Sanlam

Sanlam Life Insurance Limited
Annual Financial Statements
31 December 2021

Insurance | Financial Planning | Retirement | Investments | Wealth

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors at 31 December 2021

Independent Non-Executive
E Masilela (Chair)
AS Birrell
E Essoka (appointed 18 June 2021)
NAS Kruger
N Manyonga (appointed 6 December 2021)
M Mokoka
JP Möller (Chair of the audit committee)
KT Nondumo
W van Biljon (appointed 13 August 2021)
S Zinn

Non-Executive
J van Zyl
PT Motsepe (Deputy Chair)
AD Botha
SA Nkosi
RV Simelane

Executive *(full time employees)*
PB Hanratty *(ex officio)*
AM Mukhuba *(ex officio)*
HC Werth
J Modise

Company Secretary
S Bray

Registered office
2 Strand Road
Bellville
7530

Postal address
PO Box 1
Sanlamhof
7532

Auditors
Ernst & Young Inc.
Waterway House
3 Dock Road
Cape Town
South Africa

KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown
South Africa

Pages 20 to 190 of the financial statements have been audited. Refer to the Independent Auditors' report on page 11. The preparation of the consolidated and separate financial statements was supervised by the Finance Director, AM Mukhuba CA (SA).

SANLAM LIFE INSURANCE LIMITED

Annual Financial Statements

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Sanlam Life Insurance Limited takes responsibility for the integrity, objectivity and reliability of the group and company Annual Financial Statements of Sanlam Life Insurance 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 Life Insurance Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the joint external auditors were independent of the company during the period under review.

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 Life 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.

A full description of how the Audit, Actuarial and Finance Committee carried out its functions is included in the directors' report.

The Board is of the opinion that Sanlam Life Insurance 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 were approved by the Board and signed on its behalf by:

PB Hanratty
CEO
9 March 2022

E Masilela
Chair
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.

S Bray
Company Secretary
9 March 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

NATURE OF BUSINESS

The core activities of Sanlam Life Insurance Limited (Sanlam Life/ the Company) include long-term insurance, investment management and other related financial services activities. Sanlam Life is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa.

CORPORATE GOVERNANCE

Application of and approach to King IV™

The Board is satisfied with the efforts and resources allocated during 2021 to apply and explain all applicable aspects of King IV™, as appropriate. The Risk and Compliance committee, the Audit, Actuarial and Finance committee, and the Human Resources and Remuneration committee are all satisfied that Sanlam complied with the recommended principles outlined in King IV™. Appropriate actions, where required, are being implemented to ensure continued adherence to the obligations placed on the Company. Sanlam regularly assesses its compliance levels to ensure that all areas requiring improvement have been appropriately identified and addressed.

During the reporting period, the Board held five meetings and a two-day Board strategy session to consider and deliberate, among others, strategic matters. Other focus areas during the 2021 financial year include:

- reviewing and approving Sanlam's revised strategy and the Group's risk appetite statement;
- reviewing and approving Sanlam's own risk and solvency assessment (ORSA) supervisory report. This included assessing the capital targets contained in the ORSA report to be adequate (given the size, business mix and complexity of operations);
- in pursuit of Sanlam's strategy to have a majority of independent Board members, three new independent non-executive directors were recruited and appointed to the Board, resulting in the majority of the members serving on the Board as at 31 December 2021 being categorised as independent;
- reviewing and approving Sanlam's Group Governance Policy, the Authorisation Framework and the cluster governance structures;
- fulfilled an oversight role (with the assistance of the Audit, Actuarial and Finance committee committee) regarding reasonable financial reporting;
- continuously monitoring the impact of the ongoing pandemic and considering and reviewing the adequacy of the pandemic reserves;
- heightening the Group's focus and response towards client-centricity to obtain a better understanding of Sanlam's clients' requirements and expectations;
- designing and reviewing the Group's digital transformation roadmap;
- ensuring ongoing adherence to the Group information management and information technology (IIT) governance framework and charter, and Sanlam's IIT policy framework and underlying Group policies;
- promoting and monitoring environmental, social and governance (ESG) and responsible investment principles in how Sanlam conducts business;
- continuously evaluating the independence status of Sanlam's directors following the criteria and recommended practices outlined in King IV™ on a substance-over-form basis;
- enhancing the Board's independence; and
- dedicating concerted efforts to improve the disclosure of material and topical aspects relating to Sanlam's performance in the Group's reporting suite.

At Sanlam, Information Management and Information Technology (IIT) continues to be regarded as a strategic focus area. Sanlam acknowledges the pivotal role that IIT governance and digital transformation play in conducting business in a highly competitive environment. The Board, supported and assisted by the Risk and Compliance committee, has the ultimate responsibility and accountability for the management and governance of IIT. IIT management and governance are deemed essential for Sanlam to achieve its strategic objectives and is deeply entrenched in how the Group conducts its business. This ensures that it remains relevant and creates a “future-fit” culture that would enable the Group to respond appropriately to its stakeholders’ expectations and demands.

Various governance structures across the Group (not all statutory) exist for the business clusters. These cluster governance structures have committees and/or forums with a specific mandate, role and set of responsibilities. The cluster governance structures comprise non-executive and executive directors and senior management representatives. The non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees. Most operating business decisions are made by these cluster governance structures and cluster management teams. These structures are responsible for generating memoranda and formulating matters for consideration by the Sanlam Life Board. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, which ensure a coherent and consistent application of the Group’s governance approach across the businesses.

Refer to the Sanlam Group Corporate Governance Report 2021 as well as the King IV™ Report 2021 for a greater appreciation of the application of King IV™. Specifically, under the Group’s Code of Ethical Conduct, no material breaches were reported during 2021. The Group compliance office, with the compliance functions of the business clusters and units, facilitates the management of compliance through analysing statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. No material deviations were reported in 2021.

Board responsibilities and functioning

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life, a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same directors, Chairs, executive directors and Group Chief Executive.

The Sanlam Limited and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This promotes the productivity and efficiency of the two Boards and prevents duplication of effort while optimising the flow of information.

The Sanlam Life Board is responsible for the overall oversight of Sanlam Life as a solo insurer and the general risk management and oversight of the entity. The Sanlam Life Board has the following Board Committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration

Refer to the Sanlam Group Corporate Governance Report 2021 online for a greater appreciation of the composition and functioning of the Board.

Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice, the roles and responsibilities of the Audit and Risk committee continue to be split into two separate committees, namely, a Risk and Compliance committee and an Audit, Actuarial and Finance (Audit) committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

Members and dates of appointment:
JP Möller (Chair) (member since 1 January 2020; Chair since 11 March 2020 until present), Andrew Birrell (member since 1 September 2019 until present, Alternate Chair since December 2021),
NAS Kruger (10/06/2020 until present), M Mokoka (14/03/2018 until present), KT Nondumo (01/01/2016 until present).

Meetings

The Audit committee meets quarterly. However, should the need arise, additional meetings are held. The joint external audit partners and other assurance providers attend committee meetings in their capacity as invitees with no voting rights.

During the reporting period, meetings were also attended by Sanlam's Group Chief Executive, the Group Finance Director, the Chief Actuary and Chief Risk Officer, the Chief Audit Executive, the heads of business clusters (as required), the heads of control functions, the Chair of the Central Credit committee, the Chair of the Actuarial Forum and the Chairs of the business clusters' Finance and Risk Forums.

Composition and role

According to the requirements of the Companies Act, all members of the Audit committee are independent non-executive directors and appointed annually by the shareholders at the AGM for the following financial year. As at 31 December 2021, the Audit committee consisted of five members with financial, actuarial and other relevant experience (as described in its charter).

This Audit committee carries out all statutory responsibilities in terms of section 94 of the Companies Act. It oversees the preparation of the financial and non-financial information provided in the reporting suite. To review the assurances obtained regarding non-financial information, the Chair of the Audit committee is also a member of the SES committee and the Risk and Compliance committee. To ensure cross-membership, the Chair of the Risk and Compliance committee and the Chair of the SES committee are both members of the Audit committee. They are regarded as instrumental in disclosing sustainability-related aspects, internal controls and risk mitigation.

In addition, one of the key outcomes of the recent governance review process that was conducted was to review the ambit and completeness of the Audit committee's role and responsibilities as defined in its charter. This included confirming that the Actuarial Forum and the business clusters' respective Finance and Risk Forums were functioning as sub-committees of the Audit committee.

The Audit committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. The Audit committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. Furthermore, the Audit committee regularly meets with the Chief Audit Executive and the joint external auditors independently of management. This is apart from the Audit committee's Chair attending each of the business clusters' Finance and Risk forum meetings every quarter.

In terms of the JSE Listings Requirements (as amended), the Audit committee performed an annual evaluation of Sanlam's Finance Director and the finance function. The Audit committee executed this responsibility at its meeting in December 2021 and was satisfied that Sanlam's Finance Director and finance function had appropriate resources, skills, expertise and experience. The Audit committee also considered the outcome of the Group Internal Audit external quality assurance review conducted during 2021. The committee confirmed that it was satisfied with the outcome thereof.

The Audit committee, after due consideration, recommends the annual financial statements to the Board for approval. It also performs the prescribed statutory requirements, including those applicable to the joint external auditors. The last-mentioned includes the annual recommendation of the joint external auditors to the shareholders at the AGM, agreement as to the scope of the audit and budgeted audit fees in the annual audit plan presentation, as well as the approval of the final audit fees. As required by the Act, the committee reviews compliance of the joint external auditors with the non-audit services policy of the Group annually.

The Board, furthermore, instituted a policy that governs the level and nature of non-audit services. The policy requires pre-approval by the Audit committee for all non-audit services. As required by the Companies Act, the Audit committee has, after it afforded due consideration to the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's joint external auditors (Ernst & Young and KPMG) are independent of the Company and has recommended the re-appointment of Ernst & Young and KPMG as joint external auditors for the 2021 financial year with Christo du Toit and Pierre Fourie respectively, as the designated individual registered auditors who will undertake the audit of Sanlam Life on behalf of Ernst & Young and KPMG.

This committee's charter is also reviewed by the Board annually. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The Audit, Actuarial and Finance (Audit) committee report for the 2021 financial year

During the year under review, the Audit committee performed its fiduciary duties as described in section 94 of the Companies Act and the supplementary functions assigned by the Board in accordance with its mandate. The Audit committee also fulfilled its oversight responsibilities and all other relevant aspects relating to the independence of the auditors and the audit quality in alignment with the JSE Debt Listings Requirements (as amended).

The Audit committee's role and responsibilities are outlined in its Board-approved charter. Some of these functions are elaborated on in this report. It evaluated, amongst other, the Company's internal financial controls and has satisfied itself that there were no material breakdowns in these controls during the reporting period, which influences the reasonability of financial reporting to stakeholders. The Audit committee is also satisfied that the joint external auditors have considered all significant matters concerning the Group's Annual Financial Statements and how these were addressed by the Audit committee in response thereto. Furthermore, the Audit committee expressed its satisfaction with the independence of the joint external auditors and confirmed that they are thereby able to conduct their audit functions objectively without any undue influence from the Company.

The Audit committee herewith confirms that it carried out its legal, regulatory and other responsibilities in alignment with its annual work plan.

The Audit committee has recommended the Annual Financial Statements to the Board for approval.

JP Möller
Audit committee Chairman

Risk and Compliance committee

Members and dates of appointment:
Andrew Birrell (member since 1 September 2019, Chair effective from 11 June 2020 until present), Nicolaas Kruger (member since 10 June 2020 until present, Alternate Chair since December 2021), Mathukana Mokoka (14 March 2018 until present), Kobus Möller (from 1 January 2020 until present), Abigail Mukhuba (1 October 2020 until present), Karabo Nondumo (1 January 2016 until present), and Willem van Biljon (02 December 2021 until present - also the Chair of the Digital Technology and Information forum).

<u>Meetings</u>

The Risk and Compliance committee meets at least quarterly. Because of this committee's Group-wide role, the external joint audit partners and other assurance providers attend the committee meetings in their capacity as standing invitees. Committee meetings are also attended by Sanlam's Group Chief Executive, the Chief Actuary and Chief Risk Officer, the Chief Audit Executive, the heads of business clusters (as required), the heads of control functions, the Chair of the Digital Technology and Information forum, the Chair of the Central Credit committee, the Chairs of the business clusters' Finance and Risk Forums and the Chair of the Actuarial Forum.

Composition and role

As at 31 December 2021, the Risk and Compliance committee comprised of six independent non-executive directors and one ex officio executive director (the Group Finance Director). The committee's mandate is clearly defined in its charter, which is reviewed and approved by the Board annually. The committee's primary role is to advise and assist the Board in fulfilling its responsibilities regarding overseeing the design and implementation of Sanlam's Group risk assurance framework and responsibilities.

The committee primarily assists the Board with:

- maintaining an independent risk management function;
- determining the risk appetite and level of risk tolerance for the Group;
- setting and implementing the Group risk assurance framework and supporting policies;
- setting and implementing compliance-related policies;
- evaluating the adequacy and efficiency of the Group's risk management system, business continuity and emerging risk assessments;
- identifying the build-up and concentration of the various risks to which the Group is exposed;
- establishing a process for appropriate risk disclosures to stakeholders;
- ensuring that formal assessments of the Group's governance, risk and compliance management processes are undertaken; and
- overseeing IT governance, information management and security across the Group.

Furthermore, the committee evaluates and considers several risk areas, including but not limited to strategic risks, governance risks, market and credit risks, asset-liability mismatch risks, funding liquidity risks, insurance risks (life business and general insurance business), fraud-related risks, operational risks, reputational risks, compliance risks, legal and regulatory risks, IT governance, information systems and cyber-related risks, environment-related risks, and market conduct risks.

The performance of Sanlam's Chief Actuary and Chief Risk Officer, the head of control function of risk management, and the head of control function of compliance are assessed annually. The Risk and Compliance committee confirmed its satisfaction with the outcome of the performance review that was conducted during the 2021 reporting period. It was confirmed that each function operates effectively and continuously supports the committee in responding to and executing its obligations.

The Group's Actuarial Forum, the Central Credit committee, and the newly established Digital Technology and Information Forum are functioning as sub-committees of the Risk and Compliance committee. The reason for this is due to these governance structures' roles and responsibilities that are predominantly derived from the Risk and Compliance committee's mandate and/or closely aligned to the committee's role and key focus areas.

Furthermore, the Risk and Compliance committee confirmed that it is satisfied with the effectiveness and performance of the Company's risk management processes and the quality of the management information that is presented to the committee for its consideration relating to Sanlam's approach towards governance, risk and compliance management.

Human Resources and Remuneration committee

Members and dates of appointment:
S Zinn (Chair) (member since 6 December 2018; Chair since 11 June 2020 until present), K Nondumo (member since 6 December 2017 until present, Alternate Chair since December 2021),
E Masilela (10 June 2020 until present), P (2 March 2004 until present).

Meetings

The Human Resources and Remuneration committee meets quarterly. During the 2021 financial year, meetings were also attended by the Group Chief Executive, the Group Finance Director, the Group Human Resources Director, and the Head: Group Rewards. These individuals participated in the meetings in their capacity as invitees and did not exercise any voting rights or decision-making powers.

Committee composition and role

This committee is responsible for monitoring and advising on the Group's human intellectual capital, diversity management and transformation processes regarding employees. In particular, the committee is consulted by the Group Chief Executive on all executive appointments, and it reviews succession planning relevant to all the Group Exco members and the Group Chief Executive's position.

Furthermore, the committee is responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes and the annual determination of remuneration packages for members of the Group Exco. The committee recognises local and international industry trends and benchmarks, ensures that incentive schemes align with good business practices, and rewards excellent performance. It makes recommendations to the Board regarding directors' remuneration, except for the fee structure applicable to the Human Resources and Remuneration committee (which is attended to by the Nominations committee). The Chair of the Board (Elias Masilela) is a member of the Human Resources and Remuneration committee.

GROUP AND COMPANY RESULTS

Profit before tax for the Sanlam Life Group increased from R4 230 million (restated with hyperinflation error from R6 463 million) in 2020 to R15 977 million in 2021, largely due to positive investment market performance in 2021 and large impairments of some R9 billion in 2020 not repeating. This was partially offset by the impacts of COVID-19 on mortality claims. Taking the above into account, the Group achieved a satisfactory operational performance in 2021. Profit before tax for the Company increased from a loss of R605 million to R17 626 million profit in 2021, largely due to the impacts of investment market performance, partially offset by the impacts of COVID-19 on mortality claims. Further details regarding the Sanlam Life Group's results are included in the financial statements on pages 34 to 190.

SHARE CAPITAL

There were no changes in the authorised and issued share capital of the company during the financial year.

DIVIDEND

A dividend of R6 300 million was declared and paid in the 2021 financial year (2020: R9 375 million).

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 134.

HOLDING COMPANY

Sanlam Life is a wholly owned subsidiary of Sanlam, a company incorporated in South Africa and listed on the JSE, the Namibia and the A2X Stock Exchanges.

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS AND SECRETARY

Particulars of the directors and secretary of the company are set out on page 1.

DIRECTORS' EMOLUMENTS

Refer to note 22 for details on directors' emoluments. Further details can also be found in the Sanlam Group Remuneration Report 2021 online.

EMPLOYMENT EQUITY

The required report in terms of section 21 of the Employment Equity Act has been submitted and a compliance certificate has been issued. See page 191 for an extract of the 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 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 Life Insurance Limited Group at 31 December 2021 as reflected in these financial statements.

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 Life 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 on-going review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Life Group's net asset value provided for in the Act.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been approved by the directors as reflected on page 3, including the certificate by the Company Secretary on page 3 and the Board of Directors' report for the 2021 financial year on pages 4 to 10.

Independent Auditors Report on the Consolidated and Separate Financial Statements

To the Shareholder of Sanlam Life Insurance Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited ("the Group and Company") set out on pages 20 to 190, which comprise:

- the statements of financial position at 31 December;
- the statements of comprehensive Income for the year ended 31 December;
- the statements of changes in equity for the year ended 31 December;
- the cash flow statements for the year ended 31 December;
- notes to the financial statements;
- basis of presentation and accounting policies;
- policy liabilities and profit entitlement;
- capital and risk management report; and
- actuarial notes

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Life Insurance Limited at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows 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 *Auditor's 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.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
1. **Valuation of policy liabilities** As at 31 December 2021, the value of long-term policy liabilities was R641,196 million for the Group and R538,252 million for the Company. Refer to note 15 of the Group and Company financial statements long-term policy liabilities on pages 73 to 79, the policy liabilities and profit entitlement section of the accounting policies on pages 29 to 33 and the basis of presentation and accounting policies, use of estimates, assumptions and judgements on pages 23 to 24. 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 and separate 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 Life Insurance Limited Group and Sanlam Life Insurance Limited Company ("Sanlam"). Specifically, the actuarial assumptions and methodologies that involve management's judgements about future events, both internal and external to the Group and Company, 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 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	Our audit of the long-term insurance liabilities actuarial assumptions, models and methodologies applied in the valuation of material lines of 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 Sanlam 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 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 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 Sanlam's analysis of experience to date. Our challenge focused on the following assumptions: mortality, morbidity, disability 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 experience reviews ensuring they are 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, Sanlam's policies and IFRS;

Key Audit Matter	How the matter was addressed in the audit
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 and separate financial statements.	• We evaluated if the claims reserves met the minimum requirements of the liability adequacy test as per IFRS 4: Insurance Contracts. • We considered whether the associated disclosures are compliant with IFRS 4 and with the methodologies and assumptions approved by the directors; and • 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.

2. **Valuation of general insurance technical provisions (applicable only to the consolidated financial statements)**
 	
The total value to 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 to the Group and Company financial statements. Also refer to the basis of presentation and accounting policies, use of estimates, assumptions and judgements on page 23 to 24.
 	
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 approach 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 occur again in the future; 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
	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 by other companies in 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).

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>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).</td><td>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.</td></tr>
<tr><td>3. Valuation of unlisted investments

As at 31 December 2021 unlisted investments were valued at R259,004 million for the Group and R263,870 million for the Company. Refer to the basis of presentation and accounting policies, use of estimates, assumptions and judgements on pages 23 to 24) and note 8 to the Group and Company financial statements, investments on pages 48 to 61 and note 34, fair value disclosures.

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</td><td>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</td></tr>
</table>

Key Audit Matter	How the matter was addressed in the audit
investments in the Group and Company's 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 and Company were 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.	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 produced 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. 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 experts, whether credit risk has 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 • 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

Key Audit Matter	How the matter was addressed in the audit
	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 in subsidiaries, associates and joint ventures and unlisted strategic investments for the purpose of goodwill and intangible assets' impairment testing** *Company Financial Statements* Refer to note 8.3.3, investments in subsidiaries, associated companies and joint ventures on page 60, the principal subsidiaries note on pages 134 to 136 and note 34, sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions for the Company on page 128 of the Company financial statements. In the Company financial statements, the investments in non-listed strategic investments was R106,031 million at 31 December 2021. *Group Financial Statements* Refer to notes 4 and 5, intangible assets arising on acquisition on pages 44 - 46 of the Group financial statements. At 31 December goodwill amounted to R14,228 million, other intangible assets amounted to R615 million and value of business acquired R4,556 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. The valuation for purposes of goodwill impairment testing at a Group level, and for the valuation of the investments at a Company level, is similar in nature. In addition, in the Company financial statements, the investments in unlisted strategic investments are measured at fair value and are considered to be	Our audit included the following audit procedures: **Investments in non-life insurance entities and investments in subsidiaries, associates and joint ventures** 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 and investments in subsidiaries, associates and joint ventures** 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 Sanlam 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

Key Audit Matter	How the matter was addressed in the audit
significant to the separate financial statements of Sanlam Life Insurance Limited. 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 in the Group financial statements and for the assessment of fair value in the Company financial statements 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. 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 and separate financial statements.	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; • 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 scenario's; 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 (Group)*** • 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 Life Insurance 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 1 April 2021

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sanlam Life Insurance Limited Annual Financial

Statements 31 December 2021", which includes the Certificate by the Company Secretary, the Directors' Report, which includes the Audit, Actuarial and Finance Committee Report as required by the Companies Act of South Africa. 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 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 / or 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 Life Insurance Limited for one year. Ernst & Young Inc , and its predecessor firms, have been the joint auditors of Suid-Afrikaans Nasionale Lewens Assuransie Maatskappij Beperk (South African National Life Assurance Company Limited) since it came into existence in 1918. The entity was demutualised and incorporated as the company, Sanlam Life Insurance Limited, in 1998. As of 2002, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Life Insurance Limited. In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, have been the auditors of Sanlam Life Insurance Limited for a total of 104 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Christo du Toit
Registered Auditor Chartered Accountant CA(SA)

No. 3 Dock Road Waterway House
V&A Waterfront
Cape Town

9 March 2022

KPMG Inc

KPMG Inc.
Director: Pierre Fourie
Registered Auditor Chartered Accountant CA(SA)

KPMG Crescent
85 Empire Road
Parktown

9 March 2022

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

Introduction

The consolidated and stand alone 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:

31 December 2021		
Financial instruments yet to transition to alternative benchmarks, by main benchmark		
	USD LIBOR	
	Notional/nominal value	**Carrying value**
Interest-bearing investments	2 783	2 793
Structured transactions assets [(1)]	17 264	312
Liabilities [(2)]	2 415	(80)
	22 462	**3 025**

[(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 the 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 IFRS17.

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, possibly significantly. Refer to note 25 and note 34 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 34 to 38 include the consolidated activities of the policyholders and shareholders.

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 29 to 33.

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, 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 140 to 189
- Note 8: Investments

- Note 15: Long-term policy liabilities
- Note 16: Term finance
- Note 25: Critical accounting estimates and judgements
- Note 34: Fair Value
- Note 11: Trade receivables and payables

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.

Accounting policies

Sanlam Life Insurance 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 Life Insurance 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 is 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 – 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 shareholder 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 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, subsidiaries, 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 the 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 25.2 on page 100 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 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 nonparticipating 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. Remaining portion of previous provisions held has however been released during 2021 to cover claims due to Covid19 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.

Sanlam Life Insurance Limited Group

Statement of financial position

at 31 December

R million	Note	Group 2021	Group Restated[(1)(2)] 2020	Company 2021	Company 2020
ASSETS					
Equipment	1	**1,679**	1,573	**383**	353
Right-of-use assets	2.1	**1,266**	1,352	**243**	272
Owner-occupied properties	3	**2,582**	2,669	**554**	543
Goodwill	4.1	**14,228**	13,711	**753**	753
Value of business acquired	4.2	**4,556**	5,373	**-**	-
Other intangible assets	5	**615**	755	**101**	126
Deferred acquisition costs	6	**3,203**	3,356	**2,640**	2,680
Long-term reinsurance assets	7	**2,188**	2,228	**1,192**	1,154
Investments [(2)]		**831,384**	752,985	**682,121**	606,297
Properties	8.1	**17,151**	17,720	**7,801**	8,763
Investment in subsidiaries, associated companies and joint ventures	8.2, 8.3.3	**22,017**	17,830	**126,241**	114,432
Equities and similar securities [(2)]	8.3.1	**192,256**	180,052	**83,116**	67,135
Interest-bearing investments	8.3.2	**270,607**	252,450	**130,952**	124,712
Structured transactions	8.3.2	**12,098**	29,119	**9,105**	22,872
Investment funds	8.3.2	**278,213**	214,082	**310,173**	253,587
Cash, deposits and similar securities	8.3.2	**39,042**	41,732	**14,733**	14,796
Deferred tax	9.1	**3,002**	2,681	**966**	6
Assets of disposal groups classified as held for sale	32	**1,371**	31	**539**	-
General insurance technical assets	10	**19,524**	13,847	**-**	-
Working capital assets		**63,558**	63,382	**12,643**	16,664
Trade and other receivables	11.1	**39,036**	36,371	**9,525**	12,038
Taxation		**1,142**	872	**-**	-
Cash, deposits and similar securities	36.1	**23,380**	26,139	**3,118**	4,626
Total assets [(2)]		**949,156**	863,943	**702,135**	628,848
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	12	**5,000**	5,000	**5,000**	5,000
Treasury shares		**(71)**	(44)	**-**	-
Other reserves [(1)]	13	**6,331**	5,000	**5,362**	5,362
Retained earnings [(1)]		**58,719**	56,656	**97,132**	88,330
Shareholders' fund		**69,979**	66,612	**107,494**	98,692
Non-controlling interest	14	**13,046**	11,378	**-**	-
Total equity		**83,025**	77,990	**107,494**	98,692
Long-term policy liabilities	15	**641,196**	567,705	**538,252**	464,955
Insurance contracts	15.1	**186,658**	186,371	**124,896**	124,126
Investment contracts	15.1	**454,538**	381,334	**413,356**	340,829
Term finance	16	**7,801**	6,222	**1,992**	1,004
Margin business	16.1	**-**	-	**-**	-
Other interest-bearing liabilities	16.1	**7,801**	6,222	**1,992**	1,004
Lease liabilities	2.2	**1,546**	1,590	**300**	301
Structured transactions liabilities	17.1	**8,895**	22,970	**1,432**	14,857
External investors in consolidated funds [(2)]	36.2	**85,146**	83,744	**-**	-
Cell owners' interest (Third party)		**4,900**	4,226	**-**	-
Deferred tax	9.1	**7,212**	5,309	**3,636**	1,816
Liabilities of disposal groups classified as held for sale	32	**566**	-	**-**	-
General insurance technical provisions	10	**57,559**	49,752	**-**	-
Loans from Subsidiaries	8.3.3	**-**	-	**31,479**	31,236
Net defined benefit liability	26.2	**13**	15	**-**	
Working capital liabilities		**51,298**	44,420	**17,550**	15,987
Trade and other payables	11.2	**48,201**	41,603	**16,513**	15,234
Provisions	18	**580**	401	**19**	20
Taxation		**2,517**	2,416	**1,018**	733
Total equity and liabilities [(2)]		**949,157**	863,943	**702,135**	628,848

(1) Prior year restated for hyperinflation. Refer to note 37.1 for additional information.

(2) Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 37.2 for additional information.

Sanlam Life Insurance Limited Group

Statement of comprehensive income

for the year ended 31 December

R million	Note	Group 2021	Group 2020 Restated[2]	Company 2021	Company 2020
Net income		**188,230**	122,413	**122,638**	42,988
Financial services income	19	**110,303**	99,008	**27,712**	21,121
Reinsurance premiums paid	20	**(20,081)**	(18,794)	**(2,137)**	(1,871)
Reinsurance commission received	21	**2,815**	2,929	**-**	-
Investment income	8.4	**30,426**	31,517	**19,803**	26,783
Investment surpluses	8.4	**75,225**	5,303	**77,260**	(3,045)
Change in fair value of external investors' liability		**(10,458)**	2,450	**-**	-
Net insurance and investment contract benefits and claims		**(135,570)**	(72,140)	**(94,609)**	(34,139)
Long-term insurance contract benefits	15.5	**(44,116)**	(25,217)	**(32,768)**	(14,658)
Long-term investment contract benefits	15.5	**(69,969)**	(23,269)	**(65,090)**	(21,264)
General insurance claims		**(41,048)**	(37,593)	**-**	-
Reinsurance claims received	21	**19,563**	13,939	**3,249**	1,783
Expenses		**(37,558)**	(37,102)	**(10,260)**	(9,331)
Sales remuneration	22	**(14,397)**	(13,568)	**(1,959)**	(1,743)
Administration costs	22	**(23,161)**	(23,534)	**(8,301)**	(7,588)
Impairments		**292**	(9,171)	**-**	-
Net impairment losses on financial assets	22.3	**(294)**	(1,898)	**-**	-
Other reversal of impairments/(impairments)	22.3	**586**	(7,273)	**-**	-
Amortisation of intangibles		**(1,164)**	(994)	**(25)**	(19)
Net operating result		**14,230**	3,006	**17,744**	(501)
Equity-accounted earnings	8.2.1	**2,229**	2,451	**-**	-
Finance cost - other	23	**(482)**	(530)	**(118)**	(104)
Net monetary loss (Lebanon hyperinflation)[1]		**-**	(697)	**-**	-
Profit/(loss) before tax[1]		**15,977**	4,230	**17,626**	(605)
Taxation	9.2	**(5,552)**	(3,430)	**(2,524)**	(1,990)
Shareholders' fund		**(3,342)**	(2,006)	**(1,092)**	(1,263)
Policyholders' fund		**(2,210)**	(1,424)	**(1,432)**	(727)
Profit/(loss) for the year[1]		**10,425**	800	**15,102**	(2,595)
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		**1,822**	3,241	**-**	-
Comprehensive income/(loss) for the year[1][2]		**12,247**	4,041	**15,102**	(2,595)
Allocation of comprehensive income:					
Profit/(loss) for the year		**10,425**	800	**15,102**	(2,595)
Shareholders' fund[2]		**8,669**	125	**15,102**	(2,595)
Non-controlling interest[2]		**1,756**	675	**-**	-
Comprehensive income/(loss) for the year		**12,247**	4,041	**15,102**	(2,595)
Shareholders' fund[2]		**9,903**	3,098	**15,102**	(2,595)
Non-controlling interest[2]		**2,344**	943	**-**	-

(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 37.1 for additional information.

Sanlam Life Insurance Limited 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[4]	Common control reserve[3]	Retained earnings[4]	Subtotal: equity holders[4]	Consolidation reserve[6]	Total: equity holders[4]	Non-controlling interest[4]	Total equity[4]
Balance at 1 January 2020	1	4,999	(17)	5,990	(3,316)	-	65,401	73,058	583	73,641	11,393	85,034
Hyperinflation[4]	-	-	-	-	911	-	-	911	-	911	87	998
Comprehensive income[4]	-	-	-	-	2,967	-	131	3,098	-	3,098	943	4,041
Profit for the year	-	-	-	-	-	-	130	130	-	130	670	800
Other comprehensive income	-	-	-	-	2,967	-	1	2,968	-	2,968	273	3,241
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods												
Movement in foreign currency translation reserve	-	-	-	-	2,921	-	-	2,921		2,921	320	3,241
Other comprehensive income of equity accounted investments	-	-	-	-	46		1	47		47	(47)	-
Net (acquisition)/disposal of treasury shares [2]	-	-	(27)	-	-	-	(66)	(93)	(85)	(178)	(60)	(238)
Share-based payments	-	-	-	-	-	-	50	50	-	50	32	82
Transfer (from)/to non-distributable reserve	-	-	-	(19)	-	-	19	-	-	-	-	-
Transfer (from)/to consolidation reserve	-	-	-	-	-	-	(193)	(193)	193	-	-	-
Dividends[1]	-	-	-	-	-	-	(9,374)	(9,374)	-	(9,374)	(804)	(10,178)
Acquisitions, disposals and other movements in interests [3]	-	-	-	(11)	21	(2,234)	688	(1,536)	-	(1,536)	(213)	(1,749)
Balance at 31 December 2020 - Restated[4]	1	4,999	(44)	5,960	583	(2,234)	56,656	65,921	691	66,612	11,378	77,990
Hyperinflation[4]	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**	**-**	**(2)**	**(1)**	**(3)**
Comprehensive income	**-**	**-**	**-**	**-**	**1,239**	**-**	**8,666**	**9,905**	**-**	**9,905**	**2,358**	**12,263**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**8,667**	**8,667**	**-**	**8,667**	**1,756**	**10,423**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,239**	**-**	**(1)**	**1,238**	**-**	**1,238**	**602**	**1,840**
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods												
Movement in foreign currency translation reserve	**-**	**-**	**-**	**-**	**1,225**	**-**	**-**	**1,225**	**-**	**1,225**	**597**	**1,822**
Other comprehensive income of equity accounted investments	**-**	**-**	**-**	**-**	**14**	**-**	**(1)**	**13**	**-**	**13**	**5**	**18**
Net acquisition of treasury shares [2]	**-**	**-**	**(27)**	**-**	**-**	**-**	**(46)**	**(73)**	**(37)**	**(110)**	**(44)**	**(154)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**56**	**56**	**-**	**56**	**34**	**90**
Transfer (from)/to non-distributable reserve	**-**	**-**	**-**	**(13)**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**
Transfer (from)/to consolidation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(135)**	**(135)**	**135**	**-**	**-**	**-**
Dividends[1]	**-**	**-**	**-**	**-**	**-**	**-**	**(6,300)**	**(6,300)**	**-**	**(6,300)**	**(644)**	**(6,944)**
Acquisitions, disposals and other movements in interests[5]	**-**	**-**	**-**	**2**	**7**	**-**	**(191)**	**(182)**	**-**	**(182)**	**(35)**	**(217)**
Balance at 31 December 2021	**1**	**4,999**	**(71)**	**5,949**	**1,827**	**(2,234)**	**58,719**	**69,190**	**789**	**69,979**	**13,046**	**83,025**

(1) A dividend of R140 per share (2020: R187 per share) was declared and paid in 2022 in respect of the 2021 financial year. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

(2) Comprises movement in cost of shares held by subsidiaries, the share incentive trust and other consolidated funds.

(3) The common control reserve relates to the acquisition of Glacier Financial Holdings Pty Ltd and Simeka Pty Ltd from a fellow subsidiary, Sanlam Investment Holdings Pty Ltd.

(4) 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 37.1 for additional information.

(5) Movement line mostly relates to the change of ownership of African Rainbow Life (R79 million) as well as the acquisition of the remaining interest in Mirabilis Engineering (R174 million).

(6) Refer to note 13 for additional information.

Sanlam Life Insurance Limited Group

Statement of changes in equity
for the year ended 31 December

Company

R million	Share capital	Share premium	Common control reserve [2]	Non-distributable reserve	Retained earnings	Total equity
Balance at 1 January 2020	1	4,999	-	5,429	100,300	110,729
Profit for the year	-	-	-	-	(2,595)	(2,595)
Dividends paid	-	-	-	-	(9,375)	(9,375)
Acquisitions, disposals and other movements in interests [2]	-	-	(67)	-	-	(67)
Balance at 31 December 2020	1	4,999	(67)	5,429	88,330	98,692
Profit for the year	**-**	**-**	**-**	**-**	**15,102**	**15,102**
Dividends[1]	**-**	**-**	**-**	**-**	**(6,300)**	**(6,300)**
Balance at 31 December 2021 [2]	**1**	**4,999**	**(67)**	**5,429**	**97,132**	**107,494**

[1] A dividend of R140 per share (2020: R187 per share) was declared and paid in 2022 in respect of the 2021 financial year. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

[2] The common control reserve relates to the section 45 partly transfer of a subsidiary (ACA) to the corporate division. The remaining business was transferred to fellow Simeka subsidiaries.

Sanlam Life Insurance Limited Group

Cash flow statement

for the year ended 31 December

R million	Note	Group 2021	Group Restated[1] 2020	Company 2021	Company Restated[1] 2020
Cash flow from operating activities		**(496)**	(6,394)	**(2,614)**	(1,981)
Cash utlilised in operations[1]	30.1	**(20,594)**	(26,407)	**(16,188)**	(19,679)
Interest and preference share dividends received[1]		**15,515**	15,482	**6,156**	5,639
Interest paid		**(458)**	(355)	**(93)**	(64)
Dividends received[1]		**9,660**	10,633	**8,803**	13,588
Dividends paid		**(645)**	(1,334)	**-**	-
Taxation paid		**(3,974)**	(4,413)	**(1,292)**	(1,465)
Cash flow from investment activities		**(646)**	(1,683)	**(129)**	(147)
Payments made for the acquisition of equipment		**(562)**	(667)	**(172)**	(145)
Proceeds in respect of the sale of equipment		**41**	54	**12**	1
Payments made for the acquisition of owner occupied properties		**(175)**	(405)	**(1)**	(3)
Proceeds in respect of the sale of owner occupied properties		**18**	441	**-**	-
Acquisition of subsidiaries and associated companies	30.2	**-**	(1,144)	**-**	-
Disposal of subsidiaries and associated companies	30.3	**32**	38	**32**	-
Cash flow from financing activities		**607**	1,054	**917**	(111)
Disposal of treasury shares		**(152)**	478	**-**	-
Acquisition of treasury shares		**-**	(240)	**-**	-
Acquisition of non-controlling interest		**(221)**	-	**-**	-
Term finance raised		**3,134**	1,646	**1,998**	-
Term finance repaid		**(1,789)**	(247)	**(1,000)**	-
Lease liabilities repaid		**(365)**	(583)	**(81)**	(111)
Net decrease in cash and cash equivalents		**(535)**	(7,023)	**(1,826)**	(2,239)
Effect of exchange rate movements on cash balances		**2,020**	1,477	**187**	113
Cash and cash equivalents at beginning of the year		**40,880**	46,426	**9,137**	11,263
Cash and cash equivalents at end of the year	30.4	**42,365**	40,880	**7,498**	9,137

[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 37.3 for additional information.

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 as follows:

- Computer equipment and vehicles: 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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Computer equipment	**720**	717	**146**	184
Cost	**2,428**	2,309	**684**	699
Accumulated depreciation and impairment	**(1,708)**	(1,592)	**(538)**	(515)
Furniture, equipment, vehicles and other	**959**	856	**237**	169
Cost	**2,290**	2,122	**588**	490
Accumulated depreciation and impairment	**(1,331)**	(1,266)	**(351)**	(321)
Equipment	**1,679**	1,573	**383**	353
Reconciliation of carrying amount				
Balance at beginning of the year	**1,573**	1,556	**353**	340
Additions and expenditure capitalised	**562**	667	**172**	145
Disposals of subsidiaries	**(1)**	(82)	**-**	-
Other disposals	**(41)**	(54)	**(13)**	(1)
Depreciation	**(477)**	(524)	**(129)**	(131)
Gross impairments	**-**	(17)	**-**	-
Acquired through business combinations	**-**	36	**-**	-
Transfer to owner occupied properties	**(2)**	(112)	**-**	-
Other movements	**(21)**	35	**-**	-
Foreign currency translation differences	**93**	68	**-**	-
Reclassified to non-current assets held for sale	**(7)**	-	**-**	-
Balance at end of the year	**1,679**	1,573	**383**	353

2 Leases

This note provides information for leases where the group is a lessee. For leases where the group is a lessor, see note 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.

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 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 Leases (continued)

2.1 Rights-of-use assets

R million	2021 Properties	2021 Equipment and other	2021 Total	2020 Properties	2020 Equipment and other	2020 Total
Group						
Balance at the beginning of the year	1,311	41	1,352	1,524	52	1,576
Additions	331	6	337	263	7	270
Disposal of Subsidiaries	-	-	-	(17)	-	(17)
Termination of lease agreements	(25)	(3)	(28)	(122)	-	(122)
Effect of modification of lease terms	40	-	40	103	2	105
Reclassified as non-current assets held for sale	(2)	-	(2)	(1)	-	(1)
Variable lease payment adjustment	1	-	1	-	-	-
Depreciation	(425)	(15)	(440)	(455)	(22)	(477)
Foreign currency translation differences	6	-	6	15	2	17
Other movements	-	-	-	1	-	1
Balance at end of the year	1,237	29	1,266	1,311	41	1,352
Company						
Balance at the beginning of the year	270	2	272	270	2	272
Additions	74	-	74	27	-	27
Disposal of Subsidiaries	-	-	-	(15)	-	(15)
Termination of lease agreements	(3)	-	(3)	(3)	-	(3)
Effect of modification of lease terms	4	-	4	86	-	86
Depreciation	(104)	-	(104)	(95)	-	(95)
Balance at end of the year	241	2	243	270	2	272

2 Leases

2.2 Lease liabilities

R million	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year	1,590	1,739	301	292
Additions	394	299	74	27
Disposal of Subsidiaries	-	(21)	-	(19)
Termination of lease agreement	(32)	(116)	(3)	(5)
Variable lease payment adjustment	(27)	(2)	-	(1)
Effect of modification of lease terms	(23)	102	9	84
Interest accrued	131	166	36	34
Lease payments	(494)	(583)	(117)	(111)
Transfer to non-current liabilities held for sale[1]	(2)	-	-	-
Foreign currency translation differences	13	6	-	-
Other movements	(4)		-	
Balance at end of the year	1,546	1,590	300	301

[1] Refer to note 32 for additional information.

2 Leases (continued)

2.2 Lease liabilities (continued)

R million	Group 2021	Group 2020	Company 2021	Company 2020
Maturity analysis - carrying value				
Due within one year	**421**	382	**57**	50
Due within two to five years	**848**	875	**170**	166
Due within five to ten years	**277**	330	**68**	86
Due within ten to twenty years	**-**	3	**-**	-
	1,546	1,590	**295**	302
Maturity analysis - undiscounted				
Due within one year	**456**	475	**84**	80
Due within two to five years	**1,151**	1,182	**247**	245
Due within five to ten years	**329**	466	**90**	108
Due within ten to twenty years	**-**	9	**-**	-
	1,936	2,132	**421**	433
The Group is exposed to the following potential cash flows (undiscounted) which are not included in the lease liability:				
Extension options	**391**	415	**-**	-
Termination options	**-**	4	**-**	-
Leases not yet commenced to which the lessee is committed	**2**	22	**-**	-
	393	441	**-**	-

2.3 Additional profit or loss and cash flow information

Refer to the Expenses (note 22.1) and the Finance cost (note 23) notes for information about depreciation and interest expense respectively.Total cash outflow in respect of leases in the year was R510 million (2020: R726 million) and R127 million (2020: R161 million) respectively.

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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Balance at beginning of the year	**2,669**	1,771	**543**	565
Additions and expenditure capitalised	**175**	405	**1**	3
Disposal of subsidiaries	**-**	(4)	**-**	-
Disposals	**(18)**	(441)	**-**	-
Acquired through business combinations	**5**	77	**-**	-
Transfer from/(to) non-current assets held for sale	**1**	(13)	**-**	-
Transfers (to)/from investment properties	**(338)**	944	**10**	(25)
Transfer from equipment	**2**	112	**-**	-
Foreign currency translation differences	**110**	(107)	**-**	-
Depreciation	**(24)**	(34)	**-**	-
Impairments[1]	**-**	(41)	**-**	-
Balance at end of the year	**2,582**	2,669	**554**	543

[1] Refer to note 22.3 for additional information

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 life 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 note 25 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.

		Group		Company	
R million	**Notes**	**2021**	2020	**2021**	2020
Balance at beginning of the year		**13,711**	15,355	**753**	753
Gross carrying amount		**19,774**	15,661	**753**	753
Accumulated impairment		**(6,063)**	(306)	**-**	-
Acquired through business combinations[1]		**-**	1,111	**-**	-
Impairments	25.1	**(17)**	(4,954)	**-**	-
Foreign currency translation differences		**534**	2,199	**-**	-
Balance at end of the year		**14,228**	13,711	**753**	753
Gross carrying amount		**20,887**	19,774	**753**	753
Accumulated impairment		**(6,659)**	(6,063)	**-**	-
Allocation of goodwill					
Life insurance		**3,358**	3,251		
MCIS Insurance		**194**	194		
BrightRock Holdings		**441**	441		
Sanlam Pan Africa Life[2]		**1,774**	1,671		
FBN Life		**743**	731		
Other		**206**	214		
Other Sanlam businesses		**10,870**	10,460		
Santam		**863**	863		
Sanlam Investments East Africa Limited		**33**	31		
Sanlam Pan Africa Life[2]		**9,547**	9,137		
FBN General Insurance		**104**	102		
Glacier		**91**	91		
Other		**232**	236		
Balance at end of the year		**14,228**	13,711		

(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 Intangible assets arising on acquisition

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.

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, other the assets are measured at cost less accumulated amortisation and impairment.

		Group		Company	
R million		**2021**	2020	**2021**	2020
Balance at beginning of the year		**5,373**	6,893	**-**	-
Additions during the year		**-**	9	**-**	-
Amortisation		**(905)**	(755)	**-**	-
Foreign currency translation differences		**88**	457	**-**	-
Impairments[(1)]		**-**	(1,231)	**-**	-
Balance at end of the year		**4,556**	5,373	**-**	-
Gross carrying amount		**10,152**	9,978	**-**	-
Accumulated amortisation and impairment		**(5,596)**	(4,605)	**-**	-
Allocation of value of business acquired	**Expected useful life (years)**				
Insurance related		**4,274**	5,047	**-**	-
Sanlam Developing Markets	18	**140**	314	**-**	-
Sanlam Emerging Markets	10	**3,863**	4,431	**-**	-
BrightRock Holdings	11	**234**	269	**-**	-
Other	15	**37**	33	**-**	-
Investment related		**282**	326		
Sanlam Emerging Markets	10	**85**	105		
Sanlam Investment Group	8 - 15	**72**	82	**-**	-
Sanlam Corporate	5	**125**	139	**-**	-
Balance at end of the year		**4,556**	5,373	**-**	-

(1) Refer to note 25.1 for additional information.

5 Other intangible assets

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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Balance at beginning of the year	**755**	885	**126**	150
Gross carrying amount	**1,811**	1,631	**249**	244
Accumulated amortisation and impairment	**(1,056)**	(746)	**(123)**	(94)
Additions during the year	**198**	140	**-**	1
Acquired through business combinations	**-**	12	**-**	-
Expenditure capitalised	**-**	4	**-**	-
Impairments	**-**	(17)	**-**	(6)
Transfer to non-current assets held for sale	**(3)**	-	**-**	-
Other disposals	**(47)**	(65)	**-**	-
Amortisation	**(259)**	(239)	**(25)**	(19)
Other movements	**15**	-	**-**	-
Foreign currency translation differences	**(44)**	35	**-**	-
Balance at end of the year	**615**	755	**101**	126
Gross carrying amount	**1,841**	1,811	**249**	249
Accumulated amortisation and impairment	**(1,226)**	(1,056)	**(148)**	(123)

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 insure that it will be recovered from future revenue generated by the applicable remaining investment contracts less costs that relate to directly 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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Balance at beginning of the year	**3,356**	3,481	**2,680**	2,769
Acquisition costs capitalised	**441**	404	**376**	344
Disposals	**-**	(12)	**-**	-
Acquired through business combinations	**8**	-	**-**	-
Expensed for the year	**(470)**	(562)	**(416)**	(433)
Impairments	**(10)**	(12)	**-**	-
Foreign currency translation differences	**(122)**	57	**-**	-
Balance at end of the year	**3,203**	3,356	**2,640**	2,680

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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Balance at beginning of the year	**2,228**	2,014	**1,154**	996
Acquired in business combinations	**2**	34	**-**	-
Disposals	**(33)**	-	**-**	-
Foreign currency translation differences	**(50)**	66	**-**	-
Other movement in reinsurers' share of insurance liabilities	**41**	114	**38**	158
Balance at end of year	**2,188**	2,228	**1,192**	1,154
Maturity analysis of long-term reinsurance assets				
Open ended	**240**	255	**173**	166
Due within one year	**135**	93	**8**	8
Due within two to five years	**811**	912	**132**	124
Due after more than five years	**1,002**	968	**879**	856
Total long-term reinsurance assets	**2,188**	2,228	**1,192**	1,154

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 properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value, less the 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.

		Group		Company	
R million	**Note**	**2021**	2020	**2021**	2020
Properties comprise					
South African portfolio		**8,221**	9,266	**7,801**	8,763
Office buildings		**2,937**	4,201	**2,937**	4,201
Retail buildings		**4,245**	3,730	**4,245**	3,730
Industrial buildings		**619**	832	**619**	832
Undeveloped land		**420**	503	**-**	-
International portfolio		**8,930**	8,454	**-**	-
Office buildings		**1,010**	900	**-**	-
Retail buildings		**4,829**	4,822	**-**	-
Undeveloped land		**3,089**	2,719	**-**	-
Other		**2**	13	**-**	-
Total properties		**17,151**	17,720	**7,801**	8,763
Less: straight-line rental adjustment		**(260)**	(206)	**(260)**	(206)
Total investment properties		**16,891**	17,514	**7,541**	8,557
Reconciliation of carrying amount of properties					
Balance at beginning of the year		**17,720**	18,874	**8,763**	10,041
Additions		**690**	1,482	**141**	154
Disposals		**(799)**	(325)	**-**	-
Reclassified to disposal groups classified as held for sale	32	**(562)**	(2)	**(539)**	-
Transfer to/from owner-occupied properties		**338**	(944)	**(11)**	25
Disposal of subsidiaries		**-**	(91)	**-**	-
Acquired through business combinations		**13**	4	**-**	-
Foreign currency translation differences		**20**	704	**-**	-
Investment surpluses		**(269)**	(1,982)	**(553)**	(1,457)
Balance at end of the year		**17,151**	17,720	**7,801**	8,763
Reconciliation of straight-line rental adjustment					
Straight-line rental adjustment - balance at beginning of the year		**206**	165	**206**	165
Movement for the year included in the statement of comprehensive income		**54**	41	**54**	41
Balance at end of the year		**260**	206	**260**	206
Contractual future minimum lease payments receivable under non-cancellable operating leases:					
Due within one year		**636**	701	**589**	658
Due within two to five years		**1,188**	1,304	**1,109**	1,188
Due after five years		**431**	607	**396**	564
Future minimum lease payments		**2,255**	2,612	**2,094**	2,410

8 Investments

8.1 Properties (continued)

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 did 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 and Company's in determining fair value were in the following ranges for the 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%	14,8%
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.

	2021
Office buildings	
Weighted area	224 m^2 - 4 461 m^2
Annual rental income per m^2	R21 383 - R236 855
Retail buildings	
Weighted area	38 m^2- 1 632 m^2
Annual rental income per m^2	R15 603 - R43 253
Other (domestic, including land and parking)	
Weighted area	166 m^2 - 710 142 m^2
Annual rental income per m^2	R5 734 - R263 509

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.

	2021
Capitalisation rates	
Office buildings	8,25%-9,5%
Retail buildings	8,25%-9,50%
Other (domestic, including land and parking)	4,5%-9,75%

8 Investments

8.2 Investments in associated companies and joint ventures

Associated companies

An associated company is an entity, not being a subsidiary, in which the 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 associates' 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 the 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 companies. 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 when 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 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 when 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**	**20,563**	16,572
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		**1,210**	1,109
ARC Financial Services Investments (ARC FSI)		**820**	-
Other associated companies		**1,699**	1,342
Investments in joint ventures		**1,454**	1,258
Sanlam Personal Loans	**8.2.4**	**815**	665
Speqtel Investment Holdings [1]		**444**	427
Other joint ventures		**195**	166
Total Investments in associates and joint ventures		**22,017**	17,830

[1] The investment is carried at fair value as it is held in associates and joint ventures.

8 Investments

8.2 Investments in associated companies and joint ventures (continued)

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	140	133
Other associated companies	282	335
ARC Financial Services Investment	66	-
Investments in joint ventures		
Sanlam Personal Loans	179	-
Other joint ventures	4	4
Equity-accounted earnings	2,229	2,451

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

R million	2021	2020
	(614)	1 017
Shriram Capital[1]	(672)	672
Shriram Transport Finance company[1]	7	131
Capricorn Investment Holdings	-	68
Pacific & Orient	28	127
Other	23	19

(1) Refer to note 25.1 for additional information.

8.2.3 Investments in associated companies

Details of material associated companies

Group

	Shriram Capital (1)		Shriram Transport Finance Company (2)	
R million	2021	2020	2021	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.

8.2.3 Investments in associated companies

Details of material associated companies

Group

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 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] 2021	Letshego [1] 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 (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	**1,110**	3,605
Current assets	**4,332**	1,867	**3,969**	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.

8.2.3 Investments in associated companies

Details of material associated companies

Group

R million	Pacific & Orient [1] 2021	2020	AfroCentric Health [2][3] 2021	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's value in use is higher than the carrying value.

R million	ARC Financial Services Investment[1] 2021	2020
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 South African and African financial services and diversified investments (non-financial) industries.

Details of immaterial associated companies:

R million	2021	2020
Post-tax profit from continuing operations	307	335
Total comprehensive income	307	335

8.2.4 Investments in joint ventures

Details of material joint ventures

Group

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 loss	**(317)**	(511)
Taxation	**(122)**	(13)
Total comprehensive (loss)/income	**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 Investments

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.

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 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 36.1 for additional information on measurement.

8.3.1 Equities and similar securities

	Group		Company	
		Restated[(1)]		
R million	2021	2020	2021	2020
Equities and similar securities comprise:				
Listed on the JSE	**63,032**	53,923	**56,440**	48,291
Unlisted - at directors' valuation	**4,181**	2,888	**3,860**	2,519
Offshore equity investments	**34,479**	27,139	**22,816**	16,325
Listed	**32,692**	24,944	**22,643**	16,163
Unlisted - at directors' valuation	**1,787**	2,195	**173**	162
Equities held by consolidated investment funds	**90,564**	96,102	**-**	-
Total equities and similar securities	**192,256**	180,052	**83,116**	67,135

(1) Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 37.2 for additional information.

Equities and similar securities are mandatorily measured at fair value through profit or loss.

Shares held in ultimate holding company - Sanlam Ltd

	Group		Company	
R million	2021	2020	2021	2020
Shareholders				
Number of shares (thousand)[(1)]	**17,270**	6	**13**	6
Fair value (R million)	**17**	-	**1**	-
Policyholders				
Number of shares (thousand)	**15,693**	16,274	**15,222**	15,788
Fair value (R million)	**932**	956	**904**	928

(1) 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.

8 Investments

8.3 Other investments

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

Group

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	37,892	-	37,892	1,287	(137)	1,150	39,042
Structured transactions	2,196	9,902	12,098	-	-	-	12,098
Interest-bearing investments	262,219	-	262,219	8,813	(425)	8,388	270,607
Government interest-bearing investments	113,841	-	113,841	4,441	(141)	4,300	118,141
Corporate interest-bearing investments	120,957	-	120,957	3,061	(18)	3,043	124,000
Other interest-bearing investments	27,421	-	27,421	1,311	(266)	1,045	28,466
Investment funds	-	278,213	278,213	-	-	-	278,213
Total	302,307	288,115	590,422	10,100	(562)	9,538	599,960

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 2020							
Cash, deposits and similar securities	38,988	-	38,988	3,638	(894)	2,744	41,732
Structured transactions	3,226	25,893	29,119	-	-	-	29,119
Interest-bearing investments	245,556	-	245,556	7,845	(951)	6,894	252,450
Government interest-bearing investments	99,097	-	99,097	3,717	(627)	3,090	102,187
Corporate interest-bearing investments	123,406	-	123,406	2,716	(67)	2,649	126,055
Other interest-bearing investments	23,053	-	23,053	1,412	(257)	1,155	24,208
Investment funds	-	214,082	214,082	-	-	-	214,082
Total	287,770	239,975	527,745	11,483	(1,845)	9,638	537,383

[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 R9 539 million (2020: R9 638 million). These are classified as level 2 instruments and the valuation is based on discounted cash flows.

8 Investments
8.3 Other investments
8.3.2 Investments other than equities and similar securities, equity-accounted investments and properties
Company

R million	Designated as at fair value through profit or loss [1]	Mandatorily measured at fair value through profit or loss	Total fair value
31 December 2021			
Cash, deposits and similar securities	14,733	-	14,733
Structured transactions	1,658	7,447	9,105
Interest-bearing investments	130,952	-	130,952
Government interest-bearing investments	45,570	-	45,570
Corporate interest-bearing investments	61,513	-	61,513
Other interest-bearing investments	23,869	-	23,869
Investment funds	-	310,173	310,173
Total	147,343	317,620	464,963

R million	Designated as at fair value through profit or loss [1]	Mandatorily measured at fair value through profit or loss	Total fair value
31 December 2020			
Cash, deposits and similar securities	14,796	-	14,796
Structured transactions	2,206	20,666	22,872
Interest-bearing investments	124,712	-	124,712
Government interest-bearing investments	41,353	-	41,353
Corporate interest-bearing investments	61,875	-	61,875
Other interest-bearing investments	21,484	-	21,484
Investment funds	-	253,587	253,587
Total	141,714	274,253	415,967

[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.

8 Investments

8.3 Other investments

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

Reconciliation of expected credit losses

Group

	2021		
R million	**12-month ECL**	**Lifetime ECL (credit impaired)**	**Total**
Cash, deposits and similar securities			
Balance at the beginning of year	68	826	894
Net remeasurement of loss allowance	(4)	-	(4)
Foreign currency translation differences	14	(768)	(754)
Balance at the end of the year	78	58	136
Government interest-bearing investments			
Balance at the beginning of year	129	498	627
Net remeasurement of loss allowance	(24)	-	(24)
Foreign currency translation differences	-	(463)	(463)
Balance at the end of the year	105	35	140
Corporate interest bearing investments			
Balance at the beginning of year	16	51	67
Net remeasurement of loss allowance	(3)	-	(3)
Foreign currency translation differences	-	(47)	(47)
Balance at the end of the year	13	4	17
Other interest bearing investments			
Balance at the beginning of year	254	3	257
Foreign currency translation differences	10	-	10
Balance at the end of the year	264	3	267

	2020		
R million	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Cash, deposits and similar securities			
Balance at the beginning of year	9	224	233
Net remeasurement of loss allowance	70	608	678
Foreign currency translation differences	(11)	(6)	(17)
Balance at the end of the year	68	826	894
Government interest-bearing investments			
Balance at the beginning of year	75	102	177
Net remeasurement of loss allowance(1)	78	405	483
Foreign currency translation differences	(24)	(9)	(33)
Balance at the end of the year	129	498	627
Corporate interest bearing investments			
Balance at the beginning of year	4	14	18
Net remeasurement of loss allowance	14	37	51
Foreign currency translation differences	(2)	-	(2)
Balance at the end of the year	16	51	67
Other interest bearing investments			
Balance at the beginning of year	196	3	199
Net remeasurement of loss allowance	43	-	43
Foreign currency translation differences	15	-	15
Balance at the end of the year	254	3	257

8 Investments

8.3 Other investments

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

Maturity analysis
Group

R million	On demand	<1 year	1-5 years	>5 years	Total
31 December 2021					
Cash, deposits and similar securities [(1)]	184	29,920	8,653	285	39,042
Structured transactions	-	8,282	3,096	720	12,098
Interest-bearing investments	937	47,624	107,887	114,159	270,607
Government interest-bearing investments	9	11,925	20,612	85,595	118,141
Corporate interest-bearing investments	62	30,114	72,377	21,447	124,000
Other interest-bearing investments	866	5,585	14,898	7,117	28,466
Investment funds	278,213	-	-	-	278,213
Total	279,334	85,826	119,636	115,164	599,960
Structured Transaction liabilities – Undiscounted	-	7,037	1,189	667	8,893
31 December 2020					
Cash, deposits and similar securities [(1)]	-	33,132	8,257	343	41,732
Structured transactions	-	18,078	5,872	5,169	29,119
Interest-bearing investments	874	35,453	102,649	113,474	252,450
Government interest-bearing investments	-	8,213	12,934	81,040	102,187
Corporate interest-bearing investments	4	22,483	77,391	26,177	126,055
Other interest-bearing investments	870	4,757	12,324	6,257	24,208
Investment funds	214,082	-	-	-	214,082
Total	214,956	86,663	116,778	118,986	537,383
Structured Transaction liabilities – Undiscounted	-	12,921	3,574	13,442	29,937

Company

R million	On demand	<1 year	1-5 years	>5 years	Total
31 December 2021					
Cash, deposits and similar securities [(1)]	-	10,399	4,049	285	14,733
Structured transactions	-	7,345	1,537	222	9,104
Interest-bearing investments	467	24,266	57,282	48,937	130,952
Government interest-bearing investments	-	4,393	5,991	35,186	45,570
Corporate interest-bearing investments	445	15,689	38,623	6,756	61,513
Other interest-bearing investments	22	4,184	12,668	6,995	23,869
Investment funds	310,173	-	-	-	310,173
Total	310,640	42,010	62,868	49,444	464,962
Structured Transaction liabilities – Undiscounted	-	1,059	99	433	1,591
31 December 2020					
Cash, deposits and similar securities [(1)]	-	12,890	1,633	273	14,796
Structured transactions	-	16,303	3,308	3,261	22,872
Interest-bearing investments	458	19,690	56,234	48,330	124,712
Government interest-bearing investments	-	2,359	5,204	33,790	41,353
Corporate interest-bearing investments	429	13,671	39,313	8,462	61,875
Other interest-bearing investments	29	3,660	11,717	6,078	21,484
Investment funds	253,587	-	-	-	253,587
Total	254,045	48,883	61,175	51,864	415,967
Structured Transaction liabilities – Undiscounted	-	11,311	232	3,377	14,920

(1) Current accounts are included in the less that one year maturity

8 Investments

8.3.3 Investments in subsidiaries, associated companies and joint ventures [1]

R million	Company 2021	2020
Investments in subsidiaries	**120,899**	110,756
Equity holding	**118,073**	108,865
Loans to subsidiaries	**2,826**	1,891
Investments in associated companies	**3,880**	2,498
Shriram Transport Finance Company	**1,969**	1,586
Afrocentric	**997**	834
Other	**914**	78
Investments in joint ventures	**1,462**	1,178
Sanlam Personal Loans	**1,420**	1,139
Other	**42**	39
	126,241	114,432

[1] Investments in subsidiaries, associated companies and joint ventures are classified as mandatorily fair value through profit or loss

	2021	2020
Loans from subsidiaries	**(31,479)**	(31,236)

Refer to page 134 for details of principal subsidiaries.

For the purpose of key assumptions and sensitivity disclosures, the investment in subsidiaries, associated companies and joint ventures, excluding Loans to subsidiaries are broken down as follows:

R million	2021	2020
Listed entities	**20,210**	18,863
Non-listed non-covered [1]	**68,551**	62,916
Non-listed covered [1]	**37,480**	32,653
	126,241	114,432

[1] Covered businesses are long-term insurance business written by Sanlam Life & Savings, Sanlam Emerging Markets and Sanlam Employee Benefits.
Refer to note 34 for the sensivity analysis of level 3 investment in subsidiaries, joint ventures and associates.

The sensitivity analysis provided in note 34, is based on the following changes in assumptions:

	2021	2020
Risk discount rate (RDR)	**1.0**	1.0

The weighted average assumptions for non-covered non-listed investments are as follow:

	2021	2020
Risk discount rate (RDR)	**14.29%**	15.54%

8 Investments

8.4 Investment return

Investment income

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

	Group		Company	
R million	**2021**	2020	**2021**	2020
Investment income				
Equities and similar securities	**11,027**	12,319	**7,927**	9,610
Dividends received from subsidiaries	**-**	-	**2,158**	7,929
Interest-bearing, preference shares and similar securities	**18,516**	18,294	**9,033**	8,599
Properties	**910**	927	**715**	667
Rental income - excluding contingent rental	**962**	917	**834**	700
Contingent rental income	**90**	191	**-**	104
Rental related expenses	**(142)**	(181)	**(119)**	(137)
Loss from margin business [1]	**(27)**	(23)	**(30)**	(22)
Total investment income	**30,426**	31,517	**19,803**	26,783

[1] Refer to note 23 for finance cost incurred in respect of margin business.

	Group 2021	Group 2020
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

	Group		Company	
	2021	2020	**2021**	2020
Investment surpluses				
Financial assets	**75,572**	4,631	**77,803**	(1,801)
Financial assets designated as at fair value through profit or loss	**15,066**	(15,414)	**11,572**	(13,618)
Financial assets mandatorily measured at fair value through profit or loss	**60,511**	20,049	**66,231**	11,817
Financial assets measured at amortised cost	**(5)**	(4)	**-**	-
Financial liabilities designated as at fair value through profit or loss	**(106)**	(16)	**10**	9
Investment properties	**(269)**	(1,982)	**(553)**	(1,457)
Profit on disposal of subsidiaries, associated companies and operations	**28**	2,528	**-**	90
Fair value adjustment - Deferred share plan	**-**	142	**-**	114
Total investment surpluses	**75,225**	5,303	**77,260**	(3,045)
Investment return includes:				
Foreign exchange gains	**435**	1,203	**137**	1,777
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	**(7)**	(4)	**-**	-

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 investment 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 lesee is required to recognise a right-of-use asset and a lease liability. Lease payments are tax deductable 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 deductable temporary difference in terms of the lease liability.

Reconciliation of the deferred tax balances:

	Group		Company	
R million	Income Tax	Capital Gains Tax	Income Tax	Capital Gains Tax
Balance at 1 January 2020	(1,379)	(2,111)	47	(1,426)
Temporary differences credited/(charged) to the Statement of Comprehensive Income	1,350	(328)	(30)	(401)
Accruals and provisions	282	203	(47)	-
Tax losses and credits	773	(64)	-	-
Net unrealised investment surpluses on shareholders' fund	(342)	(114)	-	17
Net unrealised investment surpluses on policyholders' fund	(100)	(354)	-	(422)
Intangible assets	234	-	-	-
Leases	9	-	6	2
Share based payments	9	2	7	2
Other temporary differences	485	(1)	4	-
Acquisition of subsidiaries	(4)	-	-	-
Disposal of subsidiaries	(11)	-	-	-
Foreign currency translation differences	(103)	(42)	-	-
Balance at 31 December 2020	(147)	(2,481)	17	(1,827)
Temporary differences (charged)/credited to the Statement of Comprehensive Income	**(499)**	**(1,005)**	**195**	**(1,055)**
Accruals and provisions	**(644)**	**4**	**-**	**-**
Tax losses and credits	**407**	**190**	**197**	**190**
Net unrealised investment surpluses on shareholders' fund	**(11)**	**(339)**	**-**	**(272)**
Net unrealised investment surpluses on policyholders' fund	**16**	**(1,152)**	**-**	**(973)**
Intangible assets	**9**	**-**	**-**	**-**
Leases	**49**	**-**	**(2)**	**-**
Share based payments	**52**	**-**	**3**	**-**
Other temporary differences	**(377)**	**292**	**(3)**	**-**
Reclassified as non-current assets held for sale	**11**	**11**	**-**	**-**
Disposal of subsidiaries	**-**	**-**	**-**	**-**
Foreign currency translation differences	**(88)**	**(11)**	**-**	**1**
Balance at 31 December 2021	**(723)**	**(3,486)**	**212**	**(2,881)**

9 Taxation (continued)

9.1 Deferred tax

R million	Group Income Tax	Group Capital Gains Tax	Company Income Tax	Company Capital Gains Tax
Analysis of deferred tax balances at 31 December 2021	**(723)**	**(3,486)**	**212**	**(2,881)**
Accruals and provisions	**(870)**	**(388)**	**1**	**-**
Tax losses and credits	**2,691**	**229**	**197**	**190**
Unrealised (gains)/losses on shareholders' fund	**(38)**	**(1,206)**	**-**	**(914)**
Unrealised (gains)/losses on policyholders' fund	**(131)**	**(2,454)**	**-**	**(2,159)**
Leases	**55**	**-**	**-**	**-**
Share based payments	**61**	**2**	**10**	**2**
Intangible assets	**(1,896)**	**-**	**-**	**-**
Other temporary differences	**(595)**	**331**	**4**	**-**
Analysis of deferred tax balances at 31 December 2020	(147)	(2,481)	17	(1,827)
Accruals and provisions	(164)	(376)	1	-
Tax losses and credits	2,236	38	-	-
Unrealised (gains)/losses on shareholders' fund	(23)	(867)	-	(641)
Unrealised (gains)/losses on policyholders' fund	(144)	(1,302)	-	(1,188)
Leases	6	-	2	-
Share based payments	9	2	7	2
Intangible assets	(1,822)	-	-	-
Other temporary differences	(245)	24	7	-

R million	Group 2021	Group 2020	Company 2021	Company 2020
Total deferred tax asset recognised	**3,002**	2,681	**966**	6
Total deferred tax liability recognised	**(7,212)**	(5,309)	**(3,636)**	(1,816)
Total net deferred tax	**(4,210)**	(2,628)	**(2,670)**	(1,810)

9 Taxation

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.

Group

Analysis of income tax per category	Normal Income Tax		Deferred Tax		Total	
R million	2021	2020	2021	2020	2021	2020
RSA – current year	3,172	3,126	(457)	(1,018)	2,715	2,108
RSA – prior year	(129)	(33)	(2)	(16)	(131)	(49)
Dividends Tax - Policyholders	77	90	-	-	77	90
Foreign	579	1,152	959	(316)	1,538	836
Capital gains tax	348	117	1,005	328	1,353	445
Tax expense	4,047	4,452	1,505	(1,022)	5,552	3,430

Company

Analysis of income tax per category	Normal Income Tax		Deferred Tax		Total	
R million	2021	2020	2021	2020	2021	2020
RSA – current year	1,324	1,378	(194)	47	1,130	1,425
RSA – prior year	(70)	-	-	(17)	(70)	(17)
Dividends Tax - Policyholders	72	62	-	-	72	62
Foreign	12	10	-	-	12	10
Capital gains tax	327	109	1,053	401	1,380	510
Tax expense	1,665	1,559	859	431	2,524	1,990

	Group		Company	
R million	2021	2020	2021	2020
Shareholders' fund	3,342	2,006	1,092	1,263
Policyholders' fund	2,210	1,424	1,432	727
Tax expense	5,552	3,430	2,524	1,990
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	155	429
Included elsewhere in profit for the year	139	120	98	89
Total indirect taxes and levies	367	626	253	518

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

9 Taxation

9.2 Income tax

	Group		Company	
		Restated[1]		
%	2021	2020	2021	2020
Standard rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
Non-taxable income	(4.7)	(38.9)	(3.9)	391.5
Disallowable expenses	3.0	47.1	0.1	(14.5)
Share based payments	-	0.4	-	(3.2)
Utilisation of assessed losses	(0.1)	0.7	-	-
Change in tax rate	-	0.1	-	-
Investment surpluses	0.5	18.7	(15.4)	(639.4)
Foreign tax rate differential	(0.1)	(0.6)	-	(0.3)
Policyholders	9.8	24.2	5.9	(86.1)
Other fund transfers	(0.8)	1.7	-	(3.8)
Dividend tax	0.2	0.1	-	-
Prior year adjustment	(0.9)	(0.4)	(0.4)	-
Other	(0.2)	-	-	(1.2)
Effective tax rate	34.7	81.1	14.3	(329.0)

[1] Prior year profit restated for hyperinflation. Refer to note 37.1 for additional information.
Non-taxable income relates primarily to equity-accounted earnings and dividend income. Other fund transfers include the impact of hyperinflation.

This reconciling item is as a result of assessed losses recognised relating to policyholder funds.

10 General insurance technical provisions

General insurance technical provisions is only applicable to Sanlam Life Group and not Sanlam Life Company.

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.

	Group	
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	**19,524**	13,847
Outstanding claims	**15,270**	10,077
Unearned premiums	**3,194**	2,869
Deferred acquisition cost	**1,060**	901
Net general insurance technical provisions	**38,035**	35,905

10 General insurance technical provisions

Analysis of movement in general insurance technical provisions

Group	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
Acquired through business combinations	**-**	**-**	**-**	203	(71)	132
Additions	**45**	**(13)**	**32**	-	-	-
Reclassified to non-current (liabilities)/assets held for sale	**(147)**	**7**	**(140)**	-	-	-
Disposal of subsidiaries	**-**	**-**	**-**	(165)	57	(108)
Foreign currency translation difference	**1,120**	**(197)**	**923**	1,201	90	1,291
Other movements: transfer to cell owners	**-**	**105**	**105**	-	486	486
Balance at end of the year	**38,633**	**(15,270)**	**23,363**	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
Reclassified to non-current (liabilities)/assets held for sale	**(19)**	**2**	**(17)**	-	-	-
Disposal of subsidiaries	**-**	**-**	**-**	(122)	61	(61)
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.

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.

11 Trade receivables and payables

11.1 Trade and other receivables

R million	Group					
	2021					
	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument [2]	Total
Trading account	72	-	-	-	-	72
Accounts receivable	-	13,372	(671)	12,701	858	13,559
Premiums receivable	-	15,646	(2,261)	13,385	-	13,385
Accrued investment income	3,042	817	(18)	799	-	3,841
Amounts due from holding company and fellow subsidiaries	1,107	1,178	-	1,178	-	2,285
Amounts due from reinsurers	-	5,478	(16)	5,462	-	5,462
Contract receivables	-	417	-	417	-	417
Contract asset	-	15	-	15	-	15
Total trade and other receivables	4,221	36,923	(2,966)	33,957	858	39,036

R million	2020					
Trading account	232	17	-	17	-	249
Accounts receivable	25	11,292	(653)	10,639	706	11,370
Premiums receivable	-	13,777	(1,851)	11,926	-	11,926
Accrued investment income	3,216	450	(18)	432	-	3,648
Amounts due from holding company and fellow subsidiaries	1,083	3,070	-	3,070	-	4,153
Amounts due from reinsurers	-	4,615	(12)	4,603	-	4,603
Contract receivables	-	422	-	422	-	422
Total trade and other receivables	4,556	33,643	(2,534)	31,109	706	36,371

	2021	2020
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	1,363	1,771
Designated at fair value through profit or loss [1]	2,858	2,785
Amortised cost	33,957	31,109
Non-financial instrument [2]	858	706
	39,036	36,371

The estimated fair value of trade and other receivables measured at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis 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.

11 Trade receivables and payables

11.1 Trade and other receivables(continued)

R million	Company 2021					
	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument [2]	Total
Trading account	72	-	-	-	-	72
Accounts receivable	-	2,196	-	2,196	281	2,477
Premiums receivable	-	1,687	-	1,687	-	1,687
Accrued investment income	1,851	-	-	-	-	1,851
Amounts due from holding company and fellow subsidiaries	973	1,219	-	1,219	-	2,192
Amounts due from reinsurers	-	978	-	978	-	978
Contract receivables	-	268	-	268	-	268
Total trade and other receivables	2,896	6,348	-	6,348	281	9,525

R million	2020					
Trading account	70	-	-	-	-	70
Premiums receivable	-	2,262	-	2,262	389	2,651
Accounts receivable	-	1,695	-	1,695	-	1,695
Accrued investment income	1,891	15	-	15	-	1,906
Amounts due from holding company and fellow subsidiaries	1,603	3,279	-	3,279	-	4,882
Amounts due from reinsurers	-	547	-	547	-	547
Contract receivables	-	287	-	287	-	287
Total trade and other receivables	3,564	8,085	-	8,085	389	12,038

	2021	2020
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	1,045	1,673
Designated at fair value through profit or loss [1]	1,851	1,891
Amortised cost	6,348	8,085
Non-financial instrument [2]	281	389
	9,525	12,038

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 flow basis 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 and tax receivables.

11 Trade receivables and payables (continued)

11.1 Trade and other receivables (continued)

Group R million	Non-derivative trading account assets 2021	Non-derivative trading account assets 2020	Total trading account assets 2021	Total trading account assets 2020
Maturity analysis of trading account - fair value				
On demand	**72**	70	**72**	70
Due within one year	**-**	179	**-**	179
Total	**72**	249	**72**	249
Maturity analysis of trading account - undiscounted				
On demand	**72**	70	**72**	70
Due within one year	**-**	179	**-**	179
Due from one to five years	**-**	1	**-**	1
Total	**72**	250	**72**	250

Reconciliation of contract receivables	2021	2020
Balance at the beginning of the year	**422**	361
Revenue recognised in the current reporting period [1]	**2,458**	10,875
Consideration received	**(2,470)**	(10,901)
Acquisition of subsidiaries	**-**	104
Foreign currency translation differences	**7**	(17)
Balance at the end of the year	**417**	422

[1] Refer to note 19 for the disaggregation of revenue recognised in accordance with IFRS 15.

Reconciliation of expected credit losses R million	2021	2020
Accounts receivable		
Balance at the beginning of year	**639**	333
Acquired through business combination	**-**	166
Net remeasurement of loss allowance	**2**	146
Foreign currency translation differences	**30**	(6)
Balance at the end of the year	**671**	639
Premiums receivable		
Balance at the beginning of year	**1,851**	1,372
Net remeasurement of loss allowance	**320**	214
Acquired through business combination	**-**	178
Foreign currency translation differences	**90**	87
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)

Company

R million	2021	2020
Maturity analysis of trading account non-derivative - fair value		
On demand	**72**	70
Total	**72**	70
Maturity analysis of trading account non-derivative - undiscounted		
On demand	**72**	70
Total	**72**	70

Reconciliation of contract receivables	2021	2020
Balance at the beginning of the year	**287**	189
Revenue recognised in the current reporting period [1]	**373**	7,807
Consideration received	**(392)**	(7,709)
Balance at the end of the year	**268**	287

[1] Refer to financial services income note 19 for the disaggregation of revenue recognised in accordance with IFRS 15.

Trade and other receivables:

There has been a general increase in expected credit loss provisions for trade and other receivables, mostly as a result of COVID-19. 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 forwardlooking 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 analyzed 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 which 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 Trade receivables and payables (continued)

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 basisas 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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Trading account[3]	**926**	1,267	**-**	-
Accounts payable	**26,193**	22,984	**5,476**	7,626
Accrued interest payable	**515**	238	**260**	238
Policy benefits payable	**9,229**	6,873	**6,401**	4,431
Amounts due to holding company and fellow subsidiaries	**1,700**	1,644	**1,641**	967
Amounts due to reinsurers	**5,079**	5,261	**19**	15
Bank overdraft	**1,169**	859	**-**	-
Liability for share based payments	**475**	482	**396**	415
Claims incurred but not reported	**2,880**	1,961	**2,320**	1,542
Lease creditor	**35**	34	**-**	-
Total trade and other payables	**48,201**	41,603	**16,513**	15,234
Classification of trade and other payables:				
Mandatorily measured at fair value through profit or loss	**-**	867	**-**	-
Designated at fair value through profit or loss [1]	**-**	400	**-**	-
Other payables at amortised cost	**43,802**	36,844	**13,316**	12,639
Non-financial instruments [2]	**4,399**	3,492	**3,197**	2,595
Total trade and other payables	**48,201**	41,603	**16,513**	15,234

Trade and other payables, excluding the trading account and the liability for share based payments, are payable within one year. In respect of the liability for share based payments, the amount outstanding is payable over five years, however weighted towards one to two years. The estimated fair value of other payables at amortised cost approximates carrying value. This 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, deferred share plan liabilities, income received in advance and claims incurred but not reported.

(3) Included in trading account payables are repurchase agreement positions of R926 million (2020: R867 million) which is secured by interest bearing investments with a carrying value of R854 million (2020: R963 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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Maturity analysis of trading account - fair value				
Due within one year	**121**	848	**-**	-
Due within two to five years	**805**	419	**-**	-
Total	**926**	1,267	**-**	-
Maturity analysis of trading account- undiscounted				
Due within one year	**122**	850	**-**	-
Due within two to five years	**806**	419	**-**	-
Total	**928**	1,269	**-**	-

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.

	Group and company	
R million	2021	2020
Authorised share capital		
100 million ordinary shares of 1 cent each	1	1
Issued share capital and share premium		
50 million ordinary shares issued at:		
Nominal value of 1 cent per share	1	1
Share premium	4,999	4,999
Total nominal value and share premium	5,000	5,000

Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

13 Other reserves

Non-distributable reserve

The non-distributable reserve consists of the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited in 1998. The regulatory non-distributable reserves 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; and
- Investments in associated companies and joint ventures, which are recognised on an equity-accounted basis.

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.

Common control reserve

The common control reserve represents the difference between the acquisition value and the aggregate purchase consideration in respect of business combination transactions involving entities which are ultimately controlled by the same party or parties before and after the business combination.

13 Other reserves

R million	Group 2021	Group Restated[3] 2020	Company 2021	Company 2020
Non-distributable reserves[1]	**5,949**	5,960	**5,429**	5,429
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**5,329**	5,329	**5,429**	5,429
Regulatory reserves	**620**	631	**-**	-
Foreign currency translation reserve [3]	**1,827**	583	**-**	-
Common Control Reserve[2]	**(2,234)**	(2,234)	**(67)**	(67)
Consolidation reserve	**789**	691	**-**	-
Policyholder fund investments in consolidated subsidiaries	**(156)**	(131)	**-**	-
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	**945**	822	**-**	-
Total reserves other than retained earnings	**6,331**	5,000	**5,362**	5,362

(1) The non-distrubutable 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.

(2) The group common control reserve relates to the acquisition of Glacier Financial Holdings Pty Ltd and Simeka Consultants & Actuaries Pty Ltd from a fellow subsidiary, Sanlam Investment Holdings Pty Ltd.

(3) Prior year restated for hyperinflation. Refer to note 37.1 for additional information.

14 Non-controlling interest

R million	Group 2021	Group 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	**234**	258
Sanlam Personal Finance: BrightRock Holdings	**92**	125
Other	**265**	262
Non-controlling shareholders' interest	**12,991**	11,368
Non-controlling policyholders' interest	**55**	10
Total non-controlling interest	**13,046**	11,378

(1) Formerly known as Saham

For additional financial information for subsidiaries with significant non-controlling interest refer to page 135.

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 dependant 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

Group

R million	2021 Total	2021 Insurance contracts	2021 Investment contracts [1]	2020 Total	2020 Insurance contracts	2020 Investment contracts [1]
Income	210,060	71,972	138,088	134,459	57,206	77,253
Premium income (note 15.3)	121,189	53,070	68,119	100,619	46,635	53,984
Investment return after tax (note 15.5)	88,871	18,902	69,969	33,840	10,571	23,269
Outflow	(135,748)	(70,808)	(64,940)	(111,896)	(57,552)	(54,344)
Policy benefits (note 15.4)	(72,699)	(24,317)	(48,382)	(65,187)	(23,783)	(41,404)
Retirement fund terminations	(12,720)	-	(12,720)	(7,068)	-	(7,068)
Fees, risk premiums and other payments to shareholders' fund	(50,329)	(46,491)	(3,838)	(39,641)	(33,769)	(5,872)
Movement in policy loans	59	20	39	60	-	60
Other movements	(42)	(42)	-	(81)	(81)	-
Net movement for the year	74,329	1,142	73,187	22,542	(427)	22,969
Liabilities acquired through business combinations	(2,348)	(2,340)	(8)	4,416	(165)	4,581
Disposal of subsidiaries	-	-	-	(66)	(66)	-
Reclassification to non-current liabilities held for sale	(102)	(55)	(47)	-	-	-
Foreign currency translation differences	1,710	1,593	117	1,312	1,637	(325)
Non-current liabilities held for sale	(98)	(53)	(45)	-	-	-
Balance at beginning of the year	567,705	186,371	381,334	539,501	185,392	354,109
Balance at end of the year	641,196	186,658	454,538	567,705	186,371	381,334

Company

R million	2021 Total	2021 Insurance contracts	2021 Investment contracts [1]	2020 Total	2020 Insurance contracts	2020 Investment contracts [1]
Income	167,126	40,814	126,312	96,188	26,743	69,445
Premium income (note 15.3)	84,373	23,151	61,222	68,111	19,930	48,181
Investment return after tax (note 15.5)	82,753	17,663	65,090	28,077	6,813	21,264
Outflow	(93,841)	(40,044)	(53,797)	(75,329)	(30,081)	(45,248)
Policy benefits (note 15.4)	(53,893)	(14,517)	(39,376)	(47,912)	(14,392)	(33,520)
Retirement fund terminations	(12,681)	-	(12,681)	(7,004)	-	(7,004)
Fees, risk premiums and other payments to shareholders' fund	(27,267)	(25,527)	(1,740)	(20,413)	(15,689)	(4,724)
Movement in policy loans	12	-	12	14	-	14
Net movement for the year	73,297	770	72,527	20,873	(3,338)	24,211
Balance at beginning of the year	464,955	124,126	340,829	444,082	127,464	316,618
Balance at end of the year	538,252	124,896	413,356	464,955	124,126	340,829

[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

15.2 Composition of policy liabilities

R million	Group 2021	Group 2020[1]	Company 2021	Company 2020
Individual business	500,716	445,259	410,867	353,391
Risk business	18,659	19,929	9,371	8,661
Risk underwriting	16,905	17,614	7,987	6,646
Asset mismatch reserve	1,754	2,315	1,384	2,015
Investments	377,837	316,380	315,276	255,142
Linked business	189,159	152,836	177,553	142,249
Business with no investment guarantees	127,503	103,161	114,868	91,850
Business with minimum investment guarantees	9,996	10,163	4,465	4,021
Smoothed bonus	27,789	36,996	13,756	12,999
Market related and smoothed bonus	4,587	3,972	4,587	3,958
Non guaranteed investments	834	853	-	-
Fully guaranteed business	17,969	8,399	47	65
Life Annuities [1]	50,277	45,717	35,504	29,511
Combined policies	50,410	61,048	47,308	57,974
Non-product/Other [1]	3,533	2,185	3,408	2,103
Employee benefits business	140,480	122,446	127,385	111,564
Risk business	8,788	8,413	6,053	6,381
Risk underwriting	8,203	8,021	5,468	5,997
Asset mismatch reserve	585	392	585	384
Investments	103,676	88,448	97,597	83,377
Linked business	73,511	64,867	69,108	60,955
Business with minimum investment guarantees	2	-	-	-
Smoothed bonus	29,756	23,333	28,489	22,422
Non guaranteed investments	42	40	-	-
Fully guaranteed business	365	208	-	-
Life Annuities [1]	25,685	23,343	23,673	21,608
Non-product/Other [1]	2,331	2,242	62	198
Total policy liabilities [2]	641,196	567,705	538,252	464,955

[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

	Group 2021	Group 2020	Company 2021	Company 2020
Individual business	87,385	73,247	57,753	47,331
Recurring	40,791	36,954	17,647	16,814
Single	43,687	33,477	37,784	28,210
Continuations	2,907	2,816	2,322	2,307
Employee benefits business	33,804	27,372	26,620	20,780
Recurring	18,114	16,376	13,586	12,204
Single	15,690	10,996	13,034	8,576
Total premium income	121,189	100,619	84,373	68,111

15 Long-term policy liabilities

15.4 Analysis of long-term policy benefits

	Group		Company	
	2021	2020	2021	2020
Individual business	**61,593**	55,114	**43,352**	38,429
Maturity benefits	**27,122**	25,727	**19,712**	18,362
Surrenders	**8,543**	9,497	**4,277**	4,825
Life and term annuities	**17,093**	14,723	**14,609**	12,576
Death and disability benefits [1]	**8,289**	4,677	**4,754**	2,664
Cash bonuses [1]	**546**	490	**-**	1
Employee benefits business	**11,106**	10,073	**10,541**	9,483
Withdrawal benefits	**4,561**	4,131	**4,094**	3,800
Pensions	**2,155**	2,232	**2,063**	1,996
Lump-sum retirement benefits	**2,778**	2,853	**2,778**	2,853
Death and disability benefits [1]	**1,607**	854	**1,606**	834
Cash bonuses [1]	**5**	3	**-**	-
Total long-term policy benefits	**72,699**	65,187	**53,893**	47,912

[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 is 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.

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 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.

	Group		Company	
R million	2021	2020	2021	2020
Insurance contracts				
Underwriting policy benefits	**25,214**	14,646	**15,105**	7,845
After tax investment return attributable to insurance contract liabilities (note 15.1)	**18,902**	10,571	**17,663**	6,813
Total long-term insurance contract benefits	**44,116**	25,217	**32,768**	14,658
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 15.1)	**69,969**	23,269	**65,090**	21,264
Total long-term investment contract benefits	**69,969**	23,269	**65,090**	21,264
Analysis of underwriting policy benefits				
Individual insurance	**13,912**	8,802	**7,443**	3,963
Employee benefits	**11,302**	5,844	**7,663**	3,882
Total underwriting policy benefits	**25,214**	14,646	**15,106**	7,845

15 Long-term policy liabilities

15.6 Maturity analysis of investment policy contracts

Group

R million	Open ended[(1)]	< 1 year	1 - 5 years	> 5 years	Total
2021					
Risk business [(2)]	9	210	1,126	1,815	3,160
Risk underwriting	9	210	1,126	1,815	3,160
Investments	285,249	13,368	45,838	94,177	438,632
Linked business	239,860	242	8,481	8,022	256,605
Business with no investment guarantees	14,226	6,716	30,169	69,859	120,970
Business with minimum investment guarantees	1,862	1,420	2,517	893	6,692
Smoothed bonus	28,559	1,839	1,083	12,470	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	816	-	-	1,469	2,285
Guaranteed annuities	816	-	-	1,469	2,285
Combined policies	-	838	2,994	4,228	8,060
Non-product/Other	426	287	3	1,684	2,400
Total investment policies	286,500	14,703	49,961	103,373	454,537

R million	Open ended[(1)]	< 1 year	1 - 5 years	> 5 years	Total
2020					
Risk business [(2)]	26	185	1,021	1,591	2,823
Risk underwriting	26	185	1,021	1,591	2,823
Investments	244,332	8,294	42,133	70,086	364,845
Linked business	205,585	97	6,883	-	212,565
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
Total investment policies	244,883	10,017	47,193	79,241	381,334

(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 policy do not have a specified contract term.

(2) This represents the savings component of a risk and savings product.

15 Long-term policy liabilities

15.6 Maturity analysis of investment policy contracts(continued)

Company

R million	Open ended	< 1 year	1 - 5 years	> 5 years	Total
2021					
Risk business	-	-	-	-	-
Investments	271,251	5,257	33,704	92,500	402,712
Linked business	230,177	-	8,462	8,021	246,660
Business with no investment guarantees	12,063	4,798	23,704	69,889	110,454
Business with minimum investment guarantees	117	72	250	723	1,162
Smoothed bonus	28,559	192	318	10,934	40,003
Market related and smoothed bonus	335	194	924	2,933	4,386
Fully guaranteed business	-	1	46	-	47
Life Annuities	816	-	-	1,466	2,282
Guaranteed annuities	816	-	-	1,466	2,282
Combined policies	-	828	2,947	4,178	7,953
Non-product/Other	409	-	-	-	409
Total investment policies	272,476	6,085	36,651	98,144	413,356

R million	Open ended	< 1 year	1 - 5 years	> 5 years	Total
2020					
Risk business	1	-	-	-	1
Investments	232,078	4,112	24,959	67,983	329,132
Linked business	196,611	-	6,592	-	203,203
Business with no investment guarantees	9,359	3,874	17,738	57,176	88,146
Business with minimum investment guarantees	116	65	252	717	1,150
Smoothed bonus	22,856	173	312	10,090	33,431
Market related and smoothed bonus	3,136	-	-	-	3,136
Fully guaranteed business	-	-	65	-	65
Life Annuities	313	416	581	23	1,333
Guaranteed annuities	313	416	581	23	1,333
Combined policies	-	754	3,410	6,002	10,166
Non-product/Other	197	-	-	-	197
Total investment policies	232,590	5,282	28,950	74,008	340,829

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 34 for additional fair value disclosures.

15 Long-term policy liabilities

15.7 Maturity analysis of insurance policy contracts (discounted)

Group

R million	Open ended	< 1 year	1 - 5 years	> 5 years	Total
2021					
Risk business	18,294	1,978	1,386	2,629	24,287
Risk underwriting	15,973	1,960	1,386	2,629	21,948
Asset mismatch reserve	2,321	18	-	-	2,339
Investments	4,369	2,200	12,884	23,427	42,880
Linked business	1,498	308	1,140	3,119	6,065
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	535	647	-	2,282	3,464
Working capital Management	-	-	-	-	-
Other	535	647	-	2,282	3,464
Total insurance policies	88,979	9,815	29,846	58,018	186,658

R million	Open ended	< 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	4,298	7,055	11,494	17,136	39,983
Linked business	931	363	1,160	2,684	5,138
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	51,676	312	1,017	14,714	67,719
Guaranteed annuities	43,719	304	1,017	12,264	57,304
Participating annuities	7,957	8	-	2,450	10,415
Combined policies	7,717	4,803	15,432	22,821	50,773
Non-product/Other	1,758	363	6	250	2,377
Working capital Management	325	-	-	-	325
Other	1,433	363	6	250	2,052
Total insurance policies	78,166	14,186	31,372	62,647	186,371

15 Long-term policy liabilities

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

Company

R million	Open ended	< 1 year	1 - 5 years	> 5 years	Total
2021					
Risk business	14,780	385	-	259	15,424
Risk underwriting	12,811	385	-	259	13,455
Asset mismatch reserve	1,969	-	-	-	1,969
Investments	2,252	489	2,198	5,222	10,161
Business with no investment guarantees	929	205	950	2,331	4,415
Business with minimum investment guarantees	721	161	695	1,727	3,304
Smoothed bonus	581	112	508	1,040	2,241
Market related and smoothed bonus	21	11	45	124	201
Life Annuities	56,144	-	751	-	56,895
Guaranteed annuities	50,992	-	751	-	51,743
Participating annuities	5,152	-	-	-	5,152
Combined policies	7,050	4,331	12,662	15,312	39,355
Non-product/Other	431	361	-	2,269	3,061
Working capital Management	-	-	-	-	-
Other	431	361	-	2,269	3,061
Total insurance policies	80,657	5,566	15,611	23,062	124,896

R million	Open ended	< 1 year	1 - 5 years	> 5 years	Total
2020					
Risk business	10,042	75	646	4,278	15,041
Risk underwriting	7,643	75	646	4,278	12,642
Asset mismatch reserve	2,399	-	-	-	2,399
Investments	2,240	436	1,838	4,873	9,387
Linked business	1	-	-	-	1
Business with no investment guarantees	645	175	764	2,119	3,703
Business with minimum investment guarantees	409	162	638	1,662	2,871
Smoothed bonus	472	92	436	990	1,990
Market related and smoothed bonus	713	7	-	102	822
Life Annuities	49,786	-	-	-	49,786
Guaranteed annuities	43,649	-	-	-	43,649
Participating annuities	6,137	-	-	-	6,137
Combined policies	7,418	4,527	14,472	21,391	47,808
Non-product/Other	1,719	136	-	250	2,104
Working capital Management	325	-	-	-	325
Other	1,393	136	-	250	1,779
Total insurance policies	71,204	5,174	16,956	30,792	124,126

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.

		Group		Company	
	R million	2021	2020	2021	2020
16.1	**Term finance comprises:**				
	Other interest-bearing liabilities	**7,801**	6,222	**1,992**	1,004
		7,801	6,222	**1,992**	1,004
	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	**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. 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, Santam 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	**2,552**	3,089	**-**	-
	Unsecured subordinated callable notes to the value of 200 million Malaysian Ringgit (ZAR equivalent of R764 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**	-	**-**	
	Preference share issued by Sanlam Emerging Markets to Sanpref (Pty) Limited. The preference share has a redemption put option which can be exercised on 22 December 2021.	**1,480**	1,326	**-**	-
	Other	**1,777**	803	**-**	-
		8,562	6,222	**1,992**	1,004

16 Term finance

16.2 Reconciliation of term finance (including interest accrued)

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year	6,230	5,410	1,011	1,013
Cash movements	964	791	910	(64)
New issuances	3,134	1,646	1,998	-
Disposal of subsidiaries	-	(252)	-	-
Capital repayment	(1,789)	(247)	(1,000)	-
Interest paid	(381)	(356)	(88)	(64)
Non-cash movements	607	29	71	62
Net fair value movements	112	(334)	(10)	(9)
Interest expense	373	363	81	71
Foreign currency translation differences	122	-	-	-
Balance at the end of the year (including interest accruals)	7,801	6,230	1,992	1,011
Balance comprises:				
Term finance	7,801	6,222	1,992	1,004
Accrued interest (included in trade and other payables)	-	8	-	7

16.3 Maturity analysis of term finance

	Group 2021	Group 2020	Company 2021	Company 2020
Maturity analysis of term finance - fair value				
Due within one year	1,009	1,661	-	1,004
Due within two to five years	4,593	3,998	977	-
Due after more than five years	2,199	563	1,015	-
Total term finance liabilities	7,801	6,222	1,992	1,004
Maturity analysis of term finance - undiscounted				
Due within one year	1,270	1,864	119	1,034
Due within two to five years	5,198	4,921	1,434	-
Due after more than five years	2,327	563	1,139	-
Total term finance liabilities	8,795	7,348	2,692	1,034

16.4 Classification of term finance

R million		Group 2021	Group 2020	Company 2021	Company 2020
At fair value through profit or loss	16.4.1	6,024	5,419	1,992	1,004
Other financial liabilities	16.4.2	1,777	803	-	-
Total term finance liabilities		7,801	6,222	1,992	1,004
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]		6,024	5,419	1,992	1,004
Amount contractually payable at maturity		4,649	4,127	2,000	1,000
16.4.2 Term finance classified as other financial liabilities					
Estimated fair value of term finance liabilities measured at amortised cost		1,777	803	-	-

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

This valuation is based on a discounted cash flow and is classified as a level 3 valuation. Refer to note 34 for additional fair value disclosures.

17 Structured transaction liabilities

17.1 Maturity analysis of structured transaction liabilities - fair value [1]	Group 2021	Group 2020	Company 2021	Company 2020
Due within one year	**7,036**	12,408	**1,080**	11,255
Due within two to five years	**1,190**	2,414	**100**	253
Due within five to ten years	**399**	2,751	**85**	266
Due after ten years	**270**	5,397	**167**	3,083
Total structured transaction liabilities	**8,895**	22,970	**1,432**	14,857

(1) Structured transaction liabilities are classified as mandatorily at fair value through profit or loss.

18 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
Group			
Balance at 1 January 2020	24	382	406
Charged to the statement of comprehensive income	-	51	51
Additional provisions	-	176	176
Unused amounts reversed	-	(125)	(125)
Acquired through business combinations	-	(16)	(16)
Utilised during the year	-	(4)	(4)
Foreign currency translation reserve	(1)	(35)	(36)
Balance at 31 December 2020	23	378	401
Charged to the statement of comprehensive income	**1**	**239**	**240**
Additional provisions	**1**	**250**	**251**
Unused amounts reversed	**-**	**(11)**	**(11)**
Utilised during the year	**(4)**	**(50)**	**(54)**
Foreign currency translation reserve	**-**	**(7)**	**(7)**
Balance at 31 December 2021	**20**	**560**	**580**
Analysis of provisions			
Current	**5**	**503**	**508**
Non-current	**15**	**57**	**72**
Total provisions at 31 December 2021	**20**	**560**	**580**

R million	Possible claims	Other	Total
Company			
Balance at 1 January 2020	**15**	7	22
Utilised during the year	-	(2)	(2)
Balance at 31 December 2020	15	5	20
Utilised during the year	**-**	**(1)**	**(1)**
Balance at 31 December 2021	**15**	**4**	**19**
Analysis of provisions			
Non-current	**15**	**4**	**19**
Total provisions at 31 December 2021	**15**	**4**	**19**

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.

19 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.

Revenue within the scope of IFRS 15 is either recognized at a point in time or over time. Revenue is recognized 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 recognized 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 outperformance of a specific benchmark over a certain period, a fee is recouped from the clients' 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 relate 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 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.

19 Financial services income (continued)

R million	Group 2021	Group 2020	Company 2021	Company 2020
Analysis per revenue source				
Long-term insurance	**53,121**	42,602	**27,712**	21,121
General insurance	**54,881**	53,335	**-**	-
Other financial services	**2,301**	3,071	**-**	-
Total financial services income	**110,303**	99,008	**27,712**	21,121
Analysis per revenue category				
Long-term insurance fee income	**52,790**	42,602	**27,712**	21,121
Asset management and performance fees	**2,225**	626	**1,688**	627
Risk benefit charges and other fee income[1]	**50,565**	41,976	**26,024**	20,494
General insurance premiums	**55,212**	53,335	**-**	-
Premiums receivable	**58,775**	54,739	**-**	-
Tax recovered from cell owners	**592**	429	**-**	-
Change in unearned premium provision	**(4,155)**	(1,833)	**-**	-
Other financial services fees and income	**1,921**	2,721	**-**	-
Trading profit/(loss)	**13**	-	**-**	-
Foreign exchange movements	**15**	3	**-**	-
Recovered from third parties	**352**	347	**-**	-
Total financial services income	**110,303**	99,008	**27,712**	21,121

(1) Includes risk benefit charges, administration services and other fee income.

Group

Disaggregation of revenue

- According to primary geography

R million	South Africa	Rest of Africa	Other International	Total
31 December 2021				
IFRS 15 Revenue	**7,868**	**1,074**	**-**	**8,942**
Administration fees	**6,650**	**610**	**-**	**7,260**
Asset management and performance fees	**200**	**374**	**-**	**574**
Commissions	**174**	**90**	**-**	**264**
Consulting fees	**309**	**-**	**-**	**309**
Actuarial and risk management fees	**238**	**-**	**-**	**238**
Trust and estate fees	**179**	**-**	**-**	**179**
Other	**118**	**-**	**-**	**118**
Revenue not within the scope of IFRS 15	**67,819**	**29,090**	**4,452**	**101,361**
Financial services income	**75,687**	**30,164**	**4,452**	**110,303**
31 December 2020				
IFRS 15 Revenue	9,858	1,017	-	10,875
Administration fees	8,119	569	-	8,688
Asset management and performance fees	826	362	-	1,188
Commissions	177	86	-	263
Consulting fees	308	-	-	308
Actuarial and risk management fees	221	-	-	221
Trust and estate fees	136	-	-	136
Other	71	-	-	71
Revenue not within the scope of IFRS 15	51,166	31,226	5,741	88,133
Financial services income	61,024	32,243	5,741	99,008

19 Financial services income (continued)

Group

Disaggregation of revenue

- According to timing of revenue recognition

R million	At a point in time	Over time	Total
31 December 2021			
IFRS 15 Revenue	**537**	**8,405**	**8,942**
Administration fees	**267**	**6,993**	**7,260**
Asset management and performance fees	**-**	**574**	**574**
Commissions	**136**	**128**	**264**
Consulting fees	**30**	**279**	**309**
Actuarial and risk management fees	**-**	**238**	**238**
Trust and estate fees	**104**	**75**	**179**
Other	**-**	**118**	**118**
Revenue not within the scope of IFRS 15			**101,361**
Financial services income			**110,303**
31 December 2020			
IFRS 15 Revenue	489	10,386	10,875
Administration fees	270	8,418	8,688
Asset management and performance fees	1	1,187	1,188
Commissions	121	142	263
Consulting fees	23	285	308
Actuarial and risk management fees	-	221	221
Trust and estate fees	74	62	136
Other	-	71	71
Revenue not within the scope of IFRS 15			88,133
Financial services income			99,008

19 Financial services income (continued)

Company

Disaggregation of revenue

- According to timing of revenue recognition, all revenue is from a South African source.

R million	Over time	Total
31 December 2021		
IFRS 15 Revenue	**6,275**	**6,275**
Administration fees	**5,872**	**5,872**
Asset management and performance fees	**161**	**161**
Commissions	**1**	**1**
Actuarial and risk management fees	**238**	**238**
Other	**3**	**3**
Revenue not within the scope of IFRS 15		**21,437**
Financial services income		**27,712**
31 December 2020		
IFRS 15 Revenue	7,807	7,807
Administration fees	7,356	7,356
Asset management and performance fees	226	226
Commissions	1	1
Actuarial and risk management fees	221	221
Other	3	3
Revenue not within the scope of IFRS 15		13,314
Financial services income		21,121

20 Reinsurance premiums paid

	Group		Company	
R million	2021	2020	2021	2020
Long-term insurance	**8,058**	5,015	**2,137**	1,871
General insurance	**12,023**	13,779	**-**	-
Premiums payable	**13,009**	14,653	**-**	-
Change in unearned premium provision	**(986)**	(874)	**-**	-
Total reinsurance premiums paid	**20,081**	18,794	**2,137**	1,871

21 Reinsurance income

	Group		Company	
R million	2021	2020	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	**3,249**	1,783
General insurance	**12,206**	11,104	**-**	-
Total reinsurance claims received	**19,563**	13,939	**3,249**	1,783

22 Expenses, Amortisation and Impairments

22.1 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).

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 lease 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 meets specified individual performance hurdles. Group and/or cluster hurdles are also applicable for some of the 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 equity instruments on grant date is recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting.

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.

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2021 (R'000) [4]

Name	Directors' fees	Attendance and committees	Fees from Group	Total
AS Birrell (Non-resident)	968	1,439	550	2,957
AD Botha	387	349	239	975
NAS Kruger	387	1,114	-	1,501
E Masilela (Chair)	3,307	-	-	3,307
M Mokoka	387	1,114	131	1,632
JP Möller	387	1,293	1,336	3,016
PT Motsepe (Deputy Chair)	589	486	833	1,908
KT Nondumo	387	1,454	-	1,841
SA Nkosi	387	303	-	690
RV Simelane	387	327	-	714
J van Zyl	387	483	-	870
SA Zinn	387	530	-	917
E Essoka [1]	484	321	-	805
N Manyonga [2]	32	34	-	66
W Van Biljon [3]	161	161	-	322
Total non-executive directors	9,024	9,408	3,089	21,521

(1) *Appointed 18 June 2021*
(2) *Appointed 13 August 2021*
(3) *Appointed 6 December 2021*
(4) *Excluding VAT*
Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R122 346 (2020: R399 311).

22 Expenses (continued)

22.1 Expenses (continued)

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2021 (R'000)

Name	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Total annual bonus	Attributable value of LTIs vested (1)	Other payments	Total remuneration	Attributable value of LTIs awarded
Paul Hanratty	12	6,130	-	6,130	-	-	-	6,130	115,580
Abigail Mukhuba	12	5,165	350	5,515	6,520	-	-	12,035	6,067
Jeanett Modise	12	3,859	341	4,200	4,500	1,703	-	10,403	2,388
Heinie Werth	12	6,050	350	6,400	7,770	4,796	-	18,966	5,526
Subtotal: executive directors		21,204	1,041	22,245	18,790	6,499	-	47,534	129,561
Anton Gildenhuys	12	5,650	350	6,000	6,230	6,799	-	19,029	10,637
Lizé Lambrechts	12	5,815	350	6,165	8,100	3,234	-	17,499	-
Bongani Madikiza	12	3,712	788	4,500	4,700	-	-	9,200	4,187
Lotz Mahlangeni (2)	12	4,831	669	5,500	6,190	4,381	831	16,902	4,007
Sydney Mbhele	12	4,140	350	4,490	4,690	-	-	9,180	1,128
Kanyisa Mkhize	12	3,506	744	4,250	4,500	-	-	8,750	3,097
Junior Ngulube (3)	1	313	43	356	-	5,024	427	5,807	-
Wikus Olivier	12	4,150	350	4,500	4,870	2,577	-	11,947	2,517
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	4,800	1,324	-	10,724	4,210
Jurie Strydom (5)	12	6,250	350	6,600	5,257	7,660	-	19,517	7,391
Executive committee		69,061	5,735	74,796	75,477	42,119	8,150	200,542	166,735

(1) *Fair value of LTI's (excluding equity-settled OPPs) vested during the year.*

(2) *Retention bonus paid as part of sign-on, 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.*

Non-executive directors' emoluments for the year ended 31 December 2020 (R'000) (1)

Name	Directors' fees	Attendance and committees	Fees from Group	Total
AS Birrell (Non-resident)	888	1,319	394	2,601
AD Botha	396	850	595	1,841
PB Hanratty (Non-resident NED to 30 June 2020)	403	570	-	973
NAS Kruger (appointed 26 May 2020)	224	716	-	940
E Masilela (appointed as 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	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) *Excluding VAT*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R399 311.

22 Expenses (continued)

22.1 Expenses (continued)

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2020 (R'000)

Name	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual cash bonus	Attributable value of LTIs vested [1]	Other payments	Total remuneration	Attributable value of LTIs awarded
Paul Hanratty	6	3,065	-	3,065	-	-	-	3,065	161,580
IM 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	12,863
Temba Mvusi [4]	12	4,513	789	5,302	2,250	2,066	1,008	10,626	-
Jeaneett Modise	12	3,920	230	4,150	2,000	1,600	-	7,750	2,746
Heinie Werth	12	6,100	210	6,310	2,750	3,247	-	12,307	5,311
Subtotal: executive directors		28,652	1,557	30,209	14,161	13,038	8,711	66,119	182,500
Thinus Alsworthy-Elvey [5]	8	3,367	142	3,509	-	1,356	4,008	8,873	1,000
Anton Gildenhuys [6]	12	5,332	210	5,542	3,100	4,685	-	13,327	11,765
Lizé Lambrechts	12	5,889	210	6,099	-	4,718	-	10,817	4,775
Bongani Madikiza [7]	4	1,350	150	1,500	2,050	-	-	3,550	5,263
Lotz Mahlangeni [8]	4	1,661	172	1,833	900	-	-	2,733	19,133
Sydney Mbhele	12	4,225	213	4,438	1,800	-	-	6,238	4,747
Kanyisa Mkhize [9]	4	1,275	142	1,417	800	-	1,200	3,417	4,971
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	11,590
Robert Roux	12	5,313	210	5,523	4,000	3,017	-	12,540	4,096
Karl Socikwa [11]	4	1,463	70	1,533	2,100	1,988	-	5,621	2,360
Jurie Strydom [12]	12	5,853	210	6,063	3,000	3,243	-	12,306	10,444
Executive committee		72,590	3,750	76,340	35,561	37,765	13,919	163,585	262,644

(1) *Fair value of LTI's (excluding equity-settled OPPs) vested during the year.*
(2) *Other payments of R1,8 million in lieu of accrued leave. Prescribed officer until 30 June 2020.*
(3) *Appointed as 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: SA Retail Affluent effective on 14 September 2020.*
(7) *Appointed as Chief Executive: SA 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.*

Fees from Group companies for the year ended 31 December 2021 (R'000) [1]

	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell (Non-resident)	**-**	**361**	**189**	**550**
AD Botha	**129**	**71**	**39**	**239**
M Mokoka	**92**	**-**	**39**	**131**
JP Möller	**414**	**435**	**487**	**1,336**
KT Nondumo	**-**	**407**	**426**	**833**
Total fees from Group companies	**635**	**1,274**	**1,180**	**3,089**

(1) *Excluding VAT.*

Fees from Group companies for the year ended 31 December 2020 (R'000) [1]

	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell (Non-resident)	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.*

22 Expenses (continued)

22.1 Expenses

Out-Performance Plan (OPP)

Based on the Sanlam business strategy five (5) 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 and replaced in its entirety by the 2021 OPP. The performance conditions are set over a 5-year period and align fully with the Group CEO's metrics for his 5-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:

Business / chief executive participants	Measurement period and description	OPP Performance Conditions					
		Financial Measure	**Description**	**Minimum (0% vesting below this)**	**Maximum (100% vesting)**	**Weight**	**Potential – maximum number of shares that can be delivered**
SLS Jurie Strydom 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	<R7.5bn	R15bn	25%	**Jurie Strydom** (200% TGP per year) 1 128 012 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%	**Kanyisa Mkhize** (100% TGP per year) 363 186 shares
		SLS ROGEV 2021-2025	Average return implied by dividends and change in GEV from 1.1.2021 to 31.12.2025, adjusted for normalised investment	RFR+4% for 2021 From 2022 CPI+6%	RFR + 8% for 2021 From 2022 CPI + 106%	25%	**Bongani Madikiza** (100% TGP per year) 384 550 shares
		SLS GEV Added	Change in GEV 1.1.2021 – 31.12.2025 plus dividends paid over the period in reference to years 2021 to 2025	R40bn	R60bn	25%	**Anton Gildenhuys** (100% TGP per year) 512 733 shares
		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.					
SEM Heinie Werth	**1 January 2021 – 31 December 2025** **(Final measurement March 2026 after conclusion of 2025 financial year end)**	Stock rating P / GEV	Improved Group rating from H2 2020 over the 5 years to a better average in 2024/5	<1	1.15		**Heinie Werth** (200% TGP per year) 1 093 830 shares
		SEM profit growth 2021-2025	Average annual rate of growth between NRFS for 2020 and the NRFS for 2025 FY in constant currency	10%	17.5%		
		SEM dividend growth 2021-2025	Average annual rate of growth of dividend paid to the Group by SEM between 2020 and 2025 FY in constant currency	10%	20%		
		SEM ROGEV 2021-2025	Average return implied by dividends and change in GEV from 1.1.2021 to 31.12.2025, adjusted for normalised investment returns if required	RFR+4% for 2021 From 2022 CPI + 6%	RFR+8% for 2021 From 2022 CPI + 10%		
		SEM GEV Added	Change in GEV 1.1.2021 – 31.12.2025 plus dividends paid over the period in reference to years 2021 to 2025	R25bn	R50 bn		
		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.					

Notes applicable to all OPPs

- *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.*

22 Expenses (continued)

22.1 Expenses

Out-Performance Plan (OPP) (continued)

Historic OPP outcomes

As reported in the 2020 Remuneration Report, Robert Roux's OPP was measured 31 December 2021, with vesting in March 2022. This coincides with Robert's retirement date.

Individual	Measurement period and description	Performance measures	Achievement to 2021	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	N/A
		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	N/A
		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	45% achievement for Net new business flows	73 903 shares

22 Expenses (continued)

22.1 Expenses

Group CEO remuneration structure summary

In the 2020 remuneration report granular details of the Group CEO's 5-year remuneration arrangement was disclosed together with engagements with shareholders. From a policy perspective we provide a summary of the salient features only, as well as to provide disclosure of the consistent application of LTI design principles.

This arrangement is designed to provide the Group CEO with a high level of investment in Sanlam shares and to provide close alignment between his remuneration structure and shareholders' interest. It is therefore directly linked to the performance of Sanlam.

The components are as follows:
• Only 10% is cash salary (guaranteed pay of R6,130,000 per year, fixed for 5 years).
• The remaining 90% value is made up of Sanlam shares linked to performance conditions for vesting:
  - 5% - vests based on individual performance as evaluated by the Board;
  - 40% - could vest based on short term performance and the CEO annual performance scorecard outcomes (>80% measured annually for vesting or forfeiture, the remainder measured over a rolling 5-year period);
  - 20% - could vest based on long term achievement of financial targets which are the same as for participants of the performance share plan (PDSP). See detailed disclosure on these performance conditions under LTI in this report; and
  - 35% - could vest based on stretch strategic delivery on top of a required base of financial hurdles and are termed OPP shares.

The 5-year arrangement is more long term focused than short term and any share vesting is heavily weighted towards financial achievement. The arrangement places the CEO fully on risk and short term, long term and strategic measures are all balanced in the design.

The potential was benchmarked to comparable CEO's total pay at stretch and is at market benchmarks and is therefore competitive. The remuneration arrangement was implemented within the rules of the LTI plans.

Remuneration category	Number of shares	Performance
Restricted shares (in lieu of TGP)	**328 590**	Satisfactory performance per CEO scorecard as evaluated by the Board.
Bonus shares	**1 671 910**	Assessed annually based on Group CEO performance contract. Annual performance vesting ranges between 0% - 200%. 100% at target and 200% at stretch. For full performance vesting stretch performance need to be achieved annually. Shares that have met the performance criteria (vested) have to be held until end of employment period and the holding period (unless the Board determines otherwise). Shares not meeting the criteria are forfeited annually and such forfeiture will be disclosed.
Performance Shares (individual performance)	**334 380**	Same conditions as DSPs for Exco. Assessed over the measurement period based on Group CEO performance contract outcome. From 2022 in line with the LTI changes for the Company, a substantial portion of these shares will be measured as performance shares (PDSPs) in accordance with the PDSP financial performance conditions set for 2022, i.e, all performance shares and no more DSPs.
Performance Restricted Shares	**496 605**	Measured from 1 January 2021. Measurement is the same as for the 2020 PDSP A award conditions for financial year 2021. Measured until 31 December 2025 for 5 financial years. The weighting of the conditions are: • Adjusted RoGEV (40%) • Dividend Recovery and Growth (30%) • Strategic recovery to 2019 levels (30%)
Performance Restricted Shares	**496 605**	Measured from 1 January 2021 for the 2021 financial year. Measurement is the same as disclosed for the 2020 PDSP B award conditions. From 2022, in line with the LTI changes for the Company, a substantial portion of the 993 210 performance shares will be measured accordance to the 2022 performance conditions set.
Outperformance (OPP) Restricted Shares	**1 671 910**	See below
Total number of shares (maximum) for 5 years	**5 000 000**	**Post - employment holding period** It was agreed with the Group CEO that shares which met the performance conditions (vested) in terms of the Group CEO remuneration structure will be held for a further holding period of 12-months after the end of the employment period, i.e. for 12-months after 30 June 2025 until 30 June 2026. This further supports direct alignment with shareholders.

Outperformance (OPP) Restricted Shares:

Financial Measure	Description	Target (below threshold 0% and at stretch 100%)	Target (below threshold 0% and at stretch 100%)
Stock rating P/GEV	Improve the rating from H2 2020 over the 5 years to a better average in 2024/2025	<1 = 0% 1.15 = 100%	25%
Dividend growth 2021 – 2025	Average annual rate of growth between dividend paid in 2021 and the dividend paid in 2026 relating to the 2025 financial year	CPI + 1 = 0% >CPI + 3% = 100%	25%
ROGEV 2021 – 2025	Average return implied by dividends and change in GEV from 1 January 2021 to 31 December 2025, adjusted for normalised investment returns if	Risk free rate (RFR) + 4% = 0% RFR + 8% = 100%	25%
GEV Added	Change in GEV: 1 January 2021 to 31 December 2025 plus dividends paid over the period in reference to years 2021 to 2025	R100 billion = 0% R150 billion = 100%	25%
Total			**100%**

Modifier

The Board may moderate the vesting that arises from the financial metrics of the Group CEO 5-year remuneration arrangement to reflect a number of areas that impact the long-term sustainability and value of the Group. These were disclosed in detail in the 2020 remuneration report and include:

•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 Board's discretion (after testing of the financial metrics) to reflect these factors.

22 Expenses (continued)

22.1 Expenses (continued)

Equity compensation plans

The details of the Sanlam Ltd shares that have been granted to Sanlam Life group employees are as follows:

	Shares 2021 000's	Shares 2020 000's
Group		
Executive share incentive scheme [(1)]		
Total number of shares at beginning of year	**25 243**	21 765
Adjustment for exclusion of shares that may be required to settle OPP obligations	**(2 966)**	
Unrestricted shares at beginning of year	**(300)**	(170)
Restricted shares at beginning of year	**21 977**	21 595
Shares in respect of the movement of employees	**240**	(2 316)
Total restricted shares and share options	**22 217**	19 279
New restricted shares granted in terms of restricted share and DSP schemes	**8 490**	10 019
Unconditional shares released, available for release, or taken up	**(3 840)**	(3 954)
Options and shares forfeited/transferred to new scheme	**(705)**	(401)
Restricted shares at end of year	**26 162**	24 943
Unrestricted shares at end of year [(2)]	**569**	300
Total number of shares at end of year	**26 731**	25 243
Total equity participation by employees	**26 731**	25 243

	Shares 2021 000's	Shares 2020 000's
Company		
Executive share incentive scheme [(1)]		
Total number of shares at beginning of year	**22 934**	19 931
Adjustment for exclusion of shares that may be required to settle OPP obligations	**(2 966)**	
Unrestricted shares at beginning of year	**(300)**	(144)
Restricted shares at beginning of year	**19 668**	19 787
Shares in respect of the movement of employees	**(373)**	(2 578)
Total restricted shares and share options	**19 295**	17 209
New restricted shares granted in terms of restricted share and DSP schemes	**7 140**	9 311
Unconditional shares released, available for release, or taken up	**(3 156)**	(3 554)
Options and shares forfeited/transferred to new scheme	**(825)**	(332)
Restricted shares at end of year	**22 454**	22 634
Unrestricted shares at end of year [(2)]	**509**	300
Total number of shares at end of year	**22 963**	22 934
Total equity participation by employees	**22 963**	22 934

(1) Outstanding amount of loans granted in respect of these shares amounts to Rnil (2020: Rnil) for the Group and Rnil (2020: Rnil) for the Company.
No new loans were granted during the current year.

(2) During the year 712 132 (Group) (2020: 503 300) and 712 132 (Company) (2020: 503 300) number of shares became unrestricted in terms of Restricted Share Plan.

22 Expenses (continued)

22.1 Expenses (continued)

Equity compensation plans

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

	Group		Company	
	Number of shares 000's		Number of shares 000's	
Unrestricted during year ending (subject to performance targets)	**2021**	2020	**2021**	2020
31 December 2021	**-**	7 120	**-**	6 568
31 December 2022	**4 864**	4 407	**4 191**	3 859
31 December 2023	**4 650**	4 830	**3 818**	4 209
31 December 2024	**6 011**	3 745	**4 936**	3 366
31 December 2025	**8 670**	4 841	**7 943**	4 632
31 December 2026	**1 967**	-	**1 566**	-
	26 162	24 943	**22 454**	22 634

The total restricted shares granted to staff and executive directors were 8.5 million (2020: 10.9 million) for the Group and 7.1 million (2020: 8.7 million) for the Company.

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R361 million (2020: R472 million) for the Group and R308 million (2020: R434 million) for the Company and is expensed in the statement of comprehensive income over the vesting period of 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.

	Group		Company	
R million	**2021**	2020	**2021**	2020
Auditors' remuneration				
Audit fees: statutory audit	**164**	165	**75**	69
Other services provided by:	**22**	28	**7**	3
Subsidiaries' own auditors	**21**	26	**7**	3
Other Group auditors	**1**	2	**-**	-
Total auditors' remuneration	**186**	193	**82**	72
Admin costs: Depreciation	**941**	1,033	**233**	228
Owned assets	**501**	558	**129**	131
Computer equipment	**287**	297	**96**	103
Furniture, equipment, vehicles and other	**190**	227	**33**	28
Owner-occupied properties	**24**	34	**-**	-
Leased assets	**440**	475	**104**	97
Computer equipment, furniture, equipment, vehicles and other[(1)]	**15**	21	**104**	2
Properties	**425**	454	**-**	95
Leases	**134**	150	**54**	50
Short-term leases	**80**	73	**6**	5
Low value leases	**15**	24	**-**	(2)
Variable lease payments	**39**	53	**48**	47
Consultancy fees	**2 319**	2 017	**1 444**	1 293
Technical, administrative and secretarial fees	**772**	713	**40**	51
Employee benefits	**12 424**	11 666	**4 689**	4 334
Salaries and other short-term benefits	**11 165**	10 331	**4 153**	3 681
Pension costs - defined contribution plans	**725**	744	**232**	285
Pension costs - defined benefit plans	**-**	20	**2**	1
Share-based payments	**377**	410	**296**	347
Other long-term incentive schemes	**157**	161	**6**	20
Number of employees (excluding advisors and associates)	**20 204**	19 855	**5 730**	5 600

(1) Computer equipment has been included with furniture, equipment vehicles and other to align with the note 2 Leases disclosures.

22 Expenses (continued)

22.2 Amortisation

R million		Group 2021	Group 2020	Company 2021	Company 2020
Amortisation of intangibles		**1 164**	994	**25**	19
Value of business acquired	4.2	**905**	755	**-**	-
Other intangibles assets	5	**259**	239	**25**	19

22.3 Impairments

R million		Group 2021	Group 2020	Company 2021	Company 2020
Other (reversal of impairments)/impairments		**(586)**	7 273	**-**	-
Investment in equity-accounted investments	8.2.2 and 25.1.1	**(614)**	1 017	**-**	-
Goodwill	4.1	**17**	4 954	**-**	-
Value of business acquired	4.2	**-**	1 231	**-**	-
Other intangibles assets	5	**15**	17	**-**	-
Owner-occupied properties	3	**-**	41	**-**	-
Other		**(4)**	13	**-**	-
Net impairment losses on financial assets		**294**	1 898	**-**	-
Investments other than equities and similar securities, equity-accounted investments and properties	8.3.2	**(31)**	1 255	**-**	-
Working capital cash	36.1	**-**	250	**-**	-
Trade and other receivables	11.1	**325**	393	**-**	-

23 Finance cost

Finance costs are recognised as an expense in the Statement of Comprehensive Income on an accrual basis.

R million	Group 2021	Group 2020	Company 2021	Company 2020
Interest-bearing liabilities designated as at fair value through profit or loss	**373**	362	**82**	70
Interest-bearing liabilities held at amortised cost	**1**	1	**-**	-
Lease liabilities at amortised cost	**108**	167	**36**	34
Finance cost - other	**482**	530	**118**	104

24 Collateral

24.1 Collateral provided

R million	Group 2021	Group 2020	Company 2021	Company 2020
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:				
Investments	**499**	505	**56**	213
Interest-bearing investments	**86**	213	**56**	213
Cash, deposits and similar securities	**413**	292	**-**	-
Working capital: Trading account	**10**	9	**-**	-

The transferee does not have the right to sell or repledge the assets.

24 Collateral (continued)

24.2 Collateral received

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.

	Group		Company	
	2021	2020	**2021**	2020
Fair value of collateral accepted as security for these activities	**15,139**	7,657	**14,623**	7,420
Carrying value of scrip on loan:	**13,208**	6,743	**12,979**	6,506

Collateral of between 100% (2020: 100%) and 120% (2020: 120%) of the value of the loaned securities is held at 31 December 2021.

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.

25.1 Impairment of goodwill and value of business acquired

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.

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.

25 Critical accounting estimates and judgements (continued)

25.1 Impairment of goodwill and value of business acquired (continued)

25.1.1 San JV (previously known as Saham Finances Group) (continued)

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*	11.4%	11.0%	14.2%	11.6%
Weighted average perpetuity growth rate	5.4%	5.7%	6.1%	4.9%
Revenue: compounded annual growth rate (10 years)	n/a	n/a	10.5-16.9	10.0 - 16.3
Weighted average local discount rate*	6.6%-10.9%	6.3% - 8.9%	n/a	n/a
Net insurance result margin**	9.6%-17.3%	11.0% - 17.0%	n/a	n/a

* 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.

** 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 nonlife 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)**

25 Critical accounting estimates and judgements (continued)

25.1 Impairment of goodwill and value of business acquired (continued)

25.1.1 San JV (previously known as Saham Finances Group) (continued)

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on the Sanlam Life 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	(3.1%)

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	(8.8%)

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 Dcember 2021		31 Dcember 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%
Aggregrate growth rate *	6.8%-12.0%	1.1%-13.4%	4.0% - 15.0%	-0.1% - 13.7%

* Aggregrate growth rate refers to aggregate compound growth rate of the loan book growth rate 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.

Notes to the annual financial statements
for the year ended 31 December 2021

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 29 to 33.

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:

	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia	
%	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
Individual policyholder business	9.3	8.7	13.8	5.8	8.3	10.1
Non-taxable business	11.5	10.8	n/a	n/a	9.7	10.8
Corporate policyholder business	8.6	8.1	n/a	n/a	8.3	10.1
Individual market-related business						
Retirement annuity business	11.8	11.1	17.8	7.5	10.0	11.1
Individual policyholder business	9.6	9.1	13.8	5.8	8.7	10.4
Non-taxable business	11.8	11.1	n/a	n/a	10.0	11.1
Corporate policyholder business	9.0	8.4	n/a	n/a	8.7	10.4
Participating annuity business	10.3	9.6	n/a	n/a	9.1	9.2
Non-participating annuity business [1]	10.6	10.7	20.3	11.1	10.0	9.3
Guarantee plans [1]	5.4	4.6	5.3	7.2	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.

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.

25 Critical accounting estimates and judgements

25.3 Economic assumptions - covered business

Gross investment return, risk discount rate and inflation

Sanlam life [1]

%	2021	2020
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[2]	**8.3%**	7.6%
Risk discount rate	**12.8%**	12.1%

(2) Expense inflation of 11.8% (2020: 11.6%) assumed for retail business administered on old platforms.

Botswana Life Insurance

%	2021	2020
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 equity	**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

%	2021	2020
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 equity	**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 Developing Markets[1]

%	2021	2020
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 equity	**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.

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.

25 Critical accounting estimates and judgements

25.3 Economic assumptions - covered business (continued)

Asset mix of the assets supporting adjusted net asset value – covered business

%	R million 2021	R million 2020	Fixed-interest securities 2021	Fixed-interest securities 2020	Equities 2021	Equities 2020	Hedged equities 2021	Hedged equities 2020	Property 2021	Property 2020	Cash 2021	Cash 2020	Total 2021	Total 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 (Mayalsia)	**619**	490	**68**	69	**17**	18	**-**	-	**-**	-	**15**	13	**100**	100
Total required Capital	**12,946**	13,162												
Free Surplus	**1,107**	1,183												
Adjusted net asset value	**14,053**	14,345												

(1) The 31 December 2021 asset mix backing the Sanlam Life required capital is 98% hedged (31 December 2020: 94%).

Assumed long-term expected return on required capital

%	Gross return on required capital 2021	Gross return on required capital 2020	Net return on required capital 2021	Net return on required capital 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	**6.8%**	7.5%	**5.1%**	5.6%
Saham Morocco	**2.3%**	2.4%	**2.3%**	2.4%
Sanlam Life Insurance (Kenya)	**11.9%**	10.8%	**8.3%**	7.6%
Shriram (India)	**7.3%**	7.1%	**6.2%**	6.1%
MCIS (Malaysia)	**4.4%**	3.4%	**4.1%**	3.1%

25 Critical accounting estimates and judgements (continued)

25.4 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.

25.5 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 140 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 Santam'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)

25.6 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 34 for additional information.

25.7 Consolidation of investment funds

The Group invest 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.

25.8 Deferred tax assets

During 2016, changes to South African 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.

25.9 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 and Trade receivable note 11.1 and Working capital note 36.1

25.10 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 Life 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.

Group and Company

At 31 December 2021, 100% (2020: 100%) of employees were covered by defined contribution funds.

Although there are no active employees under the defined benefit plan the Sanlam Life Group has 93 pensioners as at 31 December 2021 (2020: 438) who still receive an insured pension from the defined benefit fund.

26 Retirement benefits for employees (continued)

26.1 Defined-contribution pension funds

There are separate defined-contribution funds for advisers, full-time and part-time office staff.

Group

The Group contributed R725 million to these funds during 2021 (2020: R744 million).

Company

The Company contributed R232 million to these funds during 2021 (2020: R285 million).

26.2 Defined-benefit pension funds

The Sanlam Life Insurance Group has one defined-benefit pension fund. This fund relates to 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.

The Sanlam Developing Markets SA fund was in a materially sound position at 31 December 2021.

Principal actuarial assumptions:		Sanlam Developing Markets SA
2021		
Valuation date		**31 December 2021**
Pre-retirement discount rate	**% pa**	**10.8%**
Post-retirement discount rate	**% pa**	**5.5%**
Future pension increases	**% pa**	**5.0%**
Actual experience:		
Actual return on assets	**% pa**	**0.0%**
2020		
Valuation date		31 December 2020
Pre-retirement discount rate	% pa	11.0%
Post-retirement discount rate	% pa	5.0%
Future pension increases	% pa	5.0%
Actual experience:		
Actual return on assets	% pa	6.7%

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 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.

26 Retirement benefits for employees (continued)

26.2 Defined benefit pension funds (continued)

Group

R million	2021	2020	2019	2018	2017
Net liability recognised in Statement of Financial Position:					
Actuarial value of fund assets	86	89	85	863	876
Present value of fund obligations	(86)	(89)	(89)	(867)	(891)
Net present value of funded obligations	-	-	(4)	(4)	(15)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	-	-	4	4	15
Net asset recognised in Statement of Financial Position	-	-	-	-	-

Company

R million	2021	2020	2019	2018	2017
Net liability recognised in Statement of Financial Position:					
Present value of fund obligations	-	-	776	787	700
Actuarial value of fund assets	-	-	(776)	(787)	(778)
Net present value of funded obligations	-	-	-	-	(78)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	-	-	-	-	78
Net asset recognised in Statement of Financial Position	-	-	-	-	-

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2021				
Balance at beginning of the year	89	(89)	-	-
Benefit payments	-	10	-	10
Contributions received	-	-	-	-
Interest income / (expense)	10	(10)	-	-
Actuarial gains and losses: change in financial	(13)	3	-	(10)
Balance at end of the year	86	(86)	-	-

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2020				
Balance at beginning of the year	89	(85)	(4)	-
Benefit payments	(6)	9	-	3
Interest income / (expense)	16	-	-	16
Actuarial gains and losses: change in financial	9	(9)	-	-
Returns from plan assets (excluding amounts	(19)	(4)	-	(23)
Other [1]	-	-	4	4
Balance at end of the year	89	(89)	-	-

(1) The effect of the transfer of the Sanlam office Personnel's Life Insurance Limited insurance policies is included in Other.

26 Retirement benefits for employees (continued)

26.2 Defined benefit pension funds (continued)

	Group	
R million	**2021**	2020
Fund assets comprise:		
Equities and similar securities	**-**	89
Insurance policy	**86**	-
	86	89

The following discounted benefits payments are expected payments to be made in future years out of the defined benefit plan obligation:

Due within one year	**(8)**	(8)
Due within two to five years	**(10)**	(8)
Due after 5 years	**(68)**	(73)
Total Expected payments	**(86)**	(89)

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 Life Insurance 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 Group and Company 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

	Group		Company	
R million	**2021**	2020	**2021**	2020
Future lease commitments:				
Lease rentals due within one year	**29**	30	**13**	10
Lease rentals due within two to five years	**110**	62	**73**	51
Lease rentals due within more than five years	**77**	46	**21**	28
Total lease commitments	**216**	138	**107**	89

Amounts reflected in lease commitments relate to short term leases, low value assets leases as well as variable lease payments.

28.2 Guarantees provided to other

28.2.1 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).

28.2.2 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.

28.2.3 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.

28.2.4 During 2020 Sanlam Emerging Markets (Pty) 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 (approximately 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.

28.2.5 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.

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 25.5 for detail relating to CBI claims.

29 Related parties

29.1 Major shareholder

Sanlam Limited is the ultimate holding company of Sanlam Life Insurance Limited.

An agreement has been reached in respect of a transaction between Sanlam and African Rainbow Capital Financial Services Holding (Pty) Ltd ("ARC FS"), subject to the fulfilment of certain suspensive conditions, 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, for an approximate amount of R739 million, which will be rolled forward to the Effective Date at the funding rate applicable to the Ubuntu-Botho Facility (85% of the prime interest rate). The fulfilment of the suspensive conditions is expected to occur during the first half of 2021. 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 Limited and accordingly deemed a related party.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Life are disclosed in note 15.

29.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R725 million in 2021 (2020: R744 million) for the Group and R232 million in 2021 (2020: R285 million) for the company.

There are no amounts outstanding at year-end.

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 Life Insurance Limited have notified that they did not have a material interest in any contract of significance with the company, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 22 and their shareholdings and share participation in Sanlam Limited are disclosed below:

Total interest of directors in share capital at 31 December	Beneficial			
	2021		2020	
	Direct	Indirect	Direct	Indirect
Executive directors				
PB Hanratty	5,000,000	-	3,000,000	-
I Kirk[(1)]	-	-	324,622	-
T Mvusi[(2)]	-	-	113,603	-
J Modise	51,164	-	17,675	-
AM Mukhuba	135,670	-	121,075	-
HC Werth	418,801	578,438	351,082	578,438
Total executive directors	5,605,635	578,438	3,928,057	578,438
Non-executive directors				
AS Birell	65,487	-	-	-
JP Moller	600,000	-	600,000	-
W van Biljon	1,169	-	-	-
CG Swanepoel	-	-	10,000	
J van Zyl	-	1,000,000	-	2,894,288
Total non-executive directors	666,656	1,000,000	610,000	2,894,288
Total	6,272,291	1,578,438	4,538,057	3,472,726

(1) Prescribed officer until 30 June 2020.
(2) Retired on 31 December 2020

29.4 Transactions with entities in the Sanlam group

During the year the Company in the ordinary course of business entered into various transactions with subsidiary companies, associated companies, joint ventures and other stakeholders. Refer below for detail of transactions and balances outstanding with related parties.

The Company advanced, repaid and received loans from other subsidiaries in the Sanlam group during the current and previous years.

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.

Refer to note 16 for the terms and conditions relating to the target shares.

Details of investments in subsidiaries, associates and joint ventures are disclosed in notes 8.2 and note 8.3.3.

Inter-company balances with subsidiaries are disclosed below other than loans which are disclosed on page 57.

Details of transactions that occurred during the financial period and outstanding balances with related parties, are listed below. A complete list of all subsidiaries, fellow subsidiaries, associates and joint ventures that are considered related parties are disclosed on pages 137 to 139.

A fellow subsidiary of Sanlam Life Insurance Ltd, Sanlam Capital Markets Pty Ltd, 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.

During 2020, a section 45 transfer occurred between fellow subsidiaries and the company. ACA's (R288 million) book of business was transferred to Simeka Consultants and Actuaries (R129 million) and Simeka Health (R86 million). The remaining portion was transferred to the corporate division of the company. The transaction occurred at arm's length.

Sanlam Investment Management (Pty) Ltd was disposed of during December 2020 to a fellow subsidiary Sanlam Invesment Holdings (Pty) Ltd for the amount of R2 606 million. The transaction occurred at arm's length.

29 Related parties

29.5 Transactions with related parties

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Sanlam Group. These transactions are entered into in the normal course of business.

Company R million Related Parties	Transaction / Balance type	Transactions 2021	2020	Balances outstanding 2021	2020
Holding company					
Sanlam Ltd	Inter-company balances	-	-	**96**	1 562
	Distributions paid	**(6 300)**	(9 374)	-	-
	Distributions received	-	389	-	-
Subsidiaries (Direct and Indirect)					
Channel Life Ltd	Distributions received	-	510	-	-
	Service, commission and marketing fees	-	11	-	-
Coris Capital (Pty) Ltd	Service fees	-	(1)	-	-
Safrican Insurance Company Limited	Distributions received	-	73	-	-
	Service, commission and marketing fees	**19**	18	-	-
	Reinsurance	**9**	6	-	-
Sanlam Developing Markets (Pty) Ltd	Service, commission and marketing fees	**146**	149	-	-
	Distributions received	**1 113**	1 288	-	-
Sanlam Emerging Markets (Pty) Ltd	Inter-company balances	-	-	**1 692**	1 687
	Distributions received	**424**	1 892	-	-
Sanlam Investment Management (Pty) Ltd	Inter-company balances	-	-	-	108
	Service fees	-	475	-	-
	Distributions received	-	2 700	-	-
	Scrip lending fees	-	15	-	-
Sanlam Life Namibia Ltd	Cost recoveries	**4**	4	-	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	**25**	32	-	-
	Financial instruments	-	-	**1 293**	906
	Inter-company balances	-	-	**17**	9
Sanlam Trust (Pty) Ltd	Service, commission and marketing fees	**(52)**	(52)	-	-
	Distributions received	-	18	-	-
Santam Ltd	Service fees	**323**	306	-	-
	Distributions received	**293**	487	-	-
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	**(53)**	(31)	-	-
	Distributions received	**225**	534	-	-
	Inter-company balances	-	-	**(15)**	(6)
Graviton Financial Partners (Pty) Ltd	Services, commission and marketing fees	-	(4)	-	-
MiWay Finance (Pty) Ltd	Inter-company balances	-	-	**6**	4
Sanlam Capital Markets Ltd	Financial instruments	-	-	**1 725**	1 154
	Service,commission and marketing fees	-	1	-	-
	Inter-company balances	-	-	**(1 174)**	(1 286)
	Scrip lending fees	**12**	-	-	-
Sanlam Collective Investments (Pty) Ltd	Service, commission and marketing fees	**54**	(49)	-	-
	Inter-company balances	-	-	**4**	3
Sanlam FOUR Investments UK Limited	Service, commission and marketing fees	-	(5)	-	-
	Inter-company balances	-	-	-	(8)
Sanlam Health Solutions (Pty) Ltd	Inter-company balances	-	-	**(6)**	31
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	-	-	-	-
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	**(54)**	(54)
Sanlam Multi Managers International (Pty) Ltd	Service, commission and marketing fees	-	129	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	**(424)**	(363)
Sanpref (Pty) Ltd	Inter-company balances	-	-	**1 692**	2 174
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	**211**	124
	Inter-company balances	-	-	**3**	3
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	**79**	140
Associate of holding company					
AfroCentric Healthcare Assets (Pty) Ltd	Distributions received	**82**	61	-	-
Gensec Property Services Ltd	Property Management fee	**(31)**	(34)	-	-
	Tenant commission	**(8)**	(10)	-	-
Joint Ventures					
Sanlam Personal Loans (Pty) Ltd	Distributions received	-	133	-	-
Indwe Broker Holdings (Pty) Ltd	Distributions received	**4**	5	-	-
Curo Fund Services (Pty) Ltd	Asset administration fee	**47**	119	-	-

29 Related parties

29.5 Policy administration

Company

R million		Transactions	
Related Parties	Transaction	2021	2020
Glacier AI Flexible Fund of Fund B	Distributions received	39	-
Glacier Global Stock Feeder Fund	Distributions received	-	-
Glacier Money Market Fund	Distributions received	192	242
Sanlam Growth Institutional Fund	Distributions received	53	43
Sanlam Institutional Special Opportunities Fund	Distributions received	30	28
Sanlam Investment Management Active Income Fund	Distributions received	481	572
Sanlam Investment Management Balanced Fund	Distributions received	413	482
Sanlam Investment Management Bond Plus Fund	Distributions received	198	177
Sanlam Investment Management Enhanced Yield Fund	Distributions received	561	677
Sanlam Investment Management Financial Fund	Distributions received	-	5
Sanlam Investment Management General Equity Fund	Distributions received	222	151
Sanlam Investment Management Inflation Plus Fund	Distributions received	547	554
Sanlam Investment Management Institutional Income Plus Fund	Distributions received	174	325
Sanlam Investment Management Managed Aggressive Fund of Funds	Distributions received	9	15
Sanlam Investment Management Managed Cautious Fund of Funds	Distributions received	23	30
Sanlam Investment Management Managed Conservative Fund of Funds	Distributions received	9	11
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	Distributions received	19	29
Sanlam Investment Management Managed Moderate Fund of Funds	Distributions received	53	73
Sanlam Investment Management Medium Equity Fund	Distributions received	5	4
Sanlam Investment Management Property Fund	Distributions received	450	277
Sanlam Investment Management Small Cap Fund	Distributions received	9	12
Sanlam Investment Management Top Choice Equity Fund	Distributions received	52	28
Sanlam Multi Managed Aggressive Fund of Funds	Distributions received	4	4
Sanlam Multi Managed Balanced Fund of Funds	Distributions received	21	58
Sanlam Multi Managed Bond Fund	Distributions received	408	303
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	10	10
Sanlam Multi Managed Conservative Fund of Funds	Distributions received	20	23
Sanlam Multi Managed Defensive Fund of Funds	Distributions received	-	20
Sanlam Multi Managed Equity Fund	Distributions received	122	108
Sanlam Multi Managed Equity Index Fund	Distributions received	14	10
Sanlam Multi Managed Flexible Equity Fund	Distributions received	21	17
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	87	47
Sanlam Multi Managed Inst Positive Return Fund	Distributions received	14	14
Sanlam Multi Managed Institutional Aggressive Balanced Fund	Distributions received	-	77
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	53	29
Sanlam Multi Managed Institutional Balanced Fund	Distributions received	111	136
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	69	44
Sanlam Multi Managed Institutional Moderate Balanced Fund	Distributions received	64	134
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	5	1
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	73	45
Sanlam Multi Managed Institutional Prudential Balanced Fund One	Distributions received	54	35
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	19	37
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	27	36
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	21	22
Sanlam Multi Managed Property Fund	Distributions received	123	88
Sanlam Multi Managed Yield Plus Fund	Distributions received	11	15
Sanlam Select Bond Plus Fund	Distributions received	-	87
Sanlam Select Focused Equity Fund	Distributions received	5	4
Sanlam Select Thematic Equity Fund	Distributions received	13	8
Sanlam Stable Growth Fund	Distributions received	-	20
Sanlam Value Institutional Fund	Distributions received	69	70
Satrix Balanced Index Fund	Distributions received	229	175
Satrix Bond Index Fund	Distributions received	403	241
Satrix Capped SWIX All Share Index Fund	Distributions received	63	33
Satrix Low Equity Balanced Index Fund	Distributions received	63	69
Satrix Money Market Fund	Distributions received	12	13
Satrix Property Index Fund	Distributions received	190	115
Satrix Quality Index Fund	Distributions received	11	16
Satrix Smartcore Index Fund	Distributions received	53	10
Satrix Swix Top40 Index Fund	Distributions received	338	209

29 Related parties

29.5 Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Sanlam Group. These transactions are entered into in the normal course of business.

Group R million Related Parties	Transaction / Balance type	Transactions 2021	 2020	Balances outstanding 2021	 2020
Holding company					
Sanlam Ltd	Inter-company balances	-	-	96	1 562
	Dividends paid	(6 300)	-	-	-
	Dividends received	-	389	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments (Pty) Ltd	Investment Management Fees	-	(97)	-	-
	Investment Management Fees Income	-	230	-	-
	Performance Fees	-	25	-	-
	Other Income	53	76	-	-
	Administration costs	16	15	-	-
	Financial services income	-	235	-	-
	Accounts Receivable	4	-	-	-
Sanlam Capital Markets (Pty) Ltd	Structured Notes	23	31	-	-
	Derivative Assets	(2)	(4)	-	-
	Inter-company balances	-	-	-	(1 286)
Sanlam Multi Managers International (Pty) Ltd	Administration costs	-	129	-	-
	Investment income	11	1	-	-
	Inter-company balances	-	-	30	25
	Financial services income	(77)	-	-	-
Sanpref (Pty) Ltd	Inter-company balances	-	-	1 692	2 171
	Dividends paid	(62)	-	-	-
Satrix Managers (Pty) Ltd	Investment Management Fees	-	3	-	-
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	78	139
	Investment Management Fees	-	(4)	-	-
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(424)	(363)
Sanlam Asset Management (Ireland) Ltd	Investment Management Fees	3	-	-	-
	Fee income	-	25	-	-
Sanlam Investment Management (Ireland) Ltd	Fee income	-	13	-	-
Sanlam Investment Management (Pty) Ltd	Investment Management Fees	(87)	-	-	-
	Investment Management Fees Income	(15)	-	-	-
Sanlam Health Solutions	Inter-company balances	-	-	-	28
Sanlam Africa Real Estate Advisor (Pty) Ltd	Inter-company balances	-	-	-	1
Sanlam UK	Inter-company balances	-	-	-	(8)
Real Futures	Administration costs	8	-	-	-
Sanlam Private Wealth (Pty) Ltd: SA division	Financial services income	55	46	-	10
	Accounts Receivable	17	9	-	-
	Mortgages & Loans	1 282	899	-	-
	Accrued Investment Income	10	7	-	-

29 Related parties

29.6 Key management personnel compensation

	Group		Company	
R million	2021	2020	2021	2020
Compensation paid to the Group's key management personnel is as follows:				
Short-term employee benefits	705	879	137	266
Share-based payments [1]	115	141	46	77
Termination benefits	4	6	-	3
Other long-term benefits and incentive schemes	43	56	18	29
Total key management personnel compensation	867	1,082	201	375

[1] Consists of redemption of shares in respect of share-based payment schemes.

30 Notes to the cash flow statement

30.1 Cash utilised in operations

R million	Group 2021	Group Restated[1][2] 2020	Company 2021	Company Restated[1][2] 2020
Profit before tax per Statement of Comprehensive Income	15,977	4,230	17,626	(605)
Net movement in policy liabilities (note 15.1)	74,329	22,542	73,297	20,873
Non-cash flow items	(64,572)	4,793	(76,690)	3,637
Depreciation	941	1,032	233	226
Bad debts written off	142	161	16	-
Share-based payments	467	492	296	347
Loss / (profit) on sale of subs	(28)	(2,528)	-	(90)
Fair value adjustments and change in external investors' liability	(64,739)	(2,775)	(77,260)	3,135
Net monetary gain/(loss) (hyperinflation) [1]	2	697	-	-
Net impairment loss on financial assets and other Impairments	(292)	9,171	-	-
Amortisation of intangibles	1,164	994	25	19
Equity-accounted earnings	(2,229)	(2,451)	-	-
Items excluded from cash utilised in operations	(29,034)	(30,060)	(18,970)	(26,011)
Interest and preference share dividends received	(18,489)	(18,271)	(9,003)	(8,576)
Interest paid	482	530	118	104
Dividends received	(11,027)	(12,319)	(10,085)	(17,539)
Net acquisition of investments [2]	(10,948)	(12,681)	(8,498)	(3,645)
Increase/(decrease) in net working capital assets and liabilities	(6,346)	(15,231)	(2,953)	(13,928)
Cash utilised in operations[2]	(20,594)	(26,407)	(16,188)	(19,679)

[1] Prior year has been restated for hyperinflation. Refer to note 37.3 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 37.3 for additional information.

30.2 Acquisition of subsidiaries and associated companies

R million	Group 2021[1]	Group 2020	Company 2021	Company 2020
During the year, interests in subsidiaries and associated companies were acquired within the Group.				
Investments in associated companies	-	-	-	-
The fair value of assets acquired via business combinations is as follows:				
Equipment	-	(36)	-	-
Owner-occupied property	-	(77)	-	-
Goodwill (note 4)	-	(1,092)	-	-
Other Intangible assets	-	(12)	-	-
Common control reserve	-	(2,178)	-	-
Deferred acquisition cost	-	(8)	-	-
Long-term reinsurance assets	-	(50)	-	-
Investments	-	(5,436)	-	-
General insurance technical assets	-	(138)	-	-
Trade and other receivables	-	(122)	-	-
Cash, deposits and similar securities	-	(140)	-	-
Long-term policy liabilities	-	4,577	-	-
Deferred tax liabilities	-	12	-	-
Working capital liabilities	-	395	-	-
Non-controlling interest	-	(72)	-	-
General insurance technical provisions	-	251	-	-
Total purchase consideration	-	(4,126)	-	-
Less: Previously held interest at fair value	-	548	-	-
Cash element of consideration	-	(3,578)	-	-
Less: Cash, deposits and similar securities acquired and consideration payable	-	2,434	-	-
Cash component of acquisition of subsidiaries and associated companies	-	(1,144)	-	-

[1] No acquisitions occurred during the current period.

30 Notes to the cash flow statement

30.3 Disposal of subsidiaries and associated companies

R million	Group 2021	Group 2020	Company 2021	Company 2020
The fair value of assets disposed of were as follows:				
Equipment	1	82	1	-
Right-of-use asset	-	(1)	-	-
Owner occupied	-	4	-	-
Goodwill	-	13	-	-
Other intangible assets	3	9	3	-
Deferred acquisition costs	-	12	-	-
Investments	-	227	-	-
Investments in subsidiaries and associated companies	-	-	-	2,516
Deferred tax assets	1	11	1	-
Long-term policy liabilities	-	(64)	-	-
Trade and other receivables	6	250	6	-
General insurance technical assets	-	68	-	-
Term finance	-	(220)	-	-
General insurance technical provisions	-	(203)	-	-
Cash, deposits and similar securities	9	486	9	-
Deferred tax liabilities	-	-	-	-
Working capital liabilities	(7)	(162)	(7)	-
Minority shareholders interest	-	77	-	-
Profit on disposal of subsidiaries and associated companies	28	2,528	28	90
Total disposal price	41	3,117	41	2,606
Less: Deemed disposal adjustment	-	(257)	-	-
Less: Cash, deposits and similar securities disposed of and consideration receivable	(9)	(2,822)	(9)	(2,606)
Cash component of disposal of subsidiaries and associated companies	32	38	32	-

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	Note	Group 2021	Group Restated 2020	Company 2021	Company Restated 2020
Working capital: Cash and cash equivalents	36	23,380	26,139	3,118	4,626
Investment cash	8.3.2	39,042	41,912	14,733	14,796
Bank overdrafts	11.2	(1,169)	(859)	-	-
Total cash and cash equivalents		61,253	67,192	17,851	19,422
Less: Investment cash with original maturities of greater than 3 months		(19 271)	(26 312)	(10 353)	(10 285)
Plus: Cash, deposits and similar securities included in non-current assets held for sale		383	-	-	-
Total cash, deposits and similar securities – as per Statement of Cash Flow		42 365	40 880	7 498	9 137

Included in cash and cash equivalents are restricted cash balances of R 3,053 million (2020: R 2,326 million) for the Group and R 2,434 million (2020: R 2,189 million) for the Company respectively. It mainly relates to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchanged traded derivatives.

30.5 Non-cash transactions

Dividends to the amount of R490 million (2020: R2 374 million) were received on loan account which affects the Company only. In addition, dividends to the amount of R6 300 million (2020: R9 374 million) were paid to Sanlam Limited on loan account which affects both Company and Group. Both of these transactions represent non-cash transactions on loan account.

31 Business combinations

There were no material acquisitions during the 2021 financial year.

32 Disposal groups and assets 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 co-ordinated 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:

Group

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							
NSIA Participation (NSIA)	Sanlam Emerging	Carrying value	n/a	32.2.1	**789**	**(566)**	**223**
Total					**1 371**	**(566)**	**805**

Company

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							
Investment properties	Sanlam Life and	Fair value	Level 3	32.1	539	-	539

Group

R million	Segment	Valuation methodology	Fair value hierarchy	Note	Non-current assets held for sale	Non-current liabilities held for sale	Net
31 December 2020							
Assets							
Investment properties	Sanlam Emerging	Fair value	Level 3	32.1	31	-	31

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 Disposal groups and assets held for sale (continued)

32.2 Disposal groups

32.2.1 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 operation 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 Segmental information

Group

33.1 Business segments

R million	Sanlam Life and Savings: SA Retail Mass 2021	SA Retail Mass 2020	SA Retail Affluent 2021	SA Retail Affluent 2020	SA Corporate 2021	SA Corporate 2020	Sanlam Emerging Markets 2021	Sanlam Emerging Markets 2020	Sanlam Investments 2021	Sanlam Investments 2020	Santam 2021	Santam 2020	Group Office and Other 2021	Group Office and Other 2020	Consolidation entries & IFRS adjustments 2021	Consolidation entries & IFRS adjustments 2020	Policyholder activities 2021	Policyholder activities 2020	Total 2021	Total 2020
Net income	**10 669**	7 176	**21 442**	16 213	**7 171**	6 119	**25 747**	23 854	**651**	953	**31 144**	28 724	**(721)**	(478)	**996**	4 186	**91 131**	35 666	**188 230**	122 413
Financial services income[1]	**8 186**	6 026	**23 358**	17 648	**7 266**	6 177	**29 404**	28 092	**558**	1 134	**41 499**	37 500	**-**	-	**(36)**	2 380	**68**	51	**110 303**	99 008
Reinsurance premiums received/ (paid)	**2 281**	1 525	**(2 332)**	(2 072)	**(303)**	(263)	**(5 755)**	(5 537)	**-**	-	**(13 972)**	(12 064)	**-**	-	**-**	(383)	**-**	-	**(20 081)**	(18 794)
Reinsurance commission received	**14**	20	**-**	-	**-**	-	**734**	714	**-**	-	**2 067**	2 089	**-**	-	**-**	106	**-**	-	**2 815**	2 929
Investment income[1]	**115**	(158)	**233**	842	**132**	192	**695**	762	**(86)**	(328)	**1 650**	1 697	**(247)**	(315)	**4 455**	3 991	**23 479**	24 834	**30 426**	31 517
Investment surpluses[1]	**73**	(237)	**183**	(205)	**76**	13	**669**	(177)	**179**	147	**882**	(93)	**(474)**	(163)	**3 864**	(6 264)	**69 773**	12 282	**75 225**	5 303
Change in fair value of external investors liability & policyholder non-controlling interest[1]	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(982)**	(405)	**-**	-	**(7 287)**	4 356	**(2 189)**	(1 501)	**(10 458)**	2 450
Net insurance and investment contract benefits and claims	**(6 162)**	(3 744)	**(4 928)**	(2 815)	**(7 368)**	(3 688)	**(11 785)**	(10 099)	**-**	-	**(16 405)**	(16 770)	**-**	-	**(51)**	(1 184)	**(88 871)**	(33 840)	**(135 570)**	(72 140)
Long-term insurance contract benefits	**(4 518)**	(2 751)	**(8 880)**	(4 813)	**(7 663)**	(3 882)	**(4 153)**	(2 463)	**-**	-	**-**	-	**-**	-	**-**	(737)	**(18 902)**	(10 571)	**(44 116)**	(25 217)
Long-term investment contract benefits	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**		**(69 969)**	(23 269)	**(69 969)**	(23 269)
Short-term insurance claims	**(1 924)**	(1 020)	**-**	-	**-**	-	**(9 312)**	(9 528)	**-**	-	**(29 734)**	(25 205)	**-**	-	**(78)**	(1 840)	**-**	-	**(41 048)**	(37 593)
Reinsurance claims received	**280**	27	**3 952**	1 998	**295**	194	**1 680**	1 892	**-**	-	**13 329**	8 435	**-**	-	**27**	1 393	**-**	-	**19 563**	13 939
																-	**-**	-	**-**	-
Expenses	**(3 321)**	(3 012)	**(9 032)**	(8 592)	**(1 874)**	(1 717)	**(11 072)**	(11 101)	**(193)**	(755)	**(10 435)**	(9 662)	**(607)**	(341)	**(337)**	(1 248)	**(687)**	(675)	**(37 558)**	(37 103)
Sales remuneration	**(1 659)**	(1 344)	**(2 463)**	(2 144)	**(80)**	(80)	**(4 656)**	(4 343)	**-**	-	**(5 539)**	(5 124)	**-**	-	**-**	(533)	**-**	-	**(14 397)**	(13 568)
Administration costs[3]	**(1 662)**	(1 668)	**(6 569)**	(6 448)	**(1 794)**	(1 637)	**(6 416)**	(6 758)	**(193)**	(755)	**(4 896)**	(4 538)	**(607)**	(341)	**(337)**	(715)	**(687)**	(675)	**(23 161)**	(23 535)
Impairment of investments and goodwill	**(14)**	(26)	**-**	-	**(8)**	(44)	**278**	(8 772)	**-**	**1**	**(9)**	(38)	**-**	**38**	**-**	(172)	**45**	(158)	**292**	(9 171)
Net impairment losses on financial and contract assets	(14)	(21)	-	-	-	-	(325)	(1 106)	-	1	-	-	-	-	-	(614)	45	(158)	(294)	(1 898)
Other impairments	-	(5)	-	-	(8)	(44)	603	(7 666)	-	-	(9)	(38)	-	38	-	442	-	-	586	(7 273)
Amortisation of intangibles	**(15)**	(14)	**(212)**	(73)	**(15)**	(20)	**(870)**	(841)	**(35)**	(30)	**(17)**	(16)	**-**	-	**-**	-	**-**	-	**(1 164)**	(994)
Net operating result	**1 157**	380	**7 270**	4 733	**(2 094)**	650	**2 298**	(6 959)	**423**	169	**4 278**	2 238	**(1 328)**	(781)	**608**	1 582	**1 618**	993	**14 230**	3 005
Equity-accounted earnings	**-**	-	**183**	4	**140**	133	**1 766**	2 263	**-**	-	**84**	(741)	**(10)**	789	**66**	3	**-**	**-**	**2 229**	2 451
Finance cost	**(8)**	(8)	**(103)**	(93)	**(16)**	(14)	**(38)**	(75)	**(6)**	(9)	**(307)**	(329)	**(4)**	(2)	**-**	-	**-**	-	**(482)**	(530)
Net monetary gain (Lebanon hyperinflation)[2]	**-**	-	**-**	-	**-**	-	**(2)**	(697)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(2)**	(697)
Profit before tax	**1 149**	372	**7 350**	4 644	**(1 970)**	769	**4 024**	(5 468)	**417**	160	**4 055**	1 168	**(1 342)**	6	**674**	1 585	**1 618**	993	**15 975**	4 229
Taxation	**(174)**	60	**(2 009)**	(1 234)	**597**	(155)	**(920)**	179	**(133)**	(197)	**(1 437)**	(793)	**143**	59	**-**	(354)	**(1 618)**	(994)	**(5 551)**	(3 429)
Shareholders' fund	**(174)**	60	**(2 009)**	(1 234)	**597**	(155)	**(920)**	179	**(133)**	(197)	**(845)**	(364)	**143**	59	**-**	(354)	**-**	-	**(3 341)**	(2 006)
Policyholders' fund[1]	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(592)**	(429)	**-**	-	**-**	-	**(1 618)**	(994)	**(2 210)**	(1 423)
Profit from continuing operations	**975**	432	**5 341**	3 410	**(1 373)**	614	**3 104**	(5 289)	**284**	(37)	**2 618**	375	**(1 199)**	65	**674**	1 231	**-**	(1)	**10 424**	800
Attributable to:																			**-**	-
Shareholders' fund[2][4]	**981**	480	**5 374**	3 422	**(1 373)**	614	**2 335**	(5 323)	**165**	(48)	**1 628**	373	**(1 191)**	(631)	**750**	1 244	**-**	(1)	**8 669**	130
Non-controlling interest[2]	**(6)**	(48)	**(33)**	(12)	**-**	-	**769**	34	**119**	11	**990**	2	**(8)**	696	**(76)**	(13)	**-**	-	**1 755**	670
	975	432	**5 341**	3 410	**(1 373)**	614	**3 104**	(5 289)	**284**	(37)	**2 618**	375	**(1 199)**	65	**674**	1 231	**-**	(1)	**10 424**	800
Non-cash expenses/(income)	**(306)**	300	**(67 396)**	(10 566)	**(1 594)**	(318)	**(569)**	3 728	**(282)**	(106)	**(506)**	1 094	**(4 390)**	5 650	**(319)**	2 211	**(45)**	158	**(75 407)**	2 151
Depreciation	**99**	43	**234**	124	**18**	1	**298**	223	**21**	12	**263**	121	**8**	1	**-**	507	**-**	-	**941**	1 032
Bad debts	**7**	-	**22**	(9)	**8**	8	**98**	104	**-**	-	**8**	57	**-**	-	**-**	1	**-**	-	**143**	161
Share-based payments	**-**	-	**-**	-	**-**	-	**5**	7	**-**	-	**84**	76	**-**	-	**-**	(1)	**-**	-	**89**	82
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	**-**	-	**(21)**	(2 243)	**-**	-	**(10)**	(289)	**-**	-	**4**	1	**-**	3	**-**	-	**-**	-	**(27)**	(2 528)
Fair value adjustments[1]	**(441)**	217	**(67 660)**	(8 507)	**(1 503)**	(258)	**212**	(2 132)	**(338)**	(147)	**(807)**	44	**(4 408)**	6 473	**(253)**	1 535	**-**	-	**(75 198)**	(2 775)
Net monetary gain (Lebanon hyperinflation)	**-**	-	**-**	-	**-**	-	**2**	(1 535)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2**	(1 535)
Amortisation of intangibles	**15**	14	**212**	73	**15**	20	**870**	841	**35**	30	**17**	16	**-**	-	**-**	-	**-**	-	**1 164**	994
Impairment of investments and goodwill	**14**	26	**-**	-	**8**	44	**(278)**	8 772	**-**	(1)	**9**	38	**-**	(38)	**-**	172	**(45)**	158	**(292)**	9 171
Equity-accounted earnings	**-**	-	**(183)**	(4)	**(140)**	(133)	**(1 766)**	(2 263)	**-**	-	**(84)**	741	**10**	(789)	**(66)**	(3)	**-**	-	**(2 229)**	(2 451)

(1) Segmental disclosures will only include amounts attributed to shareholders. Within the consolidation entries and IFRS adjustments column, the investment in subsidiaries are reversed and inter-company balances, other investments and term finance between companies within the Group are consolidated. Policyholders' assets and liabilities are reflected in the Policyholder activities column.

The Sanlam Life and Saving segment is responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

The Sanlam Emerging Markets segment is responsible for Sanlam's financial services offering in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

The Sanlam Investments segment comprises: Sanlam Investment Management and Sanlam Capital Markets. The Sanlam Investments segment provides individual and institutional clients in South Africa, the UK and elsewhere in Europe, the USA and Australia access to comprehensive range of specialised investment and risk management expertise.

Santam specialises in short-term (general) insurance products for a diversified market in South Africa. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focusses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in SEM's expansion into Africa, India and South-East Asia.

(2) Prior year has been restated for hyperinflation. Refer to note 37.1 for additional information.

(3) The prior year Retail Mass (from R782 million to R1 668 million) & Consolidation entries & IFRS adjustments (from R1 601 million to R715 million) have been restated for admin costs to align with current year's methodology.

(4) Shareholders' Fund has been adjusted to account for rounding differences in respect of Retail Affluent (from R3 419 million to R3 422 million) and Sanlam Emerging Markets (from R5 328 million to R5 325 million).

33 Segmental information

Group

33.1 Business segments

R million	Total segment assets 2021	Total segment assets Restated[2] 2020	Total segment liabilities 2021	Total segment liabilities Restated[2] 2020	Total equity 2021	Total equity Restated[2] 2020
Sanlam Life and Savings	29 294	26 056	11 223	7 246	18 071	18 810
Sanlam Emerging Markets	91 584	84 180	41 874	38 581	49 710	45 599
Investment Management	5 674	3 727	3 571	1 979	2 103	1 748
Santam	62 398	53 396	49 511	42 495	12 887	10 901
Consolidation entries[2]	63 829	55 886	63 574	54 954	255	932
Policyholder activities	696 378	640 698	696 378	640 698	-	-
Total per Group Statement of Financial Position	949 157	863 943	866 131	785 953	83 026	77 990

33.2 Geographical segments

R million	2021	2020
Segment financial services income	110 303	99 008
South Africa & Other African Operations	105 851	93 267
Other international	4 452	5 741
Non-current assets[1]	29 499	28 820
South Africa & Other African Operations	28 812	28 120
Other international	687	700

[1] Non-current assets include property and equipment, right-of-use-assets, owner-occupied properties, goodwill, value of business acquired, other intangibles, deferred acquisition costs and assets of disposal groups classified as held for sale.

[2] Refer to note 37.2 for additional information.

34 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 counter-parties 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 counter-parties 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

<u>Financial assets</u>

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.

<u>Financial liabilities</u>

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)

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.

34 Fair value disclosures (continued)

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 (ie 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 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 which are measured as the present value of all cash short falls (ie the difference between the cash flows due to the entity 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 an 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**.

34 Fair value disclosures (continued)

Group

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2021				
Non-financial instruments	-	-	17,151	17,151
Properties	-	-	17,151	17,151
Financial instruments	547,444	238,028	3,825	789,297
Equities and similar securities	187,516	2,491	2,249	192,256
Interest-bearing investments	96,513	165,156	550	262,219
Investment in joint ventures	-	-	444	444
Structured transactions	585	11,513	-	12,098
Investment funds	261,879	15,752	582	278,213
Trade and other receivables	951	3,270	-	4,221
Cash, deposits and similar securities: Investments	-	37,892	-	37,892
Cash, deposits and similar securities: Working capital assets	-	1,954	-	1,954
Total assets at fair value	547,444	238,028	20,976	806,448
Financial instruments	83,310	469,813	1,480	554,603
Investment contract liabilities	-	454,538	-	454,538
External investors in consolidated funds	83,310	1,836	-	85,146
Term finance	-	4,544	1,480	6,024
Structured transactions liabilities	-	8,895	-	8,895
Trade and other payables	-	-	-	-
Total liabilities at fair value	83,310	469,813	1,480	554,603

Group

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2020 - Restated [1]				
Non-financial instruments	-	-	17,720	17,720
Properties	-	-	17,720	17,720
Financial instruments [1]	470,205	243,264	2,603	716,072
Equities and similar securities [1]	174,915	4,036	1,101	180,052
Interest-bearing investments	94,385	150,627	543	245,555
Investment in joint ventures	-	-	427	427
Structured transactions	117	29,002	-	29,119
Investment funds	199,590	13,970	522	214,082
Trade and other receivables	1,198	3,348	10	4,556
Cash, deposits and similar securities: Investments	-	38,988	-	38,988
Cash, deposits and similar securities: Working capital assets	-	3,293	-	3,293
Total assets at fair value [1]	470,205	243,264	20,323	733,792
Financial instruments [1]	83,493	409,903	1,338	494,734
Investment contract liabilities	388	380,946	-	381,334
External investors in consolidated funds [1]	82,705	1,039	-	83,744
Term finance	-	4,093	1,326	5,419
Structured transactions liabilities	-	22,958	12	22,970
Trade and other payables	400	867	-	1,267
Total liabilities at fair value [1]	83,493	409,903	1,338	494,734

[1] Prior year restated for IFRS 10 consolidated investment vehicle translation error. Refer to note 37.2 for additional information.

34 Fair value disclosures (continued)

Company

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2021				
Non-financial instruments	-	-	7,801	7,801
Properties	-	-	7,801	7,801
Financial instruments	426,316	123,385	121,287	670,988
Equities and similar securities	79,903	1,482	1,731	83,116
Investment in subsidiaries, joint ventures and associated companies	-	-	118,059	118,059
Interest-bearing investments	40,849	89,169	934	130,952
Structured transactions	479	8,626	-	9,105
Investment funds	305,085	4,525	563	310,173
Trade and other receivables	-	2,896	-	2,896
Cash, deposits and similar securities: Investments	-	14,733	-	14,733
Cash, deposits and similar securities: Working capital assets	-	1,954	-	1,954
Total assets at fair value	426,316	123,385	129,088	678,789
Financial instruments	-	416,780	31,479	448,259
Investment contract liabilities	-	413,356	-	413,356
Term finance	-	1,992	-	1,992
Loans from subsidiaries	-	-	31,479	31,479
Structured transactions liabilities	-	1,432	-	1,432
Total liabilities at fair value	-	416,780	31,479	448,259

Company

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2020				
Non-financial instruments	-	-	8,763	8,763
Properties	-	-	8,763	8,763
Financial instruments	374,814	132,185	97,392	604,391
Equities and similar securities	64,454	2,222	459	67,135
Investment in subsidiaries, joint ventures and associated companies	18,863	-	95,569	114,432
Interest-bearing investments	42,646	81,169	897	124,712
Structured transactions	-	22,872	-	22,872
Investment funds	248,851	4,269	467	253,587
Trade and other receivables	-	3,564	-	3,564
Cash, deposits and similar securities: Investments	-	14,796	-	14,796
Cash, deposits and similar securities: Working capital assets	-	3,293	-	3,293
Total assets at fair value	374,814	132,185	106,155	613,154
Financial instruments	-	16,202	31,236	47,438
Investment contract liabilities	-	341	-	341
Term finance	-	1,004	-	1,004
Loans from subsidiaries	-	-	31,236	31,236
Structured transactions liabilities	-	14,857	-	14,857
Total liabilities at fair value	-	16,202	31,236	47,438

34 Fair value disclosures (continued)

Group

Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Trade and other receivables	Total assets
2021							
Assets							
Balance at 1 January 2021	17,720	1,101	543	522	427	10	20,323
Net (losses)/gains in Statement of Comprehensive Income	(269)	(148)	42	(405)	-	-	(780)
Acquisitions	690	1,537	-	514	-	-	2,741
Acquired through business combinations	13	-	-	-	17	-	30
Disposals/settlements	(799)	(144)	(35)	(49)	-	(10)	(1,037)
Reclassified to non-current assets held for sale	(562)	(33)	-	-	-	-	(595)
Foreign exchange movements	20	(64)	-	-	-	-	(44)
Transfers to owner-occupied property	338	-	-	-	-	-	338
Balance at 31 December 2021	17,151	2,249	550	582	444	-	20,976

R million	Term finance	Structured transaction liabilities	Total liabilities
2021			
Liabilities			
Balance at 1 January 2021	1,326	12	1,338
Total (gains)/loss in statement of comprehensive income	154	-	154
Disposals	-	(12)	(12)
Balance at 31 December 2021	1,480	-	1,480

Group

Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Trade and other receivables	Total assets
2020							
Assets							
Balance at 1 January 2020	18,874	985	498	709	400	-	21,466
Net gains in Statement of Comprehensive Income	(1,982)	54	21	(27)	27	-	(1,907)
Acquisitions	1,482	140	24	52	-	-	1,698
Acquired through business combinations	4	-	-	-	-	10	14
Reclassified to non-current assets held for sale	(2)	-	-	-	-	-	(2)
Disposal of subsidiaries	(91)	-	-	-	-	-	(91)
Disposals	(325)	(111)	-	(221)	-	-	(657)
Foreign exchange movements	704	33	-	9	-	-	746
Transfers to owner-occupied properties	(944)	-	-	-	-	-	(944)
Balance at 31 December 2020	17,720	1,101	543	522	427	10	20,323

R million	Term finance	Structured transaction liabilities	Total liabilities
2020			
Liabilities			
Balance at 1 January 2020	1,660	-	1,660
Total (gains)/loss in statement of comprehensive income	(334)	-	(334)
Acquisitions	-	12	12
Balance at 31 December 2020	1,326	12	1,338

34 Fair value disclosures (continued)

Company
Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in subsidiaries, joint ventures and associated companies	Total assets
2021						
Assets						
Balance at 1 January 2021	8,763	459	897	467	95,569	106,155
Net (losses)/gains in Statement of Comprehensive Income	(553)	(246)	42	(405)	1,214	52
Acquisitions	141	1,521	-	501	9,208	11,371
Disposals	-	(2)	(6)	-	40	32
Transfer from owner-occupied properties	(11)	-	-	-	-	(11)
Reclassified as non-current assets held for sale	(539)	-	-	-	-	(539)
Balance at 31 December 2021	7,801	1,732	933	563	106,031	117,060

R million	Loans from subsidiaries	Total liabilities
2021		
Liabilities		
Balance at 1 January 2021	31,236	31,236
Net issues	243	243
Balance at 31 December 2021	31,479	31,479

Company
Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in subsidiaries, joint ventures and associated companies	Total assets
2020						
Assets						
Balance at 1 January 2020	10,041	471	838	639	103,411	115,400
Net gains/(loss) in Statement of Comprehensive Income	(1,457)	29	20	(27)	3,450	2,015
Acquired through business combinations	-	-	-	-	(11,292)	(11,292)
Acquisitions	154	-	39	3	-	196
Disposals	-	(41)	-	(148)	-	(189)
Transfer from owner-occupied properties	25	-	-	-	-	25
Balance at 31 December 2020	8,763	459	897	467	95,569	106,155

R million	Loans from subsidiaries	Total liabilities
2020		
Liabilities		
Balance at 1 January 2020	31,426	31,426
Net issues	(190)	(190)
Balance at 31 December 2020	31,236	31,236

Losses (realised and unrealised) included in Statement of Comprehensive Income	Group		Company	
R million	2021	2020	2021	2020
Total losses included in Statement of Comprehensive Income for the period	(956)	(2,372)	(1,161)	(1,732)
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)	(625)	(1,437)

34 Fair value disclosures (continued)

Group

Transfers between levels

R million	Structured Transactions	Interest bearing investments [1]	Investment funds	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.

Company

Transfers between levels

R million	Structured Transactions	Interest bearing investments [1]	Investment funds	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	-	(576)	(2,715)	(3,291)
Transfer from level 2 to level 1 -	-	-	-	-

[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.

34 Fair value disclosures

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, Consumer price index.	Discount rate and Cost of Capital.
Structured transactions assets and liabilities	2 and 3		Option pricing models 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, DCF.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index Bond interest rate curve.	Earnings multiple.
Trade and other receivables/payables	2 and 3		DCF, Earnings multiple, Quoted put/ surrender price by issuer, Option pricing models.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Forward rate, Credit risk spread, Liquidity spread.	n/a
Cash, deposits and similar securities	2		Mark-to market Yield curve.	Bond and interbank swap interest rate curve.	n/a
Investment in subsidiaries, associates and joint ventures	3		DCF, Earnings multiple	Earnings Multiple, Country risk, size of the business and marketability.	Adjusted earnings multiple, Sustainable EBITDA, Cost of Capital, Budgets and Forecasts
Term finance	2		DCF	Bond & 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.

34 Fair value disclosures (continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Group

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 [1]						
2021						
Cashflow risk adjustments [1]	**17 150**	**(1 715)**	**1 715**			
Base rate				**8 300**	**(352)**	**379**
Capitalisation				**8 300**	**(429)**	**516**

	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple [2]	**8 850**	**885**	**(885)**

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						
Cashflow risk adjustments [1]	17 720	(1 772)	1 772			
Base rate				9 260	(373)	403
Capitalisation				9 260	(470)	574

	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple [2]	8 460	845	(845)

(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	**2 250**	**225**	**(225)**			
Investment Funds[1]	**581**	**58**	**(58)**			
Interest-bearing investments				**550**	**64**	**(64)**
Investment in joint ventures[2]	**444**	**44**	**(44)**			
Total	**3 275**	**327**	**(327)**	**550**	**64**	**(64)**
2020						
Equities and similar securities	1 101	110	(110)			
Investment Funds[1]	522	52	(52)			
Trade receivables	10	1	(1)			
Interest-bearing investments				543	(21)	21
Investment in joint ventures[2]	427	43	(43)			
Total	2 060	206	(206)	543	(21)	21

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Group

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2021			
Term finance	**1 480**	**148**	**(148)**
Total liabilities	**1 480**	**148**	**(148)**
2020			
Term finance	1 326	133	(133)
Structured transaction liabilities	12	1	(1)
Total liabilities	1 338	134	(134)

(1) Represents mainly private equity investments valued on earnings multiple, with sensitivities based on full valuation.

(2) Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate. The valuation methodology applied to the underlying investment changed from a discounted cash flows based methodology to an earnings multiple methodology.

34 Fair value disclosures (continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Company

Assets

R million	Carrying amount [1]	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [1]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2021						
Cashflow risk adjustments	**7 801**	**(780)**	**780**			
Base rate				**7 801**	**(341)**	**368**
Capitalisation				**7 801**	**(403)**	**493**
2020						
Cashflow risk adjustments	8 763	(876)	876			
Base rate				8 763	(362)	391
Capitalisation				8 763	(447)	546

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Company

Assets

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2021						
Equities and similar securities [4]	**1 732**	**173**	**(173)**			
Interest bearing investments	**444**	**44**	**(44)**	**490**	**(31)**	**31**
Investment in subsidiaries, joint ventures and associates [2]				**106,031**	**(5 965)**	**8 226**
Investment funds [4]	**563**	**56**	**(56)**			
Total	**2 739**	**273**	**(273)**	**106 521**	**(5 996)**	**8 257**
2020						
Equities and similar securities	459	46	(46)			
Interest bearing investments	427	43	(43)	470	(29)	29
Investment in subsidiaries, joint ventures and associates [2]	-	-	-	95 569	(4 958)	6 741
Investment funds	467	47	(47)			
Total	1 353	136	(136)	96 039	(4 987)	6 770

[1] Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.

[2] Subsidiaries that conduct life insurance business are valued at embedded value plus a multiple of VNB and other subsidiaries are valued at DCF. Sensitivities for life insurance subsidiaries have been calculated as a 1% increase/decrease of the rate that is used to discount the value of in-force business. The valuation methodology for certain joint ventures changed from a discounted cash flow based methodology to an earnings multiple methodology.

[3] Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.

[4] Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2021			
Loans from subsidiaries	**31 479**	**3 148**	**(3 148)**
Total liabilities	**31 479**	**3 148**	**(3 148)**
2020			
Loans from subsidiaries	31 236	3 124	(3 124)
Total liabilities	31 236	3 124	(3 124)

35 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
Group								
31 December 2021								
Assets								
Working Capital cash	**148**	**-**	**148**	**-**	**-**	**148**	**23,232**	**23,380**
Trading account assets	**-**	**-**	**-**	**-**	**-**	**-**	**72**	**72**
Structured transactions [4]	**4,324**	**(4 094)**	**230**	**-**	**-**	**230**	**11,868**	**12,098**
Liabilities								
Trading account liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**926**	**926**
Structured transactions [4]	**4,680**	**(3 894)**	**786**	**-**	**-**	**786**	**8,109**	**8,895**
31 December 2020								
Assets								
Working capital cash	186	-	186	-	-	186	25 953	26 139
Trading account assets	-	-	-	-	-	-	2 492	2 492
Structured transactions [4]	1 417	(1 214)	203	-	-	203	28 916	29 119
Liabilities								
Trading account liabilities	-	-	-	-	-	-	1 267	1 267
Structured transactions [4]	10 987	(7 140)	3 847	-	-	3 847	19 123	22 970
Company								
31 December 2021								
Assets								
Structured transactions [4]	**4 324**	**(4 094)**	**230**	**-**	**-**	**230**	**8 875**	**9 105**
Liabilities								
Structured transactions [4]	**-**	**-**	**-**	**-**	**-**	**-**	**1 432**	**1 432**
31 December 2020								
Assets								
Structured transactions [4]	1 417	(1 214)	203	-	-	203	22 669	22 872
Liabilities								
Structured transactions [4]	10 987	(7 140)	3 847	-	-	3 847	11 010	14 857

(1) The figures for other financial instruments column are made up of ISDA netting, CSA 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 SCM to cover events of default.

(3) Excludes enforceable netting arrangements.

(4) Structured transactions liabilities include derivative liabilities.

36 Classification of other financial instruments

36.1 Working capital cash: Cash, deposits and similar securities

Working capital cash: Cash, deposits and similar securities are classified as follows:

	Group		Company	
R million	2021	**2020**	2021	**2020**
Net amortised cost [1]	**21,426**	22,846	**1,164**	1,333
Gross	**21,443**	23,084	**1,164**	1,333
Expected credit loss allowance	**(17)**	(238)	**-**	-
Fair value through other comprehensive income [2]	**1,954**	3,293	**1,954**	3,293
Total Working capital assets: Cash, deposits and similar securities	**23,380**	26,139	**3,118**	4,626

[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 34 for the fair value levels. No material adjustments to fair value occurred during the accounting period.

Reconciliation of expected credit losses

	Group	
R million	2021	**2020**
Balance at the beginning of the year	238	**0**
Net remeasurement	-	250
Foreign currency translation differences	(221)	(12)
Balance at the end of the year	17	238

36.2 External investors in consolidated funds

These are designated at fair value through profit and loss. Refer to note 34 for the fair value levels.

37 Restatements

37.1 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). The 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.

Statement of Financial Position

	At 31 December 2020		
R million	**As previously reported**	**Adjustments**	**Restated**
Capital and reserves			
Share capital and premium	5,000	-	**5,000**
Treasury shares	(44)	-	**(44)**
Other reserves	2,855	2,145	**5,000**
Retained earnings	58,801	(2,145)	**56,656**
Shareholders' fund	66,612	-	**66,612**
Non-controlling interests (NCI)	11,378	-	**11,378**
Total equity	77,990	-	**77,990**

Statement of Comprehensive Income

	For the year ended 31 December 2020		
	As previously reported	**Adjustments**	**Restated**
Net operating result	3,006	-	**3,006**
Equity-accounted earnings	2,451	-	**2,451**
Finance cost - other	(530)	-	**(530)**
Net monetary gain/(loss) (Lebanon hyperinflation)	1,535	(2,232)	**(697)**
Profit before tax	6,462	(2,232)	**4,230**
Taxation	(3,430)	-	**(3,430)**
Profit for the period	3,032	(2,232)	**800**
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve	3,241	-	**3,241**
Comprehensive income for the year	6,273	(2,232)	**4,041**
Allocation of comprehensive income:			
Profit for the year	3,032	(2,232)	**800**
Shareholders' fund	2,270	(2,145)	**125**
Non-controlling interests	762	(87)	**675**
Comprehensive income for the year	6,273	(2,232)	**4,041**
Shareholders' fund	5,243	(2,145)	**3,098**
Non-controlling interests	1,030	(87)	**943**

37 Restatements (continued)

37.1 Hyperinflation accounting error (continued)

Statement of Changes in Equity

R million	FCTR	Retained earnings	Subtotal: equity holders	NCI	Total Equity
	At 31 December 2020				
	As previously reported				
Balance at 31 December 2019	(3,316)	65,401	73,641	11,393	85,034
Lebanon hyperinflation	(1,234)	-	(1,234)	-	(1,234)
Comprehensive income	2,967	2,276	5,243	1,030	6,273
Profit for the year	-	2,275	2,275	757	3,032
Other comprehensive income	2,967	1	2,968	273	3,241
Aggregated other unaffected SOCE movements	21	(8,876)	(11,038)	(1,045)	(12,083)
Balance at 31 December 2020	**(1,562)**	**58,801**	**66,612**	**11,378**	**77,990**

R million	FCTR	Retained earnings	Subtotal: equity holders	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)
Other comprehensive income	-	-	-		-
Aggregated other unaffected SOCE movements	-	-	-	-	-
Balance at 31 December 2020	**2,145**	**(2,145)**	**-**	**-**	**-**

R million	FCTR	Retained earnings	Subtotal: equity holders	NCI	Total Equity
	Restated				
Balance at 31 December 2019	**(3,316)**	**65,401**	**73,641**	**11,393**	**85,034**
Lebanon hyperinflation	**911**	**-**	**911**	**87**	**998**
Comprehensive income	**2,967**	**131**	**3,098**	**943**	**4,041**
Profit for the year	**-**	**130**	**130**	**670**	**800**
Other comprehensive income	**2,967**	**1**	**2,968**	**273**	**3,241**
Aggregated other unaffected SOCE movements	**21**	**(8,876)**	**(11,038)**	**(1,045)**	**(12,083)**
Balance at 31 December 2020	**583**	**56,656**	**66,612**	**11,378**	**77,990**

37 Restatements (continued)

37.2 IAS 21 translation error of IFRS 10 consolidated vehicles

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:

	31 December 2020		
R million	**As previously reported**	**Adjustments**	**Restated**
ASSETS			
Investments			
Equity and similar securities	181,178	(1,126)	180,052
Other assets	683,891	-	683,891
Total assets	**865,069**	**(1,126)**	**863,943**
EQUITY AND LIABILITIES			
Total equity	77,990	-	77,990
External investors in consolidated funds	84,870	(1,126)	83,744
Other liabilities	702,209		702,209
Total equity and liabilities	**865,069**	**(1,126)**	**863,943**

37.3 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 and Company Statement of Cash Flows is as follows:

	Group 31 December 2020		
R million	**As previously reported**	**Adjustments**	**Restated**
Cash flow from operating activities	(6,394)	-	(6,394)
Cash utilised in operations	(31,100)	4,693	(26,407)
Interest and preference share dividends received	18,489	(3,007)	15,482
Interest paid	(355)	-	(355)
Dividends received	12,319	(1,686)	10,633
Dividends paid	(1,334)	-	(1,334)
Taxation paid	(4,413)	-	(4,413)

	Company 31 December 2020		
R million	**As previously reported**	**Adjustments**	**Restated**
Cash flow from operating activities	(1,981)	-	(1,981)
Cash utilised in operations	(24,078)	4,399	(19,679)
Interest and preference share dividends received	8,461	(2,822)	5,639
Interest paid	(64)	-	(64)
Dividends received	15,165	(1,577)	13,588
Dividends paid	-	-	-
Taxation paid	(1,465)	-	(1,465)

38 Principal Subsidiaries

at 31 December 2021

			Fair value of interest in subsidiaries			
			Equities		Loans [2]	
	Country of		2021	2020	2021	2020
	incorporation	% interest	R million	R million	R million	R million
Investment companies [4]						
U.R.D. Beleggings (Pty) Limited	RSA	100	21 866	21 782	(21 649)	(21 568)
Sanlam Africa Credit Investments Limited	MAU	100	-	-	-	-
Property investment company [4]						
Anson Holdings (Pty) Limited	RSA	100	-	-	-	-
Jane Furse Plaze (Pty) Limited	RSA	-	-	-	-	-
Rycklof Beleggings (Pty) Limited	RSA	100	1 467	1 467	(1 459)	(1 459)
San Lameer (Pty) Ltd	RSA	100	13	13	(13)	(13)
Acornhoek Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Kwagga Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Winter Robin Investments 26 Proprietary Limited (Waterfall Industrial)	RSA	80	332	482	-	-
Speculation company in negotiable securities [4]						
Edimed (Pty) Ltd	RSA	100	76	76	(76)	(76)
Asset Management [5]						
Sanlam Investment Management (Pty) Limited	RSA	100	-	-	-	-
Brackenham Holdings (Pty) Limited	RSA	100	-	-	-	-
Glacier Financial Holdings (Pty) Ltd	RSA	100	2 909	2 709	(15)	(6)
Sanlam Private Investments	RSA	-	-	-	11	-
Credit provider [5][6]	RSA					
Anglo African Finance (Pty) Limited[6]	RSA	-	-	-	-	-
Linked Investment Service Provider [5][6]						
Sanlam Linked Investments (Pty) Limited	RSA	100	71	74	(32)	(32) [3]
Trust services [5][6]						
Sanlam Trust (Pty) Limited[6]	RSA	100	195	181	(12)	4
Administration Services [5][6]						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	71	-	-	-
Sanlam Healthcare Management (Pty) Limited	RSA	100	1	1	-	-
Infinit Group Risk Solutions (Pty) Limited	RSA	100	-	-	-	-
ACA Consultants and Actuaries	RSA	100	39	69	-	(64)
African Rainbow Life	RSA	100	57	68	-	-
Succession Financial Planning Advisory Services (Pty) Ltd	RSA	100	11	15	2	3
Life Insurance[5][6]						
Brightrock Holdings (Pty) Limited	RSA	58	1 221	1 184	59	18
Safrican Insurance Company Limited	RSA	100	1 448	1 510	928	76
Sanlam Life Namibia Limited	Namibia	-	-	-	21	66
Sanlam Namibia Holdings Limited [1]	Namibia	-	-	-	-	-
Sanlam Developing Markets Limited	RSA	100	18 992	16 512	(284)	(3)
Channel Life Limited	RSA	100	266	243	(5)	(90)
Sanlam Emerging Markets (Pty) Limited	RSA	100	42 664	37 124	1 779	1 687
Short-term insurance [7]						
Santam Limited	RSA	59	18 241	17 277	-	-
MiWay	RSA	-	-	-	6	-
Dormant companies [4]						
Coris Capital Holdings (Pty) Limited	RSA	100	-	-	32	36
Sankorp (Pty) Limited	RSA	100	701	701	(701)	(701)
Electra Investments (South Africa) (Pty) Limited	RSA	100	6 306	6 306	(6 306)	(6 306)
Electra Share Ventures (Pty) Limited	RSA	100	532	532	(532)	(532)
Status Beleggings (Pty) Limited	RSA	100	406	406	(406)	(406)
Simeka Consultants & Actuaries (Pty) Ltd	RSA	30	187	133	3	3
Other			-	-	-	15
Total			118 072	108 865	(28 649)	(29 348)

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Life Insurance Limited.

[1] Sanlam Life Insurance Ltd holds a 35% interest directly and a 19% holding indirectly in Sanlam Namibia Holdings Ltd.

[2] Except for Anson Holdings (Proprietary) Limited, loans are unsecured and are repayable on demand. No interest is charged but these arrangements are subject to revision from time to time.

[3] The company has subordinated its claim against certain subsidiaries in favour of other creditors of the subsidiary until such time as the subsidiaries assets fairly valued exceed its liabilities.

[4] The valuations of these unlisted entities are based on the fair values of the underlying net assets.

[5] These non-life valuations are determined and approved by Sanlam Non-Listed Asset Controlling Board.

[6] The valuations of the life businesses are based on embedded value plus a multiple of VNB. Non-life businesses are valued on a discounted cash flow (DCF) basis. Refer to note 8.3.3. The fair values disclosed are classified as level 3 instruments in terms of IFRS 13.

[7] The fair value of Santam is based on the listed share price.

38 Principal Subsidiaries (continued)

Analysis of the company's holdings in subsidiaries with significant non-controlling interests:

%	Santam Limited[1] 2021	Santam Limited[1] 2020	MCIS Insurance [3] 2021	MCIS Insurance [3] 2020	Botswana Insurance Holdings Limited [2] 2021	Botswana Insurance Holdings Limited [2] 2020
Shareholder's fund	**62.07**	61.93	**51.00**	51.00	**58.99**	59.16
Policyholder's fund	**0.14**	0.15	**-**	-	**-**	-
Non-controlling interest	**37.79**	37.93	**49.00**	49.00	**41.01**	40.84
Total	**100.00**	100.00	**100.00**	100.00	**100.00**	100.00

R million	Santam Limited[1] 2021	Santam Limited[1] 2020	MCIS Insurance [3] 2021	MCIS Insurance [3] 2020	Botswana Insurance Holdings Limited [2] 2021	Botswana Insurance Holdings Limited [2] 2020
Summarised statement of profit or loss for the year ending 31 December:						
Net income	**31 839**	28 842	**1 280**	2 248	**4 516**	4 668
Net insurance and investment contract benefits and claims	**(16 405)**	(16 770)	**(398)**	(1 262)	**(3 038)**	(2 958)
Expenses	**(11 476)**	(10 127)	**(790)**	(771)	**(1 250)**	(1 123)
Share of profit of associates and joint ventures	**78**	(610)	**-**	-	**407**	370
(Finance cost)/Finance income	**(313)**	(318)	**17**	(3)	**-**	-
Profit before tax	**4 315**	1 446	**110**	212	**635**	957
Income tax	**(1 471)**	(800)	**(29)**	(89)	**(112)**	(185)
Discontinued Operations	**-**	-	**-**	-	**-**	-
Profit for the year	**2 844**	646	**81**	123	**523**	772
Total comprehensive income	**2 862**	855	**140**	184	**689**	671
Attributable to non-controlling interests	**99**	104	**69**	100	**282**	268
Dividends paid to non-controlling interests	**227**	50	**36**	41	**102**	227

Analysis of the company's holdings in subsidiaries with significant non-controlling interests:

R million	Santam Limited[1] 2021	Santam Limited[1] 2020	MCIS Insurance [3] 2021	MCIS Insurance [3] 2020	Botswana Insurance Holdings Limited [2] 2021	Botswana Insurance Holdings Limited [2] 2020
Summarised statement of financial position as at 31 December:						
Assets						
Investments	**35 022**	33 137	**17 772**	16 452	**23 601**	22 088
Other non-current assets	**1 691**	1 728	**395**	340	**405**	412
Deferred tax (non-current)	**78**	102	**-**	-	**-**	-
Cash and cash equivalents (working capital)	**4 586**	4 544	**148**	186	**186**	326
Trade and other receivables	**24 181**	16 669	**802**	432	**395**	386
Liabilities						
Policyholder liabilities	**(40 948)**	(33 109)	**(14 668)**	(14 343)	**(19 097)**	(18 169)
Other non-current liabilities	**(7 019)**	(7 462)	**(847)**	(55)	**(70)**	(26)
Deferred tax (non-current)	**(85)**	(104)	**(153)**	(164)	**(32)**	(27)
Other current liabilities	**(593)**	(324)	**(29)**	(11)	**(2)**	(5)
Trade and other payables	**(4 851)**	(5 089)	**(2 151)**	(1 632)	**(841)**	(894)
Total equity	**12 062**	10 092	**1 269**	1 205	**4 545**	4 091
Attributable to:						
Equity holders of the parent	**11 432**	9 356	**648**	615	**2 681**	2 456
Non-controlling interest	**630**	736	**621**	590	**1 864**	1 635
Summarised statement of cash flows for the year ending 31 December:						
Operating	**1 884**	1 127	**1 062**	(189)	**2 401**	1 377
Investing	**(109)**	(1 322)	**(43)**	(649)	**(2 532)**	(1 259)
Financing	**(1 634)**	(208)	**696**	-	**(7)**	(7)
Net increase/(decrease) in cash and cash equivalents	**141**	(403)	**1 715**	(838)	**(138)**	111

[1] The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been summarised above. This information is provided based on amounts before inter-company eliminations.

[2] The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana.

[3] The financial information of MCIS Insurance, incorporated and operating in Malaysia.

38 Principal Subsidiaries (continued)

Analysis of the company's holdings in subsidiaries with significant non-controlling interests:

	Saham Assurance Maroc [1]	
	2021 %	2020 %
Shareholder's fund	**61.72**	61.90
Policyholder's fund	**-**	-
Non-controlling interest	**38.28**	38.10
Total	**100.00**	100.00

[1] 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.

	Saham Assurance Maroc	
R million	**2021**	**2020**
Summarised statement of profit or loss for the year ending 31 December:		
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:		
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:		
Operating	**978**	(115)
Financing	**(1 252)**	834
Investing	**(39)**	-
Net (decrease)/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 Life Insurance Limited

Related Parties

for the year ended 31 December 2021

Company Name	% interest held by Sanlam Life Insurance Ltd in company[1]	Country of registration
SUBSIDIARIES[1]		
Absa Consultants and Actuaries (Pty) Ltd	100%	RSA
African Rainbow Life Limited	100%	RSA
Brackenham Holdings (Pty) Ltd	100%	RSA
Brightrock Holdings (Pty) Ltd	58%	RSA
Channel Life Ltd	100%	RSA
Coris Capital Holdings (Pty) Ltd	100%	RSA
Edimed (Pty) Ltd	100%	RSA
Electra Investments (SA) (Pty) Ltd	100%	RSA
Electra Share Ventures (Pty) Ltd	100%	RSA
Glacier Financial Holdings (Pty) Ltd	100%	RSA
Infinit Group Risk Solutions (Pty) Ltd	100%	RSA
Phoenix Industriële Park (Pty) Ltd	100%	RSA
Rycklof-Beleggings (Pty) Ltd	100%	RSA
Safrican Insurance Company Ltd	100%	RSA
Sankorp (Pty) Ltd	100%	RSA
Sanlam Africa Credit Investments Ltd	100%	Mauritius
Sanlam Developing Markets Ltd	100%	RSA
Sanlam Emerging Markets (Pty) Ltd	100%	RSA
Sanlam Fundshares Nominee (Pty) Ltd	100%	RSA
Sanlam Healthcare Distribution Service Management (Pty) Ltd	100%	RSA
Sanlam Healthcare Management (Pty) Ltd	100%	RSA
Sanlam Linked Investments (Pty) Ltd	100%	RSA
Sanlam Share Account Nominee (Pty) Ltd	100%	RSA
Sanlam Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	59%	RSA
Simeka Consultants & Actuaries (Pty) Ltd	30%	RSA
Simeka Employee Benefits Holdings (Pty) Ltd	100%	RSA
Simeka Health (Pty) Ltd	100%	RSA
Status-Beleggings (Pty) Ltd	100%	RSA
Succession Financial Planning Advisory Services (Pty) Ltd	100%	RSA
The Financial Services Exchange (Pty) Ltd	100%	RSA
U.R.D. Beleggings (Pty) Ltd	100%	RSA
ASSOCIATES[1]		
AfroCentric Healthcare Assets (Pty) Ltd	29%	RSA
IFAnet Independent Distribution Services (Pty) Ltd	26%	RSA
Shriram Transport Finance Company Limited	3%	India
Transparent Financial Services (Pty) Ltd	26%	RSA
Ubuntu-Botho Investment Holdings (Pty) Ltd (UBIH)	45%	RSA
Uyanda STI Careers (Pty) Ltd	26%	RSA
JOINT VENTURES[1]		
Waterfall JVCO 115 (Pty) Ltd	76%	RSA
Indwe Broker Holdings Group (Pty) Ltd	25%	RSA
Sanlam Personal Loans (Pty) Ltd	70%	RSA

[1] Percentage interest held directly by the company

Sanlam Life Insurance Limited

Related Parties
for the year ended 31 December 2021

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Sanlam Alternative Gamma Retail Hedge Fund	75%	RSA
Sanlam Alternative Vega Fund	30%	RSA
Sanlam Alternative Zeta Retail Hedge Fund	31%	RSA
Sanlam Alternative Pi Retail Hedge Fund	75%	RSA
Sanlam Alternative Rho Retail Hedge Fund	30%	RSA
Sanlam Alternative Lambda Retail Hedge Fund	61%	RSA
Sanlam Alternative Lambda Retail Hedge Fund	61%	RSA
Sanlam Alternative Theta Retail Hedge Fund	44%	RSA
Sanlam Alternative Veta Retail Hedge Fund	32%	RSA
Blue Ink-Ubator Diversified Fund LLP	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund One	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund Two	100%	RSA
Sanlam Global	100%	RSA
Sanlam Designated	99%	RSA
Satrix Balanced Index Fund	45%	RSA
Satrix Bond Index Fund	47%	RSA
Satrix Capped SWIX All Share Index Fund	36%	RSA
Satrix Low Equity Balanced Index Fund	49%	RSA
Satrix Money Market Fund	45%	RSA
Satrix Property Index Fund	72%	RSA
Satrix Quality Index Fund	60%	RSA
Satrix Smartcore Index Fund	88%	RSA
Satrix Swix Top40 Index Fund	100%	RSA
Glacier Money Market Fund	49%	RSA
Glacier Global Stock Feeder Fund	56%	RSA
Sanlam Investment Management Active Income Fund	47%	RSA
Sanlam Select Thematic Equity Fund	100%	RSA
Sanlam Investment Management Bond Plus Fund	80%	RSA
Sanlam Investment Management Institutional Income Plus Fund	49%	RSA
Sanlam Investment Management Enhanced Yield Fund	30%	RSA
Sanlam Investment Management Medium Equity Fund	85%	RSA
Sanlam Global Cautious Fund of Funds	47%	RSA
Sanlam Global Balanced Fund of Funds	41%	RSA
Sanlam Institutional Special Opportunities Fund	76%	RSA
Sanlam Growth Institutional Fund	78%	RSA
Sanlam Multi Managed Institutional Aggressive Equity Fund One	100%	RSA
Sanlam Investment Management Managed Aggressive Fund of Funds	23%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	89%	RSA
Sanlam Investment Management Managed Cautious Fund of Funds	41%	RSA
Sanlam Investment Management Managed Conservative Fund of Funds	32%	RSA
Sanlam Investment Management Inflation Plus Fund	41%	RSA
Sanlam Multi Managed Institutional General Equity Fund Two	100%	RSA
Sanlam Multi Managed Yield Plus Fund	100%	RSA
Sanlam Multi Managed Bond Fund	86%	RSA
Sanlam Multi Managed Equity Fund	100%	RSA
Sanlam Multi Managed Inflation Linked Bond Fund	82%	RSA
Sanlam Multi Managed Flexible Equity Fund	49%	RSA
Sanlam Value Institutional Fund	100%	RSA
Sanlam Multi Managed Institutional Balanced Fund	100%	RSA
Sanlam Multi Managed Conservative Fund of Funds	72%	RSA
Sanlam Investment Management Managed Moderate Fund of Funds	32%	RSA
Sanlam Multi Managed Equity Index Fund	47%	RSA
Sanlam Multi Managed Institutional Moderate Balanced Fund	100%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	54%	RSA

Sanlam Life Insurance Limited

Related Parties
for the year ended 31 December 2021

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	36%	RSA
Sanlam Multi Managed Moderate Fund of Funds	92%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Three	33%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	52%	RSA
Sanlam Multi Managed Property Fund	90%	RSA
Sanlam Multi Managed Institutional Prudential Balanced Fund One	97%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	52%	RSA
Sanlam Multi Managed Inst Positive Return Fund	31%	RSA
Sanlam Investment Management Property Fund	88%	RSA
Sanlam Multi Managed Balanced Fund of Funds	32%	RSA
Sanlam Investment Management Small Cap Fund	23%	RSA
Sanlam Select Focused Equity Fund	99%	RSA
Sanlam Investment Management Top Choice Equity Fund	64%	RSA
Sanlam Investment Management General Equity Fund	23%	RSA
Sanlam Investment Management Balanced Fund	52%	RSA
Glacier AI Flexible Fund of Fund	51%	RSA
Glacier AI Balanced Fund	98%	RSA
CATALYST GL REAL EST UCITS FD	33%	Ireland
Sanlam Global Bond Fund	26%	Ireland
Sanlam Centre Global Listed Infrastructure Fund	93%	Ireland
Sanlam Emerging Market Equity Tracker Fund	62%	Ireland
Sanlam World Equity Fund	24%	Ireland
Sanlam FOUR Global Equity Fund	48%	Ireland
Sanlam Global Convertible Securities Fund	96%	Ireland
Sanlam Africa Equity Fund	31%	Ireland
Sanlam Global Balanced Fund	98%	Ireland
Sanlam Global Equity Fund	99%	Ireland
Sanlam Global Investment Fund	100%	Ireland
Sanlam Real Assets Fund	67%	Ireland
Sanlam Global Property Fund	52%	Ireland
Sanlam Institutional Equity Flexible Fund	99%	Ireland
SIM Global Emerging Markets Fund	59%	Ireland
Sanlam Institutional Bond Fund	98%	Ireland
Sanlam Global Investment Fund Two	100%	Ireland
Sanlam Global Investment Fund Three	100%	Ireland
Sanlam Global Investment Fund Four	100%	Ireland
Sanlam Global Investment Fund Five	100%	Ireland
Sanlam Global Investment Fund Six	100%	Ireland
Sanlam Global Investment Fund Seven	100%	Ireland
Sanlam Global Investment Fund Eight	100%	Ireland
Sanlam Global Investment Fund Nine	100%	Ireland
Sanlam Global Investment Fund Ten	100%	Ireland
Satrix Global Factor Enhanced Equity Fund	100%	Ireland

CAPITAL AND RISK MANAGEMENT REPORT

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CAPITAL MANAGEMENT

RISK MANAGEMENT

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). 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 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 144) 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

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 solo solvency

at 31 December 2021

	Sanlam Life Insurance Limited	
R million		
Reconciliation of IFRS Shareholders' fund to Own Funds (R'm)	**2021**	**2020**
IFRS Shareholders' fund	107 495	98 692
Adjustments from IFRS to regulatory basis	(12 947)	(13 623)
Write-down intangibles including DAC and goodwill	(3 737)	(3 832)
Regulatory adjustment to valuation basis	(9 210)	(9 791)
Regulatory basis adjustments to policyholder liabilities	29 530	30 181
Liability valuation adjustments	48 103	47 918
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 2020 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.

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 (2020: 197%) remains within the stated target range.

Sensitivity analysis

The following table provides solvency sensitivity analysis for Sanlam life solo.

Sanlam Life solo	Own Funds eligible		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%
(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 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

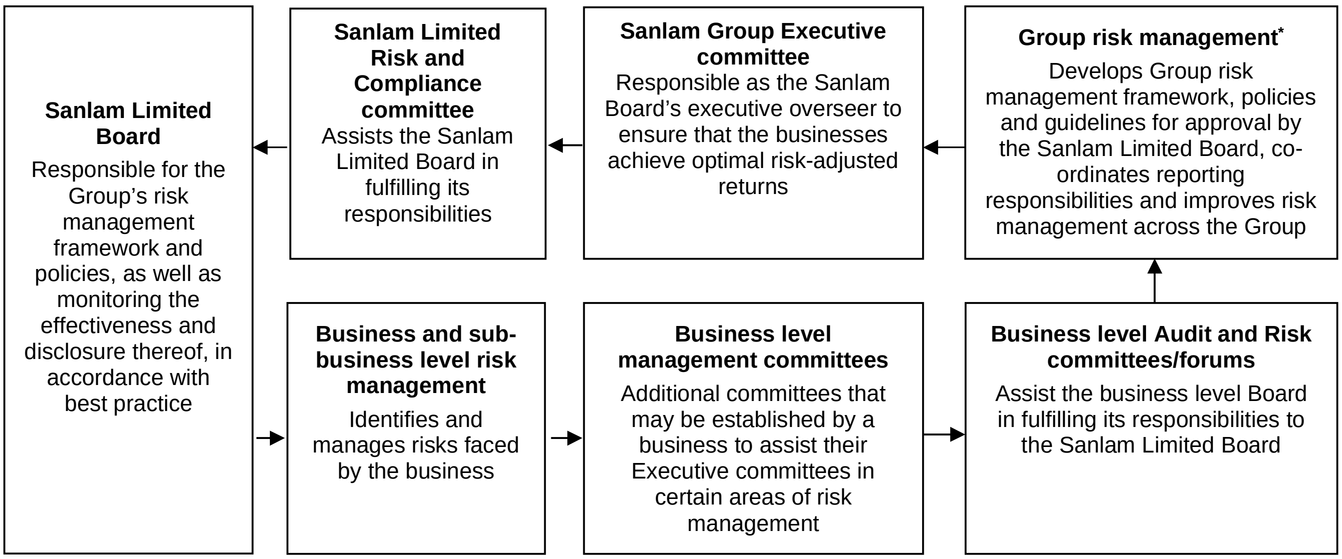
The latest Standard & Poor's (S&P) ratings for Group companies are:

	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.



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

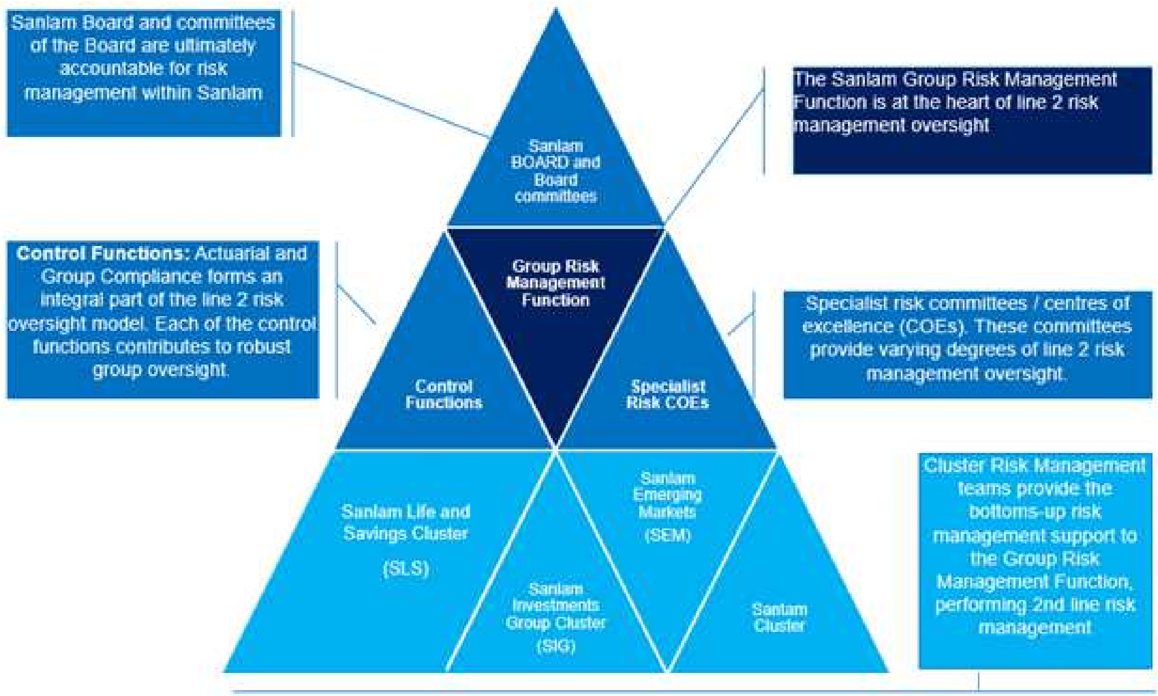
Role of Group risk management

The role of Group risk management is one of setting Group standards and guidelines, co-ordinating 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 Review and oversee the management of the Group's capital base	**Asset and Liability committees** Determine appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Credit committees** Oversee the identification, measurement and control of corporate credit risk exposure
Investment committees Determine and monitor appropriate investment strategies for policyholder solutions	**Treasury function** Manages the liquidity risks in the borrowing functions of Sanlam	**Non-Listed Asset Controlling Body** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited Board
Group risk forum Aids coordination and transfer of knowledge between businesses and the Group, and assists Group risk management in identifying risks requiring escalation to the	**Finance Director** Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact

OTHER RISK MANAGEMENT / MONITORING MECHANISMS		
Sanlam Limited Board	minimised	of strategic decisions thereon, by using appropriate modelling techniques
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Group secretariat and public officers** Review and report on corporate governance practices and structures. Report on applicable legal and compliance matters	**Group compliance function** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Sanlam Group Technology (SGT) Manages and reports Group-wide technology, cyber and information security risks	**Risk officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	**Internal audit** 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 for 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.
	Outsourcing provider risk: the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and

[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).

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
	from concentration with an individual outsourcing service provider (which exacerbates the former).
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.
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).

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
	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.
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).

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
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.

Santam and the Group Office are excluded from the above business areas and 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.

1. 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 172), 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.

2. 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.

3. 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.

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 29 for a description of the different policyholder solutions, as well as to note 15 on page 73, 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

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 life insurance operations' shareholders' funds to various classes of investments is reflected in the following table:

SHAREHOLDERS' FUND

R million	**2021**	2020
Property and equipment	**1 497**	1 418
Right-of-use assets	**1 181**	1 299
Owner-occupied properties	**2 502**	2 602
Goodwill	**14 228**	13 711
Other intangibles	**600**	755
Value of business acquired	**4 556**	5 373
Deferred acquisition costs	**2 612**	2 767
Investments	**98 906**	82 348
Properties	**6 138**	5 870
Equity-accounted investments	**20 753**	17 451
Equities and similar securities	**11 041**	9 403
Interest-bearing investments	**29 483**	25 563
Structured transactions	**383**	535
Investment funds	**25 460**	21 224
Cash, deposits and similar securities	**5 648**	2 302
Net deferred tax	**(2 006)**	(1 372)
Net disposal groups classified as held for sale	**250**	9
Short-term insurance technical assets	**19 190**	13 847
Net working capital assets	**11 119**	17 292
Short-term insurance technical provisions	**(57 069)**	(49 624)
Cell owners interest	**(4 900)**	(4 226)
Defined benefit liability	**(13)**	(15)
Structured transactions	**(422)**	(448)
Term finance	**(7 801)**	(6 222)
Lease liabilities	**(1 460)**	(1 534)
Non-controlling interest	**(12 991)**	(11 369)
Shareholders' fund - Sanlam Life Group	**69 979**	66 611

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

31 December 2021 **R million**	**Euro**	**United States dollar**	**British pound**	**Botswana pula**	**Indian rupee**	**Moroccan dirham**	**Lebanese pound**	**Angolan kwanza**	**Malaysian ringgit**	**Other currencies**	**Total**
Investment properties	**-**	**-**	**-**	**14**	**-**	**4,633**	**-**	**119**	**-**	**1,358**	**6,124**
Equities and similar securities	**28**	**240**	**5**	**205**	**-**	**6,815**	**7**	**-**	**100**	**768**	**8,168**
Equity-accounted investments	**-**	**-**	**-**	**1,806**	**13,510**	**-**	**-**	**-**	**468**	**-**	**15,784**
Interest-bearing investments	**-**	**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	**32**	**1,668**	**48**	**79**	**322**	**8,064**	**(91)**	**(1,167)**	**505**	**(996)**	**8,464**
Other liabilities[(1)]	**(13)**	**(564)**	**(3)**	**(326)**	**(928)**	**(13,976)**	**(216)**	**(661)**	**-**	**(5,609)**	**(22,296)**
Foreign currency exposure	**48**	**4,478**	**281**	**3,282**	**12,937**	**13,300**	**(169)**	**(1,350)**	**2,609**	**2,220**	**37,636**
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 **R million**	**Euro**	**United States dollar**	**British pound**	**Botswana pula**	**Indian rupee**	**Moroccan dirham**	**Lebanese pound**	**Angolan kwanza**	**Malaysian ringgit**	**Other currencies**	**Total**
Investment properties	-	-	-	14	-	4,671	-	2	-	1,157	5,844
Equities and similar securities	24	240	3	45	-	5,608	171	-	53	691	6,835
Equity-accounted investments	-	-	-	1,571	11,124		-	-	426	-	13,121
Interest-bearing investments	1	223	3	93	-	697	60	1	768	3,129	4,975
Government interest-bearing investments	-	56	-	-	-	2	41	-	124	2,489	2,712
Corporate interest-bearing investments	1	167	3	40	-	677	19	1	644	499	2,051
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	1	330	7	-	-	-	67	626	1,100
General insurance technical assets	-	597	-	78	-	779	1,131	163	-	1,340	4,088
Net working capital	162	1,311	52	(290)	350	8,413	(1,780)	(999)	406	(489)	7,136
Other liabilities[(1)]	(49)	(455)	(2)	(232)	(961)	(13,026)	(1,766)	(290)	-	(4,834)	(21,615)
Foreign currency exposure	143	2,245	88	2,662	10,520	11,807	(2,184)	(1,120)	1,722	2,258	28,141
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

Changes in investment return assumptions have an impact on the return on the Group’s capital, as changes in the market value of the capital portfolio’s investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase/decrease of R1 130 million (2020: increase of R1 005 million).

The impact on current year profit of the above scenarios is limited, due to the Group’s policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

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), via the Central Credit Manager (CCM) activities, 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 Boards of SI and SanFin have delegated responsibility for credit risk management to the 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 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. 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**	**23 656**
Held for sale	**-**	**-**	**-**	**-**	**9**	**38**	**53**	**-**	**100**	**79**
Net working capital[(1)]	**-**	**(8)**	**(12)**	**14**	**67**	**(19)**	**58**	**-**	**100**	**(1 370)**
Total	**1**	**1**	**9**	**4**	**61**	**16**	**6**	**2**	**100**	**202 944**
31 December 2020										
Government interest-bearing investments	10	-	5	1	59	18	7	-	100	66 057
Corporate interest-bearing investments	4	5	3	21	50	9	6	2	100	76 369
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	2	15	6	19	36	1	14	7	100	27 977
Net working capital	-	-	-	-	-	-	100	-	100	(875)
Total	5	5	3	14	51	12	7	3	100	215 255

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**	**6 108**
Mortgages, policy and other loans	**-**	**-**	**-**	**1**	**22**	**23**	**37**	**17**	**100**	**370**
Structured transactions	**-**	**-**	**12**	**-**	**88**	**-**	**-**	**-**	**100**	**166**
Cash, deposits and similar securities	**-**	**8**	**28**	**8**	**37**	**6**	**10**	**3**	**100**	**5 311**
Held for sale	**-**	**-**	**-**	**1**	**12**	**26**	**61**	**-**	**100**	**85**
Net working capital[(1)]	**-**	**13**	**4**	**1**	**128**	**56**	**(102)**	**-**	**100**	**1 565**
Total	**-**	**3**	**13**	**5**	**54**	**27**	**(4)**	**2**	**100**	**18 435**
31 December 2020										
Government interest-bearing investments	-	-	1	1	27	58	8	5	100	3 778
Corporate interest-bearing investments	9	5	5	19	43	6	12	1	100	6 069
Mortgages, policy and other loans	-	-	-	3	26	28	40	3	100	416
Structured transactions	1	3	-	18	29	-	48	1	100	227
Cash, deposits and similar securities	-	20	16	14	30	5	13	2	100	1 952
Net working capital	-	1	1	7	39	5	40	7	100	5 586
Total	3	4	4	10	37	17	21	4	100	18 028

(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.

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 108, 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

	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:

31 December 2021 **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended[3]**	**Total**
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 transaction 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**

31 December 2020 **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended[3]**	**Total**
Insurance contracts	14 186	31 372	62 647	78 166	186 371
Investment contracts	10 017	47 193	79 241	244 883	381 334
Total policy liabilities	24 203	78 565	141 888	323 049	567 705
Properties	22	-	-	10 762	10 784
Equities and similar securities	-	-	-	74 459	74 459
Government interest-bearing investments	2 731	8 319	54 244	-	65 294
Corporate interest-bearing investments	14 806	43 900	16 834	428	75 968
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]	-	-	-	282 881	282 881
Cash, deposits and similar securities[2]	20 121	5 444	325	-	25 890
Deferred acquisition costs	-	-	-	589	589
Long-term reinsurance assets	118	906	932	272	2 228
Term finance	(15)	(40)	-	-	(55)
Structured transaction liabilities	(10 904)	(253)	(3 349)	(129)	(14 635)
Net working capital	(1 421)	-	-	-	(1 421)
Total policyholder assets	45 422	73 766	78 411	370 106	567 705

[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] 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 policy do not have a specified contract term.

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.

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 182 for more information).

4. INSURANCE RISK

Life insurance businesses exposed to risk via:	Insurance risk Persistency	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.

Sensitivity to insurance risk:

The table below illustrates the change in the present value of future after-tax profit for changes in insurance risk:

Sensitivity to insurance risk	2021 R million	2020 R million
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	2 015	1 947
Discontinuance rates decrease by 10%	1 663	1 684
Insurance risk		
Base mortality and morbidity rates decrease by 5% for life assurance business	2 810	2 345
Base mortality and morbidity rates decrease by 5% for life assurance annuity business	(207)	(258)

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 per annum per life insured		
	Number of lives	
	2021	2020
R'000		
0 - 20	**179 263**	184 918
20 - 40	**29 794**	27 692
40 - 60	**11 860**	10 731
60 - 80	**6 708**	6 200
80 - 100	**4 382**	3 784
>100	**13 262**	11 039
	245 269	244 364

Value of benefits insured: non-participating life business (*excluding funeral policies*)						
	Number of lives		**Before reinsurance**		**After reinsurance**	
Benefits insured per individual life	**2021**	2020[1]	**2021**	2020[1]	**2021**	2020[1]
R'000			**%**	%	**%**	%
0 - 500[2]	**10 266 909**	9 247 427	**15**	15	**25**	23
500 - 1 000	**313 304**	295 563	**9**	8	**13**	13
1 000 - 5 000	**571 946**	565 866	**45**	47	**45**	48
5 000 - 8 000	**54 799**	52 193	**12**	12	**8**	8
>8 000	**37 999**	35 831	**19**	18	**9**	8
	11 244 957	10 196 880	**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: 24%) and after reinsurance increase to 36% (2020: 36%).

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		2020	
	R million	**%**	R million	%
South Africa	**566 126**	**88**	493 190	86
Rest of Africa	**60 402**	**10**	60 172	11
Other International	**14 668**	**2**	14 343	3
Total policy liabilities	**641 196**	**100**	567 705	100

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 54.
- 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 the CCM 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.

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.

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

		Claims paid in respect of (i.e. incident year)							
R million	Total actual claims cost	2021	2020	2019	2018	2017	2016	2015	2014 and prior
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	Claims paid in respect of (i.e. incident year) 2021	2020	2019	2018	2017	2016	2015	2014 and prior
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**

Reporting development

General insurance claims provision - gross

R million	Total provisions raised	Financial year during which claim occurred (i.e. incident year) 2021	2020	2019	2018	2017	2016	2015	2014 and prior
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 provisions raised	Financial year during which claim occurred (i.e. incident year) 2021	2020	2019	2018	2017	2016	2015	2014 and prior
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**

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; and
- 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; and
- 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; and
- 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; and
- 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.

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**

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 tothe increased risks arising as a result of COVID-19 as far as possible.

Group Office

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

1. Liquidity risk

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**	**-**
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 sub-ordinated 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 intergroup 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.

SANLAM LIFE INSURANCE LIMITED COMPANY

The tables below are presented in terms of the requirements of International Financial Reporting Standards and are for information purposes only. In management's view they do not present a better reflection of the company's risk exposure and the management thereof. The information presented in the remainder of this report is also reflective of the underlying risk exposure of the company and is in line with the Group's risk management process.

CAPITAL

SANLAM LIFE INSURANCE LIMITED

SHAREHOLDERS' FUND - LIFE INSURANCE

R million	**2021**	2020
Property and equipment	**383**	353
Right of use assets	**243**	272
Owner-occupied properties	**514**	514
Intangible assets	**854**	879
Deferred acquisition costs	**2 239**	2 280
Investments	**109 767**	95 665
Investment in subsidiaries, joint ventures and associates	**93 884**	82 289
Equities and similar securities	**(155)**	567
Interest bearing investments	**2 302**	3 408
Structured transactions	**118**	135
Investment funds	**11 794**	9 158
Cash, deposits and similar securities	**1 824**	108
Term finance	**(1 992)**	(1 004)
Lease liabilities	**(300)**	(301)
Net deferred tax	**(510)**	(624)
Structured transaction liabilities	**(204)**	(222)
Net working capital assets/(liabilities)	**(3 500)**	879
Shareholders' fund	**107 494**	98 691

CURRENCY RISK

Company

31 December 2021 **R million**	**Euro**	**United States Dollar**	**British Pound**	**Indian Rupee**	**Other**	**Total**
Equities and similar securities	**25**	**145**	**5**	**-**	**50**	**225**
Investment in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**1 969**	**-**	**1 969**
Investment funds	**-**	**2 384**	**-**	**-**	**143**	**2 527**
Structured transactions	**-**	**-**	**-**	**-**	**1**	**1**
Cash, deposits and similar securities	**-**	**72**	**195**	**33**	**1**	**301**
Net working capital assets	**-**	**-**	**-**	**-**	**-**	**-**
Capital portfolio	**25**	**2 601**	**200**	**2 002**	**195**	**5 023**
Exchange rates (Rand):						
Closing rate	**18.15**	**15.96**	**21.62**	**0.21**		
Average rate	**17.47**	**14.76**	**20.32**	**0.20**		

31 December 2020 **R million**	**Euro**	**United States Dollar**	**British Pound**	**Indian Rupee**	**Other**	**Total**
Equities and similar securities	21	150	3	-	37	211
Investment in subsidiaries, joint ventures and associates	-	-	-	1 586	-	1 586
Investment funds	-	266	-	-	265	531
Structured transactions	-	-	-	-	-	-
Cash, deposits and similar securities	-	64	-	7	-	71
Net working capital assets	-	-	-	-	-	-
Capital portfolio	21	480	3	1 593	302	2 399
Exchange rates (Rand):						
Closing rate	17.97	14.69	20.08	0.20		
Average rate	18.64	16.34	20.99	0.22		

Sensitivities

Changes in investment return assumptions have an impact on the return on the company's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R858 million (2020: increase of R674 million).

The impact on current year profit of the above scenarios is limited, due to the company's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

CREDIT RISK

Company

Credit risk concentration by credit rating:

R million	AA	A	BBB	BB	B	Not rated	Other	Total
31 December 2021								
Assets backing policy liabilities								
Government interest bearing investments	**109**	**-**	**45**	**43 464**	**1 121**	**-**	**-**	**44 739**
Corporate interest bearing investments	**3**	**147**	**2 087**	**43 250**	**11 490**	**914**	**331**	**58 222**
Mortgages, Policy and other loans	**-**	**-**	**523**	**10 470**	**9 643**	**1 596**	**1 453**	**23 685**
Structured transactions	**-**	**-**	**1 498**	**7 276**	**76**	**136**	**-**	**8 986**
Cash deposits and similar securities	**2 388**	**1 614**	**580**	**7 233**	**16**	**1 078**	**-**	**12 909**
Net working capital assets/(liabilities)	**41**	**(20)**	**(225)**	**(994)**	**(10)**	**561**	**-**	**(647)**
Total	**2 541**	**1 741**	**4 508**	**110 699**	**22 336**	**4 285**	**1 784**	**147 894**
Capital portfolio								
Government interest bearing investments	**2**	**-**	**1**	**806**	**21**	**-**	**-**	**830**
Corporate interest bearing investments	**-**	**8**	**118**	**2 444**	**649**	**52**	**19**	**3 290**
Mortgages, Policy and other loans	**-**	**-**	**4**	**81**	**75**	**12**	**11**	**183**
Structured transactions	**-**	**-**	**-**	**118**	**-**	**-**	**-**	**118**
Cash deposits and similar securities	**337**	**228**	**82**	**1 022**	**2**	**152**	**-**	**1 823**
Net working capital assets/(liabilities)	**7**	**(3)**	**(37)**	**(165)**	**(2)**	**(7 435)**	**-**	**(7 635)**
Total	**346**	**233**	**168**	**4 306**	**745**	**(7 219)**	**30**	**(1 391)**

R million	AA	A	BBB	BB	B	Not rated	Other	Total
31 December 2020								
Assets backing policy liabilities								
Government interest bearing investments	115	-	414	37 951	2 224	-	-	40 704
Corporate interest bearing investments	-	510	14 478	35 261	6 346	2 402	314	59 311
Mortgages, Policy and other loans	-	-	209	11 504	6 640	1 600	1 338	21 291
Structured transactions	1 491	174	9 593	10 459	110	275	651	22 753
Cash deposits and similar securities	3,228	1 112	2 838	6 625	24	861	-	14 688
Net working capital assets/(liabilities)	-	-	-	-	-	(203)	-	(203)
Total	4 834	1 796	27 532	101 800	15 344	4 935	2 303	158 544
Capital portfolio								
Government interest bearing investments	2	-	7	605	35	-	-	649
Corporate interest bearing investments	-	22	626	1,524	274	104	14	2 564
Mortgages, Policy and other loans	-	-	2	105	61	15	12	195
Structured transactions	6	1	38	42	-	1	3	91
Cash deposits and similar securities	24	8	21	49	-	6	-	108
Net working capital assets/(liabilities)	-	-	-	-	-	(1 726)	-	(1 726)
Total	32	31	694	2 325	370	(1 600)	29	1 881

LIQUIDITY RISK – POLICYHOLDER SOLUTIONS

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

31 December 2021

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	**5 566**	**15 611**	**23 062**	**80 656**	**124 895**
Investment contracts	**6 083**	**36 652**	**98 144**	**272 475**	**413 354**
Total policy liabilities	**11 649**	**52 263**	**121 206**	**353 131**	**538 249**
Properties	**-**	**-**	**-**	**8 376**	**8 376**
Equities and similar securities	**-**	**-**	**-**	**83 271**	**83 271**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**894**	**894**
Government interest bearing investments	**3 781**	**5 774**	**35 186**	**-**	**44 741**
Corporate interest bearing investments	**14 347**	**36 923**	**6 507**	**445**	**58 222**
Mortgages and loans	**4 109**	**12 559**	**6 995**	**2 025**	**25 688**
Structured transactions	**7 223**	**1 527**	**222**	**13**	**8 985**
Investment funds	**-**	**-**	**-**	**298 379**	**298 379**
Cash, deposits and similar securities[1]	**8 912**	**3 712**	**285**	**-**	**12 909**
Deferred acquisition cost	**-**	**-**	**-**	**400**	**400**
Long-term reinsurance assets	**-**	**-**	**-**	**1 192**	**1 192**
Structured transaction liabilities	**(794)**	**(100)**	**(251)**	**(82)**	**(1 227)**
Net working capital and deferred taxation	**(3 581)**	**-**	**-**	**-**	**(3 581)**
Total policyholder assets	**33 997**	**60 395**	**48 944**	**394 913**	**538 249**

31 December 2020

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	5 174	16 956	30 792	71 204	124 126
Investment contracts	5 282	28 950	74 008	232 589	340 829
Total policy liabilities	10 456	45 906	104 800	303 793	464 955
Properties	-	-	-	8 793	8 793
Equities and similar securities	-	-	-	66 567	66 567
Investments in subsidiaries, joint ventures and associates	-	-	-	908	908
Government interest bearing investments	1 858	5 057	33 789	-	40 704
Corporate interest bearing investments	12 643	38 040	8 199	428	59 310
Mortgages and loans	3 523	11 659	6 078	29	21 289
Structured transactions	16 195	3 282	3 260	-	22 737
Investment funds	-	-	-	244 432	244 432
Cash, deposits and similar securities[1]	12 858	1 556	273	-	14 687
Deferred acquisition cost	-	-	-	400	400
Long-term reinsurance assets	8	123	856	166	1 153
Structured transaction liabilities	(10 904)	(253)	(3 349)	(129)	(14 635)
Net working capital and deferred taxation	(1 390)	-	-	-	(1 390)
Total policyholder assets	34 791	59 464	49 106	321 594	464 955

[1] Cash, deposits and similar securities due within one year include current account balances which are available on demand.

LIQUIDITY RISK – CAPITAL

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**	**-**
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 sub-ordinated 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 intergroup funding facilities if required.

INSURANCE RISK

31 December 2021

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	**31 120**	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	**32 666**	**1 546**
Discontinuance rates decrease by 10%	**32 018**	**898**
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	**32 725**	**1 605**
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	**30 907**	**(213)**

31 December 2020

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	29 606	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	31 078	1 472
Discontinuance rates decrease by 10%	30 539	933
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	30 979	1 373
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	29 336	(270)

CONCENTRATION RISK

Company
Non-participating annuity payable per annum per life insured

R'000	Number of lives 2021	2020
0 - 20	**165 352**	171 481
20 - 40	**25 235**	23 524
40 - 60	**9 371**	8 390
60 - 80	**4 992**	4 578
80 - 100	**3 164**	2 621
> 100	**10 682**	8 756
	218 796	219 350

Value of benefits insured: non-participating life business
Benefits insured per individual life

	Number of lives		Before reinsurance		After reinsurance	
	2021	2020[(1)]	**2021**	2020[(1)]	**2021**	2020[(1)]
R'000			**%**	%	**%**	%
0 - 500[(2)]	**755 189**	902 226	**4**	9	**12**	16
500 - 1000	**251 440**	248 513	**6**	10	**14**	15
1000 - 5000	**444 339**	416 752	**47**	49	**47**	50
5000 - 8000	**41 287**	39 505	**16**	13	**9**	9
> 8000	**28 047**	26 666	**27**	19	**18**	10
	1 520 302	1 633 662	**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 300 000 (2020: 400 000). Benefits insured before reinsurance increase to 9% (2020: 10%) and after reinsurance increase to 15% (2020: 17%).

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

The geographical exposure of the Company’s life insurance operations is based on the value of policy liabilities in each region. Life insurance exposure is entirely related to the South African market.

MARKET CONSISTENT STOCHASTIC MODEL USED IN RESERVING FOR EMBEDDED INVESTMENT DERIVATES

Monte Carlo simulation techniques were used in the calculation of the liabilities in respect of embedded investment derivatives.
This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2021

%	Dec 2021	Dec 2020
This stochastic model was used to price the following option contracts. (Prices are expressed as percentages of the nominal)		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**6.5**	7.5
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**1.6**	2.0
A 1-year forward put on the FTSE/JSE TOP40 index.	**7.5**	8.3
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**8.3**	10.9
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**14.5**	18.6
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**6.8**	9.8
A 5-year forward put on the FTSE/JSE TOP40 index	**18.2**	18.7
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**1.8**	1.0
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**6.3**	3.6
A 20-year put based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower	**0.1**	0.1
A 20-year forward put on the FTSE/JSE TOP40 index	**32.3**	32.0
The implied volatilities of these option contracts are as follows:		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**19.9**	21.6
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**23.9**	25.1
A 1-year forward put on the FTSE/JSE TOP40 index.	**19.5**	21.3
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**24.9**	25.0
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**23.7**	23.8
A 5-year forward put on the FTSE/JSE TOP40 index	**23.3**	23.8
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**35.3**	35.6
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**33.2**	33.4
A 20-year forward put on the FTSE/JSE TOP40 index	**30.1**	29.7
The risk-free zero coupon yield curve (annually compounded) used to calibrate the market-consistent stochastic model, is shown in the table below. This yield curve is based on the zero coupon government bond curve.		
1 year	**5.4**	4.5
2 years	**5.9**	4.6
3 years	**6.7**	5.2
4 years	**7.5**	5.8
5 years	**8.3**	6.5
10 years	**10.7**	10.3
15 years	**12.0**	12.2
20 years	**12.3**	14.2
25 years	**12.0**	13.7
30 years	**11.7**	13.3

EMPLOYMENT EQUITY REPORT

1. Workforce profile

1.1 Total number of emplyees (including employees with disabilities) in each of the following occupational levels:

	Male				Female				Foreign		Grand Total
Occupational Level	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	9	2	5	29	11	3	4	5	2	-	70
Senior Management	60	44	43	246	57	25	23	99	12	1	610
Middle Management	370	354	208	796	378	371	165	726	41	10	3,419
Junior Management	1,408	913	277	882	2,026	1,647	363	1,522	28	21	9,087
Semi-Skilled	1,616	250	60	36	3,854	552	82	247	13	12	6,722
Unskilled	43	2	3	3	94	9	1	3	-	-	158
Grand Total	**3,506**	**1,565**	**596**	**1,992**	**6,420**	**2,607**	**638**	**2,602**	**96**	**44**	**20,066**

1.2 Employees with disabilities in each of the following levels:

	Male				Female				Foreign		Grand Total
Occupational Level	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	-	-	-	-	-	-	-	-	-	-	-
Senior Management	1	-	-	2	-	1	1	-	-	-	5
Middle Management	3	6	3	10	1	4	3	10	-	-	40
Junior Management	26	9	4	20	18	32	7	26	-	-	142
Semi-Skilled	40	15	1	4	63	15	1	16	-	-	155
Unskilled	4	-	-	-	3	-	-	-	-	-	7
Total	**74**	**30**	**8**	**36**	**85**	**52**	**12**	**52**	**-**	**-**	**349**