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2020					
SanFin term finance liabilities	–	(560)	–	–	(560)
Term finance liabilities held in respect of SanFin margin business	–	(560)	–	–	(560)
Assets held in respect of SanFin term finance	42	81	121	316	560
Equities and similar securities	–	–	–	316	316
Corporate interest-bearing investments	–	81	121	–	202
Working capital assets and liabilities	42	–	–	–	42
Net term finance liquidity position	42	(479)	121	316	–

(1) Term finance liabilities are managed on a continuous basis and the mismatch risk in the maturity profile is managed by either a new issue of term finance or utilising the availability of inter-Group funding facilities if required.

Santam

Objective and framework

As an insurance group, Santam Limited and its subsidiaries are exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for each business unit as it strives to enhance stakeholder value.

Santam has adopted an ERM approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the group's objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of Santam's business and risks. Santam's approach is aligned with the principles of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™), ISO 31000, regulatory solvency requirements as well as the requirements of its majority shareholder, Sanlam.

Santam's ERM framework and process is designed to assist the Board in ensuring that management continually monitors risk and reports back to the Risk committee on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. Santam's ERM process is well defined and businesses are responsible and accountable for integrating ERM in the operations. ERM adds value by being aligned to the business strategy and objectives. More information relating to the overall Enterprise Risk Management and governance process is available in Santam's integrated report at www.santam.co.za.

Capital appetite

Santam's objective is to maintain sufficient capital (including foreign capital), which comprises shareholders' equity and subordinated debt capital, to meet its strategic business plan and objectives. This represents sufficient surpluses for both regulatory and economic capital. To assist in managing its capital position, Santam has set an internal coverage ratio band for its economic capital requirement while at all times achieving specific threshold levels for its regulatory capital requirement. The internal economic capital model is the preferred measure of capital sufficiency used to support, inform and improve decision-making across the group. It is used to determine the group's optimum capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio. The economic capital analysis compares available capital with the economic capital assessment. Santam's economic capital requirement at 31 December 2021 based on the internal economic capital model amounted to R8,3 billion (2020: R7,4 billion) or an economic capital coverage ratio of 169% (2020: 161%). Santam received approval from the Prudential Authority to use its partial internal model for determining regulatory capital. A condition attached to the approval is that Santam will, initially, be required to hold a capital add-on equal to 20% of the benefit obtained from using the partial internal model instead of the standard formula. Santam will be able to reduce the capital add-on over time by complying with the requirements of the Prudential Authority. The capital add-on has been reduced to 10% from 31 December 2021 reporting and onwards.

Following the partial internal model approval, Santam has revised its group economic coverage ratio band to be between 150% and 170%.

Risk assessment process

A key component of the ERM framework is the risk assessment process. Santam's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to Santam's strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view of material risk exposures. The top-down approach is undertaken at an executive and senior management level and considers strategic risks affecting Santam in the medium to long term. In parallel, the bottom-up approach is undertaken by Enterprise, Risk and Compliance Management (ERCM) at a business unit or specialist unit level to assess all categories of risks from their perspectives with specific focus on underwriting, reinsurance and financial risks.

The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. This, together with the risk categories and knowledge base is translated into the Santam risk universe. The risk universe is a summary of the most common risk themes across all categories of risk within Santam and assists management in understanding and effectively managing the relevant risks.

Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur.

Santam analyses quantifiable risks by using an internally developed economic capital model. The model covers the following risk categories:

- Insurance risk (consisting of underwriting and reinsurance risk);
- Credit risk;
- Market risk; and
- Operational risk.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal, outsourcing and cyber risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Capital and Risk Management report continued

Once the relevant risks are better understood, the risk appetite framework governs how the risks should be managed within the group. Santam has formulated a risk appetite policy which aims to quantify the amount of capital the business is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and hence, capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's Board. The risk appetite process also includes the assessment of non-financial measures in determining the overall capital requirements. These assessments are presented to the Risk committee as well as the Board on a quarterly basis for consideration.

Insurance risk

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts. More specifically, Santam defines insurance risk to include:

- Underwriting risk; and
- Reinsurance risk.

Over the last five years, Santam's risk management function has developed a group-wide governance and risk management framework in terms of the Board-approved underwriting and reinsurance policies, required by the regulator's Prudential Standards.

This framework is implemented at business unit level through underwriting practice policies (approved by the business units Boards) that set out the specific requirements and parameters within which insurance risks are managed. Through Santam risk management's on-going monitoring and review processes, business units are held accountable to the framework.

A key benefit of the framework from a risk management perspective is that it facilitates enhanced oversight and collaboration between business units and significantly improves the understanding and management of risk concentrations that arise from time to time and that extend over several business unit portfolios in most instances.

Underwriting risk

Santam manages underwriting risk through its underwriting strategy and proactive claims handling. The underwriting strategy aims to ensure that the portfolio of insurance contracts issued is well diversified and reasonably priced. Claims costs are actively managed to ensure that the impact of factors such as the volatility of the rand is adequately addressed.

In general, Santam issues personal, commercial, niche and cell/policyholder insurance policies, as well as reinsurance contracts in respect of most of the classes of business listed below:

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Aviation – Covers property (both moveable and immovable) risks associated with aircraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks associated with this class of business.

Bonds and guarantees – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Credit insurance – Covers risks associated with the financial losses that result from the default of specified third parties (typically trade partners – both local and foreign) of the insured.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Engineering – Provides cover for risks relating to:

- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Marine – Covers property (both moveable and immovable) risks associated with watercraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks (both on land and on water bodies) associated with this class of business.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract, including an extension for contingency business interruption cover, for both physical and non-physical damage, are included in the property class.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Travel – Covers risks associated with local and international travel, for both business and leisure purposes.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that either premium or claims provisions turn out to be insufficient to pay insurance claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the underwriting risk.

In order to quantify the underwriting risk faced by Santam and its subsidiaries, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal economic capital model. Assumptions for each line of business are determined based on more than 18 years' worth of historical data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation. The results of this analysis are then used to identify where underwriting action is required. These actions can include, but are not limited to, changes to the pricing of insurance policies or adjustments to the reinsurance programme.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled:

- Earthquake;
- Storm (small);
- Storm (large);
- Hail (excluding crop damage);
- Marine (cargo);
- Aviation (hull/liability);
- Conflagration (property);
- Conflagration (liability);
- Utility failure;
- Latent liability; and
- Economic downturn.

The net claims ratio for Santam, excluding the share of SEM and SAN JV businesses which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	2021	2020	2019	2018	2017	2016	2015
Claims paid and provided %*	61,7	68,0	62,3	60,6	65,9	65,1	62,1

* Expressed as a percentage of net earned premiums.

Pricing for Santam's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain Santam's principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits (per risk and, where relevant, per event) are set for business units, underwriting managers and intermediaries to ensure that Santam's risk appetite is appropriately delegated. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review are unique to each class of business (listed above) and constantly evolve as the risk environment changes. Santam has the right to reprice and change the conditions for accepting risks on renewal and/or, in most cases 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size, economic sector and geography. Santam has a sufficiently diversified portfolio based on insurance classes. Santam is currently focusing on obtaining international geographical diversification through the business written by Santam Re (which underwrites inward reinsurance contracts only) and the Santam Specialist business.

Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk are adequately managed.

Claims development tables

The presentation of the claims development tables for Santam is based on the actual date of the event that caused the claim (incident year basis). The claims development tables represent the development of actual claims paid for continuing operations.

Payment development

General insurance claims – gross

R million	Total actual claims cost	2021	2020	2019	2018	2017	2016	2015	2014 and prior
		Claims paid in respect of (i.e. incident year)							
Reporting year									
– 2021	24 460	18 596	4 932	508	206	150	62	2	4
– 2020	21 077	–	14 165	3 951	1 804	176	445	49	487
– 2019	18 898	–	–	14 055	3 667	606	244	101	225
– 2018	17 997	–	–	–	12 231	4 627	503	371	265
– 2017	18 823	–	–	–	–	13 623	4 032	534	634
– 2016	16 112	–	–	–	–	–	11 087	3 909	1 116
– 2015	14 019	–	–	–	–	–	–	9 786	4 233
– 2014	38 044	–	–	–	–	–	–	–	38 044
Cumulative payments to date	169 430	18 596	19 097	18 514	17 908	19 182	16 373	14 752	45 008

General insurance claims – net

R million	Total actual claims cost	2021	2020	2019	2018	2017	2016	2015	2014 and prior
		Claims paid in respect of (i.e. incident year)							
Reporting year									
– 2021	16 923	12 847	3 447	326	152	103	48	–	–
– 2020	15 022	–	11 293	2 868	342	62	337	37	83
– 2019	14 805	–	–	11 746	2 574	177	129	89	90
– 2018	14 107	–	–	–	10 955	2 563	246	191	152
– 2017	13 819	–	–	–	–	10 852	2 359	242	366
– 2016	12 808	–	–	–	–	–	9 865	2 386	557
– 2015	11 476	–	–	–	–	–	–	8 734	2 742
– 2014	32 279	–	–	–	–	–	–	–	32 279
Cumulative payments to date	131 239	12 847	14 740	14 940	14 023	13 757	12 984	11 679	36 269

General insurance claims provision – gross

R million	Total actual claims cost	2021	2020	2019	2018	2017	2016	2015	2014 and prior
		Financial year during which claim occurred (i.e. incident year)							
Reporting year									
– 2021	17 942	12 071	2 765	663	713	421	655	100	554
– 2020	12 358	–	7 887	1 335	1 031	579	743	164	619
– 2019	9 207	–	–	4 353	2 646	772	675	170	591
– 2018	8 497	–	–	–	5 033	1 405	1 082	221	756
– 2017	8 348	–	–	–	–	5 240	1 541	493	1 074
– 2016	6 814	–	–	–	–	–	3 870	1 143	1 801
– 2015	6 279	–	–	–	–	–	–	3 100	3 179
– 2014	16 711	–	–	–	–	–	–	–	16 711
	86 156	12 071	10 652	6 351	9 423	8 417	8 566	5 391	25 285

General insurance claims provision – net

R million	Total actual claims cost	2021	2020	2019	2018	2017	2016	2015	2014 and prior
		Financial year during which claim occurred (i.e. incident year)							
Reporting year									
– 2021	6 010	3 488	912	307	384	191	215	75	438
– 2020	6 684	–	4 128	796	565	301	252	108	534
– 2019	4 900	–	–	2 813	767	363	298	133	526
– 2018	4 345	–	–	–	2 679	602	321	175	568
– 2017	4 442	–	–	–	–	3 031	451	252	708
– 2016	3 973	–	–	–	–	–	2 334	512	1 127
– 2015	4 056	–	–	–	–	–	–	2 291	1 765
– 2014	12 146	–	–	–	–	–	–	–	12 146
	46 556	3 488	5 040	3 916	4 395	4 488	3 871	3 546	17 812

Capital and Risk Management report continued

Reserving

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the percentile approach and the cost of capital approach. The percentile approach is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the cost of capital approach is used as one of the inputs for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims.

Cost of capital approach

The cost of capital approach to reserving is aimed at determining a market value for the liabilities on the Statement of Financial Position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the Statement of Financial Position involves calculating a best estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third party would need to hold to back the future claims payments.

Santam is not significantly exposed to seasonality due to the broad range of insurance contracts that Santam writes. Motor and property contain an element of seasonality e.g. hail storms in the summer, however, there may not be a direct correlation between that seasonality and Santam's financial results. There is an element of seasonality attached to crop, however, Santam's exposure is limited.

Reinsurance risk

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to Santam's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. Santam has an extensive reinsurance programme that has developed over many years to suit the risk management needs of the business.

The internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed into both the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R17 million to R80 million per risk, excluding reinstatement premiums and inclusive of Santam Re's participations, following a claim or claims against the covers. Santam protects its property per risk loss exposure down to a maximum amount of R85 million on any one risk.
- Santam buys catastrophe cover exceeding the 1 in 250-year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1,06% of the total exposure of the significant geographical areas, amounting to protection of R10 billion per event, with an attachment point of R150 million. For 2021, Santam purchased catastrophe cover up to R10,5 billion (R8,7 billion in 2020) with a R150 million retention. This presents 1,11% of the total exposure of the significant geographical areas.
- In 2018, Santam purchased a multi-year aggregate excess of loss treaty, which protects Santam against the accumulation of multiple catastrophe losses over a financial year, which losses are below the catastrophe excess of loss retention of R150 million. The 2021 financial year is the third year of the multi-year cover
- Santam's agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme aggregate loss events.

Santam has arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In 2019, Santam entered into an agreement with New Reinsurance Company Limited Switzerland (New Re), which is a wholly owned Munich Re company. In terms of the agreement, selected Santam business units are able to write inwards international reinsurance business on New Re's AA- credit rating licence. The five-year agreement between Santam and New Re became effective 1 January 2020. Santam Re has a reinsurance quota share programme, with a number of key international reinsurers with an estimated annual reinsurance quota share premium of R1,8 billion (2020: R1,2 billion). The agreements reduce Santam's net catastrophe exposure.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- (2020: A-) from S&P or AM Best, unless specific approval is obtained from the Board to use reinsurers with ratings lower than the agreed benchmark.

Insurance-related credit risk

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet its financial obligations.
- Reinsurer defaults on presentation of a large claim.
- Reinsurer defaults on its share of Santam's insurance liabilities.
- Default on amounts due from insurance contract intermediaries and premium collection agencies.

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the Risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies, such as S&P and Moody's. Santam measures the probability of default on the basis of assessments made by the rating agencies over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by S&P and Moody's, which incorporate up to ninety years' worth of credit default information. For default risk Santam uses a model which is largely based on Basel II regulations. The probability of default assigned is based on the highest credit rating assigned by the various rating agencies.

The credit risk analysis is used by management to determine the level of risk capital that should be held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits.
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers.
- Reinsurance claims provisions.
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

For concentration risk, Santam uses the regulatory solvency framework methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty.
- Calculate the excess exposure above a specified threshold level.
- Apply a charge to this excess exposure.
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk.

Credit risk capital is held for exposure to risk-based assets such as bonds and bank deposits as well as for the following types of exposure:

- Outstanding premiums due from intermediaries and reinsurance due from reinsurers;
- Reinsurance claims provisions; and
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments. The financial instruments, except for Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework, no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. Santam assesses concentration risk for debt securities, money market instruments and cash collectively. Santam does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash.

Santam uses a large panel of high-quality reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam's largest reinsurance counterparty is Munich Re (2020: Munich Re). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

Capital and Risk Management report continued

The following table provides information regarding the aggregated credit risk exposure for financial assets without taking into account collateral. The credit ratings provided in these tables were determined as follows: Sanlam Investments (SI) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty duration and credit risk. These reports include international, national and internal ratings. SI also provides management with a conversion table that is then applied to standardise the ratings to standardised international long-term rates. For assets held by subsidiaries and not managed by SI, a process is agreed with the subsidiaries to align the credit rating analysis with Group requirements.

31 December 2021

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
Government interest-bearing investments	–	–	–	–	–	–	–	–	–	–	–	5 284	326	56	5 666
Corporate interest-bearing investments	68	40	–	72	277	169	158	3	58	–	–	12 178	831	948	14 802
Mortgages and loans	–	–	–	–	–	–	–	–	–	–	–	24	12	48	84
Structured transactions	–	–	–	–	–	–	–	–	–	–	–	206	–	10	216
Investment funds	–	–	–	–	–	–	–	–	–	–	–	975	–	4 237	5 212
Cash, deposits and similar securities	–	–	–	–	48	–	–	–	–	–	–	947	–	36	1 031
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	326	63	1 502	1 891
Cash and cash equivalents	–	117	–	749	102	–	–	–	–	–	–	3 343	167	18	4 496
Receivables due from contractholders/intermediaries	–	–	149	10	–	32	165	–	5	–	25	13	85	5 551	6 035
Reinsurance receivables	–	6	35	37	37	13	32	7	–	–	–	–	24	195	386
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	–	–	11	11
Deposit with cell owners	–	–	–	–	–	–	–	–	–	–	–	–	–	90	90
Total	68	163	184	868	464	214	355	10	63	–	25	23 296	1 508	12 702	39 920

31 December 2020

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
Government interest-bearing investments	17	–	–	–	–	–	–	–	–	–	–	4 295	18	166	4 496
Corporate interest-bearing investments	91	34	–	44	51	105	75	12	56	–	212	11 552	610	1 576	14 418
Mortgages and loans	–	–	–	–	–	–	–	–	–	–	–	24	78	44	146
Structured transactions	–	–	–	–	–	–	–	–	–	–	–	263	–	1	264
Investment funds	–	–	–	–	–	–	–	–	–	–	–	944	–	3 544	4 488
Cash, deposits and similar securities	–	–	–	29	191	–	–	–	–	–	–	1 812	–	194	2 226
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	404	63	996	1 463
Cash and cash equivalents	–	28	–	496	11	–	–	–	–	–	108	3 726	–	14	4 383
Receivables due from contractholders/intermediaries	–	–	–	403	115	83	71	19	7	–	–	5	58	4 172	4 933
Reinsurance receivables	–	–	–	–	25	48	43	38	–	–	12	3	–	290	459
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	–	–	14	14
Deposit with cell owners	–	–	–	–	–	–	–	–	–	–	–	–	–	161	161
Total	108	62	–	972	393	236	189	69	63	–	332	23 028	827	11 172	37 451

Capital and Risk Management report continued

The carrying amount of assets included in the Statement of Financial Position represents the maximum credit exposure.

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity and similar securities;
- Interest-bearing investments;
- Investment funds;
- Receivables due from contract holders/intermediaries;
- Reinsurance receivables;
- Reinsurance assets;
- Other loans and receivables;
- Cash, deposits and similar securities;
- Cell owners' and policyholders' interest; and
- Structured transactions.

Santam uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal economic capital model to inform Santam's decision making and planning process and also for identification and management of risks within the business units.

Each of the major components of market risk faced by Santam is described in more detail below.

Price risk

Santam is subject to price risk due to the impact that volatility in the market has on the value of its equity portfolios, resulting in either a positive or negative effect on its net asset value.

Santam has a well-defined investment strategy, including return objectives, asset allocation, portfolio construction and asset manager selection. The strategy has been translated into various specialist mandates which in turn have been outsourced mostly to SI. The total level of equity investments, both listed and unlisted, is closely monitored by the Investment committee, Audit committee and the Board. The internal economic capital model is used to model the asset mix and absolute level of equity exposure on at least a quarterly basis and to compare the results to Santam's risk appetite. The analysis is presented to the Risk committee for consideration in terms of required actions.

Santam takes a long-term view when agreeing investment mandates with the relevant portfolio managers and looks to build value over a sustained period of time rather than utilising high levels of purchases and sales in order to generate short-term gains from its equity holdings.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. Santam's largest investment in any one company comprises 8% (2020: 9,9%) of the total quoted equities and 0,4% (2020: 0,5%) of the total assets. The company's largest investment in any one company comprises 8,3% (2020: 16,6%) of the total quoted equities and 0,3% (2020: 0,6%) of the total assets.

Interest rate risk

Interest rate risk arises from the net effect on assets and liabilities due to a change in the level of interest rates.

The market value of bonds and other fixed interest-bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating rate interest-bearing financial instruments is also affected by changes in interest rates.

The impact of a change in the interest rate on the asset mix as well as the economic capital requirements is determined using the internal economic capital model. The result of this analysis is presented to the Risk committee on at least a quarterly basis for consideration and approval of required actions.

The assets backing the subordinated debt are managed within a mandate to ensure that adequate cover is provided for the related liabilities i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9% as at 31 December 2021 (2020: 9%).

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand.

In accordance with Santam's international diversification strategy, Santam is entering into various transactions where there is an underlying foreign currency risk such as the investments in the SEM target shares and SAN JV. Santam is also expanding its reinsurance offerings to predominantly other countries in Africa as well as South-East Asia and India. Furthermore, Santam has established an international investment portfolio to ensure adequate asset liability matching in terms of the claims process and capital requirements.

Santam has a well-defined foreign currency management policy which is used to ensure adequate overall asset liability matching. Santam enters into currency hedges only when approved by the Investment committee.

Santam has two sources of currency risk:

- Operational currency risk: underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies); and
- Structured currency risk: investing in SEM target shares and SAN JV.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts, directly and indirectly. The fair value of the investments in the SEM target shares are impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers. Any changes in foreign exchange rates relating to the investment in SAN JV are recognised directly in the foreign currency translation reserve in the Statement of Changes in Equity. These movements will only be released to profit or loss should the investment in SAN JV be disposed of.

In order to mitigate the foreign currency mismatch risk, Santam monitors the level of foreign currency assets relative to foreign currency liabilities and foreign currency capital requirements. In terms of Santam's risk management strategy, foreign currency risks can be assessed on a case-by-case basis to determine whether specific hedging requirements exist.

Derivatives risk

Santam uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. Santam does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on the use of derivatives is approved by the Investment committee and the Board.

Over-the-counter derivative contracts and exchange traded futures are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Liquidity risk

Liquidity risk is the risk that Santam will encounter difficulty in raising funds to meet the commitments associated with its financial obligations as a result of assets not being available in a form that can immediately be converted into cash.

Santam manages liquidity requirements by matching the underlying risk profile of the assets invested to the corresponding liabilities. For example, the net insurance liabilities are covered by investments with limited capital risk (i.e. cash and short duration interest-bearing investments) while Santam's subordinated debt security obligations are covered by longer duration interest-bearing investments and interest rate swaps to ensure that the interest rate risk is almost perfectly aligned.

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in Santam's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

Santam manages operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of defence approach is used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence. Risk management processes for oversight include using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with Santam's risk appetite. These tools include risk and control self-assessments and questionnaires, key risk indicators (e.g. fraud and service indicators), scenario analyses and loss reporting. In addition, Santam has developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to Santam are used to inform decisions on controls and the overall amount of capital held for potential risk exposures. A compulsory annual internal control declaration is completed by senior and executive management and results reported to the Risk and Audit committee. The outcome of the declaration is reviewed to ensure material control breakdowns have been noted and appropriately addressed. The declaration process supports the Board in their assessment of the system of internal controls.

Impact of COVID-19 on risk management

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry and has triggered the need to consider the impact on the principal risks managed by Santam. Santam has implemented a robust governance framework in response to the increased risks arising as a result of COVID-19 as far as possible. Management and monitoring of these risks are an ongoing process.

Group Office

The Group Office is responsible for areas of financial risk management that are not allocated to individual businesses.

Liquidity risk

Sanlam Group term finance liabilities in respect of margin business are matched, as closely as possible, by assets with an appropriate maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of Sanlam Group term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2021					
Sanlam Group term finance liabilities	–	(4 770)	–	–	(4 770)
Term finance liabilities held in respect of Sanlam Group margin business	–	(4 770)	–	–	(4 770)
Assets held in respect of Sanlam Group term finance	561	3 486	644	79	4 770
Equities and similar securities	–	–	–	79	79
Corporate interest-bearing investments	563	3 486	644	–	4 693
Working capital assets and liabilities	(2)	–	–	–	(2)
Net term finance liquidity position[1]	561	(1 284)	644	79	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2020					
Sanlam Group term finance liabilities	(2 600)	(2 170)	–	–	(4 770)
Term finance liabilities held in respect of Sanlam Group margin business	(2 600)	(2 170)	–	–	(4 770)
Assets held in respect of Sanlam Group term finance	532	3 550	613	75	4 770
Equities and similar securities	–	–	–	75	75
Corporate interest-bearing investments	534	3 550	613	–	4 697
Working capital assets and liabilities	(2)	–	–	–	(2)
Net term finance liquidity position[1]	(2 068)	1 380	613	75	–

[1] Term finance liabilities are managed on a continuous basis and the mismatch risk in the maturity profile is managed by either a new issue of term finance or utilising the availability of inter-Group funding facilities if required.

The unsecured subordinated bonds issued by Sanlam Life, which are matched by assets with appropriate maturity profiles, are also managed by the Group Office. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities as closely as possible.

The maturity profile of term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2021					
Term finance liabilities					
Interest-bearing liabilities[1]	–	(977)	(1 015)	–	(1 992)
Assets held in respect of term finance	685	1 002	249	56	1 992
Government interest-bearing investments	88	87	–	–	175
Corporate interest-bearing investments	427	704	249	–	1 380
Mortgages, policy and other loans	4	64	–	–	68
Structured transactions	17	5	–	–	22
Investment funds	–	–	–	56	56
Cash, deposits and similar securities	168	142	–	–	310
Working capital assets and liabilities	(19)	–	–	–	(19)
Net term finance liquidity position[2]	685	25	(766)	56	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2020					
Term finance liabilities					
Interest-bearing liabilities[1]	(1 004)	–	–	–	(1 004)
Assets held in respect of term finance	333	352	263	56	1 004
Government interest-bearing investments	10	30	–	–	40
Corporate interest-bearing investments	253	276	263	–	792
Mortgages, policy and other loans	34	28	–	–	62
Structured transactions	2	6	–	–	8
Investment funds	–	–	–	56	56
Cash, deposits and similar securities	65	12	–	–	77
Working capital assets and liabilities	(31)	–	–	–	(31)
Net term finance liquidity position[2]	(671)	352	263	56	–

[1] Issue of R1 billion unsecured subordinated callable floating rate note was redeemed during August 2021. Three additional unsecured subordinated bonds were issued during 2021.
[2] Term finance liabilities are managed on a continuous basis and the mismatch risk in the maturity profile is managed by either a new issue of term finance or utilising the availability of inter-Group funding facilities if required.

The subordinated debt issued by the SEM entity MCIS in Malaysia of R761 million at the end of December 2021, will be closely monitored to ensure investments generate matching returns to cover the interest cost including sufficient controls put in place to manage the liquidity risk.

Sensitivity analysis – market risk

Refer to pages 219 and 225 of the Integrated Report for an analysis of the Group's exposure to market risk as measured by GEV.

Basis of presentation and **accounting policies**

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless otherwise indicated, in accordance with IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated.

The following new or revised IFRS and interpretations became effective on 1 January 2021 and have therefore been applied:

Interest rate benchmark reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)

In August 2020, the IASB published "phase 2" amendments introducing several changes applicable during the effective transition to the new benchmark interest rates. These amendments allow for changes in the contractual cash flows of financial instruments resulting from the Interbank Offered Rates (IBOR) reform to be treated as a simple reset of their variable interest rate, provided, however, that such changes are made on an economically equivalent basis. These amendments did not have a significant impact on these Annual Financial Statements.

On 5 March 2021, the Financial Conduct Authority (FCA) confirmed that the publication of 26 London Interbank Offered Rates (LIBOR) settings will cease immediately after:

- 31 December 2021 for all seven EUR LIBOR settings; all seven CHF LIBOR settings; the Spot Next, 1-week, 2-month, and 12-month JPY LIBOR settings; the overnight, 1-week, 2-month, and 12-month GBP LIBOR settings; and the 1-week and 2-month USD LIBOR settings.
- 30 June 2023 for the overnight and 12-month USD LIBOR settings.

The reform of IBOR rates in other currencies exposes the Group to various risks which is closely monitored. These risks include in particular:

- Change management risks, including litigation and conduct linked to negotiations with market counterparties to amend existing contracts;
- Operational risks related to changes in the systems and processes;
- Economic risks in case of financial market disturbances linked to the various transitions induced by the IBOR reform;
- Financial risks in the case where the valuation of certain of the Group's financial assets may change; and
- Pricing risk where the changes to existing reference rates may impact the pricing mechanisms used by the Group on certain transactions.

The table below provides an overview of IBOR related exposures by currency with post 31 December 2021 maturities, presented on the basis of their notional/nominal and carrying amounts:

	December 2021	
	Financial instruments yet to transition to alternative benchmarks, by main benchmark	
	USD LIBOR	
R million	Notional/nominal value	Carrying value
Interest-bearing investments	2 783	2 793
Structured transactions		
Assets[1]	17 264	312
Liabilities[2]	2 582	(243)
	22 629	2 862

[1] Included in structured transaction assets are derivative financial instruments with notional values of R1 526 million and carrying values of R17 million respectively.

[2] Structured transaction liabilities only comprise of derivative financial instruments.

Sanlam Group continues to make progress on the transition from LIBOR to alternative reference rates by monitoring the developments closely. Bi-weekly meetings are conducted, together with close interaction with market participants. Each transaction that references an IBOR rate has been assigned to the relevant traders ("Front Office"). The Front Office, together with a legal representative, are engaging with the counterparties regarding changes to existing contracts that matured post 31 December 2021. In the case of derivatives, if alternative conversions are not agreed amongst parties, the ISDA Fallback Protocol mechanisms will apply at cessation of the relevant rates. Once the appropriate rates are determined, the Group ensures that the existing rates are replaced with the required new rates in the legal agreements. Two GBP term loans that referenced GBP LIBOR were successfully transitioned to reference SONIA (Sterling Overnight Index Average) towards the end of December 2021. Sanlam was not affected by EUR IBOR transition.

The technical construction of the interest rate curves referencing the alternative reference rates (ARRs) for USD (SOFR – Secured Overnight Financing Rate), EUR (ESTR – Euro short-term rate) and GBP (SONIA) was approved at a technical committee meeting held in October 2021. The rate curves referencing the relevant newly established ARRs have been set up on the respective valuation system and tested, in anticipation of transactions that may be entered into referencing these rates in the future. The global vendor supporting the valuation system enhanced the system in terms of the capability to handle the IBOR rate transition. Sanlam leveraged from their expertise and has implemented similar changes towards the end of the 2021 financial year.

The possible replacement of Johannesburg Interbank Average Rate (JIBAR) of South Africa is still unclear. In November 2021 the South African Reserve Bank (SARB) published a report titled 'Feedback on the draft statement of methodology and policies governing the SARB-administered interest rate benchmark'. The report summarised feedback received from the public on the 'Draft statement of methodology and policies governing the SARB- administered interest rate benchmark' as well as results from back testing the proposed benchmarks contained in the report using historical data. Detailed calculation methodologies, contingency arrangements and policies of four new benchmarks and the reformed South African Benchmark Overnight Rate (SABOR) was included. South African Rand Overnight Index Average (ZARONIA) will most likely replace SABOR. The SARB Market Practitioners Group (MPG), a joint public-private body with the mandate to facilitate decisions on the choice of alternative reference rates for financial contracts has designated ZARONIA as the preferred successor to replace the JIBAR. The implementation date for the new overnight unsecured rates to replace JIBAR for is still uncertain and being considered by SARB. In the interim the SARB is also looking at strengthening JIBAR by having more "live" and transparent pricing and improved reporting.

The following new or revised IFRS and interpretations became effective on 31 December 2021 and have therefore been applied:

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*

These amendments did not have a significant impact on the amounts recognised in prior or current period(s) and are not expected to significantly affect the current or future periods. No further disclosures have accordingly been made.

The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- Effective 1 January 2022:
  - *Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)*
  - *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
  - *Reference to the Conceptual Framework (Amendments to IFRS 3)*
  - *Annual Improvements to IFRS Standards 2018 – 2020, pertaining to IFRS 1, IFRS 9, IFRS 16 and IAS 41*
- Effective 1 January 2023:
  - *IFRS 17 – Insurance Contracts*
  - *Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)*
  - *Definition of Accounting Estimate (Amendments to IAS 8)*
  - *Amendments regarding deferred tax on leases and decommissioning obligations (Amendments to IAS 12)*
  - *Classification of liabilities as current or non-current (Amendments to IAS 1)*

The Group does not expect the other amendments to standards issued by the IASB, but not yet effective, to have a material impact.

IFRS 17 – Insurance Contracts (IFRS 17) establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It will replace *IFRS4 – Insurance Contracts* (IFRS 4).

The effective date of IFRS 17 is for reporting periods beginning on or after 1 January 2023, with comparative numbers for 2022.

The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

The granular level of modelling and accounting required to meet the requirements of IFRS 17 requires significant effort to the develop the necessary underlying valuation models, systems, processes and data enhancements. The Sanlam Limited Group established a group wide IFRS 17 implementation programme to coordinate these efforts and deliver the required models, systems and processes for all of the Group's insurance entities, apart from a small number of entities, which have instituted their own IFRS 17 implementation projects that will deliver the required models, systems and processes. However, these independent projects provide regular progress updates to the Group programme. A financial impact assessment was undertaken. This was a high-level exercise to estimate and evaluate the impact of IFRS 17 on the 31 December 2019 and 31 December 2020 balance sheet, as well as other statement impacts for 2020. The exercise included significant entities and products throughout the Group but was not a complete exercise, therefore it was subject to a number of limitations and exclusions. Due to the limitations and exclusions Sanlam is not yet in a position to publish the quantitative impact of implementing IFRS 17. We plan to engage the market in the latter part of 2022.

The Group does not expect significant changes to the non-IFRS key performance indicators and segmental analysis that are currently presented in the Shareholders Information reporting. There will be different reconciling items between the IFRS financial statements and Shareholders Information under IFRS 17 compared to the current reconciling items under IFRS 4. These will be explained to key stakeholders in advance of 2023 financial reporting.

Most of the solution build activities were completed and tested during 2021. However, full end-to-end testing will only be completed in the first half of 2022 once the remaining system components have been delivered.

The majority of group level, policy and methodology decisions have been finalised during 2021, and we expect the remaining items to be concluded during the first half of 2022. The finalisation of product level, and country level (for Sanlam Emerging Markets), accounting policy choices and actuarial valuation bases, in particular for purposes of transition, will be a key focus area during the first half of 2022. This will include finalising decisions on the transition approaches that will be adopted for specific product groups and entities. The transition approaches will vary depending on the availability of the relevant data across the Group. Other key focus areas for 2022 include the on-boarding of management teams and audit committees and progressing the necessary review and signoffs from external auditors.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group Statement of Financial Position and Statement of Comprehensive Income, as well as contingent liabilities. The accounting estimates and assumptions have been reviewed in line with the COVID-19 outbreak and included in considerations in the preparation of the annual consolidated financial statements. The major items subject to the application of estimates, assumptions and judgements include:

- Assessment of control or significant influence over investees;
- Impairment of goodwill and investment value of business acquired;
- The liability arising from claims under general insurance contracts;
- The fair value of unlisted investments, unlisted debt, property valuations and determining IFRS 5;
- The valuation of policy liabilities;
- Impairment of financial assets, including measurement of ECL (expected credit losses) allowances for trade receivables;
- Potential claims and contingencies;
- The consolidation of investment funds where the Group has less than a majority interest;
- Determining the lease term of contracts with renewal and termination options – Group as lessee;
- Leases – Estimating the incremental borrowing rate; and
- Deferred tax – Utilisation of historic losses.

Although estimates are based on management's best knowledge and judgement of current facts as at the Statement of Financial Position date, the actual outcome may differ from these estimates. Refer to note 25 and note 33 for further information on critical estimates and judgements and note 28 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 68 to 166 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 187 to 250.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation basis for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation basis in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 65 to 67.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the Statement of Financial Position; and
- Working capital balances that are disclosed as working capital assets, refer to note 35.1, apart from bank overdrafts, which are disclosed as working capital liabilities, refer to note 11.2.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Capital and Risk Management Report on pages 14 to 59
- Note 8: Investments
- Note 11: Trade receivables and payables
- Note 15: Long-term policy liabilities
- Note 16: Term finance
- Note 25: Critical accounting estimates and judgements
- Note 33: Fair value

Segmental information

The Group reports segments grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The operating segments reported for IFRS 8 – Operating Segments purposes include the following:

- Sanlam Life and Savings:
  - SA Retail Affluent (providing life insurance and investment solutions to the middle and upper level of the market).
  - SA Retail Mass (providing life insurance and investment solutions to the entry level market); and
  - Sanlam Corporate (providing employee benefits services, group risk and investment services to retirement funds and corporates);
- Sanlam Emerging Markets (incorporating all Sanlam's businesses outside of South Africa, except for Sanlam UK and the smaller businesses in Australia);
- Sanlam Investment Group (incorporating investment and wealth management businesses); and
- Santam (being Sanlam's general insurance provider in South Africa).

The decentralised nature of the Group businesses facilitates the allocation of costs directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the Shareholders' Information on pages 197 to 250 in the Annual Financial Statements.

Accounting policies

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results. These policies (as set out in the relevant notes to the financial statements) are in accordance with and comply with IFRS and have been applied consistently for all periods presented unless otherwise noted.

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the right to or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continuous basis whether or not it controls an investee.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the Statement of Comprehensive Income. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition, the amount of non-controlling interest in the subsidiary or business measured in terms of IFRS 3 and when a business is acquired in stages, the acquisition date fair value of the Group previously held equity interest in the subsidiary or business over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition represents goodwill and is accounted for in terms of the accounting policy note for goodwill.

If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the Statement of Comprehensive Income.

The results of subsidiaries and consolidated funds are included from the effective dates when the Group obtains control to the effective dates when the Group ceases to have control, using accounting policies uniform to the Group. Inter-group transactions, balances and unrealised profits on inter-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of non-controlling shareholders in subsidiaries is stated at the non-controlling shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the Statement of Comprehensive Income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company that undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:

- First party – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered to be a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.
- Third-party cell captive arrangements are arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The insurance company is the principal to the insurance contract, although the business is underwritten on behalf of the cell shareholder. The shareholders' agreement, however, determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

Business combinations under Common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 – Business Combinations. The Group's accounting policy is to apply pooling of interest accounting to common control transactions. Common control accounting is applied and, under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a 'common control' reserve. From the perspective of the seller, the difference between the consideration received and the carrying value of the business disposed of will result in a gain or loss recognised in the Statement of Comprehensive Income. From a combined group perspective (acquirer and seller), the 'common control' reserve and the gain or loss recognised in the Statement of Comprehensive Income will eliminate.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of monetary assets and liabilities (excluding investment assets and liabilities) are recognised in the Statement of Comprehensive Income as financial services income. Exchange differences on non-monetary assets and liabilities and monetary assets and liabilities classified as investment assets and liabilities, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Statement of Comprehensive Income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency, are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill, intangible assets and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the Statement of Comprehensive Income.

Hyperinflation

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. The inflation rate during 2021 continued to increase and as such, Lebanon continues to be a hyperinflationary economy and continues to be accounted for as such in the annual financial results.

The application of hyperinflation accounting has been applied consistently with the principles outlined in the 2020 financial statements. The Sayrafa-rate was used in terms of the closing rate in the translation of both the Statement of Comprehensive Income items and assets and liabilities of entities with Lebanese pound (LBP) as functional currency as at 31 December 2021.

Policy liabilities and **profit entitlement**

Introduction

The valuation basis and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Safrican Insurance Company, BrightRock Holdings, African Rainbow Life and Sanlam Emerging Markets, as well as investment contracts issued by Sanlam Investments and Pensions, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Sanlam Investments and Pensions is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation basis and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2021 as a result of the aforementioned adequacy test.

The valuation basis and methodology comply with the requirements of IFRS.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the basis as set out in the accounting policy for investments (with the exception of investments in treasury shares, associated companies, joint ventures and consolidated funds, which are also valued at fair value).

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IFRS 9 – Financial Instruments), investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts).

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IFRS 9 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in professional guidance note, SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- the best estimate of future experience;
- the compulsory margins prescribed in SAP 104; and
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2021 exceeds the minimum requirements in terms of SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes.
- The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.
- For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on a combination of the market yields of South African and Namibian fixed interest securities on the valuation date. Refer to note 4 on page 221 for investment return assumptions per asset class.
- Future expense assumptions are based on the 2021 actual expenses and escalated at estimated expense inflation rates per annum, with a higher rate assumed for legacy business. The allocation of initial and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred during 2021. Allowance is made for project expenses consistently with the best estimate used for embedded value purposes.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience (excluding the period of the COVID-19 pandemic) or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Head of Actuarial function expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted for an illiquidity premium, investment administration charges and compulsory margins, as appropriate. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, amongst other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

Allowance is made for HIV/Aids related claims within the actuarial assumptions, in line with the relevant guidelines.

The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, best estimate actuarial assumptions are adjusted to allow for the expected cost of future pandemics. The remaining portion of previous provisions held has however been released during 2021 to cover claims due to the COVID-19 experience.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted for an illiquidity premium, investment administration charges and compulsory margins, as appropriate. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans and fixed return products

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Group Statement of **Financial Position**

at 31 December

R million	Notes	2021	Restated[1][2] 2020
ASSETS			
Equipment	1	1 730	1 652
Right-of-use assets	2.1	1 481	1 614
Owner-occupied properties	3	2 582	2 692
Goodwill	4.1	16 431	16 703
Value of business acquired	4.2	4 718	6 129
Other intangible assets	5	746	788
Deferred acquisition costs	6	3 225	3 374
Long-term reinsurance assets	7	2 188	2 258
Investments[2]		834 287	812 948
Investment property	8.1	17 980	20 302
Investment in associates and joint ventures	8.2	22 755	18 773
Equities and similar securities[2]	8.3.1	191 958	185 864
Interest-bearing investments	8.3.2	271 840	261 434
Structured transactions	8.3.2	12 434	29 566
Investment funds	8.3.2	278 145	252 026
Cash, deposits and similar securities	8.3.2	39 175	44 983
Deferred tax asset	9.1	3 154	2 843
Non-current assets classified as held for sale	32	81 386	2 218
General insurance technical assets	10	19 525	13 847
Working capital assets		84 725	75 604
Trade and other receivables	11.1	55 806	44 568
Taxation		1 218	942
Cash, deposits and similar securities	35.1	27 701	30 094
Total assets[2]		1 056 178	942 670
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	12	12 784	12 784
Treasury shares		(1 671)	(1 633)
Other reserves[1]	13	6 078	4 383
Retained earnings[1]		52 188	49 178
Shareholders' fund		69 379	64 712
Non-controlling interest	14	13 517	12 512
Total equity		82 896	77 224
Long-term policy liabilities	15	641 196	625 527
Insurance contracts	15.1	186 658	190 943
Investment contracts	15.1	454 538	434 584
Term finance	16	15 116	13 837
Margin business	16.1	5 330	5 330
Other interest-bearing liabilities	16.1	9 786	8 507
Lease liabilities	2.2	1 789	1 878
Structured transactions liabilities	8.3.2	8 898	22 970
External investors in consolidated funds[2]	35.2	85 506	82 588
Cell owners' interest (third party)		4 900	4 226
Deferred tax liability	9.1	7 311	5 810
Non-current liabilities classified as held for sale	32	78 700	454
General insurance technical provisions	10	57 559	49 752
Working capital liabilities		72 307	58 404
Trade and other payables	11.2	69 123	55 356
Provisions	17	628	506
Taxation		2 556	2 542
Total equity and liabilities[2]		1 056 178	942 670

[1] Prior year restated for hyperinflation. Refer to note 36.1 for additional information.
[2] Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 36.2 for additional information.

Group Statement of **Comprehensive Income**

for the year ended 31 December

R million	Notes	2021	Restated[2] 2020
Net income		200 125	132 866
Financial services income	18	116 887	104 701
Reinsurance premiums paid	19	(20 081)	(18 794)
Reinsurance commission received	20	2 815	2 929
Investment income	8.4	31 804	31 879
Investment surpluses	8.4	84 717	11 001
Finance cost – margin business	22	(249)	(216)
Change in fair value of external investors' liability		(15 768)	1 366
Net insurance and investment contract benefits and claims		(139 592)	(75 896)
Long-term insurance contract benefits	15.5	(44 340)	(25 596)
Long-term investment contract benefits	15.5	(73 767)	(26 646)
General insurance claims		(41 048)	(37 593)
Reinsurance claims received	20	19 563	13 939
Expenses		(43 170)	(42 201)
Sales remuneration	21.1	(14 724)	(14 319)
Administration costs	21.1	(28 446)	(27 882)
Impairments	21.3	(88)	(9 275)
Net impairment losses on financial assets		(296)	(1 903)
Other reversal of impairments/(impairments)		208	(7 372)
Amortisation of intangibles	21.2	(1 248)	(1 323)
Net operating result		16 027	4 171
Equity-accounted earnings	8.2.1	2 240	2 568
Finance cost – other	22	(763)	(835)
Net monetary loss (Lebanon hyperinflation)[2]		(2)	(697)
Profit before tax[2]		17 502	5 207
Taxation	9.2	(6 152)	(3 805)
Shareholders' fund	9.2	(3 694)	(2 154)
Policyholders' fund	9.2	(2 458)	(1 651)
Profit for the year[2]		11 350	1 402
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		2 082	3 143
Other comprehensive income of equity accounted investments		17	–
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement loss	26	(81)	–
Comprehensive income for the year[1][2]		13 368	4 545
Allocation of comprehensive income:			
Profit for the year		11 350	1 402
Shareholders' fund[2]		9 473	718
Non-controlling interest[2]		1 877	684
Comprehensive income for the year		13 368	4 545
Shareholders' fund[2]		10 886	3 531
Non-controlling interest[2]		2 482	1 014
Earnings attributable to shareholders of the company (cents):			
Profit for the year			
Basic earnings per share[2]	23	459,5	34,8
Diluted earnings per share[2]	23	453,8	34,4

[1] Refer to note 32.2 iro the comprehensive income that is included in above results iro disposal groups.
[2] Prior year restated for hyperinflation. Refer to note 36.1 for additional information.

Group Statement of **Changes in Equity**

for the year ended 31 December

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve[3]	Retained earnings[3]	Subtotal: equity[3]	Consolidation reserve[4]	Shareholders' fund[3]	Non-controlling interest[3]	Total equity[3]
Balance at 1 January 2020	23	13 429	(4 127)	9 979	(2 642)	59 851	76 513	(9 196)	67 317	12 043	79 360
Hyperinflation[3]	–	–	–	–	911	–	911	–	911	87	998
Comprehensive income[3]	–	–	–	–	2 813	718	3 531	–	3 531	1 014	4 545
Profit for the year[3]	–	–	–	–	–	718	718	–	718	684	1 402
Other comprehensive income	–	–	–	–	2 813	–	2 813	–	2 813	330	3 143
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods											
Movement in foreign currency translation reserve	–	–	–	–	2 767	–	2 767	–	2 767	376	3 143
Other comprehensive income of equity accounted investments	–	–	–	–	46	–	46	–	46	(46)	–
Shares issued	(1)	(667)	2 744	–	–	(2 076)	–	–	–	–	–
Net (acquisition)/disposal of treasury shares	–	–	(250)	–	–	(577)	(827)	(351)	(1 178)	(60)	(1 238)
Share-based payments	–	–	–	–	–	474	474	–	474	32	506
Transfer from non-distributable reserve	–	–	–	81	–	(81)	–	–	–	–	–
Transfer (from)/to consolidation reserve	–	–	–	–	–	(2 791)	(2 791)	2 791	–	–	–
Dividends	–	–	–	–	–	(6 938)	(6 938)	–	(6 938)	(816)	(7 754)
Acquisitions, disposals and other movements in interests	–	–	–	(15)	12	598	595	–	595	212	807
Balance at 31 December 2020 – Restated[3]	22	12 762	(1 633)	10 045	1 094	49 178	71 468	(6 756)	64 712	12 512	77 224
Comprehensive income	–	–	–	–	1 495	9 391	10 886	–	10 886	2 482	13 368
Profit for the year	–	–	–	–	–	9 473	9 473	–	9 473	1 877	11 350
Other comprehensive income	–	–	–	–	1 495	(82)	1 413	–	1 413	605	2 018
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods											
Movement in foreign currency translation reserve	–	–	–	–	1 481	–	1 481	–	1 481	601	2 082
Other comprehensive income of equity accounted investments	–	–	–	–	14	(1)	13	–	13	4	17
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods											
Employee benefits re-measurement loss	–	–	–	–	–	(81)	(81)	–	(81)	–	(81)
Net (acquisition)/disposal of treasury shares[1]	–	–	(44)	–	–	(461)	(505)	176	(329)	(44)	(373)
Share-based payments	–	–	–	–	–	468	468	–	468	38	506
Transfer from non-distributable reserve	–	–	–	(13)	–	13	–	–	–	–	–
Transfer (from)/to consolidation reserve	–	–	–	–	–	(31)	(31)	31	–	–	–
Dividends[2]	–	–	–	–	–	(6 233)	(6 233)	–	(6 233)	(752)	(6 985)
Acquisitions, disposals and other movements in interests[5]	–	–	6	2	4	(137)	(125)	–	(125)	(719)	(844)
Balance at 31 December 2021	22	12 762	(1 671)	10 034	2 593	52 188	75 928	(6 549)	69 379	13 517	82 896

[1] Comprises movement in cost of shares held by subsidiaries, the share incentive trust, other consolidated funds and the broad-based black economic empowerment special purpose vehicle (B-BBEE SPV).

[2] A dividend of 334 cents per share (2020: 300 cents per share) was declared in 2022 in respect of the 2021 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R6.9 billion (after allowing for treasury shares), but may vary depending on the number of shares in issue on the last day to trade. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

[3] The initial application of IAS 29 resulted in an opening adjustment of R991 million, attributable to the shareholder and R87 million, attributable to the non-controlling interest. It comprises of the rebase of 1 January 2020 equity of R1 388 million and reduction of the indexed non-monetary items to recoverable amounts of (R477) million which both includes Goodwill as well as VOBA. Prior year restated for hyperinflation. Refer to note 36 for additional information.

[4] Refer to note 13 for additional information.

[5] Movement line mostly relates to the disposal of Nucleus (R519 million), the change of ownership of Centres Asset Management (R105 million) and African Rainbow Life (R79 million) as well as the acquisition of the remaining interest in Mirabilis Engineering (R174 million).

Group Statement of Cash Flow

for the year ended 31 December

R million	Notes	2021	Restated[1] 2020
Cash flow from operating activities		(1 450)	(6 082)
Cash utilised in operations[1]	30.1	(15 499)	(18 175)
Interest and preference share dividends received[1]		15 514	15 535
Interest paid		(858)	(1 004)
Dividends received[1]		10 887	10 672
Dividends paid		(6 965)	(8 454)
Taxation paid		(4 529)	(4 656)
Cash flow from investment activities		695	(1 733)
Payments made for the acquisition of equipment		(586)	(737)
Proceeds in respect of the sale of equipment		48	61
Payments made for the acquisition of owner-occupied properties		(175)	(405)
Proceeds in respect of the sale of owner-occupied properties		18	441
Acquisition of subsidiaries and associated companies	30.2	(93)	(1 144)
Disposal of subsidiaries and associated companies	30.3	1 483	51
Cash flow from financing activities		172	1 792
Acquisition of treasury shares		(632)	(1 241)
Disposal of treasury shares		261	–
Disposal of non-controlling interest		(326)	818
Term finance raised		3 136	3 530
Term finance repaid		(1 848)	(664)
Lease liabilities repaid		(419)	(651)
Net decrease in cash and cash equivalents		(583)	(6 023)
Effect of exchange rate movements on cash balances		2 251	1 695
Cash and cash equivalents at beginning of the year		48 410	52 738
Cash and cash equivalents at end of the year	30.4	50 078	48 410

[1] The prior year amounts have been restated to treat reinvestment from distributions of investment funds as non-cash. It did not affect the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity. Refer to note 36.3 for additional information.

Notes to the Group financial statements

for the year ended 31 December

1 Equipment

Equipment is reflected at depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets:

- Computer equipment: 3 to 5 years
- Furniture, fittings and equipment: 5 to 20 years
- Vehicles: 3 to 5 years

If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives and depreciation methods are reviewed at each Statement of Financial Position date and adjusted as appropriate.

Cost prices include costs directly attributable to the acquisition of equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the Statement of Comprehensive Income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the Statement of Comprehensive Income.

R million	2021	2020
Computer equipment	739	739
Cost	2 512	2 490
Accumulated depreciation and impairment	(1 773)	(1 751)
Furniture, equipment, vehicles and other	991	913
Cost	2 366	2 292
Accumulated depreciation and impairment	(1 375)	(1 379)
Equipment	1 730	1 652
Reconciliation of carrying amount		
Balance at beginning of the year	1 652	1 655
Additions and expenditure capitalised	586	737
Acquired through business combinations	–	36
Disposals of subsidiaries	(1)	(93)
Other disposals	(48)	(61)
Transfer to owner-occupied properties	(2)	(112)
Reclassified to non-current assets held for sale	(30)	(41)
Depreciation	(513)	(563)
Foreign currency translation differences	107	83
Impairments	–	(17)
Other movements	(21)	28
Balance at end of the year	1 730	1 652

2 Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see notes 8.1 and 8.4.

The Group has mainly leases for office buildings and some IT equipment and vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. This would be the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

2 Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.1 Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

R million	Properties	Computer equipment, furniture, equipment, vehicles and other	Total
Balance at 1 January 2020	1 861	51	1 912
Additions	309	7	316
Disposal of subsidiaries	(17)	–	(17)
Termination of lease agreements	(123)	–	(123)
Effect of modification of lease terms	103	2	105
Depreciation	(520)	(22)	(542)
Transfer to non-current assets held for sale[1]	(67)	–	(67)
Foreign currency translation differences	28	2	30
Balance at 1 January 2021	1 574	40	1 614
Additions	415	6	421
Termination of lease agreements	(106)	(3)	(109)
Effect of modification of lease terms	31	–	31
Depreciation	(480)	(15)	(495)
Transfer to non-current assets held for sale[1]	(2)	–	(2)
Foreign currency translation differences	21	–	21
Balance at 31 December 2021	1 453	28	1 481

[1] Refer to note 32 for additional information.

2.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

R million	2021	2020
Balance at beginning of the year	1 878	2 110
Additions	479	326
Disposal of subsidiaries	–	(21)
Termination of lease agreements	(113)	(117)
Effect of modification of lease terms	(32)	102
Variable lease payment adjustment	(27)	(3)
Interest accrued	148	186
Lease payments	(564)	(651)
Transfer to non-current liabilities held for sale[1]	(2)	(75)
Foreign currency translation differences	22	21
Balance at end of the year	1 789	1 878
Maturity analysis – carrying value		
Due within one year	471	440
Due from one to five years	1 009	1 099
Due from five to 10 years	309	336
Due from 10 to 20 years	–	3
	1 789	1 878
Maturity analysis – undiscounted		
Due within one year	480	501
Due from one to five years	1 217	1 280
Due from five to 10 years	329	471
Due from 10 to 20 years	1	9
	2 027	2 261
The Group is exposed to the following potential cash flows (undiscounted) which are not included in the lease liability:	393	437
Extension options	391	411
Termination options	–	4
Leases not yet commenced to which the lessee is committed	2	22

[1] Refer to note 32 for additional information.

2.3 Additional profit or loss and cash flow information

Refer to the Expenses (note 21.1) and the Finance cost (note 22) notes for information about depreciation and interest expense respectively. Total cash outflow in respect of leases in the year was R625 million (2020: R819 million).

Notes to the Group financial statements continued

3 Owner-occupied properties

Owner-occupied properties is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives and depreciation methods are reviewed at each Statement of Financial Position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed bi-annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the Statement of Comprehensive Income.

R million	2021	2020
Balance at beginning of the year	2 692	1 794
Additions and expenditure capitalised	175	405
Disposals	(18)	(441)
Transfer from equipment	2	112
Transfer to non-current assets held for sale	–	(13)
Acquired through business combinations	5	74
Disposal of subsidiaries	–	(5)
Transfer (to)/from investment properties	(361)	944
Foreign currency translation differences	111	(103)
Impairments	–	(41)
Depreciation	(24)	(34)
Balance at end of the year	2 582	2 692

4 Intangible assets arising on acquisition

4.1 Goodwill

Goodwill arises on the acquisition of a subsidiary or the acquisition of a business. It represents the excess of the cost of an acquisition, the amount of non-controlling interest in the subsidiary or business measured in terms of IFRS 3 and when a business is acquired in stages, the acquisition date fair value of the Group previously held equity interest in the subsidiary or business over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for directly in equity. Goodwill is also not affected when an interest in an existing subsidiary is decreased without a loss of control. The difference between the proceeds received and the share of the net assets disposed of, is accounted for directly in equity.

For impairment purposes, the carrying amount of goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The carrying amount of goodwill is reviewed bi-annually for impairment and written down where the recoverable amount is less than the carrying amount. Impairment losses in respect of goodwill are recognised in the Statement of Comprehensive Income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash generating units that expect to benefit from the synergies of the business combination. The recoverable amount of goodwill for purposes of impairment testing has been determined based on the value in use for both life and non-life insurance entities. For non-life insurance entities, the value in use is determined on a discounted cash flow basis. For investments in life insurance entities, value in use is determined as the embedded value of covered business, together with a multiple of Value of New Business (VNB multiple). Refer to page 196 for an analysis of Group Equity Value as well as pages 221 to 223 for valuation assumptions used.

Goodwill in respect of associated companies and joint ventures is included in the carrying value of investments in associated companies and joint ventures. Refer to note 8.2 for additional information.

R million	Notes	2021	2020
Balance at beginning of the year		16 703	18 974
Gross carrying amount		22 805	19 319
Accumulated impairment		(6 102)	(345)
Acquired through business combinations[1]		36	1 001
Disposals		(46)	(67)
Impairments	25.1	(390)	(5 033)
Transfer to non-current assets held for sale	32	(530)	(554)
Foreign currency translation differences		658	2 382
Balance at end of the year		16 431	16 703
Gross carrying amount		23 511	22 805
Accumulated impairment		(7 080)	(6 102)
Allocation of goodwill			
Life insurance		3 432	3 684
Sanlam Life and Pensions UK	32.2.2	–	356
MCIS Insurance		192	192
BrightRock Holdings		441	441
Sanlam Pan Africa Life[2]		1 774	1 671
FBN Life		743	731
Other life businesses		282	293
Other Sanlam businesses		12 999	13 019
Goodwill held on Group level		1 198	1 198
Santam		863	863
Sanlam Investment Management		432	634
International: Investment Management		453	538
Sanlam Investments East Africa Limited		33	31
Sanlam UK (excluding Sanlam Life and Pensions UK)		343	488
Sanlam Pan Africa General Insurance[2]		9 547	9 137
FBN General Insurance		104	102
Other non-life businesses		26	28
Balance at end of the year		16 431	16 703

[1] Goodwill acquired through business combinations in 2020 relates mainly to First Bank of Nigeria (FBN) becoming a subsidiary.
[2] Formerly known as Saham Finances.

4.2 Value of business acquired

The value of insurance and investment management services contracts, as well as general insurance intangibles in the form of client and broker relationships, that are acquired in a business combination, are recognised as value of business acquired (VOBA).

Value of business acquired (VOBA) comprise of the value of in-force business (life insurance) and general insurance intangibles as well as investment related services contracts that are acquired in a business combination.

Insurance related VOBA:

Life insurance:

On acquisition of a portfolio of life insurance contracts, the Group recognises an intangible asset representing the value of in-force business acquired which is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate. The VOBA is recognised gross of tax, with the deferred tax liability accounted for separately in the statement of financial position. The asset is subsequently amortised over the expected life of the contracts as the profits of the related contracts emerge, as reflected in the table below. It is tested through the liability adequacy test and written down. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

4 Intangible assets arising on acquisition (continued)

4.2 Value of business acquired (continued)

Insurance related VOBA: (continued)

General insurance:

General insurance related intangibles consist of client lists acquired and key intermediary or other relationships acquired as part of business combinations and capitalised. The valuation of key intermediary or other relationships is based on discounted cash flow models and are recognised at fair value at the acquisition date. The general insurance related intangibles have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful life. The assets are impaired if the carrying value is greater than the net recoverable amount. The recoverable amount is measured using the higher of the fair value less costs to sell and the value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset. An impairment loss is recognised in profit or loss immediately. Subsequent to initial recognition, the assets are measured at cost less accumulated amortisation and impairment.

Investment related VOBA:

Investment related VOBA relates to acquired services contracts as part of a business combination. The valuation is based on discounted cash flow models and are recognised at fair value at the acquisition date. The related assets have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful life. The assets are impaired if the carrying value is greater than the net recoverable amount. The net recoverable amount is measured using the higher of the fair value less costs to sell and the value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset. An impairment loss is recognised in profit or loss immediately. Subsequent to initial recognition, the assets are measured at cost less accumulated amortisation and impairment.

R million		2021	2020
Balance at beginning of the year		6 129	8 768
Amortisation		(983)	(1 074)
Impairments[1]		–	(1 231)
Transfer to non-current assets held for sale[2]		(430)	(947)
Foreign currency translation differences		2	613
Balance at end of the year		4 718	6 129
Gross carrying amount		10 643	12 373
Accumulated amortisation and impairment		(5 925)	(6 244)
	Expected useful life (years)		
Allocation of value of business acquired			
Insurance related		4 269	5 047
Sanlam Developing Markets	18	140	314
Sanlam Emerging Markets	10	3 863	4 431
BrightRock Holdings	11	234	269
Other	15	32	33
Investment related		449	1 082
Sanlam UK	15	–	576
Sanlam Emerging Markets	10	85	105
Sanlam Investments Group	8 – 15	239	262
Sanlam Corporate	5	125	139
Balance at end of the year		4 718	6 129

(1) Refer to note 25.1 for additional information.

(2) Refer to note 32.2 for additional information.

5 Other intangibles

Other intangible assets mainly comprise of internally developed software, acquired computer software and key business relationships. Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their amortised cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each Statement of Financial Position date and adjusted, as appropriate. Other intangible assets are assessed for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the costs can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the Statement of Comprehensive Income in the period in which they are incurred.

R million	2021	2020
Balance at beginning of the year	788	926
Gross carrying amount	1 895	1 719
Accumulated amortisation and impairment	(1 107)	(793)
Additions during the year	197	141
Acquired through business combinations	106	12
Disposal of subsidiaries	(3)	–
Disposals	(44)	(65)
Amortisation	(265)	(249)
Impairments	–	(17)
Transfer to non-current assets held for sale	(11)	–
Other movements	15	–
Foreign currency translation differences	(37)	40
Balance at end of the year	746	788
Gross carrying amount	2 010	1 895
Accumulated amortisation and impairment	(1 264)	(1 107)

6 Deferred acquisition costs

Incremental costs of obtaining investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered.

DAC are amortised to the Statement of Comprehensive Income over the expected term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually to ensure that it will be recovered from future revenue generated by the applicable remaining investment contracts less costs that relate directly to the provision of these services. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

R million	2021	2020
Balance at beginning of the year	3 374	3 505
Acquisition costs capitalised	453	411
Acquired through business combinations	–	2
Expensed for the year	(481)	(579)
Impairments	(10)	(12)
Foreign currency translation difference	(111)	59
Disposal	–	(12)
Balance at end of the year	3 225	3 374

7 Long-term reinsurance assets

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for indicators of impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the Statement of Comprehensive Income.

R million	2021	2020
Balance at beginning of the year	2 258	2 042
Acquired in business combinations	–	34
Foreign currency translation differences	(46)	67
Transfer to non-current assets held for sale	(31)	–
Disposal	(33)	–
Other movement in reinsurers' share of insurance liabilities	40	115
Balance at end of the year	2 188	2 258
Maturity analysis of long-term reinsurance assets		
Open ended	264	256
Due within one year	111	96
Due from one to five years	811	927
Due after five years	1 002	979
Total long-term reinsurance assets	2 188	2 258

Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 11.1).

8 Investments

8.1 Properties

Investment properties comprise of properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value, less the related cumulative straight-line rental adjustment (refer to the accounting policy for investment income). Valuations are carried out periodically by valuators who possess appropriate qualifications and extensive experience in property valuations. Changes in the fair value of investment properties are recognised in the Statement of Comprehensive Income as investment surpluses.

When investment properties become owner-occupied, they are reclassified to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised in other comprehensive income as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Tenants in the retail sector that were banned from trading were offered 70% – 85% (2020: 70% – 85%) rental discounts and some deferments. Smaller Level 1 and 2 tenants were granted further concessions of up to 100% discounts. These concessions are expected to be extended for the foreseeable future in an effort to avoid widespread failures and defaults, which would result in increased portfolio vacancies. The cost of replacing failed tenants and filling up vacant space outweighs that of retaining existing tenants. By the end of December 2021, rental concessions of R79 million (2020: R77 million) have been awarded, both discounts and deferments.

R million	Notes	2021	2020[(1)]
Properties comprise			
South African portfolio		9 050	9 852
Office buildings		3 767	4 786
Retail buildings		4 245	3 730
Industrial buildings		618	833
Undeveloped land		420	503
International portfolio[(1)]		8 930	10 450
Office buildings		1 010	1 697
Retail buildings		4 829	5 223
Industrial buildings		–	487
Undeveloped land		3 089	2 872
Other		2	171
Total properties		17 980	20 302
Less: straight-line rental adjustment		(260)	(206)
Total investment properties		17 720	20 096
Reconciliation of carrying amount of properties			
Balance at beginning of the year		20 302	21 565
Additions		720	1 530
Disposals		(955)	(458)
Reclassified to non-current assets held for sale	32	(2 374)	(3)
Acquired through business combinations		–	4
Disposal of subsidiaries		–	(91)
Foreign currency translation differences		297	921
Investment surpluses		(371)	(2 222)
Transfers from/(to) owner-occupied properties		361	(944)
Balance at end of the year		17 980	20 302

(1) Prior year has been aligned with current year allocations.

R million	2021	2020
Reconciliation of straight-line rental adjustment		
Balance at beginning of the year	206	165
Movement for the year included in the Statement of Comprehensive Income	54	41
Balance at end of the year	260	206
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Due within one year	683	863
Due from one to five years	1 258	1 693
Due after five years	448	765
Future minimum lease payments	2 389	3 321

The value drivers underpinning the valuation of properties have not significantly changed since 31 December 2020. The COVID-19 pandemic has not put additional pressure on the expected long-term rental growth rates. Vacancy assumptions have however slightly increased. Management is currently negotiating new leases to reduce the vacancy rates.

At the reporting date, the key assumptions and unobservable inputs used by the Group in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs across sectors	2021	2020
South African portfolio		
Discounted cash flow method		
Base rate	9,29%	8,07%
Vacancy rate	18,00%	14,80%
Expected expense growth (average over 5 years, range cover different types of expenses)	5,10% – 11,00%	4,59% – 9,40%
Office buildings		
Discount rate	12,01% – 14,76%	10,73% – 13,48%
Exit capitalisation rate	9,50% – 13,00%	9,50% – 12,25%
Retail buildings		
Discount rate	12,01% – 13,01%	10,73% – 11,98%
Exit capitalisation rate	9,50% – 11,25%	9,50% – 11,25%
Industrial buildings		
Discount rate	12,76% – 13,76%	11,48% – 12,48%
Exit capitalisation rate	9,50% –13,00%	9,50% – 13,00%
International portfolio		
Comparison		
Majority of the properties are valued by applying the comparison methodology (in line with RICS global valuation standards). As part of the comparison method, the value of the property is determined by reference to the sales or offers of goods that are identical or equivalent to the valued property and to the activity of the corresponding market. The value of the property is determined by the product of the weighted area and the unit price retained by comparison.		
Office buildings		
Weighted area	$224m^2$ – $4\ 461m^2$	
Annual rental income per m^2	R21 383 – R236 855	
Retail buildings		
Weighted area	$38m^2$ – $1\ 632m^2$	
Annual rental income per m^2	R15 603 – R43 253	
Other (domestic, including land and parking)		
Weighted area	$166m^2$ – $710\ 142m^2$	
Annual rental income per m^2	R5 734 – R263 509	

Notes to the Group financial statements continued

8 Investments (continued)

8.1 Properties (continued)

Unobservable inputs across sectors	2021
International portfolio (continued)	
Capitalisation of income	
A number of properties are valued in accordance with the income method. The income method has several variations, but is mainly based on the income that the property is likely to generate over its remaining life or a given period. This estimate is determined by reference to past recorded results and forecasts. When such data is not available, the capitalisation method over a single representative period is then applied.	
Capitalisation rates	
Office buildings	8,25% – 9,50%
Retail buildings	8,25% – 9,50%
Other (domestic, including land and parking)	4,50% – 9,75%

8.2 Investments in associated companies and joint ventures

Associated companies

An associated company is an entity, not being a subsidiary, in which the Sanlam Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associated companies are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associated companies, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associated companies' post-acquisition profit or loss is recognised in the Group Statement of Comprehensive Income as equity-accounted earnings, and the Group's share of associated companies' other comprehensive income is presented in Group other comprehensive income (other than those related to dividends), with a corresponding adjustment to the carrying value of investments in associated companies. Net losses are only recognised to the extent of the net investment in an associated company, unless the Group has incurred obligations or made payments on behalf of the associated company. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for indicators of impairment and written down where this is considered necessary. The carrying value of the investment in an associated company includes goodwill. Investments in associated companies, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group Statement of Comprehensive Income as equity-accounted earnings, and the Group's share of joint ventures' other comprehensive income is presented in the Group other comprehensive income, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for indicators of impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associated companies and joint ventures, nor is any impairment allocated to any underlying assets. Impairment losses in respect of associated companies and joint ventures is based on the greater of value in use or fair value less cost to sell and is recognised in the Statement of Comprehensive Income, with reversal of future periods allowed. Reversal of impairments are limited to the original cost.

R million	Notes	2021	2020
Investments in associated companies	8.2.3	20 919	16 955
Shriram Capital		9 571	7 671
Shriram Transport Finance Company		1 955	1 571
Shriram General Insurance		1 442	1 351
Shriram Life Insurance		542	531
Letshego		1 806	1 571
Capricorn Investment Holdings		1 079	1 000
Pacific & Orient		439	426
AfroCentric Health		1 210	1 109
ARC Financial Services Investments (ARC FSI)		820	–
Other associated companies		2 055	1 725
Investments in joint ventures		1 836	1 818
Sanlam Personal Loans	8.2.4	815	665
Speqtel Investment Holdings[1]		444	427
Other joint ventures		577	726
Total investment in associates and joint ventures		22 755	18 773

[1] The investment is carried at fair value as it is held by a insurance linked fund.

8.2.1 *Equity-accounted earnings*

R million	2021	2020
Investments in associated companies		
Shriram Capital	779	994
Shriram Transport Finance Company	150	129
Shriram General Insurance	181	478
Shriram Life Insurance	9	27
Letshego	283	235
Capricorn Investment Holdings	111	81
Pacific & Orient	45	35
AfroCentric Health	140	133
ARC Financial Services Investments	66	–
Other associated companies	348	402
Investments in joint ventures		
Sanlam Personal Loans	179	–
Other joint ventures	(51)	54
Equity-accounted earnings	2 240	2 568

8.2.2 *(Reversal of impairments)/impairments of equity accounted investments*

R million	2021	2020
	(621)	1 017
Shriram Capital[1]	(672)	672
Shriram Transport Finance Company[1]	7	131
Capricorn Investment Holdings	–	68
Pacific & Orient	28	127
Other	16	19

[1] Refer to note 25.1 for additional information.

8 Investments (continued)

8.2 Investments in associated companies and joint ventures (continued)

8.2.3 Investments in associated companies

Details of material associated companies:

R million	Shriram Capital[1] 2021	Shriram Capital[1] 2020	Shriram Transport Finance Company[1] 2021	Shriram Transport Finance Company[1] 2020
Carrying value of interest – equity method	9 571	7 671	1 955	1 571
Fair value of interest – based on internal valuation	9 864	7 671	1 956	1 571
Effective interest in issued share capital – shareholders' fund[2]	26%	26%	3%	3%
Summarised financial information:				
Revenue	13 491	14 040	35 725	37 517
Post-tax profit from continuing operations	3 216	2 551	4 978	4 321
Other comprehensive (loss)/income	(221)	1 273	154	(1)
Total comprehensive income	2 995	3 824	5 132	4 320
Assets and liabilities				
Non-current assets	72 974	62 270	254 354	217 087
Current assets	3 420	2 868	34 089	19 666
Non-current liabilities	(34 518)	(28 613)	(179 039)	(157 196)
Current liabilities	(2 533)	(2 333)	(56 893)	(39 081)
Net asset value	39 343	34 192	52 511	40 476
Non-controlling interest	14 475	12 742	–	–
Shareholders' fund	24 868	21 450	52 511	40 476
Calculated carrying value	9 165	7 905	1 465	1 206
Impairment to value in use	–	(234)	(7)	–
Goodwill recognised in the carrying value of associate	406	–	497	365
Carrying value	9 571	7 671	1 955	1 571
Dividends received	74	58	30	10

(1) Shriram Capital has business operations (credit, life insurance and general insurance) mainly in India. Earnings for 2021 have been accounted for the period 1 October 2020 to 30 September 2021. The Group also holds a 2,79% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).

(2) The effective interest of 26% relates to the holding in Shriram Capital through the Group's 36,85% interest in Shriram Financial Ventures (Chennai) Limited.

R million	Shriram General Insurance 2021	Shriram General Insurance 2020	Shriram Life Insurance 2021	Shriram Life Insurance 2020
Carrying value of interest – equity method	1 442	1 351	542	531
Fair value of interest – based on internal valuation	2 373	2 168	984	1 065
Effective interest in issued share capital – shareholders' fund	23%	23%	23%	23%
Summarised financial information:				
Revenue	3 956	5 040	1 848	1 798
Post-tax profit from continuing operations	901	1 351	(14)	111
Other comprehensive (loss)/income	(112)	729	54	8
Total comprehensive income	789	2 080	40	119
Assets and liabilities				
Non-current assets	25 250	22 623	15 389	11 178
Current assets	953	1 124	405	925
Non-current liabilities	(19 830)	(17 447)	(13 699)	(10 057)
Current liabilities	(1 163)	(1 419)	(615)	(557)
Net asset value	5 210	4 881	1 480	1 489
Non-controlling interest	55	55	–	–
Shareholders' fund	5 155	4 826	1 480	1 489
Calculated carrying value	1 182	1 111	340	342
Recognition of hedge on acquisition	(34)	(34)	(10)	(10)
Goodwill recognised in the carrying value of associate	294	274	212	199
Carrying value	1 442	1 351	542	531
Dividends received	177	229	34	2

R million	Letshego[1][3] 2021	Letshego[1][3] 2020	Capricorn Investment Holdings[2] 2021	Capricorn Investment Holdings[2] 2020
Carrying value of interest – equity method	1 806	1 571	1 079	1 000
Fair value of interest – based on internal valuation	1 945	1 636	1 080	1 000
Effective interest in issued share capital – shareholders' fund	28%	28%	23%	23%
Summarised financial information:				
Revenue	2 971	3 784	67	91
Post-tax profit from continuing operations	872	768	486	364
Post-tax profit loss from discontinued operations	–	–	–	(16)
Other comprehensive income	–	8	(7)	1
Total comprehensive income	872	776	479	349
Assets and liabilities				
Non-current assets	16 025	14 560	3 969	3 605
Current assets	4 332	1 867	1 110	1 138
Non-current liabilities	(11 897)	(8 878)	(430)	(430)
Current liabilities	(1 484)	(1 123)	(1)	(6)
Net asset value	6 976	6 426	4 648	4 307
Non-controlling interest	566	540	–	–
Shareholders' fund	6 410	5 886	4 648	4 307
Calculated carrying value	1 798	1 563	1 079	1 000
Goodwill recognised in the carrying value of associate	8	8	–	–
Carrying value	1 806	1 571	1 079	1 000
Dividends received	124	100	31	38

(1) The Group holds a 28% interest in Letshego, a listed retail credit business in Botswana.

(2) The Group holds a 23% interest in Capricorn Investment Holdings, an investment company in Namibia.

(3) Letshego value in use is higher than the carrying value.

8 Investments (continued)

8.2 Investments in associated companies and joint ventures (continued)

8.2.3 Investments in associated companies (continued)

Details of material associated companies (continued):

R million	Pacific & Orient[1] 2021	Pacific & Orient[1] 2020	AfroCentric Health[2][3] 2021	AfroCentric Health[2][3] 2020
Carrying value of interest – equity method	439	426	1 210	1 109
Fair value of interest – based on internal valuation	439	432	997	839
Effective interest in issued share capital – shareholders' fund	49%	49%	29%	29%
Summarised financial information:				
Revenue	896	1 031	8 540	7 206
Post-tax profit from continuing operations	91	72	488	463
Other comprehensive income	28	31	–	–
Total comprehensive income	119	103	488	463
Assets and liabilities				
Non-current assets	3 170	2 708	4 192	3 720
Current assets	343	327	1 464	1 382
Non-current liabilities	(2 569)	(2 203)	(1 457)	(810)
Current liabilities	(48)	(52)	(719)	(1 096)
Net asset value	896	780	3 480	3 196
Non-controlling interest	–	–	9	78
Shareholders' fund	896	780	3 471	3 118
Calculated carrying value	439	382	996	895
Goodwill recognised in the carrying value of associate	–	44	214	214
Carrying value	439	426	1 210	1 109
Dividends received	44	48	82	62

[1] The Group holds a 49% interest in Pacific & Orient Insurance Co. Berhad, a niche general insurance business in Malaysia.
[2] The Group holds a 28,7% interest in ACT HealthCare Assets (Pty) Limited, a health administration and health risk management company.
[3] AfroCentric Health value in use is higher than the carrying value.

R million	ARC Financial Services Investments[1] 2021
Carrying value of interest – equity method	820
Fair value of interest – based on internal valuation	820
Effective interest in issued share capital – shareholders' fund	25%
Summarised financial information:	
Revenue	333
Post-tax profit from continuing operations	264
Total comprehensive income	264
Assets and liabilities	
Non-current assets	5 434
Current assets	110
Non-current liabilities	(2 072)
Current liabilities	(192)
Net asset value	3 280
Calculated carrying value	820
Carrying value	820

[1] The Group acquired a 25% interest in ARC FSI, on 30 April 2021. ARC FSI, is an investment company focusing on opportunities in the African financial services and diversified investments (non-financial) industries.

Details of immaterial associated companies:

R million	2021	2020
Post-tax profit from continuing operations	348	402
Total comprehensive income	348	402

8.2.4 Investments in joint ventures

Details of material joint ventures:

R million	Sanlam Personal Loans[1] 2021	Sanlam Personal Loans[1] 2020
Carrying value of interest – equity method	815	665
Fair value of interest – based on internal valuation	1 420	1 139
Effective interest in issued share capital: Class A	70%	70%
Summarised financial information:		
Non-current assets	3 373	3 594
Current assets	963	1 073
Cash and cash equivalents	53	53
Other current assets	910	1 020
Non-current liabilities	(1 690)	(1 990)
Current liabilities	(1 468)	(1 711)
Trade and other payables	(43)	(57)
Short-term borrowings	(1 384)	(1 654)
Taxation payable	(41)	–
Net asset value attributable to class B shares	(14)	(17)
Total Equity	1 164	949
Calculated carrying value	815	665
Revenue	215	173
Interest income	1 064	1 220
Interest expense	(232)	(311)
Admin expenses excluding depreciation	(326)	(563)
Expected credit losses	(317)	(511)
Taxation	(122)	(13)
Total comprehensive income/(loss)	282	(5)
Dividends received	–	133

[1] A jointly controlled entity in the personal loans business in South Africa.

Details of individually immaterial joint ventures:

R million	2021	2020
Post-tax (loss)/profit from continuing operations	(51)	55
Total comprehensive (loss)/income	(51)	55

8.3 Other investments

Other investments comprise:

- Equities and similar securities;
- Interest-bearing investments;
- Structured transactions (including non-trading derivatives);
- Investment funds; and
- Cash, deposits and similar securities.

These investments are either classified as subsequently measured at fair value through profit or loss (measured at fair value) or at amortised cost (measured at amortised cost), as described in the financial instruments accounting policy note.

8 Investments (continued)

8.3 Other investments (continued)

Structured transactions

Structured transactions include derivatives (i.e. foreign exchange contracts, interest rate futures, forward rate agreements, interest rate and equity options, currency swaps, credit default and interest rate swaps), structured notes (including equity linked notes) and collateralised securities that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on structured transactions measured using these valuation techniques are recognised in the Statement of Comprehensive Income to the extent that they arise from a technique that incorporates only variables based on observable market data. The difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the deferred difference is recognised as a gain or loss only to the extent that it arises from a change in a factor what market participants would take into account in pricing the asset/liability.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value. Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables and the fair values of non-trading derivatives are included in the structured transactions. Non-trading transactions are those which are held for accounting and economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products.

Structured transaction liabilities are classified as at mandatorily measured at fair value through profit or loss.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments. Refer to note 33 for additional information on measurement.

8.3.1 Equities and similar securities

R million	2021	Restated[1] 2020
Equities and similar securities comprise:		
Listed on the JSE – at market value	62 174	53 063
Unlisted – at directors' valuation	5 008	3 629
Offshore equity investments	34 648	33 727
Listed – at market value	32 860	31 532
Unlisted – at directors' valuation	1 788	2 195
Equities held by consolidated investment funds[1]	90 128	95 445
Total equities and similar securities[1]	191 958	185 864

[1] Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 36.2 for additional information.

Equities are mandatorily measured at fair through profit or loss.

Spread of equities listed on the JSE by sector	%	%
Consumer services	10,6	8,2
Consumer goods	5,8	7,8
Financials	15,8	19,4
Basic materials	26,2	27,4
General industrials	5,2	2,5
Telecommunications	6,9	3,6
Healthcare	3,2	2,7
Information technology	14,8	22,3
Property	4,4	0,3
Other	7,1	5,8
	100,0	100,0

8.3.2 Investments other than equities and similar securities, equity-accounted investments and properties

R million	Designated as at fair value through profit or loss[1]	Mandatorily measured at fair value through profit or loss	Total fair value	Amortised cost (gross)	Expected credit loss allowance for financial assets at amortised cost	Amortised cost (net)[2]	Total
31 December 2021							
Cash, deposits and similar securities	37 846	–	37 846	1 467	(138)	1 329	39 175
Structured transactions	2 195	10 239	12 434	–	–	–	12 434
Interest-bearing investments	259 345	–	259 345	12 921	(426)	12 495	271 840
Government interest-bearing investments	113 841	–	113 841	4 441	(141)	4 300	118 141
Corporate interest-bearing investments	119 477	–	119 477	7 041	(19)	7 022	126 499
Other interest-bearing investments	26 027	–	26 027	1 439	(266)	1 173	27 200
Investment funds	–	278 145	278 145	–	–	–	278 145
Total	299 386	288 384	587 770	14 388	(564)	13 824	601 594
Structured transaction liabilities	–	8 898	8 898	–	–	–	8 898
31 December 2020							
Cash, deposits and similar securities	42 236	–	42 236	3 643	(896)	2 747	44 983
Structured transactions	3 226	26 340	29 566	–	–	–	29 566
Interest-bearing investments	250 591	–	250 591	11 796	(953)	10 843	261 434
Government interest-bearing investments	99 579	–	99 579	3 717	(627)	3 090	102 669
Corporate interest-bearing investments	128 859	–	128 859	6 645	(69)	6 576	135 435
Other interest-bearing investments	22 153	–	22 153	1 434	(257)	1 177	23 330
Investment funds	–	252 026	252 026	–	–	–	252 026
Total	296 053	278 366	574 419	15 439	(1 849)	13 590	588 009
Structured transaction liabilities	–	22 970	22 970	–	–	–	22 970

[1] The change during the period and cumulatively in fair value through profit and loss that is attributable to change in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rate. The impact of changes in credit risk for 2021 and 2020 was not material. For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

[2] The estimated fair value of investments valued at amortised cost amounts to R13 824 million (2020: R13 590 million). These are classified as level 2 instruments and the valuation is based on discounted cash flows.

8 Investments (continued)

8.3 Other investments (continued)

8.3.2 Investments other than equities and similar securities, equity-accounted investments and properties (continued)

Reconciliation of expected credit losses

R million	2021 12-month ECL	2021 Lifetime ECL (not credit impaired)	2021 Lifetime ECL (credit impaired)	2021 Lifetime ECL (simplified approach)	2021 Total
Interest-bearing Investments					
Government interest-bearing investments					
Balance at the beginning of year	129	–	498	–	627
Net remeasurement of loss allowance	(23)	–	–	–	(23)
Foreign currency translation differences	–	–	(463)	–	(463)
Balance at the end of the year	106	–	35	–	141
Corporate interest-bearing investments					
Balance at the beginning of year	18	–	51	–	69
Net remeasurement of loss allowance	(3)	–	–	–	(3)
Foreign currency translation differences	–	–	(47)	–	(47)
Balance at the end of the year	15	–	4	–	19
Other interest-bearing investments					
Balance at the beginning of year	253	1	3	–	257
Net remeasurement of loss allowance	–	(1)	–	–	(1)
Foreign currency translation differences	10	–	–	–	10
Balance at the end of the year	263	–	3	–	266
Total interest-bearing investments					
Balance at the beginning of year	400	1	552	–	953
Net remeasurement of loss allowance	(26)	–	–	–	(26)
Foreign currency translation differences	11	–	(510)	–	(499)
Balance at the end of the year	385	1	42	–	428
Cash, deposits and similar securities					
Balance at the beginning of year	70	–	826	–	896
Net remeasurement of loss allowance	(4)	–	–	–	(4)
Foreign currency translation differences	14	–	(768)	–	(754)
Balance at the end of the year	80	–	58	–	138

R million	2020 12-month ECL	2020 Lifetime ECL (not credit impaired)	2020 Lifetime ECL (credit impaired)	2020 Lifetime ECL (simplified approach)	2020 Total
Interest-bearing Investments					
Government interest-bearing investments					
Balance at the beginning of year	75	–	102	–	177
Net remeasurement of loss allowance	79	–	405	–	484
Foreign currency translation differences	(25)	–	(9)	–	(34)
Balance at the end of the year	129	–	498	–	627
Corporate interest-bearing investments					
Balance at the beginning of year	5	–	14	–	19
Net remeasurement of loss allowance	14	–	37	–	51
Foreign currency translation differences	(1)	–	–	–	(1)
Balance at the end of the year	18	–	51	–	69
Other interest-bearing investments					
Balance at the beginning of year	182	1	3	–	186
Net remeasurement of loss allowance	43	–	–	–	43
Foreign currency translation differences	28	–	–	–	28
Balance at the end of the year	253	1	3	–	257
Total interest-bearing investments					
Balance at the beginning of year	262	1	119	–	382
Net remeasurement of loss allowance	136	–	442	–	578
Foreign currency translation differences	2	–	(9)	–	(7)
Balance at the end of the year	400	1	552	–	953
Cash, deposits and similar securities					
Balance at the beginning of year	11	–	224	–	235
Net remeasurement of loss allowance	70	–	608	–	678
Foreign currency translation differences	(11)	–	(6)	–	(17)
Balance at the end of the year	70	–	826	–	896

8 Investments (continued)

8.3 Other investments (continued)

8.3.2 Investments other than equities and similar securities, equity-accounted investments and properties (continued)

Maturity analysis

R million	On demand	<1 year	1 – 5 years	>5 years	Total
31 December 2021					
Interest-bearing investments	1 082	44 817	110 428	115 513	271 840
Government interest-bearing investments	12	11 530	20 733	85 866	118 141
Corporate interest-bearing investments	204	28 971	74 794	22 530	126 499
Other interest-bearing investments	866	4 316	14 901	7 117	27 200
Structured transactions	–	8 640	3 074	720	12 434
Investment funds	278 145	–	–	–	278 145
Cash, deposits and similar securities[1]	186	30 051	8 653	285	39 175
Total	279 413	83 508	122 155	116 518	601 594
Structured Transaction liabilities – Present value	–	7 040	1 190	668	8 898
Structured Transaction liabilities – Undiscounted	–	6 977	1 811	2 908	11 696
31 December 2020					
Interest-bearing investments	939	39 547	105 643	115 305	261 434
Government interest-bearing investments	–	8 284	13 029	81 356	102 669
Corporate interest-bearing investments	81	27 387	80 286	27 681	135 435
Other interest-bearing investments	858	3 876	12 328	6 268	23 330
Structured transactions	–	18 525	5 872	5 169	29 566
Investment funds	252 026	–	–	–	252 026
Cash, deposits and similar securities[1]	–	36 384	8 257	342	44 983
Total	252 965	94 456	119 772	120 816	588 009
Structured Transaction liabilities – Present value	–	12 408	2 414	8 148	22 970
Structured Transaction liabilities – Undiscounted	–	12 921	3 574	13 442	29 937

[1] Current accounts are included in the less than one year maturity.

8.4 Investment return

Investment income

Investment income includes interest, net rental income and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the Statement of Financial Position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer to financial services income policy note for presentation of gains and losses on capital market investments). Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the Statement of Comprehensive Income as investment surpluses. Investment surpluses are recognised in profit or loss in the Statement of Comprehensive Income on the date of sale or upon valuation to fair value.

R million	2021	2020
Investment income		
Equities and similar securities	12 254	12 499
Interest-bearing, preference shares and similar securities	18 512	18 381
Properties	1 064	993
Rental income – excluding contingent rental	1 116	1 087
Contingent rental income	90	87
Rental related expenses	(142)	(181)
Income from margin business[1]	(26)	6
Total investment income	31 804	31 879
Interest income on financial assets measured at amortised cost	188	259
Interest expense for financial liabilities measured at amortised cost	–	93
Interest income on impaired financial assets measured at amortised cost	8	68
Investment surpluses		
Financial assets	81 336	9 643
Financial assets designated as at fair value through profit or loss	21 097	(13 768)
Financial assets mandatorily measured at fair value through profit or loss	60 252	23 415
Financial assets measured at amortised cost	(13)	(4)
Financial liabilities: designated as at fair value through profit or loss	3 518	3 295
Investment Properties	(371)	(2 222)
Profit on disposal of subsidiaries, associated companies and operations	234	285
Total investment surpluses	84 717	11 001
Investment return includes:		
Foreign exchange gains	453	1 223
Financial assets measured at amortised cost		
Gains on derecognition of financial assets measured at amortised cost	2	–
Losses on derecognition of financial assets measured at amortised cost	(15)	(4)

[1] Refer to note 22 for finance cost incurred in respect of margin business.

8.5 Use of valuation techniques to determine fair value

Refer to note 33 for additional disclosures.

Notes to the Group financial statements continued

9 Taxation

9.1 Deferred tax

Deferred tax

Deferred tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in subsidiaries, associated companies and joint ventures where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

In terms of IFRS 16 a lessee is required to recognise a right-of-use asset and a lease liability. Lease payments are tax deductible on a cash basis in many jurisdictions. The tax basis of the lease liability and the right-of-use asset will therefore be zero. Resulting in taxable temporary difference in terms of the right-of-use asset and a deductible temporary difference in terms of the lease liability.

R million	Income tax	Capital gains tax
Reconciliation of the deferred tax balances:		
Balance at 1 January 2020	(1 476)	(2 418)
Temporary differences credited/(charged) to the Statement of Comprehensive Income	1 420	(429)
Accruals and provisions	279	203
Tax losses and credits	758	(64)
Net unrealised investment surpluses on shareholders' fund	(297)	(141)
Net unrealised investment surpluses on policyholders' fund	(103)	(355)
Leases	10	–
Intangible assets	234	–
Share based payments	40	6
Other temporary differences	499	(78)
Acquired of subsidiaries	(12)	–
Reclassified as non-current assets held for sale	176	–
Disposal of subsidiaries	(3)	–
Foreign currency translation differences	(152)	(73)
Balance at 31 December 2020	(47)	(2 920)
Temporary differences charged to the Statement of Comprehensive Income	(437)	(1 111)
Accruals and provisions	(587)	4
Tax losses and credits	365	190
Net unrealised investment surpluses on shareholders' fund	45	(379)
Net unrealised investment surpluses on policyholders' fund	16	(1 152)
Leases	47	–
Intangible assets	17	–
Share based payments	38	–
Other temporary differences	(378)	226
Reclassified as non-current assets held for sale	13	431
Disposal of subsidiaries	(1)	–
Foreign currency translation differences	(65)	(20)
Balance at 31 December 2021	(537)	(3 620)

R million	Income tax	Capital gains tax
Analysis of deferred tax balances at 31 December 2021	(537)	(3 620)
Accruals and provisions	(754)	(426)
Tax losses and credits	2 711	227
Unrealised gains/losses on shareholders' fund	54	(1 306)
Unrealised gains/losses on policyholders' fund	(131)	(2 454)
Leases	25	–
Intangible assets	(1 962)	–
Share based payments	78	5
Other temporary differences	(558)	334
Analysis of deferred tax balances at 31 December 2020	(47)	(2 920)
Accruals and provisions	(105)	(414)
Tax losses and credits	2 297	36
Unrealised gains/losses on shareholders' fund	8	(921)
Unrealised gains/losses on policyholders' fund	(144)	(1 302)
Leases	(21)	–
Intangible assets	(1 887)	7
Share based payments	40	6
Other temporary differences	(235)	(332)

R million	2021	2020
Total deferred tax asset recognised	3 154	2 843
Total deferred tax liability recognised	(7 311)	(5 810)
Total net deferred tax	(4 157)	(2 967)

9.2 Income tax

Normal tax

Current income tax is provided in respect of taxable income at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Analysis of income tax per category

	Normal income tax		Deferred tax		Total	
R million	2021	2020	2021	2020	2021	2020
RSA – current year	3 704	3 434	(541)	(1 055)	3 163	2 379
RSA – prior year	(133)	(33)	19	(17)	(114)	(50)
Dividends Tax – Policyholders	77	90	–	–	77	90
Foreign	608	1 186	959	(317)	1 567	869
Capital gains tax	348	119	1 111	398	1 459	517
Tax expense	4 604	4 796	1 548	(991)	6 152	3 805
Shareholders' fund					3 694	2 154
Policyholders' fund					2 458	1 651
Tax expense					6 152	3 805

R million	2021	2020
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	228	506
Included elsewhere in profit for the year	139	120
Total indirect taxes and levies	367	626

Indirect taxes and levies include value-added tax and statutory levies payable to the Prudential Authority.

9 Taxation (continued)

9.2 Income tax (continued)

%	2021	Restated[(1)] 2020
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(5,1)	(19,6)
Disallowable expenses	4,0	39,9
Utilisation of assessed losses	(0,1)	0,5
Change in tax rate	–	0,1
Investment surpluses	(0,6)	2,4
Foreign tax rate differential	(0,3)	0,1
Policyholders	10,0	22,6
Other fund transfers	0,2	(1,3)
Prior year adjustment	(0,8)	0,4
Other	(0,2)	–
Effective tax rate[(1)]	35,1	73,1

(1) Prior year profit restated for hyperinflation. Refer to note 36.1 for additional information.

Non-taxable income relates primarily to equity-accounted earnings and dividend income. Other fund transfers include the impact of hyperinflation.

10 General insurance technical provisions

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR) and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

There is considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported by the reporting date. The IBNR provision relates to these events. The stochastic chain-ladder methodology assists in developing a greater understanding of the trends inherent in the data being projected to estimate the ultimate cost of claims. This process is performed separately for each line of business. The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. It is the nature of this technique that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

Unearned premiums

General insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the Statement of Financial Position date is reported as an unearned premium liability.

General insurance technical assets

The benefits to which the Group is entitled under its general reinsurance contracts are recognised as general insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period. Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the Statement of Comprehensive Income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred. The Group assesses its general insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the Statement of Comprehensive Income.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

R million	2021	2020
General insurance technical provisions	57 559	49 752
Outstanding claims	38 633	32 897
Provision for unearned premiums	18 324	16 314
Deferred reinsurance acquisition revenue	602	541
Less: General insurance technical assets		
Reinsurers' share of technical provisions	19 525	13 847
Outstanding claims	15 271	10 077
Unearned premiums	3 194	2 869
Deferred acquisition cost	1 060	901
Net general insurance technical provisions	38 034	35 905

Analysis of movement in general insurance technical provisions

	2021			2020		
R million	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims						
Balance at beginning of the year	32 897	(10 077)	22 820	26 455	(6 841)	19 614
Cash paid for claims settled in the year	(22 095)	5 449	(16 646)	(21 658)	6 201	(15 457)
Increase in liabilities	26 813	(10 544)	16 269	26 861	(9 999)	16 862
Additions	45	(13)	32	–	–	–
Acquired through business combinations	–	–	–	203	(71)	132
Disposal of subsidiaries	–	–	–	(165)	57	(108)
Reclassified to non-current (liabilities)/ assets held for sale	(147)	7	(140)			
Foreign currency translation difference	1 120	(198)	922	1 201	90	1 291
Other movements: transfer to cell owners	–	105	105	–	486	486
Balance at end of the year	38 633	(15 271)	23 362	32 897	(10 077)	22 820
Unearned premiums						
Balance at beginning of the year	16 314	(2 869)	13 445	14 370	(2 552)	11 818
Net increase/(release) in the period	1 764	(888)	876	1 799	(876)	923
Acquired through business combinations	–	–	–	129	(20)	109
Disposal of subsidiaries	–	–	–	(122)	61	(61)
Reclassified to non-current (liabilities)/ assets held for sale	(19)	2	(17)			
Foreign currency translation difference	265	(53)	212	138	25	163
Other movements: transfer to cell owners	–	614	614	–	493	493
Balance at end of the year	18 324	(3 194)	15 130	16 314	(2 869)	13 445

11 Trade receivables and payables

11.1 Trade and other receivables

Trade and other receivables are measured in accordance with the classification categories below.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by the Group for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any gains or losses arising are recognised in the Statement of Comprehensive Income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the Statement of Financial Position as positive and negative replacement values to the extent that set-off is not required by IAS 32 – Financial Instruments: Disclosure and Presentation.

Accrued investment income is classified in accordance with the classification of the asset that the investment income stems from to the extent that it forms part of the carrying value of the instrument.

11 Trade receivables and payables (continued)

11.1 Trade and other receivables (continued)

Contract receivables are recognised when performance obligations are complete, but the compensation has not yet been received. Contract receivables are unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment becomes due. Contract receivables are presented separately from contract assets and cannot be netted off against contract liabilities.

	2021					
R million	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument[2]	Total
Trading account	15 985	–	–	–	–	15 985
Accounts receivable	3	15 715	(675)	15 040	1 064	16 107
Premiums receivable	–	15 646	(2 261)	13 385	–	13 385
Accrued investment income	3 032	817	(18)	799	–	3 831
Amounts due from reinsurers	–	5 478	(16)	5 462	–	5 462
Contract receivables	–	1 021	–	1 021	–	1 021
Contract assets	–	15	–	15	–	15
Total trade and other receivables	19 020	38 692	(2 970)	35 722	1 064	55 806

	2020					
R million	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument[2]	Total
Trading account	9 804	17	–	17	–	9 821
Accounts receivable	4	13 557	(643)	12 914	763	13 681
Premiums receivable	–	13 777	(1 851)	11 926	–	11 926
Accrued investment income	3 215	443	(18)	425	–	3 640
Amounts due from reinsurers	–	4 614	(12)	4 602	3	4 605
Contract receivables	–	885	–	885	–	885
Contract assets	–	10	–	10	–	10
Total trade and other receivables	13 023	33 303	(2 524)	30 779	766	44 568

R million	2021	2020
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	16 162	10 239
Designated at fair value through profit or loss[1]	2 858	2 784
Amortised cost	35 722	30 779
Non-financial instrument[2]	1 064	766
	55 806	44 568

Trade and other receivables, excluding trading account, are receivable within one year. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flows and is classified as level 3.

[1] The change during the period and cumulatively in fair value through profit or loss that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in the benchmark interest rates. The impact of the changes in credit risk for 2021 and 2020 was not material.

[2] Non-financial instruments refer to prepaid expenses.

	Non-derivative trading account assets		Derivative trading account assets		Total trading account assets	
R million	2021	2020	2021	2020	2021	2020
Maturity analysis of trading account – fair value						
On demand	362	389	–	–	362	389
Due within one year	4 165	3 090	(112)	26	4 053	3 116
Due from one to five years	3 099	3 589	845	6	3 944	3 595
Due after five years	7 546	2 092	80	612	7 626	2 704
Total	15 172	9 160	813	644	15 985	9 804
Maturity analysis of trading account – undiscounted						
On demand	211	388	–	1	211	389
Due within one year	6 281	5 004	(34)	101	6 247	5 105
Due from one to five years	5 106	3 040	878	216	5 984	3 256
Due after five years	24 158	5 106	5	612	24 163	5 718
Total	35 756	13 538	849	930	36 605	14 468

R million	2021	2020
Reconciliation of contract receivables		
Balance at the beginning of the year	885	727
Revenue recognised in the current reporting period[1]	15 305	16 264
Consideration received	(15 241)	(16 021)
Acquisition/(disposal) of subsidiaries	–	10
Foreign currency translation reserve	72	(95)
Balance at the end of the year	1 021	885

[1] Refer to note 18 for the disaggregation of revenue recognised in accordance with IFRS 15.

R million	2021	2020
Reconciliation of expected credit losses		
Accounts receivable		
Balance at the beginning of year	643	333
Net remeasurement of loss allowance	2	150
Foreign currency translation differences	30	(6)
Acquired through business combination	–	166
Balance at the end of the year	675	643
Premiums receivable		
Balance at the beginning of year	1 851	1 372
Net remeasurement of loss allowance	320	214
Foreign currency translation differences	90	87
Acquired through business combination	–	178
Balance at the end of the year	2 261	1 851
Accrued investment income		
Balance at the beginning of year	18	–
Net remeasurement of loss allowance	–	19
Foreign currency translation differences	–	(1)
Balance at the end of the year	18	18
Amounts due from reinsurers		
Balance at the beginning of year	12	–
Net remeasurement of loss allowance	3	14
Foreign currency translation differences	1	(2)
Balance at the end of the year	16	12

11 Trade receivables and payables (continued)

11.1 Trade and other receivables (continued)

Movement in expected credit loss allowance is mainly due to foreign currency translation differences as well as increase in net remeasurement of loss allowance of premium receivable of R320 million. This is still due to the COVID-19 pandemic continuing impacts. The methodologies applied have however not changed since December 2020.

General insurance related receivables:

Santam:

The general approach is applied to provide for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics and the days past due to create three categories, namely performing, underperforming and not performing. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before year-end. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables. Receivables that are 30 days or more past due are considered to be "not performing" and the default rebuttable presumption of 90 days prescribed by IFRS 9 is not applied.

Saham Finances:

A provision matrix based on historical default rates adjusted for forward-looking information is used to estimate the amount of expected losses on receivables.

Unpaid premiums (excluding litigations) is analysed by homogeneous risk classes. Annual recovery rates are then estimated by homogeneous class of risk and seniority.

Expected recoveries are determined by applying the estimated recovery rates and then discounted accordingly. The expected credit losses comprise of the difference between the unpaid premiums and the sum of the discounted cash flows.

Contentious premiums and significant individual receivables are analysed on a case-by-case basis.

Other receivables:

Expected credit losses have been provided for as follows:

Premiums receivable: 100% of premiums receivable which has been outstanding for longer than 30 days.

Commission receivable (including accounts receivable):

- 50% of commission receivable in respect of active agents;
- 50% of commission receivable in respect of active sales representatives;
- 100% of commission receivable in respect of inactive sales representatives; and
- Broker commission receivable is based on the debtors for which the amount due is higher than net present value of unearned commission:
  - Target of 83% is set as standard provision for brokers whose outstanding balance is higher than net present value of unearned commission
  - 100% of the outstanding amount for terminated brokers with high risk assessment as determined by broker support

11.2 Trade and other payables

Trade and other payables are measured in accordance with the classification categories below. Trading account liabilities consists of borrowings in terms of the commercial paper program to fund the activities in the Group, repurchase agreements which fund the long bond positions and which are also used as a source of funding using borrowed bond scrip, CSA collateral and margin received from clients or counterparties, short bond and equity positions and interest rate and equity derivative liabilities. These transactions are marked-to-market (fair values) after initial recognition and any gains or losses arising are recognised in the Statement of Comprehensive Income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the Statement of Financial Position as positive and negative replacement values to the extent that set-off is not required by IAS 32 – Financial Instruments: Disclosure and Presentation.

Life insurance policy claims recorded up to the last day of each financial period and claims incurred but not yet reported (IBNR) are included as part of trade and other payables (refer to note 15.5).

Accrued investment payable is classified in accordance with the classification of the liability that the investment payable stems from to the extent that it forms part of the carrying value of the instrument.

R million	2021	2020
Trading account[3]	19 857	13 059
Accounts payable	29 893	26 472
Accrued interest payable	996	589
Policy benefits payable	9 229	7 131
Amounts due to reinsurers	5 079	5 261
Bank overdrafts	1 153	848
Contract liabilities	1	1
Claims incurred but not reported	2 880	1 961
Lease creditor	35	34
Total trade and other payables	69 123	55 356
Classification of trade and other payables:		
Mandatorily measured at fair value through profit or loss	3 714	3 792
Designated at fair value through profit or loss[1]	16 648	9 383
Other payables at amortised cost	42 927	37 500
Non-financial instruments[2]	5 834	4 681
Total trade and other payables	69 123	55 356

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of other payables at amortised cost approximates the carrying value. The valuation is based on discounted cash flows and is classified as level 3.

[1] For trade and other payables designated at fair value through profit or loss, the amount contractually payable at maturity is equivalent to the carrying amount of the financial liability.

[2] Non-financial instruments include amounts due to intermediaries, leave pay accrual, income received in advance and claims incurred but not reported.

[3] Included in trading account payables are repurchase agreement positions of R8 282 million (2020: R3 783 million) which is secured by interest bearing investments with a carrying value of R8 338 million (2020: R3 840 million). It relates to the sale of interest bearing investments with an agreement to repurchase these investments at a fixed price at a later date. Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the Statement of Financial Position. The proceeds received are recognised as a liability (trading account payable) carried at fair value.

	Non-derivative trading account liabilities		Derivative trading account liabilities		Total trading account liabilities	
R million	2021	2020	2021	2020	2021	2020
Maturity analysis of trading account – fair value						
Due within one year	17 015	11 468	139	90	17 154	11 558
Due from one to five years	2 617	826	13	69	2 630	895
Due after five years	–	476	73	130	73	606
Total	19 632	12 770	225	289	19 857	13 059
Maturity analysis of trading account – undiscounted						
Due within one year	17 212	11 542	165	171	17 377	11 713
Due from one to five years	2 581	846	54	124	2 635	970
Due after five years	–	476	3	3	3	479
Total	19 793	12 864	222	298	20 015	13 162

12 Share capital and premium

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

		2021	2020
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	40,0	40,0
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	2 226,9	2 343,3
Shares cancelled during the year	million	–	(116,4)
Total shares in issue at end of the year	million	2 226,9	2 226,9
Shares held by subsidiaries	million	(177,4)	(165,3)
Balance at end of the year	million	2 049,5	2 061,6
% of ordinary shares held by subsidiaries		8,0%	7,4%
Nominal value and share premium			
Nominal value of 1 cent per share	R million	22,3	22,3
Share premium	R million	12 761,3	12 761,3
Total nominal value and share premium	R million	12 783,6	12 783,6

Special resolutions by subsidiary companies since the date of the previous directors' report relate to approval of directors' remuneration, general authority to purchase shares, general authority to provide financial assistance in terms of section 44 of the Companies Act, and general authority to provide assistance to inter-related companies in terms of section 45 of the Companies Act.

	Shares	
Thousands	2021	2020
Executive share incentive scheme[(1)]		
Total number of shares at beginning of the year	30 758	24 735
Unrestricted shares at beginning of the year	(300)	(283)
Restricted shares at beginning of the year	30 458	24 452
Adjustment for exclusion of shares that may be required to settle OPP obligations	(2 966)	–
New restricted shares granted in terms of restricted share and deferred share plan schemes	9 536	10 859
Unconditional shares released, available for release, or taken up	(4 676)	(4 343)
Options and shares forfeited/transferred to new scheme	(1 297)	(510)
Restricted shares at end of the year	31 055	30 458
Unrestricted shares at end of the year[(2)]	613	300
Total equity participation by employees[(3)]	31 668	30 758

	2021	2020
Total equity participation by employees as a percentage of total issued ordinary shares	1,4%	1,2%
Approved maximum level of equity participation by employees (number of shares)	160 000	160 000

(1) Refer Remuneration Report for further details of the schemes.
(2) 712 132 shares became unrestricted during 2021 (2020: 506 300) in respect of the Restricted Share Plan.
(3) Refer to the Remuneration report on page 185 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).

Details regarding the restricted shares outstanding on 31 December 2021 and the financial years during which they become unconditional, are as follows:

	Number of Shares 000s
Unrestricted during year ending (subject to performance targets)	
31 December 2022	6 434
31 December 2023	5 858
31 December 2024	7 130
31 December 2025	9 352
31 December 2026	2 281
Total unrestricted shares	31 055

A total of 9,5 million (2020: 10,9 million) restricted shares were granted to staff and executive directors during 2021. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R433 million (2020: R553 million) and is expensed in the Statement of Comprehensive Income over the vesting period of up to five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

13 Other reserves

Non-distributable reserve

The non-distributable reserve consists of the pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998. The regulatory non-distributable reserves comprises mainly of the Group's Botswana as well as Kenya, Malaysia and Saham operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the Statement of Comprehensive Income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and assets supporting those liabilities. Certain assets held in policyholder portfolios may be required to be measured on a basis inconsistent with that of the corresponding liabilities by IFRS. Similarly, deferred tax assets recognised in respect of assessed tax losses in policyholder funds increases the Group's net assets without a corresponding increase in policy liabilities. These create mismatches with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic gains or losses for the shareholders' fund.

Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these investments are valued at fair value:

- Investments in subsidiaries which are valued at net asset value plus goodwill;
- Investments in associated companies and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

In respect of the deferred tax, the reserve represents net assessed losses to the extent that assets are considered recognisable, and will be realised as the assessed tax losses are utilised.

Notes to the Group financial statements continued

13 Other reserves (continued)

Consolidation reserve (continued)

R million	2021	Restated[1] 2020
Non-distributable reserves	10 034	10 045
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	9 414	9 414
Regulatory reserves	620	631
Foreign currency translation reserve[1]	2 593	1 094
Consolidation reserve	(6 549)	(6 756)
Policyholder fund investments in consolidated subsidiaries	(98)	(71)
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	948	823
Policyholder fund investment in Sanlam Limited shares	(7 399)	(7 508)
Total reserves other than retained earnings[1]	6 078	4 383

[1] Prior year restated for hyperinflation. Refer to note 36.1 for additional information.

14 Non-controlling interest

R million	2021	2020
Santam	4 842	4 143
Sanlam Emerging Markets	7 792	6 838
Botswana Insurance Holdings	1 838	1 654
MCIS Insurance	699	691
Sanlam Namibia Holdings	189	227
Sanlam Pan Africa[1]	4 832	4 008
Saham Assurance Maroc	3 595	3 230
Other Sanlam Pan Africa	1 237	778
Other Sanlam Emerging Markets	234	258
Sanlam Personal Finance: BrightRock Holdings	92	125
Sanlam Investment Holdings Capital	543	445
Sanlam UK: Nucleus Financial Group[2]	–	542
Other	193	407
Non-controlling shareholders' interest	13 462	12 500
Non-controlling policyholders' interest	55	12
Total non-controlling interest	13 517	12 512

[1] Formerly known as Saham.
[2] Disposed in 2021.

For additional financial information for subsidiaries with significant non-controlling interest refer to note 38 on page 158.

15 Long-term policy liabilities

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise of the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing or amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IFRS 9 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss as their fair value is dependent on the fair value of the underlying assets that are carried at fair value through profit or loss. It eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received. Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

15.1 Analysis of movement in policy liabilities

R million	Notes	2021 Total	2021 Insurance contracts	2021 Investment contracts[1]	2020 Total	2020 Insurance contracts	2020 Investment contracts[1]
Income		217 982	72 224	145 758	141 915	57 614	84 301
Premium income	15.3	125 103	53 112	71 991	104 338	46 683	57 655
Investment return after tax	15.5	92 879	19 112	73 767	37 577	10 931	26 646
Outflow		(142 223)	(70 484)	(71 739)	(117 448)	(58 046)	(59 402)
Policy benefits	15.4	(78 424)	(24 626)	(53 798)	(70 023)	(24 096)	(45 927)
Retirement fund terminations		(12 720)	–	(12 720)	(7 068)	–	(7 068)
Fees, risk premiums and other payments to shareholders' fund		(51 079)	(45 858)	(5 221)	(40 357)	(33 950)	(6 407)
Movement in policy loans		59	20	39	60	–	60
Other movements		(44)	(44)	–	(81)	(81)	–
Net movement for the year		75 774	1 716	74 058	24 446	(513)	24 959
Liabilities acquired through business combinations		–	–	–	4 416	(165)	4 581
Disposal of subsidiaries		–	–	–	(66)	(66)	–
Reclassification to non-current liabilities held for sale		(63 892)	(5 591)	(58 301)	–	–	–
Foreign currency translation differences		3 787	(410)	4 197	5 563	2 000	3 563
Balance at beginning of the year		625 527	190 943	434 584	591 168	189 687	401 481
Balance at end of the year		641 196	186 658	454 538	625 527	190 943	434 584

[1] For investment contract liabilities, the amount contractually payable at maturity is equivalent to the carrying amount of the financial liability.

15 Long-term policy liabilities (continued)

15.2 Composition of policy liabilities

R million	2021	2020[1]
Individual business	500 717	503 081
Risk business	18 660	19 929
Risk underwriting	16 906	17 614
Asset mismatch reserve	1 754	2 315
Investments	377 828	372 696
Linked business	189 150	209 152
Business with no investment guarantees	127 503	103 161
Business with minimum investment guarantees	9 996	10 163
Smoothed bonus	27 789	36 996
Market related and smoothed bonus	4 587	3 972
Non-guaranteed investments	834	853
Fully guaranteed business	17 969	8 399
Life Annuities	50 277	47 180
Guaranteed annuities[1]	46 107	43 107
Participating annuities[1]	4 170	4 073
Combined policies	50 410	61 048
Non-product/Other	3 542	2 228
Working capital management[1]	356	324
Other[1]	3 186	1 904
Employee benefits business	140 479	122 446
Risk business	8 788	8 413
Risk underwriting	8 203	8 021
Asset mismatch reserve	585	392
Investments	103 676	88 448
Linked business	73 511	64 867
Business with minimum investment guarantees	2	–
Smoothed bonus	29 756	23 333
Non-guaranteed investments	42	40
Fully guaranteed business	365	208
Life Annuities	25 685	23 343
Guaranteed annuities[1]	18 869	17 001
Participating annuities[1]	6 816	6 342
Non-product/Other	2 330	2 242
Other[1]	2 330	2 242
Total policy liabilities[2]	641 196	625 527

[1] Additional information is disclosed to match maturities of investment- and insurance contracts in notes 15.6 and 15.7 respectively.

[2] Total policy liabilities represent total investment policies in note 15.6 and total insurance policies in note 15.7.

15.3 Analysis of premium income

R million	2021	2020
Individual business	91 299	76 965
Recurring	41 005	37 192
Single	47 183	36 795
Continuations	3 111	2 978
Employee benefits business	33 804	27 373
Recurring	18 114	16 377
Single	15 690	10 996
Total premium income	125 103	104 338

15.4 Analysis of long-term policy benefits

R million	2021	2020
Individual business	67 317	59 950
Maturity benefits	27 409	25 970
Surrenders	13 566	13 639
Life and term annuities	17 192	14 826
Death and disability benefits[1]	8 604	5 025
Cash bonuses[1]	546	490
Employee benefits business	11 107	10 073
Withdrawal benefits	4 562	4 131
Pensions	2 155	2 232
Lump-sum retirement benefits	2 778	2 853
Death and disability benefits[1]	1 607	854
Cash bonuses[1]	5	3
Total long-term policy benefits	78 424	70 023

[1] Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 15.5).

15.5 Long-term insurance and investment contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provisions are made for underwriting losses that may arise from unexpired general insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

15 Long-term policy liabilities (continued)

15.5 Long-term insurance and investment contract benefits (continued)

Other policy benefits

Other policy benefits are not recognised in the Group Statement of Comprehensive Income but reflected as a reduction in long-term policy liabilities (refer to note 15.4).

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

R million	Notes	2021	2020
Insurance contracts			
Underwriting policy benefits		25 228	14 665
After tax investment return attributable to insurance contract liabilities	15.1	19 112	10 931
Total long-term insurance contract benefits		44 340	25 596
Investment contracts			
After tax investment return attributable to investment contract liabilities	15.1	73 767	26 646
Total long-term investment contract benefits		73 767	26 646
Analysis of underwriting policy benefits			
Individual insurance		13 909	8 803
Employee benefits		11 319	5 862
Total underwriting policy benefits		25 228	14 665

15.6 Maturity analysis of investment policy contracts

R million	Open ended[1]	< 1 year	1 – 5 years	> 5 years	Total
2021					
Risk business	9	210	1 126	1 817	3 162
Risk underwriting[2]	9	210	1 126	1 817	3 162
Investments	285 247	13 369	45 837	94 178	438 631
Linked business	239 858	242	8 481	8 022	256 603
Business with no investment guarantees	14 226	6 715	30 169	69 859	120 969
Business with minimum investment guarantees	1 862	1 423	2 516	893	6 694
Smoothed bonus	28 559	1 838	1 083	12 471	43 951
Market related and smoothed bonus	335	194	924	2 933	4 386
Non-guaranteed investments	42	–	834	–	876
Fully guaranteed business	365	2 957	1 830	–	5 152
Life Annuities	815	–	1	1 469	2 285
Guaranteed annuities	815	–	1	3	819
Participating annuities	–	–	–	1 466	1 466
Combined policies	–	838	2 994	4 228	8 060
Non-product/Other	426	287	3	1 684	2 400
Working capital management	214	–	–	–	214
Other	212	287	3	1 684	2 186
Total investment policies	286 497	14 704	49 961	103 376	454 538

[1] Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand).
[2] This represents the savings component of a risk and savings product.

R million	Open ended[1]	< 1 year	1 – 5 years	> 5 years	Total
2020					
Risk business	26	185	1 021	1 591	2 823
Risk underwriting	26	185	1 021	1 591	2 823
Investments	283 814	10 450	53 200	70 631	418 095
Linked business	245 067	2 253	17 950	545	265 815
Business with no investment guarantees	10 878	5 156	24 048	57 569	97 651
Business with minimum investment guarantees	1 632	1 550	3 200	910	7 292
Smoothed bonus	22 856	1 488	1 080	11 607	37 031
Market related and smoothed bonus	3 150	–	–	–	3 150
Non-guaranteed investments	40	–	853	–	893
Fully guaranteed business	191	3	6 069	–	6 263
Life Annuities	313	417	585	26	1 341
Guaranteed annuities	313	417	585	26	1 341
Combined policies	–	763	3 454	6 058	10 275
Non-product/Other	212	358	–	1 480	2 050
Other	212	358	–	1 480	2 050
Total investment policies	284 365	12 173	58 260	79 786	434 584

[1] Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand).

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 33 for additional fair value disclosures.

15.7 Maturity analysis of insurance policy contracts (discounted)

R million	Open ended[1]	< 1 year	1 – 5 years	> 5 years	Total
2021					
Risk business	18 293	1 978	1 386	2 629	24 286
Risk underwriting	15 972	1 960	1 386	2 629	21 947
Asset mismatch reserve	2 321	18	–	–	2 339
Investments	4 362	2 200	12 884	23 427	42 873
Linked business	1 491	308	1 140	3 119	6 058
Business with no investment guarantees	951	324	1 436	3 823	6 534
Business with minimum investment guarantees	721	161	695	1 727	3 304
Smoothed bonus	1 178	1 012	2 805	8 599	13 594
Market related and smoothed bonus	21	11	45	124	201
Fully guaranteed business	–	384	6 763	6 035	13 182
Life Annuities	58 219	383	1 848	13 227	73 677
Guaranteed annuities	51 068	375	1 848	10 866	64 157
Participating annuities	7 151	8	–	2 361	9 520
Combined policies	7 562	4 607	13 728	16 453	42 350
Non-product/Other	543	647	–	2 282	3 472
Working capital management	142	–	–	–	142
Other	401	647	–	2 282	3 330
Total insurance policies	88 979	9 815	29 846	58 018	186 658

[1] Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand) or where policies do not have a specified contract term.

15 Long-term policy liabilities (continued)

15.7 Maturity analysis of insurance policy contracts (discounted) (continued)

R million	Open ended[1]	< 1 year	1 – 5 years	> 5 years	Total
2020					
Risk business	12 717	1 653	3 423	7 726	25 519
Risk underwriting	10 010	1 653	3 423	7 726	22 812
Asset mismatch reserve	2 707	–	–	–	2 707
Investments	7 304	7 061	11 519	17 165	43 049
Linked business	3 937	369	1 185	2 713	8 204
Business with no investment guarantees	666	265	1 256	3 323	5 510
Business with minimum investment guarantees	409	162	638	1 662	2 871
Smoothed bonus	1 579	5 940	7 368	8 411	23 298
Market related and smoothed bonus	713	7	–	102	822
Fully guaranteed business	–	318	1 072	954	2 344
Life Annuities	53 139	312	1 017	14 714	69 182
Guaranteed annuities	45 182	304	1 017	12 264	58 767
Participating annuities	7 957	8	–	2 450	10 415
Combined policies	7 717	4 803	15 432	22 821	50 773
Non-product/Other	1 767	368	24	261	2 420
Working capital management	325	–	–	–	325
Other	1 442	368	24	261	2 095
Total insurance policies	82 644	14 197	31 415	62 687	190 943

[1] Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand) or where policies do not have a specified contract term.

16 Term finance

Term finance liabilities include:

- Liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost; and
- Other term finance liabilities measured at fair value or amortised cost as applicable. Listed term finance is measured at fair value through profit and loss.

Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the Statement of Comprehensive Income as finance cost.

16.1 Term finance comprises:

R million	2021	2020
Interest-bearing liabilities held in respect of margin business	5 330	5 330
Other interest-bearing liabilities	9 786	8 507
	15 116	13 837

R million	2021	2020
Interest-bearing liabilities held in respect of margin business		
Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 4,4% and 4,9% (2020: 6,3% and 6,8%) or linked to prime interest rates. The preference shares have different redemption dates up to 2024.	5 330	5 330
Other interest-bearing liabilities		
The unsecured subordinated bond of 2020 carried interest at 5,53%. The bond had a redemption call option at its nominal value of R1 billion, which the Group has exercised on the first call, 15 August 2021. New unsecured subordinated bonds of R2 billion have been issued in three tranches (SLI5, SLI6 and SLI7) during 2021. SLI5 and SLI6 carry interest at a floating rate (three-month JIBAR plus 155 and 174 basis points respectively) and mature on 16 August 2026 and 16 August 2028 respectively. SLI7 carries interest at a fixed rate of 8,42% and matures on 16 August 2028. Sanlam Limited irrevocably and unconditionally guarantees to the noteholders the due and punctual performance of all obligations arising under the programme.	1 992	1 004
Unsecured subordinated callable notes to the value of R1 billion (issued during 2016) in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11,77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028. The optional redemption was exercised in April 2021. During June 2017, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027. During November 2020, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2016. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.	2 552	3 089
Preference shares issued by the Group to the value of R2,4 billion for funding of BEE transaction in 2019. The preference shares have an annual interest rate of 6,97% p.a and redemption date on 10 March 2024. The remaining R1,2 billion relates to the Collar loan with annual interest rate of 8,59%. The loan is to be redeemed at maturity on 14 March 2024.	3 617	3 617
Unsecured subordinated callable notes to the value of 200 million Malaysian Ringgit (ZAR equivalent of R761 million) were issued during December 2021 at a fixed interest rate of 5,30% with a tenure of 10 years, plus an option to call five years prior to maturity.	761	–
Other	864	797
	9 786	8 507

16.2 Reconciliation of term finance (including interest accrued)

R million	2021	2020
Balance at the beginning of the year	14 195	11 470
Cash movements[1]	568	2 078
New issuances	3 136	3 530
Capital repayment	(1 848)	(664)
Interest paid	(720)	(788)
Non-cash movements[1]	859	647
Net fair value movements	(47)	–
Disposal of subsidiary[1]	–	(252)
Interest expense	868	863
Reclassification to non-current liabilities held for sale	(79)	–
Foreign currency translation differences	117	36
Balance at the end of the year (including interest accruals)	15 622	14 195
Balance comprises		
Term finance	15 116	13 837
Accrued interest (included in trade and other payables)	506	358

[1] Reallocated disposal of subsidiaries line item from cash movements to non-cash movements.

16 Term finance (continued)

16.3 Maturity analysis of term finance

R million	Notes	2021	2020
Maturity analysis of term finance – fair value			
Due within one year		3 605	4 177
Due from one to five years		9 312	9 019
Due after five years		2 199	641
Total term finance liabilities		15 116	13 837
Maturity analysis of term finance – undiscounted			
Due within one year		3 867	4 511
Due from one to five years		9 926	9 269
Due after five years		2 327	641
Total term finance liabilities		16 120	14 421
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	4 544	4 140
Other financial liabilities	16.4.2	10 572	9 697
Total term finance liabilities		15 116	13 837
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss[1]		4 544	4 140
Amount contractually payable at maturity		4 500	4 124
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		10 572	9 697

[1] The unsecured subordinated debt is designated at fair value through profit and loss, as it is managed on a fair value basis.

The valuation is based on a discounted cash flow and classified as a level 3 valuation. Refer to note 33 for additional fair value disclosures.

17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations. Provisions are charged to the Statement of Comprehensive Income in the line item to which it relates.

Details of the different classes of provisions are as follows:

R million	Possible claims	Other	Total
Balance at 1 January 2020	53	470	523
Charged to the Statement of Comprehensive Income	2	48	50
Additional provisions	2	238	240
Unused amounts reversed	–	(190)	(190)
Acquired through business combinations	–	(1)	(1)
Utilised during the year	–	(17)	(17)
Foreign currency translation reserve	2	(33)	(31)
Other	–	(18)	(18)
Balance at 31 December 2020	57	449	506
Charged to the Statement of Comprehensive Income	1	303	304
Additional provisions	1	337	338
Unused amounts reversed	–	(34)	(34)
Utilised during the year	(11)	(95)	(106)
Foreign currency translation reserve	–	(6)	(6)
Reclassification to non-current liabilities held for sale	(28)	(42)	(70)
Balance at 31 December 2021	19	609	628
Analysis of provisions			
Current	4	535	539
Non-current	15	74	89
Total provisions at 31 December 2021	19	609	628

Possible claims

The Group provides for possible claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of these claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Other

Includes sundry provisions for probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

The increase is mainly attributable to provisions made for IT infrastructure commitments.

18 Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes both IFRS 15 revenue and revenue scoped out of IFRS 15. The different sources of revenue are listed below.

Major IFRS 15 revenue sources:

- Income from investment management activities, such as fund management fees, collective investment and linked-product administration fees, commissions, performance fees and other fees;
- Income from capital market activities, such as advisory fees and structuring fees on financing provided; and
- Income from other financial services, such as independent financial advice and trust services.

Major revenue sources not within the scope of IFRS 15:

- Income earned from long-term insurance activities, such as risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from general insurance business, such as general insurance premiums;
- Income from investments held for capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities.

18 Financial services income (continued)

Revenue within the scope of IFRS 15 is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

IFRS 15 revenue disaggregation

Revenue from contracts with customers are disaggregated by geographic location and type of revenue. It is also split per the Group's key reporting segments. Sanlam believes it best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Recognition of different sources of revenue:

Fees for asset management or administration services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered. Related **performance fees** are also recognised over time, however represent variable consideration and therefore recognition is constrained until there is a 'high degree of confidence' that revenue will not be reversed in a subsequent reporting period; this is typically on crystallisation of the fee. Clients' assets are managed on an ongoing basis and if there is an outperformance of a specific benchmark over a certain period, a fee is recouped from the client's account.

Commissions from investment management or administration services in respect of investment contracts are recognised as services are rendered. For IFRS 15 purposes, these commissions are recognised either at a point in time or over time.

Actuarial and risk management fees relates to actuarial billing to clients.

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. The long-term policy contract fee income is recognised as revenue over time as the related services are rendered.

General insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward general reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. For IFRS 15 purposes, these fees are accounted for either over time as the related services are rendered or at a point in time, depending on when the performance obligations are satisfied. The fees are received on the basis of retainer contracts and services are provided on an ongoing (or continuous) basis. The customer therefore simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

Estate fees are recognised at a point in time when the administration of estates are completed.

Trust and fund administration fees are recognised as follows:

- At a point in time: Acceptance fees are recognised when new capital is received, termination fees are recognised when trusts or funds are terminated and income fees are recognised on when the income of a trust is received.
- Over time: Trust and fund management fees are recognised on a monthly basis as a percentage of assets under management. Tax preparation, reporting fees and reference fees from related parties are recognised over time.

R million	2021	2020
Analysis per revenue source		
Long-term insurance	53 513	42 937
General insurance	54 881	53 335
Other financial services	8 493	8 429
Total financial services income	116 887	104 701
Analysis per revenue category		
Long-term insurance fee income	53 513	42 937
Investment management fees	823	627
Risk benefit charges and other fee income[1]	52 690	42 310
General insurance premiums	54 881	53 335
Premiums receivable	56 345	54 739
Tax recovered from cell owners	592	429
Change in unearned premium provision	(2 056)	(1 833)
Other financial services fees and income	8 111	8 080
Trading profit	12	–
Foreign exchange gains	18	2
Fees recovered from third parties	352	347
Total financial services income	116 887	104 701

[1] Includes risk benefit charges, administration services and other fee income.

R million	2021	2020
Segment IFRS 15 revenue from contracts with customers		
Sanlam Life and Savings	7 287	8 358
SA Retail Affluent	5 473	6 580
SA Retail Mass	5	17
Sanlam Corporate	1 809	1 761
Sanlam Emerging Markets	1 066	986
Sanlam Investment Group	6 600	6 572
Santam	352	347
Total IFRS 15 revenue	15 305	16 263

Disaggregation of revenue

According to primary geography

R million	South Africa	Other African operations	Other International	Total
31 December 2021				
IFRS 15 Revenue	10 697	1 097	3 511	15 305
Administration fees	6 722	610	1 342	8 674
Asset management and performance fees	2 538	397	1 695	4 630
Commissions	557	90	454	1 101
Consulting fees	309	–	16	325
Actuarial and risk management fees	238	–	–	238
Trust and estate fees	179	–	–	179
Other	154	–	4	158
Revenue not within the scope of IFRS 15	68 053	29 088	4 441	101 582
Financial services income	78 750	30 185	7 952	116 887
31 December 2020				
IFRS 15 Revenue	11 622	1 016	3 625	16 263
Administration fees	8 131	569	532	9 232
Asset management and performance fees	2 276	361	2 355	4 992
Commissions	472	86	716	1 274
Consulting fees	308	–	20	328
Actuarial and risk management fees	222	–	–	222
Trust and estate fees	136	–	–	136
Other	77	–	2	79
Revenue not within the scope of IFRS 15	51 348	31 216	5 874	88 438
Financial services income	62 970	32 232	9 499	104 701

18 Financial services income (continued)

Disaggregation of revenue (continued)

According to timing of revenue recognition

R million	At a point in time	Over time	Total
31 December 2021			
IFRS 15 Revenue	1 368	13 937	15 305
Administration fees	319	8 355	8 674
Asset management and performance fees	21	4 609	4 630
Commissions	888	213	1 101
Consulting fees	30	295	325
Actuarial and risk management fees	–	238	238
Trust and estate fees	104	75	179
Other	6	152	158
Revenue not within the scope of IFRS 15			101 582
Financial services income			116 887
31 December 2020			
IFRS 15 Revenue	1 470	14 793	16 263
Administration fees	316	8 916	9 232
Asset management and performance fees	5	4 987	4 992
Commissions	1 049	225	1 274
Consulting fees	23	305	328
Actuarial and risk management fees	–	222	222
Trust and estate fees	74	62	136
Other	3	76	79
Revenue not within the scope of IFRS 15			88 438
Financial services income			104 701

19 Reinsurance premiums paid

R million	2021	2020
Long-term insurance	8 058	5 015
General insurance	12 023	13 779
Premiums payable	13 008	14 653
Change in unearned premium provision	(985)	(874)
Total reinsurance premiums paid	20 081	18 794

20 Reinsurance income

R million	2021	2020
Reinsurance commission received		
Long-term insurance	177	125
General insurance	2 638	2 804
Total reinsurance commission received	2 815	2 929
Reinsurance claims received		
Long-term insurance	7 357	2 835
General insurance	12 206	11 104
Total reinsurance claims received	19 563	13 939

21 Expenses, Amortisation and Impairments

21.1 Expenses

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable and incremental to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer to policy statement for DAC asset).

Acquisition cost for general insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the Statement of Comprehensive Income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or general insurance business.

Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. These expenses are included under **leases** and recognised in the Statement of Comprehensive Income.

The following **staff long-term incentive schemes** have been implemented in the Group and have unvested conditions at the reporting date:

In terms of these plans, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting can occur in three tranches over a period starting three years from the grant date and meet specified individual performance hurdles. Group and/or cluster hurdles are also applicable for some of the plans. Refer to the Remuneration Report for information on these plans. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest (as applicable), as well as an assumption on the actual percentage of shares that will be delivered. The fair value of the equity instruments granted on the date of grant is recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

21 Expenses, Amortisation and Impairments (continued)

21.1 Expenses (continued)

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting can occur on predetermined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period, adjusted to reflect expected levels of vesting.

R million	Notes	2021	2020
Auditors' remuneration			
Audit fees: statutory audit		225	223
Other services provided by:		27	28
Subsidiaries' own auditors		21	26
Other Group auditors		6	2
Total auditors' remuneration		252	251
Depreciation			
Owned assets		537	597
Computer equipment		307	315
Furniture, equipment, vehicles and other		206	248
Owner-occupied properties		24	34
Leased assets		495	542
Computer equipment, furniture, equipment, vehicles and other		15	22
Properties		480	520
Leases		177	168
Short term leases		90	75
Leases of low value assets		15	23
Variable lease payments		72	70
Consultancy fees		2 530	2 261
Technical, administrative and secretarial fees		783	718
Employee benefits		14 915	13 591
Salaries and other short-term benefits		13 437	12 096
Pension costs – defined contribution plans		807	803
Pension costs – defined benefit plans		–	27
Share-based payments		496	485
Other long-term incentive schemes		175	180
Number of employees (excluding advisers and associates)		21 180	20 920

21.2 Amortisation

R million	Notes	2021	2020
Amortisation of intangibles		1 248	1 323
Value of business acquired	4.2	983	1 074
Other intangible assets	5	265	249

21.3 Impairments

R million	Notes	2021	2020
Other (reversal of impairments)/impairments		(208)	7 372
Investment in equity-accounted investments	8.2.2 and 25.1	(621)	1 017
Goodwill	4.1 and 32.2.2	390	5 033
Value of business acquired	4.2	–	1 231
Other intangible assets	5	–	17
Equipment	1	–	17
Owner-occupied properties	3	–	41
Other impairments		23	16
Net impairment losses on financial assets		296	1 903
Investments other than equities and similar securities, equity-accounted investments and properties	8.3.2	(31)	1 256
Trade and other receivables	11.1	325	397
Working capital cash	35	2	250

22 Finance cost

R million	2021	2020
Finance costs are recognised as an expense in the Statement of Comprehensive Income on an accrual basis.		
Interest paid and term finance cost in respect of margin business	249	216
Finance cost – margin business	249	216
Interest-bearing liabilities designated as at fair value through profit or loss	373	362
Interest-bearing liabilities held at amortised cost	246	285
Lease liabilities at amortised cost	144	188
Finance cost – other	763	835

23 Earnings per share

For **basic earnings per share** the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries (including Sanlam Share Account Nominee Pty Ltd (SSA)), consolidated investment funds, policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For **diluted earnings per share** the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries (including SSA), consolidated investment vehicles (including the B-BBEE SPV) and policyholders. The shares held by the B-BBEE SPV is seen as an option for dilutive earnings per share purposes that will have an impact on the dilution as the Sanlam share price increases. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Cents	2021	Restated[1] 2020
Basic earnings per share:		
Headline earnings[1]	438,4	344,5
Profit attributable to shareholders' fund[1]	459,4	34,6
Diluted earnings per share:		
Headline earnings[1]	433,0	340,3
Profit attributable to shareholders' fund[1]	453,7	34,2

R million	2021	Restated[1] 2020
Analysis of earnings:		
Profit attributable to shareholders' fund[1]	9 473	718
Less: Net profit on disposal of subsidiaries and associated companies	(222)	(26)
Profit on disposal of subsidiaries	(227)	(27)
Tax on profit on disposal of subsidiaries	5	–
Non-controlling interest	–	1
Less: Net profit on disposal of associated companies	(7)	(259)
Profit on disposal of associated companies	(6)	(258)
Non-controlling interest	(1)	(1)
Less: Equity-accounted non-headline earnings	8	4
Plus: Impairments	(211)	6 667
Gross Impairments	(209)	7 300
Tax on impairment	–	(318)
Non-controlling interest	(2)	(315)
Headline earnings[1]	9 041	7 104

[1] Prior year restated for hyperinflation. Refer to note 36.1 for additional information.

23 Earnings per share (continued)

Million	2021	2020
Number of shares:		
Weighted number of ordinary shares in issue	2 226,9	2 265,7
Less: Weighted Sanlam shares held by subsidiaries and consolidated vehicles (including policyholders and B-BBEE SPV)	(164,8)	(203,7)
Adjusted weighted average number of shares for basic earnings per share	2 062,1	2 062,0
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	25,7	25,8
Adjusted weighted average number of shares for diluted earnings per share	2 087,8	2 087,8

24 Collateral

24.1 Collateral provided

R million	2021	2020
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments	499	505
Interest-bearing investments	86	213
Cash, deposits and similar securities	413	292
Working capital assets	219	1 363
Trading account	219	544
Cash, deposits and similar securities	–	819
Other	–	43
The transferee does not have the right to sell or repledge the assets.		

24.2 Collateral received

R million	2021	2020[1]
The Group is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government interest bearing investments to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent. Scrip lending agreements are governed by Global Master Securities Lending Agreement (GMSLA). The main risk in scrip lending activities is the risk of default by the borrower of securities, i.e. the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees. The following collateral has been received in respect of securities lending activities conducted by the Group.		
Fair value of collateral accepted as security for these activities:	13 983	6 173
Carrying value of scrip on loan:	12 537	5 442
Collateral of between 100% (2020: 100%) and 120% (2020: 120%) of the value of the loaned securities is held at 31 December 2021.		
Fair value of collateral accepted as security for credit facilities provided to clients: Sanlam has the legal right to liquidate the collaterised securities if the loan reaches a level of 70% of the value of these securities.	7 378	5 235
Fair value of other collateral received relates to preference share investments of the margin business which the Group is permitted to sell only in the case of default.	5 562	5 249
Carrying value of the related preference share investments		
Collateral (mainly equity securities) of between 140% (2020: 140%) and 250% (2020: 260%) of the value of the preference share investments is held at 31 December 2021.	3 213	3 177
Fair value of the collateral held that the Group is permitted to sell or repledge internally in the absence of default.	784	692
Fair value of collateral held that the Group is not permitted to sell or repledge (including cash margins)[1]	1 758	1 510
Fair value of collateral sold or repledged	540	476
This relates to shares pledged as security for loans granted. The borrower has to maintain a certain minimum loan cover ratio and has to post cash margin or additional shares if the ratio drops below the agreed minimum. Sanlam is allowed to place some of these shares as collateral for other securities. There are however also collateral placed in terms of loans granted that is not allowed to be sold or repledged.		

[1] Prior year disclosure have been aligned with the current year. This had no impact on the Statements of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow or Statement of Changes in Equity for the current or prior year.

25 Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions while other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 193 for additional information.

25.1 Impairment of goodwill, value of business acquired and other assets

The recoverable amount of goodwill, value of business acquired (non-insurance related) and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. Impairment testing in respect of insurance related value of business acquired forms part of the liability adequacy test of insurance liabilities. For life businesses the recoverable amount is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For non-life businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

Notes to the Group financial statements continued

25 Critical accounting estimates and judgements (continued)

25.1 Impairment of goodwill, value of business acquired and other assets (continued)

Refer to pages 221 to 223 respectively for the main assumptions applied in determining the embedded value of covered business and the value in use of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 219 and 220 respectively.

25.1.1 San JV (previously known as Saham Finances Group)

The consolidated carrying value of San JV comprise of net asset value (NAV), value of business acquired (VOBA) and goodwill. San JV holds 100% of the formerly known Saham Finances Group (Saham). The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value.

Changes to Saham's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows as well impairment test performed as part of the liability adequacy test, affect the carrying value through VOBA.

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

The rand weakened against most currencies in the portfolio, most notably against the Morocco Dirham by some 4,4%. The recoverable amount increased in Morocco Dirham terms by 6,3%.

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

Premium growth has outperformed the valuation assumptions since 2020 but at a lower than expected margin. Although the environment remains uncertain and the emergence of new COVID-19 variants can still impact the recovery significantly, the outlook is more positive than a year ago. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on the investments backing the policyholder liabilities. On aggregate, the non-life portfolio's risk discount rates increased in line with the US risk free yield. This rate is used as a starting point in the determination of local country risk adjusted risk free rates. The good value of new business (VNB) performance during 2021 has increased the future VNB expectation. A higher risk adjusted discount rate reflects the higher VNB expectation.

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

	Non-life		Life	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Weighted average local discount rate[(1)]	11,4%	11,0%	14,2%	11,6%
Weighted average perpetuity growth rate	5,4%	5,7%	6,1%	4,9%
VNB multiples	n/a	n/a	10,0 – 16,9	10,0 – 16,3
Revenue: compounded annual growth rate (range of values over the 10 years)	6,6% – 10,9%	6,3% – 8,9%	n/a	n/a
Net insurance result margin[(2)]	9,6% – 17,3%	11,0% – 17,0%	n/a	n/a

(1) It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the rand is expected to increase this return over time.
(2) Expressed as a percentage of net earned premiums.

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and non-life cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and GDP growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the prior year amounted to R6 560 million, reduced by the utilisation of the hedge reserve of R855 million. Utilisation of hedge reserve previously capitalised represents a decrease in the goodwill value as a result of the hedge applied at a Sanlam Limited level on acquisition.

R million	Non-life	Life	Lebanon	Total
31 December 2021				
Value in use	19 697	2 955	–	22 652
Carrying value	17 918	2 472	–	20 390
Excess over carrying value	1 779	483	–	2 262
Gross impairment previously reported	(4 327)	(502)	(1 731)	(6 560)

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on the Sanlam Group's holding. The total value in use of the businesses comprises the embedded value of R1 702 million and the value of new business of R1 366 million of which the sensitivities are provided below.

1. Embedded value sensitivity analysis

R million	Embedded value	Change
Base value	1 702	
Risk discount rate increase by 1%	1 648	(3,13%)

2. Value of new business sensitivity analysis

R million	Present value of future new business	Change
Base value	1 366	
Risk discount rate increase by 1%	1 247	(8,76%)

25.1.2 Shriram Capital (Sanlam Emerging Markets)

In local currency, the valuation of the recoverable amount of Shriram Transport Finance Company (STFC) and Shriram Capital increased since December 2020. The weakening of the Rand against the Indian Rupee increased the valuation by a further 6,8%.

The Indian economy continues to recover from the impact of COVID-19. Sanlam Emerging Markets has a direct investment in STFC and indirect investments in both STFC and Shriram City Union Finance (SCUF), via Shriram Capital. The economic recovery contributed to the improvement in both disbursements and collections for STFC and SCUF. This supported a strong recovery of the listed share prices for both businesses. The emergence of the Omicron variant during late 2021 has highlighted the high level of uncertainty that remains. As a result, the short to medium term outlook for STFC and SCUF remains susceptible to a deteriorating economic environment in which its customer base, who are typically small business owners, operate.

The recovery since 31 December 2020 has outperformed the valuation assumption in terms of the recoverable amount. It resulted in a reversal of impairment which amounts to R672 million in respect of Shriram Capital.

	31 December 2021		31 December 2020	
R million	STFC	Shriram Capital	STFC	Shriram Capital
Value in use	1 955	9 864	1 571	7 671
Carrying value	1 962	8 899	1 702	8 343
Gross impairment	(7)	–	(131)	(672)
Reversal of impairment	–	672	–	–
Key assumptions in determining the value in use for cash generating units:				
Weighted average local discount rate	13,4%	14,0%	13,6%	14,4%
Weighted average perpetuity growth rate	8,6%	8,7%	9,0%	8,9%
Aggregate growth rate[(1)]	6,8% – 12,0%	1,1% – 13,4%	4,0% – 15,0%	-0,1% – 13,7%

(1) Aggregate growth rate refers to aggregate compound growth rate of the loan book for the credit businesses and gross written premium growth for non-life.

Refer to note 5.2 of the Shareholders' information section for sensitivity analysis iro Shriram non-life businesses. Life comprise approximately 10% of the total value in use.

25 Critical accounting estimates and judgements (continued)

25.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 65 to 67.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by actuarial guidance notes.
- Discretionary margins may be applied as required by the valuation methodology or if the Head of Actuarial function considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

Expected investment return %	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia		Sanlam Life and Pensions UK[2]	
	2021	2020	2021	2020	2021	2020	2021	2020
Individual stable bonus business								
Retirement annuity business	11,5	10,8	17,8	7,5	9,7	10,8	n/a	n/a
Individual policyholder business	9,3	8,7	13,8	5,8	8,3	10,1	n/a	n/a
Non-taxable business	11,5	10,8	n/a	n/a	9,7	10,8	n/a	n/a
Corporate policyholder business	8,6	8,1	n/a	n/a	8,3	10,1	n/a	n/a
Individual market-related business								
Retirement annuity business	11,8	11,1	17,8	7,5	10,0	11,1	n/a	n/a
Individual policyholder business	9,6	9,1	13,8	5,8	8,7	10,4	n/a	n/a
Non-taxable business	11,8	11,1	n/a	n/a	10,0	11,1	n/a	n/a
Corporate policyholder business	9,0	8,4	n/a	n/a	8,7	10,4	n/a	n/a
Participating annuity business	10,3	9,6	n/a	n/a	9,1	9,2	n/a	n/a
Non-participating annuity business[1]	10,6	10,7	20,3	11,1	10,0	9,3	1,0	1,0
Guarantee plans[1]	5,4	4,6	5,3	7,2	n/a	n/a	n/a	n/a

[1] The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.

[2] Sanlam Life and Pensions UK is held for sale.

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regard to future mortality, disability and disability payment termination are consistent with the experience for the 4,5 years up to 30 June 2020. The effect of the COVID-19 pandemic experienced during this period was however excluded. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender, lapse and paid-up rates are based on the experience for the 4,75 years ending 30 September 2021.

Expenses

Unit expenses are based on 31 October 2021 actual figures plus estimates for the last two months of the year (adjusted for significant differences from actual) and escalated at assumed expense inflation rates per annum.

Refer to note 2 on page 219 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

25.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2020: 10%) from management's estimates, no impairment of the DAC asset would be required.

25.4 The ultimate liability arising from claims under general insurance contracts

The estimation of the ultimate liability arising from claims under general insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its general insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 16 for further information on the estimation of the claims liability. In addition, refer below to Santam's specific COVID-19-related claim estimates:

Insurance liability estimates

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2021. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible.

Judgement is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the Group's exposure to CBI claims. There remains, however, uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities

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

Reinsurance assets

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

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

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

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the Group, consideration should be applied to the ultimate net impact.

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

A sensitivity analysis on the unsettled claims within the net CBI provision of R2.55 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 6% (2020: 30%). A 10% negative movement in the assumptions used would result in an increase in the net provision of 6% (2020: 31%).

25 Critical accounting estimates and judgements (continued)

25.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period.

Refer to note 33 for additional information.

25.6 Consolidation of investment funds

The Group invests in a number of investment funds and has varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

25.7 Deferred tax assets

During 2016, changes to the South Africa insurance tax legislation gave rise to a change in the probability and timing of utilisations of historic losses in certain tax funds. As a result, management determined that it is now probable that these losses will be utilised and therefore that a deferred tax asset should be raised. In determining the extent to which these losses should be recognised, management forecast future profits, including the impact of new business, where applicable, as well as other business decisions that may affect future profits. Changes in these assumptions, as well as decisions made by the Group in future may affect the extent to which these losses are utilised.

25.8 Financial assets: Impairment

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

Refer to Investments note 8.3.2, Trade receivable note 11.1 and Working capital cash note 35.

25.9 Foreign operation currencies and hyperinflation

Statement of Comprehensive Income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency, are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill, intangible assets and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post acquisition equity is translated at the rates prevailing when the change in equity occurred.

To the contrary, when the foreign operation's functional currency is the currency of a hyperinflationary economy, both the Statement of Comprehensive Income items and the assets and liabilities are translated at the prevailing closing rate. During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. As at 31 December 2020, the official Lebanese pound (LBP) rate of LBP1 507/$ was applied to entities with LBP as functional currency. Subsequent to 31 December 2020, the utilisation of the official rate has been reconsidered due to lack of exchangeability of LBP with other currencies which is not regarded as temporary. Sanlam has reconsidered the rate, and has applied an estimated rate of LBP22 700/$ which is viewed as more appropriately reflecting the current prevailing economic conditions of Lebanon and is a rate which has been sanctioned by the Lebanese Central Bank as a rate at which orderly transactions between market participants have been executed.

26 Retirement benefits for employees

Retirement benefits for employees are provided by a number of defined benefit and defined contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

Defined benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined-contribution plans

Group contributions to the defined-contribution funds are charged against the Statement of Comprehensive Income in the year incurred.

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

At 31 December 2021, 100% (2020: 100%) of employees were covered by defined contribution funds and none by defined benefit funds.

26.1 Defined contribution pension funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R807 million to these funds during 2021 (2020: R803 million).

26.2 Defined benefit pension funds

The Sanlam Group has two defined benefit pension funds. These funds relate to:

- Sanlam Investments and Pensions; and
- Sanlam Developing Markets defined benefit fund SA.

Boards of Trustees oversee the affairs of the other defined benefit funds as required by the relevant legislation. The responsibilities of the Trustees are defined in these regulations. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the funds' pension increase policies are required to ensure that the funds are always financially sound.

Both the Sanlam Investments and Pensions as well as Sanlam Developing Markets SA funds were in materially sound positions at 31 December 2021.

Principal actuarial assumptions:		**Sanlam Investments and Pensions**[1]	**Sanlam Developing Markets SA**
2021			
Valuation date		31 December	31 December
Pre-retirement discount rate	% pa	1,8%	10,8%
Post-retirement discount rate	% pa	1,8%	5,5%
Future pension increases	% pa	3,0%	5,0%
Actual experience:			
Actual return on assets	% pa	(1,3%)	0,0%
2020			
Valuation date		31 December	31 December
Pre-retirement discount rate	% pa	1,2%	11,0%
Post-retirement discount rate	% pa	1,2%	5,0%
Future pension increases	% pa	2,7%	5,0%
Actual experience:			
Actual return on assets	% pa	(1,6%)	6,7%

[1] Sanlam Life and Pensions UK is held for sale.

26 Retirement benefits for employees (continued)

26.2 Defined benefit pension funds (continued)

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	2021	2020	2019	2018	2017
Net liability recognised in Statement of Financial Position:					
Actuarial value of fund asset	1 442	1 371	1 144	1 741	1 779
Present value of fund obligations	(1 271)	(1 330)	(1 071)	(1 740)	(1 774)
Net present value of funded assets	171	41	73	1	5
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	(171)	(41)	(73)	(1)	(5)
Net asset recognised in Statement of Financial Position	–	–	–	–	–

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2021				
Balance at beginning of the year	1 371	(1 330)	(41)	–
Contributions				
Employer	28	–	–	28
Benefit payments	(24)	34	–	10
Interest income/(expense)	24	(25)	–	(1)
Actuarial gains and losses: change in financial assumptions	(14)	137	–	123
Returns from plan assets (excluding amounts included in interest)	(32)	–	–	(32)
Foreign exchange gains and (losses)	97	(87)	–	10
Effect of limiting defined benefit asset to amount available to employer	–	–	(130)	(130)
Other	(8)	–	–	(8)
Balance at end of the year	1 442	(1 271)	(171)	–
2020				
Balance at beginning of the year	1 144	(1 071)	(73)	–
Contributions				
Employer	42	–	–	42
Benefit payments	(30)	33	–	3
Interest income/(expense)	33	(31)	(2)	–
Actuarial gains and losses: change in financial assumptions	(19)	(185)	–	(204)
Returns from plan assets (excluding amounts included in interest)	126	–	–	126
Foreign exchange gains and (losses)	81	(76)	–	5
Effect of limiting defined benefit asset to amount available to employer	–	–	34	34
Other	(6)	–	–	(6)
Balance at end of the year	1 371	(1 330)	(41)	–

	2021 R million	2020 R million	2021 %	2020 %
Fund assets comprise:				
Equities and similar securities	362	204	25%	15%
Interest-bearing investments	960	1 060	66%	76%
Cash, deposits and similar securities	34	17	3%	2%
Insurance policy	86	90	6%	7%
	1 442	1 371	100%	100%

The above value of fund assets includes an investment of Rnil (2020: Rnil) in Sanlam Shares.

R million	2021	2020
Net expense recognised in the Statement of Comprehensive Income (included in administration costs):		
Other	8	–
Total included in staff costs	8	–
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
Due within one year	(20)	(702)
Due from one to five years	(46)	(8)
Due after five years	(1 205)	(620)
Total expected payments	(1 271)	(1 330)

26.3 Medical aid funds

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

27 Borrowing powers

In terms of the Memorandum of Incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

28 Commitments and contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group Statement of Financial Position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group Statement of Financial Position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

28.1 Leasing commitments

R million	2021	2020
Future lease commitments:		
Lease rentals due within one year	29	42
Lease rentals due from one to five years	110	108
Lease rentals due after five years	77	94
Total lease commitments	216	244

Amounts reflected in lease commitments relate to short term leases, low value assets leases and well as variable lease payments.

28.2 Guarantees provided in favour of SanFin (previously referred to as Sanlam Capital Markets) and others

28.2.1 Sanlam has guaranteed obligations that may arise under SanFin's unlisted commercial paper programme, as well as SanFin's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R20 billion, but both these and the direct guarantees are subject to an overall R7 billion guarantee utilisation limit in terms of the Group governance processes. At 31 December 2021 the utilisation of guarantees by SanFin amounted to R4,2 billion (2020: R4,3 billion).

28.2.2 Sanlam Emerging Markets (Pty) Limited has provided a performance guarantee facility to third parties in respect of the business operations of Letshego Holdings, which is subject to an overall limit of R500 million in terms of the Group's governance processes. The loans were repaid at the end of September 2021 and the guarantee has been cancelled subsequently (2020: R25,8 million).

28.2.3 Sanlam has provided security to third parties in respect of the preference share business subject to and within the overall approved limit of R13 billion (2020: R10 billion).

28.2.4 Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

28.2.5 Sanlam Life Insurance Limited has approved a guarantee facility, in March 2018 in respect of the distribution agreement between Sanlam Life and Savings and Capitec, which has been launched during 2018. The facility is subject to an internal limit of R500 million. Performance guarantees with the sum of R312 million (2020: R337 million) have been issued in respect of the sales up to 31 December 2021.

28 Commitments and contingencies (continued)

28.2 Guarantees provided in favour of SanFin (previously referred to as Sanlam Capital Markets) and others (continued)

28.2.6 Sanlam Limited irrevocably and unconditionally guarantees to the noteholders of the recent approved Sanlam Life Insurance Limited's R2 billion unsecured unsubordinated notes under its R6 billion programme, the due and punctual performance of all obligations arising under the programme. Refer to note 16 for additional information.

28.2.7 During 2020 Sanlam Emerging Markets Proprietary Limited (SEM) entered into a performance guarantee agreement with Stanbic Bank Kenya Limited (Stanbic Kenya) for a revolving credit facility to be provided to Sanlam Kenya PLC (Sanlam Kenya), to an aggregate limit of approximately KES3 billion (circa R422 million) (SEM Guarantee). Sanlam Limited will be providing an irrevocable guarantee to Stanbic Kenya for the due performance by SEM of its obligations to Sanlam Kenya in terms of the SEM Guarantee. The facility has been utilised in full during 2021.

28.2.8 Sanlam Pan Africa (previously Saham Finances S.A.) issued a five-year guarantee of up to R500 million to the Bank of Africa in respect of Colina business operations which has expired in April 2021. Another guarantee of R413 million which expires 31 December 2025 has been entered into during December 2020 and has been fully utilised during 2021.

28.2.9 Guarantee to the trustees of Merchant Investors Staff Pension Scheme Trustees Limited for the due performance of its guaranteed obligations by Sanlam's wholly owned subsidiary, Sanlam Investments Holdings UK Limited, limited to a maximum of GBP 18 million (circa R390 million).

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 17). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates.

There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

28.3 Litigation, disputes and investigations

The Group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the Group's financial position. Refer to note 25.4 for details relating to CBI claims.

29 Related parties

29.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its relationship with Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' (UBI) role as the Group's Broad-Based Black Economic Empowerment (B-BBEE) partner and jointly pursuing investments in complimentary financial services businesses, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business. During 2017, the Group provided preference share funding of R500 million (carrying value at 31 December 2021: R644 million and 31 December 2020: R 613 million) to a Special Purpose Vehicle (SPV) co-owned by UBI and the Sanlam Ubuntu-Botho Community Development Trust on arms' length terms. Refer to note 24 for additional information. The preference shares are redeemable after 10 years, carry a dividend rate of 72,5% of the prime lending rate and are secured by Sanlam shares at a minimum of 1,25 times cover ratio. The preference shares will participate in 10% of the net asset value of the SPV at the time of redemption.

During 2019, Sanlam Limited issued 111 349 000 shares at a price of R70 per share to a new B-BBEE SPV. The shares were issued at a price of R70 per share, representing a discount of some 10% to the three-day volume-weighted average price (VWAP) at the time. Sanlam provided vendor funding to the amount of R3,7 billion to the B-BBEE entity. Sanlam's empowerment partner, Ubuntu Botho (UBI) and Sanlam Ubuntu-Botho Community Development Trust participate in 20% of the B-BBEE SPV and five other targeted beneficiary groups sharing the remaining 80%. A one-off expense of R1,686 billion was recognised in terms of International Financial Reporting Standards (IFRS) 2 Share-Based Payment in respect of the B-BBEE share issuance.

African Rainbow Capital Financial Services Holdings (Pty) Ltd (ARC FS), has purchased 25% of the shares in Sanlam Investment Holdings Capital (Pty) Ltd (a new investment company that holds the 3rd party asset management business of Sanlam Investment Holdings (SIH)) of which will give it an effective economic interest of 25% in SIH. The effective date of the transaction was 7 December 2020 and the purchase price amounted to R817 million. Approximately 80% of the purchase price was settled by utilising a portion of the preference share facility made available to UBI, which was approved by Shareholders in December 2018. The transaction will support Sanlam to grow and enhance its position in this important market, whilst also building on the Sanlam philosophy of mutually beneficial partnerships in pursuit of shareholder value creation. ARC FS is owned 50,1% by African Rainbow Capital (Pty) Ltd (ARC) and 49,9% by the ARC Fund. ARC is a wholly-owned subsidiary of UBI which is, a material shareholder in Sanlam and accordingly deemed a related party.

The suspensive conditions in respect of a transaction between Sanlam and African Rainbow Capital Financial Services Holdings (Pty) Ltd (ARC FS), for Sanlam Life Insurance Limited to acquire a 25% non-controlling shareholding in a wholly owned subsidiary of ARC FS, ARC Financial Services Investments Proprietary Limited, have been fulfilled and have become unconditional with an effective date of 30 April 2021. The final purchase price for the transaction is R754 million, which is based on the original approximate purchase price of R739 million, rolled forward to the effective date at the funding rate applicable to the Ubuntu-Botho Facility (85% of the prime interest rate). As at the effective date, the fair value of the 25% acquired is R824 million, which implies negative goodwill. A gain of R70 million has been included in Sanlam's share of associate's profit or loss during the current reporting period. The difference between the purchase price and the fair value on the effective date is mainly attributable to the movement in the fair values of the underlying assets. Sanlam Life is now a 25% non-controlling shareholder of ARC Financial Services Investments Proprietary Limited with ARC FS retaining the majority 75% shareholding. ARC FS is owned 50,1% by African Rainbow Capital Pty Ltd (ARC) and 49,9% by the ARC Fund. ARC is a wholly owned subsidiary of UBI which is a material shareholder in Sanlam and accordingly deemed a related party.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

29.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R807 million in 2021 (2020: R845 million).

The trustees of the Sanlam Office Personnel Fund insured the pension fund obligations through a policy with Sanlam Life Insurance Limited during 2017 (refer to note 26).

29.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 21 and their shareholdings and share participation in the Company are disclosed as part of the Remuneration Report.

29.4 Transactions with entities in the Group

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders.

Included in note 8.3.2 under Corporate interest-bearing investment is R804 million (2020: R1 016 million) which relates to the corporate interest-bearing investments in Bank Windhoek Limited and Letshego Holdings Limited.

The Group provides financing for the loans granted to Sanlam Personal Loans. The carrying value of these loans amounts to R3 510 million. Most of these loans earn interest of the asset swap rate plus a premium of between 1,4% and 1,92% and will mature in tranches over a period of 3 years up to 30 November 2023.

Sanlam authorised funding of up to R2 billion to Sanlam Private Wealth (SPW) to facilitate funding for equity-backed loans provided to SPW clients. Utilisation at 31 December 2021 amounted to R1 293 million (2020: R906 million).

29.5 Policy administration

Certain companies in the Group carry out third-party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business. Policies held by key management personnel are not viewed as material.

29.6 Key management personnel compensation

R million	2021	2020
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	826	959
Share-based payments[1]	128	153
Termination benefits	4	6
Other long-term benefits and incentive schemes	55	56
Total key management personnel compensation	1 013	1 174

[1] Consists of redemption of shares in respect of share-based payment schemes.

Notes to the Group financial statements continued

30 Notes to the cash flow statement

30.1 Cash utilised in operations

R million	Notes	2021	Restated[1][2] 2020
Profit before tax per Statement of Comprehensive Income[1]		17 502	5 207
Net movement in policy liabilities	15.1	75 774	24 446
Non-cash flow items[1]		(68 174)	(458)
Depreciation		1 032	1 139
Bad debts written off		140	171
Share-based payments		506	506
Profit on disposal of subsidiaries and associates		(234)	(285)
Fair value adjustments and change in external investors' liability		(68 716)	(10 716)
Net monetary loss (hyperinflation)[1]		2	697
Impairment of investments and goodwill		88	9 275
Amortisation of intangibles		1 248	1 323
Equity-accounted earnings		(2 240)	(2 568)
Items excluded from cash utilised in operations		(29 728)	(29 633)
Interest and preference share dividends received		(18 486)	(18 326)
Interest paid		1 012	1 051
Dividends received		(12 254)	(12 358)
Net acquisition of investments[2]		(13 125)	(18 284)
Increase in net working capital assets and liabilities		2 252	547
Cash utilised in operations[2]		(15 499)	(18 175)

[1] Prior year restated for hyperinflation. Refer to note 36.1 for additional information.

[2] Prior year restated for the treatment of the reinvestment from distributions received from investment funds as non-cash. Refer to note 36.3 for additional information.

30.2 Acquisition of subsidiaries and associated companies

R million	2021	2020
During the year, various interests in subsidiaries were acquired within the Group.		
The fair value of assets acquired via business combinations is as follows:		
Equipment	–	(36)
Owner-occupied properties	–	(77)
Goodwill	(36)	(1 001)
Other Intangible assets	(106)	(12)
Deferred acquisition cost	–	(8)
Long-term reinsurance assets	–	(50)
Investments	–	(5 436)
General insurance technical assets	–	(138)
Trade and other receivables	–	(97)
Cash, deposits and similar securities	–	(140)
Long-term policy liabilities	–	4 577
Deferred tax liabilities	–	12
General insurance technical provisions	–	251
Working capital liabilities	–	395
Non-controlling interest	–	(72)
Total purchase consideration (including hedge adjustment)	(142)	(1 832)
Less: Previously held interest at fair value	–	548
Cash element consideration	(142)	(1 284)
Less: Cash, deposits and similar securities acquired	–	140
Less: Contingent liability	49	–
Cash component of acquisition of subsidiaries and associated companies	(93)	(1 144)

30.3 Disposal of subsidiaries and associated companies

R million	2021	2020
During the year, various interests in subsidiaries were disposed of within the Group.		
Investments in associated companies	3	–
The fair value of assets disposed of were as follows:		
Equipment	1	38
Owner-occupied properties	–	4
Goodwill	46	14
Other intangible assets	3	11
Deferred acquisition costs	–	13
Investments	–	178
General insurance technical assets	–	90
Deferred tax assets	1	–
Non-current assets held for sale	2 301	–
Trade and other receivables	34	105
Cash, deposits and similar securities	11	185
Term finance	–	(50)
Non-current liabilities held for sale	(441)	–
General insurance technical provisions	–	(226)
Working capital liabilities	(7)	(300)
Non-controlling interest	(653)	(111)
Loss/profit on disposal of subsidiaries and associates	234	285
Total disposal price	1 533	236
Less: Cash and cash equivalents disposed of	(9)	(185)
Less: Deemed disposal adjustment	(41)	–
Cash component of disposal of subsidiaries and associated companies	1 483	51

30.4 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

R million	Notes	2021	2020
Working capital: Cash and cash equivalents	35.1	27 701	30 094
Investment cash	8.3.2	39 175	44 983
Bank overdrafts	11.2	(1 153)	(848)
Total cash, deposits and similar securities – as per the Statement of Financial Position		65 723	74 229
Less: Investment cash with original maturities of greater than 3 months		(19 227)	(25 819)
Plus: Cash, deposits and similar securities included in non-current assets held for sale		3 582	–
Total cash, deposits and similar securities – as per Statement of Cash Flow		50 078	48 410

Included in cash and cash equivalents are restricted cash balances of R4 847 million (2020: R3 435 million) relating mainly to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchange traded derivatives.

30.5 Non-cash transactions

Interest and dividend income in respect of investment funds to the amount of R3 044 million (2020: R3 007 million) and R1 367 million (2020: R1 686 million) were reinvested. Both of these transactions represent non-cash transactions and also affected the "Net acquisition of investments" in note 30.1 above.

31 Business combinations

There were no material acquisitions during the 2021 financial year.

32 Disposal groups and assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5: Non-current Assets Held For Sale and Discontinued Operations, in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Below is a summary of non-current assets and disposal groups held for sale:

R million	Segment	Valuation methodology	Fair value hierarchy	Note	Non-current assets held for sale	Non-current liabilities held for sale	Net
31 December 2021							
Assets					582	–	582
Investment properties	Sanlam Life and Savings	Fair value	Level 3	32.1	539	–	539
	Sanlam Emerging Markets	Fair value	Level 3	32.1	43	–	43
Disposal groups					80 804	(78 700)	2 104
Sanlam Life and Pensions UK	Sanlam Investments Group	Fair value less costs to sell	Level 3	32.2.2	78 325	(77 857)	468
Sanlam UK Wealth Management operations	Sanlam Investments Group	Carrying value	n/a	32.2.3	1 690	(277)	1 413
NSIA Participation (NSIA)	Sanlam Emerging Markets	Carrying value	n/a	32.2.4	789	(566)	223
Total					81 386	(78 700)	2 686
31 December 2020							
Assets							
Investment properties	Sanlam Emerging Markets	Fair value	Level 3	32.1	31	–	31
Disposal groups							
Nucleus	Sanlam Investments Group	Carrying value	n/a	32.2.1	2 187	(454)	1 733
Total					2 218	(454)	1 764

32.1 Investment Properties

During 2021, the Sanlam Property Committee approved the sale of 4 South African properties. Potential buyers for all 4 properties have been identified and the purchase price is equivalent to the valuation price performed by an independent valuer. The sale and purchase agreements had been initiated. The sale is expected to be finalised during 2022.

The Sanlam Emerging Markets properties relates to MCIS and Kenya properties still in the process of finding potential buyers.

32.2 Disposal groups

32.2.1 Nucleus

The deal has been concluded.

32.2.2 Sanlam Life and Pensions UK

Sanlam Life and Pensions (SLP) was reclassified as a disposal group held for sale at 30 June 2021 following the Sanlam Board decision to sell the investment. As announced on 13 September 2021, an agreement has been reached on the terms for the sale of the issued share capital of Sanlam Life and Pensions UK Limited (SLP) for a consideration of GBP 39 million to Chesnara Plc. Conditions precedent to the transaction include regulatory approvals in South African and the UK. Furthermore, the asset management of SLP's assets will be retained with Sanlam Investments UK Ltd. Following the fulfilment of the conditions precedent, the effective date of the transaction is expected to occur during the first quarter of 2022.

An impairment test was conducted prior to the reclassification as a disposal group which resulted in the impairment of the historic Goodwill recognised on this investment of R356 million (included in Other impairment in the Statement of Comprehensive Income).

As at 31 December 2021, no further adjustments in accordance with IFRS 5 subsequent measurement is required as the carrying value after the Goodwill impairment is lower than the fair value less costs to sell in accordance with IAS 36 – *Impairment of assets*. The expected proceeds are in line with the fair value less costs to sell.

Sanlam UK also consolidate IFRS 10 vehicles where SLP holds more than 20% of the funds' units. Once SLP's transaction is effective and thus not consolidated, the funds will not be consolidated by Sanlam UK anymore as they will be considered as external funds, although Sanlam Investments UK will remain the management company. These funds are also considered to be held for sale and as a result the assets and liabilities were also reclassified to non-current assets and liabilities held for sale respectively.

32 Disposal groups and assets classified as held for sale (continued)

32.2 Disposal groups (continued)

32.2.2 Sanlam Life and Pensions UK (continued)

Financial information relating to the disposal group for the period is set out below:

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal groups held for sale as at 31 December 2021 (excluding IFRS 10 vehicles and intercompany receivables of R276 million and payables of R17 million with other subsidiaries within the Group):

R million	2021
Assets of disposal group classified as held for sale:	
Equipment	1
Long-term reinsurance assets	24
Investments	64 650
Properties	1 736
Equities and similar securities	2 188
Interest-bearing investments	2 065
Investment funds	57 031
Cash, deposits and similar securities	1 630
Working capital assets	513
Trade and other receivables	125
Cash, deposits and similar securities	388
Total assets	65 188
Liabilities of disposal groups classified as held for sale	
Long-term policy liabilities	63 790
Term finance	75
Deferred tax liability	447
Working capital liabilities	408
Trade and other payables	270
Provisions	64
Taxation	74
Total liabilities	64 720

The following consolidated IFRS 10 vehicles assets and liabilities were reclassified as held for sale at 31 December 2021.

R million	2021
Assets of disposal group classified as held for sale:	
Investments	13 073
Equities and similar securities	11 987
Interest-bearing investments	16 666
Investment funds (including the elimination of SLP's investment in consolidated IFRS 10 vehicles)	(16 465)
Cash, deposits and similar securities	885
Working capital assets	
Trade and other receivables	64
Total assets	13 137
Liabilities of disposal groups classified as held for sale	
External investors in consolidated funds	13 085
Working capital liabilities	
Trade and other payables	52
Total liabilities	13 137

32.2.3 Sanlam UK Wealth Management operations

Sanlam Private Investments and Sanlam Wealth Planning and their subsidiaries have been reclassified as a disposal group held for sale at 31 October 2021 following the Sanlam Board decision to sell the investment. As announced on 20 September 2021, an agreement has been reached with Oaktree Capital Management on the terms for the sale of the issued share capital of Sanlam Private Investments and Sanlam Wealth Planning Holdings for a consideration of GBP 140 million. Conditions precedent to the transaction include regulatory approvals in South Africa and the UK. Following the fulfilment of the conditions precedent, the effective date of the transaction is expected to occur during the first quarter of 2022.

An impairment test was conducted prior to the reclassification as a disposal group. The recoverable amount (higher of fair value less costs to sell and value in use) is significantly higher than the carrying value and as a result no impairment was recorded.

Financial information relating to the disposal group for the period is set out below:

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal groups held for sale as at 31 December 2021.

R million	2021
Assets of disposal group classified as held for sale:	
Equipment	22
Goodwill	564
Value of business acquired	457
Other intangible assets	8
Deferred tax asset	2
Investments	4
Equities and similar securities	4
Working capital assets	633
Trade and other receivables	337
Cash, deposits and similar securities	296
Total assets	1 690
Liabilities of disposal groups classified as held for sale	
Term finance	10
Deferred tax liability	21
Working capital liabilities	246
Trade and other payables	217
Provisions	10
Taxation	19
Total liabilities	277

32 Disposal groups and assets classified as held for sale (continued)

32.2.4 NSIA

Sanlam has entered into a share purchase agreement (with a long stop date of 31 December 2021, with an automatic extension to 31 March 2022) to sell all the shares held in Sanlam Guinee, Sanlam Congo, Sanlam Gabon Vie and Sanlam Togo Vie (subsidiaries of San JV) to NSIA and to acquire all the shares held by NSIA in NSIA Vie Mali and NSIA Mali. The contract doesn't terminate automatically if conditions are not met by the long stop date. The acquisition of the NSIA Mali (life and non-life) shares and the acquisition of the Sanlam subsidiaries by NSIA will be completed simultaneously. The assets and liabilities of the Sanlam subsidiaries have been reclassified to disposal group held for sale as at 31 December 2021.

Conditions precedent to the transaction include CEMAC (Economic and Monetary Community of Central Africa) regulatory approval and approval from the South African Prudential Authority for the disposal to be complete, which is expected to occur before end of March 2022.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal groups held for sale as at 31 December 2021.

R million	2021
Assets of disposal group classified as held for sale:	
Equipment	7
Right-of-use assets	2
Other intangible assets	3
Investments	170
Equities and similar securities	34
Interest-bearing investments	65
Cash, deposits and similar securities	71
Deferred tax asset	23
General insurance technical assets	9
Working capital assets	575
Trade and other receivables	262
Taxation	1
Cash, deposits and similar securities	312
Total assets	789
Liabilities of disposal groups classified as held for sale	
Long-term policy liabilities	102
Lease liabilities	2
Deferred tax liability	1
General insurance technical provisions	166
Working capital liabilities	295
Trade and other payables	280
Taxation	15
Total liabilities	566

33 Fair value disclosures

Financial instruments

Financial instruments carried on the Statement of Financial Position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Collateral placed at counterparties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counterparties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through profit or loss (either mandatory or designated); or
- fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the Group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

On initial recognition, the Group classifies its financial liabilities into one of the following categories:

- Amortised cost; or
- Fair value through profit or loss (either mandatory or designated).

33 Fair value disclosures (continued)

Classification (continued)

Financial liabilities (continued)

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial liabilities classified as at fair value through profit or loss comprise held-for-trading liabilities, including derivatives (mandatory fair value through profit or loss) as well as financial liabilities designated as at fair value through profit or loss.

On initial recognition the Group designates a financial liability as at fair value through profit or loss when doing so results in more relevant information either because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; or
- a group of financial liabilities or a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of investment surpluses.

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are measured at fair value after initial recognition. Net gains and losses (on the sale of investments and fair value gains and losses), interest or dividend income and foreign exchange gains or losses are recognised in profit or loss. Changes in fair value are recognised in the Statement of Comprehensive Income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments classified as at amortised cost are measured at amortised cost using the effective interest method. Interest income, interest expense, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss or derecognition is also measured in profit or loss.

Impairment

The Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost (including contract assets/contract receivables); and
- financial guarantee contracts.

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12 month expected credit losses if:

- the credit risk on a financial instrument has not increased significantly since initial recognition; or
- financial instruments are determined to have a low credit risk at the reporting date.

The Group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Default is the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.

At each reporting date, the loss allowances are measured at an amount equal to the 12 month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. Financial instruments that are determined to have a low credit risk at the reporting date are assumed to have no significant increase in credit risk.

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses, measured as the present value of all cash short falls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of loss allowances in the Statement of Financial Position

Loss allowances for expected credit losses are presented as a deduction from the gross carrying amounts of the financial assets.

Write-offs

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices and quoted prices in a inactive market included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

33 Fair value disclosures (continued)

Determination of fair value and fair value hierarchy (continued)

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements 31 December 2021				
Non-financial instruments				
Properties	–	–	17 980	17 980
Financial instruments	561 338	235 583	4 225	801 146
Equities and similar securities	186 401	3 220	2 337	191 958
Investment in joint ventures	–	–	444	444
Interest-bearing investments	102 744	156 051	550	259 345
Structured transactions	585	11 849	–	12 434
Investment funds	261 685	15 752	708	278 145
Trade and other receivables	9 923	8 911	186	19 020
Cash deposits and similar securities: Investments	–	37 846	–	37 846
Cash deposits and similar securities: Working capital	–	1 954	–	1 954
Total assets at fair value	561 338	235 583	22 205	819 126
Financial instruments	86 689	486 799	360	573 848
Investment contract liabilities	–	454 538	–	454 538
External investors in consolidated funds	83 310	1 836	360	85 506
Term finance	10	4 534	–	4 544
Structured transactions liabilities	3	8 895	–	8 898
Trade and other payables	3 366	16 996	–	20 362
Total liabilities at fair value	86 689	486 799	360	573 848
Recurring fair value measurements 31 December 2020 – Restated[1]				
Non-financial instruments				
Properties	–	–	20 302	20 302
Financial instruments[1]	520 401	253 495	3 130	777 026
Equities and similar securities[1]	180 000	4 718	1 146	185 864
Investment in joint ventures	–	–	427	427
Interest-bearing investments	94 948	155 101	542	250 591
Structured transactions	117	29 449	–	29 566
Investment funds	239 067	12 342	617	252 026
Trade and other receivables	6 269	6 356	398	13 023
Cash deposits and similar securities: Investments	–	42 236	–	42 236
Cash deposits and similar securities: Working capital	–	3 293	–	3 293
Total assets at fair value[1]	520 401	253 495	23 432	797 328
Financial instruments[1]	83 766	471 535	2 156	557 457
Investment contract liabilities	387	432 499	1 698	434 584
External investors in consolidated funds[1]	81 102	1 040	446	82 588
Term finance	50	4 090	–	4 140
Structured transactions liabilities	–	22 958	12	22 970
Trade and other payables	2 227	10 948	–	13 175
Total liabilities at fair value[1]	83 766	471 535	2 156	557 457

[1] Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 36.2 for additional information.

Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Investment in joint ventures	Interest-bearing investments	Investment funds	Trade and other receivables	Total assets
2021							
Assets							
Balance at 1 January 2021	20 302	1 146	427	542	617	398	23 432
Net (loss)/gains in Statement of Comprehensive Income	(371)	(178)	17	43	(377)	(226)	(1 092)
Acquisitions	720	1 543	–	1	528	1	2 793
Disposals/settlements	(955)	(72)	–	(36)	(59)	(46)	(1 168)
Foreign exchange movements	116	(69)	–	–	(1)	(5)	41
Reclassified to non-current assets held for sale	(2 193)	(33)	–	–	–	–	(2 226)
Transfers from owner-occupied property	361	–	–	–	–	–	361
Transfer into level 3	–	–	–	–	–	64	64
Balance at 31 December 2021	17 980	2 337	444	550	708	186	22 205
2020							
Balance at 1 January 2020	21 565	1 134	400	498	714	62	24 373
Net (loss)/gains in Statement of Comprehensive Income	(2 222)	62	27	20	(24)	45	(2 092)
Acquired through business combinations	4	–	–	–	–	–	4
Acquisitions	1 530	142	–	24	139	338	2 173
Disposal of subsidiaries	(91)	–	–	–	–	–	(91)
Disposals	(458)	(225)	–	–	(221)	–	(904)
Foreign exchange movements	921	33	–	–	9	(47)	916
Reclassified to non-current assets held for sale	(3)	–	–	–	–	–	(3)
Transfers to owner-occupied properties	(944)	–	–	–	–	–	(944)
Balance at 31 December 2020	20 302	1 146	427	542	617	398	23 432

33 Fair value disclosures (continued)

Reconciliation of movements in level 3 assets and liabilities measured at fair value (continued)

R million	Investment contract liabilities	External investors in consolidated funds	Structured transaction liabilities	Total liabilities
2021				
Liabilities				
Balance at 1 January 2021	1 698	446	12	2 156
Net loss/(gains) in Statement of Comprehensive Income	38	(115)	–	(77)
Acquisitions	29	–	–	29
Disposals	(154)	–	(12)	(166)
Foreign exchange movements	20	29	–	49
Reclassified to non-current liabilities held for sale	(1 631)	–	–	(1 631)
Balance at 31 December 2021	–	360	–	360
2020				
Liabilities				
Balance at 1 January 2020	1 641	543	–	2 184
Net loss/(gains) in Statement of Comprehensive Income	1	(138)	–	(137)
Acquisitions	47	–	12	59
Disposals	(133)	–	–	(133)
Foreign exchange movements	142	41	–	183
Balance at 31 December 2020	1 698	446	12	2 156

R million	2021	2020
Losses (realised and unrealised) included in Statement of Comprehensive Income		
Total losses included in Statement of Comprehensive Income for the period	(2 015)	(2 665)
Total unrealised losses included in Statement of Comprehensive Income for the period for assets held at the end of the reporting period	(623)	(1 485)

Transfers between levels

R million	Interest-bearing investments[1]	Investment funds[1]	Total assets
Assets			
2021			
Transfer from level 1 to level 2	(7 329)	–	(7 329)
Transfer from level 2 to level 1	211	–	211
2020			
Transfer from level 1 to level 2	(3 627)	(2 715)	(6 342)
Transfer from level 2 to level 1	–	11 013	11 013

[1] Instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	3	Recently contracted prices, discounted cash flow model (DCF) and Earnings multiple.	Bond and interbank swap interest rate curve, Capitalisation rate, Cost of Capital, Consumer price index and Cash flow forecasts (including vacancy rates).	Capitalisation rate, Discount rate and Cash flow forecasts (including vacancy rates).
Equities and similar securities	2 and 3	Discounted cash flow model (DCF) and Earnings multiple.	Cost of Capital and Consumer price index.	Cost of Capital, Adjusted earnings multiple, Budgets and Forecasts.
Interest-bearing investments	2 and 3	DCF, Quoted put/surrender price by issuer.	Bond and interbank swap interest rate curve, Cost of Capital and Consumer price index.	Discount rate and Cost of Capital.
Structured transactions assets and liabilities	2 and 3	Option pricing models and DCF.	Bond and interbank swap interest rate curve, Forward equity and currency rates and Volatility risk adjustments.	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held, Earnings multiple and DCF.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index and Bond interest rate curve.	Earnings multiple
Trade and other receivables/payables	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer and Option pricing models.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Forward rate, Credit risk spread and Liquidity spread.	n/a
Cash, deposits and similar securities	2	Mark-to-market and Yield curve.	Bond and interbank swap interest rate curve.	n/a
Investment in joint ventures	3	Earnings multiple	Earnings Multiple, Country risk and size of the business and marketability.	Adjusted earnings multiple and Sustainable EBITDA.
Term finance	2	DCF	Bond and forward rate, Credit ratings of issuer, Liquidity spread and Agreement interest curves.	n/a
External investors in consolidated funds	2 and 3	Current unit price of underlying unitised asset multiplied by the number of units held.	Unit prices	Based on underlying assets.

33 Fair value disclosures (continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base/ capitalisation rate
Properties						
2021						
Cash flow risk adjustments[1]	17 980	(1 798)	1 798			
Base rate				9 111	(344)	371
Capitalisation				9 111	(429)	516

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple[2]	8 869	887	(887)

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base/ capitalisation rate
2020						
Cash flow risk adjustments[1]	20 302	(2 030)	2 030			
Base rate				10 144	(364)	394
Capitalisation				10 144	(470)	574

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple[2]	10 158	1 016	(1 016)

[1] Investment properties comprises Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.

[2] It also comprises Saham Finances properties valued using a multiple of earnings.

R million	Carrying amount	Effect of a 10% increase in price multiple	Effect of a 10% decrease in price multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2021						
Equities and similar securities	2 337	234	(234)			
Investment in joint ventures	444	44	(44)			
Interest bearing investments				550	(31)	31
Investment funds	708	71	(71)			
Trade and other receivables				186	(14)	14
Total	3 489	349	(349)	736	(45)	45
2020						
Equities and similar securities	1 146	115	(115)			
Investment in joint ventures	427	43	(43)			
Interest bearing investments				542	(21)	21
Investment funds	617	62	(62)			
Trade and other receivables				398	(16)	16
Total	2 190	220	(220)	940	(37)	37

Liabilities

R million	Carrying amount[1]	Effect of a 10% increase in value	Effect of a 10% decrease in value
2021			
External investors in consolidated funds	360	36	(36)
Total liabilities	360	36	(36)
2020			
Investment contract liabilities	1 698	170	(170)
External investors in consolidated funds	446	45	(45)
Structured transaction liabilities	12	1	(1)
Total liabilities	2 156	216	(216)

[1] Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

34 Assets subject to offsetting, enforceable master netting arrangements and similar agreements

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the Statement of Financial Position	Net amounts of financial instruments presented in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position: Other financial instruments[1]	Related amounts not set off in the Statement of Financial Position: Cash collateral received[2]	Net amount	Amounts not set off in the Statement of Financial Position[3]	Total amounts recognised in the Statement of Financial Position
31 December 2021								
Assets								
Working capital cash	1 699	–	1 699	(1 004)	(200)	495	27 206	27 701
Trading account assets	1 552	(55)	1 497	(1 173)	(244)	80	15 905	15 985
Structured transactions assets	4 324	(4 094)	230	–	–	230	12 204	12 434
Liabilities								
Trading account liabilities	10 014	(55)	9 959	(9 394)	(444)	121	19 736	19 857
Structured transactions liabilities[4]	4 680	(3 894)	786	–	–	786	8 112	8 898
31 December 2020								
Assets								
Working capital cash	1 005	–	1 005	(622)	(146)	237	29 857	30 094
Trading account assets	1 325	(67)	1 258	(744)	(484)	30	9 791	9 821
Structured transactions assets	1 417	(1 214)	203	–	–	203	29 363	29 566
Liabilities								
Trading account liabilities	3 714	(67)	3 647	(2 924)	(630)	93	12 966	13 059
Structured transactions liabilities[4]	10 987	(7 140)	3 847	–	–	3 847	19 123	22 970

(1) The figures for Other financial instruments column are made up of ISDA netting, CSA (Credit Support Agreement) collateral, repo's and scrip received. These amounts have been limited to the net amount recognised on the Statement of Financial Position.

(2) Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation) ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties. Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1. Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted. Security/collateral received refers to equity collateral that has been pledged to SanFin to cover events of default.

(3) Excludes enforceable netting arrangements.

(4) Structured transactions liabilities include derivative liabilities.

Notes to the Group financial statements continued

35 Classification of other financial instruments

35.1 Working capital cash: Cash, deposits and similar securities

Working capital cash: Cash, deposits and similar securities are classified as follows:

R million	2021	2020
Net amortised cost[1]	25 747	26 801
Gross	25 766	27 039
Expected credit loss allowance	(19)	(238)
Fair value through other comprehensive income[2]	1 954	3 293
Total Working capital assets: Cash, deposits and similar securities	27 701	30 094

[1] Working capital assets: Cash, deposits and similar securities that are classified at amortised cost carrying values approximates fair value, due to the short term nature of the instruments. These are classified as level 2 instruments and the valuation is based on discounted cash flows.
[2] Refer to note 33 for the fair value levels. No material adjustments to fair value occurred during the accounting period.

Reconciliation of expected credit losses

R million	2021 Lifetime ECL (credit impaired)	2020 Lifetime ECL (not credit impaired)
Balance at the beginning of the year	238	–
Net remeasurement of loss allowance	2	250
Foreign currency translation differences	(221)	(12)
Balance at the end of the year	19	238

35.2 External investors in consolidated funds

These are designated at fair value through profit and loss. Refer to note 33 for the fair value levels.

36 Restatements

36.1 Hyperinflation accounting error

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. With initial application in 2020, the opening balances of monetary assets and liabilities were restated by applying the consumer price index (CPI) differential between 1 January 2020 and the reporting date (31 December 2020). 2020 opening balances of non-monetary assets were restated by applying the CPI differential between the date these items were acquired or incurred and the reporting date. The Group elected to recognise the impact in the Foreign Currency Translation Reserve (FCTR). The comparative amounts (2019) in the 2020 Group Annual Financial Statements were not restated, but the initial impact of negative R1 234 million attributable to the shareholder was recognised in the 2020 Annual Financial Statements in the hyperinflation line of the Statement of Changes in Equity (SOCE).

Given the various complexities involved in consolidating LIA in a hyperinflationary environment, including recognising additional expected credit losses in respect of financial assets (in terms of the Group's policy), and impairments on the goodwill and VOBA, the monetary assets on which the opening balance restatement at 1 January 2020 was based, were understated. As a result, the initial application of the IAS 29 opening adjustment of negative R1 234 million reported in the 2020 SOCE should have been positive R911 million attributable to the shareholders. This resulted in an increase in FCTR of R2 145 million and a corresponding decrease in retained earnings, with a zero impact on net asset value. Profit for the year ended 31 December 2020 also decreased from R3 634 million to R1 402 million, with a consequential impact on earnings attributable to shareholders per share and headline earnings per share (HEPS) as reflected below.

The error had no impact on Net Asset Value, Group Equity Value or any of the Group's key performance indicators.

Statement of Financial Position

R million	At 31 December 2020 As previously reported	Adjustments	Restated
Capital and reserves			
Share capital and premium	12 784	–	12 784
Treasury shares	(1 633)	–	(1 633)
Other reserves	2 238	2 145	4 383
Retained earnings	51 323	(2 145)	49 178
Shareholders' fund	64 712	–	64 712
Non-controlling interests (NCI)	12 512	–	12 512
Total equity	77 224	–	77 224

Statement of Comprehensive Income

R million	For the year ended 31 December 2020 As previously reported	Adjustments	Restated
Net operating result	4 171	–	4 171
Equity-accounted earnings	2 568	–	2 568
Finance cost – other	(835)	–	(835)
Net monetary gain/(loss) (Lebanon hyperinflation)	1 535	(2 232)	(697)
Profit before tax	7 439	(2 232)	5 207
Taxation	(3 805)	–	(3 805)
Profit for the period	3 634	(2 232)	1 402
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve	3 143	–	3 143
Comprehensive income for the year	6 777	(2 232)	4 545
Allocation of comprehensive income:			
Profit for the year	3 634	(2 232)	1 402
Shareholders' fund	2 863	(2 145)	718
Non-controlling interests	771	(87)	684
Comprehensive income for the year	6 777	(2 232)	4 545
Shareholders' fund	5 676	(2 145)	3 531
Non-controlling interests	1 101	(87)	1 014
Earnings attributable to shareholders (cents):			
Profit for the year:			
Basic earnings per share	138,8	(104,0)	34,8
Diluted earnings per share	137,1	(102,7)	34,4

Shareholders' Fund Income Statement

R million	For the year ended 31 December 2020 As previously reported	Adjustments	Restated
Normalised attributable earnings	(694)	–	(694)
Fund transfers	3 557	(2 145)	1 412
Attributable earnings per Group Statement of Comprehensive Income	2 863	(2 145)	718
Headline earnings	9 249	(2 145)	7 104
HEPS			
Basic earnings per share	*448,5*	*(104,0)*	*344,5*
Diluted earnings per share	*443,0*	*(102,7)*	*340,3*

36 Restatements (continued)

36.1 Hyperinflation accounting error (continued)

Statement of Changes in Equity

R million	FCTR	Retained earnings	Shareholders' fund	NCI	Total Equity
As previously reported					
Balance at 31 December 2019	(2 642)	59 851	67 317	12 043	79 360
Lebanon hyperinflation	(1 234)	–	(1 234)	–	(1 234)
Comprehensive income	2 813	2 863	5 676	1 101	6 777
Profit for the year	–	2 863	2 863	771	3 634
Other comprehensive income	2 813	–	2 813	330	3 143
Aggregated other unaffected SOCE movements	12	(11 391)	(7 047)	(632)	(7 679)
Balance at 31 December 2020	(1 051)	51 323	64 712	12 512	77 224

R million	FCTR	Retained earnings	Shareholders' fund	NCI	Total Equity
Adjustments					
Balance at 31 December 2019	–	–	–	–	–
Lebanon hyperinflation	2 145		2 145	87	2 232
Comprehensive income	–	(2 145)	(2 145)	(87)	(2 232)
Profit for the year	–	(2 145)	(2 145)	(87)	(2 232)
Balance at 31 December 2020	2 145	(2 145)	–	–	–

R million	FCTR	Retained earnings	Shareholders' fund	NCI	Total Equity
Restated					
Balance at 31 December 2019	(2 642)	59 851	67 317	12 043	79 360
Lebanon hyperinflation	911	–	911	87	998
Comprehensive income	2 813	718	3 531	1 014	4 545
Profit for the year	–	718	718	684	1 402
Other comprehensive income	2 813	–	2 813	330	3 143
Aggregated other unaffected SOCE movements	12	(11 391)	(7 047)	(632)	(7 679)
Balance at 31 December 2020	1 094	49 178	64 712	12 512	77 224

36.2 IAS 21 translation error of IFRS 10 consolidated vehicle

The Sanlam Four Global Equity Fund was rebranded during 2019 to Sanlam Sustainable Global Dividend fund. Its base currency also changed from British pound sterling (GBP) to United States Dollar (USD).

2020 Statement of Financial Position balances (SOFP) were however translated to ZAR equivalent at GBP instead of USD exchange rates. This resulted in an overstatement of assets and liabilities in the SOFP. The impact on the line items in the Statement of Comprehensive Income (SOCI) was immaterial, with a zero impact on the Statement of Changes in Equity and the Statement of Cash Flows.

The impact on the SOFP is as follows:

R million	31 December 2020 As previously reported	Adjustments	Restated
ASSETS			
Investments			
Equity and similar securities	186 990	(1 126)	185 864
Other assets	756 806	–	756 806
Total assets	943 796	(1 126)	942 670
EQUITY AND LIABILITIES			
Total equity	77 224	–	77 224
External investors in consolidated funds	83 714	(1 126)	82 588
Other liabilities	782 858	–	782 858
Total equity and liabilities	943 796	(1 126)	942 670

36.3 Group statement of cash flow: Investment funds distributions

Investors of investments funds may elect for distributions received from collective investment schemes to be reinvested back into the fund or received in cash. Previously these distributions, for both scenarios were treated as cash received in the Group Statement of Cash Flows with an equal and opposite entry in net movement of investments assets (reflected in cash utilised in operations for Sanlam). This was in line with the industry treatment. During 2021, the treatment of distributions reinvested was revisited by the accounting industry which concluded that these should be treated as a non-cash flow item. The restatement does not have any impact on the overall Group cash flows from operating activities as reflected below.

The impact on the Group Statement of Cash Flows is as follows:

R million	31 December 2020 As previously reported	Adjustments	Restated
Cash flow from operating activities	(6 082)	–	(6 082)
Cash utilised in operations	(22 868)	4 693	(18 175)
Interest and preference share dividends received	18 542	(3 007)	15 535
Interest paid	(1 004)	–	(1 004)
Dividends received	12 358	(1 686)	10 672
Dividends paid	(8 454)	–	(8 454)
Taxation paid	(4 656)	–	(4 656)

The above restatements did not have any impact on the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity.

37 Reconciliations

37.1 Reconciliation between Group Statement of Comprehensive Income and Shareholders' Fund Income Statement

	2021				2020[1]			
R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	200 125	101 802	94 564	3 759	132 866	87 992	38 768	6 106
Financial services income	116 887	99 632	–	17 255	104 701	87 161	–	17 540
Reinsurance premiums paid	(20 081)	–	–	(20 081)	(18 794)	–	–	(18 794)
Reinsurance commission received	2 815	–	–	2 815	2 929	–	–	2 929
Investment income	31 804	1 072	22 516	8 216	31 879	1 541	23 785	6 553
Investment surpluses	84 717	1 098	72 048	11 571	11 001	(710)	14 983	(3 272)
Finance cost – margin business	(249)	–	–	(249)	(216)	–	–	(216)
Change in fair value of external investors liability	(15 768)	–	–	(15 768)	1 366	–	–	1 366
Net insurance and investment contract benefits and claims	(139 592)	(46 671)	(92 876)	(45)	(75 896)	(37 865)	(37 577)	(454)
Long-term insurance contract benefits	(44 340)	(22 634)	(19 109)	(2 597)	(25 596)	(13 547)	(10 931)	(1 118)
Long-term investment contract benefits	(73 767)	–	(73 767)	–	(26 646)	–	(26 646)	–
General insurance claims	(41 048)	(24 037)	–	(17 011)	(37 593)	(24 318)	–	(13 275)
Reinsurance claims received	19 563	–	–	19 563	13 939	–	–	13 939
Expenses	(43 170)	(37 430)	–	(5 740)	(42 201)	(36 034)	–	(6 167)
Sales remuneration	(14 724)	(11 881)	–	(2 843)	(14 319)	(11 265)	–	(3 054)
Administration costs	(28 446)	(25 549)	–	(2 897)	(27 882)	(24 769)	–	(3 113)
Impairments	(88)	66	45	(199)	(9 275)	(8 638)	(158)	(479)
Amortisation of intangibles	(1 248)	(738)	–	(510)	(1 323)	(699)	–	(624)
Net operating result	16 027	17 029	1 733	(2 735)	4 171	4 756	1 033	(1 618)
Equity-accounted earnings	2 240	57	–	2 183	2 568	35	–	2 533
Finance cost – other	(763)	–	–	(763)	(835)	–	–	(835)
Net monetary loss (Lebanon hyperinflation)[3]	(2)	–	–	(2)	(697)	–	–	(697)
Profit before tax	17 502	17 086	1 733	(1 317)	5 207	4 791	1 033	(617)
Tax expense	(6 152)	(5 078)	(1 733)	659	(3 805)	(4 066)	(1 033)	1 294
Shareholders' fund	(3 694)	(5 078)	–	1 384	(2 154)	(4 066)	–	1 912
Policyholders' fund	(2 458)	–	(1 733)	(725)	(1 651)	–	(1 033)	(618)
Profit from continuing operations	11 350	12 008	–	(658)	1 402	725	–	677
Profit for the year	11 350	12 008	–	(658)	1 402	725	–	677
Attributable to:								
Shareholders' fund[3]	9 473	9 860	–	(387)	718	(694)	–	1 412
Non-controlling interest	1 877	2 148	–	(271)	684	1 419	–	(735)
	11 350	12 008	–	(658)	1 402	725	–	677

[1] Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.

[2] IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

[3] Comparatives for December 2020 results have been adjusted for hyperinflation. Refer to note 36.1 on page 150.

[4] All profits are from continuing operations. The Group does not have discontinued operations.

Notes to the Group financial statements continued

37 Reconciliations (continued)

37.2 Reconciliation between Group Statement of Financial Position and Shareholders' fund at Net Asset Value

R million	2021 Total	2021 Shareholder activities	2021 Policyholder activities[1]	2021 Consolidation reserve	Restated[2] 2020 Total	Restated[2] 2020 Shareholder activities	Restated[2] 2020 Policyholder activities[1]	Restated[2] 2020 Consolidation reserve
Assets								
Equipment	1 730	1 536	194	–	1 652	1 487	165	–
Rights-of-use assets	1 481	1 397	84	–	1 614	1 560	54	–
Owner-occupied properties	2 582	2 503	79	–	2 692	2 624	68	–
Goodwill	16 431	16 431	–	–	16 703	16 703	–	–
Value of business acquired	4 718	4 718	–	–	6 129	6 129	–	–
Other intangible assets	746	731	15	–	788	788	–	–
Deferred acquisition costs	3 225	2 633	592	–	3 374	2 785	589	–
Long-term reinsurance assets	2 188	–	2 188	–	2 258	–	2 258	–
Investments	834 287	104 373	737 404	(7 490)	812 948	88 425	732 096	(7 573)
Properties	17 980	6 157	11 823		20 302	5 869	14 433	–
Investment in associates and joint ventures	22 755	21 157	1 598	–	18 773	17 828	945	–
Equities and similar securities[2]	191 958	14 534	184 914	(7 490)	185 864	12 819	180 618	(7 573)
Interest-bearing investments	271 840	30 717	241 123	–	261 434	28 014	233 420	–
Structured transactions	12 434	382	12 052	–	29 566	535	29 031	–
Investment funds	278 145	25 644	252 501	–	252 026	20 619	231 407	–
Cash, deposits and similar securities	39 175	5 782	33 393	–	44 983	2 741	42 242	–
Deferred tax	3 154	2 213	–	941	2 843	2 019	7	817
Non-current assets classified as held for sale	81 386	3 154	78 232	–	2 218	2 196	22	–
General insurance technical assets	19 525	19 525	–	–	13 847	13 847	–	–
Working capital assets	84 725	69 131	15 594	–	75 604	61 210	14 394	–
Trade and other receivables	55 806	43 802	12 004	–	44 568	33 953	10 615	–
Taxation	1 218	1 165	53	–	942	912	30	
Cash, deposits and similar securities	27 701	24 164	3 537	–	30 094	26 345	3 749	–
Total assets[2]	1 056 178	228 345	834 382	(6 549)	942 670	199 773	749 653	(6 756)
Equity and liabilities								
Shareholders' fund	69 379	75 928	–	(6 549)	64 712	71 468	–	(6 756)
Non-controlling interest	13 517	13 462	55	–	12 512	12 500	12	–
Long-term policy liabilities	641 196	–	641 196	–	625 527	–	625 527	–
Insurance contracts	186 658	–	186 658	–	190 943	–	190 943	–
Investment contracts	454 538	–	454 538	–	434 584	–	434 584	–
Term finance	15 116	11 499	3 617		13 837	10 143	3 694	–
Lease liabilities	1 789	1 704	85	–	1 878	1 822	56	–
Structured transactions liabilities	8 898	270	8 628	–	22 970	320	22 650	–
External investors in consolidated funds[2]	85 506	–	85 506	–	82 588	–	82 588	–
Cell owners' interest (third party)	4 900	4 900	–	–	4 226	4 226	–	–
Deferred tax	7 311	3 633	3 678	–	5 810	4 139	1 671	–
Non-current liabilities classified as held for sale	78 700	1 023	77 677	–	454	454	–	–
General insurance technical provisions	57 559	57 559	–	–	49 752	49 752		–
Working capital liabilities	72 307	58 367	13 940	–	58 404	44 949	13 455	–
Trade and other payables	69 123	55 391	13 732	–	55 356	42 864	12 492	–
Provisions	628	597	31	–	506	476	30	–
Taxation	2 556	2 379	177	–	2 542	1 609	933	–
Total equity and liabilities[2]	1 056 178	228 345	834 832	(6 549)	942 670	199 773	749 653	(6 756)

[1] Includes the impact of IFRS adjustments.
[2] Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 36.2 for additional information.

Notes to the Group financial statements continued

38 Principal subsidiaries

at 31 December

R million	% Interest	Issued ordinary capital 2021	Fair value of interest in subsidiaries – Shares 2021	Shares 2020	Loans 2021	Loans 2020
Long-term insurance						
Sanlam Life Insurance Limited	100	5 000	149 346	134 426	(95)	(1 562)
Investment and capital markets						
Genbel Securities Limited	100	2 415	7 876	6 595	(264)	(264)
Investment management and consulting						
Sanlam Investment Holdings Capital Holdings Limited[2]	75	[1]	3 357	3 357		
Sanlam Investment Holdings (UK) Limited	100	1 116	5 777	6 768	–	(95)
Sanlam Investment Management Holdings (Pty) Ltd	100	2 427	3 628	3 313	18	–
Investment companies						
Sanlam Spec (Pty) Limited[2][3]	100	[1]	[1]	[1]	–	–
Sanlam Investments (Pty) Limited	100	–	–	–	(11)	(11)
Sanlam Share Incentive Trust	100	[1]	[1]	[1]		
Sanpref (Pty) Ltd	100	[1]	[1]	[1]	–	324
Sanlam PrefCo (Proprietary) Ltd	100	[1]	2 403	2 403	(2 310)	(2 310)
Other						
Sanlam Foundation		n/a	n/a	n/a	(49)	–
Total			172 387	156 862	(2 711)	(3 918)

[1] Issued share capital is less than R1 000.
[2] Sanlam Limited provided a letter of guarantee to Sanlam Spec Proprietary Limited.
[3] Sanlam Limited, with Sanlam Spec (Pty) Limited, provided a letter of guarantee to Real Futures (Pty) Limited.

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in material subsidiaries

%	Santam Limited[1] 2021	Santam Limited[1] 2020	Botswana Insurance Holdings Limited[2] 2021	Botswana Insurance Holdings Limited[2] 2020	MCIS Insurance[3] 2021	MCIS Insurance[3] 2020	Saham Assurance Maroc[4] 2021	Saham Assurance Maroc[4] 2020
Shareholders' fund	62,07	61,93	58,99	59,16	51	51	61,72	61,9
Policyholders' fund	0,14	0,15	–	–	–	–	–	–
Non-controlling Interest	37,79	37,92	41,01	40,84	49	49	38,28	38,1
Total	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

[1] The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders Fund section on page 210 and page 211. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial statements on page 104.
[2] The Financial Information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has summarised below. This information provided is based on amounts before inter-company eliminations.
[3] The financial information of MCIS Insurance, incorporated and operating mainly in Malaysia, which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.
[4] The financial information of Saham Assurance Maroc, incorporated and operating mainly in Morocco which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.

R million	2021	2020
Santam summarised statement of cash flows for the year ending 31 December 2021		
Operating[1]	1 884	(15)
Investing	(109)	(180)
Financing	(1 634)	(208)
Net increase in cash and cash equivalents	141	(403)
Dividends paid out to non-controlling interests	227	49

[1] In light of the current economic environment and the impact of CBI claims, the Santam group has changed its presentation policy related to non-strategic investment portfolios. All cash flows from the acquisition and sale of these investments are now included as part of operating activities, as these portfolios provide liquidity in case of significant claims events.

Financial information of Botswana Insurance Holdings Limited

Summarised statement of profit or loss

R million	2021	2020
Net income	4 516	4 668
Net insurance and investment contract benefits and claims	(3 038)	(2 958)
Expenses	(1 250)	(1 123)
Share of profit of associates and joint ventures	407	370
Profit before tax	635	957
Income tax	(112)	(185)
Profit for the year	523	772
Total comprehensive income	690	671
Attributable to non-controlling interests	283	268
Dividends paid to non-controlling interests	102	227
Summarised statement of financial position as at 31 December 2021		
Assets		
Investments	23 601	22 088
Other non-current assets	405	412
Cash and cash equivalents (working capital)	186	326
Trade and other receivables	395	386
Liabilities		
Policyholder liabilities	(19 097)	(18 169)
Other non-current liabilities	(70)	(26)
Deferred tax (non-current)	(32)	(27)
Other current liabilities	(2)	(5)
Trade and other payables	(841)	(894)
Total equity	4 545	4 091
Attributable to:		
Equity holders of the parent	2 681	2 456
Non-controlling interest	1 864	1 635
Summarised statement of cash flows for the year ending 31 December 2021		
Operating	2 401	1 377
Investing	(2 532)	(1 259)
Financing	(7)	(7)
Net increase/(decrease) in cash and cash equivalents	(138)	111

38 Principal subsidiaries (continued)

at 31 December

Financial information of MCIS Insurance

Summarised statement of profit or loss

R million	2021	2020
Net income	1 280	2 248
Net insurance and investment contract benefits and claims	(398)	(1 262)
Expenses	(790)	(771)
Finance Cost	17	(3)
Profit before tax	109	212
Income tax	(29)	(89)
Profit for the year	80	123
Total comprehensive income	140	184
Attributable to non-controlling interests	69	100
Dividends paid to non-controlling interests	36	41
Summarised statement of financial position as at 31 December 2021		
Assets		
Investments	17 772	16 452
Other non-current assets	395	340
Cash and cash equivalents (working capital)	148	186
Trade and other receivables	802	432
Liabilities		
Policyholder liabilities	(14 668)	(14 343)
Other non-current liabilities	(847)	(55)
Deferred tax (non-current)	(153)	(164)
Other current liabilities	(29)	(11)
Trade and other payables	(2 151)	(1 632)
Total equity	1 269	1 205
Attributable to:		
Equity holders of the parent	648	615
Non-controlling interest	621	590
Summarised statement of cash flows for the year ending 31 December 2021		
Operating	1 062	(189)
Investing	(43)	(649)
Financing	696	–
Net increase in cash and cash equivalents	1 715	(838)

Financial information of Saham Assurance Maroc

Summarised statement of profit or loss

R million	2021	2020
Net income	9 283	9 005
Net insurance and investment contract benefits and claims	(5 238)	(6 015)
Expenses	(2 404)	(2 650)
Profit before tax	1 641	340
Income tax	(644)	3
Profit for the year	997	343
Total comprehensive income	997	343
Attributable to non-controlling interests	382	131
Summarised statement of financial position as at 31 December 2021		
Assets		
Investments	29 462	25 506
Other non-current assets	4 699	4 713
Cash and cash equivalents (working capital)	630	538
Trade and other receivables	5 260	4 958
Liabilities		
Policyholder liabilities	(11 471)	(10 339)
Other non-current liabilities	(14 128)	(13 532)
Deferred tax (non-current)	(1 490)	(1 143)
Other current liabilities	(835)	(143)
Trade and other payables	(3 013)	(2 976)
Total equity	9 114	7 582
Attributable to:		
Equity holders of the parent	5 625	4 693
Non-controlling interest	3 489	2 889
Summarised statement of cash flows for the year ending 31 December 2021		
Operating	978	(115)
Investing	(1 252)	834
Financing	(39)	–
Net increase in cash and cash equivalents	(313)	719

39 Unconsolidated structured entities

The Group does not consolidate the structured entities where it either does not have the power to control the investment decisions or is exposed to significant variable returns from the structured entities.

Sanlam Limited Statement of Financial Position

as at 31 December

R million	Note	2021	2020
ASSETS			
Investment in group companies: subsidiaries	2	29 846	25 828
Subsidiaries		29 846	25 828
Working capital assets		20	326
Cash and bank		2	2
Loans to group companies	2	18	324
Total assets		29 866	26 154
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	12 783	12 783
Non-distributable reserves		9 342	9 342
Retained earnings		4 242	(1 074)
Shareholders' funds		26 367	21 051
Working capital liabilities		3 499	5 103
Accounts payable		770	825
Taxation payable		–	36
Loans from group companies	2	2 729	4 242
Total equity and liabilities		29 866	26 154

Sanlam Limited Statement of Comprehensive Income

for the year 31 December

R million	Note	2021	2020
Net income		12 021	12 357
Dividend income		8 337	10 252
Interest income		5	6
Profit on disposal of subsidiary[1]		–	3 495
Investment surpluses and other income	4	1 867	(1 556)
Reversal of impairments		1 812	160
Expenses			
Administration costs	4	(22)	(36)
Impairments	2	–	(194)
Profit before tax		11 999	12 127
Taxation		(1)	(36)
Profit for the year		11 998	12 091

[1] Please refer to note 32 above for details on the disposal of subsidiary.

Sanlam Limited Cash Flow Statement

for the year ended 31 December

R million	Note	2021	2020
Cash flow from operating activities		1 529	(79)
Cash (utilised)/generated in operations	10	(97)	(38)
Dividends received		8 240	7 713
Dividends paid		(6 582)	(7 758)
Interest income		5	6
Taxation paid		(37)	(2)
Cash flow from investment activities		(1 997)	(136)
Proceeds from sale of subsidiary		–	817
Investment in subsidiaries		(1 997)	(953)
Cash flow from financing activities			
Shares bought back		–	(6 550)
Increase in cash and cash equivalents		(468)	(6 765)
Cash and cash equivalents – beginning of the year		(2 243)	4 522
Cash and cash equivalents – end of the year		(2 711)	(2 243)

Sanlam Limited Statement of Changes in Equity

for the year ended 31 December

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained income	Total
Balance at 1 January 2020	23	13 428	9 342	544	23 337
Profit for the year	–	–	–	12 091	12 091
Dividends declared	–	–	–	(7 827)	(7 827)
Shares (cancelled)/issued	(1)	(667)	–	(5 882)	(6 550)
Balance at 31 December 2020	22	12 761	9 342	(1 074)	21 051
Profit for the year	–	–	–	11 998	11 998
Dividends declared	–	–	–	(6 682)	(6 682)
Balance at 31 December 2021	22	12 761	9 342	4 242	26 367

[1] Pre-acquisition reserves arising from the demutualisation of Sanlam Life Insurance Limited in 1998.

Sanlam Limited notes to the financial statements

for the year ended 31 December

1. Accounting Policies

The accounting policies of the Sanlam Limited group as set out on pages 60 to 161 are also applicable to Sanlam Limited except for investments in Group companies which are reflected at cost or at a lower value if there is an impairment in value.

The following new or revised IFRS and interpretations became effective on 1 January 2021 and 30 June 2021 respectively have therefore been applied:

- Interest rate benchmark reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

IFRS 16 does not have an impact on the separate financial statement.

2. Group companies

R million	2021	2020
Investment in Group companies - shares at cost less impairments	29 846	25 828
Current loans with Group companies	(2 711)	(3 918)
Loans to Group companies	18	324
Loans from Group companies	(2 729)	(4 242)
Book value of interest in Group companies	27 135	21 910
Net (impairment)/reversal of impairment of investments in Group companies		
Genbel Securities Limited	1 281	160
Sanlam Invest (Pty) Ltd	500	(165)
Sanlam PrefCo (Pty) Ltd	31	(29)
Total net reversal of impairment of investment in Group companies	1 812	(34)
Fair value of net investment in Group companies	172 223	152 944

Genbel Securities Limited

The Genbel Group forms part of the Sanfin cluster within the Sanlam Investment Group reporting segment. Due to the increase of the underlying fair values in the unlisted subsidiaries a reversal of impairments to the value of R1 281 million has been recognised. The recoverable amount of the Genbel group is derived from the clean NAV including the fair values of the group's subsidiaries derived from the non-listed valuations which is reflective of the value in use of the underlying assets.

Sanlam Invest (Pty) Ltd

Sanlam Invest (Pty) Ltd forms part of the Group Office reporting segment. Due to the increased performance of financial markets locally there was a reversal of previous impairments for the value in Sanpref (Pty) Ltd. This impairment reversal was limited to the original cost of investment in Sanlam Invest (R500 million) taking all prior impairments into account. The recoverable amount of Sanlam Invest is derived from the combined NAV in the Sanlam Invest group which is reflective of the value in use of the underlying assets.

Sanlam PrefCo (Pty) Ltd

Sanlam PrefCo (Pty) Ltd forms part of the Sanfin cluster within the Sanlam Investment Group reporting segment. Due to the increased performance of financial markets locally, PrefCo benefited from an increase in NAV which resulted in an impairment reversal of R31 million for the year. The recoverable amount is derived from the NAV of Sanlam PrefCo which is reflective of the value in use of the underlying assets.

Loans: Group companies

On initial recognition, loans to and from group companies are classified as measured at:

- Amortised cost,
- Fair value through profit or loss (either mandatory or designated).

These loans to group companies are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Unless otherwise stated, all loans are carried at amortised cost.

The loans to/from Group companies are unsecured and repayable on demand. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 158.

Investment in group companies

Investment in group companies are carried at cost less accumulated impairment. The fair value disclosed are classified level 3 instruments in terms of IFRS 13. Investment management subsidiaries are valued on a discounted cash flow (DCF) basis, subsidiaries that conduct life insurance business are valued at embedded value plus a multiple of new life insurance business and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 5 on page 226.

2. Group companies (continued)

R million	2021	2020
Loans to Group companies		
Sanpref (Pty) Ltd	–	324
Sanlam Investment Management Holdings	18	–
	18	324

The loan to Sanpref (Pty) was capitalised during 2021 and the fair value loss of R1 673 million recognised in the prior year has been reversed.

R million	2021	2020
Loans from Group companies		
Sanlam Invest (Pty) Ltd	11	11
Sanlam PrefCo (Pty) Ltd	2 310	2 310
Sanlam Investment Holdings UK Ltd	–	95
Sanlam Life Insurance Ltd	95	1 562
Genbel Securities Ltd	264	264
Loans to others		
Sanlam Foundation	49	–
	2 729	4 242

The loans from subsidiary companies carrying value approximates fair value.

3. Share capital and premium

Details of share capital and premium are reflected in note 12 on page 102 of the Sanlam Limited group financial statements.

Sanlam Share Account Nominee (Pty) Ltd (SSA), serves as a nominee company for the holders of shares in Sanlam Limited, which holders have acquired such Sanlam Limited shares, amongst others, pursuant to the demutualisation of Sanlam Life Insurance Limited in 1998. During 2021, SSA became the beneficial holder of 16,981,148 Sanlam Limited shares (Forfeited Sanlam Shares), which shares were forfeited by the holders thereof who have become unknown and untraceable in accordance with the terms and conditions governing the holding of shares in Sanlam Limited through SSA (SSA Terms and Conditions) for no consideration. Under the SSA Terms and Conditions, SSA must sell the Forfeited Sanlam Shares and pay the proceeds to Sanlam Limited. It is expected that the Forfeited Sanlam Shares will be sold in more than one tranche during 2022.

4. Investment surpluses

R million	2021	2020
Investment surpluses		
Financial assets designated as at fair value through profit of loss	1 673	(1 673)
Other income	194	117
	1 867	(1 556)

5. Administration costs include:

R million	2021	2020
Directors' remuneration		
Detail of the directors' remuneration are reflected in the Remuneration Report.		
Audit fees: statutory audit	9	7

6. Dividends

Details of the dividends declared are disclosed on page 70 of the Sanlam Limited group financial statements.

7. Borrowing powers

In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 28.2 on page 130 of the Sanlam Limited group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R7 billion (2020: R7 billion).

9. Related parties

Details of related parties are reflected in note 29 on page 130 of the Sanlam Ltd group financial statements.

10. Notes to the cash flow statement

R million	2021	2020
Cash utilised in operations		
Profit before tax	11 998	12 127
Non-cash flow items		
Impairment of investments in group companies	–	194
Reversal of gross impairment of investments in group companies	(1 812)	(160)
Net reversal of gross equity participation costs and fund transfers (IFRS2)	–	–
Profit on disposal of subsidiary	–	(3 495)
Fair value adjustment	(1 673)	1 673
Other income	(194)	(117)
Items disclosed separately		
Dividends received	(8 337)	(10 252)
Interest Income	(5)	(6)
Increase/(decrease) in net working capital liabilities	(74)	(2)
Cash generated from operations	(97)	(38)

11. Tax Rate Reconciliation

%	2021	2020
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income[1]	(28,0)	(32,36)
Non-deductible expenses	0,0	4.37
Effective tax rate	0,0	0,0

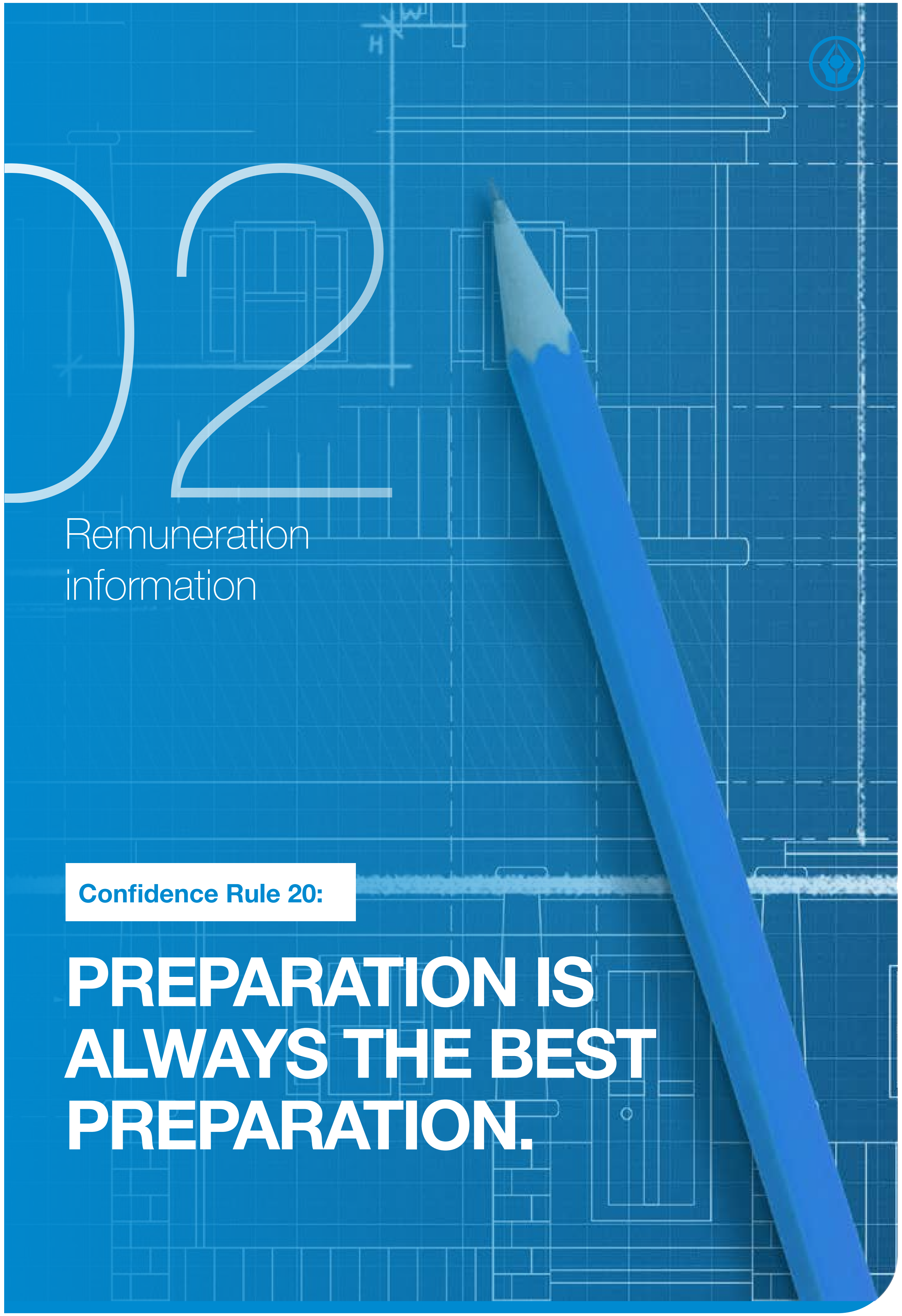
[1] Non-taxable income includes fair value adjustments to loans, dividends received and reversal of impairments in subsidiaries.

12. Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. Loss allowances are recognised on these loans in terms of IFRS 9, by establishing whether the borrowing Group company has sufficient accessible liquid assets in order to repay the loan if demanded at the reporting date. If the borrowing Group company is not able to repay the loan if demanded at the reporting date, then Sanlam Limited considers the expected manner of recovery to measure expected credit losses. The credit quality of the loans receivable has been assessed as acceptable within the parameters used to measure and monitor credit risk. The circumstances as at the Statement of Financial Position date is not expected to change in the foreseeable future.

R million	2021	2020
Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
Carrying value of loans granted	18	324

Further details of risk management are disclosed in the Capital and Risk Management Report on page 16.



Remuneration details for executive directors and members of the Group Executive committee **that are defined as prescribed officers**

Executive remuneration summary

Remuneration earned by executive directors and Exco were as follows:

Remuneration for the year ended 31 December 2021

The disclosure approach (and specifically as it pertains to LTIs) is aligned with King IV™ recommendations. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year (refer to pages 173 to 178).

2021 R'000	Months in service	Salary	Contri-bution to retire-ment	Subtotal: Guaran-teed package	Annual bonus: Cash	Annual bonus: Deferred	Attri-butable value of LTIs vested[1]	Other	Total remune-ration
Paul Hanratty	12	6 130	–	6 130	–	–	–	–	6 130
Abigail Mukhuba	12	5 165	350	5 515	4 564	1 956	–	–	12 035
Jeanett Modise	12	3 859	341	4 200	3 150	1 350	1 703	–	10 403
Heinie Werth	12	6 050	350	6 400	5 439	2 331	4 796	–	18 966
Subtotal: executive directors		21 204	1 041	22 245	13 153	5 637	6 499	–	47 534
Anton Gildenhuys	12	5 650	350	6 000	4 361	1 869	6 799	–	19 029
Lizé Lambrechts	12	5 815	350	6 165	8 100	–	3 234	–	17 499
Bongani Madikiza	12	3 712	788	4 500	3 290	1 410	–	–	9 200
Lotz Mahlangeni[2]	12	4 831	669	5 500	4 333	1 857	4 381	831	16 902
Sydney Mbhele	12	4 140	350	4 490	3 283	1 407	–	–	9 180
Kanyisa Mkhize	12	3 506	744	4 250	3 150	1 350	–	–	8 750
Junior Ngulube[3]	1	313	43	356	–	–	5 024	427	5 807
Wikus Olivier	12	4 150	350	4 500	3 409	1 461	2 577	–	11 947
Robert Roux[4]	12	5 240	350	5 590	7 350	–	4 621	6 892	24 453
Karl Socikwa	12	4 250	350	4 600	3 360	1 440	1 324	–	10 724
Jurie Strydom[5]	12	6 250	350	6 600	5 257	–	7 660	–	19 517
Executive committee		69 061	5 735	74 796	59 046	16 431	42 119	8 150	200 542

(1) Fair value of LTI's (excluding equity-settled OPPs) vested during the year – refer to pages 173 to 178.
(2) Retention bonus paid as part of sign-on agreement, subject to retention period of 24 months from date of employment.
(3) Retired 31 January 2021. Leave payment of R427 149 on retirement.
(4) Retired 31 December 2021. Leave payment of R1,3 million on retirement and R5,6 million restraint of trade for 12 months in accordance with the terms of the Sanlam executive contracts.
(5) Employed until 30 June 2022. 2021 Deferred bonus shares forfeited as employment condition will not be met.

2020 R'000	Months in service	Salary	Company contri-butions	Subtotal: Guaran-teed package	Annual bonus	Attri-butable value of LTIs vested[1]	Other payments	Total remune-ration
Paul Hanratty	6	3 065	–	3 065	–		–	3 065
Ian Kirk[2]	12	9 758	245	10 003	6 161	6 125	1 803	24 092
Abigail Mukhuba[3]	3	1 296	83	1 379	1 000		5 900	8 279
Temba Mvusi[4]	12	4 513	789	5 302	2 250	2 066	1 008	10 626
Jeanett Modise	12	3 920	230	4 150	2 000	1 600	–	7 750
Heinie Werth	12	6 100	210	6 310	2 750	3 247	–	12 307
Subtotal: executive directors		28 652	1 557	30 209	14 161	13 038	8 711	66 119
Thinus Alsworthy-Elvey[5]	8	3 367	142	3 509	–	1 356	4 008	8 873
Anton Gildenhuys[6]	12	5 332	210	5 542	3 100	4 685	–	13 327
Lizé Lambrechts	12	5 889	210	6 099	–	4 718	–	10 817
Bongani Madikiza[7]	4	1 350	150	1 500	2 050	–	–	3 550
Lotz Mahlangeni[8]	4	1 661	172	1 833	900	–	–	2 733
Sydney Mbhele	12	4 225	213	4 438	1 800	–	–	6 238
Kanyisa Mkhize[9]	4	1 275	142	1 417	800	–	1 200	3 417
Junior Ngulube	12	3 975	254	4 229	1 250	3 042	–	8 521
Wikus Olivier[10]	12	4 235	210	4 445	2 400	2 678	–	9 523
Robert Roux	12	5 313	210	5 523	4 000	3 017	–	12 540
Karl Socikwa[11]	4	1 463	70	1 533	2 100	1 988	–	5 621
Jurie Strydom[12]	12	5 853	210	6 063	3 000	3 243	–	12 306
Executive committee		72 590	3 750	76 340	35 561	37 765	13 919	163 585

(1) Fair value of LTI's (excluding equity-settled OPPs) vested during the year – refer to pages 173 to 178.
(2) Other payments of R1,8 million in lieu of accrued leave. Prescribed officer until 30 June 2020.
(3) Appointed as Group Finance Director on 1 October 2020. A sign-on retention cash bonus of R5,9 million was granted on appointment.
(4) Includes an amount of R369 250 paid by Santam. Other payments in lieu of accrued leave.
(5) Chief Executive of Sanlam Corporate until 31 August 2020. The lump sum (other) is in lieu of notice period, handover obligations and accrued leave.
(6) Appointed as Chief Executive: Sanlam Retail Affluent effective on 14 September 2020.
(7) Appointed as Chief Executive: Sanlam Retail Mass on 1 September 2020.
(8) Appointed as Chief Risk Officer and Chief Actuary with effect on 14 September 2020.
(9) Appointed Chief Executive of Sanlam Corporate on 1 September 2020. A sign-on retention cash bonus of R1,2 million was granted on appointment.
(10) Appointed as Group Executive: Strategy on 1 October 2020.
(11) Appointed as Group Executive: Market Development on 1 September 2020.
(12) Appointed as Chief Executive: Sanlam Life and Savings on 1 September 2020.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

Total guaranteed package

The TGP (in rand) of the executive directors and Exco that are defined as prescribed officers are reflected in the table below. There were no TGP increases in April 2021, in light of COVID-19 uncertainties.

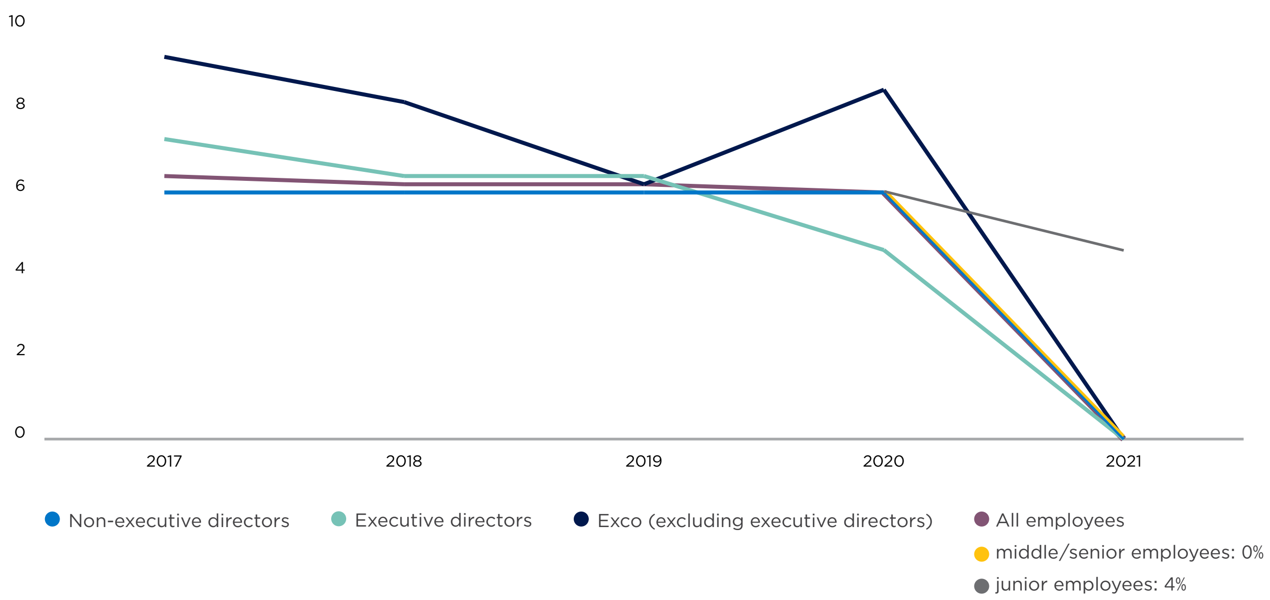
Individual	TGP as at 31-Dec-21	TGP as at 31-Dec-20	TGP as at 1-Jan-20	% increase in TGP 2021	% increase in TGP 2020
Paul Hanratty	6 130 000	6 130 000	–	n/a	n/a
Abigail Mukhuba[1]	5 515 400	5 515 400	–	0,00	n/a
Anton Gildenhuys	6 000 000	6 000 000	5 150 000	0,00	16,50
Lizé Lambrechts	6 165 000	6 165 000	5 900 000	0,00	4,49
Bongani Madikiza	4 500 000	4 500 000	–	0,00	n/a
Lotz Mahlangeni[1]	5 500 000	5 500 000	–	0,00	n/a
Sydney Mbhele	4 490 000	4 490 000	4 280 000	0,00	n/a
Kanyisa Mkhize[1]	4 250 000	4 250 000	–	0,00	n/a
Jeanett Modise	4 200 000	4 200 000	4 000 000	0,00	n/a
Wikus Olivier	4 500 000	4 500 000	4 281 000	0,00	n/a
Robert Roux[2]	5 590 000	5 590 000	5 320 000	0,00	6,00
Karl Socikwa[1]	4 600 000	4 600 000	–	0,00	n/a
Jurie Strydom	6 600 000	6 600 000	5 620 000	0,00	17,44
Heinie Werth	6 400 000	6 400 000	6 040 000	0,00	5,96

[1] Appointed to Exco in 2020 and % of TGP achieved weighted for full year.

[2] Retired from Executive committee at 31 December 2021. TGP as at 1 January 2022 reflects remuneration on date of retirement as Chief Executive: Sanlam Investment Group.

The average salary increase paid to executive directors for 2021 was 0% (2020: 4,6%) and that of other Exco (defined as prescribed officers) for 2021 was 0% (2020: 8,5%), compared with an average salary increase for junior employees of 4% (2020: 6%). Middle management and senior employees received 0% increases. The salary freeze for the April 2021 increase cycle (as explained in the 2020 Remuneration Report) was a prudent approach taken in light of COVID-19 uncertainties.

The remuneration increase trends for the last 5 years are as follows:



Short term incentives

CEO and FD performance outcomes

The CEO and FD performance measures for 2021 and achievement against it are set out below (Group achievement). Exco all have exposure to the Group achievement (30% weighting) in addition to business or functional area achievement for short term incentives to ensure direct alignment.

The business-level performance measures applicable to the business chief executives are based on the specific strategic objectives of each business, which are aligned to the achievement of the Group performance measures.

The individual/strategic performance measures for Exco are based on the contracted output of each individual (as agreed with the Group CEO) for the 2021 financial year and are summarised on pages 171 and 172 of this report.

KPI	Weighting	Measure (for 100%)	2021 Actual	Achievement % (0% – 200%)	Outcome
Group Operational Performance (Group Financial Outcome)	***50,0%***				
RoGEV	12,5%	13,6%	14,6%	150,0%	18,8%
Operating Profit (R'000)	12,5%	9 221	9 927	200,0%	25,0%
VNB (R'000)	10,0%	2 209	2 840	200,0%	20,0%
NCCF as % of opening AUM	5,0%	3,0%	4,36%	200,0%	10,0%
Company valuation (Price to GEV)	5,0%	1,05	1,01	20,0%	1,0%
Dividend (cents per share)	5,0%	330	334	153,3%	7,7%
					82,4%
Strategy: Identification & Implementation	***50%***				
Developing the Sanlam Platform to support growth and value creation	10,0%			200%	20,0%
Strengthening strategic partnerships	5,0%			150%	7,5%
Capital Allocation (in order to enhance RoGEV)	5,0%			200%	10,0%
Deepening customer relationships in South Africa	10,0%			125%	12,5%
Modernise the business through digital initiatives	7,5%			125%	9,4%
Reposition the brand	2,5%			150%	3,8%
Transformation, human capital management and culture	7,5%			150%	11,3%
Optimised business structure, operations, governance, compliance and risk management	2,5%			150%	3,8%
					78,1%
TOTAL: CEO (out of maximum of 200)					160,5%

The Financial Director has 50% weighting to the Group Financial Outcome and 50% to Strategic objectives aligned to the Group CEO and achieved 141% out of a maximum of 200.

Group office bonus outcomes

Sanlam's performance measures applied in 2021 to group employees' short-term incentives are summarised below. This also applied to Exco in relation to the weighting they have to group measures (see table detailing STI weightings for Exco and performance targets on pages 10 to 11). The group office bonus outcomes are aligned to underlying business outcomes and the Group achievement as disclosed above.

The group office performance bonus measures can be summarised as:

- weighted average outcome of business Clusters' achievements;
- transformation outcomes; and
- efficiency and business optimisation outcomes.

The actual achievement of Sanlam's group office performance bonus measures for 2021 are:

Bonus measures	Weighting	Achievement	Outcome
Weighted average outcome of business Clusters' achievements*	77,3%	124%	95,5%
* Business achievements ranged from 109% – 135% out of a maximum of 200%			
Group office efficiencies and business optimisation	4,5%	200%	9,1%
Transformation	9,1%	150%	13,6%
Pool for employees with "fully meet" performance	90,9%		118,2%
Differentiated pool for employees with "exceed expectation performance"	9,1%		11,8%
Total	100%		130%

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and Exco in respect of the performance achieved in 2021 as well as the deferral into Sanlam restricted shares for three years.

Final individual payments are based on the outcome relative to the set performance criteria but may be adjusted by the committee within a discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are payable and deferred into restricted shares in March 2022 as set out below:

Individual	% of TGP achieved[(1)] 2021	Total annual bonus R	Cash payment 2022 R	Bonus deferral (restricted shares) R	% of TGP achieved 2020	Cash payment 2021 R
Abigail Mukhuba[(1)]	118%	6 520 000	4 564 000	1 956 000	54	1 000 000
Anton Gildenhuys	104%	6 230 000	4 361 000	1 869 000	52	3 100 000
Lizé Lambrechts	131%	8 100 000	8 100 000	–	–	–
Bongani Madikiza	104%	4 700 000	3 290 000	1 410 000	46	2 050 000
Lotz Mahlangeni[(1)]	113%	6 190 000	4 333 000	1 857 000	54	900 000
Sydney Mbhele	104%	4 690 000	3 283 000	1 407 000	40	1 800 000
Kanyisa Mkhize[(1)]	106%	4 500 000	3 150 000	1 350 000	57	800 000
Jeanett Modise	107%	4 500 000	3 150 000	1 350 000	48	2 000 000
Wikus Olivier	108%	4 870 000	3 409 000	1 461 000	53	2 400 000
Robert Roux	131%	7 350 000	7 350 000	–	72	4 000 000
Karl Socikwa	104%	4 800 000	3 360 000	1 440 000	46	2 100 000
Jurie Strydom[(2)]	114%	5 257 000	5 257 000	–	45	3 000 000
Heinie Werth	121%	7 770 000	5 439 000	2 331 000	43	2 750 000

(1) Appointed to Exco in 2020 and the percentage of TGP achieved weighted for full year.
(2) Achievement of 114% is reflective of calculated bonus, however deferred bonus shares will be forfeited as employment condition will not be met.

Outcome of Group CEO five-year remuneration structure

The 2021 outcomes of the Group CEO five-year remuneration structure are detailed below. The performance and OPP shares are finally measured after a five-year measurement period.

Category	Total number of shares	Eligible for measurement after 18 months (June 2020 – 31 December 2021)	Shares which met performance condition	Forfeited shares	Measurement detail
Restricted shares (in lieu of TGP)	328 590	98 577	98 577		Based on performance per CEO scorecard as evaluated by the Board.
Bonus shares	1 671 910	501 573	402 617	98 956	CEO 2021 performance achievement (160,5% out of 200%). Measured annually based on Group CEO performance contract. Measurement of achievement ranges between 0% – 200%. 100% vesting at target and 200% vesting at stretch. Shares which met the performance condition (vested) to be held until the end of the holding period.
Total shares which met performance condition/ forfeited shares		600 150	501 194*	98 956	

* Shares which met the performance condition are only released after the holding period (i.e. 12 months after the end of the five-year employment period) unless the Board determines otherwise.

LTIs

Company financial performance conditions

The outcome of RoGEV achievement resulted in the vesting of 70% (first and second tranches) of the 2016 awards for category A PDSPs and some of the category B PDSPs in June 2021. The remainder was forfeited.

The last tranche of 2016 (30%), second tranche of 2017 (30%) and first tranche of 2018 (40%) of the PDSP awards will be tested in June 2022 for vesting. As part of the COVID-19 adjustments adopted last year the 2020 financial year will be excluded from the measurement but an additional year of measurement was introduced.

The Sanlam Investment Group (SIG) RoGEV hurdle is applicable to the vesting of PDSPs awarded up to 2019 in addition to the Group RoGEV hurdle. The SIG RoGEV hurdle for the awards made in 2016 has not been met and the relevant shares were forfeited.

DSP

For DSP vesting Exco business and individual scorecard achievement are evaluated. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Sanlam business strategy. Refer to pages 10, 11, 14 and 15 of the online Remuneration Report for more information in respect of the metrics applied as well as the weighting attributed to each.

The applicable Exco scorecard achievements were evaluated over the DSP performance period/s ending in 2021 and the outcomes and vesting were as follows:

Measurement of Exco members' DSP vesting

Name	Policy on-target % bonus of TGP[1]	Average achievement[2]/ on-target bonus for the measurement period/s (average over five years) %	>100% achievement warrants achieving DSP target for vesting
Heinie Werth	56	149%	Vesting 100%
Anton Gildenhuys	56	156%	Vesting 100%
Robert Roux	100	129%	Vesting 100%
Jurie Strydom	56	139%	Vesting 100%
Sydney Mbhele*	56	113%	Vesting 100%
Jeanett Modise*	56	120%	Vesting 100%
Lizé Lambrechts	112	111%	Vesting 100%

Notes:

* Jeanett Modise and Sydney Mbhele were appointed to Group Exco in 2019. Their first vesting by virtue of Group Exco roles will be in June 2022. Jeanett's disclosed DSP vesting is by virtue of DSPs awarded as part of a prior role in the Group.

1 On-target bonus earning potentials applied until 30 December 2020. This was applicable to DSP measurement for shares vesting in June 2021. The 2021 STI on-targets are disclosed in the remuneration policy of this report.

2 As disclosed in the 2020 Remuneration Report for DSP vesting the average performance (financial and strategic) over five years is evaluated, for the 2020 financial year only strategic measures were considered.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

The participation by executive directors and Exco defined as prescribed officers in the Group's LTI schemes (excluding the OPP) at 31 December 2021 was as follows:

Number of shares

	Balance 31-12-20	Awarded in 2021	Shares vested	Shares forfeited	Balance 31-12-21	Vesting in 2022	2023	2024	2025	2026
Paul Hanratty[6]										
RSP	3 000 000[9]	2 000 000	–	–	5 000 000	–	–	–	5 000 000	–
Heinie Werth	354 420	92 651	(78 264)	–	368 807	108 052	86 091	89 366	57 503	27 795
DSP	108 630	26 949	(25 470)	–	110 109	26 156	28 838	28 875	18 155	8 085
PDSP	138 221	34 281	(10 828)	–	161 674	64 978	32 359	32 084	21 969	10 284
Category A[1]	83 112	17 531	(10 828)	–	89 815	33 946	19 485	19 162	11 963	5 259
Category B[1]	55 109	16 750	–	–	71 859	31 032	12 874	12 922	10 006	5 025
RSP	107 569	31 421	(41 966)	–	97 024	16 918	24 894	28 407	17 379	9 426
Anton Gildenhuys[4]	604 726	182 168	(117 834)	–	669 060	153 670	164 537	180 530	115 672	54 651
DSP	103 043	24 019	(22 452)	–	104 610	22 228	29 227	27 095	18 854	7 206
PDSP – *category A[1]*	77 106	14 950	(8 150)	–	83 906	28 019	20 172	18 332	12 898	4 485
RSP[4]	424 577	143 199	(87 232)	–	480 544	103 423	115 138	135 103	83 920	42 960
Lizé Lambrechts										
Santam	52 799	–	(10 794)	–	42 005	11 747	14 960	9 981	5 317	–
Sanlam	26 368	–	(5 207)	–	21 161	15 466	5 695	–	–	–
DSP										
Santam	22 787	–	(5 367)	–	17 420	5 156	6 009	4 057	2 198	–
Sanlam	11 857	–	(5 207)	–	6 650	4 485	2 165	–	–	–
PDSP – category A										
Santam	30 012	–	(5 427)	–	24 585	6 591	8 951	5 924	3 119	–
Sanlam	14 511	–	–	–	14 511	10 981	3 530	–	–	–
RSP – Sanlam	–	–		–	–	–	–	–		
Junior Ngulube[3]	147 126	–	(78 739)	–	68 387	68 387	–	–	–	–
DSP	60 574		(60 574)	–	–	–	–	–	–	–
PDSP – Category A[1]	43 454		(5 322)	–	38 132	38 132	–	–	–	–
RSP	43 098		(12 843)	–	30 255	30 255	–	–	–	–

	Balance 31-12-20	Awarded in 2021	Shares vested	Shares forfeited	Balance 31-12-21	Vesting in 2022	2023	2024	2025	2026
Robert Roux[8]	274 587	–	(74 728)	–	199 859	147 444	–	–	–	–
DSP	96 117	–	(24 152)	–	71 965	71 965	–	–	–	–
PDSP	62 517	–	–	–	62 517	29 105	33 412	–	–	–
Category A[1]	62 517	–	–	–	62 517	29 105	33 412	–	–	–
Category B[1]	–		–	–	–	–	–	–	–	–
Category C[1]	–		–	–	–	–	–	–	–	–
RSP	115 953	–	(50 576)	–	65 377	46 374	19 003	–	–	–
Jurie Strydom	421 342	125 936	(125 857)	–	421 421	133 551	98 438	98 667	71 566	19 199
DSP	114 088	21 564	(20 157)		115 495	23 475	33 697	30 636	21 218	6 469
PDSP	156 860	18 865	(14 672)	–	161 053	34 993	44 279	40 796	35 325	5 660
Category A[1]	92 966	18 865	(14 672)	–	97 159	34 993	18 721	21 628	16 157	5 660
Category B[1]	63 894	–		–	63 894	–	25 558	19 168	19 168	–
RSP[7]	150 394	85 507	(91 028)	–	144 873	75 083	20 462	27 235	15 023	7 070
Jeanett Modise[2]										
Sanlam	130 982	39 952	(21 705)	–	149 229	28 877	41 981	40 426	25 960	11 985
Santam	1 677	–	(1 530)	–	147	147	–	–	–	–
DSP										
Sanlam	66 834	19 580	(17 668)	–	68 746	20 792	20 240	14 804	7 036	5 874
Santam	427	–	(325)	–	102	102	–	–	–	–
PDSP – *Category A[1]*	–	–	–	–	–	–	–	–	–	–
Sanlam	46 473	8 588	(4 037)	–	51 024	8 085	14 672	15 605	10 086	2 576
Santam	1 250	–	(1 205)	–	45	45	–	–	–	–
RSP	17 675	11 784	–	–	29 459	–	7 069	10 017	8 838	3 535
Sydney Mbhele	144 174	19 514	–	–	163 688	25 790	51 221	51 059	29 764	5 854
DSP	68 542	–	–	–	68 542	25 790	20 969	20 563	1 220	–
PDSP – *Category A[1]*	57 957	–	–	–	57 957	–	23 183	17 387	17 387	–
RSP	17 675	19 514	–	–	37 189	–	7 069	13 109	11 157	5 854
Wikus Olivier	319 411	42 629	(41 943)	–	320 097	41 087	101 720	89 364	75 136	12 790
DSP	78 441	15 502	(14 594)	–	79 349	15 142	23 004	21 213	15 339	4 651
PDSP – *Category A[1]*	60 412	3 562	(4 796)	–	59 178	6 724	20 493	16 474	14 418	1 069
RSP	180 558	23 565	(22 553)	–	181 570	19 221	58 223	51 677	45 379	7 070

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

	Balance 31-12-20	Awarded in 2021	Shares vested	Shares forfeited	Balance 31-12-21	Vesting in 2022	2023	2024	2025	2026
Abigail Mukhuba[5]	259 901	100 803	–	–	360 704	–	176 605	81 967	71 890	30 242
DSP	106 789	–		–	106 789		42 715	32 037	32 037	–
PDSP	32 037	86 208	–	–	118 245	–	12 815	44 093	35 474	25 863
Category A[1]	32 037	36 472	–	–	68 509		12 815	24 199	20 553	10 942
Category B[1]	–	49 736		–	49 736	–	–	19 894	14 921	14 921
RSP	121 075	14 595		–	135 670		121 075	5 837	4 379	4 379
Bongani Madikiza[5]	87 129	69 815	–	–	156 944	–	34 851	54 064	47 084	20 945
DSP	87 129	–		–	87 129		34 851	26 139	26 139	–
PDSP – *Category A[1]*	–	54 105		–	54 105			21 641	16 232	16 232
RSP	–	15 710		–	15 710			6 284	4 713	4 713
Lotz Mahlangeni[5]	334 090	66 128	(68 997)	–	331 221	68 997	78 440	85 280	78 666	19 838
DSP	106 491	–		–	106 491		42 597	31 947	31 947	–
PDSP – *Category A[1]*	–	66 128		–	66 128			26 452	19 838	19 838
RSP	227 599	–	(68 997)	–	158 602	68 997	35 843	26 881	26 881	–
Kanyisa Mkhize[5]	82 288	51 099	–	–	133 387	–	32 916	45 125	40 016	15 330
DSP	82 288	–		–	82 288		32 916	24 686	24 686	–
PDSP – *Category A[1]*	–	51 099		–	51 099			20 439	15 330	15 330
RSP	–			–	–					
Karl Socikwa[5]	122 914	70 204	(20 551)	–	172 567	44 854	25 824	48 048	32 780	21 061
DSP	83 089	21 388	(20 551)	–	83 926	21 605	17 209	20 944	17 752	6 416
PDSP – *Category A[1]*	26 683	33 106	–	–	59 789	17 993	4 672	16 877	10 315	9 932
RSP	13 142	15 710		–	28 852	5 256	3 943	10 227	4 713	4 713

(1) The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital.
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital.

(2) Participated in the Santam LTI's as a former employee of Santam.

(3) Retired on 31 January 2021.

(4) The majority of the allocation is in respect of an incentive arrangement rewarding embedded value enhancement and balance sheet management deliverables.

(5) Appointed to the Executive committee in 2020.

(6) Refer to the Group CEO 5-year remuneration structure.

(7) The award for 2021 includes 61 942 shares that qualified under the previous OPP for which a further 12-month holding period applies.

(8) Robert Roux retired 31 December 2021.

(9) Final tranche (restricted share award) in terms of Group CEO 5-year remuneration structure.

Value

	2021			2020		
R'000	Value of shares awarded[1]	Value of shares vesting[2]	Value of shares forfeited[2]	Value of shares awarded[1]	Value of shares vesting[2]	Value of shares forfeited[2]
Paul Hanratty	115 580	–	–	161 580	–	–
DSP	–	–	–	–	–	–
PDSP	–	–	–	–	–	–
RSP	115 580[7]	–	–	161 580	–	–
Ian Kirk	31 382[5]	–	60	–	6 125	115
DSP	–	–	–	–	2 630	–
PDSP	–	–	60	–	3 495	115
RSP[3]	31 382	–	–	–	–	–
Abigail Mukhuba	6 067	–	–	12 863	–	–
DSP	–	–	–	5 285	–	–
PDSP	5 224	–	–	1 586	–	–
RSP[3]	843	–	–	5 992	–	–
Heinie Werth	5 526	4 796	–	5 311	3 247	168
DSP	1 633	1 543	–	1 808	1 497	–
PDSP	2 077	656	–	2 098	1 264	168
RSP[3]	1 816	2 597	–	1 405	486	–
Temba Mvusi	–	6 286	–	–	2 066	–
DSP	–	3 989	–	–	1 039	–
PDSP	–	506	–	–	430	–
RSP[3]	–	1 791	–	–	597	–
Jeanett Modise	2 388	1 703	–	2 746	1 600	–
DSP	1 187	1 153	–	234	1 243	–
PDSP	520	550	–	1 512	357	–
RSP[3]	681	–	–	1 000	–	–
Subtotal: executive directors	160 943	12 785	60	182 500	13 038	283
Anton Gildenhuys	10 637	6 799	–	11 765	4 685	–
DSP	1 456	1 447	–	2 346	1 215	–
PDSP	906	525	–	1 694	713	–
RSP[3][4]	8 275	4 827	–	7 725	2 757	–
Lizé Lambrechts	–	3 234	–	4 775	4 718	–
DSP	–	1 769	–	1 974	1 959	–
PDSP	–	1 465	–	2 801	2 759	–
RSP[3]	–	–	–	–	–	–
Junior Ngulube	–	5 024	–	–	3 042	–
DSP	–	3 903	–	–	1 588	–
PDSP	–	343	–	–	1 100	–
RSP[3]	–	778	–	–	354	–
Robert Roux[6]	–	4 621	–	4 096	3 017	–
DSP	–	1 556	–	1 956	1 491	–
PDSP	–	–	–	1 140	819	–
RSP	–	3 065	–	1 000	707	–

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

	2021			2020		
R'000	Value of shares awarded[(1)]	Value of shares vesting[(2)]	Value of shares forfeited[(2)]	Value of shares awarded[(1)]	Value of shares vesting[(2)]	Value of shares forfeited[(2)]
Jurie Strydom	7 391	7 660	–	10 444	3 243	–
DSP	1 307	1 299	–	2 970	1 623	–
PDSP	1 143	945	–	5 974	848	–
RSP[(3)]	4 941	5 416	–	1 500	772	–
Sydney Mbhele	1 128	–	–	4 747	–	–
DSP	–	–	–	246	–	–
PDSP	–	–	–	3 501	–	–
RSP[(3)]	1 128	–	–	1 000	–	–
Thinus Alsworth-Elvey	–	7 213	–	1 000	1 356	–
DSP	–	4 757	–	–	–	–
PDSP	–	51	–	–	–	–
RSP[(3)]	–	2 405	–	1 000	1 356	–
Wikus Olivier	2 517	2 577	–	11 590	2 678	–
DSP	939	940	–	2 152	945	–
PDSP	216	309	–	2 688	143	–
RSP[(3)]	1 362	1 328	–	6 750	1 590	–
Bongani Madikiza	4 187	–	–	5 263	–	–
DSP	–	–	–	5 263	–	–
PDSP	3 279	–	–	–	–	–
RSP[(3)]	908	–	–	–	–	–
Lotz Mahlangeni	4 007	4 381	–	19 133	–	–
DSP	–	–	–	6 433	–	–
PDSP	4 007	–	–	–	–	–
RSP[(3)]	–	4 381	–	12 700	–	–
Kanyisa Mkhize	3 097	–	–	4 971	–	–
DSP	–	–	–	4 971	–	–
PDSP	3 097	–	–	–	–	–
RSP[(3)]	–	–	–	–	–	–
Karl Socikwa	4 210	1 324	–	2 360	1 988	–
DSP	1 296	1 324	–	2 283	1 528	–
PDSP	2 006	–	–	77	460	–
RSP[(3)]	908	–	–	–	–	–
Executive committee	198 117	55 618	60	262 644	37 765	283

(1) Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.
(2) Based on market value of shares on vesting and forfeiture dates respectively.
(3) Grants relate to performance in the prior financial year (historic arrangement and discontinued from 2021). Awards carry an individual and strategic performance condition for vesting. Vesting in years 3, 4 and 5 after award.
(4) The majority of the allocation is in respect of an incentive arrangement rewarding embedded value enhancement and balance sheet management deliverables.
(5) Restraint of trade shares awarded as disclosed in 2020 Remuneration Report.
(6) Robert Roux retired on 31 December 2021.
(7) Final tranche (restricted share award) in terms of Group CEO 5-year remuneration structure.

OPPs

OPPs implemented

Based on the Sanlam business strategy five OPPs were implemented in 2021. The design of the OPPs is in accordance with the Sanlam remuneration policy and were awarded to the Sanlam Life and Savings (SLS) and Sanlam Emerging Markets (SEM) business Chief Executives.

The prior OPP awarded to the Chief Executive of SEM (for measurement from the 2020 financial year) was no longer appropriate (based on the current business strategy) and was cancelled, all value lapsed and replaced in its entirety by the 2021 OPP. The performance conditions are set over a five-year period and align fully with the Group CEO's metrics for his five-year remuneration structure and are directly aligned to the Sanlam business strategy.

The design of the OPPs and the relevant performance conditions for vesting are detailed below. As explained in the remuneration policy, OPP targets are considerably more stretching than the performance conditions for PDSPs. Historic vesting % (over the past three years) amounted to less than 20%.

Business/ chief executive participants	Measurement period and description	OPP Performance Conditions					Potential – maximum number of shares that can be delivered
		Financial Measure	Description	Minimum (0% vesting below this)	Maximum (100% vesting)	Weight	
SLS Jurie Strydom[(1)] Kanyisa Mkhize Bongani Madikiza Anton Gildenhuys	1 January 2021 – 31 December 2025 **(Final measurement** March 2026 after conclusion of 2025 financial year end)	SLS Operating EV experience from all sources 2021 – 2025	Total operating variances from improving persistency, as well as operating assumption changes, reducing maintenance unit expenses in real terms and improving other sources of profit such as mortality and morbidity	< R7,5 billion	R15 billion	25%	**Jurie Strydom[(1)]** (200% TGP per year) 1 128 012 shares **Kanyisa Mkhize** (100% TGP per year) 363 186 shares **Bongani Madikiza** (100% TGP per year) 384 550 shares **Anton Gildenhuys** (100% TGP per year) 512 733 shares
		SLS profit growth 2021 – 2025	Average annual rate of growth between NRFS for 2020 and the NRFS for 2025 FY	CPI + 1 %	>CPI + 9%	25%	
		SLS ROGEV 2021 – 2025	Average return implied by dividends and change in GEV from 01.01.2021 to 31.12.2025, adjusted for normalised investment returns and interest rates (if required)	RFR+4% For 2021 From 2022 CPI + 6%	RFR+8% For 2021 From 2022 CPI + 10%	25%	
		SLS GEV Added	Change in GEV 01.01.2021 – 31.12.2025 plus dividends paid over the period in reference to years 2021 to 2025	R40 billion	R60 billion	25%	

Modifier based on strategic outcomes measured against:

- reshaping the Sanlam Group through M&A and strategic partnerships;
- creating Value from Mergers and Acquisitions (M&A) *inter alia*, transformation of the workforce;
- modernisation of the business through data and digital transformation;
- fortress South Africa: Strengthen the competitive position in South Africa through partnerships and by driving deeper customers relationships through use of a wider product set, improved customer proposition;
- transformation of the employee base; and
- culture and ESG.

A maximum adjustment of an added 25% or decreased 25% may be made at the committee's discretion (after testing of the financial metrics) to reflect these factors.

(1) Forfeiture of all OPP Benefits due to the employment condition not being met.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE GROUP EXECUTIVE COMMITTEE THAT ARE DEFINED AS PRESCRIBED OFFICERS (CONTINUED)

<table>
<tr><th>Business/ chief executive participants</th><th>Measurement period and description</th><th>OPP Performance Conditions</th><th>Potential – maximum number of shares that can be delivered</th></tr>
<tr><td>SEM

Heinie Werth</td><td>1 January 2021 – 31 December 2025

(Final measurement March 2026 after conclusion of 2025 financial year end)</td><td>
<table>
<tr><th>Financial Measure</th><th>Description</th><th>Minimum (0% vesting below this)</th><th>Maximum (100% vesting)</th></tr>
<tr><td>Stock rating P / GEV</td><td>Improved Group rating from H2 2020 over the five years to a better average in 2024/5</td><td>< 1</td><td>1,15</td></tr>
<tr><td>SEM profit growth 2021 – 2025</td><td>Average annual rate of growth between NRFS for 2020 and the NRFS for 2025 FY in constant currency</td><td>10%</td><td>17,5%</td></tr>
<tr><td>SEM dividend growth 2021 – 2025</td><td>Average annual rate of growth of dividend paid to the Group by SEM between 2020 and 2025 FY in constant currency</td><td>10%</td><td>20%</td></tr>
<tr><td>SEM ROGEV 2021 – 2025</td><td>Average return implied by dividends and change in GEV from 01.01.2021 to 31.12.2025, adjusted for normalised investment returns if required</td><td>RFR+4%

From 2022 CPI + 6%</td><td>RFR+8%

From 2022 CPI + 10%</td></tr>
<tr><td>SEM GEV Added</td><td>Change in GEV 01.01.2021 – 31.12.2025 plus dividends paid over the period in reference to years 2021 to 2025</td><td>R25 billion</td><td>R50 billion</td></tr>
</table>
Modifier based on strategic outcomes measured against:

reshaping the Sanlam Pan African business through strategic partnerships;
development of digital channels to reach the consumers on the African continent;
sustainable management, skills and culture; and
derive maximum value from the Indian operations.

A maximum adjustment of an added 25% or decreased 25% may be made at the committee's discretion (after testing of the financial metrics) to reflect these factors.
</td><td>Heinie Werth
(200% TGP per year)
1 093 830 shares</td></tr>
</table>

Notes:
Sliding scale applies to determine vesting percentage between minimum and maximum hurdles.
Targets may be adjusted by the committee for material reorganisation, acquisitions or disposals during the measuring period.

Historic OPP outcomes

As reported in the 2020 Remuneration Report, Robert Roux's OPP was measured 31 December 2021, with vesting of 13% of the overall potential of 550 454 shares (73 903 shares) in March 2022. This coincides with Robert's retirement date.

OPP participant	Measurement period and description	Performance measures	Achievement	Vesting
Robert Roux	1 January 2017 – 31 December 2021 • excluding 2020 financial year from measurement **550 454** Sanlam shares were awarded in 2016 and are subject to performance measurement for: • Net result from financial services (30%) • Adjusted RoGEV (40%) • Net new business flows (30%)	***Net result from financial services [30%]:*** • Base value: 2016 SI cluster net result from financial services of R1 093 million • Minimum hurdle: annualised real growth of 5% • Hurdle for 100% vesting: annualised real growth of 15%	Below minimum for net result from financial services	Nil
		Adjusted RoGEV [40%]: • Base rate: annual SI cluster RoGEV hurdle • Minimum hurdle: average annual RoGEV equal to base rate • Hurdle for 100% vesting: average annual outperformance of base rate by 7%	Below minimum for Adjusted RoGEV	Nil
		Net new business flows [30%]: • Base value: aggregate investment management fees earned (after acquisition costs) on net new third-party business flows (NF) of R43,75 million • Minimum hurdle: annual NF equal to base value • Hurdle for 100% vesting: annual NF of R87,5 million	44.75% achievement for Net new business flows	73 903 shares

Minimum shareholding requirement

The table below reflects the actual qualifying Sanlam shares held by executive directors and Exco members relative to the minimum shareholding requirement (MSR).

Number of shares as at 31 December 2021

Individual	Minimum shareholding requirement	Actual qualifying shareholding	Date at which minimum shareholding must be reached
Paul Hanratty[(1)]	n/a	n/a	n/a
Heinie Werth	159 830	313 239	31 December 2021
Jeanett Modise	52 444	21 705	30 June 2025
Anton Gildenhuys	99 894	164 665	31 December 2021
Sydney Mbhele	56 065		30 June 2025
Robert Roux[(2)]	93 068	154 449	31 December 2021
Jurie Strydom	164 825	171 116	30 June 2023
Wikus Olivier	74 920	28 194	30 September 2026
Karl Socikwa	57 439		30 September 2026
Abigail Mukhuba	137 739		30 September 2026
Bongani Madikiza	74 920		30 September 2026
Lotz Mahlangeni	68 677	13 799	30 September 2026
Kanyisa Mkhize	53 069		30 September 2026

(1) Refer to the five-year CEO remuneration structure on pages 20 and 21.
(2) Retired 31 December 2021.

Sanlam share **scheme allocation**

As approved by shareholders the scheme has an allocation of 110 million shares with a limit on annual usage of 11 million shares and the limit for any individual of 5 million shares.

The following table illustrates the usage for 2021 and the capacity position as at 31 December 2021:

		Number of shares
Scheme allocation originally approved*		110 000 000
Allocation under DSP and PDSP in 2019	(5 729 811)	
Allocation under RSP in 2019	(433 037)	(6 162 848)
Shares forfeited in 2019		1 020 238
Balance of scheme allocation carried forward at 31 December 2019		104 857 390
Allocation under DSP and PDSP in 2020	(7 011 922)	
Allocation under RSP in 2020	(3 847 089)	(10 859 011)
Shares forfeited in 2020		504 933
Balance of scheme allocation carried forward at 31 December 2020		94 503 312
Allocation under DSP and PDSP in 2021	(7 113 125)	
Allocation under RSP in 2021	(2 501 176)	(9 614 301)
Shares forfeited in 2021		1 341 800
Balance of scheme allocation carried forward at 31 December 2021		86 230 811

* Scheme allocation approved at the AGM held on 5 June 2019 and applies with effect from 1 January 2019.

Remuneration details for **non-executive directors**

The policy for non-executive directors' fees is summarised under the remuneration policy part of this report.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

Non-executive directors' emoluments for the year ended 31 December 2021[1]

				Fees from Group			
R'000	Directors' fees	Attendance Fees	Committee Fees	Director fees	Attendance fees	Committee fees	Total
AS Birrell[2]	968	424	1 015	–	361	189	2 957
AD Botha	387	169	180	129	71	39	975
NAS Kruger	387	169	945	–	–	–	1 501
E Masilela (Chair)	3 307	–	–	–	–	–	3 307
M Mokoka	387	169	945	92	–	39	1 632
JP Möller	387	169	1 124	414	435	487	3 016
PT Motsepe (Deputy Chair)	589	172	314	–	–	–	1 075
KT Nondumo	387	169	1 285	–	407	426	2 674
SA Nkosi	387	169	134	–	–	–	690
RV Simelane	387	169	158	–	–	–	714
J van Zyl	387	169	314	–	–	–	870
SA Zinn	387	169	361	–	–	–	917
E Essoka[3]	484	254	67	–	–	–	805
N Manyonga	32	34	–	–	–	–	66
W Van Biljon	161	68	93	–	–	–	322
Total Non-Executive directors	9 024	2 473	6 935	635	1 274	1 180	21 521

(1) Excluding VAT.
(2) Nationality: British/South African.
(3) Nationality: Cameroonian

Travel and subsistence paid in respect of attendance of Board and committee meeting amounted to R122 346 (2020: R399 311).

Fees from Group companies for the year ended 31 December 2021[1]

R'000	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell[2]	–	361	189	550
AD Botha	129	71	39	239
KT Nondumo	–	407	426	833
JP Möller	414	435	487	1 336
M Mokoka	92	–	39	131
Total fees from Group Companies	635	1 274	1 180	3 089

(1) Excluding VAT.
(2) Nationality: British/South African.

Non-executive directors' emoluments for the year ended 31 December 2020[1]

R'000	Directors' fees	Attendance and committees	Fees from Group	Total
AS Birrell[2]	888	1 319	394	2 601
AD Botha	396	850	595	1 841
PB Hanratty[3]	403	570	–	973
NAS Kruger	224	716	–	940
E Masilela (Chair from 11 June 2020)	1 837	214	–	2 051
M Mokoka	377	928	150	1 455
JP Möller	377	1 072	3 110	4 559
PT Motsepe (Deputy Chair)	573	497	–	1 070
KT Nondumo	377	1 388	1 116	2 881
SA Nkosi	537	716	–	1 253
RV Simelane	377	319	–	696
CG Swanepoel (to 30 June 2020)	183	635	1 538	2 356
J van Zyl (Chair until 10 June 2020)	1 761	259	–	2 020
S Zinn	377	574	–	951
Total Non-Executive directors	8 687	10 057	6 903	25 647

(1) The Non-Executive directors' fees for 2020 are disclosed as excluding VAT.
(2) Nationality: British/South African.
(3) Nationality: Irish.

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R399 311 (2019: R920 322)

Fees from Group companies for the year ended 31 December 2020[1]

R'000	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell[2]	266	–	128	394
AD Botha	251	268	76	595
M Mokoka	105	–	45	150
JP Möller	628	544	1 938	3 110
KT Nondumo	271	478	367	1 116
CG Swanepoel	111	–	1 427	1 538
Total fees from Group Companies	1 632	1 290	3 981	6 903

(1) Excluding VAT.
(2) Nationality: British/South African.

Sanlam Limited **Board information**

Total interest of directors in share capital at the date of this report

	Beneficial		Non-beneficial		
Directors	Direct	Indirect	Direct	Indirect	UB shares
Executive directors					
PB Hanratty[1]	5 000 000	–			
AM Mukhuba	135 670	–			
HC Werth	418 801	578 438			
J Modise	51 164	–			
Total executive directors	5 605 635	578 438			
Non-executive directors					
J van Zyl	–	1 000 000	–	–	164 231
PT Motsepe (Deputy Chair)	–	–	–	–	Refer note*
AD Botha	–	–	–	–	–
AS Birrell[2]	65 487	–	–	–	–
E Essoka[3]	–	–	–	–	–
NAS Kruger	–	–	–	–	–
N Manyonga					
E Masilela (Chair)	–	–	–	–	–
MG Mokoka	–	–	–	–	–
JP Möller	600 000	–	200 000	–	–
KT Nondumo	–	–	–	–	–
SA Nkosi	–	–	–	–	–
RV Simelane	–	–	–	–	10 092
W van Biljon	1 169				
SA Zinn	–	–	–	–	–
Total non-executive directors	666 656	1 000 000	200 000	–	174 323
Total	6 272 291	1 578 438	200 000	–	174 323

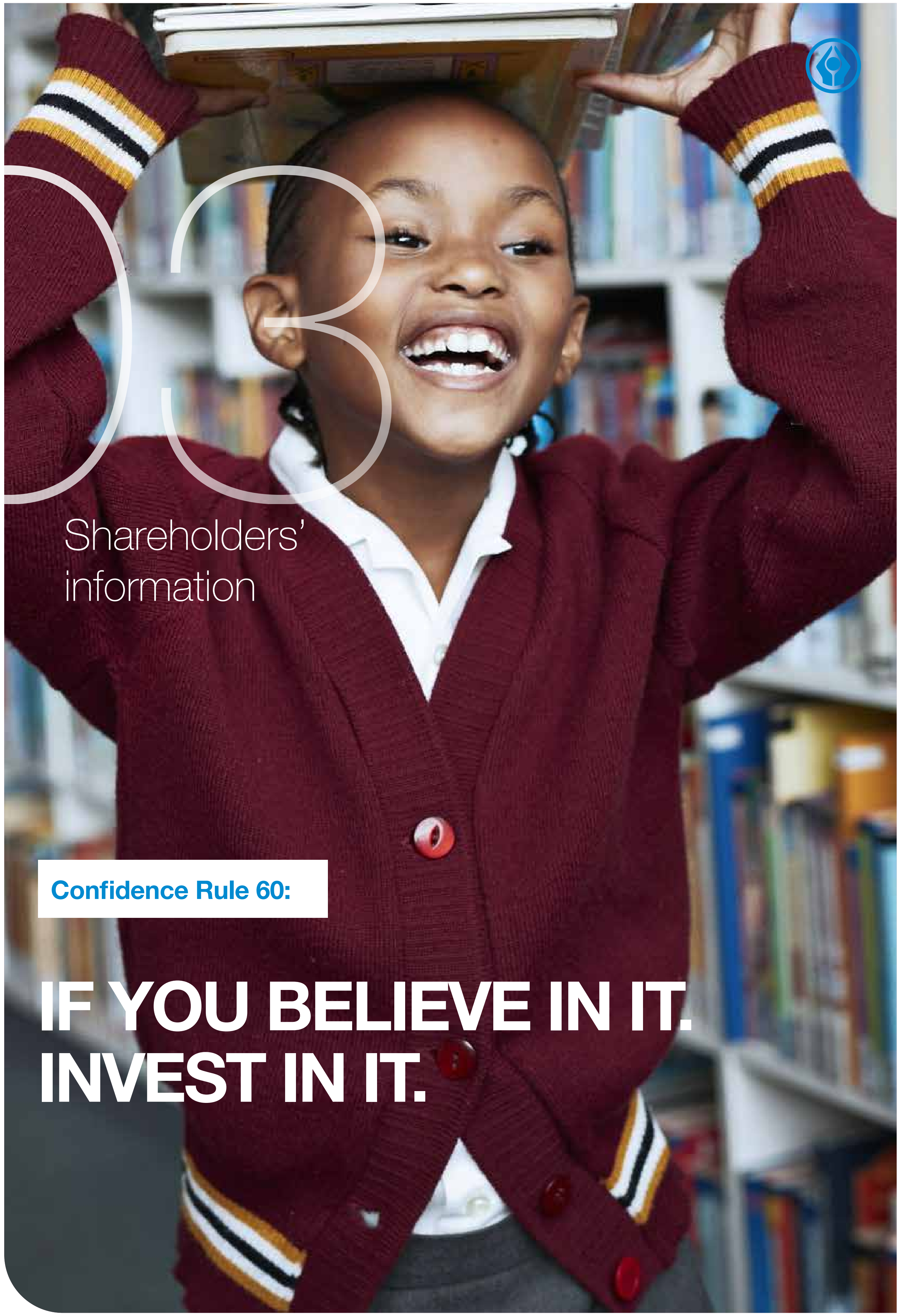
(1) Nationality: Irish.
(2) Nationality: British/South African.
(3) Nationality: Cameroonian
* Ubuntu-Botho Investments (Proprietary) Ltd ("UBI") is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited ("Sizanani"), holds a beneficial interest of approximately 59% of the issued shares (which issued shares includes both the "A" ordinary shares) in UBI. Approximately 5% of Sizanani's beneficial interest in UBI is attributable to interests in UBI which have been acquired, directly or indirectly, by a subsidiary of UBI. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation Trust, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to approximately 59% of the UBI shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest of 20% of UBI's shareholding in Sanlam by virtue of Dr Motsepe being a trustee (but not a beneficiary) of Sanlam's Ubuntu-Botho Community Development Trust.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: Dr RV Simelane has 10 092 and Dr J van Zyl has 164 231.

Total interest of directors in share capital at 31 December 2020

	Beneficial		
Directors	Direct	Indirect	UB shares
Executive directors			
HC Werth	351 082	578 438	–
I Kirk	324 622	–	–
T Mvusi	113 603	–	4 000
J Modise	17 675	–	–
PB Hanratty[1]	3 000 000	–	–
AM Mukhuba	121 075	–	–
Total executive directors	3 928 057	578 438	4 000
Non-executive directors			
J van Zyl	–	2 894 288	–
PT Motsepe (Deputy Chairman)	–	–	Refer note*
AD Botha	–	–	–
AS Birrel[2]	–	–	–
NAS Kruger	–	–	–
E Masilela (chair)	–	–	–
MG Mokoka	–	–	–
JP Möller	600 000	–	–
K Nondumo	–	–	–
SA Nkosi	–	–	–
RV Simelane	–	–	10 092
CG Swanepoel	10 000	–	–
PL Zim	–	–	–
Total non-executive directors	610 000	2 894 288	10 092
Total	4 538 057	3 472 726	14 092

(1) Nationality: Irish.
(2) Nationality: British/South African.
* Ubuntu-Botho Investments (Pty) Ltd (UBI) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Pty) Ltd (Sizanani), beneficially holds approximately 61% of the ordinary share capital (which includes the "A" ordinary shares) in UBI. Approximately 4,8% of Sizanani's beneficial holding in UBI is attributable to interests in UBI which have been acquired, directly or indirectly, by a subsidiary of UBI. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation Trust, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to approximately 61% of the UBI shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest of 20% of UBI's shareholding in Sanlam as a trustee of Sanlam's Ubuntu-Botho Community Development Trust. A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: RV Simelane has 10 092. Mr Temba Mvusi holds 4 000 Ubuntu-Botho shares after he sold 10 000 shares in November 2010.



Basis of accounting – Shareholders' information

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and financial return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. For the purpose of internal monitoring, the directors make use of GEV to reflect the performance of the Group. This is considered to provide a meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 251.

Basis of accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section. Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2020 annual report apart from the following:

- 2020 comparative information has been restated to correct a hyperinflation accounting error as reported in the Group's interim results announcement of 9 September 2021. Refer to note 36.1 on page 150 for additional information. The error had no impact on Net Asset Value, Group Equity Value or any of the Group's key performance indicators.
- Interest rate benchmark reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

These amendments did not have a significant impact on these Annual Financial Statements and no further disclosures have therefore been made.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 196)
- Change in Group Equity Value (refer page 200)
- Return on Group Equity Value (refer page 202)
- Analysis of Group Equity Value earnings (refer page 204)
- Shareholders' fund financial statements consisting of the shareholders' fund at net asset value (refer page 210), shareholders' fund income statement (refer page 212) and related notes, including embedded value of covered business-related disclosures.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance, retail credit and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the Annual Financial Statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques, judgement is utilised in setting assumptions of future events and experience, and where applicable, risk-adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those contained in the IFRS Financial Statements, apart from the following:

Basis of consolidation

The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as non-controlling shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value. The fund transfers between the shareholders' and policyholders' funds relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised attributable earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

In addition, the consolidation of the Broad-Based Black Economic Empowerment (B-BBEE) special purpose vehicle (SPV), to which 111 349 999 shares were issued, is treated similarly and is also recognised in the consolidation reserve and fund transfers, respectively. The SPV was funded 50% by a loan issued by Sanlam to the SPV, and 50% by external debt. For IFRS purposes:

- the SPV is consolidated;
- the shares held within the SPV are treated as treasury shares;
- the loan to the SPV is eliminated; and
- the external debt is shown on the balance sheet.

Given that the shares will be sold in the market should the SPV not be able to repay the loan, management has, for shareholders' information purposes, recognised the full share issue in the shareholders' fund and has not consolidated the SPV. Given the close relationship between the valuation of the loan and the Sanlam share price, this balance is classified as equities in the shareholders' fund at NAV. Management tests the recoverability of this loan semi-annually and has, as a result of this recoverability assessment, recognised a further impairment of R145 million for the year ended 31 December 2021 (31 December 2020: R1,7 billion). As this is not necessarily reflective of the longer-term value of the SPV, this impairment can reverse in future periods based on the movement in the Sanlam share price.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholders' fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in the net result from financial services and net investment return, respectively.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

In accordance with the JSE Listings Requirement the Group Annual Financial Statements set out, fairly present in all material respects the financial position, financial performance and cash flows of Sanlam in terms of IFRS.

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the B-BBEE SPV, policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund and B-BBEE SPV. However, the Group calculates normalised diluted earnings per share (a non-IFRS measure) to eliminate fund transfers relating to the investments in Sanlam shares Group subsidiaries held by the policyholders' fund, as well as consolidated vehicles, including B-BBEE SPV. This is in the Group's opinion a better representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business, the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Basis of accounting and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN107 (version 8), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

Basis of accounting – Shareholders' information continued

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2020 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, group stable bonus business, annuity business and other non-participating business written by Sanlam Retail Affluent, Sanlam Retail Mass, Sanlam Corporate, Sanlam Emerging Markets and Sanlam UK.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For South African insurance businesses (and businesses with similar regulatory regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a solvency cover ratio within a specific range, e.g. between 170% and 210% for Sanlam Life over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 115% for Santam Limited, even after severe but plausible stress scenarios.

The capital allocated to covered business is funded from a balanced investment portfolio comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Annuities purchased by retirement fund members using in-fund options are treated as new business; Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 216, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Basis of accounting – Shareholders' information continued

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience, respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as a basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Future rates of bonuses for stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience, adjusted for expected future trends where appropriate. The mortality experience since the onset of the coronavirus pandemic has been excluded when considering future expected experience.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2020.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, digital transformation, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

- Value of new business

  The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

- Net earnings from existing covered business

  Expected return on value of covered business

  The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

  Operating experience variances

  The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

  Operating assumption changes

  Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

- Expected investment return on adjusted net worth

  The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

  The total embedded value earnings from covered business include two further main items:

  - *Economic assumption changes*

    The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

  - *Investment variances*

    Investment variances – value of in-force

    The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

    Investment variances – investment return on adjusted net worth

    Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

Group **Equity Value**

at 31 December

R million	Note	Group Equity Value 2021	Group Equity Value 2020	Value of in-force/ Fair value adjustment 2021	Value of in-force/ Fair value adjustment 2020	*Adjusted net asset value 2021*	*Adjusted net asset value 2020*	Elimination of goodwill and VOBA 2021	Elimination of goodwill and VOBA 2020	Shareholders' fund at net asset value 2021	Shareholders' fund at net asset value 2020
Sanlam Life and Savings		54 159	52 278	45 942	43 137	*8 217*	*9 141*	(1 020)	(1 240)	9 237	10 381
Covered business[1]	7.1.1	48 937	47 597	42 997	40 619	*5 940*	*6 978*	(1 020)	(1 240)	6 960	8 218
SA Retail Affluent		31 849	32 043	28 998	28 024	*2 851*	*4 019*	(662)	(681)	3 513	4 700
SA Retail Mass		11 761	10 596	10 548	9 696	*1 213*	*900*	(189)	(371)	1 402	1 271
Sanlam Corporate		5 327	4 958	3 451	2 899	*1 876*	*2 059*	(169)	(188)	2 045	2 247
Non-Covered business		5 222	4 681	2 945	2 518	*2 277*	*2 163*	–	–	2 277	2 163
SA Retail Affluent		4 319	4 035	3 095	2 847	*1 224*	*1 188*	–	–	1 224	1 188
Glacier		2 736	2 553	2 321	2 139	*415*	*414*	–	–	415	414
Other operations		1 583	1 482	774	708	*809*	*774*	–	–	809	774
Sanlam Corporate: Health		903	646	(150)	(329)	*1 053*	*975*	–	–	1 053	975
Sanlam Emerging Markets		40 354	35 323	7 493	5 381	*32 861*	*29 942*	(3 089)	(3 154)	35 950	33 096
Covered business	7.2.8	9 026	8 638	3 801	3 775	*5 225*	*4 863*	(3 089)	(3 154)	8 314	8 017
SPA Life		6 923	6 793	2 947	3 029	*3 976*	*3 764*	(2 469)	(2 520)	6 445	6 284
Saham		1 533	1 548	22	92	*1 511*	*1 456*	(1 728)	(1 774)	3 239	3 230
Namibia		2 084	2 063	1 562	1 546	*522*	*517*	–	–	522	517
Botswana		1 540	1 588	1 153	1 216	*387*	*372*	–	(2)	387	374
Other African operations		1 766	1 594	210	175	*1 556*	*1 419*	(741)	(744)	2 297	2 163
India		1 092	1 002	491	393	*601*	*609*	(322)	(302)	923	911
Malaysia		1 011	843	363	353	*648*	*490*	(298)	(332)	946	822
Non-Covered business		31 328	26 685	3 692	1 606	*27 636*	*25 079*	–	–	27 636	25 079
SPA GI		18 612	16 877	3 610	2 081	*15 002*	*14 796*	–	–	15 002	14 796
Saham		17 474	15 827	3 719	2 241	*13 755*	*13 586*	–	–	13 755	13 586
Other general insurance operations		1 138	1 050	(109)	(160)	*1 247*	*1 210*	–	–	1 247	1 210
India		11 749	8 954	826	191	*10 923*	*8 763*	–	–	10 923	8 763
Other operations		967	854	(744)	(666)	*1 711*	*1 520*	–	–	1 711	1 520
Sanlam Investment Group[2]		19 583	19 003	10 234	9 337	*9 349*	*9 666*	–	(356)	9 349	10 022
Covered business[1]	7.3.2	2 614	3 091	(894)	(182)	*3 508*	*3 273*	–	(356)	3 508	3 629
Non-Covered business		16 969	15 912	11 128	9 519	*5 841*	*6 393*	–	–	5 841	6 393
Sanlam Investments		3 209[3]	2 949[3]	1 844	1 639	*1 365*	*1 310*	–	–	1 365	1 310
Wealth Management		3 273	2 588	3 026	2 331	*247*	*257*	–	–	247	257
International[4]		8 917	8 928	4 896	4 190	*4 021*	*4 738*	–	–	4 021	4 738
Sanlam Specialised Finance		1 570	1 447	1 362	1 359	*208*	*88*	–	–	208	88
Santam		18 241	17 277	10 587	10 923	*7 654*	*6 354*	–	–	7 654	6 354
Dividend pool		6 887	6 185	–	–	*6 887*	*6 185*	–	–	6 887	6 185
Discretionary capital		2 936	636	–	–	*2 936*	*636*	–	–	2 936	636
Other capital		2 718	3 597	–	–	*2 718*	*3 597*	(1 197)	(1 197)	3 915	4 794
Present value of holding company expenses	15	(2 488)	(2 487)	(2 488)	(2 487)	–	–	–	–	–	–
Group Equity Value		142 390	131 812	71 768	66 291	*70 622*	*65 521*	(5 306)	(5 947)	75 928	71 468
Covered business	2	60 577	59 326	45 904	44 212	*14 673*	*15 114*	(4 109)	(4 750)	18 782	19 864
Non-Covered business	5.1	71 760	64 555	28 352	24 566	*43 408*	*39 989*	–	–	43 408	39 989
Group operations		132 337	123 881	74 256	68 778	*58 081*	*55 103*	(4 109)	(4 750)	62 190	59 853
Discretionary and other capital		10 053	7 931	(2 488)	(2 487)	*12 541*	*10 418*	(1 197)	(1 197)	13 738	11 615
Group Equity Value		142 390	131 812	71 768	66 291	*70 622*	*65 521*	(5 306)	(5 947)	75 928	71 468
Value per share	14	64,44	59,20							34,36	32,10

[1] Excludes subordinated debt funding of Sanlam Life.

[2] Sanlam Investment Group includes Sanlam Life and Pensions in the UK at a disposal value of R804 million (2020 embedded value of R1 125 million).

[3] Includes Sanlam share (75%) of the third party asset management business of R3 763 million (31 December 2020: R3 379 million).

[4] Includes the UK Wealth and Financial Planning businesses at a net disposal value of R2 562 million (2020: Directors' valuation of R1 839 million).

Analysis of Group Equity Value by line of business

at 31 December

R million	Total 2021	Total 2020	Life Business 2021	Life Business 2020	General Insurance 2021	General Insurance 2020	Investment Management 2021	Investment Management 2020	Credit and Structuring 2021	Credit and Structuring 2020	Administration, Health and Other 2021	Administration, Health and Other 2020
Southern Africa	99 005	92 374	54 960	53 387	19 017	17 934	7 744	6 576	4 340	3 926	12 944	10 551
South Africa	90 577	84 590	50 747	49 263	18 241	17 277	6 975	5 881	2 196	2 090	12 418	10 079
Other	8 428	7 784	4 213	4 124	776	657	769	695	2 144	1 836	526	472
North and West Africa	18 277	16 639	2 197	2 068	17 414	15 871	–	–	–	–	(1 334)	(1 300)
East Africa	1 144	1 170	519	607	685	654	183	161	–	–	(243)	(252)
Other International	23 964	21 629	2 901	3 264	2 786	2 434	9 046	9 060	9 231	6 794	–	77
Total	142 390	131 812	60 577	59 326	39 902	36 893	16 973	15 797	13 571	10 720	11 367	9 076

Change in Group Equity Value

at 31 December 2021

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	52 278	7 913	(1 339)	(4 693)	54 159
Covered business	47 597	6 958	(1 339)	(4 279)	48 937
SA Retail Affluent[(1)]	32 043	5 434	(1 360)	(4 268)	31 849
SA Retail Mass	10 596	1 637	297	(769)	11 761
Sanlam Corporate	4 958	(113)	(276)	758	5 327
Non-Covered business	4 681	955	–	(414)	5 222
SA Retail Affluent	4 035	623	–	(339)	4 319
Glacier	2 553	362	–	(179)	2 736
Other operations	1 482	261	–	(160)	1 583
Sanlam Corporate: Health	646	332	–	(75)	903
Sanlam Emerging Markets	35 323	5 618	638	(1 225)	40 354
Covered business	8 638	906	(40)	(478)	9 026
SPA Life	6 793	646	(44)	(472)	6 923
Saham	1 548	26	(6)	(35)	1 533
Namibia	2 063	157	(37)	(99)	2 084
Botswana	1 588	22	3	(73)	1 540
Other African operations	1 594	441	(4)	(265)	1 766
India	1 002	156	(97)	31	1 092
Malaysia	843	104	101	(37)	1 011
Non-Covered business	26 685	4 712	678	(747)	31 328
SPA GI	16 877	1 727	224	(216)	18 612
Saham	15 827	1 562	198	(113)	17 474
Other general insurance operations	1 050	165	26	(103)	1 138
India	8 954	2 856	64	(125)	11 749
Other operations	854	129	390	(406)	967
Sanlam Investment Group	19 003	2 764	(1 034)	(1 150)	19 583
Covered business	3 091	(374)	69	(172)	2 614
Non-Covered business	15 912	3 138	(1 103)	(978)	16 969
Sanlam Investments	2 949	553	–	(293)	3 209
Wealth Management	2 588	847	3	(165)	3 273
International	8 928	1 292	(1 106)	(197)	8 917
Sanlam Specialised Finance	1 447	446	–	(323)	1 570
Santam	17 277	1 257	–	(293)	18 241
Discretionary capital	636	109	2 191	–	2 936
Other capital	9 782	(452)	6 890	(6 615)	9 605
Present value of holding company expenses	(2 487)	(1)	–	–	(2 488)
Elimination of intergroup dividends	–	–	(7 361)	7 361	–
Group Equity Value	131 812	17 208	(15)	(6 615)	142 390
Covered business	59 326	7 490	(1 310)	(4 929)	60 577
Non-Covered business	64 555	10 062	(425)	(2 432)	71 760
Group operations	123 881	17 552	(1 735)	(7 361)	132 337
Discretionary and other capital	7 931	(344)	9 081	(6 615)	10 053
Elimination of intergroup dividends	–	–	(7 361)	7 361	–
Group Equity Value	131 812	17 208	(15)	(6 615)	142 390

(1) The release of discretionary reserves against excess risk claims experience is reported under SA Retail Affluent in Change in Group Equity Value, but shown separately in the detailed information as reported in note 7.1 on page 229.

Change in Group Equity Value

at 31 December 2020

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	53 061	4 045	(397)	(4 431)	52 278
Covered business	48 306	4 032	(454)	(4 287)	47 597
SA Retail Affluent[(1)]	32 894	2 679	(434)	(3 096)	32 043
SA Retail Mass	10 076	1 170	53	(703)	10 596
Sanlam Corporate	5 336	183	(73)	(488)	4 958
Non-Covered business	4 755	13	57	(144)	4 681
SA Retail Affluent	4 171	(93)	55	(98)	4 035
Glacier	2 501	208	–	(156)	2 553
Other operations	1 670	(301)	55	58	1 482
Sanlam Corporate: Health	584	106	2	(46)	646
Sanlam Emerging Markets	40 731	(4 106)	701	(2 003)	35 323
Covered business	8 794	(446)	979	(689)	8 638
SPA Life	7 171	(666)	906	(618)	6 793
Saham	2 306	(677)	(139)	58	1 548
Namibia	1 997	261	(21)	(174)	2 063
Botswana	1 575	213	36	(236)	1 588
Other African operations	1 293	(463)	1 030	(266)	1 594
India	935	89	9	(31)	1 002
Malaysia	688	131	64	(40)	843
Non-Covered business	31 937	(3 660)	(278)	(1 314)	26 685
SPA GI	20 142	(3 161)	443	(547)	16 877
Saham	19 400	(3 177)	146	(542)	15 827
Other general insurance operations	742	16	297	(5)	1 050
India	9 282	(315)	105	(118)	8 954
Other operations	2 513	(184)	(826)	(649)	854
Sanlam Investment Group	20 050	8	(510)	(545)	19 003
Covered business	3 056	138	(65)	(38)	3 091
Non-Covered business	16 994	(130)	(445)	(507)	15 912
Sanlam Investments	5 058	(1 174)	(790)	(145)	2 949
Wealth Management	2 275	450	–	(137)	2 588
International	7 997	820	345	(234)	8 928
Sanlam Specialised Finance	1 664	(226)	–	9	1 447
Santam	19 675	(1 911)	–	(487)	17 277
Discretionary capital	220	98	318	–	636
Other capital	11 504	(1 491)	7 134	(7 365)	9 782
Present value of holding company expenses	(1 970)	(517)	–	–	(2 487)
Elimination of intergroup dividends	–	–	(7 466)	7 466	–
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812
Covered business	60 156	3 724	460	(5 014)	59 326
Non-Covered business	73 361	(5 688)	(666)	(2 452)	64 555
Group operations	133 517	(1 964)	(206)	(7 466)	123 881
Discretionary and other capital	9 754	(1 910)	7 452	(7 365)	7 931
Elimination of intergroup dividends	–	–	(7 466)	7 466	–
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812

Return on Group **Equity Value**

at 31 December

%	2021	2020
Sanlam Life and Savings	15,1	7,6
Covered business	14,6	8,3
SA Retail Affluent[1]	17,0	8,1
SA Retail Mass	15,4	11,6
Sanlam Corporate	(2,3)	3,4
Non-Covered business	20,4	0,3
SA Retail Affluent	15,4	(2,2)
Glacier	14,2	8,3
Other operations	17,6	(17,8)
Sanlam Corporate: Health	51,4	18,1
Sanlam Emerging Markets	15,9	(10,2)
Covered business	10,4	(5,2)
SPA Life	9,5	(8,9)
Saham	1,7	(31,3)
Namibia	7,6	13,1
Botswana	1,4	13,5
Other African operations	27,8	(27,6)
India	15,6	9,5
Malaysia	12,3	19,0
Non-Covered business	17,6	(11,6)
SPA GI	10,2	15,5
Saham	9,9	(16,3)
Other general insurance operations	15,5	1,2
India	31,9	(3,3)
Other operations	15,1	(9,7)
Sanlam Investment Group	14,6	–
Covered business	(12,1)	4,5
Non-Covered business	19,7	(0,8)
Sanlam Investments	18,8	(23,3)
Wealth Management	32,7	19,8
International	14,5	10,2
Sanlam Specialised Finance	30,8	(13,6)
Santam	7,3	(9,7)
Discretionary capital and other	(4,3)	(18,8)
Group Equity Value	13,1	(2,7)
Covered business	12,6	6,2
Non-Covered business	15,6	(7,8)
Group operations	14,2	(1,5)
Discretionary and other capital	(4,3)	(18,8)
Group Equity Value	13,1	(2,7)
RoGEV per share	13,9	(2,8)
Sanlam Group hurdle rate	*13,6*	*13,3*

[1] The release of discretionary reserves against excess risk claims experience is reported under SA Retail Affluent in Change in Group Equity Value, but shown separately in the detailed information as reported in note 7.1 on page 229.

Cumulative RoGEV **average growth rate**

up to 31 December 2021

%	3 years	4 years	5 years
Sanlam Life and Savings	13,9%	13,3%	14,2%
Sanlam Emerging Markets	(1,1%)	2,7%	4,4%
Sanlam Investment Group	7,2%	6,3%	7,8%
Santam	(0,6%)	3,0%	5,9%
Sanlam Group RoGEV	5,2%	6,5%	8,1%

Analysis of GEV Earnings

for the year ended 31 December

Covered business[1]

R million	Total 2021	Total 2020	Value of in-force 2021	Value of in-force 2020	Cost of capital 2021	Cost of capital 2020	Adjusted net asset value 2021	Adjusted net asset value 2020
Operational earnings	7 100	5 428	2 672	119	69	(161)	4 359	5 470
Value of new life insurance business[2]	2 764	1 921	5 836	4 835	(282)	(247)	(2 790)	(2 667)
Unwinding of discount rate	5 538	5 576	5 296	5 360	242	216	–	–
Expected profit	–	–	(7 677)	(7 831)	–	–	7 677	7 831
Operating experience variances	(2 742)	367	107	347	(94)	(59)	(2 755)	79
Risk experience	(4 205)	(125)	(232)	(47)	1	9	(3 974)	(87)
Persistency	712	157	908	358	(68)	(28)	(128)	(173)
Maintenance expenses	150	67	(4)	15	(3)	–	157	52
Working capital management	365	457	–	–	–	–	365	457
Credit spread	295	129	–	–	–	–	295	129
Other	(59)	(318)	(565)	21	(24)	(40)	530	(299)
Operating assumption changes	1 540	(2 436)	(890)	(2 592)	203	(71)	2 227	227
Risk experience	(867)	438	(2 072)	(218)	8	1	1 197	655
Persistency	1 533	(1 856)	1 769	(1 514)	(54)	(12)	(182)	(330)
Maintenance expenses	(91)	(353)	77	(267)	–	(3)	(168)	(83)
Modelling changes and other	965	(665)	(664)	(593)	249	(57)	1 380	(15)
Net investment return	925	184	–	–	–	–	925	184
Expected return on adjusted net asset value	956	1 006	–	–	–	–	956	1 006
Investment variances on adjusted net asset value	(31)	(822)	–	–	–	–	(31)	(822)
Valuation and economic basis	211	(1 279)	(240)	(850)	(119)	27	570	(456)
Investment variances on in-force business	1 402	(1 599)	999	(1 202)	(85)	23	488	(420)
Economic assumption changes	(1 310)	125	(1 399)	148	7	13	82	(36)
Investment yields	(1 303)	104	(1 399)	141	11	(2)	85	(35)
Long-term asset mix assumptions and other	(7)	21	–	7	(4)	15	(3)	(1)
Foreign currency translation differences	119	195	160	204	(41)	(9)	–	–
Change in tax basis	(80)	19	(78)	20	(2)	(1)	–	–
Net project expenses	(10)	(18)	–	–	–	–	(10)	(18)
Revaluation of business held for sale	(595)	–	(804)	–	209	–	–	–
Loss on change in ownership	(61)	–	–	–	–	–	(61)	–
Goodwill and VOBA from business combinations	–	(610)	–	(610)	–	–	–	–
GEV earnings: covered business	7 490	3 724	1 550	(1 321)	157	(135)	5 783	5 180
Acquired value of in-force	84	907	19	724	(5)	(89)	70	272
Transfers (to) other Group operations	(920)	(146)	(29)	(146)	–	–	(891)	–
Transfers from covered business	(5 403)	(5 315)	–	–	–	–	(5 403)	(5 315)
Embedded value of covered business at the beginning of the period	59 326	60 156	47 887	48 630	(3 675)	(3 451)	15 114	14 977
Embedded value of covered business at the end of the period	60 577	59 326	49 427	47 887	(3 523)	(3 675)	14 673	15 114

[1] Refer to note 7.1 for an analysis per cluster.

[2] Refer to note 1 for further information.

Covered business by cluster

at 31 December

R million	Total 2021	Total 2020	Value of in-force 2021	Value of in-force 2020	Cost of capital 2021	Cost of capital 2020	Adjusted net asset value 2021	Adjusted net asset value 2020
Sanlam Life and Savings	48 937	47 597	44 697	42 476	(1 700)	(1 857)	5 940	6 978
Sanlam Emerging Markets	9 026	8 638	4 705	4 613	(904)	(838)	5 225	4 863
Sanlam Investment Group	2 614	3 091	25	798	(919)	(980)	3 508	3 273
Sanlam Group	60 577	59 326	49 427	47 887	(3 523)	(3 675)	14 673	15 114

Analysis of GEV Earnings continued

Non-Covered business

R million	Total 2021	Total 2020	Sanlam Life and Savings 2021	Sanlam Life and Savings 2020	Sanlam Emerging Markets 2021	Sanlam Emerging Markets 2020	Sanlam Investment Group 2021	Sanlam Investment Group 2020	Santam 2021	Santam 2020
Earnings from operations valued at listed share prices	1 260	(1 798)	–	–	–	–	3	113	1 257	(1 911)
Earnings from operations valued at net asset value	159	(5)	–	–	(53)	(80)	212	75	–	–
Earnings from operations valued based on discounted cash flows	8 643	(3 885)	955	13	4 765	(3 580)	2 923	(318)	–	–
Unwinding of discount rate	5 881	6 231	912	977	3 096	3 051	1 873	2 203	–	–
Operating experience and investment variances[1]	225	(5 168)	160	(963)	(127)	(1 395)	192	(2 810)	–	–
General insurance	(313)	(1 429)	–	–	(313)	(1 429)	–	–	–	–
Investment management	227	(2 725)	–	–	35	85	192	(2 810)	–	–
Credit and banking	18	(393)	(88)	(331)	106	(62)	–	–	–	–
Administration, health and other	293	(621)	248	(632)	45	11	–	–	–	–
Operating assumption changes[2]	1 917	(8 604)	130	(81)	1 042	(7 751)	745	(772)	–	–
General insurance	53	(5 029)	–	–	53	(5 029)	–	–	–	–
Investment management	760	(825)	–	–	15	(53)	745	(772)	–	–
Credit and banking	1 204	(2 861)	210	(197)	994	(2 664)	–	–	–	–
Administration, health and other	(100)	111	(80)	116	(20)	(5)	–	–	–	–
Economic assumption changes	(1 562)	2 215	(247)	80	(938)	1 444	(377)	691	–	–
Foreign currency translation differences	2 182	1 441	–	–	1 692	1 071	490	370	–	–
GEV earnings: non-covered operations	10 062	(5 688)	955	13	4 712	(3 660)	3 138	(130)	1 257	(1 911)

R million	Total 2021	Total 2020	Sanlam Life and Savings 2021	Sanlam Life and Savings 2020	Sanlam Emerging Markets 2021	Sanlam Emerging Markets 2020	Sanlam Investment Group 2021	Sanlam Investment Group 2020
[1] Operating experience and investment variances	225	(5 168)	160	(963)	(127)	(1 395)	192	(2 810)
General insurance business	(313)	(1 429)	–	–	(313)	(1 429)	–	–
Risk experience	(111)	(206)	–	–	(111)	(206)	–	–
Premium income	(133)	(1 829)	–	–	(133)	(1 829)	–	–
Investment return and net fund flows	130	(252)	–	–	130	(252)	–	–
Maintenance expenses	(380)	195	–	–	(380)	195	–	–
Other	181	663	–	–	181	663	–	–
Investment management	227	(2 725)	–	–	35	85	192	(2 810)
Investment return and net fund flows	175	(1 922)	–	–	5	40	170	(1 962)
Other	52	(803)	–	–	30	45	22	(848)
Credit business	18	(393)	(88)	(331)	106	(62)	–	–
Income	(264)	4	(153)	(66)	(111)	70	–	–
Other	282	(397)	65	(265)	217	(132)	–	–
Administration, health and other	293	(621)	248	(632)	45	11	–	–
Income	380	(489)	346	(491)	34	2	–	–
Other	(87)	(132)	(98)	(141)	11	9	–	–
[2] Operating assumption changes	1 917	(8 604)	130	(81)	1 042	(7 751)	745	(772)
General insurance business	53	(5 029)	–	–	53	(5 029)	–	–
Risk experience	(756)	1 041	–	–	(756)	1 041	–	–
Premium income	544	(1 689)	–	–	544	(1 689)	–	–
Maintenance expenses	70	145	–	–	70	145	–	–
Modelling and other assumption changes	195	(4 526)	–	–	195	(4 526)	–	–
Investment management	760	(825)	–	–	15	(53)	745	(772)
Net fund flows	(66)	(337)	–	–	38	(69)	(104)	(268)
Other	826	(488)	–	–	(23)	16	849	(504)
Credit business	1 204	(2 861)	210	(197)	994	(2 664)	–	–
Income	321	(2 900)	474	72	(153)	(2 972)	–	–
Bad debts	5	272	(227)	(144)	232	416	–	–
Other	878	(233)	(37)	(125)	915	(108)	–	–
Administration, health and other	(100)	111	(80)	116	(20)	(5)	–	–
Maintenance expenses	(43)	260	(56)	247	13	13	–	–
Other	(57)	(149)	(24)	(131)	(33)	(18)	–	–

Analysis of GEV Earnings continued

Discretionary and other capital

R million	Note	Total 2021	2020
Investment return and other[1]		(156)	(1 561)
Corporate expenses		(241)	(603)
Net group office expenses		(240)	(86)
Change in present value of holding company expenses	15	(1)	(517)
Share-based payment transactions		53	254
GEV earnings: discretionary and other capital		(344)	(1 910)

[1] Includes impairment of R145 million (December 2020: R1,7 billion) as described on page 190.

Reconciliation of Group Equity Value earnings

R million	2021	2020
Earnings (excluding fund transfers)	11 164	2 572
Normalised attributable earnings	9 860	(694)
Earnings recognised directly in equity		
Foreign currency translation differences	1 495	2 813
Net cost of treasury shares delivered	(415)	(578)
Share-based payments	468	474
Change in ownership of subsidiaries	(127)	595
Other comprehensive income	(117)	(38)
Fair value adjustments	5 493	(6 613)
Change in fair value adjustments: non-life	3 786	(5 157)
Earnings from covered business: VIF	1 707	(1 456)
Adjustments to net worth	551	167
Present value of holding company expenses	(1)	(517)
Movement in book value of treasury shares: non-life subsidiaries	(74)	(30)
Change in goodwill/VOBA less VIF acquired	626	714
Group Equity Value earnings	17 208	(3 874)

Analysis of Shareholders' Fund
Net Asset Value

at 31 December

R million	Note	Sanlam Life[(1)] 2021	Sanlam Life[(1)] 2020	Sanlam Emerging Markets[(2)] 2021	Sanlam Emerging Markets[(2)] 2020	Sanlam Investment Group 2021	Sanlam Investment Group 2020	Santam 2021	Santam 2020	Group office[(3)] 2021	Group office[(3)] 2020	Consolidation entries[(4)] 2021	Consolidation entries[(4)] 2020	Shareholders' fund at net asset value 2021	Shareholders' fund at net asset value 2020
Assets															
Equipment		454	445	660	610	59	90	363	342	–	–	–	–	1 536	1 487
Rights-of-use assets		366	420	204	205	258	311	569	624	–	–	–	–	1 397	1 560
Owner-occupied properties		453	477	1 906	1 999	125	123	19	25	–	–	–	–	2 503	2 624
Goodwill		718	725	12 399	11 875	1 171	1 960	946	946	–	–	1 197	1 197	16 431	16 703
Value of business acquired		533	766	3 947	4 526	238	837	–	–	–	–	–	–	4 718	6 129
Other intangible assets		15	23	444	548	232	159	40	58	–	–	–	–	731	788
Deferred acquisition costs		2 362	2 436	249	331	22	18	–	–	–	–	–	–	2 633	2 785
Investments		20 330	14 645	48 020	40 534	5 210	5 021	29 377	26 677	6 955	7 267	(5 519)	(5 719)	104 373	88 425
Properties		19	–	6 138	5 869	–	–	–	–	–	–	–	–	6 157	5 869
Associated companies	8.1	1 144	1 086	18 501	15 527	356	335	4 294	4 086	–	–	(4 196)	(4 079)	20 099	16 955
Joint ventures	8.2	976	796	–	–	47	42	35	35	–	–	–	–	1 058	873
Equities and similar securities		481	493	7 888	6 588	348	263	2 702	2 314	–	–	3 115	3 161	14 534	12 819
Interest-bearing investments		5 460	4 992	5 842	5 115	143	366	16 875	15 196	6 955	7 267	(4 558)	(4 922)	30 717	28 014
Structured transactions		162	160	5	111	–	–	215	264	–	–	–	–	382	535
Investment funds		9 059	6 453	7 570	6 131	3 972	3 481	4 923	4 433	–	–	120	121	25 644	20 619
Cash, deposits and similar securities		3 029	665	2 076	1 193	344	534	333	349	–	–	–	–	5 782	2 741
Deferred tax		1 195	529	761	1 204	206	207	84	102	–	–	(33)	(23)	2 213	2 019
Assets of disposal groups classified as held for sale		–	–	715	9	2 439	2 187	–	–	–	–	–	–	3 154	2 196
General insurance technical assets		–	–	3 685	4 089	–	–	15 840	9 758	–	–	–	–	19 525	13 847
Working capital assets		7 289	7 765	18 997	19 085	25 674	16 109	16 783	16 445	2 950	3 579	(2 562)	(1 773)	69 131	61 210
Trade and other receivables		1 334	1 266	12 417	12 161	21 717	12 155	8 328	7 015	2 760	3 509	(2 754)	(2 153)	43 802	33 953
Taxation		318	24	822	849	20	23	5	15	–	1	–	–	1 165	912
Cash, deposits and similar securities		5 637	6 475	5 758	6 075	3 937	3 931	8 450	9 415	190	69	192	380	24 164	26 345
Total assets		33 715	28 231	91 987	85 015	35 634	27 022	64 021	54 977	9 905	10 846	(6 917)	(6 318)	228 345	199 773
Equity and liabilities															
Shareholders' fund		18 044	19 473	37 410	34 345	10 291	10 934	7 654	6 354	5 241	5 451	(2 712)	(5 089)	75 928	71 468
Non-controlling interest		49	101	12 431	11 222	472	1 137	5 234	4 547	–	–	(4 724)	(4 507)	13 462	12 500
Total equity		18 093	19 574	49 841	45 567	10 763	12 071	12 888	10 901	5 241	5 451	(7 436)	(9 596)	89 390	83 968
Term finance		1 992	1 004	2 925	1 973	560	607	2 552	3 089	3 470	3 470	–	–	11 499	10 143
Lease liabilities		446	472	216	221	298	347	744	782	–	–	–	–	1 704	1 822
Structured transactions liabilities		220	183	–	–	49	57	1	80	–	–	–	–	270	320
Cell owners' interest		–	–	–	–	–	–	4 900	4 226	–	–	–	–	4 900	4 226
Deferred tax		107	732	3 346	3 218	117	107	63	82	–	–	–	–	3 633	4 139
Liabilities of disposal groups classified as held for sale		–	–	465	–	558	454	–	–	–	–	–	–	1 023	454
General insurance technical provisions		–	–	21 088	20 443	–	–	36 471	29 309	–	–	–	–	57 559	49 752
Working capital liabilities		12 857	6 266	14 106	13 593	23 289	13 379	6 402	6 508	1 194	1 925	519	3 278	58 367	44 949
Trade and other payables		11 973	6 218	13 100	12 614	22 789	12 729	5 837	6 164	1 190	1 915	502	3 224	55 391	42 864
Provisions		43	48	332	170	27	77	174	153	4	10	17	18	597	476
Taxation		841	–	674	809	473	573	391	191	–	–	–	36	2 379	1 609
Total equity and liabilities		33 715	28 231	91 987	85 015	35 634	27 022	64 021	54 977	9 905	10 846	(6 917)	(6 318)	228 345	199 773
Analysis of shareholders' fund															
Covered business		6 960	8 218	8 314	8 017	3 508	3 629	–	–	–	–	–	–	18 782	19 864
Other operations		2 277	2 163	27 636	25 079	5 841	6 393	7 654	6 354	–	–	–	–	43 408	39 989
Discretionary and other capital		8 807	9 092	1 460	1 249	942	912	–	–	5 241	5 451	(2 712)	(5 089)	13 738	11 615
Shareholders' fund at net asset value		18 044	19 473	37 410	34 345	10 291	10 934	7 654	6 354	5 241	5 451	(2 712)	(5 089)	75 928	71 468
Consolidation reserve		941	817	62	62	–	–	–	–	–	–	(7 552)	(7 635)	(6 549)	(6 756)
Shareholders' fund per Group statement of financial position on page 68		18 985	20 290	37 472	34 407	10 291	10 934	7 654	6 354	5 241	5 451	(10 264)	(12 724)	69 379	64 712

(1) Includes the operations of SA Retail Affluent, SA Retail Mass, Sanlam Corporate and discretionary capital held by Sanlam Life.
(2) Includes discretionary capital held by Sanlam Emerging Markets.
(3) Group Office and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.
(4) Elimination of intercompany balances, other investments and term finance between companies within the Group.

Shareholders' Fund
Income Statement

for the year ended 31 December

		Sanlam Life and Savings															
		SA Retail Affluent[1]		SA Retail Mass		Sanlam Corporate		Sanlam Emerging Markets		Sanlam Investment Group		Santam		Group office and other		Total	
R million	Note	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Financial services income		19 635	14 166	10 509	8 799	7 285	6 230	27 370	25 335	7 558	7 133	27 549	25 673	(274)	(175)	99 632	87 161
Sales remuneration	10	(2 463)	(2 144)	(1 645)	(1 605)	(80)	(80)	(3 893)	(3 650)	(327)	(751)	(3 473)	(3 035)	–	–	(11 881)	(11 265)
Income after sales remuneration		17 172	12 022	8 864	7 194	7 205	6 150	23 477	21 685	7 231	6 382	24 076	22 638	(274)	(175)	87 751	75 896
Underwriting policy benefits		(4 928)	(2 814)	(6 162)	(4 476)	(7 385)	(3 707)	(11 791)	(10 098)	–	–	(16 405)	(16 770)	–	–	(46 671)	(37 865)
Administration costs	11	(4 786)	(4 657)	(1 663)	(1 668)	(1 767)	(1 607)	(6 519)	(6 918)	(5 383)	(5 133)	(4 481)	(4 154)	(458)	(327)	(25 057)	(24 464)
Result from financial services before tax		7 458	4 551	1 039	1 050	(1 947)	836	5 167	4 669	1 848	1 249	3 190	1 714	(732)	(502)	16 023	13 567
Tax on result from financial services		(2 051)	(1 266)	(276)	(392)	556	(224)	(1 839)	(1 254)	(427)	(378)	(836)	(456)	229	137	(4 644)	(3 833)
Result from financial services after tax		5 407	3 285	763	658	(1 391)	612	3 328	3 415	1 421	871	2 354	1 258	(503)	(365)	11 379	9 734
Non-controlling interest		21	–	6	45	–	–	(1 101)	(1 038)	(123)	(66)	(976)	(572)	263	279	(1 910)	(1 352)
Net result from financial services		5 428	3 285	769	703	(1 391)	612	2 227	2 377	1 298	805	1 378	686	(240)	(86)	9 469	8 382
Net investment income		83	201	46	65	44	75	186	244	76	99	96	211	235	186	766	1 081
Investment income	12	92	240	52	76	45	80	400	473	78	120	230	455	175	97	1 072	1 541
Tax on investment income		(9)	(37)	(6)	(11)	(1)	(5)	(153)	(152)	–	(21)	(54)	(109)	27	39	(196)	(296)
Non-controlling interest		–	(2)	–	–	–	–	(61)	(77)	(2)	–	(80)	(135)	33	50	(110)	(164)
Net investment surpluses		111	(30)	54	(12)	57	(1)	(56)	(674)	280	(6)	180	(118)	(82)	31	544	(810)
Investment surpluses		149	(45)	75	(7)	77	(5)	(159)	(720)	365	7	397	(246)	(31)	22	873	(994)
Tax on investment surpluses		(38)	13	(21)	(5)	(20)	4	45	11	(85)	(11)	(102)	48	(10)	4	(231)	64
Non-controlling interest		–	2	–	–	–	–	58	35	–	(2)	(115)	80	(41)	5	(98)	120
Project expenses		(58)	(21)	–	(1)	(4)	(10)	(189)	(178)	(100)	(41)	(28)	(40)	(112)	(13)	(491)	(304)
Net operational earnings		5 564	3 435	869	755	(1 294)	676	2 168	1 769	1 554	857	1 626	739	(199)	118	10 288	8 349
Net amortisation of value of business acquired and other intangibles		(191)	(51)	(7)	(8)	(11)	(5)	(394)	(353)	(97)	(254)	(38)	(28)	–	–	(738)	(699)
Equity participation costs		–	–	–	–	–	–	–	–	–	–	(1)	(1)	–	–	(1)	(1)
Net non-operational equity-accounted earnings		–	–	–	–	(32)	(21)	3	1	–	–	45	30	–	–	16	10
Non-operational equity-accounted earnings		–	–	–	–	(32)	(21)	8	3	–	–	73	49	–	–	49	31
Tax on non-operational equity-accounted headline earnings		–	–	–	–	–	–	(2)	(1)	–	–	–	–	–	–	(2)	(1)
Non-controlling interest		–	–	–	–	–	–	(3)	(1)	–	–	(28)	(19)	–	–	(31)	(20)
Net profit on disposal of subsidiaries and associated companies		16	–	–	–	–	–	10	285	206	–	(3)	–	–	–	229	285
Profit on disposal of subsidiaries and associated companies		21	–	–	–	–	–	10	288	206	–	(4)	–	–	–	233	288
Tax on profit on disposal of subsidiaries and associated companies		(5)	–	–	–	–	–	–	–	–	–	–	–	–	–	(5)	–
Non-controlling interest		–	–	–	–	–	–	–	(3)	–	–	1	–	–	–	1	(3)
Impairments		(5)	–	–	(3)	(8)	(44)	616	(6 370)	(386)	(100)	(6)	(448)	(145)	(1 673)	66	(8 638)
Normalised attributable earnings		5 384	3 384	862	744	(1 345)	606	2 403	(4 668)	1 277	503	1 623	292	(344)	(1 555)	9 860	(694)
Fund transfers[2]		(9)	1	120	176	(11)	–	(13)	(873)	(2)	(23)	1	(55)	(473)	2 186	(387)	1 412
Attributable earnings per Group statement of comprehensive income[2]		5 375	3 385	982	920	(1 356)	606	2 390	(5 541)	1 275	480	1 624	237	(817)	631	9 473	718
Net profit on disposal of subsidiaries and associated companies		(16)	–	–	–	–	–	(10)	(285)	(206)	–	3	–	–	–	(229)	(285)
Expected credit losses included in impairments		–	–	–	–	–	–	–	(279)	–	–	–	(19)	–	–	–	(298)
Impairments		5	–	–	3	8	44	(616)	6 370	386	100	6	448	–	–	(211)	6 965
Net equity-accounted non-headline earnings		–	–	–	–	8	4	–	–	–	–	–	–	–	–	8	4
Headline earnings[2]		5 364	3 385	982	923	(1 340)	654	1 764	265	1 455	580	1 633	666	(817)	631	9 041	7 104
Diluted earnings per share																	
Weighted average number of shares for operational earnings per share (million)	13															2 224,0	2 226,7
Net result from financial services (cents)		244,0	147,5	34,6	31,6	(62,5)	27,5	100,1	106,7	58,4	36,2	62,0	30,8	(10,8)	(3,8)	425,8	376,4

(1) The release of discretionary reserves against excess risk claims experience is reported under SA Retail Affluent in the income statement but shown separately in the detailed information as reported in note 7.1.

(2) 2020 comparative information has been restated to correct a hyperinflation accounting error as reported in the Group's interim results announcement of 9 September 2021. Refer to note 36.1 on page 150 for additional information.

Net Result from **Financial Services**

for the year ended 31 December

Analysis by line of business

R million	Life Business 2021	Life Business 2020	General Insurance 2021	General Insurance 2020	Investment Management 2021	Investment Management 2020	Credit and Structuring 2021	Credit and Structuring 2020	Administration, Health Management and Other 2021	Administration, Health Management and Other 2020	Total 2021	Total 2020
Southern Africa	4 674	4 733	1 598	804	503	535	738	305	(347)	(98)	7 166	6 279
South Africa	4 453	4 303	1 230	519	446	495	497	118	108	228	6 734	5 663
Other	221	430	368	285	57	40	241	187	(455)	(326)	432	616
North and West Africa	246	130	619	610	(2)	–	–	(21)	44	(128)	907	591
East Africa	8	37	(3)	9	13	14	–	–	(15)	(17)	3	43
Other International	1	114	324	497	361	152	654	642	53	64	1 393	1 469
Emerging Markets	3	92	324	497	(1)	(1)	654	642	53	64	1 033	1 294
Developed Markets	(2)	22	–	–	362	153	–	–	–	–	360	175
Total	4 929	5 014	2 538	1 920	875	701	1 392	926	(265)	(179)	9 469	8 382

Notes to the **Shareholders' Fund Information**

for the year ended 31 December

1 Value of new covered business

				Sanlam Life and Savings									
		Total		SA Retail Affluent		SA Retail Mass		Corporate		Sanlam Emerging Markets		Sanlam Investment Group	
R million	Note	2021	2020	2021[1]	2020	2021	2020	2021	2020	2021	2020	2021	2020
Value of new covered business (at point of sale)													
Gross value of new covered business		3 416	2 507	1 312	1 165	863	524	272	138	961	672	8	8
Cost of capital		(339)	(305)	(90)	(83)	(39)	(7)	(50)	(44)	(152)	(163)	(8)	(8)
Value of new covered business		3 077	2 202	1 222	1 082	824	517	222	94	809	509	–	–
Value of new business attributable to													
Shareholders' fund	3	2 764	1 921	1 192	1 032	821	512	222	94	529	283	–	–
Non-controlling interest		313	281	30	50	3	5	–	–	280	226	–	–
Value of new covered business		3 077	2 202	1 222	1 082	824	517	222	94	809	509	–	–
Analysis of new business profitability													
Before non-controlling interest													
Present value of new business premiums		102 285	80 239	55 437	44 044	11 705	7 844	12 965	9 047	18 502	15 836	3 676	3 468
New business margin		3,01%	2,74%	2,20%	2,46%	7,04%	6,59%	1,71%	1,04%	4,37%	3,21%	0,00%	0,00%
After non-controlling interest													
Present value of new business premiums		96 182	74 591	54 675	43 112	11 668	7 788	12 965	9 047	13 198	11 176	3 676	3 468
New business margin		2,87%	2,58%	2,18%	2,39%	7,04%	6,57%	1,71%	1,04%	4,01%	2,53%	0,00%	0,00%
Capitalisation factor – recurring premiums		3,8	3,8	5,9	6,0	3,1	3,2	6,4	6,1	2,8	2,8	4,3	4,3

[1] The full yield curve was used to calculate the 2021 VNB of Retail Affluent's core individual risk product (Matrix), in order to ensure a better reflection of the economic value added given the large changes in the yield curve over the year. The impact of the change on the 2021 group VNB is not material.

Notes to the Shareholders' Fund Information for the year ended 31 December continued

1 Value of new covered business (continued)

Geographical analysis

R million	Value of new covered business 2021	Value of new covered business 2020	Present value of new business premiums 2021	Present value of new business premiums 2020	New business margin 2021	New business margin 2020
Before non-controlling interest						
Southern Africa	2 733	2 073	87 604	67 276	3,12%	3,08%
South Africa	2 268	1 693	80 107	60 935	2,83%	2,78%
SA Retail Affluent	1 222	1 082	55 437	44 044	2,20%	2,46%
SA Retail Mass	824	517	11 705	7 844	7,04%	6,59%
Sanlam Corporate	222	94	12 965	9 047	1,71%	1,04%
Other Southern Africa	465	380	7 497	6 341	6,20%	5,99%
North and West Africa	155	16	4 527	3 464	3,42%	0,46%
East Africa	3	26	1 680	1 532	0,18%	1,70%
Other International	186	87	8 474	7 967	2,19%	1,09%
Total	3 077	2 202	102 285	80 239	3,01%	2,74%
After non-controlling interest						
Southern Africa	2 524	1 866	84 410	64 221	2,99%	2,91%
South Africa	2 235	1 638	79 308	59 947	2,82%	2,73%
SA Retail Affluent	1 192	1 032	54 675	43 112	2,18%	2,39%
SA Retail Mass	821	512	11 668	7 788	7,04%	6,57%
Sanlam Corporate	222	94	12 965	9 047	1,71%	1,04%
Other Southern Africa	289	228	5 102	4 274	5,66%	5,33%
North and West Africa	124	1	3 660	2 774	3,39%	0,04%
East Africa	(6)	16	1 088	998	(0,55%)	1,60%
Other International	122	38	7 024	6 598	1,74%	0,58%
Total	2 764	1 921	96 182	74 591	2,87%	2,58%

2 Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business 2021	Gross value of in-force business 2020	Cost of capital 2021	Cost of capital 2020	Net value of in-force business 2021	Net value of in-force business 2020	Change from base value (%) 2021	Change from base value (%) 2020
Base value	49 427	47 887	(3 523)	(3 675)	45 904	44 212		
Risk discount rate increase by 1%	47 000	45 186	(3 951)	(4 147)	43 049	41 039	(6)	(7)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	50 647	48 971	(3 613)	(3 740)	47 034	45 231	2	2
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	48 150	46 650	(3 492)	(3 624)	44 658	43 026	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	50 078	48 577	(3 162)	(3 276)	46 916	45 301	2	2
Rand exchange rate depreciates by 10%	49 733	48 269	(3 605)	(3 769)	46 128	44 500	–	1
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	51 450	49 901	(3 531)	(3 680)	47 919	46 221	4	5
Discontinuance rates decrease by 10%	51 170	49 712	(3 603)	(3 777)	47 567	45 935	4	4
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	52 230	50 237	(3 516)	(3 673)	48 714	46 564	6	5
Mortality and morbidity decrease by 5% for annuity business	49 232	47 600	(3 535)	(3 683)	45 697	43 917	–	(1)

R million	2021	2020
Gross value of in-force business profile		
Year 1 – 5	58%	53%
Year 1	18%	15%
Year 2	13%	12%
Year 3	11%	10%
Year 4	9%	9%
Year 5	7%	7%
Year 6 – 10	23%	25%
Year 11 – 20	16%	18%
Year 20+	3%	4%

Notes to the Shareholders' Fund Information for the year ended 31 December continued

3 Value of new covered business sensitivity analysis

	Gross value of new business		Cost of capital		Net value of new business		Change from base value (%)	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Base value	3 046	2 168	(282)	(247)	2 764	1 921		
Risk discount rate increase by 1%	2 751	1 918	(319)	(278)	2 432	1 640	(12)	(15)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	3 230	2 312	(293)	(256)	2 937	2 056	6	7
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	3 297	2 351	(291)	(271)	3 006	2 080	9	8
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	3 285	2 403	(292)	(253)	2 993	2 150	8	12
Discontinuance rates decrease by 10%	3 361	2 456	(302)	(269)	3 059	2 187	11	14
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	3 408	2 393	(290)	(253)	3 118	2 140	13	11
Mortality and morbidity decrease by 5% for annuity business	3 005	2 154	(291)	(254)	2 714	1 900	(2)	(1)

4 Economic assumptions – covered business

4.1 Gross investment return, risk discount rate and inflation

%	2021	2020
Sanlam Life[1]		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	10,3%	9,6%
Equities	13,8%	13,1%
Offshore investments	12,8%	12,1%
Hedged equity	9,3%	8,6%
Property	11,3%	10,6%
Cash	9,3%	8,6%
Inflation rate[1]	8,3%	7,6%
Risk discount rate	12,8%	12,1%

[1] Expense inflation of 11,8% (2020: 11,6%) assumed for retail business administered on old platforms.

%	2021	2020
Sanlam Developing Markets[1]		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	8,1%	6,7%
Equities and offshore investments	11,6%	10,2%
Hedged equities	7,1%	5,7%
Property	9,1%	7,7%
Cash	7,1%	5,7%
Inflation rate	6,1%	4,7%
Risk discount rate	10,6%	9,2%

[1] Excludes the Sanlam Life products written on the SDM licence.

%	2021	2020
Botswana Life Insurance		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	6,8%	7,5%
Equities and offshore investments	10,3%	11,0%
Hedged equities	n/a	n/a
Property	7,8%	8,5%
Cash	5,8%	6,5%
Inflation rate	3,8%	4,5%
Risk discount rate	10,3%	11,0%
Saham Assurance Maroc		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	2,3%	2,4%
Equities and offshore investments	5,8%	5,9%
Hedged equities	n/a	n/a
Property	3,3%	3,4%
Cash	1,3%	1,4%
Inflation rate	0,0%	0,0%
Risk discount rate	6,3%	6,4%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	1,2%	0,5%
Equities and offshore investments	4,4%	3,8%
Hedged equities	n/a	n/a
Property	4,4%	3,8%
Cash	1,2%	0,5%
Inflation rate	3,5%	2,9%
Risk discount rate	4,9%	4,3%

4 Economic assumptions – covered business (continued)

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums for 2021 and 2020 generally range between 25bps and 70bps for non-participating annuities, between 25bps and 75bps for inflation-linked annuities and capped at 120bps (2020: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

4.2 Asset mix of the assets supporting adjusted net asset value – covered business

	R million		Fixed-interest securities		Equities		Hedged Equities		Property		Cash		Total	
%	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Required capital														
South Africa[1]	8 660	9 447	–	–	3	2	91	93	–	–	6	5	100	100
Namibia	522	517	6	6	36	36	–	–	–	–	58	58	100	100
Botswana Life	387	372	–	–	–	–	–	–	50	50	50	50	100	100
Saham	1 111	986	95	95	5	5	–	–	–	–	–	–	100	100
Sanlam Life insurance (Kenya)	100	96	85	85	–	–	–	–	–	–	15	15	100	100
Other African operations	1 131	946	74	74	3	3	–	–	3	3	20	20	100	100
Shriram Life Insurance (India)	416	308	90	85	10	10	–	–	–	–	–	5	100	100
MCIS (Malaysia)	619	490	68	69	17	18	–	–	–	–	15	13	100	100
Sanlam Investments and Pensions (UK)	620	612	80	80	–	–	–	–	–	–	20	20	100	100
Total required capital	13 566	13 774												
Free Surplus	1 107	1 340												
Adjusted net asset value	14 673	15 114												

(1) The 31 December 2021 asset mix backing the Sanlam Life required capital is 98% hedged (31 December 2020: 94%).

4.3 Assumed long-term expected return on required capital

	Gross		Net	
%	2021	2020	2021	2020
Sanlam Life	9,3%	8,6%	7,8%	7,2%
Sanlam Developing Markets	8,0%	6,6%	6,7%	5,1%
Sanlam Namibia	11,3%	10,6%	10,2%	9,5%
Sanlam Namibia Holdings	9,4%	8,0%	8,2%	7,0%
Botswana Life Insurance	6,8%	7,5%	5,1%	5,6%
Saham Assurance Maroc	2,3%	2,4%	2,3%	2,4%
Sanlam Life insurance (Kenya)	11,9%	10,8%	8,3%	7,6%
Shriram Life Insurance (India)	7,3%	7,1%	6,2%	6,1%
MCIS (Malaysia)	4,4%	3,4%	4,1%	3,1%
Sanlam Investments and Pensions (UK)	1,6%	0,9%	1,2%	0,8%

Notes to the Shareholders' Fund Information for the year ended 31 December continued

5 Value of non-covered operations sensitivity analysis

5.1 Valuation methodology

R million	Total 2021	2020
Listed share price	18 241	18 688
Santam	18 241	17 277
Sanlam Investment Group: Nucleus[1]	–	1 411
Discounted cash flows	53 091	45 346
Sanlam Life and Savings	5 222	4 681
Glacier	2 736	2 553
Sanlam Personal Loans	1 248	1 119
Sanlam Corporate: Health	903	646
Other operations	335	363
Sanlam Emerging Markets	32 325	27 700
Saham	17 474	15 827
India	11 749	8 954
Letshego	1 108	937
Capricorn Investment Holdings	926	825
Other operations	1 068	1 157
Sanlam Investment Group	15 544	12 965
Sanlam Investments	3 114	2 862
Wealth Management	3 273	2 588
International	7 977	6 458
Sanlam Specialised Finance	1 180	1 057
Net asset value	428	521
Sanlam Investment Group	1 425	1 536
Sanlam Investments	95	87
International	940	1 059
Sanlam Specialised Finance	390	390
Sanlam Emerging Markets	(997)	(1 015)
Total	71 760	64 555

[1] Sanlam disposed of its stake in Nucleus in August 2021.

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value 2021	Base value 2020	Risk discount rate +1% 2021	Risk discount rate +1% 2020	Perpetuity growth rate +1% 2021	Perpetuity growth rate +1% 2020
Sanlam Life and Savings	5 222	4 681	4 800	4 291	5 397	4 855
Glacier	2 736	2 553	2 496	2 324	2 844	2 662
Sanlam Personal Loans	1 248	1 119	1 165	1 036	1 275	1 150
Sanlam Corporate: Health	903	646	828	594	934	669
Other operations	335	363	311	337	344	374
Sanlam Emerging Markets	32 325	27 700	27 867	24 218	36 479	30 561
Saham	17 474	15 827	15 281	14 155	19 503	17 005
India	11 749	8 954	9 922	7 575	13 620	10 380
Letshego	1 108	937	956	807	1 221	1 034
Capricorn Investment Holdings	926	825	835	738	980	877
Other operations	1 068	1 157	873	943	1 155	1 265
Sanlam Investment Group	15 544	12 965	14 038	11 352	16 507	14 019
Sanlam Investments[1]	3 114	2 862	2 802	2 566	3 258	3 007
Wealth Management	3 273	2 588	3 005	2 356	3 400	2 709
International	7 977	6 458	7 139	5 454	8 630	7 210
Sanlam Specialised Finance	1 180	1 057	1 092	976	1 219	1 093
	53 091	45 346	46 705	39 861	58 383	49 435
Weighted average assumption			14,5%	14,7%	2-7%	2-6%

[1] Includes third party asset management business based on the following main assumptions:
- Weighted average discount rate: 17,8% (2020: 16,9%)
- Weighted average perpetuity growth rate: 5,0% (2020: 5,0%)

R million	Equities and properties -10% 2021	Equities and properties -10% 2020	Risk discount rate -1% 2021	Risk discount rate -1% 2020	Rand exchange rate depreciation +10% 2021	Rand exchange rate depreciation +10% 2020
Sanlam Life and Savings	4 977	4 467	5 712	5 142	5 222	4 681
Glacier	2 491	2 339	3 017	2 825	2 736	2 553
Sanlam Personal Loans	1 248	1 119	1 342	1 215	1 248	1 119
Sanlam Corporate: Health	903	646	990	708	903	646
Other operations	335	363	363	394	335	363
Sanlam Emerging Markets	32 325	27 700	38 873	32 755	35 446	30 368
Saham	17 474	15 827	20 760	18 286	19 221	17 410
India	11 749	8 954	14 477	11 009	12 924	9 848
Letshego	1 108	937	1 308	1 108	1 219	1 031
Capricorn Investment Holdings	926	825	1 038	932	926	825
Other operations	1 068	1 157	1 290	1 420	1 156	1 254
Sanlam Investment Group	13 825	11 713	17 482	15 042	16 078	13 640
Sanlam Investments[1]	2 711	2 556	3 487	3 219	3 137	2 879
Wealth Management	2 911	2 278	3 591	2 867	3 286	2 601
International	7 109	5 905	9 119	7 803	8 475	7 103
Sanlam Specialised Finance	1 094	974	1 285	1 153	1 180	1 057
	51 127	43 880	62 067	52 939	56 746	48 689

6 Business volumes

6.1 Analysis of new business and total funds received

R million	Life business[1] 2021	Life business[1] 2020	General insurance 2021	General insurance 2020	Investment business[2] 2021	Investment business[2] 2020	Total 2021	Total 2020
Sanlam Life and Savings	57 337	43 517	–	–	51 415	34 330	108 752	77 847
SA Retail Affluent	45 252	34 459	–	–	45 725	30 982	90 977	65 441
Recurring	2 069	1 906	–	–	14	15	2 083	1 921
Single	43 183	32 553	–	–	45 711	30 967	88 894	63 520
SA Retail Mass	3 850	2 558	–	–	–	–	3 850	2 558
Sanlam Corporate	8 235	6 500	–	–	5 690	3 348	13 925	9 848
Recurring	883	504	–	–	7	108	890	612
Single	7 352	5 996	–	–	5 683	3 240	13 035	9 236
Sanlam Emerging Markets	10 871	9 241	15 639	16 479	22 289	21 178	48 799	46 898
Southern Africa	4 978	4 268	1 769	1 091	15 137	15 481	21 884	20 840
Recurring	1 083	852	1 769	1 091	–	–	2 852	1 943
Single	3 895	3 416	–	–	15 137	15 481	19 032	18 897
North and West Africa	2 771	2 524	11 055	11 696	–	–	13 826	14 220
Recurring	1 664	1 419	11 055	11 696	–	–	12 719	13 115
Single	1 107	1 105	–	–	–	–	1 107	1 105
East Africa	1 293	1 126	875	905	7 152	5 697	9 320	7 728
Recurring	380	338	875	905	–	–	1 255	1 243
Single	913	788	–	–	7 152	5 697	8 065	6 485
Other International	1 829	1 323	1 940	2 787	–	–	3 769	4 110
Recurring	1 169	1 005	1 940	2 787	–	–	3 109	3 792
Single	660	318	–	–	–	–	660	318
Sanlam Investment Group	3 539	3 353	–	–	168 213	158 117	171 752	161 470
Investment Management SA	–	–	–	–	120 156	120 006	120 156	120 006
Wealth Management	–	–	–	–	9 795	10 403	9 795	10 403
International	3 539	3 353	–	–	38 262	27 708	41 801	31 061
Recurring	43	35	–	–	2	1	45	36
Single	3 496	3 318	–	–	38 260	27 707	41 756	31 025
Santam	–	–	26 583	24 660	–	–	26 583	24 660
Total new business	71 747	56 111	42 222	41 139	241 917	213 625	355 886	310 875

[1] Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.
[2] Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk which is excluded from the calculation of embedded value of covered business.

6.1 Analysis of new business and total funds received (continued)

R million	Life business[1] 2021	Life business[1] 2020	General insurance 2021	General insurance 2020	Investment business[2] 2021	Investment business[2] 2020	Total 2021	Total 2020
Recurring premiums on existing business:								
Sanlam Life and Savings	31 418	30 285	–	–	4 415	3 982	35 833	34 267
SA Retail Affluent	15 490	15 090	–	–	142	139	15 632	15 229
SA Retail Mass	7 809	7 709	–	–	–	–	7 809	7 709
Sanlam Corporate	8 119	7 486	–	–	4 273	3 843	12 392	11 329
Sanlam Emerging Markets	8 313	8 453	–	–	597	2 278	8 910	10 731
Southern Africa	3 551	3 616	–	–	–	–	3 551	3 616
North and West Africa	1 578	1 382	–	–	–	–	1 578	1 382
East Africa	652	659	–	–	597	2 278	1 249	2 937
Other International	2 532	2 796	–	–	–	–	2 532	2 796
Sanlam Investment Group	375	365	–	–	27	41	402	406
Total funds received	111 853	95 214	42 222	41 139	246 956	219 926	401 031	356 279

6 Business volumes (continued)

6.2 Analysis of payments to clients

R million	Life business[1] 2021	Life business[1] 2020	General insurance 2021	General insurance 2020	Investment business[2] 2021	Investment business[2] 2020	Total 2021	Total 2020
Sanlam Life and Savings	79 680	64 438	–	–	49 648	36 325	129 328	100 763
SA Retail Affluent	53 828	45 858	–	–	37 351	28 167	91 179	74 025
Surrenders	8 952	8 057	–	–	–	–	8 952	8 057
Other	44 876	37 801	–	–	37 351	28 167	82 227	65 968
SA Retail Mass	7 562	5 905	–	–	–	–	7 562	5 905
Surrenders	467	586	–	–	–	–	467	586
Other	7 095	5 319	–	–	–	–	7 095	5 319
Sanlam Corporate	18 290	12 675	–	–	12 297	8 158	30 587	20 833
Surrenders	2 945	2 659	–	–	1 149	1 129	4 094	3 788
Other	15 345	10 016	–	–	11 148	7 029	26 493	17 045
Sanlam Emerging Markets	13 752	11 327	9 862	9 904	14 255	15 206	37 869	36 437
Southern Africa	7 240	5 133	741	384	11 571	11 123	19 552	16 640
Surrenders	800	755	–	–	–	–	800	755
Other	6 440	4 378	741	384	11 571	11 123	18 752	15 885
North and West Africa	2 745	2 109	7 115	7 257	–	–	9 860	9 366
Surrenders	1 593	1 167	–	–	–	–	1 593	1 167
Other	1 152	942	7 115	7 257	–	–	8 267	8 199
East Africa	1 101	1 051	531	487	2 684	4 083	4 316	5 621
Surrenders	162	173	–	–	–		162	173
Other	939	878	531	487	2 684	4 083	4 154	5 448
Other International	2 666	3 034	1 475	1 776	–	–	4 141	4 810
Surrenders	569	795	–	–	–	–	569	795
Other	2 097	2 239	1 475	1 776	–	–	3 572	4 015
Sanlam Investment Group	5 725	4 836	–	–	133 382	135 910	139 107	140 746
Investment Management SA	–	–	–	–	93 804	109 647	93 804	109 647
Wealth Management	–	–	–	–	7 933	7 648	7 933	7 648
International	5 725	4 836	–	–	31 645	18 615	37 370	23 451
Santam	–	–	16 405	16 770	–	–	16 405	16 770
Total payments to clients	99 157	80 601	26 267	26 674	197 285	187 441	322 709	294 716

[1] Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.
[2] Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk which is excluded from the calculation of embedded value of covered business.

6.3 Analysis of net inflow/(outflow) of funds

R million	Life business[1] 2021	Life business[1] 2020	General insurance 2021	General insurance 2020	Investment business[2] 2021	Investment business[2] 2020	Total 2021	Total 2020
Sanlam Life and Savings	9 075	9 364	–	–	6 182	1 987	15 257	11 351
SA Retail Affluent	6 914	3 691	–	–	8 516	2 954	15 430	6 645
SA Retail Mass	4 097	4 362	–	–	–	–	4 097	4 362
Sanlam Corporate	(1 936)	1 311	–	–	(2 334)	(967)	(4 270)	344
Sanlam Emerging Markets	5 432	6 367	5 777	6 575	8 631	8 250	19 840	21 192
Southern Africa	1 289	2 751	1 028	707	3 566	4 358	5 883	7 816
North and West Africa	1 604	1 797	3 940	4 439	–	–	5 544	6 236
East Africa	844	734	344	418	5 065	3 892	6 253	5 044
Other International	1 695	1 085	465	1 011	–	–	2 160	2 096
Sanlam Investment Group	(1 811)	(1 118)	–	–	34 858	22 248	33 047	21 130
Investment Management SA	–	–	–	–	26 352	10 359	26 352	10 359
Wealth Management	–	–	–	–	1 862	2 755	1 862	2 755
International	(1 811)	(1 118)	–	–	6 644	9 134	4 833	8 016
Santam	–	–	10 178	7 890	–	–	10 178	7 890
Total net fund inflows	12 696	14 613	15 955	14 465	49 671	32 485	78 322	61 563

7 Cluster Information

7.1 Sanlam Life and Savings

7.1.1 Analysis of earnings

R million	Life Business 2021	Life Business 2020	Credit and Structuring 2021	Credit and Structuring 2020	Administration, Health Management and Other 2021	Administration, Health Management and Other 2020	Total 2021	Total 2020
Net result from financial services	4 279	4 287	179	(1)	348	314	4 806	4 600
SA Retail Affluent	2 011	2 742	179	(1)	191	190	2 381	2 931
Recurring premium business	950	1 712	–	–	(2)	7	948	1 719
Glacier	1 029	970	–	–	169	152	1 198	1 122
Other	32	60	179	(1)	24	31	235	90
SA Retail Mass	769	703	–	–	–	–	769	703
Sanlam Corporate	(1 548)	488	–	–	157	124	(1 391)	612
Reserve release	3 047	354	–	–	–	–	3 047	354
Net investment return	385	219	–	–	10	79	395	298
Net other earnings	(277)	(122)	–	–	(23)	(42)	(300)	(164)
Normalised attributable earnings	4 387	4 384	179	(1)	335	351	4 901	4 734

7 Cluster Information (continued)

7.1 Sanlam Life and Savings (continued)

7.1.2 Analysis of change in GEV – covered business

	Total		Value of in-force		Cost of capital		Net asset value	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Operational earnings	6 737	4 982	2 577	328	246	(43)	3 914	4 697
Value of new life insurance business	2 235	1 638	4 833	3 986	(169)	(125)	(2 429)	(2 223)
Unwinding of discount rate	4 818	4 828	4 726	4 731	92	97	–	–
Expected profit	–	–	(6 579)	(6 591)	–	–	6 579	6 591
Operating experience variances	(2 269)	322	130	231	(21)	(7)	(2 378)	98
Risk experience	(3 560)	(203)	(200)	(64)	5	7	(3 365)	(146)
Persistency	742	140	890	289	(22)	7	(126)	(156)
Maintenance expenses	131	110	–	–	–	–	131	110
Working capital management	318	391	–	–	–	–	318	391
Credit spread	113	103	–	–	–	–	113	103
Other	(13)	(219)	(560)	6	(4)	(21)	551	(204)
Operating assumption changes	1 953	(1 806)	(533)	(2 029)	344	(8)	2 142	231
Risk experience	(764)	306	(2 019)	(292)	18	(5)	1 237	603
Persistency	1 626	(1 764)	1 796	(1 458)	(47)	(1)	(123)	(305)
Maintenance expenses	35	(148)	111	(136)	(1)	(3)	(75)	(9)
Modelling changes and other	1 056	(200)	(421)	(143)	374	1	1 103	(58)
Net investment return	385	219	–	–	–	–	385	219
Expected return on adjusted net asset value	480	490	–	–	–	–	480	490
Investment variances on adjusted net asset value	(95)	(271)	–	–	–	–	(95)	(271)
Valuation and economic basis	(103)	(1 160)	(385)	(801)	(83)	51	365	(410)
Investment variances on in-force business	1 159	(1 509)	946	(1 165)	(70)	23	283	(367)
Economic assumption changes	(1 262)	349	(1 331)	364	(13)	28	82	(43)
Investment yields	(1 261)	349	(1 331)	364	(12)	28	82	(43)
Long-term asset mix assumptions and other	(1)	–	–	–	(1)	–	–	–
Foreign currency translation differences	–	–	–	–	–	–	–	–
Revaluation of business held for sale	–	–	–	–	–	–	–	–
Goodwill and VOBA from business combinations	(61)	(9)	–	(9)	–	–	(61)	–
GEV earnings: covered business	6 958	4 032	2 192	(482)	163	8	4 603	4 506
Acquired value of in-force	96	16	29	15	(6)	–	73	1
Transfers from/(to) non-covered Group business	(1 200)	–	–	–	–	–	(1 200)	–
Transfers from covered business	(4 514)	(4 757)	–	–	–	–	(4 514)	(4 757)
Embedded value of covered business at the beginning of the period	47 597	48 306	42 476	42 943	(1 857)	(1 865)	6 978	7 228
Embedded value of covered business at the end of the period	48 937	47 597	44 697	42 476	(1 700)	(1 857)	5 940	6 978

7.1.3 Assets under management

	SA Retail Affluent									
	Recurring premium business		Glacier		SA Retail Mass		Sanlam Corporate		Total	
R million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Life business	176 529	154 613	253 490	215 877	5 630	5 329	127 385	111 563	563 034	487 382
Investment operations	1 859	1 728	194 189	158 977	–	–	–	–	196 048	160 705
Total assets under management	178 388	156 341	447 679	374 854	5 630	5 329	127 385	111 563	759 082	648 087

Credit business

	Gross size of loan book		Interest margin		Bad debt ratio		Administration cost as % of net interest	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Sanlam Personal Loans	5 173	5 605	15,5%	15,9%	4,3%	12,4%	35,5%	27,6%

7 Cluster Information (continued)

7.2 Sanlam Emerging Markets

7.2.1 Analysis of net result from financial services

R million	Life Business 2021	Life Business 2020	General Insurance 2021	General Insurance 2020	Investment Management 2021	Investment Management 2020	Credit and Structuring 2021	Credit and Structuring 2020	Corporate and Other 2021	Corporate and Other 2020	Total 2021	Total 2020
SPA Life	875	1 088	–	–	183	160	591	447	116	117	1 765	1 812
SPA GI	–	–	2 287	1 460	–	–	–	–	(253)	(189)	2 034	1 271
Other International	64	173	480	776	(1)	(1)	875	876	153	141	1 571	1 965
Corporate costs	–	–	–	–	–	–	–	–	(203)	(379)	(203)	(379)
Gross result from financial services	939	1 261	2 767	2 236	182	159	1 466	1 323	(187)	(310)	5 167	4 669
Tax on result from financial services	(257)	(260)	(902)	(474)	(52)	(49)	(445)	(414)	(183)	(57)	(1 839)	(1 254)
Non-controlling interests	(204)	(312)	(705)	(528)	(63)	(57)	(126)	(101)	(3)	(40)	(1 101)	(1 038)
Net result from financial services	478	689	1 160	1 234	67	53	895	808	(373)	(407)	2 227	2 377
SPA Life	475	597	–	–	68	54	241	166	11	6	795	823
SPA GI	–	–	918	847	–	–	–	–	(236)	(151)	682	696
Other International	3	92	242	387	(1)	(1)	654	642	53	64	951	1 184
Corporate costs	–	–	–	–	–	–	–	–	(201)	(326)	(201)	(326)
Saham[1]	78	(81)	875	808	–	–	–	–	(365)	(333)	588	394
Other	400	770	285	426	67	53	895	808	(8)	(74)	1 639	1 983
Net result from financial services	478	689	1 160	1 234	67	53	895	808	(373)	(407)	2 227	2 377

[1] Earnings exclude cost allocation.

7.2.2 Analysis of General insurance and reinsurance gross result from financial services

R million	Gross written premiums 2021	Gross written premiums 2020	Net earned premiums[1] 2021	Net earned premiums[1] 2020	Claims ratio (%) 2021	Claims ratio (%) 2020	Underwriting margin (%) 2021	Underwriting margin (%) 2020	Investment return on insurance funds (%) 2021	Investment return on insurance funds (%) 2020	Net insurance result (%) 2021	Net insurance result (%) 2020
SPA GI	21 123	20 011	13 699	13 645	61,1	59,6	4,4	6,1	11,9	2,9	16,3	9,0
Southern Africa	3 905	3 485	1 794	1 691	43,3	49,8	17,9	13,2	2,6	3,6	20,5	16,8
North and West Africa	15 775	14 953	11 055	11 058	63,9	61,7	3,8	6,0	14,5	2,7	18,3	8,7
East Africa	1 443	1 573	850	896	61,8	54,5	(14,3)	(5,4)	(1,5)	4,8	(15,8)	(0,6)
Other International	2 149	3 181	1 945	2 785	76,1	63,9	(5,1)	7,4	29,9	21,7	24,8	29,1
Total General insurance and reinsurance	23 272	23 192	15 644	16 430	63,0	60,3	3,2	6,3	14,2	6,1	17,4	12,4
Saham	18 202	17 853	12 206	12 577	62,1	60,2	5,8	7,3	13,5	3,0	19,3	10,3
Other	5 070	5 339	3 438	3 853	65,9	60,8	(5,4)	3,6	16,7	16,5	11,3	20,1
Total General insurance and reinsurance	23 272	23 192	15 644	16 430	63,0	60,3	3,2	6,3	14,2	6,1	17,4	12,4

[1] Net earned premiums consists of General insurance, Reinsurance and Health business before consolidation.

7 Cluster Information (continued)

7.2 Sanlam Emerging Markets (continued)

7.2.3 Analysis of insurance funds

	R million		Asset allocation (%) Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
	2021	2020[2]	2021	2020[2]	2021	2020[2]	2021	2020[2]	2021	2020[2]
SPA GI	13 785	12 954	44	42	36	39	15	17	5	2
Other International	9 120	8 343	6	7	–	–	92	92	2	1
Total insurance funds	22 905	21 297	29	28	22	24	46	46	3	2
Saham	13 007	12 061	47	45	38	41	15	14	–	–
Other subsidiaries	538	843	–	9	–	11	31	58	69	22
Total Subsidiaries	13 545	12 904	45	42	37	39	15	17	3	2
Associated companies[1]	9 360	8 393	6	6	–	–	90	92	4	2
Total insurance funds	22 905	21 297	29	28	22	24	46	46	3	2

[1] Sanlam's effective share.

[2] Comparatives have been restated from R14,6 billion to R21,3 billion to include float assets of associates in Other International.

7.2.4 Analysis of net investment return

	Life Business		General Insurance		Investment Management		Credit and Banking		Corporate and Other		Total	
R million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
SPA Life	180	192	–	–	5	11	14	(3)	(72)	(73)	127	127
SPA GI	–	–	(54)	(201)	–	–	–	–	(147)	(83)	(201)	(284)
Other International	63	(559)	10	415	–	–	21	(36)	(12)	12	82	(168)
Corporate	–	–	–	–	–	–	–	–	233	78	233	78
Gross investment return	243	(367)	(44)	214	5	11	35	(39)	2	(66)	241	(247)
Tax on investment return	(38)	(45)	9	(16)	(4)	(3)	6	(1)	(81)	(76)	(108)	(141)
Non-controlling interests	(24)	23	(9)	(23)	–	(3)	–	–	30	(39)	(3)	(42)
Net investment return	181	(389)	(44)	175	1	5	41	(40)	(49)	(181)	130	(430)
Saham	15	(565)	(39)	(207)	–	–	–	–	(133)	(158)	(157)	(930)
Other	166	176	(5)	382	1	5	41	(40)	84	(23)	287	500
Net investment return	181	(389)	(44)	175	1	5	41	(40)	(49)	(181)	130	(430)

7 Cluster Information (continued)

7.2 Sanlam Emerging Markets (continued)

7.2.5 Analysis of capital portfolio

	R million		Asset allocation (%): Equities and similar securities		Asset allocation (%): Investment properties		Asset allocation (%): Interest-bearing securities		Asset allocation (%): Cash, deposits and similar securities	
	2021	2020[3]	2021	2020[3]	2021	2020[3]	2021	2020[3]	2021	2020[3]
SPA Life	4 714	3 551	14	10	18	19	51	45	17	26
SPA GI	16 038	14 691	45	42	33	36	19	20	3	2
Other International	13 691	11 718	8	11	–	–	81	86	11	3
Total capital portfolio[1]	34 443	29 960	26	26	18	20	48	49	8	5
Saham	15 737	13 926	47	46	35	37	17	16	1	1
Other subsidiaries	5 996	4 771	7	4	11	14	53	60	29	22
Total subsidiaries	21 733	18 697	36	35	28	31	27	27	9	7
Associated companies[2]	12 710	11 263	8	11	–	1	85	84	7	4
Total capital portfolio[1]	34 443	29 960	26	26	18	20	48	49	8	5

[1] Includes float assets.

[2] Sanlam's effective share.

[3] Comparatives have been restated from R21 billion to R30 billion to include float assets of associates in Other International.

7.2.6 Assets under management

R million	Southern Africa 2021	Southern Africa 2020	North and West Africa 2021	North and West Africa 2020	East Africa 2021	East Africa 2020	Other International 2021	Other International 2020	Total 2021	Total 2020
Life business	34 588	33 335	21 053	20 716	4 611	3 738	14 818	16 726	75 070	74 515
Investment operations	49 977	44 486	–	–	54 740	43 530	–	–	104 717	88 016
Total assets under management	84 565	77 821	21 053	20 716	59 351	47 268	14 818	16 726	179 787	162 531

7.2.7 Credit and structuring

R million	Size of loan books (Sanlam share) 2021	Size of loan books (Sanlam share) 2020	Net interest margin 2021	Net interest margin 2020	Bad debt ratio 2021	Bad debt ratio 2020	Administration cost as % of net interest margin 2021	Administration cost as % of net interest margin 2020
Shriram Transport Finance Company	24 599	22 301	6,9%	6,9%	2,9%	2,9%	25,3%	23,8%
Shriram City Union Finance	5 729	4 860	12,3%	13,1%	2,7%	3,7%	39,5%	38,6%
Capricorn Investment Holdings	9 807	9 931	5,7%	4,7%	1,0%	0,9%	84,6%	95,9%
Letshego	2 683	2 432	17,6%	17,6%	0,2%	0,3%	54,7%	59,7%

7 Cluster Information (continued)

7.2 Sanlam Emerging Markets (continued)

7.2.8 Analysis of change in GEV – covered business

	Total		Value of in-force		Cost of capital		Net asset value	
	2021	2020	2021	2020	2021	2020	2021	2020
Operational earnings	365	554	139	(163)	(53)	(63)	279	780
Value of new life insurance business	529	283	944	794	(105)	(114)	(310)	(397)
Unwinding of discount rate	648	669	532	582	116	87	–	–
Expected profit	–	–	(982)	(1 110)	–	–	982	1 110
Operating experience variances	(571)	125	(16)	101	(51)	(31)	(504)	55
Risk experience	(656)	73	(32)	20	(4)	2	(620)	51
Persistency	(26)	13	21	63	(45)	(33)	(2)	(17)
Maintenance expenses	22	(34)	(4)	15	(3)	–	29	(49)
Working capital management	47	66	–	–	–	–	47	66
Credit spread	8	12	–	–	–	–	8	12
Other	34	(5)	(1)	3	1	–	34	(8)
Operating assumption changes	(241)	(523)	(339)	(530)	(13)	(5)	111	12
Risk experience	(103)	102	(53)	81	(10)	5	(40)	16
Persistency	(109)	(97)	(48)	(63)	(2)	(9)	(59)	(25)
Maintenance expenses	(91)	(155)	(13)	(94)	1	–	(79)	(61)
Modelling changes and other	62	(373)	(225)	(454)	(2)	(1)	289	82
Net investment return	374	(164)	–	–	–	–	374	(164)
Expected return on adjusted net asset value	299	343	–	–	–	–	299	343
Investment variances on adjusted net asset value	75	(507)	–	–	–	–	75	(507)
Valuation and economic basis	203	(258)	18	(98)	(14)	(69)	199	(91)
Investment variances on in-force business	152	(107)	(31)	(11)	(15)	–	198	(96)
Economic assumption changes	(25)	(287)	(53)	(220)	27	(72)	1	5
Investment yields	(22)	(308)	(53)	(227)	30	(87)	1	6
Long-term asset mix assumptions and other	(3)	21	–	7	(3)	15	–	(1)
Foreign currency translation differences	76	136	102	133	(26)	3	–	–
Change in tax basis	(26)	41	(26)	41	–	–	–	–
Goodwill and VOBA from business combinations	–	(601)	–	(601)	–	–	–	–
Net project expenses	(10)	(18)	–	–	–	–	(10)	(18)
GEV earnings: covered business	906	(446)	131	(821)	(67)	(132)	842	507
Acquired value of in-force	(12)	891	(10)	709	1	(89)	(3)	271
Transfers from/(to) non-covered Group business	95	(146)	(29)	(146)	–	–	124	–
Transfers from covered business	(601)	(455)	–	–	–	–	(601)	(455)
Embedded value of covered business at the beginning of the period	8 638	8 794	4 613	4 871	(838)	(617)	4 863	4 540
Embedded value of covered business at the end of the period	9 026	8 638	4 705	4 613	(904)	(838)	5 225	4 863

7 Cluster Information (continued)

7.3 Sanlam Investment Group

7.3.1 Analysis of net result from financial services

	Sanlam Investments		Wealth Management		International		Sanfin		Corporate Services		Consolidation		Total	
R million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Financial services income[1]	2 135	2 053	1 050	921	2 920	3 222	1 289	773	–	–	(42)	(45)	7 352	6 924
Sales remuneration	–	–	–	–	(327)	(751)	–	–	–	–	–	–	(327)	(751)
Income after sales remuneration	2 135	2 053	1 050	921	2 593	2 471	1 289	773	–	–	(42)	(45)	7 025	6 173
Administration cost[1]	(1 618)	(1 605)	(820)	(721)	(2 166)	(2 179)	(660)	(534)	(51)	(40)	42	45	(5 273)	(5 034)
Results from financial services before performance fees	517	448	230	200	427	292	629	239	(51)	(40)	–	–	1 752	1 139
Net performance fees[1]	91	104	17	14	(14)	(10)	2	2	–	–	–	–	96	110
Results from financial services	608	552	247	214	413	282	631	241	(51)	(40)	–	–	1 848	1 249
Tax on result from financial services	(186)	(147)	(67)	(57)	(50)	(75)	(139)	(106)	15	7	–	–	(427)	(378)
Non-controlling interest	(120)	(34)	–	–	(3)	(32)	–	–	–	–	–	–	(123)	(66)
Net result from financial services	302	371	180	157	360	175	492	135	(36)	(33)	–	–	1 298	805
Covered	–	–	–	–	(2)	22	174	16	–	–	–	–	172	38
Non-covered	302	371	180	157	362	153	318	119	(36)	(33)	–	–	1 126	767
Net investment return	(21)	(71)	3	1	262	66	112	86	–	11	–	–	356	93
Covered	–	–	–	–	(3)	(16)	112	87	–	–	–	–	109	71
Non-covered	(21)	(71)	3	1	265	82	–	(1)	–	11	–	–	247	22
Project expenses	(28)	(14)	–	–	(72)	(14)	–	–	–	(13)	–	–	(100)	(41)
Net operational earnings	253	286	183	158	550	227	604	221	(36)	(35)	–	–	1 554	857
Amortisation of intangible assets	(19)	(19)	(19)	(19)	(54)	(210)	–	–	(5)	(6)	–	–	(97)	(254)
Profit on disposal of associates	–	–	–	–	206	–	–	–	–	–	–	–	206	–
Other	–	(41)	–	–	(386)	(52)	–	–	–	(7)	–	–	(386)	(100)
Normalised attributable earnings	234	226	164	139	316	(35)	604	221	(41)	(48)	–	–	1 277	503

[1] Financial services income and administration costs on page 212 includes performance fees and the related administration costs.

7 Cluster Information (continued)

7.3 Sanlam Investment Group (continued)

7.3.2 Analysis of change in GEV – covered business

	Total		Value of in-force		Cost of capital		Net asset value	
R million	2021	2020	2021	2020	2021	2020	2021	2020
Operational earnings	(2)	(108)	(44)	(46)	(124)	(55)	166	(7)
Value of new life insurance business	–	–	59	55	(8)	(8)	(51)	(47)
Unwinding of discount rate	72	79	38	47	34	32	–	–
Expected profit	–	–	(116)	(130)	–	–	116	130
Operating experience variances	98	(80)	(7)	15	(22)	(21)	127	(74)
Risk experience	11	5	–	(3)	–	–	11	8
Persistency	(4)	4	(3)	6	(1)	(2)	–	–
Maintenance expenses	(3)	(9)	–	–	–	–	(3)	(9)
Working capital management	–	–	–	–	–	–	–	–
Credit spread	174	14	–	–	–	–	174	14
Other	(80)	(94)	(4)	12	(21)	(19)	(55)	(87)
Operating assumption changes	(172)	(107)	(18)	(33)	(128)	(58)	(26)	(16)
Risk experience	–	30	–	(7)	–	1	–	36
Persistency	16	5	21	7	(5)	(2)	–	–
Maintenance expenses	(35)	(50)	(21)	(37)	–	–	(14)	(13)
Modelling changes and other	(153)	(92)	(18)	4	(123)	(57)	(12)	(39)
Net investment return	166	129	–	–	–	–	166	129
Expected return on adjusted net asset value	177	173	–	–	–	–	177	173
Investment variances on adjusted net asset value	(11)	(44)	–	–	–	–	(11)	(44)
Valuation and economic basis	111	139	127	49	(22)	45	6	45
Investment variances on in-force business	91	17	84	(26)	–	–	7	43
Economic assumption changes	(23)	63	(15)	4	(7)	57	(1)	2
Investment yields	(20)	63	(15)	4	(7)	57	2	2
Long-term asset mix assumptions and other	(3)	–	–	–	–	–	(3)	–
Foreign currency translation differences	43	59	58	71	(15)	(12)	–	–
Change in tax basis	(54)	(22)	(52)	(21)	(2)	(1)	–	–
Revaluation of business held for sale	(595)	–	(804)	–	209	–	–	–
GEV earnings: covered business	(374)	138	(773)	(18)	61	(11)	338	167
Transfers from/(to) non-covered Group business	185	–	–	–	–	–	185	–
Transfers from covered business	(288)	(103)	–	–	–	–	(288)	(103)
Embedded value of covered business at the beginning of the period	3 091	3 056	798	816	(980)	(969)	3 273	3 209
Embedded value of covered business at the end of the period	2 614	3 091	25	798	(919)	(980)	3 508	3 273

7.3.3 Assets under management

	Assets under management		Fee income (%)		Administration cost (%)	
R million	2021	2020	2021	2020	2021	2020
Sanlam Investments[(1)]	748 968	648 805	0,30	0,30	0,21	0,22
Wealth Management	109 253	90 446	1,05	1,08	0,82	0,82
International[(2)]	282 002	211 166	0,91	1,19	0,73	1,03
Intra-cluster eliminations	(33 938)	(33 858)				
Asset management operations	1 106 285	916 559				
Covered business	117 575	104 879				
Sanlam UK	62 418	57 732				
Sanfin	55 157	47 147				
Assets under management	1 223 860	1 021 438				

[(1)] Includes Sanlam assets of R183 billion (2020: R179 billion).
[(2)] Includes Sanlam assets of R75 billion (2020: R63 billion).

7.3.4 Asset mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
2021						
Sanlam Investments	149 215	326 844	149 594	31 232	92 083	748 968
Wealth Management	–	53 230	54 011	–	2 012	109 253
International	–	–	282 002	–	–	282 002
Intra-cluster consolidation						(33 938)
Assets under management – Asset management operations	149 215	380 074	485 607	31 232	94 095	1 106 285
2020						
Sanlam Investments	127 513	273 173	112 274	26 633	109 212	648 805
Wealth Management	–	45 101	42 280	–	3 065	90 446
International	–	–	211 166	–	–	211 166
Intra-cluster consolidation						(33 858)
Assets under management – Asset management operations	127 513	318 274	365 720	26 633	112 277	916 559

Notes to the Shareholders' Fund Information for the year ended 31 December continued

7 Cluster Information (continued)

7.4 Santam

R million	2021	2020
Business volumes		
Gross written premiums	42 129	38 273
Net earned premiums	26 583	24 660
Net fund flows	10 178	7 890

Insurance activities

	Gross written premiums		Underwriting Result	
R million	2021	2020	2021	2020
Conventional Insurance	32 745	31 098	2 129	699
Motor	14 412	13 430	1 216	2 141
Property	12 177	11 798	259	(2 375)
Engineering	1 730	1 651	316	439
Liability	1 550	1 362	255	153
Transportation	994	799	96	125
Accident and health	572	641	61	96
Guarantee	127	117	(5)	(14)
Crop	1 130	1 262	(89)	151
Other	53	38	20	(17)
Alternative risk transfer (ART)	9 384	7 175	95	2
Total	42 129	38 273	2 224	701

Ratios	2021	2020
Administration cost ratio[1]	16,6%	16,6%
Claims ratio[1]	62,0%	68,2%
Underwriting margin[1]	8,0%	2,5%
Investment return on insurance funds margin[1]	1,5%	2,1%

R million	2021	2020
Conventional Insurance		
Net earned premiums	25 858	24 320
Net claims incurred	(16 023)	(16 593)
Net commission	(3 458)	(3 083)
Management expenses (excluding BEE costs)	(4 248)	(3 945)
Underwriting result: Conventional insurance	2 129	699
Investment return on insurance funds	400	501
Net insurance result	2 529	1 200
Net other income	307	166
Alternative Risk[2]	306	165
Other	1	1
Strategic participations	356	350
Saham[3]	204	97
SEM target shares	152	253
BEE cost	(2)	(2)
Gross result from financial services	3 190	1 714
Tax and non-controlling interest	(1 812)	(1 028)
Net result from financial services	1 378	686

[1] Ratios are calculated as a percentage of net earned premiums for the conventional business.
[2] Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.
[3] Includes SEM cluster cost allocation of R11 million (2020: R7 million).

7.5 Group Office analysis of earnings

	Group Office and Other		Consolidation[1]		Total	
R million	2021	2020	2021	2020	2021	2020
Financial services income	115	206	(389)	(381)	(274)	(175)
Administration cost	(458)	(327)	–	–	(458)	(327)
Results from financial services	(343)	(121)	(389)	(381)	(732)	(502)
Tax on result from financial services	103	35	126	102	229	137
Non-controlling interest	–	–	263	279	263	279
Net result from financial services	(240)	(86)	–	–	(240)	(86)
Net investment income	235	186	–	–	235	186
Net investment surpluses	(82)	31	–	–	(82)	31
Project expenses	(112)	(13)	–	–	(112)	(13)
Net operational earnings	(199)	118	–	–	(199)	118
Impairment	(145)	(1 673)	–	–	(145)	(1 673)
Normalised attributable earnings	(344)	(1 555)	–	–	(344)	(1 555)

[1] Includes the consolidation entries relating to SEM target shares and Saham included within the Santam results.
[2] An impairment of R145 million in respect of the Broad-Based Black Economic Empowerment Special Purpose Vehicle (B-BBEE SPV) has been recognised in 2021 (2020: R1 673 million) as described on page 190.

Notes to the Shareholders' Fund Information for the year ended 31 December continued

8 Investments

8.1 Investment in associated companies

R million	2021	2020
Shriram Capital	9 571	7 671
Shriram Transport Finance Company	1 955	1 571
Shriram General Insurance	1 442	1 351
Shriram Life Insurance	542	531
Pacific & Orient	439	426
Capricorn Investment Holdings	1 079	1 000
Letshego	1 806	1 571
Afrocentric	1 210	1 109
Other associated companies	2 055	1 725
Total investment in associated companies	20 099	16 955

Details of the investments in the material associated companies are reflected in note 8.2.3 on page 84 of the Sanlam Annual Financial Statements.

8.2 Investment in joint ventures

R million	2021	2020
Sanlam Personal Loans	815	665
Other joint ventures	243	208
Total investment in joint ventures	1 058	873

Details of the investments in the material joint ventures are reflected in note 8.2.4 on page 87 of the Sanlam Annual Financial Statements.

8.3 Investments include the following offshore investments

R million	2021	2020
Investment properties	6 166	5 897
Equities	10 277	8 612
Structured transactions	49	–
Interest-bearing investments	8 544	7 583
Investment funds	10 318	6 939
Cash, deposits and similar securities	2 978	2 582
Total offshore investments	38 332	31 613

9 Equity-accounted earnings included in financial services income

R million	2021	2020
Sanlam Life and Savings	482	208
SA Retail Affluent	255	6
Sanlam Corporate	227	202
Sanlam Emerging Markets	2 475	2 710
Santam	356	350
Sanlam Investment Group	126	143
	3 439	3 411

10 Sales remuneration

R million	2021	2020
Life business	6 398	5 639
Non-life operations	5 483	5 626
	11 881	11 265

11 Administration costs

R million	2021	2020
Life business	10 289	9 559
Non-life operations	14 768	14 905
	25 057	24 464
Depreciation included in administration costs:		
Sanlam Life and Savings	167	189
SA Retail Affluent	124	127
SA Retail Mass	43	43
Sanlam Corporate	–	19
Sanlam Emerging Markets	221	257
Santam	99	144
Sanlam Investment Group	48	50
Group Office	2	–
	537	640

12 Investment Income

R million	2021	2020
Equities and similar securities	1 018	1 043
Interest-bearing, preference shares and similar securities	22	486
Properties	32	12
Rental income	42	30
Rental-related expenses	(10)	(18)
Total investment income	1 072	1 541
Interest expense netted off against investment income	622	578

13 Normalised diluted earnings per share

Cents	2021	2020[1]
Normalised diluted earnings per share:		
Net result from financial services	425,8	376,4
Operational earnings	462,6	374,9
Profit/(loss) attributable to shareholders' fund	443,3	(31,2)
R million		
Analysis of operational earnings (refer shareholders' fund income statement on page 212:		
Net result from financial services	9 469	8 382
Operational earnings	10 288	8 349
Normalised profit/(loss) attributable to shareholders' fund	9 860	(694)
Reconciliation of operational earnings:		
Headline earnings per note 23 on page 119 of the Sanlam Annual Financial Statements	9 041	7 104
Add/(Less):	1 247	1 245
Fund transfers	387	(1 412)
B-BBEE SPV Impairment	145	1 673
Net equity-accounted earnings	(24)	(14)
Net amortisation of value of business acquired and other intangibles	738	699
Expected credit losses	–	298
Equity participation costs	1	1
Operational earnings	10 288	8 349
Adjusted number of shares (million):		
Weighted average number of shares for diluted earnings per share (refer note 23 on page 120 of the Sanlam Annual Financial Statements)	2 087,8	2 087,8
Add: Weighted average Sanlam shares held by policyholders and B-BBEE SPV	136,2	138,9
Adjusted weighted average number of shares for normalised diluted earnings per share	2 224,0	2 226,7

[1] 2020 comparative information has been restated to correct a hyperinflation accounting error as reported in the Group's interim results announcement of 9 September 2021. Refer to note 36.1 on page 150 for additional information.

14 Value per share

	2021	2020
	R million	R million
Net asset value per share is calculated on the Group shareholders' fund at net asset value.	75 928	71 468
Equity value per share is calculated based on the Group Equity Value.	142 390	131 812
Number of shares for value per share	Million	Million
Number of ordinary shares in issue	2 226,9	2 226,9
Shares held by subsidiaries in shareholders' fund	(43,0)	(26,2)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	25,7	25,8
Adjusted number of shares for value per share	2 209,6	2 226,5

15 Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8.2 (2020: 8.1) to the after tax recurring corporate expenses.

16 Shares repurchased and cancelled

Sanlam shareholders granted general authorities to the Group at the 2021 and 2020 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 17 million Sanlam Limited shares acquired at zero value as a result of qualifying Sanlam Life Insurance Limited's policyholders who became shareholders on demutualisation forfeiting their rights due to being untraceable.

Notes to the Shareholders' Fund Information for the year ended 31 December continued

17 Geographical analysis

R million	Per shareholders' fund income statement on page 212	IFRS adjustments (refer note 17.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2021	99 632	17 255	116 887
South Africa	68 268	15 015	83 283
Other African operations	25 400	3 410	28 810
Other international[1]	5 964	(1 170)	4 794
2020	87 161	17 540	104 701
South Africa	57 259	13 727	70 986
Other African operations	23 237	5 419	28 656
Other international[1]	6 665	(1 606)	5 059

R million	Per analysis of shareholders' fund on page 210	Policyholders' fund	Total
Non-current assets[2]			
2021	33 103	79 195	112 298
South Africa[3]	18 663	397	19 060
Other African operations	10 282	318	10 600
Other international[1]	4 158	78 480	82 638
2020[1]	34 272	898	35 170
South Africa[3]	20 190	431	20 621
Other African operations	9 743	201	9 944
Other international[1]	4 339	266	4 605

R million	2021	2020[4]
Attributable earnings (per shareholders' fund income statement on page 212)	9 473	718
South Africa	7 545	5 721
Other African operations	1 432	(3 088)
Other international[1]	496	(1 915)

[1] Other international comprises business in Europe, United Kingdom, Australia, India, Malaysia and Lebanon.

[2] Non-current assets include property and equipment, right-of-use assets, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.

[3] Includes R11 billion Goodwill recognised on consolidation of Saham.

[4] 2020 comparative information has been restated to correct a hyperinflation accounting error as reported in the Group's interim results announcement of 9 September 2021. Refer to note 36.1 on page 150 for additional information.

Glossary: Sanlam Annual Financial Statements

Abbreviations

ACA (employee benefits)	Absa Consultants and Actuaries
ACT (healthcare assets)	AfroCentric Investment Corporation Limited
ALCO	Asset Liability committee
ALM	Asset liability mismatching
AM Best	Alfred M. Best
APN	Advisory practice note
ARC	African Rainbow Capital Pty Ltd
ARC FS	African Rainbow Capital Financial Services Holding (Pty) Ltd
ARR	Alternative Reference Rates
ART	Alternative risk transfer
B-BBEE	Broad-based Black Economic Empowerment
BEE	Black Economic Empowerment
BIFM	Botswana Insurance Fund Management
CBI	Contingent Business Interruption
CCM	Central Credit Manager
CGU	Cash-generating unit
CHF	Swiss franc
CIO	Group Chief Information Officer
COE	Committees of excellence
CPI	Consumer Price Index
CSA	Credit Support Agreements
DAC	Deferred acquisition cost
DCF	Discounted cash flow model
DPF	Discretionary participation features
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit losses
ERCM	Enterprise, Risk and Compliance Management

Glossary: Sanlam Annual Financial Statements continued

Abbreviations

ERM	Enterprise Risk Management
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EV	Embedded value
FBN	First Bank of Nigeria
FBNH	First Bank of Nigeria Holdings Plc
FBNI	First Bank of Nigeria Insurance Limited
FCA	Financial Conduct Authority
FCTR	Foreign Currency Translation Reserve
FSB	Financial Stability Board
FSV	Financial Soundness Valuation
FTSE	Financial Times and Stock Exchange
GBP	British Pound Sterling
GDP	Gross Domestic Product
GEV	Group Equity Value
GMSLA	Global Master Securities Lending Agreement
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not yet reported
IBOR	Interbank Offered Rate
IFC	Internal Financial Reporting Control
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPF	Individual policyholders' tax fund
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
IT	Technology, cyber and information security
JIBAR	Johannesburg Interbank Average Rate

Abbreviations

JPY	Japanese yen
JSE	Johannesburg Stock Exchange
LBP	Lebanese pound
LGD	Loss given default
LIA	Lebanon Insurance Africa
LIBOR	London Interbank Offered Rate
LTI	Long Term Incentives
MCIS	Malaysian Cooperative Insurance Society
NAV	Net asset value
New Re	New Reinsurance Company Limited Switzerland
ORSA	Sanlam Group Own Risk and Solvency Assessment
PD	Probabilities of default
Plc	Public limited company
Pty	Proprietary Limited
RDR	Risk discount rate
Re	Reinsurance Company
RFR	Risk-free rate
RoGEV	Return on Group Equity Value
RSA	Republic of South Africa
S&P	Standard & Poor's
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAN JV	Sanlam Emerging Markets Proprietary Limited and Santam Joint Venture
SanFin	Sanlam Specialised Finance
SAP	Standard of Actuarial Practice
SCM	Sanlam Capital Markets
SCR	Solvency Capital Requirement
SCUF	Shriram City Union Finance

Glossary: Sanlam Annual Financial Statements continued

Abbreviations

SEM	Sanlam Emerging Markets
SENS	Stock Exchange News Service
SGT	Sanlam Group Technology
SIEA	Sanlam Investments East Africa
SIG	Sanlam Investments Group
SLS	Sanlam Life and Savings
SPA GI	Sanlam Pan-Africa General Insurance
LIA	Lebanon Insurance Africa
LIBOR	London Interbank Offered Rate
LTI	Long Term Incentives
MCIS	Malaysian Cooperative Insurance Society
NAV	Net asset value
New Re	New Reinsurance Company Limited Switzerland
ORSA	Sanlam Group Own Risk and Solvency Assessment
PD	Probabilities of default
Plc	Public limited company
Pty	Proprietary Limited
RDR	Risk discount rate
Re	Reinsurance Company
RFR	Risk-free rate
RoGEV	Return on Group Equity Value
RSA	Republic of South Africa
S&P	Standard & Poor's
SPL	Sanlam Personal Loans
SPM	Sanlam Portfolio Management
SPV	Special purpose vehicle
SPW	Sanlam Private Wealth

Abbreviations

SSA	Sanlam Share Account Nominee (Pty) Ltd
SSS	Sanlam Structured Solutions
STFC	Shriram Transport Finance Company
TCF	Treating Clients Fairly
UB	Ubuntu-Botho Investments'
UK	United Kingdom
UMA	Underwriting Management Agencies
US	United States
USD	United States Dollar
VaR	Value at Risk
VAT	Value Added Tax
VNB	Value of new business
VOBA	Value of business acquired
WEO	World Economic Outlook

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