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generations
to be...

...financially
confident, secure
and prosperous



Annual Financial
Statements
2020

Insurance | Financial Planning | Retirement | Investments | Wealth

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02 Directors' responsibility for financial reporting

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the group and company Annual Financial Statements of Sanlam Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the Annual Financial Statements has been delegated to management.

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

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

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

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

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

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

The Annual Financial Statements, the Corporate Governance report, the Remuneration report and the Shareholders' Information on pages 165 to 260 were approved by the Board and signed on its behalf by:



Elias Masilela
Chair

Cape Town

31 March 2021



Paul Hanratty
Group Chief Executive

Internal Financial Reporting Control ("IFC") environment

In accordance with the JSE Listings Requirement 3.84(k) published in November 2019, the Group Chief Executive and Finance Director of Sanlam Limited must attest to an adequate and effective internal financial reporting control ("IFC") environment in the form of a responsibility statement in the full year 2020 annual report:

- (a) the annual financial statements set out on pages 68 to 164, fairly present in all material respects the financial position, financial performance and cash flows of Sanlam in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

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

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



Paul Hanratty
Group Chief Executive

Cape Town

31 March 2021



Abigail Mukhuba
Finance Director

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 2020, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



Sana-Ullah Bray
Company Secretary

31 March 2021

Directors' report

For the year ended 31 December 2020

Nature of business

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

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

Corporate governance

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

Group results

Profit attributable to shareholders decreased from R7 150 million in 2019 to R2 863 million in 2020, largely due to the impacts of COVID-19 on mortality claims, investment market performance and a net impairment charge of R6 667 million (this includes R298 million in terms of expected credit losses) recognised due to lower valuations of Group operations, partially offset by positive foreign currency translation differences. Taking the above into account, the Group achieved a satisfactory operational performance in 2020. Further details regarding the Group's results and prospects are included in the Financial Review in the Integrated Report.

The information in the Corporate Governance and Remuneration reports, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited. The holding company's interest in the after tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholder's fund income statement on page 216.

Share capital

The issued ordinary share capital of the Company is 2 227 million shares. Refer to page 104 for further information.

Dividend

The Board has declared a normal cash dividend of 300 cents per share (2019: normal dividend of 334 cents), payable on 12 April 2021, to shareholders registered on 9 April 2021. All payments will take place on this date through electronic bank transfer.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 161.

Directors' interests in contracts

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

Interest of directors and officers in share capital

Details of the shareholding by directors at 31 December 2020 are provided in the Remuneration report on pages 188 and 189.

Directors and secretary

Particulars of the directors and Company Secretary at 31 December 2020, as well as changes in directorships, are set out on pages 92 to 95 of the online Integrated Report. Also refer to the online Corporate Governance Report.

Subsequent events

No other material facts or circumstances arose between the date of 31 December 2020 and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2020 as reflected in these financial statements.

Approval of Annual Financial Statements

The directors have approved the Annual Financial Statements as reflected on page 2, including the certificate by the Company Secretary on page 3, the Audit committee report for the 2020 financial year on page 35 of the online Corporate Governance Report and the analysis of shareholders on page 176 of the online Integrated Report.

Notice in terms of section 45(5) of the Companies Act, 2008 (the Act)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's Annual General Meeting in 2019, 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 Group's net asset value provided for in the Act.

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

To the Shareholders of Sanlam Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Limited and its subsidiaries ('the Group') and Company set out on pages 14 to 189, which comprise of the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies, including the segment information, on page 194 to 260.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2020, 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 of the Group and Company and 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 of the Group and Company and 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.

Emphasis of Matter – Amendment to Sanlam Limited Company cash flow statement and note 30.1 of Sanlam Limited Group financial statements

We draw attention to Note 30.1 of the Sanlam Limited Group financial statements, and Note 10 to the Sanlam Limited Company financial statements, which indicates that the previously issued financial statements for the year ended 31 December 2020, on which we issued an auditor's report dated 10 March 2021, been revised and reissued. As explained in these notes, this is to reflect the correct treatment of items in the cash flow statements. Our opinion is not modified in respect of this matter.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matters apply only to the audit of the Consolidated Financial Statements.

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

Key Audit Matter

How the matter was addressed in the audit

1. Valuation of insurance contract liabilities

We considered the valuation of insurance contract liabilities to be significant to the audit of the Sanlam Limited Group ("Sanlam" or "the Group"). Specifically, the actuarial assumptions and methodologies that involve management's judgements about future events, both internal and external to the Group, for which small changes in the assumptions used can result in a material impact to the valuation of insurance contract liabilities.

Life Insurance Liabilities:

The Life insurance liabilities' actuarial assumptions and methodologies that are reflected in the policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by Sanlam's actual experience, market data/practice, and expectations of future trends. Economic assumptions are typically based on the latest market conditions and are set in accordance with relevant guidance and the Sanlam Group approved policy. The assumptions that we consider requiring the most significant auditor's attention due to the impact on the life insurance actuarial valuations are:

- Mortality, longevity, disability and morbidity;
- Persistency;
- Expenses;
- Risk discount rates; and
- Allowance for credit defaults.

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, therefore we required our actuarial specialist to assess management's specific adjustments in this regard.

Our audit of these actuarial assumptions, models and methodologies applied in the valuation of insurance contract liabilities, included the following audit procedures that were executed with the assistance of our internal actuarial experts:

- We assessed the valuation methodology and assumptions for compliance by reviewing the methodology and assumptions against the latest actuarial guidance, legislation and approved company policy;
- We assessed the economic basis, 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 includes performing spot checks to assess the accuracy of key input assumptions, as well as to inspect whether the correct rates have been applied in valuation models;
- We inspected the results of management's experience analysis including base mortality, morbidity and persistency, to assess whether the adopted assumptions have incorporated the results of the analysis, follow the agreed methodology and appropriately allow for trends in experience;
- 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;
- For general insurance claims specifically, we considered the appropriateness of claims reserves by referring to historical run-off patterns. Actuarial experts evaluated the Incurred But Not Reported (IBNR) reserve methodology and models for accuracy, and also considered whether the reserves raised are appropriate based on recent experience and known events;
- We evaluated if the claims reserves meet the minimum requirements of the liability adequacy test as per IFRS 4: Insurance Contracts.

Key Audit Matter

How the matter was addressed in the audit

1. Valuation of insurance contract liabilities (continued)

General Insurance Liabilities:

General insurance liabilities include significant estimation uncertainty as a result of the ultimate claims outcome being dependent on the extent that past claims impact future claims based on the current environment. This estimation uncertainty requires significant audit attention.

We note specifically that the Group's short-term insurance subsidiary, Santam Limited, is exposed to significant uncertainty in respect of Santam's general insurance liability under the Contingent Business Interruption (CBI) cover within commercial insurance policies. Santam has recognised a provision in relation to all qualifying policies. Judgment 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). Therefore, we involved our actuarial specialists in our direction and supervision of the work of the component auditor relating to Santam Limited and these matters therefore also required increased audit effort by us and the component auditors. We also utilised internal legal specialists in our review of the legal assessments.

Refer to the Policy liabilities and profit entitlement section of the accounting policies (pages 65 to 67), note 10 of the Group financial statements (General insurance technical provisions) (pages 98 to 99), note 15 of the Group financial statements (Long-term policy liabilities) (pages 106 to 112) and notes 25.2 to 25.4 of the Group financial statements (Critical accounting estimates and judgements) (pages 128 to 130).

- We assessed management's approach to allow for the impact of the COVID-19 pandemic on the assumptions, particularly management's allowance for expected risk claims, where we reviewed management's claims scenarios and compared it to the existing reserves;
- With regards the CBI exposures within Santam Limited, we have performed the following procedures:
 - We have understood the approach followed by Santam to determine the potential exposure, including the governance around the process;
 - Our actuarial experts assessed the model and scenarios applied by management in determining the net provision;
 - We inspected legal documentation, and correspondence that provided insights into management's determination of the probabilities for the key scenarios;
 - We directed and supervised the work of the component auditor related to the evaluation of the model and procedures performed in respect of the accuracy and completeness of data used as an assumption into the model;
 - We assessed the adequacy of the disclosures made in terms of IFRS 4: Insurance Contracts.

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

Key Audit Matter

2. Valuation of unlisted investments

We considered the valuation of unlisted investments (specifically properties, unlisted debt and equity) to be an area requiring significant audit focus as a result of the significant value of these unlisted investments in the Group'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 require considerable judgement.

The investments we considered most complex and most sensitive to unobservable valuation inputs are private equity, property and unlisted debt. In the case of unlisted debt instruments, this includes the risk-free curve used, the liquidity and credit spreads and the assessment of credit risk with regards to counterparty exposure. In the case of unlisted equities and properties, this includes cashflows, cashflow growth rates and discount rates.

In the current year as a result of COVID-19 and the lockdowns we were required to assess the impact of these conditions on forecast assumptions due to significant market volatility and also significant changes in market conditions. This required the use of specialists and increased audit focus to assess whether management's assumptions reasonably incorporated the most appropriate market data.

Refer to note 25.5 of the Group financial statements (Critical accounting estimates and judgements, page 130) and note 33 of the Group financial statements (Fair value disclosures, pages 141 to 151).

How the matter was addressed in the audit

Our audit of the valuation of unlisted investments, included the following audit procedures that were executed with the assistance of our internal valuation experts:

- We assessed the appropriateness of valuation methodologies applied by management against generally accepted market practice;
- We evaluated the key assumptions applied 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 experts assisted us in assessing these inputs by corroborating key inputs to models and validating significant assumptions on a sample basis with reference to relevant industry market valuation considerations;
- 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 IFRS7 Financial Instruments: Disclosures.

In addition to the above, our specific procedures included the following:

Private equity:

- We assessed that the assumptions and inputs used in the model 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.
- Where deemed appropriate, we performed an independent corroboration of the valuations to comparable entities in the market.

Unlisted debt:

- We evaluated the valuation inputs, in particular, the construction of the risk-free curve, liquidity and credit spreads by performing independent checks against external sources.
- 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.

2. Valuation of unlisted investments (continued)**Properties:**

- We assessed the reasonability of market values across the property portfolio and of key inputs such as the discount rate used in the valuations at year end by stress testing management's assumptions to external market data points; and
- We also considered whether the assumptions and inputs used are consistent with the past performance and strategy of the property investments.

Specific Considerations

- For all of the matters above, we have assessed the appropriateness of the significant inputs into managements valuation and assessed their judgements against our understanding of the impact of COVID-19 using our valuation specialists and independent data.

3. Valuation of unlisted strategic investments for the purposes of goodwill and intangible assets' impairment testing

The Group holds significant unlisted strategic investments, which on a consolidated financial statement level leads to the recognition of goodwill and other intangible assets, including the value of business acquired.

The recoverable amount of goodwill and value of business acquired for purposes of impairment testing has been determined based on the value in use for both life and non-life insurance entities.

For non-life insurance entities, the value in use is determined on a discounted cash flow valuation basis.

For investments in life insurance entities, value in use is determined as the embedded value of covered business together with a multiple of Value of New Business (VNB multiple). 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.

We consider the valuation of life and non-life entities for impairment testing purposes to be a key audit matter, because of the sensitivity of the various unobservable valuation inputs. For non-life entities this includes risk discount rates, uncertain future cash flows and growth rate assumptions on the valuation of the investments that require considerable judgement. For life entities this will include the mortality, longevity, 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. These both required additional audit effort and the use of actuarial and valuation specialists.

Our audit included the following audit procedures, amongst others:

In relation to Investments in non-life insurance entities we performed the following with assistance from our valuation specialists:

- We assessed the valuation models by comparing inputs to observable sources, including audited historical performance of the relevant entities;
- We considered the appropriateness of inputs that required significantly more judgement, such as growth rates (including the impact of the COVID-19 pandemic on future revenue growth rates) by benchmarking inputs against those of other comparable industry participants;
- For selected significant strategic investments we perform a reasonability test for which our valuation experts assisted us in providing a range of indicative equity values using a multiples-based approach, adjusting for company specific factors and then comparing the result to similar companies within the same geographic region.

Investments in life insurance entities

Our audit of the actuarial assumptions, models and methodology applied in the embedded value calculations, included the following audit procedures that were executed with the assistance of our actuarial experts:

- We assessed the embedded value methodology and assumptions for compliance by reviewing the methodology and assumptions against the latest actuarial guidance, legislation and approved company policy, including consistency with the valuation of insurance contract liabilities;
- We performed similar procedures as per key audit matter 1 above with regards to:
 - Economic assumptions
 - Non-economic assumptions, including mortality, longevity, persistency and other relevant non-economic assumptions.
- We performed an independent evaluation of the sensitivities of the embedded value to various changes in inputs;

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

Key Audit Matter

3. Valuation of unlisted strategic investments for the purposes of goodwill and intangible assets' impairment testing (continued)

Refer to note 4 of the Group financial statements (Intangible assets arising on acquisition, pages 76 to 78), note 8.2 (Investments in associates and joint ventures, pages 82 to 88) and note 25.1 (Critical accounting estimates and judgements, pages 123 to 127).

How the matter was addressed in the audit

Investments in life insurance entities (continued)

- We evaluated the key sources of profit and loss 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 entities context and market in which it operates.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 2-page document titled "Sanlam Annual Financial Statements 2020", which includes the Directors responsibility for financial reporting, Certificate by the Company Secretary, Directors' 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 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 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 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 and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc., and its predecessor firms, were appointed as joint auditors of Sanlam Limited with its incorporation in 1998. In 2006, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Limited and has continuously therefore been the auditor of the company for a total of 23 years.

Ernst & Young Inc.

Director: Christo du Toit

Registered Auditor

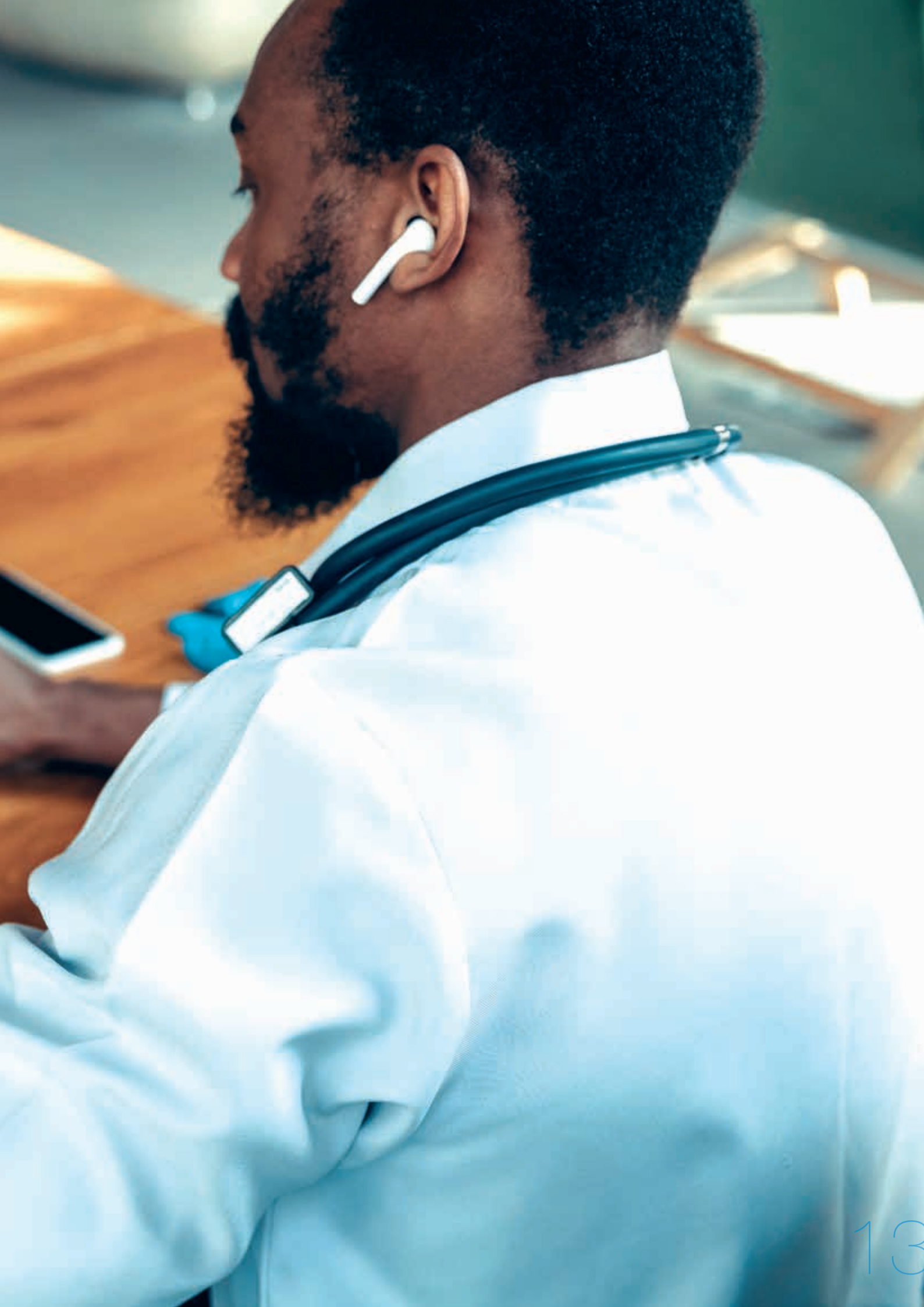
Chartered Accountant (SA)

3rd Floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town

31 March 2021

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Capital and Risk Management report

Capital management

Objective

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

Capital allocation methodology

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

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

The Group sets an appropriate level of required capital for Sanlam Life's covered business (defined on page 201) 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 18) 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, particular where derivatives are utilised for matching purposes.
- The asset mix of the long-term required capital, as well as estate reserves in the policyholder portfolios, also impact the overall capital requirement. The Group's balance sheet management function models the overall risk and expected return on assets, including the impact on required capital to determine the optimal asset mix in this regard.
- The optimal use of long-term debt in the Group's capital structure.
- Management of operational risk: internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.
- The optimal use of hedges, e.g. the interest rate derivatives currently in place.
- Efficient selection of reinsurance exposures.

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

Other Group operations

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

Group Estate committee

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

Discretionary capital

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

Capital adequacy

Sanlam Group

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

Group capital adequacy is determined by applying the deduction and aggregation method as specified in the

Prudential Standards unless indicated otherwise. Entities are included as follows for purposes of available Own Funds and related capital requirements:

- **South African insurers:** Own Funds and standard formula SCR as prescribed under the Prudential Standards.
- **Non-South African insurers regulated in an equivalent jurisdiction:** Own Funds and standard formula SCR as prescribed under Solvency II (at present only applicable to the United Kingdom).
- **Non-South African insurers regulated in a non-equivalent jurisdiction:** All general insurers use Own Funds and standard formula SCR as prescribed under the Prudential Standards.

At December 2020, 14 life insurers (11 of which were part of the Saham acquisition) were included based on local solvency. Combined these entities account for around 3% of Own Funds. In line with the Sanlam Group's regulatory solvency requirements and internal economic capital management, new capital models will be developed for these entities over time.

On 20 September 2020, Sanlam Limited was formally designated as the controlling company of an insurance group after which an application was submitted to the Prudential Authority to use alternative calculations where the prescribed calculations are not performed.

- **Regulated banks and credit institutions:** Regulatory capital resources and capital requirements as per the Basel III framework.
- **Other regulated entities:** Regulated entities (other than insurers, banks and credit institutions) that have regulations prescribing capital resources and capital requirements are included at these values.
- **Where no capital resources and capital requirements are prescribed:** Adjusted IFRS net asset values for Own Funds and SCR equal to the equity stress under the Prudential Standards on the Own Funds.

The Sanlam Group solvency cover was 191% at 31 December 2020, compared to 211% as at 31 December 2019. Excluding the corresponding dividend payment and any discretionary capital, the solvency cover reduces from 191% to 172%.

Capital and Risk Management report continued

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

Sanlam Group solvency

at 31 December 2020

R million	Sanlam Limited			
	Own Funds	SCR	Surplus	SCR cover
2020				
Sanlam Life	116 261	45 202	71 059	257%
Covered business	36 238	18 356	17 882	197%
Participations	72 549	25 989	46 560	279%
Other	7 474	857	6 617	872%
Other Group entities⁽¹⁾	59 027	32 970	26 057	179%
SA insurance	22 647	12 369	10 278	183%
SA other	3 405	2 497	908	136%
Non-SA insurance	21 221	12 551	8 670	169%
Non-SA other	11 754	5 553	6 201	212%
Sanlam Life consolidation entries⁽²⁾	(76 321)	(26 370)	(49 951)	
Total Sanlam Group Own Funds eligible to meet SCR	98 967	51 802	47 165	191%
Tier 1	94 631			
Tier 2	2 483			
Tier 3	1 853			
Total Sanlam Group Own Funds eligible to meet SCR	98 967			

R million	Sanlam Limited			
	Own Funds	SCR	Surplus	SCR cover
2019				
Sanlam Life	121 056	47 810	73 246	253%
Covered business	37 259	18 125	19 134	206%
Participations	83 225	28 927	54 298	288%
Other	572	758	(186)	75%
Other Group entities⁽¹⁾	60 998	30 597	30 401	199%
SA insurance	21 085	11 715	9 370	180%
SA other	8 914	3 745	5 169	238%
Non-SA insurance	19 897	10 789	9 108	184%
Non-SA other	11 102	4 348	6 754	255%
Sanlam Life consolidation entries⁽²⁾	(78 291)	(29 258)	(49 033)	
Total Sanlam Group Own Funds eligible to meet SCR	103 763	49 149	54 614	211%
Tier 1	99 960			
Tier 2	2 322			
Tier 3	1 481			
Total Sanlam Group Own Funds eligible to meet SCR	103 763			

⁽¹⁾ Values are shown net of participations and intra-group loans.

⁽²⁾ Adjustments for Sanlam Life intra-group participations.

Sanlam Life solo

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

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

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

Sanlam Life solo solvency

at 31 December 2020

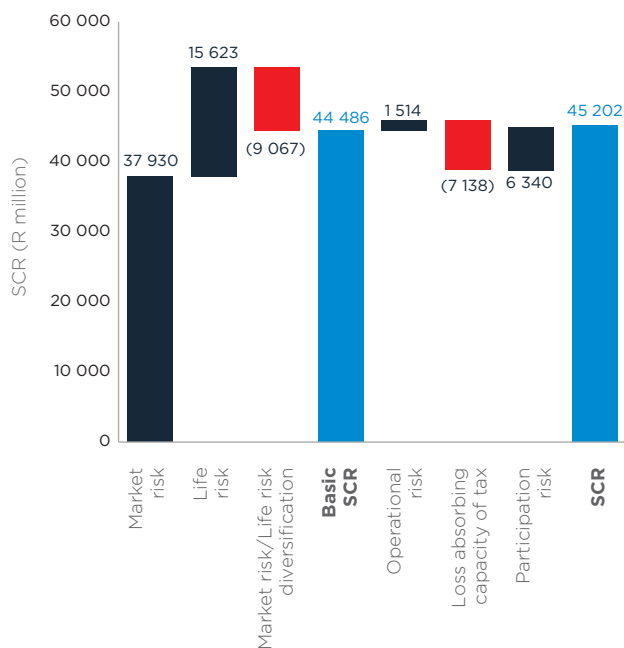
R million	Sanlam Life Insurance Limited	
	2020	2019
Reconciliation of IFRS Shareholders' fund to Own Funds		
IFRS Shareholders' fund	98 692	110 729
Adjustments from IFRS to regulatory basis	(13 623)	(12 774)
Write-down intangibles including DAC and goodwill	(3 832)	(3 944)
Regulatory adjustment to valuation basis	(9 791)	(8 830)
Regulatory basis adjustment to policyholder liabilities	30 181	31 281
Liability valuation adjustments	47 918	49 273
Impact of risk margin	(7 422)	(7 291)
Increase in net deferred tax liabilities resulting from liability valuation differences above	(10 315)	(10 701)
Subordinated debt	1 011	1 025
Basic Own Funds	116 261	130 261
Write-down treasury shares ⁽¹⁾	-	(9 205)
Own Funds eligible to meet SCR	116 261	121 056
SCR	45 202	47 810
SCR cover	257%	253%

⁽¹⁾ Treasury shares held by Sanlam Life were transferred to Sanlam and cancelled during 2020.

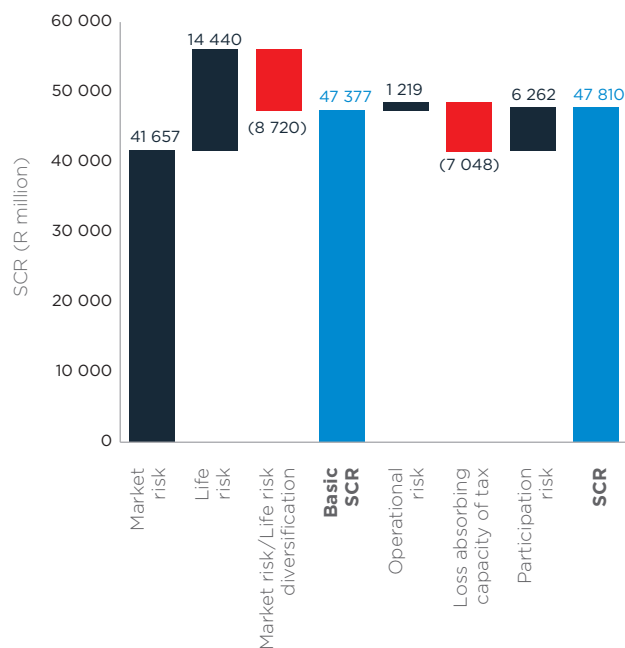
Sanlam Life solo SCR

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

31 December 2020



31 December 2019



Capital and Risk Management report continued

Sanlam Life covered business

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

The SCR cover ratio for Sanlam Life covered business of 197% at 31 December 2020 remains well within the stated target range.

Sensitivity analysis

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

Sanlam Group

R million	Own Funds eligible to meet SCR		SCR		Surplus		SCR cover	
	2020	2019	2020	2019	2020	2019	2020	2019
Base position	98 967	103 763	51 802	49 149	47 165	54 614	191%	211%
Equities -30% ⁽¹⁾	93 585	97 833	49 829	47 074	43 756	50 759	188%	208%
Interest rates -1%	100 194	105 396	52 336	49 852	47 858	55 544	191%	211%
Credit spreads +1%	98 460	103 271	51 800	49 195	46 660	54 076	190%	210%
ZAR appreciation 10%	98 402	103 154	51 820	49 260	46 582	53 894	190%	209%
Shock scenario ⁽²⁾	87 571	92 378	48 666	45 694	38 905	46 684	180%	202%

Sanlam Life solo

R million	Own Funds eligible to meet SCR		SCR		Surplus		SCR cover	
	2020	2019	2020	2019	2020	2019	2020	2019
Base position	116 261	121 056	45 202	47 810	71 059	73 246	257%	253%
Equities -30% ⁽¹⁾	89 396	91 066	32 980	35 600	56 416	55 466	271%	256%
Interest rates -1%	118 093	122 769	45 505	48 104	72 588	74 665	260%	255%
Credit spreads +1%	115 912	120 641	45 305	47 900	70 607	72 741	256%	252%
ZAR appreciation 10%	115 911	120 558	45 323	47 932	70 588	72 626	256%	252%
Shock scenario ⁽²⁾	87 313	88 821	31 822	34 378	55 491	54 443	274%	258%

⁽¹⁾ For the equity sensitivity, the value of participations in Sanlam Life is also assumed to decline by 30%, while the Sanlam Group result considers the actual equity exposure within these participations.

⁽²⁾ Equities decline by 30% and implied equity volatility increases by 25%

Property values decline by 15%

Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields

Emerging market currencies decline by 20% against developed market currencies

Credit spreads widen by 1%

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

Credit rating

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

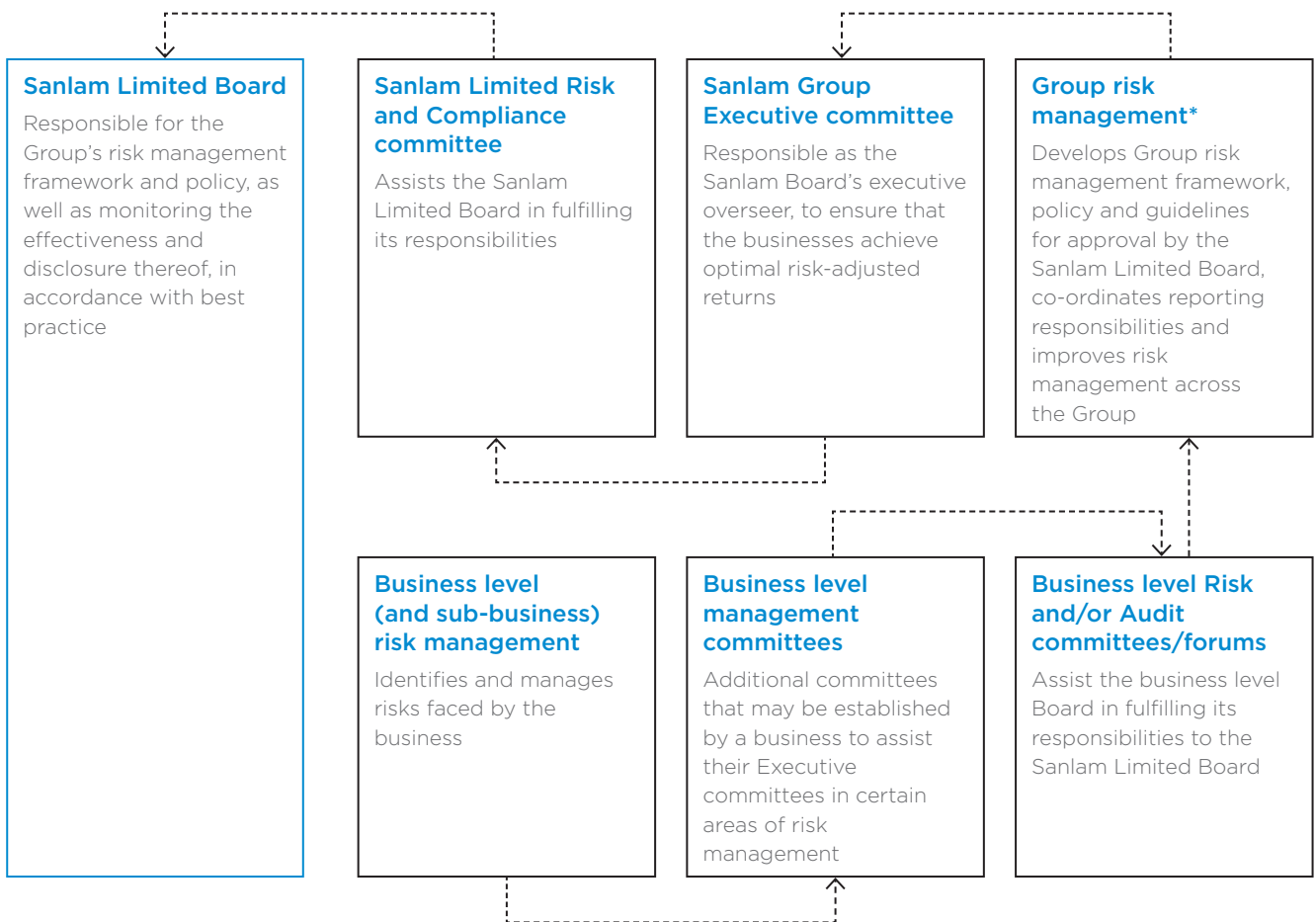
Most recent ratings issued	
Sanlam Limited	South Africa National Scale: zaA+
Sanlam Life Insurance Limited	South Africa National Scale: zaAAA
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaA+
Santam Limited	South Africa National Scale: zaAAA

Risk management

Governance structure

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Limited Board sets the Group Enterprise Risk Management policies

and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram depicts the generic flow of risk management information from the individual businesses to the Sanlam Limited Board.



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

Capital and Risk Management report continued

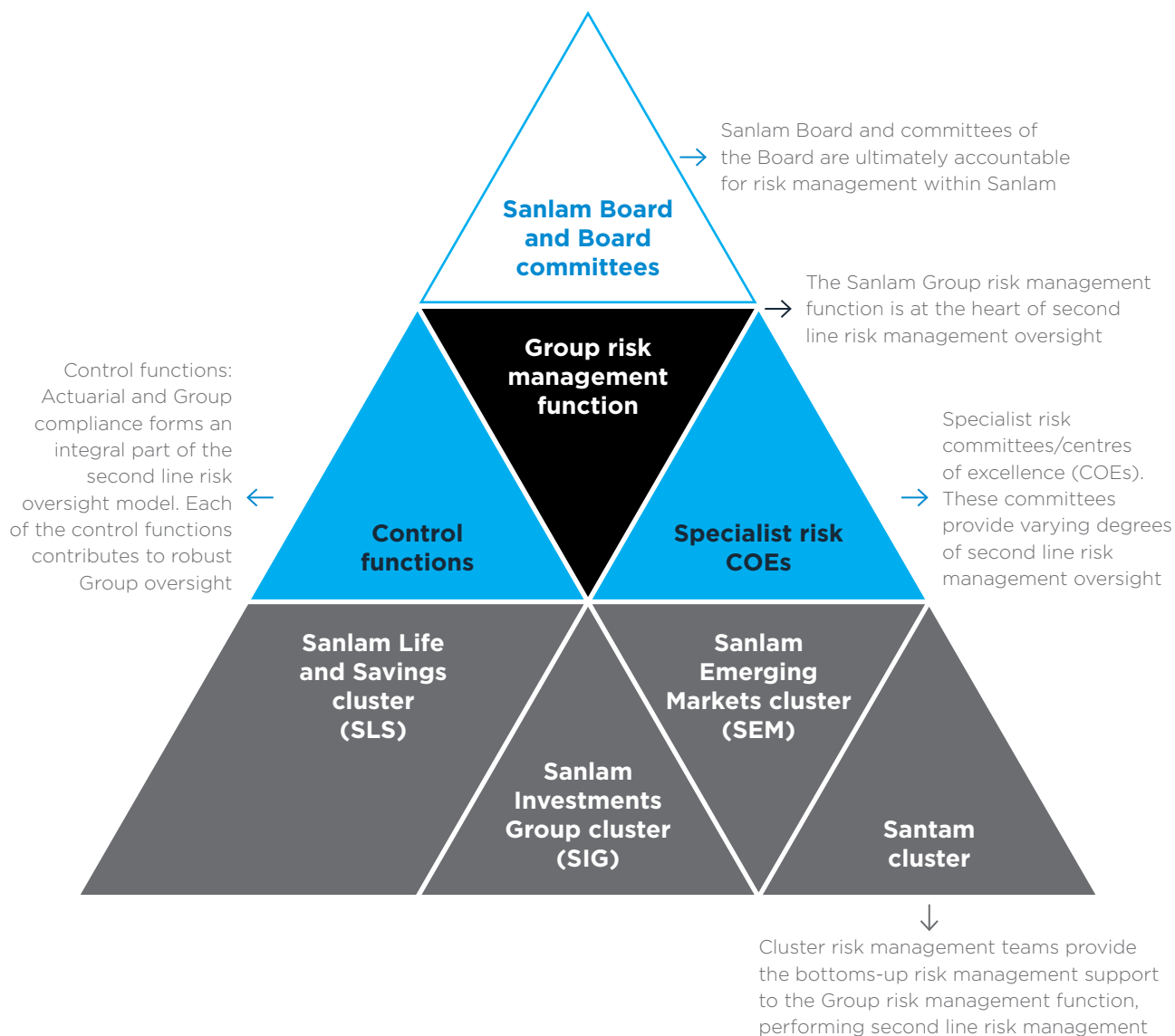
Role of Group risk management

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

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

- Permanent invitee of business units' Risk and Audit committees;
- 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

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

Capital and Risk Management report continued

Group risk policies

The main policies are listed below:

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

The following also cover aspects with linkage to risk management:

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

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

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

Sanlam Group Enterprise Risk Management policy and plan

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

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

Sanlam Group risk escalation policy

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

Summary of Sanlam Group's risk appetite

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

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

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

- Capital and solvency risks;
- Earnings risk;
- Market and asset concentration risks;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Conduct risk;
- 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 Audit and Risk committees 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 practices⁰⁾, 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 from concentration with an individual outsourcing service provider (which exacerbates the former).

⁰⁾ Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current clients, regulators or supervisors, investors and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating clients fairly).

Capital and Risk Management report continued

Risk categories

(primary)

Level 1

Risk types (secondary) Level 2 and description

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.

Risk categories
(primary)

Level 1	Risk types (secondary) Level 2 and description
Market risk (continued)	<p>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.</p>
	<p>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).</p>
	<p>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.</p>
	<p>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).</p>
	<p>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).</p>
	<p>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.</p>
Credit risk	<p>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:</p>
	<p>Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.</p>
	<p>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.</p>
	<p>Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.</p>
	<p>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.</p>
Funding liquidity risk	<p>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.</p>
Insurance risk (life business)	<p>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:</p>
	<p>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.</p>

Capital and Risk Management report continued

Risk categories

(primary)

Level 1

Risk types (secondary) Level 2 and description

Insurance risk
(life business)
(continued)

Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders.

Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.

Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).

Insurance risk
(general insurance business)

Insurance risk (general insurance business): relates to general insurance classes regulated under the Insurance Act: risk arising from the underwriting of general insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:

Claims risk (premium and reserve risk): refers to a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into: reserve risk (relating to incurred claims) and premium risk (relating to future claims).

Underwriting risk: relates to inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors. As a result, the insurer's costs may significantly exceed the premium income.

Reinsurance risk: the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.

Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

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.

External audit

The Group's external auditors are Ernst & Young Inc. The reports of the independent auditors for the year under review are included on page 192 of the Integrated Report and page 5 of the Annual Financial Statements. The external auditors assess certain systems of internal financial control for the purpose of expressing an independent opinion on the Annual Financial Statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

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

Capital and Risk Management report continued

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 undermines 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.

2. Reputational risk

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

3. Conduct risk

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

4. Strategic risk

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of

the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

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

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

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

Risk management: by business area

The following business areas' risks are included:

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

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

Capital and Risk Management report continued

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 49), apart from alternative risk transfer.

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

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

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

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

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

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

of the review are unique to each class of business and constantly evolve as the risk environment changes.

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

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

Reinsurance risk

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

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

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

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

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

with the counterparty limit exposures is monitored on a continuous basis and reported quarterly to the SEM Audit, Risk and Actuarial committee.

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 65 for a description of the different policyholder solutions, as well as to note 15 on page 106, which discloses the monetary value of the Group's exposure to the various solutions.

Life insurance businesses exposed to risk via:	Market risk				Credit risk	Liquidity risk	Insurance risk	
	Equity	Interest rate	Currency	Property			Persis-tency	Other insurance risks
Policyholder solutions								
Linked and market-related Smoothed-bonus business:								
Stable bonus	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽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

Capital and Risk Management report continued

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 2020, all material stable bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

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

- Limitations on exposure to volatile assets;
- Benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to investments in Group listed entities, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;

- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

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

Non-participating annuities

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

Guarantee plans

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

Other non-participating business

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

Policyholder solutions' exposure to currency risk

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

Capital and Risk Management report continued

Capital

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

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

R million	Euro	United States dollar
31 December 2020		
Investment properties	-	-
Equities and similar securities	24	241
Equity-accounted investments	-	-
Interest-bearing instruments	1	223
Government interest-bearing investments	-	56
Corporate interest-bearing investments	1	167
Mortgages, policy and other loans	-	-
Investment funds	-	265
Cash, deposits and similar securities	5	64
General insurance technical assets	-	597
Net working capital	152	1 715
Other liabilities ⁽¹⁾	(50)	(432)
Foreign currency exposure	132	2 673
Exchange rates (rand):		
Closing rate	17,97	14,69
Average rate	18,64	16,34
31 December 2019		
Investment properties	-	-
Equities and similar securities	1	709
Equity-accounted investments	-	-
Interest-bearing instruments	2	211
Government interest-bearing investments	-	116
Corporate interest-bearing investments	2	95
Mortgages, policy and other loans	-	-
Investment funds	-	373
Cash, deposits and similar securities	-	21
General insurance technical assets	-	296
Net working capital	177	1 138
Other liabilities ^{(1), (2)}	(39)	(141)
Foreign currency exposure	141	2 607
Exchange rates (rand):		
Closing rate	15,70	13,98
Average rate	16,16	14,43

⁽¹⁾ Other liabilities include structured transaction liabilities and general insurance technical provisions.

⁽²⁾ The signage of other liabilities in terms of British pound and Indian rupee has been corrected. It did not affect the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity or the Statement of Cash flows.

	British pound	Botswana pula	Indian rupee	Moroccan dirham	Lebanese pound	Angolan kwanza	Malaysian ringgit	Other currencies	Total
	-	14	-	4 671	-	2	-	1 157	5 844
	50	45	-	5 608	171	-	53	694	6 886
	-	1 571	11 124	-	-	-	426	-	13 121
	2	93	-	697	60	1	768	3 129	4 974
	-	-	-	2	41	-	124	2 489	2 712
	2	40	-	677	19	1	644	499	2 050
	-	53	-	18	-	-	-	141	212
	31	1 053	-	4 665	-	3	2	638	6 657
	320	330	7	-	-	-	67	627	1 420
	-	78	-	779	1 131	163	-	1 340	4 088
	951	(290)	350	8 413	(1 780)	(999)	406	(1 019)	7 899
	(2)	(232)	(961)	(13 026)	(1 766)	(290)	-	(4 835)	(21 594)
	1 352	2 662	10 520	11 807	(2 184)	(1 120)	1 722	1 731	29 295
	20,08	1,36	0,20	1,65	0,01	0,02	3,64		
	20,99	1,44	0,22	1,73	0,01	0,03	3,91		
	-	14	-	5 180	-	-	-	1 585	6 779
	18	15	-	5 522	182	3	-	900	7 350
	-	1 522	10 529	-	-	-	505	-	12 556
	237	77	-	593	107	1	603	1 609	3 440
	18	1	-	(85)	910	-	113	1 135	2 208
	219	9	-	664	(803)	1	490	447	1 124
	-	67	-	14	-	-	-	27	108
	83	733	-	3 964	-	-	5	316	5 474
	220	310	30	(224)	797	-	214	306	1 674
	-	62	-	657	337	201	-	1 088	2 641
	445	186	335	7 984	(1 364)	(750)	352	(468)	8 035
	(2)	(221)	(886)	(13 296)	(839)	(542)	(67)	(4 590)	(20 623)
	1 001	2 698	10 008	10 380	(780)	(1 087)	1 612	746	27 326
	18,52	1,34	0,20	1,49	0,01	0,03	3,44		
	18,42	1,36	0,21	1,52	0,01	0,04	3,49		

Capital and Risk Management report continued

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

Sensitivities

Refer to page 229 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

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

✓ Risk applicable to item

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam corporate credit risk policy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Specialised Finance (SanFin), 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 2020 and 2019 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

Capital and Risk Management report continued

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

Credit risk concentration by credit rating

	AAA	AA	A
	%	%	%
Assets backing policy liabilities			
31 December 2020			
Government interest-bearing investments	11	1	5
Corporate interest-bearing investments	4	6	3
Mortgages, policy and other loans	-	-	-
Structured transactions	-	7	1
Cash, deposits and similar securities	9	14	5
Net working capital	-	-	-
Total	6	5	4
31 December 2019			
Government interest-bearing investments	14	9	1
Corporate interest-bearing investments	3	8	5
Mortgages, policy and other loans	-	-	-
Structured transactions	-	31	9
Cash, deposits and similar securities	11	13	2
Net working capital	-	-	-
Total	6	11	3

Credit risk concentration by credit rating

	AAA	AA	A
	%	%	%
Capital portfolio			
31 December 2020			
Government interest-bearing investments	-	-	1
Corporate interest-bearing investments	9	5	5
Mortgages, policy and other loans	-	-	-
Structured transactions	1	3	-
Cash, deposits and similar securities	-	16	13
Net working capital	-	5	5
Total	3	5	5
31 December 2019			
Government interest-bearing investments	3	3	-
Corporate interest-bearing investments	6	8	11
Mortgages, policy and other loans	-	-	4
Structured transactions	4	26	8
Cash, deposits and similar securities	3	13	10
Net working capital	5	14	3
Total	5	11	6

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.

	BBB	BB	B	Not rated	Other	Total	Carrying value
	%	%	%	%	%	%	R million
	1	58	17	7	-	100	66 538
	21	49	9	6	2	100	78 070
	1	51	29	13	6	100	22 757
	42	46	-	1	3	100	22 970
	17	34	1	13	7	100	30 014
	-	-	-	100	-	100	(995)
	14	50	11	7	3	100	219 354
	8	49	10	9	-	100	43 563
	21	52	5	4	2	100	78 332
	6	57	16	18	3	100	20 151
	39	17	2	2	-	100	20 056
	21	40	-	13	-	100	27 966
	-	-	-	100	-	100	1 785
	18	46	6	9	1	100	191 853

	BBB	BB	B	Not rated	Other	Total	Carrying value
	%	%	%	%	%	%	R million
	1	27	58	8	5	100	3 779
	18	46	5	11	1	100	6 411
	3	25	27	42	3	100	437
	18	29	-	48	1	100	226
	12	24	4	29	2	100	2 389
	10	30	4	40	6	100	6 993
	11	33	15	24	4	100	20 235
	9	11	60	13	1	100	1 277
	22	31	7	15	-	100	4 688
	6	27	8	52	3	100	287
	41	15	2	4	-	100	323
	8	14	1	51	-	100	2 800
	11	24	10	31	2	100	7 508
	14	23	11	29	1	100	16 883

Capital and Risk Management report continued

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position as there are no financial guarantees provided to parties outside the Group. Please refer to note 28 on page 134, 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 high international ratings of no less than A+ from S&P.

3. Liquidity risk

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

✓ Risk applicable to item

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

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

⁽¹⁾ The effects of consolidating investment funds are not taken into account in the above analysis and controlled funds are reflected as investment funds.

⁽²⁾ Cash, deposits and similar securities due within one year include current account balances which are available on demand.

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2019					
Insurance contracts	8 529	26 858	74 242	80 058	189 687
Investment contracts	10 919	53 061	78 221	259 280	401 481
Total policy liabilities	19 448	79 919	152 463	339 338	591 168
Properties	32	-	-	14 114	14 146
Equities and similar securities	-	-	-	76 322	76 322
Government interest-bearing investments	1 623	4 294	38 416	-	44 333
Corporate interest-bearing investments	12 797	46 126	18 959	448	78 330
Mortgages, policy and other loans	4 516	10 311	4 386	937	20 150
Structured transactions	13 140	4 263	1 832	823	20 058
Investment funds ⁽¹⁾	-	-	-	318 155	318 155
Cash, deposits and similar securities ⁽²⁾	19 221	8 577	210	18	28 026
Deferred acquisition costs	-	-	-	637	637
Long-term reinsurance assets	195	830	834	184	2 043
Term finance	-	-	(96)	-	(96)
Lease liabilities	(13)	(47)	-	-	(60)
Structured transactions liabilities	(11 042)	(463)	(324)	(11)	(11 840)
Net working capital	964	-	-	-	964
Total policyholder assets	41 433	73 891	64 217	411 627	591 168

⁽¹⁾ The effects of consolidating investment funds are not taken into account in the above analysis and controlled funds are reflected as investment funds.

⁽²⁾ Cash, deposits and similar securities due within one year include current account balances which are available on demand.

- 3.2 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking expected cash outflows into account. Please refer to the liquidity section on page 46 describing the liquidity risk management framework.
- 3.3 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.
- 3.4 Liabilities are matched, as far as possible, with interest-bearing assets, to ensure that the duration of assets and liabilities are closely aligned. This may also include derivatives.
- 3.5 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.
- 3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short time frame if need be. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 59 for more information).

Capital and Risk Management report continued

4. Insurance risk

Life insurance businesses exposed to risk via:	Insurance risk	
	Persis- tency	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

Distribution 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. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

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

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

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

Expense risk

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

Concentration risk

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

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

Non-participating annuity payable per annum per life insured

R'000	Number of lives	
	2020	2019
0 - 20	190 572	197 098
20 - 40	28 507	27 374
40 - 60	10 929	10 284
60 - 80	6 273	5 895
80 - 100	3 817	3 430
>100	11 124	9 489
	251 222	253 570

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

Benefits insured per individual life R'000	Number of lives		Before reinsurance		After reinsurance	
	2020	2019 ⁽¹⁾	2020 %	2019 ⁽¹⁾ %	2020 %	2019 ⁽¹⁾ %
0 - 500	8 976 480	8 882 196	18	17	21	23
500 - 1 000	319 671	306 031	11	11	11	11
1 000 - 5 000	492 133	477 464	46	43	47	44
5 000 - 8 000	36 966	37 129	10	10	9	8
>8 000	25 208	26 358	15	19	12	14
	9 850 458	9 729 178	100	100	100	100

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

Benefits insured per individual life R'000	Number of lives		Before reinsurance		After reinsurance	
	2020	2019 ⁽¹⁾	2020 %	2019 ⁽¹⁾ %	2020 %	2019 ⁽¹⁾ %
0 - 500	14 963 514	14 676 564	27	25	34	33
500 - 1 000	319 671	306 031	9	10	9	10
1 000 - 5 000	492 133	477 464	40	39	40	38
5 000 - 8 000	36 966	37 129	9	9	7	7
>8 000	25 208	26 358	15	17	10	12
	15 837 492	15 523 546	100	100	100	100

⁽¹⁾ Comparative figures were reclassified due to the reallocation of individuals covered by funeral products.

Capital and Risk Management report continued

	2020		2019	
	R million	%	R million	%
South Africa	493 190	78	474 312	80
Rest of Africa	60 172	10	51 470	9
Other International	72 165	12	65 386	11
Total policy liabilities	625 527	100	591 168	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 2020 is shown below:

R million	2020	2019
Gross balance	5 605	5 633
Provisions ⁽¹⁾	(1 208)	(743)
Net balance	4 397	4 890

⁽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 88.
- The Group treasury function also provided financing to SPL of R3 510 million at 31 December 2020 (2019: R3 893 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 R9 242 million (2019: R8 878 million), of which approximately 73% (2019: 75%) 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 571 million (2019: R1 522 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 000 million (2019: R1 097 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.

SanFin

SanFin, a combination of Sanlam Capital Markets (SCM), including the Central Credit Manager (CCM), Sanlam Structured Solutions (SSS) and Sanlam Portfolio Management (SPM), was formed to strengthen the financial risk management of the Sanlam balance sheet in collaboration with Sanlam balance sheet management and Sanlam Group risk management. The aim is to centralise the management of shareholder credit risk, liquidity risk and interest rate risk.

Market risk

SanFin uses Value at Risk (VaR) to calculate market risk capital for listed instruments. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

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

VaR is used as the basis for market risk capital computations. Limits are established for the amount of market risk capital that may be consumed. These limits are supplemented with

limits on exposures and stresses metrics at different levels within SanFin, e.g. business level and within businesses.

Credit risk

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

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

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

Capital and Risk Management report continued

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

R million	2020	2019
Stress results (3 notch)	(861)	(741)

Maximum exposure to credit risk

SanFin's maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances. Please refer to note 28 on page 134, which discloses the possible obligations of the Group.

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

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

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 43% (2019: 50%) of total credit risk capital, but only 18% (2019: 24%) of the total exposure. SanFin is therefore not exposed to significant concentration risk.

Liquidity risk

Within SCM, the maximum available facilities of R7 billion (2019: R7 billion) exceed the amount utilised of R3,6 billion (2019: R2 billion), indicating available unutilised funding sources. In order to keep commitment fees contained within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Utilised committed facilities granted by SCM to various counterparties were R132 million (2019: R384 million). A significant portion of trading account assets and liabilities is due within one year.

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

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

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2020					
CCM term finance liabilities	-	(560)	-	-	(560)
Term finance liabilities held in respect of CCM margin business	-	(560)	-	-	(560)
Assets held in respect of CCM term finance	42	81	121	316	560
Equities and similar securities	-	-	-	316	316
Corporate interest-bearing investments	-	81	121	-	202
Working capital assets and liabilities	42	-	-	-	42
Net term finance liquidity position⁽²⁾	42	(479)	121	316	-

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2019⁽¹⁾					
CCM term finance liabilities	(80)	(580)	-	-	(660)
Term finance liabilities held in respect of CCM margin business	(80)	(580)	-	-	(660)
Assets held in respect of CCM term finance	46	81	131	402	660
Equities and similar securities	-	-	-	402	402
Corporate interest-bearing investments	-	81	131	-	212
Working capital assets and liabilities	46	-	-	-	46
Net term finance liquidity position⁽²⁾	(34)	(499)	131	402	-

⁽¹⁾ The values have been restated to reflect the CCM more accurately by including an entity that was not included in 2019, resulting in the majority of assets being reclassified as open-ended. The 2019 net term finance liquidity position previously disclosed was: <1 year: R333 million, 1-5 years: (R499 million), >5 years: R45 million and open-ended: R121 million. This did not affect the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity or the Statement of Cash Flows.

⁽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.

Capital and Risk Management report continued

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 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 2020 based on the internal economic capital model amounted to R7,4 billion (2019: R7,3 billion) or an economic capital coverage ratio of 161% (2019: 160%). 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.

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.

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.

Capital and Risk Management report continued

In order to quantify the underwriting risk faced by Santam, 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	2020	2019	2018	2017	2016	2015	2014
Claims paid and provided %*	68,0	62,3	60,6	65,9	65,1	62,1	63,1

* 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	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
- 2020	21 077	14 165	3 951	1 804	176	445	49	465	22
- 2019	18 898	-	14 055	3 667	606	244	101	204	21
- 2018	17 997	-	-	12 231	4 627	503	371	165	100
- 2017	18 823	-	-	-	13 623	4 032	534	438	196
- 2016	16 112	-	-	-	-	11 087	3 909	506	610
- 2015	14 019	-	-	-	-	-	9 786	3 388	845
- 2014	13 556	-	-	-	-	-	-	9 031	4 525
- 2013	24 488	-	-	-	-	-	-	-	24 488
Cumulative payments to date	144 970	14 165	18 006	17 702	19 032	16 311	14 750	14 197	30 807

General insurance claims – net

Claims paid in respect of (i.e. incident year)

R million	Total actual claims cost	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
- 2020	15 022	11 293	2 868	342	62	337	37	77	6
- 2019	14 805	-	11 746	2 574	177	129	89	77	13
- 2018	14 107	-	-	10 955	2 563	246	191	80	72
- 2017	13 819	-	-	-	10 852	2 359	242	196	170
- 2016	12 809	-	-	-	-	9 866	2 386	212	345
- 2015	11 476	-	-	-	-	-	8 734	2 239	503
- 2014	11 040	-	-	-	-	-	-	7 927	3 113
- 2013	21 239	-	-	-	-	-	-	-	21 239
Cumulative payments to date	114 317	11 293	14 614	13 871	13 654	12 937	11 679	10 808	25 461

General insurance claims provision – gross

Financial year during which claim occurred (i.e. incident year)

R million	Total provisions raised	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
- 2020	12 359	7 888	1 335	1 031	579	743	164	219	400
- 2019	9 208	-	4 353	2 647	772	675	170	187	404
- 2018	8 497	-	-	5 033	1 405	1 082	221	312	444
- 2017	8 348	-	-	-	5 240	1 541	493	506	568
- 2016	6 814	-	-	-	-	3 870	1 143	895	906
- 2015	6 279	-	-	-	-	-	3 100	1 577	1 602
- 2014	6 240	-	-	-	-	-	-	4 069	2 171
- 2013	10 471	-	-	-	-	-	-	-	10 471
	68 216	7 888	5 688	8 711	7 996	7 911	5 291	7 765	16 966

Capital and Risk Management report continued

General insurance claims provision – net

R million	Financial year during which claim occurred (i.e. incident year)								
	Total provisions raised	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
- 2020	6 684	4 128	796	565	301	252	108	106	428
- 2019	4 901	-	2 813	768	363	298	133	116	410
- 2018	4 345	-	-	2 679	602	321	175	135	433
- 2017	4 442	-	-	-	3 031	451	252	170	538
- 2016	3 973	-	-	-	-	2 334	512	312	815
- 2015	4 056	-	-	-	-	-	2 291	581	1 184
- 2014	3 968	-	-	-	-	-	-	2 337	1 631
- 2013	8 178	-	-	-	-	-	-	-	8 178
	40 547	4 128	3 609	4 012	4 297	3 656	3 471	3 757	13 617

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 contains 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 1,05% of the total exposure of the significant geographical areas, amounting to protection of R8,7 billion per event, with an attachment point of R150 million;

- 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 2020 financial year is the second 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 5-year agreement between Santam and New Re became effective 1 January 2020. The agreement with New Re replaced the previous agreement with Munich Reinsurance Company of Africa Limited (Munich Re of Africa) which was in place from 1 January 2017. Santam has a reinsurance quota share programme, with a number of key international reinsurers with an estimated annual reinsurance quota share premium of R1 billion. The agreement reduces 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- (2019: 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.

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. 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. The probability of default assigned is based on the highest credit rating assigned by the various rating agencies.

For default risk Santam uses a model which is largely based on Basel II regulations.

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.

The concentration risk 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 (2019: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

Capital and Risk Management report continued

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

31 December 2020

R million	AAA	AA+	AA	AA-	A+
Government interest-bearing investments	17	-	-	-	-
Corporate interest-bearing investments	91	34	-	44	51
Mortgages and loans	-	-	-	-	-
Structured transactions	-	-	-	-	-
Investment funds	-	-	-	-	-
Cash, deposits and similar securities	-	-	-	29	191
Other loans and receivables	-	-	-	-	-
Cash and cash equivalents	-	28	-	496	11
Receivables due from contractholders/intermediaries	-	-	-	403	115
Reinsurance receivables	-	-	-	-	25
Cell owners' interest	-	-	-	-	-
Deposit with cell owners	-	-	-	-	-
Total	108	62	-	972	393

31 December 2019⁽¹⁾

R million	AAA	AA+	AA	AA-	A+
Government interest-bearing investments	-	-	-	-	-
Corporate interest-bearing investments	16	18	-	-	-
Mortgages and loans	-	-	-	-	-
Structured transactions	-	-	-	-	-
Investment funds	-	-	-	-	-
Cash, deposits and similar securities	-	-	225	-	-
Other loans and receivables	-	12	8	23	3
Cash and cash equivalents	-	92	267	113	15
Receivables due from contractholders/intermediaries	-	-	187	30	-
Reinsurance receivables	-	5	4	80	24
Cell owners' interest	-	-	-	-	-
Deposit with cell owners	-	-	-	-	-
Total	16	127	691	246	42

⁽¹⁾ Due to the reclassification of financial assets in order to align Santam with Sanlam, total assets rated as BBB- are different to amounts presented in the Santam annual financial statements for the year ended 31 December 2019. In the table above, BBB- includes derivatives to the value of R35 million.

A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
-	-	-	-	-	-	4 295	18	166	4 496
105	75	12	56	-	212	11 552	610	1 576	14 418
-	-	-	-	-	-	24	78	44	146
-	-	-	-	-	-	263	-	1	264
-	-	-	-	-	-	944	-	3 544	4 488
-	-	-	-	-	-	1 812	-	194	2 226
-	-	-	-	-	-	404	63	996	1 463
-	-	-	-	-	108	3 726	-	14	4 383
83	71	19	7	-	-	5	58	4 172	4 933
48	43	38	-	-	12	3	-	290	459
-	-	-	-	-	-	-	-	14	14
-	-	-	-	-	-	-	-	161	161
236	189	69	63	-	332	23 028	827	11 172	37 451

A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
-	-	-	-	2 892	64	18	5	40	3 019
-	-	11	10	9 259	463	609	584	1 119	12 089
-	-	-	-	-	-	18	85	62	165
-	-	-	-	339	3	33	25	-	400
-	-	-	-	7	-	218	-	3 558	3 783
-	-	-	-	1 366	-	-	-	164	1 755
-	-	10	61	73	5	9	4	911	1 119
-	-	2	11	3 595	72	262	98	115	4 642
6	69	-	-	10	1	-	-	4 442	4 745
3	37	-	-	1	20	-	-	199	373
-	-	-	-	-	-	-	-	26	26
-	-	-	-	-	-	-	-	180	180
9	106	23	82	17 542	628	1 167	801	10 816	32 296

Capital and Risk Management report continued

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

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

Market risk

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

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

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

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

Price risk

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

Santam has a well-defined investment strategy, including return objectives, asset allocation, portfolio construction and asset manager selection. The strategy has been translated into various specialist mandates which in turn have been outsourced mostly to SI. The total level of equity investments, both listed and unlisted, is closely monitored by the Investment committee 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 Investment 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 9,9% (2019: 7,7%) of the total quoted equities and 0,5% (2019: 0,4%) of the total assets. The company's largest investment in any one company comprises 16,6% (2019: 12,8%) of the total quoted equities and 0,6% (2019: 0,5%) 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 Investment 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 2020 (2019: 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 applies hedge accounting 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 obligations are covered by longer duration interest-bearing investments and interest rate swaps.

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.

Capital and Risk Management report continued

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. A detailed assessment of the risks faced, specifically in relation to COVID-19, has therefore been undertaken. This includes risks which could threaten Santam's business model, future performance, solvency or liquidity. Santam has implemented a robust governance framework charged with the definition and ongoing management of the strategies designed to accelerate decision-making and mitigate the increased risk 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.

Liquidity risk

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

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

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

R million	<1 year	1 - 5 years	>5 years	Open ended	Total
31 December 2019					
Non-CCM term finance liabilities	(354)	(2 600)	-	-	(2 954)
Term finance liabilities held in respect of non-CCM margin business	(354)	(2 600)	-	-	(2 954)
Assets held in respect of non-CCM term finance	-	2 000	954	-	2 954
Equities and similar securities	-	-	-	-	-
Corporate interest-bearing investments	-	2 000	954	-	2 954
Working capital assets and liabilities	-	-	-	-	-
Net term finance liquidity position⁽¹⁾	(354)	(600)	954	-	-

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

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

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 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	-

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2019					
Term finance liabilities					
Interest-bearing liabilities ⁽¹⁾	-	(1 013)	-	-	(1 013)
Assets held in respect of term finance	220	460	277	56	1 013
Government interest-bearing investments	1	1	-	-	2
Corporate interest-bearing investments	164	375	277	-	816
Mortgages, policy and other loans	1	58	-	-	59
Structured transactions	32	3	-	-	35
Investment funds	-	-	-	56	56
Cash, deposits and similar securities	45	23	-	-	68
Working capital assets and liabilities	(23)	-	-	-	(23)
Net term finance liquidity position⁽²⁾	220	(553)	277	56	-

⁽¹⁾ Issue of R1 billion unsecured sub-ordinated callable floating rate note at first call date of 15th August 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.

Sensitivity analysis – market risk

Refer to page 229 for an analysis of the Group's exposure to market risk as measured by GEV.

Basis of presentation and accounting policies

Basis of presentation

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

The following new or revised IFRS and interpretations became effective on 1 January 2020 and have therefore been applied:

- *The Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest rate benchmark reform – Phase 1 (Amendments to IFRS 7, IFRS 9 and IAS 39)*

The following new or revised IFRS and interpretations became effective on 1 June 2020 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 2021:
 - *Interest rate benchmark reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)*
- 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*
 - *Classification of liabilities as current or non-current (Amendments to IAS 1)*

IFRS 17 – *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The granular level of modelling and accounting required to meet the requirements of IFRS 17 will have a significant impact on the underlying valuation models, systems and processes. The Group's assessment of the requirements of the standard against current data, processes and valuation models is complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Solution build activities are tracking in line with the Group-wide programme plan.

Interest rate benchmark reform – Post the 2008 financial crisis, international regulators have signalled the need for the use of alternative benchmark reference rates as opposed to Interbank Offered Rates (“IBORs”). This transition was primarily triggered due to the fraud and conspiracy scandals surrounding the London Interbank Offered Rate (“LIBOR”) during the financial crisis. In 2014, due to IBOR's sustainability concerns in the unsecured banking market, the Financial Stability Board (“FSB”) decided to look into risk-free reference rates (“RFRs”) as alternatives to IBORs. The UK's Financial Conduct Authority's (“FCA”) announced in 2017 that banks will no longer be compelled or persuaded to submit quotes to support LIBOR. Interest rate benchmarks that are currently the subject of proposals for reform include USD LIBOR, GBP LIBOR, EUR LIBOR and EURIBOR. Alternative Reference Rates (“ARRs”) for five major currencies (USD, GBP, EUR, CHF, and JPY) have been established till date. It is however expected that existing interest rate benchmarks will continue to be published till 31 December 2021.

Considering the scope of the Group's business, the reference rate reform will most likely first affect credit assets and derivatives (including collateral) that are traded on the international platform. In terms of derivatives, the Group has adhered to the ISDA (International Swaps and Derivatives Association) 2020 IBOR Protocol (“the Protocol”). The Protocol together with the relevant supplement incorporates specific fall back provisions into the agreements that reference IBORs in the 2006 and 2000 ISDA definitions. The Protocol, including the supplement has been effective from 25 January 2021. Although the Protocol will enable market participants to replace IBOR rates and terms related to the calculation thereof into the relevant legacy derivative trades with counterparties that adhere to the Protocol, the Group will however put processes in place to ensure consistency in respect of IBORs applicable to credit assets and derivatives which are related.

The Group also trades offshore fixed rate bonds in conjunction with credit assets and derivatives. These transactions will be closely monitored to ensure that the appropriate replacement rate and calculation thereof is agreed where applicable. Once an appropriate rate has been determined, the Group will ensure that the existing rates are replaced with the required new rates in the relevant legal agreements.

The Group's management is tracking the developments with regards to the reference rate reform at an internal bi-weekly meeting, as well as by interacting closely with other market participants. Proper testing will also be conducted in terms of the rate curves referencing the relevant newly established ARR in anticipation of transactions in the future.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform will be considered during 2020. If any other changes made at the same time, such as a change in the credit spread or maturity date, are substantial, the instrument will be derecognised. If the changes are considered not to be substantial, the updated effective interest rate is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. Additional IFRS 7 Financial Instruments disclosures will be provided where required.

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

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:

- Impairment of goodwill and value of business acquired;
- The liability arising from claims under general insurance contracts;
- The fair value of unlisted investments;
- The valuation of life insurance policy liabilities;
- Impairment of financial assets, including measurement of expected credit losses (ECL) allowances for trade receivables;
- Classification of financial assets;
- 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.

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

Policyholders' and shareholders' activities

The Group financial statements set out on pages 68 to 164 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 190 to 260.

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

Insurance contracts

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

Cash, deposits and similar securities

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

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

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 12 to 59
- Note 8: Investments
- Note 15: Long-term policy liabilities
- Note 16: Term finance
- Note 25: Critical accounting estimates and judgements
- Note 33: Fair value

Segmental information

The Group reports segments grouped according to the similarity of the solution offerings and market segmentations of the various businesses. During August 2020 the Group made changes to their reportable segments. The reporting segment Sanlam Personal Finance was split into SA Retail Mass and SA Retail Affluent. A new reporting cluster Sanlam Life and Savings was created combining Sanlam Corporate, SA Retail Mass and SA Retail Affluent. The operating segments reported for IFRS 8 – Operating Segments purposes include the following:

- Sanlam Life and Savings;
 - Sanlam Corporate (providing employee benefits services, group risk and investment services to retirement funds and corporates);
 - SA Retail Mass (providing life insurance and investment solutions to the entry level market);
 - SA Retail Affluent (providing life insurance and investment solutions to the middle and upper level of the market).

Basis of presentation and accounting policies continued

- 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 short-term insurance provider in South Africa).

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

The audited segmental information is disclosed in the Shareholders' Information on pages 190 to 260.

Accounting policies

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

Basis of consolidation

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

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

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

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

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

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

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

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

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company that undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management,

actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:

- First party – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered 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 – where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The Group is the principal to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

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

Business combinations under Common Control

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

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

Foreign currencies

Transactions and balances

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

Foreign operations

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

Hyperinflation

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. This is based on statistics reported by the International Monetary Fund (IMF), World Economic Outlook (WEO) and current inflation rising to 133.5% in Lebanon. IAS 29 – Financial Reporting in Hyperinflationary Economies is therefore applicable to entities with the Lebanese pound (LBP) as functional currency. Hyperinflation accounting requires an entity that reports in the currency of a hyperinflationary economy to state financial statements in terms of the measuring unit current at the end of the reporting period. This is in order to account for the loss of purchasing power during the period. The Lebanon Consumer Price Index (CPI) was elected to be used as the general price index for the restatement of financial statements. CPI was 284.0 at

Basis of presentation and accounting policies continued

31 December 2020 and provides for an observable indication of the change in the price of good and services.

The opening balances of monetary assets and liabilities were restated by applying the CPI differential between 1 January 2020 and the reporting date. The 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 has elected to recognise the impact in the Foreign Currency Translation Reserve (FCTR). An impairment loss has been recognised in FCTR where the remeasured amount of the non-monetary item exceeds the estimated recoverable amount. The impact of monetary assets loss of purchase price parity has been recognised in the current year's profit and loss.

All items in the 2020 Statement of Comprehensive Income are restated on a monthly basis using the CPI index for each month. All items in the Statement of Cash Flow are expressed in terms of the general price index at the end of the reporting period. The comparative amounts in the Group financial statements have not been restated, but the impact has been recognised in the current financial year's financial statements in the hyperinflation line of the Statement of Changes in Equity.

Policy liabilities and profit entitlement

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, Channel Life, 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 2020 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 2020 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.

Policy liabilities and profit entitlement continued

- For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on a combination of the market yields of South African and Namibian fixed interest securities on the valuation date. Refer to note 4 on page 225 for investment return assumptions per asset class.
- Future expense assumptions are based on the 2020 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 2020. 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), as well as Safrican Nimbus Fixed Return which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

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

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

Participating annuity business

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

Non-participating annuity business

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

Other non-participating business

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

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

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included within the related prospective reserves for Sanlam Life. For other life entities, allowance is made for HIV/Aids claims within the actuarial assumptions.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's policies.

Premium rates for Group business are reviewed annually. 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, historically, provision for claims relating to other pandemics has also been made based on the estimated additional death claims should a moderate pandemic occur. At 31 December 2020, a portion of the pandemic reserve has been released to cover claims due to Covid19 experience, reducing the provision previously held.

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

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

Group Statement of Financial Position

at 31 December

R million	Notes	2020	2019
ASSETS			
Equipment	1	1 652	1 655
Right-of-use assets	2.1	1 614	1 912
Owner-occupied properties	3	2 692	1 794
Goodwill	4.1	16 703	18 974
Value of business acquired	4.2	6 129	8 768
Other intangible assets	5	788	926
Deferred acquisition costs	6	3 374	3 505
Long-term reinsurance assets	7	2 258	2 042
Investments		814 074	770 995
Properties	8.1	20 302	21 565
Investment in associates and joint ventures	8.2	18 773	18 682
Equities and similar securities	8.3.1	186 990	201 501
Interest-bearing investments	8.3.2	261 434	234 509
Structured transactions	8.3.2	29 566	23 090
Investment funds	8.3.2	252 026	222 141
Cash, deposits and similar securities	8.3.2	44 983	49 507
Deferred tax	9.1	2 843	1 872
Assets of disposal groups classified as held for sale	32	2 218	159
General insurance technical assets	10	13 847	10 166
Working capital assets		75 604	77 461
Trade and other receivables	11.1	44 568	46 180
Taxation		942	912
Cash, deposits and similar securities	35.1	30 094	30 369
Total assets		943 796	900 229
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	12	12 784	13 452
Treasury shares		(1 633)	(4 127)
Other reserves	13	2 238	(1 859)
Retained earnings		51 323	59 851
Shareholders' fund		64 712	67 317
Non-controlling interest	14	12 512	12 043
Total equity		77 224	79 360
Long-term policy liabilities	15	625 527	591 168
Term finance	16	13 837	11 187
Margin business	16.1	5 330	3 614
Other interest-bearing liabilities	16.1	8 507	7 573
Lease liabilities	2.2	1 878	2 110
Structured transactions liabilities	8.3.2	22 970	19 272
External investors in consolidated funds	35.2	83 714	85 187
Cell owners' interest		4 226	3 935
Deferred tax	9.1	5 810	5 766
Liabilities of disposal groups classified as held for sale	32	454	-
General insurance technical provisions	10	49 752	41 332
Working capital liabilities		58 404	60 912
Trade and other payables	11.2	55 356	58 062
Provisions	17	506	523
Taxation		2 542	2 327
Total equity and liabilities		943 796	900 229

Group Statement of Comprehensive Income

for the year ended 31 December

R million	Notes	2020	2019
Net income		132 866	147 796
Financial services income	18	104 701	95 520
Reinsurance premiums paid	19	(18 794)	(15 893)
Reinsurance commission received	20	2 929	2 676
Investment income	8.4	31 879	33 003
Investment surpluses	8.4	11 001	43 064
Finance cost - margin business	22	(216)	(242)
Change in fair value of external investors' liability		1 366	(10 332)
Net insurance and investment contract benefits and claims		(75 896)	(91 526)
Long-term insurance contract benefits	15.5	(25 596)	(30 802)
Long-term investment contract benefits	15.5	(26 646)	(39 506)
General insurance claims		(37 593)	(29 646)
Reinsurance claims received	20	13 939	8 428
Expenses		(42 201)	(41 051)
Sales remuneration	21.1	(14 319)	(13 246)
Administration costs	21.1	(27 882)	(27 805)
Impairments	21.3	(9 275)	(742)
Net impairment losses on financial assets		(1 903)	(338)
Other impairments		(7 372)	(404)
Amortisation of intangibles	21.2	(1 323)	(1 405)
Net operating result		4 171	13 072
Equity-accounted earnings	8.2.1	2 568	2 989
Finance cost - other	22	(835)	(1 500)
Net monetary gain (Lebanon hyperinflation)		1 535	-
Profit before tax		7 439	14 561
Taxation	9.2	(3 805)	(5 756)
Shareholders' fund	9.2	(2 154)	(4 017)
Policyholders' fund	9.2	(1 651)	(1 739)
Profit for the year		3 634	8 805
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		3 143	(4 707)
Other comprehensive income of equity accounted investments		-	(335)
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement loss	26	-	25
Comprehensive income for the year		6 777	3 788
Allocation of comprehensive income			
Profit for the year		3 634	8 805
Shareholders' fund		2 863	7 150
Non-controlling interest		771	1 655
Comprehensive income for the year		6 777	3 788
Shareholders' fund		5 676	2 951
Non-controlling interest		1 101	837
Earnings attributable to shareholders of the company (cents)			
Profit for the year:			
Basic earnings per share	23	138,8	345,8
Diluted earnings per share	23	137,1	342,1

Group Statement of Changes in Equity

for the year ended 31 December

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2019	22	5 635	(3 934)	10 154
Comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Shares issued	1	7 794	-	-
Net (acquisition)/disposal of treasury shares ⁽¹⁾	-	-	(193)	-
Share-based payments	-	-	-	-
B-BBEE IFRS 2 costs ⁽²⁾	-	-	-	-
Transfer to non-distributable reserve	-	-	-	(173)
Transfer to/(from) consolidation reserve	-	-	-	-
Dividends paid ⁽³⁾	-	-	-	-
Acquisitions, disposals and other movements in interests	-	-	-	(2)
Balance at 31 December 2019	23	13 429	(4 127)	9 979
Hyperinflation ⁽⁴⁾	-	-	-	-
Comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Shares cancelled	(1)	(667)	2 744	-
Net (acquisition)/disposal of treasury shares ⁽¹⁾	-	-	(250)	-
Share-based payments	-	-	-	-
Transfer from non-distributable reserve	-	-	-	81
Transfer (from)/to consolidation reserve	-	-	-	-
Dividends paid ⁽³⁾	-	-	-	-
Acquisitions, disposals and other movements in interests	-	-	-	(15)
Balance at 31 December 2020	22	12 762	(1 633)	10 045

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

⁽²⁾ A one-off expense of R1 686 million was recognised during 2019 in terms of International Financial Reporting Standards (IFRS) 2 Share-Based Payment in respect of the broad-based black economic empowerment (B-BBEE) share issuance to the new B-BBEE special purpose vehicle (SPV). Refer to note 29.1 for more information.

⁽³⁾ A dividend of 300 cents per share (2019: 334 cents per share) was declared in 2021 in respect of the 2020 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R6,2 billion (after allowing for treasury shares), but may vary depending on the number of shares in issue on the last day to trade. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

⁽⁴⁾ The initial application of IAS 29 resulted in an opening adjustment of (R1 234) million, attributable to the shareholder. It comprises of the rebase of December 2019 equity of R 1 388 million and reduction of the indexed non-monetary items to recoverable amounts of (R2 622) million which both includes Goodwill as well as VOBA.

Foreign currency translation reserve ⁽⁴⁾	Retained earnings	Subtotal: equity	Consolidation reserve	Shareholders' fund	Non- controlling interest	Total equity
1 210	57 288	70 375	(869)	69 506	12 111	81 617
(3 888)	6 839	2 951	-	2 951	837	3 788
-	7 150	7 150	-	7 150	1 655	8 805
(3 888)	(311)	(4 199)	-	(4 199)	(818)	(5 017)
-	-	7 795	-	7 795	-	7 795
-	(338)	(531)	(7 871)	(8 402)	1	(8 401)
-	391	391	-	391	33	424
-	1 686	1 686	-	1 686	-	1 686
-	173	-	-	-	-	-
-	456	456	(456)	-	-	-
-	(6 500)	(6 500)	-	(6 500)	(1 095)	(7 595)
36	(144)	(110)	-	(110)	156	46
(2 642)	59 851	76 513	(9 196)	67 317	12 043	79 360
(1 234)	-	(1 234)	-	(1 234)	-	(1 234)
2 813	2 863	5 676	-	5 676	1 101	6 777
-	2 863	2 863	-	2 863	771	3 634
2 813	-	2 813	-	2 813	330	3 143
-	(2 076)	-	-	-	-	-
-	(577)	(827)	(351)	(1 178)	(60)	(1 238)
-	474	474	-	474	32	506
-	(81)	-	-	-	-	-
-	(2 791)	(2 791)	2 791	-	-	-
-	(6 938)	(6 938)	-	(6 938)	(816)	(7 754)
12	598	595	-	595	212	807
(1 051)	51 323	71 468	(6 756)	64 712	12 512	77 224

Group Statement of Cash Flow

for the year ended 31 December

R million	Notes	2020	Restated 2019
Cash flow from operating activities⁽¹⁾		(6 082)	7 320
Cash generated (utilised in) operations ⁽¹⁾	30.1	(22 868)	(9 235)
Interest and preference share dividends received		18 542	17 541
Interest paid		(1 004)	(1 094)
Dividends received		12 358	13 198
Dividends paid		(8 454)	(7 433)
Taxation paid		(4 656)	(5 657)
Cash flow from investment activities		(1 733)	(509)
Acquisition of subsidiaries and associated companies	30.2	(1 144)	(685)
Disposal of subsidiaries and associated companies	30.3	51	176
Payments made for the acquisition of equipment		(737)	-
Proceeds in respect of the sale of equipment		61	-
Payments made for the acquisition of owner occupied properties		(405)	-
Proceeds in respect of the sale of owner occupied properties		441	-
Cash flow from financing activities		1 792	2 503
Shares issued		-	7 795
Acquisition of treasury shares		(1 241)	(8 401)
Disposal of non-controlling interest		818	-
Term finance raised		3 530	3 998
Term finance repaid		(664)	(299)
Lease liabilities repaid		(651)	(590)
Net (decrease)/increase in cash and cash equivalents⁽¹⁾		(6 023)	9 314
Effect of exchange rate movements on cash balances		1 695	(325)
Cash and cash equivalents at beginning of the year ⁽¹⁾		52 738	43 749
Cash and cash equivalents at end of the year⁽¹⁾	30.4	48 410	52 738

⁽¹⁾ The prior year amounts have been restated to exclude cash and cash equivalents that do not meet the definition of cash as per IAS 7. It did not affect the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity. Refer to note 36.1 for more information.

Notes to the Group financial statements

for the year ended 31 December 2020

1. Equipment

Equipment is reflected at depreciated cost 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:

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

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

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

R million	2020	2019
Computer equipment	739	684
Cost	2 490	2 349
Accumulated depreciation and impairment	(1 751)	(1 665)
Furniture, equipment, vehicles and other	913	971
Cost	2 292	2 071
Accumulated depreciation and impairment	(1 379)	(1 100)
Equipment	1 652	1 655
Reconciliation of carrying amount		
Balance at beginning of the year	1 655	1 587
Additions and expenditure capitalised	737	729
Acquired through business combinations	36	30
Disposals	(154)	(169)
Transfer to owner-occupied properties	(112)	-
Reclassified to non-current assets held for sale ⁽¹⁾	(41)	-
Depreciation	(563)	(492)
Foreign currency translation differences	83	(29)
Impairment	(17)	-
Other movements	28	(1)
Balance at end of the year	1 652	1 655

⁽¹⁾ Refer to note 32 for more information.

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 in 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.

Notes to the Group financial statements continued

2. Leases (continued)

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 reasonable 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.

2.1 Rights-of-use assets

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

R million	Properties	Computer equipment, furniture, equipment, vehicles and other	Total
Balance at 1 January 2019	-	-	-
IFRS transitional adjustment	1 932	53	1 985
Additions	219	25	244
Variable lease payment adjustment	171	(1)	170
Depreciation	(479)	(22)	(501)
Disposal/termination of lease agreements	(12)	-	(12)
Foreign currency translation differences	(6)	(1)	(7)
Other movements	36	(3)	33
Balance at 1 January 2020	1 861	51	1 912
Additions	309	7	316
Depreciation	(520)	(22)	(542)
Disposal/termination of lease agreements	(140)	-	(140)
Effect of modification of lease terms	103	2	105
Transfer to non-current assets held for sale ⁽¹⁾	(67)	-	(67)
Foreign currency translation differences	28	2	30
Balance at 31 December 2020	1 574	40	1 614

⁽¹⁾ Refer to note 32 for more information.

2.2 Lease liabilities

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

R million	2020	2019
Balance at beginning of the year	2 110	-
IFRS transitional adjustment	-	2 066
Additions	326	260
Variable lease payment adjustment	(3)	170
Interest accrued	186	195
Lease payments	(651)	(590)
Disposal/termination of lease agreements	(138)	(11)
Effect of modification of lease terms	102	-
Transfer to non-current liabilities held for sale ⁽¹⁾	(75)	-
Foreign currency translation differences	21	(5)
Other movements	-	25
Balance at end of the year	1 878	2 110
Maturity analysis - carrying value		
Due within one year	440	446
Due from one to five years	1 099	1 209
Due from five to 10 years	336	455
Due from 10 to 20 years	3	-
	1 878	2 110
Maturity analysis - undiscounted		
Due within one year	501	595
Due from one to five years	1 280	1 530
Due from five to 10 years	471	624
Due from 10 to 20 years	9	-
	2 261	2 749
The Group is exposed to the following potential cash flows (undiscounted) which are not included in the lease liability:		
	437	617
Extension options	411	431
Termination options	4	-
Leases not yet commenced to which the lessee is committed	22	186

⁽¹⁾ Refer to note 32 for more information.

2.3 Additional profit or loss and cash flow information

Refer to the Expenses (note 21.1) and the Finance cost (note 22) notes for information about depreciation and interest expense respectively. Total cash outflow in respect of leases in the year was R819 million (Restated 2019: R1 032 million). The prior year has been restated from R590 million to R1 032 million to include other lease payments included in note 21.1 of R442 million. This did not have an impact on the Statement of Financial Position, Statement of Changes in Equity, Statement of Comprehensive Income or the Statement of Cash Flow.

Notes to the Group financial statements continued

3. Owner-occupied properties

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

R million	2020	2019
Balance at beginning of the year	1 794	2 010
Additions and expenditure capitalised	405	12
Disposals	(441)	-
Transfer from equipment	112	-
Transfer to non-current assets held for sale	(13)	(15)
Acquired through business combinations	74	-
Disposal of subsidiaries	(5)	(113)
Transfer from/(to) investment properties	944	208
Foreign currency translation differences	(103)	(251)
Impairment	(41)	(8)
Depreciation	(34)	(31)
Other movements	-	(18)
Balance at end of the year	2 692	1 794

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. 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, including an appropriate portion of the related goodwill, 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 has been determined based on the various businesses' valuations, as included in Group Equity Value plus a multiple of life insurance value of new business (representing the total value in use for entities at embedded value), less the consolidated net asset value of the respective businesses. Refer to page 202 for an analysis of Group Equity Value as well as pages 225 to 227 for valuation assumptions used.

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

R million	2020	2019
Balance at beginning of the year	18 974	20 392
Gross carrying amount	19 319	20 875
Accumulated impairment	(345)	(483)
Acquired through business combinations	1 001	361
Disposals	(67)	(67)
Impairments ⁽²⁾	(5 033)	(26)
Transfer to non-current assets held for sale ⁽¹⁾	(554)	-
Foreign currency translation differences	2 382	(1 686)
Balance at end of the year	16 703	18 974
Gross carrying amount	22 805	19 319
Accumulated impairment	(6 102)	(345)
Allocation of goodwill		
Life insurance	3 684	3 732
Sanlam Life and Pensions UK	356	356
MCIS Insurance	192	192
BrightRock Holdings	441	441
Saham Finances	1 671	2 516
FBN Life	731	-
Other	293	227
Other Sanlam businesses	13 019	15 242
Goodwill held on Group level	1 198	1 198
Santam	863	860
Sanlam Investment Management	634	681
International: Investment Management	538	567
Sanlam Investments East Africa Limited	31	75
Sanlam UK (excluding Sanlam Life and Pensions UK)	488	450
Saham	9 137	10 816
FBN GI	102	-
Nucleus	-	459
Other	28	136
Balance at end of the year	16 703	18 974

⁽¹⁾ Refer to note 32 for more information

⁽²⁾ Refer to note 25.1 for additional information.

Goodwill acquired through business combinations relates mainly to the acquisitions of FBN contributing to R991 million (2019: R305 million as a result of the acquisition of Thesis). Disposals in both the current year and 2019 relate to the sale of subsidiaries of Saham Finance.

Notes to the Group financial statements continued

4. Intangible assets arising on acquisition (continued)

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 intangible assets (VOBA).

For life insurance and investment books of business acquired, VOBA on initial recognition, 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. General insurance client and broker relationships are measured on recognised valuation methodology.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired, currently 25 years for Sanlam Developing Markets, 15 years for Channel Life, Brackenhams Holdings and Sanlam Private Investments UK, 11 years for Brightrock Holdings and 10 years for MCIS Insurance, Saham Finances, Nucleus and Thesis. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the amortised cost would have been. VOBA is derecognised when the related contracts are terminated, settled or disposed of. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount considered to be the appraisal value which has been determined based on the various businesses' contribution to Group Equity Value (plus the value of future new business for life entities which yields the appraisal value), less the related net asset value. Appraisal value is equivalent to value in use. Refer to page 202 for an analysis of Group Equity Value. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold.

R million	2020	2019
Balance at beginning of the year	8 768	9 553
Acquired through business combinations ⁽¹⁾	-	786
Disposals	-	(4)
Amortisation	(1 074)	(1 155)
Impairment ⁽²⁾	(1 231)	-
Transfer to non-current assets held for sale ⁽³⁾	(947)	-
Foreign currency translation differences	613	(412)
Balance at end of the year	6 129	8 768
Gross carrying amount	12 373	12 828
Accumulated amortisation and impairment	(6 244)	(4 060)
Allocation of value of business acquired		
Sanlam UK	576	1 675
Sanlam Developing Markets	314	421
Sanlam Emerging Markets	4 536	5 895
Sanlam Investments Group	262	222
BrightRock Holdings	269	304
Sanlam Corporate: ACA Employee Benefits	139	158
Other	33	93
Balance at end of the year	6 129	8 768

⁽¹⁾ 2019 VOBA acquired through business combinations relates mainly to the acquisition of Thesis (R405 million).

⁽²⁾ Impairment for the current year relates mainly to Lebanon. Refer to note 25.1 for additional information.

⁽³⁾ Refer to note 32 for more information.

5. Other intangibles

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. The recoverable amount considered to be the appraisal value which has been determined based on the various businesses' contribution to Group Equity Value (plus the value of future new business for life entities which yields the appraisal value), less the related net asset value. Refer to page 202 for an analysis of Group Equity Value. Appraisal value is equivalent to value in use.

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

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

R million	2020	2019
Balance at beginning of the year	926	1 082
Gross carrying amount	1 719	1 645
Accumulated amortisation and impairment	(793)	(563)
Additions during the year	141	202
Acquired through business combinations	12	-
Impairments	(17)	(33)
Disposals	(65)	(64)
Amortisation	(249)	(250)
Foreign currency translation differences	40	(11)
Balance at end of the year	788	926
Gross carrying amount	1 895	1 719
Accumulated amortisation and impairment	(1 107)	(793)

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 is amortised to the Statement of Comprehensive Income over the 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 and written down when it is not expected to be fully recovered from fee income.

R million	2020	2019
Balance at beginning of the year	3 505	3 446
Acquisition costs capitalised	411	672
Acquired through business combinations	2	-
Disposal	(12)	-
Expensed for the year	(579)	(590)
Impairment	(12)	(13)
Foreign currency translation difference	59	(10)
Balance at end of the year	3 374	3 505

7. Long-term reinsurance assets

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

R million	2020	2019
Balance at beginning of the year	2 042	1 971
Acquired through business combinations	34	-
Foreign currency translation differences	67	(29)
Other movement in reinsurers' share of insurance liabilities	115	100
Balance at end of the year	2 258	2 042
Maturity analysis of long-term reinsurance assets		
Due within one year	96	172
Due from one to five years	927	832
Due after five years	979	868
Open ended	256	170
Total long-term reinsurance assets	2 258	2 042

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).

Notes to the Group financial statements continued

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 monthly by valuers 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% rental discounts and some deferrals. 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 2020, rental concessions of R77 million have been awarded, both discounts and deferrals.

R million	Notes	2020	2019
Properties comprise:			
Office buildings		4 786	5 857
Retail buildings		3 730	3 592
Industrial buildings		833	991
Undeveloped land		503	455
International properties (situated outside South Africa)		10 450	10 015
Other		-	655
Total properties		20 302	21 565
Less: straight-line rental adjustment		(206)	(165)
Total investment properties		20 096	21 400
Reconciliation of carrying amount of properties			
Properties - balance at beginning of the year		21 565	21 349
Additions		1 530	469
Disposals		(458)	(698)
Reclassified to disposal groups classified as held for sale	32	(3)	(2)
Acquired through business combinations		4	71
Foreign currency translation differences		921	(263)
Investment surpluses		(2 222)	847
Transfers to owner-occupied properties		(944)	(208)
Disposal of subsidiaries		(91)	-
Properties - balance at end of the year		20 302	21 565
Reconciliation of straight-line rental adjustment			
Straight-line rental adjustment - balance at beginning of the year		165	140
Movement for the year included in the Statement of Comprehensive Income		41	25
Straight-line rental adjustment - balance at end of the year		206	165
Contractual future minimum lease payments receivable under non-cancellable operating leases:			
Due within one year		863	939
Due from one to five years		1 693	2 060
Due after five years		765	666
Future minimum lease payments		3 321	3 665

Due to the unprecedented pandemic, the value drivers underpinning the valuation of properties needed to be reassessed to provide a realistic view of the impact of the COVID-19 pandemic on the value of the properties. The economic downturn experienced in the first quarter of the year and the impacts of the COVID-19 pandemics placed pressure on the expected long-term rental growth rates and vacancy assumptions. The resultant overall impact on investment properties were muted by positive exchange rate movements due to the weakening Rand.

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

Unobservable inputs across sectors	2020	2019
South African portfolio		
Base rate	8,07%	8,47%
Vacancy rate	14,80%	8,90%
Expected expense growth (average over 5 years, range cover different types of expenses)	4,59% - 9,4%	6,00% - 8,46%
Office buildings		
Discount rate	10,73% - 13,48%	11,15% - 13,90%
Exit capitalisation rate	9,5% - 12,25%	9,5% - 12,25%
Retail buildings		
Discount rate	10,73% - 11,98%	11,15% - 12,40%
Exit capitalisation rate	9,5% - 11,25%	9,5% - 11,25%
Industrial buildings		
Discount rate	11,48% - 12,48%	11,90% - 12,90%
Exit capitalisation rate	9,5% - 13,00%	9,5% - 13,00%

Notes to the Group financial statements continued

8. Investments (continued)**8.2 Investments in associates and joint ventures***Associated companies*

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

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

Joint ventures

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

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

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

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

R million	Notes	2020	2019
Investments in associated companies	8.2.3	16 955	16 690
Shriram Capital		7 671	7 381
Shriram Transport Finance Company		1 571	1 497
Shriram General Insurance		1 351	1 150
Shriram Life Insurance		531	501
Letshego		1 571	1 522
Capricorn Investment Holdings		1 000	1 097
Pacific & Orient		426	503
AfroCentric Health		1 109	1 043
Other associated companies		1 725	1 996
Investments in joint ventures		1 818	1 992
Sanlam Personal Loans	8.2.4	665	811
Speqtel Investment Holdings ⁽¹⁾		427	400
Other joint ventures		726	781
Total investments in associated companies and joint ventures		18 773	18 682

⁽¹⁾ The investment is carried at fair value.

8.2.1 Equity-accounted earnings

R million	2020	2019
Investments in associated companies		
Shriram Capital	994	1 074
Shriram Transport Finance Company	129	171
Shriram General Insurance	478	464
Shriram Life Insurance	27	44
Letshego	235	244
Capricorn Investment Holdings	81	115
Pacific & Orient	35	18
AfroCentric Health	133	112
Other associated companies	402	428
Investments in joint ventures		
Sanlam Personal Loans	-	234
Other joint ventures	54	85
Total investments in associated companies and joint ventures	2 568	2 989

8.2.2 Impairments of equity-accounted investments

R million	2020	2019
	1 017	337
Letshego	-	121
Shriram Capital ⁽¹⁾⁽²⁾	672	-
Shriram Transport Finance Company ⁽¹⁾⁽²⁾	131	-
Capricorn Investment Holdings ⁽¹⁾	68	81
Pacific & Orient ⁽¹⁾	127	88
Other	19	47

⁽¹⁾ Lower forecast cash flows resulted in a lower GEV valuation and the recognition of an impairment charge as a result.

⁽²⁾ Refer to note 25.1 for additional information.

Notes to the Group financial statements continued

8. Investments (continued)

8.2 Investments in associates and joint ventures (continued)

8.2.3 Investments in associated companies

Details of material associated companies:

R million	Shriram Capital ⁽¹⁾		Shriram Transport Finance Company ⁽¹⁾	
	2020	2019	2020	2019
Carrying value of interest – equity method	7 671	7 381	1 571	1 497
Fair value of interest – based on internal valuation	7 671	8 368	1 571	1 554
Fair value of interest – based on quoted prices for listed businesses	8 631	8 258	1 584	1 562
Effective interest in issued share capital – shareholders' fund ⁽²⁾	26%	26%	3%	3%
Summarised financial information:				
Revenue	14 040	11 697	37 517	33 181
Post-tax profit from continuing operations	2 551	3 801	4 321	5 752
Other comprehensive income/(loss)	1 273	330	(1)	(9)
Total comprehensive income	3 824	4 131	4 320	5 743
Assets and liabilities				
Non-current assets	62 270	55 100	217 087	207 100
Current assets	2 868	2 467	19 666	8 667
Non-current liabilities	(28 613)	(23 785)	(157 196)	(144 209)
Current liabilities	(2 333)	(2 162)	(39 081)	(37 919)
Net asset value	34 192	31 620	40 476	33 639
Non-controlling interest	12 742	12 818	-	-
Shareholders' fund	21 450	18 802	40 476	33 639
Calculated carrying value	7 905	6 929	1 206	1 002
Impairment to value in use	(234)	-	-	-
Goodwill recognised in the carrying value of associate	-	452	365	495
Carrying value	7 671	7 381	1 571	1 497
Dividends received	58	160	10	17

⁽¹⁾ Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2020 have been accounted for the period 1 October 2019 to 30 September 2020. The Group also holds a 2,98% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).

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

R million	Shriram General Insurance		Shriram Life Insurance	
	2020	2019	2020	2019
Carrying value of interest - equity method	1 351	1 150	531	501
Fair value of interest - based on internal valuation	2 168	1 873	1 065	869
Effective interest in issued share capital - shareholders' fund	23%	23%	23%	23%
Summarised financial information:				
Revenue	5 040	4 455	1 798	1 802
Post-tax profit from continuing operations	1 351	1 595	111	113
Other comprehensive income	729	422	8	78
Total comprehensive income	2 080	2 017	119	191
Assets and liabilities				
Non-current assets	22 623	20 104	11 178	9 274
Current assets	1 124	784	925	641
Non-current liabilities	(17 447)	(15 563)	(10 057)	(8 014)
Current liabilities	(1 419)	(1 307)	(557)	(538)
Net asset value	4 881	4 018	1 489	1 363
Non-controlling interest	55	48	-	-
Shareholders' fund	4 826	3 970	1 489	1 363
Calculated carrying value	1 111	913	342	314
Recognition of hedge on acquisition	(34)	(34)	(10)	(10)
Goodwill recognised in the carrying value of associate	274	271	199	197
Carrying value	1 351	1 150	531	501
Dividends received	229	225	2	11

Notes to the Group financial statements continued

8. Investments (continued)

8.2 Investments in associates and joint ventures (continued)

8.2.3 Investments in associated companies (continued)

Details of material associated companies: (continued)

R million	Letshego ⁽¹⁾		Capricorn Investment Holdings ⁽²⁾	
	2020	Restated 2019	2020	2019
Carrying value of interest – equity method	1 571	1 522	1 000	1 097
Fair value of interest – based on internal valuation	1 636	1 581	1 000	1 097
Fair value of interest – based on quoted prices for listed businesses	589	570	1 000	1 097
Effective interest in issued share capital – shareholders' fund	28%	28%	23%	23%
Summarised financial information:				
Revenue	3 784	3 794	91	569
Post-tax profit from continuing operations	768	967	364	489
Post-tax loss from discontinued operations	-	-	(16)	-
Other comprehensive income	8	-	1	7
Total comprehensive income	776	967	349	496
Assets and liabilities				
Non-current assets ⁽³⁾	14 560	12 935	3 605	4 102
Current assets ⁽³⁾	1 867	1 636	1 138	1 125
Non-current liabilities	(8 878)	(7 273)	(430)	(500)
Current liabilities	(1 123)	(1 135)	(6)	(2)
Net asset value	6 426	6 163	4 307	4 725
Non-controlling interest	540	501	-	-
Shareholders' fund	5 886	5 662	4 307	4 725
Calculated carrying value	1 563	1 500	1 000	1 097
Goodwill recognised in the carrying value of associate	8	22	-	-
Carrying value	1 571	1 522	1 000	1 097
Dividends received	100	58	38	56

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

⁽²⁾ The Group holds a 23.21% interest in Capricorn Investment Holdings, an investment company in Namibia.

⁽³⁾ The prior year has been restated to include the loan book as a non-current asset. The non-current assets and current assets have been restated from R695 million to R12 935 million and R13 933 million to R1 636 million respectively. This did not have an effect on the Statement of Financial Position, Statement of Changes in Equity, Statement of Comprehensive Income or Statement of Cash Flows.

R million	Pacific & Orient ⁽¹⁾		AfroCentric Health ⁽²⁾	
	2020	2019	2020	2019
Carrying value of interest – equity method	426	503	1 109	1 043
Fair value of interest – based on internal valuation	432	499	839	683
Effective interest in issued share capital – shareholders' fund	49%	49%	29%	29%
Summarised financial information:				
Revenue	1 031	972	7 206	6 181
Post-tax profit from continuing operations	72	36	463	390
Other comprehensive income	31	3	-	-
Total comprehensive income	103	39	463	390
Assets and liabilities				
Non-current assets	2 708	2 545	3 720	3 406
Current assets	327	317	1 382	1 164
Non-current liabilities	(2 203)	(2 041)	(810)	(737)
Current liabilities	(52)	(72)	(1 096)	(889)
Net asset value	780	749	3 196	2 944
Non-controlling interest	-	-	78	54
Shareholders' fund	780	749	3 118	2 890
Calculated carrying value	382	367	895	829
Goodwill recognised in the carrying value of associate	44	136	214	214
Carrying value	426	503	1 109	1 043
Dividends received	48	77	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.

Details of immaterial associated companies:

R million	2020	2019
Post-tax profit from continuing operations	402	428
Total comprehensive income	402	428



Notes to the Group financial statements continued

8. Investments (continued)

8.2 Investments in associates and joint ventures (continued)

8.2.4 Investments in joint ventures

Details of material joint ventures:

R million	Sanlam Personal Loans ⁽¹⁾	
	2020	2019
Carrying value of interest – equity method	665	811
Fair value of interest – based on internal valuation	1 139	1 496
Effective interest in issued share capital: Class A	70%	70%
Summarised financial information:		
Non-current assets	3 594	3 944
Current assets	1 073	1 208
Cash and cash equivalents	53	83
Other current assets	1 020	1 125
Non-current liabilities	(1 990)	(2 193)
Current liabilities	(1 711)	(1 777)
Trade and other payables	(57)	(32)
Short-term borrowings	(1 654)	(1 745)
Net asset value attributable to class B shares	(17)	(23)
Total Equity	949	1 159
Calculated carrying value	665	811
Revenue	173	185
Interest income	1 220	1 175
Interest expense	(311)	(319)
Taxation	(13)	(104)
Admin expenses excluding depreciation	(563)	(549)
Expected credit losses	(511)	(130)
Total comprehensive (loss)/income	(5)	258
Dividends received	133	194

⁽¹⁾ A jointly controlled entity in the personal loans business in South Africa.

Details of individually immaterial joint ventures:

R million	2020	2019
Post-tax profit	55	85
Total comprehensive income	55	85

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. Loans of investment scrip are not treated as sales and purchases.

Structured Transactions

Structured transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, derivatives, structured notes (including equity linked notes), collateralised securities, credit default swaps, currency, interest rate and equity options and other derivative financial instruments 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 and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the Statement of Comprehensive Income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables and the fair values of non-trading derivatives are included in the structured transactions. Non-trading transactions are those which are held for accounting and economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products.

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

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

Notes to the Group financial statements continued

8. Investments (continued)

8.3 Other investments (continued)

8.3.1 Equities and similar securities

R million	2020	2019
Equities and similar securities comprise:		
Listed on the JSE – at market value	53 063	55 347
Unlisted – at directors' valuation	3 629	3 639
Offshore equity investments	33 727	26 054
Listed – at market value	31 532	23 841
Unlisted – at directors' valuation	2 195	2 213
Equities held by consolidated investment funds	96 571	116 461
Total equities and similar securities	186 990	201 501

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

Spread of equities listed on the JSE by sector	%	%
Consumer services	8,2	8,2
Consumer goods	7,8	8,8
Financials	19,4	26,2
Basic materials	27,4	23,5
General industrials	2,5	3,3
Telecommunications	3,6	3,6
Healthcare	2,7	3,0
Information technology	22,3	19,1
Property	0,3	0,1
Other	5,8	4,2
	100,0	100,0

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

R million	Designated as at fair value through profit or loss ⁽¹⁾	Mandatorily measured at fair value through profit or loss	Total fair value	Amortised cost gross	Expected credit loss allowance for financial assets at amortised cost	Amortised cost net ⁽²⁾	Total
31 December 2020							
Cash, deposits and similar securities	42 236	-	42 236	3 643	(896)	2 747	44 983
Structured transactions	3 226	26 340	29 566	-	-	-	29 566
Interest-bearing investments	250 591	-	250 591	11 796	(953)	10 843	261 434
Government interest-bearing investments	99 579	-	99 579	3 717	(627)	3 090	102 669
Corporate interest-bearing investments	128 859	-	128 859	6 645	(69)	6 576	135 435
Other interest-bearing investments	22 153	-	22 153	1 434	(257)	1 177	23 330
Investment funds	-	252 026	252 026	-	-	-	252 026
Total	296 053	278 366	574 419	15 439	(1 849)	13 590	588 009
Structured transaction liabilities	-	22 970	22 970	-	-	-	22 970
31 December 2019							
Cash, deposits and similar securities	48 504	-	48 504	1 238	(235)	1 003	49 507
Structured transactions	4 624	18 466	23 090	-	-	-	23 090
Interest-bearing investments	225 765	-	225 765	9 126	(382)	8 744	234 509
Government interest-bearing investments	70 631	-	70 631	3 018	(177)	2 841	73 472
Corporate interest-bearing investments	135 575	-	135 575	4 712	(19)	4 693	140 268
Other interest-bearing investments	19 559	-	19 559	1 396	(186)	1 210	20 769
Investment funds	-	222 141	222 141	-	-	-	222 141
Total	278 893	240 607	519 500	10 364	(617)	9 747	529 247
Structured transaction liabilities	-	19 272	19 272	-	-	-	19 272

⁽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 changes in credit risk for 2020 and 2019 was not material. For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

⁽²⁾ The estimated fair value of investments valued at amortised cost amounts to R13 590 million (2019: R9 747 million). These are classified as level 2 instruments and the valuation is based on a discounted cash flow basis.

Notes to the Group financial statements continued

8. Investments (continued)

8.3 Other investments (continued)

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

Reconciliation of expected credit losses

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

R million	2019				Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Lifetime ECL (simplified approach)	
Interest-bearing Investments					
Government interest-bearing investments					
Balance at the beginning of year	-	-	-	-	-
Net remeasurement of loss allowance	77	-	102	-	179
Foreign currency translation differences	(2)	-	-	-	(2)
Balance at the end of the year	75	-	102	-	177
Corporate interest-bearing investments					
Balance at the beginning of year	12	-	-	-	12
Net remeasurement of loss allowance	(7)	-	14	-	7
Balance at the end of the year	5	-	14	-	19
Other interest-bearing investments					
Balance at the beginning of year	167	14	3	-	184
Net remeasurement of loss allowance	18	(13)	-	-	5
Foreign currency translation differences	(3)	-	-	-	(3)
Balance at the end of the year	182	1	3	-	186
Total interest-bearing investments					
Balance at the beginning of year	179	14	3	-	196
Net remeasurement of loss allowance	88	(13)	116	-	191
Foreign currency translation differences	(5)	-	-	-	(5)
Balance at the end of the year	262	1	119	-	382
Cash, deposits and similar securities					
Net remeasurement of loss allowance	12	-	224	-	236
Foreign currency translation differences	(1)	-	-	-	(1)
Balance at the end of the year	11	-	224	-	235

Interest-bearing investments and cash, deposits and similar securities:

The significant increase in lifetime expected credit loss (ECL credit impaired) net remeasurement of loss allowance mainly relates to further write-offs as result of significant increase in credit risk since initial recognition of the financial instruments held by the Group. This is due to the economic environment and the downgrade of the Lebanon credit sovereign rating by the three major rating agencies. LIA (Lebanon Insurance Africa) Insurance's investment portfolio is managed by the investment officer in accordance with the investment policy established by the respective Board of Directors. LIA Insurance's bank balances are maintained with a range of international and local banks in accordance with limits set by the same Board of Directors.

At the reporting date, the credit risk of interest-bearing investments rated between CCC and lower (default status) have significantly increased since initial recognition and the loss allowance is therefore measured at an amount equal to lifetime ECL. The probabilities of default (PD) and the loss given default (LGD) are extracted from the reports published by the rating agencies. When the issuer's rating deteriorates significantly it is indicative of a significant increase in credit risk since initial recognition.

For banks and corporates, the PD rates applied were sourced from Moody's and adjusted as appropriate, also considering forward looking information.

Since the Lebanon sovereign had defaulted prior to reporting date, 100% PD was applied to the sovereign. The Moody's Sovereign default and recovery study dated May 2020 referenced high expected investor losses for Lebanon, which moved to a Ca rating in 2020. The upper end of the investor loss range was applied as 83% for LGD to all counterparties (banks, corporates and the sovereign) due to the systemic exposure of all counterparties to one another.

Notes to the Group financial statements continued

8. Investments (continued)

8.3 Other investments (continued)

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

Interest-bearing investments and cash, deposits and similar securities: (continued)

R million	December 2020			December 2019
	Exposure at default	Lifetime ECL (credit impaired)	Net remeasurement of loss allowance	Lifetime ECL (credit impaired)
Government interest-bearing investments	593	498	396	102
Corporate interest-bearing investments	142	51	37	14
Cash, deposits and similar securities (investment and working capital cash) ⁽¹⁾	2 992	1 064	840	224

⁽¹⁾ Refer to note 35.1 for working capital cash expected credit loss reconciliation.

Maturity analysis

R million	<1 year	1 - 5 years	>5 years	On demand	Total
31 December 2020					
Interest-bearing investments	39 547	105 643	115 305	939	261 434
Government interest-bearing investments	8 284	13 029	81 356	-	102 669
Corporate interest-bearing investments	27 387	80 286	27 681	81	135 435
Other interest-bearing investments	3 876	12 328	6 268	858	23 330
Structured transactions	18 525	5 872	5 169	-	29 566
Investment funds	-	-	-	252 026	252 026
Cash, deposits and similar securities⁽¹⁾	36 384	8 257	342	-	44 983
Total	94 456	119 772	120 816	252 965	588 009
Structured Transaction liabilities - Present value	12 408	2 414	8 148	-	22 970
31 December 2019					
Interest-bearing investments	33 112	106 251	93 765	1 381	234 509
Government interest-bearing investments	3 985	10 368	59 119	-	73 472
Corporate interest-bearing investments	24 341	85 318	30 154	455	140 268
Other interest-bearing investments	4 786	10 565	4 492	926	20 769
Structured transactions	15 331	5 398	2 361	-	23 090
Investment funds	-	-	-	222 141	222 141
Cash, deposits and similar securities⁽¹⁾	37 345	11 952	210	-	49 507
Total	85 788	123 601	96 336	223 522	529 247
Structured Transaction liabilities - Present value	17 490	935	847	-	19 272

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

8.4 Investment return

Investment income

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

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

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

Investment surpluses

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

R million	2020	2019
Investment income		
Equities and similar securities	12 499	13 198
Interest-bearing, preference shares and similar securities	18 381	18 711
Properties	993	1 110
Rental income – excluding contingent rental	1 087	1 066
Contingent rental income	87	222
Rental related expenses	(181)	(178)
Income/(loss) from margin business ⁽¹⁾	6	(16)
Total investment income	31 879	33 003
Interest income on financial assets measured at amortised cost	259	354
Interest income on impaired financial assets measured at amortised cost	68	-
Interest expense for financial liabilities measured at amortised cost	93	196
Investment surpluses		
Financial assets	9 643	37 159
Financial assets designated as at fair value through profit or loss	(13 768)	9 154
Financial assets mandatorily measured at fair value through profit or loss	23 415	28 005
Financial assets measured at amortised cost	(4)	-
Financial liabilities	3 295	5 066
Financial liabilities designated as at fair value through profit or loss	3 295	5 066
Investment properties	(2 222)	847
Profit/(loss) on disposal of subsidiaries, associated companies and operations	285	(8)
Total investment surpluses	11 001	43 064
Investment return includes:		
Foreign exchange gains/(losses)	1 223	(510)
Financial assets measured at amortised cost		
Gains on derecognition of financial assets measured at amortised cost	-	1
Losses on derecognition of financial assets measured at amortised cost	(4)	(4)

⁽¹⁾ Refer to note 22 for finance cost incurred in respect of margin business.

8.5 Use of valuation techniques to determine fair value

Refer to note 33 for additional disclosures.

Notes to the Group financial statements continued

9. Taxation

9.1 Deferred tax

Deferred tax

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

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

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

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

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.

R million	Income tax	Capital gains tax
Reconciliation of the deferred tax balances:		
Balance at 1 January 2019	(1 261)	(1 842)
Temporary differences charged to the Statement of Comprehensive Income	(122)	(584)
Accruals and provisions	(10)	(10)
Tax losses and credits	33	2
Net unrealised investment surpluses on shareholders' fund	52	87
Net unrealised investment surpluses on policyholders' fund	(45)	(555)
Leases	(3)	-
Other temporary differences	(149)	(108)
Acquisition of subsidiaries	(299)	-
Disposal of subsidiaries	(9)	-
Foreign currency translation differences	215	8
Balance at 31 December 2019	(1 476)	(2 418)
Temporary differences credited/(charged) to the Statement of Comprehensive Income	1 420	(429)
Accruals and provisions	279	203
Tax losses and credits	758	(64)
Net unrealised investment surpluses on shareholders' fund	(297)	(141)
Net unrealised investment surpluses on policyholders' fund	(103)	(355)
Leases	10	-
Intangible assets	234	-
Share based payments	40	6
Other temporary differences	499	(78)
Acquisition of subsidiaries	(12)	-
Reclassified as non-current assets held for sale	176	-
Disposal of subsidiaries	(3)	-
Foreign currency translation differences	(152)	(73)
Balance at 31 December 2020	(47)	(2 920)

R million	Income tax	Capital gains tax
Analysis of deferred tax balances at 31 December 2020	(47)	(2 920)
Accruals and provisions	(105)	(414)
Tax losses and credits	2 297	36
Unrealised gains/losses on shareholders' fund	8	(921)
Unrealised gains/losses on policyholders' fund	(144)	(1 302)
Leases	(21)	-
Intangible assets	(1 887)	7
Share based payments	40	6
Other temporary differences	(235)	(332)
Analysis of deferred tax balances at 31 December 2019	(1 476)	(2 418)
Accruals and provisions	(283)	(550)
Tax losses and credits	1 494	87
Unrealised gains/losses on shareholders' fund	366	(809)
Unrealised gains/losses on policyholders' fund	(47)	(947)
Leases	(3)	-
Intangible assets	(2 217)	7
Other temporary differences	(786)	(206)

R million	2020	2019
Total deferred tax asset recognised	2 843	1 872
Total deferred tax liability recognised	(5 810)	(5 766)
Total net deferred tax liability	(2 967)	(3 894)

9.2 Income tax

Analysis of income tax per category

R million	Normal income tax		Deferred tax		Total	
	2020	2019	2020	2019	2020	2019
RSA – current year	3 434	3 234	(1 055)	116	2 379	3 350
RSA – prior year	(33)	24	(17)	(16)	(50)	8
Dividends Tax – Policyholders	90	125	-	-	90	125
Foreign	1 186	1 336	(317)	26	869	1 362
Capital gains tax	119	328	398	583	517	911
Tax expense	4 796	5 047	(991)	709	3 805	5 756
Shareholders' fund					2 154	4 017
Policyholders' fund					1 651	1 739
Tax expense					3 805	5 756
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:						
Included in administration costs					506	494
Included elsewhere in profit for the year					120	112
Total indirect taxes and levies					626	606

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

Notes to the Group financial statements continued

9. **Taxation (continued)**
9.2 **Income tax (continued)**

%	2020	2019
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(13,7)	(6,8)
Disallowable expenses	28,0	8,6
Utilisation of assessed losses	0,4	-
Change in tax rate	0,1	-
Investment surpluses	1,6	(1,9)
Foreign tax rate differential	0,1	(1,1)
Policyholders	15,9	8,8
Other fund transfers	(9,3)	2,4
Prior year adjustment	0,2	(0,3)
Other	(0,1)	1,8
Effective tax rate	51,2	39,5

Non-taxable income relates primarily to equity-accounted earnings and dividend income. Disallowable expenses vary depending on the jurisdiction and include non-deductible impairments. Other fund transfers include the impact of hyperinflation.

10. **General insurance technical provisions**

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported 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.

Unearned premiums

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

General insurance technical assets

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

Salvage and subrogation reimbursements

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

R million	2020	2019
General insurance technical provisions	49 752	41 332
Outstanding claims	32 897	26 455
Provision for unearned premiums	16 314	14 370
Deferred reinsurance acquisition revenue	541	507
Less: General insurance technical assets		
Reinsurers' share of technical provisions	13 847	10 166
Outstanding claims	10 077	6 841
Unearned premiums	2 869	2 552
Deferred acquisition cost	901	773
Net general insurance technical provisions	35 905	31 166

Analysis of movement in general insurance technical provisions

R million	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims						
Balance at beginning of the year	26 455	(6 841)	19 614	24 789	(6 538)	18 251
Cash paid for claims settled in the year	(21 658)	6 201	(15 457)	(19 499)	3 934	(15 565)
Increase in liabilities	26 861	(9 999)	16 862	21 663	(4 883)	16 780
Acquired through business combinations	203	(71)	132	2	-	2
Disposal of subsidiaries	(165)	57	(108)	(23)	-	(23)
Foreign currency translation difference	1 201	90	1 291	(477)	117	(360)
Other movements: transfer to cell owners	-	486	486	-	529	529
Balance at end of the year	32 897	(10 077)	22 820	26 455	(6 841)	19 614
Unearned premiums						
Balance at beginning of the year	14 370	(2 552)	11 818	12 799	(2 345)	10 454
Net increase/(release) in the period	1 799	(876)	923	1 658	(737)	921
Acquired through business combinations	129	(20)	109	224	(1)	223
Disposal of subsidiaries	(122)	61	(61)	(2)	-	(2)
Foreign currency translation difference	138	25	163	(309)	137	(172)
Other movements: transfer to cell owners	-	493	493	-	394	394
Balance at end of the year	16 314	(2 869)	13 445	14 370	(2 552)	11 818

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.

Notes to the Group financial statements continued

11. Trade receivables and payables (continued)**11.1 Trade and other receivables (continued)**

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

2020

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

2019

R million						Total
	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument ⁽²⁾	
Trading account	9 541	9	-	9	-	9 550
Accounts receivable	2	16 325	(333)	15 992	635	16 629
Premiums receivable	-	13 082	(1 372)	11 710	-	11 710
Accrued investment income	2 798	1 057	-	1 057	-	3 855
Amounts due from reinsurers	-	3 703	-	3 703	-	3 703
Contract receivables	-	727	-	727	-	727
Contract assets	-	6	-	6	-	6
Total trade and other receivables	12 341	34 909	(1 705)	33 204	635	46 180

R million	2020	2019
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	10 239	9 562
Designated at fair value through profit or loss ⁽¹⁾	2 784	2 779
Amortised cost	30 779	33 204
Non-financial instrument ⁽²⁾	766	635
	44 568	46 180

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 2020 and 2019 was not material.

⁽²⁾ Non-financial instruments refer to prepaid expenses.

R million	2020	2019
Maturity analysis of trading account - fair value		
Due within one year	3 116	2 598
Due from one to five years	3 595	3 826
Due after five years	2 704	2 620
On demand	389	497
Total trading account	9 804	9 541
Maturity analysis of trading account - undiscounted		
Due within one year	5 105	4 003
Due from one to five years	3 256	3 500
Due after five years	5 718	5 182
On demand	389	497
Total trading account	14 468	13 182
Reconciliation of contract receivables		
Balance at the beginning of the year	727	742
Revenue recognised in the current reporting period ⁽¹⁾	16 264	15 407
Consideration received	(16 021)	(15 379)
Acquisition of subsidiaries	10	8
Impairments	-	(19)
Foreign currency translation reserve	(95)	(32)
Balance at the end of the year	885	727
⁽¹⁾ Refer to note 18 for the disaggregation of revenue recognised in accordance with IFRS 15.		
Reconciliation of expected credit losses		
Accounts receivable		
Balance at the beginning of year	333	342
Acquired through business combination	166	-
Net remeasurement of loss allowance	150	18
Foreign currency translation differences	(6)	(27)
Balance at the end of the year	643	333
Premiums receivable		
Balance at the beginning of year	1 372	1 246
Net remeasurement of loss allowance	214	145
Foreign currency translation differences	87	(19)
Acquired through business combination	178	-
Balance at the end of the year	1 851	1 372
Accrued investment income		
Balance at the beginning of year	-	-
Net remeasurement of loss allowance	19	-
Foreign currency translation differences	(1)	-
Balance at the end of the year	18	-
Amounts due from reinsurers		
Balance at the beginning of year	-	13
Net remeasurement of loss allowance	14	(13)
Foreign currency translation differences	(2)	-
Balance at the end of the year	12	-

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 2019.

Notes to the Group financial statements continued

11. Trade receivables and payables (continued)

11.1 Trade and other receivables (continued)

General insurance related receivables:

Santam:

Provisions for impairment are based on the recoverability of individual loans and receivables. The impairment model is based on the study of historical data and the forward-looking information.

It is considered that there is evidence of impairment if any of the following indicators are present: Significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue). The loss rates are adjusted to reflect current and forward looking information on macro-economic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables.

Saham Finances:

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

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

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

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

Other receivables:

Expected credit losses have been provided for as follows:

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

Commission receivable (including accounts receivable):

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

11.2 Trade and other payables

Trade and other payables are measured in accordance with the classification categories below (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities, adjusted for non-performance risk). 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.

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).

R million	2020	2019
Trading account ⁽³⁾	13 059	12 012
Accounts payable	26 472	30 880
Accrued interest payable	589	662
Policy benefits payable	7 131	6 063
Amounts due to reinsurers	5 261	4 487
Bank overdrafts	848	2 031
Contract liabilities	1	1
Claims incurred but not reported	1 961	1 893
Lease creditor	34	33
Total trade and other payables	55 356	58 062
Classification of trade and other payables:		
Mandatorily measured at fair value through profit or loss	3 792	2 823
Designated at fair value through profit or loss ⁽¹⁾	9 383	9 503
Other payables at amortised cost	37 500	41 869
Non-financial instruments ⁽²⁾	4 681	3 867
Total trade and other payables	55 356	58 062

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

⁽¹⁾ For trade and other payables designated at fair value through profit or loss, the amount contractually payable at maturity is equivalent to the carrying amount of the financial liability due to the short term nature of the instruments.

⁽²⁾ Non-financial instruments include amounts due to intermediaries, leave pay accruals, deferred share plan liabilities, lease creditors, income received in advance and claims incurred but not reported.

⁽³⁾ Included in trading account payables are repurchase agreement positions of R3 783 million (2019: R3 815 million) which is secured by interest bearing investments. 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.

R million	2020	2019
Maturity analysis of trading account - fair value		
Due within one year	11 558	11 166
Due from one to five years	895	785
Due after five years	606	61
Total trading account	13 059	12 012
Maturity analysis of trading account - undiscounted		
Due within one year	11 713	11 312
Due from one to five years	970	874
Due after five years	479	4
Total	13 162	12 190

Notes to the Group financial statements continued

12. Share capital and premium

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

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

		2020	2019
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	40,0	40,0
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	2 343,3	2 232,0
Shares (cancelled)/issued during the year	million	(116,4)	111,3
Total shares in issue at end of the year	million	2 226,9	2 343,3
Shares held by subsidiaries	million	(165,3)	(274,2)
Balance at end of the year	million	2 061,6	2 069,1
% of ordinary shares held by subsidiaries		7,4%	11,7%
Nominal value and share premium			
Nominal value of 1 cent per share	R million	22,3	23,5
Share premium	R million	12 761,3	13 428,1
Total nominal value and share premium	R million	12 783,6	13 451,6

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

		Shares	
Thousands		2020	2019
Executive share incentive scheme⁽¹⁾			
Total number of shares at beginning of the year		24 735	23 419
Unrestricted shares at beginning of the year		(283)	(309)
Restricted shares at beginning of the year		24 452	23 110
New restricted shares granted in terms of restricted share and deferred share plan schemes		10 859	6 861
Unconditional shares released, available for release, or taken up		(4 343)	(4 370)
Options and shares forfeited/transferred to new scheme		(510)	(1 149)
Restricted shares at end of the year		30 458	24 452
Unrestricted shares at end of the year ⁽²⁾		300	283
Total equity participation by employees⁽³⁾		30 758	24 735
		2020	2019
Total equity participation by employees as a percentage of total issued ordinary shares		1,4%	1,1%
Approved maximum level of equity participation by employees (number of shares)		160 000	160 000

⁽¹⁾ Refer Remuneration Report for further details of the schemes.

⁽²⁾ 506 300 shares became unrestricted during 2020 (2019: 372 715) in respect of the Restricted Share Plan.

⁽³⁾ Refer to the Remuneration report on page 188 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).

Details regarding the restricted shares outstanding on 31 December 2020 and the financial years during which they become unconditional, are as follows:

Thousands	Number of shares
Unrestricted during year ending (subject to performance targets)	
31 December 2021	8 555
31 December 2022	5 691
31 December 2023	6 251
31 December 2024	4 639
31 December 2025	5 322
Total unrestricted shares	30 458

A total of 10.9 million (2019: 6.9 million) restricted shares were granted to staff and executive directors during 2020. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R553 million (2019: R434 million) and is expensed in the statement of comprehensive income over the vesting period of up to five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

13. Other reserves

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and 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;
- Investments in associated companies and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

Notes to the Group financial statements continued

13. Other reserves (continued)

Consolidation reserve (continued)

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.

	2020	2019
Non-distributable reserves	10 045	9 979
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	9 414	9 414
Regulatory reserves	631	565
Foreign currency translation reserve	(1 051)	(2 642)
Consolidation reserve	(6 756)	(9 196)
Policyholder fund investments in consolidated subsidiaries	(71)	(5)
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	823	647
Policyholder fund investment in Sanlam Limited shares	(7 508)	(9 838)
Total reserves other than retained earnings	2 238	(1 859)

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

14. Non-controlling interest

R million

	2020	2019
Santam	4 143	4 006
Sanlam Emerging Markets	6 838	7 277
Botswana Insurance Holdings	1 654	1 580
MCIS Insurance	691	679
Sanlam Namibia Holdings	227	214
Saham	4 008	4 588
Saham Assurance Maroc	3 230	2 886
Other	778	1 702
Other	258	216
Sanlam Personal Finance: BrightRock Holdings	125	139
Sanlam Investment Holdings Capital	445	-
Sanlam UK: Nucleus Financial Group	542	593
Other	407	12
Non-controlling shareholders' interest	12 500	12 027
Non-controlling policyholders' interest	12	16
Total non-controlling interest	12 512	12 043

For additional financial information for subsidiaries with significant non-controlling interest refer to page 161.

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 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.

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

15.1 Analysis of movement in policy liabilities

R million	Notes	2020			2019		
		Total	Insurance contracts	Investment contracts ⁽¹⁾	Total	Insurance contracts	Investment contracts ⁽¹⁾
Income		141 915	57 614	84 301	157 273	56 968	100 305
Premium income	15.3	104 338	46 683	57 655	99 815	39 016	60 799
Investment return after tax	15.5	37 577	10 931	26 646	57 458	17 952	39 506
Outflow		(117 448)	(58 046)	(59 402)	(108 528)	(54 352)	(54 176)
Policy benefits	15.4	(70 023)	(24 096)	(45 927)	(64 553)	(23 839)	(40 714)
Retirement fund terminations		(7 068)	-	(7 068)	(6 884)	1	(6 885)
Fees, risk premiums and other payments to shareholders' fund		(40 357)	(33 950)	(6 407)	(37 091)	(30 514)	(6 577)
Movement in policy loans		60	-	60	37	-	37
Other movements		(81)	(81)	-	(2)	(2)	-
Net movement for the year		24 446	(513)	24 959	48 780	2 614	46 166
Liabilities acquired through business combinations		4 416	(165)	4 581	129	11	118
Disposal of subsidiaries		(66)	(66)	-	(616)	-	(616)
Foreign currency translation differences		5 563	2 000	3 563	(910)	(1 386)	476
Balance at beginning of the year		591 168	189 687	401 481	543 785	188 448	355 337
Balance at end of the year		625 527	190 943	434 584	591 168	189 687	401 481

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

Notes to the Group financial statements continued

15. Long-term policy liabilities (continued)

15.2 Composition of policy liabilities

R million	2020	2019
Individual business	503 081	476 157
Risk business	19 929	16 494
Risk underwriting	17 614	13 441
Asset mismatch reserve	2 315	3 053
Investments	372 696	348 610
Linked business	209 152	187 302
Business with no investment guarantees	103 161	99 901
Business with minimum investment guarantees	10 163	26 579
Smoothed bonus	36 996	23 589
Market related and smoothed bonus	3 972	3 209
Non guaranteed investments	853	420
Fully guaranteed business	8 399	7 610
Life annuities	47 180	40 933
Combined policies	61 048	67 269
Non-product/Other	2 228	2 851
Employee benefits business	122 446	115 011
Risk business	8 413	7 225
Risk underwriting	8 021	6 851
Asset mismatch reserve	392	374
Investments	88 448	82 180
Linked business	64 867	61 084
Smoothed bonus	23 333	20 892
Non guaranteed investments	40	45
Fully guaranteed business	208	159
Life Annuities	23 343	23 598
Non-product/Other	2 242	2 008
Total policy liabilities	625 527	591 168

15.3 Analysis of premium income

R million	2020	2019
Individual business	76 965	69 271
Recurring	37 192	33 910
Single	36 795	32 555
Continuations	2 978	2 806
Employee benefits business	27 373	30 544
Recurring	16 377	14 293
Single	10 996	16 251
Total premium income	104 338	99 815

15.4 Analysis of long-term policy benefits

Individual business	59 950	55 428
Maturity benefits	25 970	26 748
Surrenders	13 639	11 724
Life and term annuities	14 826	12 387
Death and disability benefits ⁽¹⁾	5 025	4 202
Cash bonuses ⁽¹⁾	490	367
Employee benefits business	10 073	9 125
Withdrawal benefits	4 131	3 748
Pensions	2 232	2 042
Lump-sum retirement benefits	2 853	2 423
Death and disability benefits ⁽¹⁾	854	912
Cash bonuses ⁽¹⁾	3	-
Total long-term policy benefits	70 023	64 553

⁽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.

Notes to the Group financial statements continued

15. Long-term policy liabilities (continued)

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

Other policy benefits

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

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

R million	Notes	2020	2019
Insurance contracts			
Underwriting policy benefits		14 665	12 850
After tax investment return attributable to insurance contract liabilities	15.1	10 931	17 952
Total long-term insurance contract benefits		25 596	30 802
Investment contracts			
After tax investment return attributable to investment contract liabilities	15.1	26 646	39 506
Total long-term investment contract benefits		26 646	39 506
Analysis of underwriting policy benefits			
Individual insurance		8 803	7 601
Employee benefits		5 862	5 249
Total underwriting policy benefits		14 665	12 850

15.6 Maturity analysis of investment policy contracts

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

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
2019					
Risk business	176	943	1 543	26	2 688
Risk underwriting	176	943	1 543	26	2 688
Investments	9 519	48 142	68 524	258 776	384 961
Linked business	1 640	14 436	633	223 928	240 637
Business with no investment guarantees	4 417	23 171	57 471	9 265	94 324
Business with minimum investment guarantees	1 444	4 068	1 065	1 611	8 188
Smoothed bonus	179	299	9 355	21 302	31 135
Market related and smoothed bonus	-	-	-	2 477	2 477
Non guaranteed investments	-	420	-	45	465
Fully guaranteed business	1 839	5 748	-	148	7 735
Life annuities	445	703	20	281	1 449
Guaranteed annuities	445	703	20	281	1 449
Combined policies	694	3 273	6 600	-	10 567
Non-product/Other	85	-	1 534	197	1 816
Total investment policies	10 919	53 061	78 221	259 280	401 481

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

15.7 Maturity analysis of insurance policy contracts

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

Notes to the Group financial statements continued

15. Long-term policy liabilities (continued)

15.7 Maturity analysis of insurance policy contracts (continued)

R million	<1 year	1 - 5 years	>5 years	Open ended	Total
2019					
Risk business	745	1 447	5 604	13 235	21 031
Risk underwriting	742	1 447	5 604	9 811	17 604
Asset mismatch reserve	3	-	-	3 424	3 427
Investments	2 194	7 519	29 389	6 727	45 829
Linked business	278	1 134	2 819	3 518	7 749
Business with no investment guarantees	295	1 258	3 369	655	5 577
Business with minimum investment guarantees	522	2 642	14 855	372	18 391
Smoothed bonus	1 081	2 472	8 251	1 542	13 346
Market related and smoothed bonus	-	2	90	640	732
Fully guaranteed business	18	11	5	-	34
Life annuities	152	460	13 055	49 415	63 082
Guaranteed annuities	144	460	11 087	40 982	52 673
Participating annuities	8	-	1 968	8 433	10 409
Combined policies	5 176	17 416	26 183	7 927	56 702
Non-product/Other	262	16	11	2 754	3 043
Total insurance policies	8 529	26 858	74 242	80 058	189 687

15.8 Policy liabilities include the following:

R million	2020	2019
Provision for HIV/Aids and other pandemics	2 939	3 452
Asset mismatch reserve	2 707	3 427

16. Term finance

Term finance liabilities include:

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

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

16.1 Term finance comprises:

R million	2020	2019
Interest-bearing liabilities held in respect of margin business	5 330	3 614
Other interest-bearing liabilities	8 507	7 573
	13 837	11 187

R million	2020	2019
Interest-bearing liabilities held in respect of margin business		
Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 6,3% and 6,8% (2019: 6% and 6,8%) or linked to prime interest rates. The preference shares have different redemption dates up to 2022.	5 330	3 614
Other interest-bearing liabilities		
Unsecured subordinated bond, with interest payable at 5,53% (9% in 2019). The bond has a redemption call option at its nominal value of R1 billion, which the Group can exercise the first call on 15 August 2021. It is highly likely that the call option will be exercised.	1 004	1 013
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, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2016. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.	3 089	2 080
Preference shares issued by the Group to the value of R2,4 billion for funding of BEE transaction in 2019. The preference shares have an annual interest rate of 6,97% p.a and redemption date on 10 March 2024. The remaining R1,2 billion relates to the Collar loan with annual interest rate of 8,59%. The loan is to be redeemed at maturity on 14 March 2024.	3 617	3 617
Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium between 1,5% and 4% above the Bank of England base rate.	-	10
Other	797	853
	8 507	7 573
16.2 Reconciliation of term finance (including interest accrued)		
Balance at the beginning of the year	11 470	7 510
Cash movements	1 826	3 021
New issuances	3 530	4 126
Acquired through business combinations	-	46
Disposal of subsidiary	(252)	-
Capital repayment	(664)	(299)
Interest paid	(788)	(852)
Non-cash movements	899	939
Net fair value movements	-	7
Interest expense	863	1 038
Foreign currency translation differences	36	(106)
Balance at the end of the year (including interest accruals)	14 195	11 470
Term finance	13 837	11 187
Accrued interest (included in trade and other payables)	358	283

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Notes to the Group financial statements continued

16. Term finance (continued)

16.3 Maturity analysis of term finance

R million	Notes	2020	2019
Maturity analysis of term finance – fair value			
Due within one year		4 177	621
Due from one to five years		9 019	10 426
Due after five years		641	140
Total term finance liabilities		13 837	11 187
Maturity analysis of term finance – undiscounted			
Due within one year		4 511	884
Due from one to five years		9 269	10 729
Due after five years		641	140
Total term finance liabilities		14 421	11 753
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	4 140	3 314
Other financial liabilities	16.4.2	9 699	7 873
Total term finance liabilities		13 839	11 187
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		4 140	3 314
Amount contractually payable at maturity		4 124	3 222
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		9 699	7 873

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

17. Provisions

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

17. Provisions (continued)

Details of the different classes of provisions are as follows:

R million	Possible claims	Other	Total
Balance at 1 January 2019	52	398	450
Charged to the Statement of Comprehensive Income	8	156	164
Additional provisions	8	384	392
Unused amounts reversed	-	(228)	(228)
Utilised during the year	(3)	(71)	(74)
Foreign currency translation reserve	(4)	(13)	(17)
Balance at 31 December 2019	53	470	523
Charged to the Statement of Comprehensive Income	2	48	50
Additional provisions	2	238	240
Unused amounts reversed	-	(190)	(190)
Acquired through business combinations	-	(1)	(1)
Utilised during the year	-	(17)	(17)
Foreign currency translation reserve	2	(33)	(31)
Other	-	(18)	(18)
Balance at 31 December 2020	57	449	506
Analysis of provisions			
Current	16	358	374
Non-current	41	91	132
Total provisions at 31 December 2020	57	449	506

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.

18. Financial services income

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

Major IFRS 15 revenue sources:

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

Major revenue sources not within the scope of IFRS 15:

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

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

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

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Notes to the Group financial statements continued

18. Financial services income (continued)

Major revenue sources not within the scope of IFRS 15: (continued)

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

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

IFRS 15 revenue disaggregation

Revenue from contracts with customers are disaggregated by geographic location and type of revenue. It is also split per the Group's key reporting segments. We believe 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 investment management or administration services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered. Related performance fees are also recognised over time, however represent variable consideration and therefore recognition is constrained until there is a 'high degree of confidence' that revenue will not be reversed in a subsequent reporting period; this is typically on crystallisation of the fee. Clients assets are managed on an ongoing basis and if there is an outperformance of a specific benchmark over a certain period, a fee is recouped from the 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 relates to actuarial billing to clients. Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. The long-term policy contract fee income is recognised as revenue over time as the related services are rendered.

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

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

R million	2020	Restated ⁽²⁾ 2019
Analysis per revenue source		
Long-term insurance ⁽²⁾	42 937	38 846
General insurance ⁽²⁾	53 335	49 085
Other financial services	8 429	7 589
Total financial services income	104 701	95 520
Analysis per revenue category		
Long-term insurance fee income	42 937	38 846
Investment management fees	627	655
Risk benefit charges and other fee income ^{(1), (2)}	42 310	38 191
General insurance premiums	53 335	49 085
Premiums receivable ⁽²⁾	54 739	50 604
Tax recovered from cell owners	429	-
Change in unearned premium provision	(1 833)	(1 519)
Other financial services fees and income	8 080	7 582
Trading profit	-	7
Foreign exchange gains	2	-
Fees recovered from third parties	347	-
Total financial services income	104 701	95 520

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

⁽²⁾ The Group has aligned Santam's presentation. An amount of R1 934 million has therefore been reallocated from general insurance to long-term insurance. Long-term insurance and general insurance have been restated from R36 912 million to R38 846 million and R51 019 million to R49 085 million respectively. Risk benefit charges and other fee income and premiums receivable has been restated from R36 257 million to R38 191 million and R52 538 million to R50 604 million respectively. This did not have an effect on the Statement of Financial Position, Statement of Changes in Equity, Statement of Comprehensive Income or Statement of Cash Flow.

R million	Restated ⁽¹⁾	
	2020	2019
Segment IFRS 15 revenue from contracts with customers		
Sanlam Life and Savings	8 358	8 460
Sanlam Corporate	1 761	1 565
SA Retail Mass	17	9
SA Retail Affluent	6 580	6 886
Sanlam Emerging Markets	986	821
Sanlam Investment Group	6 572	5 856
Santam	347	270
Total IFRS 15 revenue	16 263	15 407

⁽¹⁾ Segmental disclosures have been aligned with current year segmental reporting and had no impact on the Statements of Financial Position, Statements of Comprehensive Income, Statement of Cash Flow or Statement of Changes in Equity for the current or prior year.

Disaggregation of revenue
According to primary geography

R million	South Africa	Other African operations	Other International	Total
31 December 2020				
IFRS 15 Revenue	11 622	1 016	3 625	16 263
Administration fees	8 131	569	532	9 232
Asset management and performance fees	2 276	361	2 355	4 992
Commissions	472	86	716	1 274
Consulting fees	308	-	20	328
Actuarial and risk management fees	222	-	-	222
Trust and estate fees	136	-	-	136
Other	77	-	2	79
Revenue not within the scope of IFRS 15	51 348	31 216	5 874	88 438
Financial services income	62 970	32 232	9 499	104 701
31 December 2019 - (Restated)				
IFRS 15 Revenue	11 576	851	2 980	15 407
Administration fees	8 091	557	479	9 127
Asset management and performance fees	2 300	206	1 965	4 471
Commissions	487	78	507	1 072
Consulting fees	212	10	22	244
Actuarial and risk management fees	204	-	-	204
Trust and estate fees	166	-	-	166
Other	116	-	7	123
Revenue not within the scope of IFRS 15 ⁽¹⁾	51 458	25 722	2 933	80 113
Financial services income	63 034	26 573	5 913	95 520

⁽¹⁾ In the current year, Santam was aligned to the Group's geographical split therefore R2 018 million and R1 667 million have been reallocated from the South African geographical market to the Rest of Africa and Other International, respectively. It did not affect the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity or the Statement of Cash flows.

Notes to the Group financial statements continued

18. Financial services income (continued)

Disaggregation of revenue (continued)

According to timing of revenue recognition

R million	At a point in time	Over time	Not in the scope of IFRS 15	Total
31 December 2020				
IFRS 15 Revenue	1 470	14 793	-	16 263
Administration fees	316	8 916	-	9 232
Asset management and performance fees	5	4 987	-	4 992
Commissions	1 049	225	-	1 274
Consulting fees	23	305	-	328
Actuarial and risk management fees	-	222	-	222
Trust and estate fees	74	62	-	136
Other	3	76	-	79
Revenue not within the scope of IFRS 15	-	-	88 438	88 438
Financial services income	1 470	14 793	88 438	104 701
31 December 2019				
IFRS 15 Revenue	972	14 435	-	15 407
Administration fees	5	9 122	-	9 127
Asset management and performance fees	1	4 470	-	4 471
Commissions	780	292	-	1 072
Consulting fees	19	225	-	244
Actuarial and risk management fees	-	204	-	204
Trust and estate fees	99	67	-	166
Other	68	55	-	123
Revenue not within the scope of IFRS 15	-	-	80 113	80 113
Financial services income	972	14 435	80 113	95 520

19. Reinsurance premiums paid

R million	2020	Restated ⁽¹⁾ 2019
Long-term insurance ⁽¹⁾	5 015	3 982
General insurance	13 779	11 911
Premiums payable ⁽¹⁾	14 653	12 499
Change in unearned premium provision	(874)	(588)
Total reinsurance premiums paid	18 794	15 893

⁽¹⁾ The Group has aligned Santam's presentation. An amount of R1 261 million has therefore been reallocated from general insurance to long-term insurance. Long-term insurance and premiums payable have been restated from R2 721 million to R3 982 million and R13 760 million to R12 499 million respectively. This did not have an effect on the Statement of Financial Position, Statement of Changes in Equity, Statement of Comprehensive Income or Statement of Cash Flow.

20. Reinsurance income

R million	2020	2019
Reinsurance commission received		
Long-term insurance	125	47
General insurance	2 804	2 629
Total reinsurance commission received	2 929	2 676
Reinsurance claims received		
Long-term insurance	2 835	2 216
General insurance	11 104	6 212
Total reinsurance claims received	13 939	8 428

21. Expenses, Amortisation and Impairments

21.1 Expenses

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

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

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

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

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

The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. These expenses are included under 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 meet specified individual performance hurdles. Group and/or cluster hurdles are also applicable for some of the plans. Refer to the Remuneration Report for information on these plans. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest (as applicable), as well as an assumption on the actual percentage of shares that will be delivered. The fair value of the equity instruments granted on the date of grant is recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

Notes to the Group financial statements continued

21. Expenses, Amortisation and Impairments (continued)**21.1 Expenses (continued)***Restricted Share Plan*

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

R million	Notes	2020	2019
Auditors' remuneration			
Audit fees: statutory audit		223	193
Other services provided by:		28	35
Subsidiaries' own auditors		26	32
Other Group auditors		2	3
Total auditors' remuneration		251	228
Depreciation			
Owned assets			
Computer equipment		315	261
Furniture, equipment, vehicles and other		248	231
Owner-occupied properties		34	31
Leased assets			
Computer equipment, furniture, equipment, vehicles and other ⁽²⁾		22	22
Properties		520	479
Leases			
Short term leases		75	124
Leases of low value assets		23	243
Variable lease payments		70	75
Consultancy fees			
		2 261	1 467
Technical, administrative and secretarial fees			
		718	1 130
Employee benefits			
Salaries and other short-term benefits		12 096	11 983
Pension costs - defined contribution plans		803	722
Pension costs - defined benefit plans		27	6
Share-based payments		485	422
Other long-term incentive schemes		180	156
Number of employees (excluding advisors)			
		20 920	20 787
21.2 Amortisation of intangibles			
Value of business acquired	4.2	1 074	1 155
Other intangible assets	5	249	250
21.3 Impairments			
Other Impairments			
Investment in equity-accounted investments	8.2.2	1 017	337
Goodwill	4.1	5 033	26
Value of business acquired ⁽¹⁾	4.2	1 231	-
Other intangible assets ⁽¹⁾	5	17	33
Equipment	1	17	-
Owner-occupied properties	3	41	8
Other impairment		16	-
Net impairment losses on financial assets			
		1 903	577
Investments other than equities and similar securities, equity-accounted investments and properties	8.3.2	1 256	427
Trade and other receivables	11.1	397	150
Working capital cash	35	250	-
Included in the following line items of the Statement of Comprehensive Income:			
		1 903	577
Impairments		1 903	338
Administration cost		-	239

⁽¹⁾ Refer to note 25.1 for additional information.

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

22. Finance cost

R million	2020	2019
Finance costs are recognised as an expense in the Statement of Comprehensive Income on an accrual basis.		
Interest paid and term finance cost in respect of margin business	216	242
Finance cost - margin business	216	242
Interest-bearing liabilities designated as at fair value through profit or loss	362	732
Interest-bearing liabilities held at amortised cost	285	573
Lease liabilities at amortised cost	188	195
Finance cost - other	835	1 500

23. Earnings per share

For **basic earnings per share** the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries, consolidated investment funds and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

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

Cents	2020	2019
Basic earnings per share:		
Headline earnings	448,5	361,8
Profit attributable to shareholders' fund	138,8	345,8
Diluted earnings per share:		
Headline earnings	443,0	357,9
Profit attributable to shareholders' fund	137,1	342,1

R million	2020	2019
Analysis of earnings:		
Profit attributable to shareholders' fund	2 863	7 150
Less: Net profit on disposal of subsidiaries and associated companies	(26)	6
Profit on disposal of subsidiaries	(27)	9
Non-controlling interest	1	(3)
Less: Net profit on disposal of associated companies	(259)	-
Profit on disposal of associated companies	(258)	-
Non-controlling interest	(1)	-
Less: Equity-accounted non-headline earnings	4	-
Plus: Impairments	6 667	325
Gross Impairments	7 300	395
Tax on impairment	(318)	-
Non-controlling interest	(315)	(70)
Headline earnings	9 249	7 481

Notes to the Group financial statements continued

23. Earnings per share (continued)

Million	2020	2019
Number of shares:		
Weighted number of ordinary shares in issue	2 265,7	2 324,8
Less: Weighted Sanlam shares held by subsidiaries and consolidated vehicles (including policyholders and B-BBEE SPV)	(203,7)	(256,9)
Adjusted weighted average number of shares for basic earnings per share	2 062,0	2 067,9
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	25,8	22,1
Adjusted weighted average number of shares for diluted earnings per share	2 087,8	2 090,0

⁽¹⁾ For more information in respect of the share cancellations, refer to note 16 of the Shareholders' information section on page 255.

24. Collateral

24.1 Collateral provided

R million	2020	2019
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments	505	1 232
Properties	-	460
Equities and similar securities	-	4
Interest-bearing investments	213	414
Cash, deposits and similar securities	292	354
Working capital assets	1 363	1 710
Trading account	544	985
Cash, deposits and similar securities	819	725
Other	43	-
The transferee does not have the right to sell or repledge the assets.		

24.2 Collateral received

R million	2020	Restated 2019 ⁽¹⁾
The Group is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government interest bearing investments to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent. Scrip lending agreements are governed by Global Master Securities Lending Agreement (GMSLA). The main risk in scrip lending activities is the risk of default by the borrower of securities, ie the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees. The following collateral has been received in respect of securities lending activities conducted by the Group.		
Fair value of collateral accepted as security for these activities:	6 173	10 878
Carrying value of scrip on loan:	5 442	9 339
Collateral of between 100% (2019: 100%) and 120% (2019: 120%) of the value of the loaned securities is held at 31 December 2020.		
Fair value of collateral accepted as security for credit facilities provided to clients:		
Sanlam has the legal right to liquidate the collateralised securities if the loan reaches a level of 70% of the value of these securities.	5 235	6 063
Fair value of other collateral received relates to preference share investments of the margin business which the Group is permitted to sell only in the case of default.	5 249	2 835
Carrying value of the related preference share investments	3 177	1 442
Collateral (mainly equity securities) of between 140% (2019: 110%) and 260% (2019: 295%) of the value of the preference share investments is held at 31 December 2020.		
Fair value of the collateral held that the Group is permitted to sell or repledge internally in the absence of default.	692	793
Fair value of collateral sold or repledged	476	793
This relates to shares pledged as security for loans granted. The borrower has to maintain a certain minimum loan cover ratio and has to post cash margin or additional shares if the ratio drops below the agreed minimum. Sanlam is allowed to place these shares as collateral for other securities.		

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

25. Critical accounting estimates and judgements

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

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

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 197 for additional information.

Notes to the Group financial statements continued

25. Critical accounting estimates and judgements (continued)

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

The recoverable amount of goodwill, value of business acquired and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. For life businesses this 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.

The embedded value (plus a value of new life insurance business multiple) for life businesses or fair value of non-life businesses therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required.

Refer to pages 225 to 227 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 223 and 224 section respectively.

25.1.1 Saham

The carrying value of Saham comprise of net asset value (NAV), value of business acquired (VOBA) and goodwill. 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, affect the carrying value through VOBA and Goodwill.

Saham's value in use reduced from R25 billion at 31 December 2019 to R22 billion at 30 June 2020, mainly due to the impact of COVID-19 and the increased sovereign risk in Lebanon, partially offset by the impact of a weaker Rand. At the time of the 30 June 2020 valuation, the ultimate impact of Covid-19 on the economic environment and ultimately our operations across the Saham portfolio were very uncertain. The assumed cashflows represented our best estimate of the recovery path at the time but assuming risk discount rates that reflected the high level of uncertainty. The end-result implied an impairment of the carrying value of the Saham investment at 30 June 2020. The largest drivers of the valuation was attributable to the non-life businesses, contributing 87% of the total value with the life businesses contributing the remaining 13%.

The valuation was updated as at 31 December 2020 to reflect our better understanding of the short-term recovery expected. On average, the risk discount rates reduced to reflect our higher level of comfort with the assumed cashflows. We do, however, remain conscious of the impact that future waves of Covid-19, the emergence of new variants of the virus and local lockdowns may have on our operations. The level of uncertainty therefore remains high and the risk discount rates continue to reflect this. The relative contribution of the non-life businesses remained the same as at 30 June 2020.

The result of the valuation impact was a further decrease of the value to R20 billion at 31 December 2020. This is mainly the result of exchange rates. Most notably within the portfolio was weaker Angola Kwanza since June 2020. In addition to this, the Rand has also strengthened significantly against the most significant exchange rates in the portfolio (namely the US Dollar, the West African Franc and the Moroccan Dirham) and this reduced the value in Rand. however, the valuation at 31 December 2020 supported the carrying value.

Most of the premium paid for synergies as part of the Saham acquisition has been written off to R422 million at 31 December 2020. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham footprint as a result of COVID-19.

The following key assumptions were adjusted:

Non-life businesses

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This resulted in lower assumed growth on the assets held backing the claims liabilities which affects the valuations of the general insurance operations.
- Top-line growth was reduced across the board for non-life operations, through lower assumed premium growth assumed in the valuation models for the non-life operations.
- The valuation of the non-life operations in Lebanon is maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

Life insurance businesses

- The valuation of the life insurance business in Lebanon is maintained at zero in line with the non-life operations. The other Saham life operations resulted in no significant impairments.
- New business inflow assumptions for the other life businesses were revised downwards due to lower economic growth forecasts.

Key assumptions

Key assumptions in determining the value in use for cash generating units (excludes Lebanon):

	Non-life			Life		
	31 December 2020	30 June 2020 ⁽³⁾	31 December 2019	31 December 2020	30 June 2020 ⁽³⁾	31 December 2019
Weighted average local discount rate ⁽¹⁾	11,0%	11,3%	11,7%	11,6%	11,6%	13,5%
Weighted average perpetuity growth rate	5,7%	5,9%	5,7%	4,9%	4,6%	5,8%
VNB Multiples	n/a	n/a	n/a	10,0 - 16,3	10,0 - 16,3	15,9 - 24,0%
Revenue: compounded annual growth rate (range of values over the 10 years)	6,3% - 8,9%	5,7% - 11,5%	6,2% - 9,9%	n/a	n/a	n/a
Net insurance result margin ⁽²⁾	11,0% - 17,0%	11,0% - 18,0%	10,0% - 19,0%	n/a	n/a	n/a

⁽¹⁾ It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the Rand is expected to increase this return over time.

⁽²⁾ Expressed as a percentage of net earned premiums.

⁽³⁾ Weighted average local discount rate for 30 June 2020 has been aligned with current year methodology.

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and non-life cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (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.

The gross impairment of goodwill and VOBA amounts to R6,9 billion (R6,6 billion net of tax), with a net impact of R1,5 billion on the net asset value after utilisation of the hedge reserve and positive exchange rate impacts due to the weakening of the Rand.

The impairment comprises of the following:

- Write-down of goodwill in respect of the premium paid at acquisition for synergies of R2 822 million.
- Reducing the valuation of the Lebanon businesses to zero (which is still regarded as a going concern), resulting in impairments of goodwill of R815 million, VOBA of R816 million (net of tax) and other net assets of R100 million.
- Write-down of goodwill as a result of the COVID-19 impact on future economic growth and investment return assumptions amounts to R2 007 million.

An impairment assessment was conducted as at 30 June 2020 which resulted in the recognition of impairment. A reassessment was conducted as at 31 December 2020. 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 current year amounted to R6 560 million, reduced by the utilisation of the hedge reserve of R855 million. Impairment of the carrying value of goodwill recognised as at 30 June 2020 is not reversed.

Notes to the Group financial statements continued

25. Critical accounting estimates and judgements (continued)**25.1 Impairment of goodwill, value of business acquired and other assets (continued)****25.1.1 Saham (continued)**

R million	Non-life	Life	Lebanon	Total
31 December 2020				
Value in use	17 950	2 390	-	20 340
Carrying value	17 646	2 496	-	20 142
Impairment recognised during the current year	(4 327)	(502)	(1 731)	(6 560)
Utilisation of hedge reserve previously capitalised ⁽¹⁾				855
Net impairment as at 31 December 2020				(5 705)

⁽¹⁾ Representing a decrease in the goodwill value as a result of the hedge applied at a Sanlam Limited level on acquisition.

Goodwill, included in the 30 June 2020 carrying values above pre-impairment, are allocated to the CGUs as follows: R13,4 billion (Non-life), R2,2 billion (Life) and R816 million (Lebanon) respectively. Remaining goodwill after impairments amounts to R9,0 billion (Non-life) and R1,7 billion (Life) respectively.

Non-life businesses sensitivity analysis

Refer to note 5.2 of the Shareholders' information section for sensitivity analysis iro Saham non-life excluding the notional dividends. These sensitivities are based on SEM's 90% shareholding and exclude Santam's 10% shareholding.

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

The sensitivities below are based on the Sanlam Group's holding. The total value in use of the businesses comprises the embedded value of R2 323 million and the value of new business of R1 028 million of which the sensitivities are provided below:

1. Embedded value sensitivity analysis

R million	Embedded value	Change
Base value	2 323	
Risk discount rate increase by 1%	2 242	(3,50%)

2. Value of new business sensitivity analysis

R million	Present value of future new business	Change
Base value	1 028	
Risk discount rate increase by 1%	883	(14,10%)

25.1.2 Shriram Capital

The valuation of Shriram Capital was reduced given the increased levels of expected credit losses in the credit businesses, and the impact that COVID-19 continues to have on the economic environment in India, and hence top-line growth in all the Shriram businesses. This was also reflected in the lower listed share prices of Shriram Transport Finance Company (STFC) and Shriram City Union Finance (SCUF) during the year. In line with the recovery in new disbursements and collections during the latter part of the year, the listed share prices started to recover but still finished the year lower than at the start of the year. The short to medium term outlook for STFC and SCUF remains vulnerable to the impact of further lockdowns and the pace of the recovery of small business owners that are a core part of the customer base.

The gross impairment amounts to R131 million (STFC) and R672 million (Shriram Capital) respectively:

R million	STFC	Shriram Capital
Value in use	1 571	7 671
Carrying value	1 702	8 343
Gross impairment	(131)	(672)
Key assumptions in determining the value in use for cash generating units:		
Weighted average local discount rate (Dec 2019: 13,3% and 14,4%)	13,6%	14,4%
Weighted average perpetuity growth rate (Dec 2019: 8,0% and 8,6%)	9,0%	8,9%
Aggregate growth rate (Dec 2019: 10,0% – 16,0% and 10,3% – 15,2%) ⁽¹⁾	4,0% – 15,0%	(0,1%) – 13,7%

⁽¹⁾ Aggregate 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 Group financial statements continued

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 64 to 67.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by actuarial guidance notes.
- Discretionary margins may be applied as required by the valuation methodology or if the Head of Actuarial function considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

Investment return information for the most important solutions are as follows:

%	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia		Sanlam Life and Pensions UK	
	2020	2019	2020	2019	2020	2019	2020	2019
Reversionary bonus business								
Retirement annuity business	11,1	10,8	n/a	n/a	11,1	10,8	0,3	n/a
Individual policyholder business	9,1	8,8	5,8	6,9	10,4	10,1	0,2	n/a
Individual stable bonus business								
Retirement annuity business	10,8	10,5	7,5	8,9	10,8	10,5	n/a	n/a
Individual policyholder business	8,7	8,5	5,8	6,9	10,1	9,8	n/a	n/a
Non-taxable business	10,8	10,5	n/a	n/a	10,8	10,5	n/a	n/a
Corporate policyholder business	8,1	7,9	n/a	n/a	10,1	9,8	n/a	n/a
Individual market-related business								
Retirement annuity business	11,1	10,8	7,5	8,9	11,1	10,8	n/a	1,0
Individual policyholder business	9,1	8,8	5,8	6,9	10,4	10,1	n/a	0,7
Non-taxable business	11,1	10,8	n/a	n/a	11,1	10,8	n/a	n/a
Corporate policyholder business	8,4	8,2	n/a	n/a	10,4	10,1	n/a	n/a
Participating annuity business	9,6	9,3	n/a	n/a	9,2	8,9	n/a	n/a
Non-participating annuity business ⁽¹⁾	10,7	10,0	11,1	10,6	9,3	10,0	1,0	1,7
Guarantee plans ⁽¹⁾	4,6	5,1	7,2	4,3	n/a	n/a	n/a	n/a

⁽¹⁾ The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation

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 5,5 years up to 30 June 2020. The effect of the COVID-19 pandemic on the experience during this period was negligible. 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 5,75 years ending 30 September 2020. The 2020 termination experience was, however, noted but mostly excluded, due to the effects of the COVID-19 pandemic.

Expenses

Unit expenses are based on 31 October 2020 actual figures plus estimates for the last two months of the year (adjusted for significant differences from actual) and escalated at assumed expense inflation rates per annum.

Refer to note 2 on page 223 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

25.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2019: 10%) from management's estimates, no impairment of the DAC asset would be required.

25.4 The ultimate liability arising from claims under general insurance contracts

The estimation of the ultimate liability arising from claims under general insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its general insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 14 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 2020. 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. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods before the pandemic are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- frequency, based on different levels of reported claim counts observed;
- severity, based on different average claims costs observed; and
- direct COVID-19 ultimate claims costs, including the outcome of legal proceedings.

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

At 30 June 2020, the Group had raised a technical provision of R1 290 million as the best estimate of its exposure relating to policies with CBI extensions. The best estimate was subject to significant uncertainty, which at that time included the uncertainty with regard to the findings of the courts in relation to Santam's Ma-Afrika case.

For the year ended 31 December 2020, the Group has raised a net technical provision of R2 billion as the best estimate, taking into account the outcome of the Ma-Afrika case, the Supreme Court of Appeal judgment on Guardrisk's Café Chameleon case as well as other findings locally and internationally in relation to CBI cover. The group has recognised a provision in relation to all qualifying policies.

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, significant uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities

- The likelihood of successfully appealing the Western Cape High Court ruling on the length of the indemnity period applicable to certain policies written by the H&L division.

In its judgment handed down on 17 November 2020, the Western Cape High Court determined that the indemnity period that is stated in the Business Interruption Section of the policy schedule (18 months for the Ma-Afrika policy) rather than the indemnity period in relation to business interruption extensions (three months). The Group has obtained external legal advice on this matter, and, based on that advice, believes that there is a reasonable prospect of success in relation to the appeal; and

- The assumptions used to determine the gross exposure at a policy level (including the determination of lost profits as a result of the business interruption, and any cost savings experienced).

Notes to the Group financial statements continued

25. Critical accounting estimates and judgements (continued)

25.4 The ultimate liability arising from claims under general insurance contracts

Reinsurance assets

- The impact of judgements applied in the measurement of the insurance liability above, which impacts the total value of claims potentially ceded to the reinsurer, as well as the determination of timing for aggregation purposes (refer below); and
- The proportion of CBI claims which aggregate as a single loss occurrence under the Company's catastrophe reinsurance treaty.

The Group's best estimate of the insurance liability and reinsurance asset at 31 December 2020 is R5,3 billion and R3,3 billion respectively.

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.

A sensitivity analysis on the net CBI provision of R2 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 30%. A 10% negative movement in the assumptions used would result in an increase in the net provision of 31%.

Leave to appeal the Ma-Afrika judgment in relation to the indemnity period was granted on 16 February 2021. Management is in the process of engaging with the participants on the reinsurance programme. The level of gross exposure at the policy level will be finalised as detailed information becomes available from policyholders' assessed claims.

25.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period.

Refer to note 33 for additional information.

25.6 Consolidation of investment funds

The Group 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.

25.7 Deferred tax assets

During 2016, changes to South Africa insurance tax legislation gave rise to a change in the probability and timing of utilisations of historic losses in certain tax funds. As a result, management determined that it is now probable that these losses will be utilised and therefore that a deferred tax asset should be raised. In determining the extent to which these losses should be recognised, management forecast future profits, including the impact of new business, where applicable, as well as other business decisions that may affect future profits. Changes in these assumptions, as well as decisions made by the Group in future may affect the extent to which these losses are utilised.

25.8 Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest and the business model test (refer to Investment note 8). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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, Trade receivable note 11.1 and Working capital cash note 35.

26. Retirement benefits for employees

Retirement benefits for employees are provided by a number of defined benefit and defined contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

Defined benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined contribution plans

Group contributions to the defined contribution funds are charged against the Statement of Comprehensive Income in the year incurred.

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

At 31 December 2020, 100% of employees were covered by defined contribution funds and none by defined benefit funds (2019: 100%).

26.1 Defined contribution pension funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R803 million to these funds during 2020 (2019: R722 million).

Notes to the Group financial statements continued

26. Retirement benefits for employees (continued)**26.2 Defined benefit pension funds**

The Sanlam Group has two defined benefit pension funds. These funds relate to:

- Sanlam Investments and Pensions; and
- Sanlam Developing Markets defined benefit fund SA.

The Sanlam Office Personnel fund does not have any active members or pensioners at the end of 2020.

The current insurance policy between the Sanlam Office Personnel fund and Sanlam Life Insurance Limited has been replaced with individual policies between the pensioners and Sanlam Life Insurance Limited during 2019. The value of the fund is Rnil (2019: Rnil) and in the process of being liquidated.

Boards of Trustees oversee the affairs of the other defined benefit funds as required by the relevant legislation. The responsibilities of the Trustees are defined in these regulations. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the funds' pension increase policies are required to ensure that the funds are always financially sound.

Both the Sanlam Investments and Pensions as well as Sanlam Developing Markets SA funds were in materially sound positions at 31 December 2020.

Principal actuarial assumptions:	Sanlam	Sanlam
	Investments and Pensions	Developing Markets SA
2020		
	31 December	31 December
	2020	2020
Valuation date		
Pre-retirement discount rate	% pa 1,2%	11,0%
Post-retirement discount rate	% pa 1,2%	5,0%
Future pension increases	% pa 2,7%	5,0%
Actual experience:		
Actual return on assets	% pa (1,6%)	6,7%

2019

		31 December	31 December
		2019	2019
Valuation date			
Pre-retirement discount rate	% pa	2,0%	10,2%
Post-retirement discount rate	% pa	2,0%	5,0%
Future pension increases	% pa	2,9%	5,0%
Actual experience:			
Actual return on assets	% pa	(1,0%)	8,5%

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	2020	2019	2018	2017	2016
Net liability recognised in Statement of Financial Position:					
Present value of fund obligations	1 371	1 144	1 740	1 774	1 656
Actuarial value of fund assets	(1 330)	(1 071)	(1 741)	(1 779)	(1 721)
Net present value of funded obligations	41	73	(1)	(5)	(65)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	(41)	(73)	1	5	65
Net asset recognised in Statement of Financial Position	-	-	-	-	-

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/(liability)
2020				
Balance at beginning of the year	1 144	(1 071)	(73)	-
Contributions				
Employer	42	-	-	42
Benefit payments	(30)	33	-	3
Interest income/(expense)	33	(31)	(2)	-
Actuarial gains and losses: change in financial assumptions	(19)	(185)	-	(204)
Returns from plan assets (excluding amounts included in interest)	126	-	-	126
Foreign exchange gains and (losses)	81	(76)	-	5
Effect of limiting defined benefit asset to amount available to employer	-	-	34	34
Other	(6)	-	-	(6)
Balance at end of the year	1 371	(1 330)	(41)	-
2019				
Balance at beginning of the year	1 741	(1 740)	(1)	-
Contributions				
Employer	42	-	-	42
Benefit payments	(49)	48	-	(1)
Interest income/(expense)	34	(33)	(1)	-
Actuarial gains and losses: change in financial assumptions	-	(112)	-	(112)
Returns from plan assets (excluding amounts included in interest)	147	-	-	147
Foreign exchange gains and (losses)	11	(10)	-	1
Effect of limiting defined benefit asset to amount available to employer	-	-	(70)	(70)
Other ⁽¹⁾	(782)	776	(1)	(7)
Balance at end of the year	1 144	(1 071)	(73)	-

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

	2020 R million	2019 R million	2020 %	2019 %
Fund assets comprise:				
Equities and similar securities	204	252	15%	22%
Interest-bearing investments	1 060	891	76%	77%
Cash, deposits and similar securities	17	1	2%	1%
Insurance policy	90	-	7%	0%
	1 371	1 144	100%	100%

The above value of fund assets includes an investment of Rnil (2019: Rnil) in Sanlam Shares.

R million	2020	2019
Net expense recognised in the Statement of Comprehensive Income (included in administration costs):		
Other	-	7
Total included in staff costs	-	7
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
Due within one year	(702)	(560)
Due from one to five years	(8)	(13)
Due after five years	(620)	(498)
Total Expected payments	(1 330)	(1 071)

Notes to the Group financial statements continued

26. Retirement benefits for employees (continued)**26.3 Medical aid funds**

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

27. Borrowing powers

In terms of the Memorandum of Incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

28. Commitments and contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group Statement of Financial Position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group Statement of Financial Position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

28.1 Leasing commitments

R million	2020	2019
Future lease commitments:		
Lease rentals due within one year	42	50
Lease rentals due from one to five years	108	149
Lease rentals due after five years	94	81
Total lease commitments	244	280

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

28.2 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has guaranteed obligations that may arise under SCM's unlisted commercial paper programme, as well as SCM's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R20 billion, but both these and the direct guarantees are subject to an overall R7 billion guarantee utilisation limit in terms of the Group governance processes. At 31 December 2020 the utilisation of guarantees by SCM amounted to R4.3 billion (2019: R3.7 billion).

Sanlam 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. An amount of R25.8 million was utilised at 31 December 2020 (2019: R84.2 million).

Security to third parties in respect of the preference share business subject to and within the overall approved limit of R10 billion (2019: R3,5 billion).

Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

Sanlam has approved a guarantee facility, in March 2018 in respect of the distribution agreement between SPF and Capitec, which has been launched during 2018. The facility is subject to an internal limit of R500 million. The first premiums were received in terms of the credit life underwriting and funeral product distribution agreements with Capitec. Performance guarantees with the sum of R337 million (2019: R129 million) have been issued in respect of the sales up to 31 December 2020.

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 and expires in April 2021. An amount of R45 million was utilised at 31 December 2020.

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 17). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates.

There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

28.3 Litigation, disputes and investigations

The group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the group's financial position. Refer to note 25.4 for detail relating to CBI claims.

29. Related parties

29.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its relationship with Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' (UB) role as the Group's Broad-Based Black Economic Empowerment (B-BBEE) partner and jointly pursuing investments in complimentary financial services businesses, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business. During 2017, the Group provided preference share funding of R500 million (carrying value at 31 December 2020: R613 million and 31 December 2019: R 580million) to a Special Purpose Vehicle (SPV) co-owned by UB and the Sanlam Ubuntu-Botho Community Development Trust on arms' length terms. The preference shares are redeemable after 10 years, carry a dividend rate of 72.5% of the prime lending rate and are secured by Sanlam shares at a minimum of 1,5 times cover ratio. Refer to note 24 for additional information. The preference shares will participate in 10% of the net asset value of the SPV at the time of redemption.

During 2019, Sanlam Limited issued 111 349 000 shares at a price of R70 per share to a new B-BBEE SPV. The shares were issued at a price of R70 per share, representing a discount of some 10% to the three-day volume-weighted average price (VWAP) at the time. Sanlam provided vendor funding to the amount of R3.7 billion to the B-BBEE entity. Sanlam's empowerment partner, Ubuntu Botho (UB) and Sanlam Ubuntu-Botho Community Development trust participate in 20% of the B-BBEE SPV and five other targeted beneficiary groups sharing the remaining 80%. A one-off expense of R1,686 billion was recognised in terms of International Financial Reporting Standards (IFRS) 2 Share-Based Payment in respect of the B-BBEE share issuance.

As announced to the market in August 2020, an agreement was reached in respect of a transaction to establish a leading South African black-owned asset management company. The transaction will support Sanlam to grow and enhance its position in this important market, whilst also building on the Sanlam philosophy of mutually beneficial partnerships in pursuit of shareholder value creation. African Rainbow Capital Financial Services Holding (Pty) Ltd ("ARC FS"), has purchased 25% of the shares in Sanlam Investment Holdings Capital Pty Ltd (a new investment company that holds the 3rd party asset management business of Sanlam Investment Holdings (SIH) of which will give it an effective economic interest of 25% in SIH. The effective date of the transaction was 7 December 2020 and the purchase price amounted to R817 million. Approximately 80% of the purchase price was settled by utilising a portion of the preference share facility made available to UBI, which was approved by Shareholders in December 2018. ARC FS is owned 50.1% by African Rainbow Capital Pty Ltd ("ARC") and 49.9% by the ARC Fund. ARC is a wholly-owned subsidiary of UBI which is a material shareholder in Sanlam and accordingly deemed a related party.

Another agreement has been reached in respect of a transaction between Sanlam and 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.

During 2019, Sanlam Limited provided a back-to-back financing facility of R2 billion to Ubuntu-Botho which has expired in December 2020. The facility was approved by the Board in 2018 and granted in 2019. An amount of R1 952 million was utilised at 31 December 2020 (2019: R360 million).

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

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

29.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R845 million in 2020 (Restated 2019: R764 million). An error was made in the prior year therefore the contribution to post-employment benefit plans has been restated from R1 351 million to R794 million. This did not effect the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flow. There are no amounts outstanding at year-end.

The trustees of the Sanlam Office Personnel Fund insured the pension fund obligations through a policy with Sanlam Life Insurance Limited during 2017 (refer to note 26).

29.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 21 and their shareholdings and share participation in the Company are disclosed as part of the Remuneration Report.

Notes to the Group financial statements continued

29. Related parties (continued)**29.4 Transactions with entities in the Group**

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders.

Included in note 8.3.2 under Corporate interest-bearing investment is R1 016 million (2019: R1 113 million) which relates to the corporate interest-bearing investments in Bank Windhoek Limited and Letshego Holdings Limited.

The Group provides financing for the loans granted to Sanlam Personal Loans. The carrying value of these loans amounts to R 3 510 million. Most of these loans earn interest of the asset swap rate plus a premium of between 1,4% and 1,92% and will mature in tranches over a period of 3 years up to 30 November 2023.

Sanlam authorised funding of up to R2 billion to Sanlam Private Wealth (SPW) to facilitate funding for equity-backed loans provided to SPW clients. Utilisation at 31 December 2020 amounted to R906 million (2019: R850 million).

29.5 Policy administration

Certain companies in the Group carry out third-party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business. Policies held by key management personnel are not viewed as material.

29.6 Key management personnel compensation

R million	2020	2019
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	959	723
Post-employment benefits	-	-
Share-based payments ⁽¹⁾	153	194
Termination benefits	6	14
Other long-term benefits and incentive schemes	56	41
Total key management personnel compensation	1 174	972

⁽¹⁾ Consists of redemption of shares in respect of share-based payment schemes.

30. Notes to the cash flow statement**30.1 Cash generated/(utilised) in operations**

R million	Notes	2020	2019
Profit before tax per Statement of Comprehensive Income		7 439	14 561
Net movement in policy liabilities	15.1	24 446	48 780
Non-cash flow items		(2 690)	(40 459)
Depreciation		1 139	1 024
Bad debts written off		171	313
Share-based payments		506	424
(Profit)/loss on disposal of subsidiaries and associates		(285)	8
Fair value adjustments		(10 716)	(43 072)
Net monetary gain (hyperinflation)		(1 535)	-
Impairment of investments and goodwill		9 275	742
Amortisation of intangibles		1 323	1 405
IFRS 2 B-BBEE cost		-	1 686
Equity-accounted earnings		(2 568)	(2 989)
Items excluded from cash utilised in operations		(29 633)	(30 151)
Interest and preference share dividends received		(18 326)	(18 695)
Interest paid		1 051	1 742
Dividends received		(12 358)	(13 198)
Net acquisition of investments ^{(1), (2)}		(22 977)	(18 140)
Increase in net working capital assets and liabilities ⁽²⁾		547	16 174
Cash utilised in operations⁽¹⁾		(22 868)	(9 235)

⁽¹⁾ Prior year negative amount has been reduced with R675 million. Refer to note 36.1 for more information.

⁽²⁾ Amendment to financial statements issued on 10 March 2021: The 'Increase in net working capital assets and liabilities' were decreased by an amount of R8 147 million, while the 'Net acquisition of investments' was decreased by a similar amount. This was done to correct an error in the 2020 figures.

30.2 Acquisition of subsidiaries and associated companies

R million	2020	2019
During the year, various interests in subsidiaries were acquired within the Group.		
Investments in associated companies	-	(158)
The fair value of assets acquired via business combinations is as follows:		
Equipment	(36)	(30)
Owner occupied properties	(77)	-
Goodwill	(1 001)	(361)
Value of business acquired	-	(786)
Other Intangible assets	(12)	-
Deferred acquisition cost	(8)	-
Long-term reinsurance assets	(50)	-
Investments	(5 436)	(181)
General insurance technical assets	(138)	-
Trade and other receivables	(97)	(55)
Cash, deposits and similar securities	(140)	(40)
Long-term policy liabilities	4 577	129
Term finance	-	46
Deferred tax liabilities	12	299
General insurance technical provisions	251	226
Working capital liabilities	395	38
Non-controlling interest	(72)	2
Total purchase consideration (including hedge adjustment)	(1 832)	(871)
Less: Previously held interest at fair value	548	18
Cash element consideration	(1 284)	(853)
Less: Cash, deposits and similar securities acquired	140	40
Less: Contingent liability	-	128
Cash component of acquisition of subsidiaries and associated companies	(1 144)	(685)

Notes to the Group financial statements continued

30. Notes to the cash flow statement (continued)

30.3 Disposal of subsidiaries and associated companies

R million	2020	2019
The fair value of assets disposed of were as follows:		
Owner occupied properties	4	113
Investments in associated companies	-	71
Equipment	38	10
Goodwill	14	33
Other intangible assets	11	-
Deferred acquisition costs	13	-
Investments	178	12
General insurance technical assets	90	-
Deferred tax assets	-	4
Trade and other receivables	105	9
Cash, deposits and similar securities	185	80
Term finance	(50)	-
Deferred tax liabilities	-	(9)
General insurance technical provisions	(226)	(25)
Working capital liabilities	(300)	(32)
Non-controlling interest	(111)	(2)
Profit/(loss) on disposal of subsidiaries and associates	285	(8)
Total disposal price	236	256
Less: Cash and cash equivalents disposed of	(185)	(80)
Cash component of disposal of subsidiaries and associated companies	51	176

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	2020	Restated ⁽¹⁾ 2019
Working capital: Cash and cash equivalents	30 094	30 369
Investment cash ⁽¹⁾	19 164	24 400
Bank overdrafts	(848)	(2 031)
Total cash and cash equivalents	48 410	52 738

⁽¹⁾ Refer to note 36.1 for more information.

Included in cash and cash equivalents are restricted cash balances of R3 435 million (2019: R1 740 million) relating mainly to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchange traded derivatives.

31. Business combinations

Material acquisitions of the Group consolidated in the 2020 financial year

Sanlam has acquired the remaining stake in the Nigerian insurance business FBN Insurance from its partner, FBN Holdings Plc (FBNH), effective 1 June 2020. This gives the Group 100% ownership of FBN Insurance Limited (FBNI) and its subsidiary, FBN General Insurance Limited.

The goodwill arising on the acquisition is attributable to synergies. The acquisition accounting of the above acquisition has been based on provisional estimates, which might result in adjustments to goodwill, value of business acquired, other intangibles, as well as deferred tax during the next 12 months.

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

R million	Total
Assets	
Equipment	36
Owner-occupied properties	77
Other intangible assets	12
Deferred acquisition costs	8
Long-term reinsurance assets	50
Investments	5 436
General insurance technical assets	138
Working capital assets	237
Total identifiable assets	5 994
Liabilities	
Long-term policy liabilities	(4 577)
General insurance technical provisions	(251)
Deferred tax liability	(10)
Trade and other payables	(248)
Taxation	(142)
Total identifiable liabilities	(5 228)
Total identifiable net assets	766
Goodwill arising on acquisition	991
Net purchase consideration	1 757
Less: Previously held interest at fair value	(548)
Net cash consideration	1 209

The post acquisition loss and revenue of FBN for the seven month period amounted to R92 million and R659 million respectively. The profit and revenue of FBN for the full year was respectively R431 million and R2 037 million.

Trade Receivables had a fair value of R97 million at acquisition date, it comprised of prepayments R42 million, staff loans R17 million, premiums receivable R12 million, prepaid reinsurance R12 million and reinsurance share of unearned premiums receivable R9 million. The gross amount is R97 million and it is expected that the full contractual amount will be collected.

Notes to the Group financial statements continued

32. Disposal groups and classified as held for sale

Assets of disposal group classified as held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. 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. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit and loss as a financing cost.

32.1 Investment Properties

During 2019, management approved the sale of 6 MCIS properties to the total amount of R30 million. These properties have been disposed of during the current financial year. During 2020, management approved the sale of another property. A potential buyer has been identified and the purchase price is equivalent to the valuation price performed by an independent valuer. The sale and purchase agreement had been initiated. The sale is expected to be finalised during 2021.

During 2018, management approved the sale of 3 properties of Sanlam General Insurance Kenya. These properties have now been disposed of.

MCIS and Sanlam General Insurance Kenya is in the Sanlam Emerging Markets reportable segment.

R million	2020	2019
Investment properties	31	159

32.2 Disposal groups

As announced on 9 February 2021, an agreement has been reached on the terms of a recommended cash offer by James Hay Holdings Limited for the entire issued share capital of Nucleus. Sanlam UK Limited, a subsidiary of Sanlam Limited, holds 52.19% of Nucleus' issued share capital and has given an irrevocable undertaking to vote in favour of the transaction. Should the transaction complete, Sanlam UK Limited will receive approximately £75 million in cash. The transaction is subject to Nucleus shareholder and regulatory approvals, and other conditions precedent. Subject to satisfaction of these conditions, the transaction is expected to complete in the second quarter of 2021. Nucleus is in the Sanlam Investment Group reportable segment.

Financial information relating to the disposal group for the period is set out below:

Financial performance and cash flow information:

R million	2020
Net income	594
Financial services income	593
Investment income	1
Expenses	
Administration costs	(511)
Net operating result	83
Finance costs - other	(4)
Profit before tax	79
Taxation	(17)
Profit for the year	62
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods	
Movement in foreign currency translation reserve	173
Comprehensive income for the year	235
Cash flow from operating activities	61
Cash flow from investment activities	(50)
Cash flow from financing activities	(32)
Net increase in cash and cash equivalents generated by the subsidiary	(21)
Effect of exchange rate movements on cash balance	30

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 discontinued operation as at 31 December 2020. Financial information relating to the discontinued operation for the period is set out below:

Financial performance and cash flow information:

R million	2020
Assets of disposal group classified as held for sale:	
Equipment	39
Right-of-use assets	67
Goodwill	554
Value of business acquired	947
Deferred tax asset	5
Working capital assets	575
Trade and other receivables	223
Cash, deposits and similar securities	352
Total assets	2 187
Liabilities of disposal groups classified as held for sale	
Lease liabilities	75
Deferred tax liability	180
Working capital liabilities	199
Trade and other payables	165
Provisions	19
Taxation	15
Total liabilities	454

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2020 were R277 million.

33. Fair value disclosures

Financial instruments

Financial instruments carried on the Statement of Financial Position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Collateral placed at 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.

Notes to the Group financial statements continued

33. Fair value disclosures (continued)

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost,
- Fair value through profit or loss (either mandatory or designated), or
- Fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the Group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

On initial recognition, the Group classifies its financial liabilities into one of the following categories:

- Amortised cost, or
- Fair value through profit or loss (either mandatory or designated)

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial liabilities classified as at fair value through profit or loss comprise held-for-trading liabilities, including derivatives (mandatory fair value through profit or loss) as well as financial liabilities designated as at fair value through profit or loss.

On initial recognition the Group designates a financial liability as at fair value through profit or loss when doing so results in more relevant information either because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; or
- a group of financial liabilities; or a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of investment surpluses.

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are measured at fair value after initial recognition. Net gains and losses (on the sale of investments and fair value gains and losses), interest or dividend income and foreign exchange gains or losses are recognised in profit or loss. Changes in fair value 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.

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Notes to the Group financial statements continued

33. Fair value disclosures (continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses, measured as the present value of all cash short falls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of loss allowances in the Statement of Financial Position

Loss allowances for expected credit losses are presented as a deduction from the gross carrying amounts of the financial assets.

Write-offs

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures 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**.

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2020				
Non-financial instruments				
Properties	-	-	20 302	20 302
Financial instruments	521 527	253 495	3 130	778 152
Equities and similar securities	181 126	4 718	1 146	186 990
Investment in joint ventures	-	-	427	427
Interest-bearing investments	94 948	155 101	542	250 591
Structured transactions	117	29 449	-	29 566
Investment funds	239 067	12 342	617	252 026
Trade and other receivables	6 269	6 356	398	13 023
Cash deposits and similar securities: Investments	-	42 236	-	42 236
Cash deposits and similar securities: Working capital	-	3 293	-	3 293
Total assets at fair value	521 527	253 495	23 432	798 454
Financial instruments	84 892	471 535	2 156	558 583
Investment contract liabilities	387	432 499	1 698	434 584
External investors in consolidated funds	82 228	1 040	446	83 714
Term finance	50	4 090	-	4 140
Structured transactions liabilities	-	22 958	12	22 970
Trade and other payables	2 227	10 948	-	13 175
Total liabilities at fair value	84 892	471 535	2 156	558 583
Recurring fair value measurements				
31 December 2019				
Non-financial instruments				
Properties	-	-	21 565	21 565
Financial instruments	478 583	255 866	2 808	737 257
Equities and similar securities	195 603	4 764	1 134	201 501
Investment in joint ventures	-	-	400	400
Interest-bearing investments	77 456	147 811	498	225 765
Structured transactions	862	22 228	-	23 090
Investment funds	200 354	21 073	714	222 141
Trade and other receivables	4 308	7 971	62	12 341
Cash deposits and similar securities: Investments	-	48 504	-	48 504
Cash deposits and similar securities: Working capital	-	3 515	-	3 515
Total assets at fair value	478 583	255 866	24 373	758 822
Financial instruments	84 903	434 493	2 184	521 580
Investment contract liabilities	-	399 840	1 641	401 481
External investors in consolidated funds	84 247	397	543	85 187
Term finance	-	3 314	-	3 314
Structured transactions liabilities	-	19 272	-	19 272
Trade and other payables	656	11 670	-	12 326
Total liabilities at fair value	84 903	434 493	2 184	521 580

Notes to the Group financial statements continued

33. Fair value disclosures (continued)

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

R million	Properties	Equities and similar securities	Investment in joint ventures	Interest bearing investments	Investment funds	Trade and other receivables	Total assets
2020							
Assets							
Balance at 1 January 2020	21 565	1 134	400	498	714	62	24 373
Net (loss)/gains in Statement of Comprehensive Income	(2 222)	62	27	20	(24)	45	(2 092)
Acquired through business combinations	4	-	-	-	-	-	4
Acquisitions	1 530	142	-	24	139	338	2 173
Disposal of subsidiaries	(91)	-	-	-	-	-	(91)
Disposals	(458)	(225)	-	-	(221)	-	(904)
Foreign exchange movements	921	33	-	-	9	(47)	916
Reclassified from disposal groups classified as held for sale	(3)	-	-	-	-	-	(3)
Transfers to owner-occupied properties	(944)	-	-	-	-	-	(944)
Balance at 31 December 2020	20 302	1 146	427	542	617	398	23 432
2019							
Balance at 1 January 2019	21 349	504	539	69	732	-	23 193
Net gains/(loss) in Statement of Comprehensive Income	847	100	(139)	(2)	(68)	-	738
Acquired through business combinations	71	-	-	-	-	-	71
Acquisitions	469	175	-	437	56	-	1 137
Disposals	(698)	(86)	-	(6)	(5)	-	(795)
Foreign exchange movements	(263)	(15)	-	-	(1)	-	(279)
Reclassified from disposal groups classified as held for sale	(2)	-	-	-	-	-	(2)
Transfers to owner-occupied properties	(208)	-	-	-	-	-	(208)
Transfers from level 2	-	456	-	-	-	62	518
Balance at 31 December 2019	21 565	1 134	400	498	714	62	24 373

R million	Investment contract liabilities	External investors in consolidated funds	Term finance	Total liabilities
2020				
Liabilities				
Balance at 1 January 2020	1 641	543	-	2 184
Net loss/(gains) in Statement of Comprehensive Income	1	(138)	-	(137)
Acquisitions	47	-	12	59
Disposals	(133)	-	-	(133)
Foreign exchange movements	142	41	-	183
Balance at 31 December 2020	1 698	446	12	2 156
2019				
Liabilities				
Balance at 1 January 2019	1 665	613	-	2 278
Net loss/(gains) in Statement of Comprehensive Income	49	(55)	-	(6)
Acquisitions	50	-	-	50
Disposals	(141)	-	-	(141)
Foreign exchange movements	18	(15)	-	3
Balance at 31 December 2019	1 641	543	-	2 184

R million	2020	2019
Losses (realised and unrealised) included in Statement of Comprehensive Income		
Total losses included in Statement of Comprehensive Income for the period	(2 665)	(804)
Total unrealised losses included in Statement of Comprehensive Income for assets held at the end of the reporting period	(1 485)	(112)

Transfers between levels

R million	Equities and similar securities	Interest bearing investments ⁽¹⁾	Structured transactions	Investment funds ⁽¹⁾	Total assets
Assets					
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
2019					
Transfer from level 1 to level 2	(172)	(2 043)	(4 291)	-	(6 506)

⁽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.

Notes to the Group financial statements continued

33. Fair value disclosures (continued)

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	3	Recently contracted prices, discounted cash flow model (DCF) and Earnings multiple.	Bond and interbank swap interest rate curve, Capitalisation rate, Cost of Capital, Consumer price index and Cash flow forecasts (including vacancy rates).	Capitalisation rate, Discount rate and Cash flow forecasts (including vacancy rates).
Equities and similar securities	2 and 3	Discounted cash flow model (DCF) and Earnings multiple.	Cost of Capital and Consumer price index.	Cost of Capital, Adjusted earnings multiple, Budgets and Forecasts.
Interest-bearing investments	2 and 3	DCF, Quoted put/surrender price by issuer.	Bond and interbank swap interest rate curve, Cost of Capital and Consumer price index.	Discount rate and Cost of Capital.
Structured transactions assets and liabilities	2 and 3	Option pricing models and DCF.	Bond and interbank swap interest rate curve, Forward equity and currency rates and Volatility risk adjustments.	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held, Earnings multiple and DCF.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index and Bond interest rate curve.	Earnings multiple
Trade and other receivables/payables	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer and Option pricing models.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Forward rate, Credit risk spread and Liquidity spread.	n/a
Cash, deposits and similar securities	2	Mark-to-market and Yield curve.	Bond and interbank swap interest rate curve.	n/a
Investment in joint ventures	3	Earnings multiple.	Earnings Multiple, Country risk and size of the business and marketability.	Adjusted earnings multiple and Sustainable EBITDA.
Term finance	2	DCF	Bond and forward rate, Credit ratings of issuer, Liquidity spread and Agreement interest curves.	n/a
External investors in consolidated funds	2 and 3	Current unit price of underlying unitised asset multiplied by the number of units held.	Unit prices	Based on underlying assets.

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/capitalisation rate	Effect of a 1% decrease in base/capitalisation rate
Properties⁽¹⁾						
2020						
Cashflow risk adjustments	20 302	(2 030)	2 030			
Base rate				10 144	(364)	394
Capitalisation				10 144	(470)	574

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple	10 158	1 016	(1 016)

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
2019						
Cashflow risk adjustments	21 565	(2 157)	2 157			
Base rate				11 464	(436)	473
Capitalisation				11 464	(479)	582

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple	10 101	936	(930)

⁽¹⁾ Investment Properties comprise of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs. It also comprises of Saham Finances properties valued using a multiple of earnings.

Notes to the Group financial statements continued

33. Fair value disclosures (continued)

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2020						
Equities and similar securities	1 146	115	(115)			
Investment in joint ventures	427	43	(43)			
Interest bearing investments				542	(21)	21
Investment funds	617	62	(62)			
Trade and other receivables				398	(16)	16
Total	2 190	220	(220)	940	(37)	37
2019						
Equities and similar securities	1 134	113	(113)			
Investment in joint ventures	400	40	(40)			
Interest bearing investments				498	(23)	14
Investment funds	714	71	(71)			
Trade and other receivables				62	(20)	21
Total	2 248	224	(224)	560	(43)	35

Liabilities

R million	Carrying amount ⁽¹⁾	Effect of a 10% increase in value	Effect of a 10% decrease in value
2020			
Investment contract liabilities	1 698	170	(170)
External investors in consolidated funds	446	45	(45)
Structured transaction liabilities	12	1	(1)
Total liabilities	2 156	216	(216)
2019			
Investment contract liabilities	1 641	164	(164)
External investors in consolidated funds	543	54	(54)
Total liabilities	2 184	218	(218)

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

Notes to the Group financial statements continued

34. Assets subject to offsetting, enforceable master netting arrangements and similar agreements

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the Statement of Financial Position	Net amounts of financial instruments presented in the Statement of Financial Position
31 December 2020			
Assets			
Working capital cash	1 005	-	1 005
Trading account assets	1 325	(67)	1 258
Structured transactions assets	1 417	(1 214)	203
Liabilities			
Trading account liabilities	3 714	(67)	3 647
Structured transactions liabilities ⁽⁴⁾	10 987	(7 140)	3 847
31 December 2019			
Assets			
Working capital cash	811	-	811
Trading account assets	1 398	(62)	1 336
Structured transactions assets	2 722	(2 523)	199
Liabilities			
Trading account liabilities	3 221	(62)	3 159
Structured transactions liabilities ⁽⁴⁾	8 762	(5 936)	2 826

⁽¹⁾ The figures for other financial instruments column are made up of ISDA netting, CSA (Credit Support Agreements) 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. 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 that has been pledged to SCM to cover events of default.

⁽³⁾ Excludes enforceable netting arrangements.

⁽⁴⁾ Structured transactions liabilities include derivative liabilities.

Related amounts not set off in the
Statement of Financial Position

Other Financial instruments ⁽¹⁾	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
(622)	(146)	237	29 857	30 094
(744)	(484)	30	9 791	9 821
-	-	203	29 363	29 566
(2 924)	(630)	93	12 966	13 059
-	-	3 847	19 123	22 970
(507)	(104)	200	30 169	30 369
(1 304)	-	32	9 518	9 550
-	-	199	22 891	23 090
(3 041)	(104)	14	11 998	12 012
-	-	2 826	16 446	19 272

Notes to the Group financial statements continued

35. Classification of other financial instruments**35.1 Working capital cash: Cash, deposits and similar securities**

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

R million	2020	2019
Net amortised cost ⁽¹⁾	26 801	26 854
Gross	27 039	26 854
Expected credit loss allowance	(238)	-
Fair value through other comprehensive income ⁽²⁾	3 293	3 515
Total Working capital assets: Cash, deposits and similar securities	30 094	30 369

⁽¹⁾ Working capital assets: Cash, deposits and similar securities that are classified at amortised cost carrying values approximates fair value, due to the short term nature of the instruments. These are classified as level 2 instruments and the valuation is based on discounted cash flows.

⁽²⁾ Refer to note 33 for the fair value levels. No material adjustments to fair value occurred during the accounting period.

Reconciliation of expected credit losses

R million	2020 Lifetime ECL (not credit impaired)
Net remeasurement of loss allowance	250
Foreign currency translation differences	(12)
Balance at the end of the year	238

35.2 External investors in consolidated funds

These are designated at fair value through profit and loss. Refer to note 33 for the fair value levels.

36. Restatements

36.1 Restatement of Group cash flow statement

For the purposes of the statement of cash flows, management reassessed the definition of cash and cash equivalents in line with the definition of IAS 7, e.g. short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment would qualify as cash and cash equivalents when it has a short maturity of three months or less from the date of acquisition. Acquisitions and disposals of short term investments that do not meet the definition of cash and cash equivalents as per IAS 7, are included in operating cash flows. The adjustment of R675 million reflects the cash outflow with respect to the 2019 acquisition of these investments. The impact are as follows:

R million	2019		
	As previously reported	Adjustments	Restated
Cash flows from operating activities	6 645	675	7 320
Net increase in cash and cash equivalents	8 639	675	9 314
Cash and cash equivalents at beginning of the year	63 343	(19 594)	43 749
Cash and cash equivalents at end of the year	71 657	(18 919)	52 738

The above restatements did not have any impact on the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity.

Sanlam Limited Statement of Financial Position

as at 31 December

R million	Note	2020	2019
ASSETS			
Investment in group companies: Subsidiaries	2	25 828	19 696
Working capital assets		326	7 324
Cash and Bank		2	2
Loans to Group companies	2	324	7 322
Total assets		26 154	27 020
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	12 783	13 451
Non-distributable reserves		9 342	9 342
Retained earnings		(1 074)	544
Shareholders' funds		21 051	23 337
Working capital liabilities		5 103	3 683
Accounts payable		825	879
Taxation payable		36	2
Loans from Group companies	2	4 242	2 802
Total equity and liabilities		26 154	27 020

Sanlam Limited Statement of Comprehensive Income

for the year 31 December

R million	Note	2020	2019
Net income		12 357	2 438
Dividend income		10 252	2 183
Interest income		6	14
Profit on disposal of subsidiary ⁽¹⁾		3 495	-
Investment surpluses and other income	4	(1 556)	100
Reversal of Impairments		160	141
Expenses			
Administration costs	5	(36)	(1 705)
Impairments	2	(194)	(112)
Profit before tax		12 127	621
Taxation		(36)	(3)
Profit for the year		12 091	618

⁽¹⁾ Please refer to note 29.1 above for details on the disposal of subsidiary.

Sanlam Limited Cash Flow Statement

for the year ended 31 December

R million	Note	2020	2019
Cash flow from operating activities		(79)	(5 002)
Cash generated/(utilised) in operations	10	(38)	(46)
Dividends received ⁽¹⁾		7 713	2 183
Dividends paid		(7 758)	(7 150)
Interest income		6	14
Taxation paid		(2)	(3)
Cash flow from investment activities⁽¹⁾		(136)	(1 030)
Proceeds from sale less cost of acquisition of subsidiary ⁽¹⁾		817	-
Investment in subsidiaries ⁽¹⁾		(953)	(1 030)
Cash flow from financing activities			
Shares (bought back)/issued		(6 550)	7 794
(Decrease)/increase in cash and cash equivalents		(6 765)	1 762
Cash and cash equivalents - beginning of the year		4 522	2 760
Cash and cash equivalents - end of the year		(2 243)	4 522

⁽¹⁾ Amended from previously published, refer note 10.

Sanlam Limited Statement of Changes in Equity

for the year ended 31 December

R million	Share capital	Share premium	Non-distributable reserve ⁽¹⁾	Retained income	Total
Balance at 1 January 2019	22	5 635	9 342	5 551	20 550
Profit for the year	-	-	-	618	618
Dividends declared	-	-	-	(7 311)	(7 311)
Shares issued	1	7 793	-	-	7 794
B-BBEE IFRS 2 costs ⁽²⁾	-	-	-	1 686	1 686
Balance at 31 December 2019	23	13 428	9 342	544	23 337
Profit for the year	-	-	-	12 091	12 091
Dividends declared	-	-	-	(7 827)	(7 827)
Shares cancelled	(1)	(667)	-	(5 882)	(6 550)
Balance at 31 December 2020	22	12 761	9 342	(1 074)	21 051

⁽¹⁾ Pre-acquisition reserves arising from the demutualisation of Sanlam Life Insurance Limited in 1998.

⁽²⁾ A one-off expense of R1 686 billion was recognised in terms of International Financial Reporting Standards (IFRS) 2 Share-Based Payment in respect of the Broad-Based Black Economic Empowerment (B-BBEE) share issuance to the new B-BBEE special purpose vehicle (SPV).

Sanlam Limited notes to the financial statements

for the year ended 31 December

1. Accounting Policies

The accounting policies of the Sanlam Limited group as set out on pages 60 to 155 are also applicable to Sanlam Limited except for investments in Group companies which are reflected at cost or at a lower value if there is an impairment in value.

The following new or revised IFRS and interpretations became effective in the current financial year:

- The Conceptual Framework for Financial Reporting
- Definition of Material (Amendments to IAS 1 and IAS 8)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

IFRS 16 does not have an impact on the separate financial statement.

R million	2020	2019
2. Group companies		
Investment in Group companies – shares at cost less impairments	25 828	19 696
Current loans with Group companies	(3 918)	4 520
Loans to Group companies	324	7 322
Loans from Group companies	(4 242)	(2 802)
Book value of interest in Group companies	21 910	24 216
Net (impairment)/reversal of impairment of investments in Group companies		
Genbel Securities Limited	160	141
Sanlam Investments (Pty) Ltd	(165)	(104)
Sanlam PrefCo (Pty) Ltd	(29)	(8)
Total net reversal of impairment of investment in Group companies	(34)	29
Fair value of net investment in Group companies	152 944	171 400

Genbel Securities Limited

Due to the increase of the underlying fair values in the unlisted subsidiaries, Genbel resulted in a reversal of impairments to the value of R160m. The recoverable amount of the Genbel group is derived from the NAV including the fair values of the group's subsidiaries derived from the non-listed valuations.

Sanlam Invest (Pty) Ltd

Due to underperformance of financial markets locally there was a fair value write down in Sanpref resulting in an impairment of R165m in Sanlam Invest in the current year. This impairment was limited to the original cost of investment in Sanlam Invest (R500m) taking all prior impairments into account, this resulted in Sanlam Invest cost been fully impaired to Rnil. The recoverable amount of Sanlam Invest is derived from the combined NAV in the Sanlam Invest group.

Sanlam Prefco (Pty) Ltd

Due to underperformance of financial markets locally, Prefco endured a loss for the year reducing the NAV of Prefco and resulting in a loss of R29m for the year. The recoverable amount is derived from the NAV of Sanlam Prefco.

Loans: Group companies

On initial recognition, loans to and from group companies are classified as measured at:

- Amortised cost,
- Fair value through profit or loss (either mandatory or designated).

These loans are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Unless otherwise stated, all loans are carried at amortised cost.

The loans to/from Group companies are unsecured and repayable on demand. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 161.

Investment in group companies are carried at cost less accumulated impairment. The fair value disclosed are classified level 3 instruments in terms of IFRS 13. Investment management subsidiaries are valued on a discounted cash flow (DCF) basis, subsidiaries that conduct life insurance business are valued at embedded value plus a multiple of new life insurance business and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 5 on page 228.

2. Group companies (continued)

Loans: Group companies (continued)

All cash receipts and payments of Sanlam Limited are processed out of centrally controlled funds by way of the Company's Subsidiaries who account for the receipts and payments in the loans to/from Group companies. The statement of cash flows has been prepared based upon the actual cash flows during the period regardless of cash and cash equivalents balance held directly by the Company.

R million	2020	2019
Loans to Group companies		
Sanpref (Pty) Ltd (designated as at fair value through profit or loss)	324	3 897
Sanlam Life Insurance Ltd	-	3 419
Loans to Other		
Sanlam Foundation	-	6
	324	7 322

The loan to Sanpref (Pty) Ltd is only payable on demand when B-BBEE SPV preference shares investment has been redeemed. However Sanpref can also make voluntary payments. The loan from Sanpref Ltd is indirectly exposed to Sanlam Ltd shares. The valuation is based on an option pricing model which includes observable inputs such as Sanlam Ltd's share price, volatility and dividend yield. It has been classified as level 2 accordingly. A fair value loss of R1 673 million has been recognised during 2020, refer to note 4.

Loans from Group companies

Sanlam Investment (Pty) Ltd	11	11
Sanpref (Pty) Ltd	-	-
Sanlam PrefCo (Pty) Ltd	2 310	2 310
Sanlam Investment Management Holdings (Pty) Ltd	-	105
Sanlam Investment Holdings UK Ltd	95	112
Sanlam Life Insurance Ltd	1 562	-
Genbel Securities Ltd	264	264
	4 242	2 802

The loans from subsidiary companies carrying value approximates fair value.

3. Share capital and premium

Details of share capital and premium are reflected in note 12 on page 104 of the Sanlam Limited group financial statements.

4. Investment surpluses and other income

R million	2020	2019
Investment surpluses		
Financial assets designated as at fair value through profit of loss	(1 673)	-
Other income	117	100
	(1 556)	100

5. Administration costs include:

R million	2020	2019
Directors' remuneration		
Detail of the directors' remuneration are reflected in the Remuneration Report on page 165.		
Audit fees: statutory audit	7	7
B-BBEE IFRS 2 costs (line audit fees and directors remuneration)	-	1 686

6. Dividends

Details of the dividends declared are disclosed on page 70 of the Sanlam Limited group financial statements.

Notes to the Group financial statements continued

7. Borrowing powers

In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 28 on page 134 of the Sanlam Limited group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R7 billion (2019: R7 billion).

9. Related parties

Details of related parties are reflected in note 29 on page 135 of the Sanlam Limited group financial statements.

10. Notes to the cash flow statement

R million	2020	2019
Cash utilised in operations		
Profit before tax	12 127	621
Non-cash flow items		
Impairment of investments in Group companies	194	112
Reversal of gross impairment of investments in Group companies	(160)	(141)
Net reversal of gross equity participation costs and fund transfers (IFRS 2)	-	1 686
Profit on disposal of subsidiary	(3 495)	-
Fair value adjustments	1 673	-
Other income	(117)	-
Items disclosed separately		
Dividends received	(10 252)	(2 183)
Interest Income	(6)	(14)
Increase/(decrease) in net working capital liabilities	(2)	(127)
Cash generated from operations	(38)	(46)

Amendment to financial statements issued on 10 March 2021: The following changes to the 2020 figures were affected to reflect non-cash items in the statement of cashflows:

The 'Dividends received' line decreased from R10 252 million to R7 713 million to more accurately reflect dividends received in lieu of cash and cash equivalents.

The 'Proceeds from sale less cost of acquisition of subsidiary' decreased from R3 550 million to R817 million. The difference of R2 733 million represents an asset for asset transaction that does not have a cashflow impact, where shares in Sanlam Investment Holdings (Pty) Ltd were exchanged for shares in Sanlam Investment Holdings Capital Holdings (Pty) Ltd.

The 'Investment in subsidiaries' line item decreased from R6 225 million to R953 million. This represents the following: A share for share transaction to the amount of R2 733 million as per the previous point, as well as additional capital acquired in Genbel Securities Limited to the amount of R2 160 million and R379 million of additional capital acquired in Sanlam Investments Management Holdings (Pty) Ltd. Both of these transactions represent non-cash transactions.

11. Tax Rate Reconciliation

The effective tax rate of Sanlam Limited of 0,01% (2019: 0,56%) differs from the standard rate of taxation of 28% (2019: 28%) due to the effects of non-taxable income: -32,36% (2019: -104,21%), non-deductible expenses 4,37% (2019: 76,85%) and other differences 0% (2019: -0,08%). The expenses are incurred in the production of non taxable income, and is therefore non-deductible for income tax purposes.

12. Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment in terms of IFRS 9, by establishing whether the borrowing Group company has sufficient accessible liquid assets in order to repay the loan if demanded at the reporting date. If the borrowing Group company is not able to repay the loan if demanded at the reporting date, then Sanlam Limited considers the expected manner of recovery to measure expected credit losses. The credit quality of the loans receivable has been assessed as acceptable within the parameters used to measure and monitor credit risk. The circumstances as at the statement of financial position date is not expected to change in the foreseeable future.

R million	2020	2019
Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
Carrying value of loans granted	324	7 322

Further details of risk management are disclosed in the Capital and Risk Management Report on page 14.

Principal subsidiaries

at 31 December

R million	% Interest	Issued ordinary capital		Fair value of interest in subsidiaries		
				Shares		Loans
		2020	2020	2019	2020	2019
Long-term insurance						
Sanlam Life Insurance Limited	100	4 999	134 426	146 708	(1 562)	3 419
Investment and capital markets						
Genbel Securities Limited	100	2 415	6 595	4 275	(264)	(264)
Investment management and consulting						
Sanlam Independent Financial Services (Pty) Limited ⁽²⁾	100	(1)	(1)	(1)		
Sanlam Investment Holdings Limited ⁽²⁾	100	(4)	-	4 619		
Sanlam Investment Holdings Capital Holdings Limited ⁽⁴⁾	75	(1)	3 357	-		
Sanlam Investment Holdings (UK) Limited	100	1 116	6 768	5 666	(95)	(112)
Sanlam Investment Management Holdings (Pty) Ltd	100	2 421	3 313	3 015	-	(105)
Investment companies						
Sanlam Spec (Pty) Limited ⁽²⁾⁽³⁾	100	(1)	(1)	(1)	-	-
Sanlam Investments (Pty) Limited	100	-	-	165	(11)	(11)
Sanlam Share Incentive Trust	100	(1)	(1)	(1)		
Sanpref (Pty) Ltd	100	(1)	(1)	(1)	324	3 897
Sanlam PrefCo (Proprietary) Ltd	100	(1)	2 403	2 432	(2 310)	(2 310)
Other						
Sanlam Foundation		n/a	n/a	n/a	-	6
Total			156 862	166 880	(3 918)	4 520

⁽¹⁾ Issued share capital is less than R1 000 000.

⁽²⁾ Sanlam Limited provided a letter of guarantee to Sanlam Investment Holdings Limited, Sanlam Spec Proprietary Limited and Sanlam Independent Financial Services (Pty) Limited.

⁽³⁾ Sanlam Limited, with Sanlam Spec (Pty) Limited, provided a letter of guarantee to Real Futures (Pty) Limited.

⁽⁴⁾ Sanlam Investment Holdings sold to Sanlam Investment Holdings Capital Holdings Limited.

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in material subsidiaries:

%	Santam Limited ⁽¹⁾		Botswana Insurance Holdings Limited ⁽²⁾		MCIS Insurance ⁽³⁾		Saham Assurance Maroc ⁽⁴⁾	
	2020	2019	2020	2019	2020	2019	2020	2019
Shareholders' fund	61,93	61,49	59,16	59,39	51,00	51	61,90	61,9
Policyholders' fund	0,15	0,21	0,00	0,80	-	-	-	-
Non-controlling Interest	37,92	38,30	40,84	39,81	49,00	49	38,10	38,10
Total	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

⁽¹⁾ The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders Fund section on page 214 and page 215. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial Statements on page 106.

⁽²⁾ The Financial Information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has summarised below. This information provided is based on amounts before inter-company eliminations.

⁽³⁾ The financial information of MCIS Insurance, incorporated and operating mainly in Malaysia, which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.

⁽⁴⁾ The financial information of Saham Assurance Maroc, incorporated and operating mainly in Morocco which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.

Principal subsidiaries continued

R million	2020	2019
Santam summarised statement of cash flows for the year ending 31 December 2020:		
Operating	1 127	2 897
Investing	(1 322)	(281)
Financing	(208)	(1 559)
Net increase in cash and cash equivalents	(403)	1 057
Dividends paid out to non-controlling interests	49	109

Financial information of Botswana Insurance Holdings Limited

Summarised statement of profit or loss:

R million	2020	2019
Net income	4 668	5 097
Net insurance and investment contract benefits and claims	(2 958)	(3 577)
Expenses	(1 123)	(981)
Share of profit of associates and joint ventures	370	194
Profit before tax	957	733
Income tax	(185)	(135)
Discontinued operations	-	3
Profit for the year	772	601
Other comprehensive income	(101)	(9)
Total comprehensive income	671	592
Attributable to non-controlling interests	268	236
Dividends paid to non-controlling interests	227	203

Summarised statement of financial position as at 31 December 2020:**Assets**

Investments	22 088	21 174
Other non-current assets	412	385
Cash and cash equivalents (working capital)	326	217
Trade and other receivables	386	338

Liabilities

Policyholder liabilities	(18 169)	(17 581)
Other non-current liabilities	(26)	(37)
Deferred tax (non-current)	(27)	(29)
Other current liabilities	(5)	(21)
Trade and other payables	(894)	(522)

Total equity	4 091	3 924
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Attributable to:

Equity holders of the parent	2 456	2 362
Non-controlling interest	1 635	1 562

Summarised statement of cash flows for the year ending 31 December 2020:

Operating	1 377	788
Investing	(1 259)	(715)
Financing	(7)	(5)
Net increase in cash and cash equivalents	111	68

Financial information of MCIS Insurance

Summarised statement of profit or loss:

R million	2020	2019
Net income	2 248	2 547
Net insurance and investment contract benefits and claims	(1 262)	(1 645)
Expenses	(771)	(678)
Finance Cost	(3)	-
Profit before tax	212	224
Income tax	(89)	(125)
Profit for the year	123	99
Total comprehensive income	184	80
Attributable to non-controlling interests	100	39
Dividends paid to non-controlling interests	41	29
Summarised statement of financial position as at 31 December 2020:		
Assets		
Investments	16 452	15 496
Other non-current assets	340	318
Cash and cash equivalents (working capital)	186	117
Trade and other receivables	432	422
Liabilities		
Policyholder liabilities	(14 343)	(13 719)
Other non-current liabilities	(55)	(60)
Deferred tax (non-current)	(164)	(116)
Other current liabilities	(11)	(22)
Trade and other payables	(1 632)	(1 330)
Total equity	1 205	1 106
Attributable to:		
Equity holders of the parent	615	564
Non-controlling interest	590	542
Summarised statement of cash flows for the year ending 31 December 2020:		
Operating	(189)	(328)
Investing	(649)	1 887
Net (decrease)/increase in cash and cash equivalents	(838)	1 559

Principal subsidiaries continued

Financial information of Saham Assurance Maroc:

Summarised statement of profit or loss:

R million	2020	2019
Net income	9 005	8 378
Net insurance and investment contract benefits and claims	(6 015)	(5 490)
Expenses	(2 650)	(1 948)
Profit before tax	340	940
Income tax	3	(263)
Profit for the year	343	677
Total comprehensive income	343	677
Attributable to non-controlling interests	131	258
Summarised statement of financial position as at 31 December 2020:		
Assets		
Investments	25 506	23 003
Other non-current assets	4 713	4 251
Cash and cash equivalents (working capital)	538	485
Trade and other receivables	4 958	4 471
Liabilities		
Policyholder liabilities	(10 339)	(9 325)
Other non-current liabilities	(13 532)	(12 205)
Deferred tax (non-current)	(1 143)	(1 031)
Other current liabilities	(143)	(129)
Trade and other payables	(2 976)	(2 684)
Total equity	7 582	6 836
Attributable to:		
Equity holders of the parent	4 693	4 232
Non-controlling interest	2 889	2 604
Summarised statement of cash flows for the year ending 31 December 2020:		
Operating	(115)	2 142
Investing	834	(2 178)
Financing	-	209
Net increase in cash and cash equivalents	719	173

Remuneration information



Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers

Ex-CEO retirement arrangement

Ian Kirk retired on 31 December 2020. He stepped down as Group CEO with effect from 1 July 2020 when Paul Hanratty was appointed as Group CEO. Ian's responsibilities changed from 1 July 2020 and were focused on support to Paul Hanratty and handover activities.

Ian Kirk's remuneration arrangement upon retirement is governed by the rules of the bonus plans and the LTIs applicable to him.

The salient features hereof are:

- Total guaranteed pay (TGP) until 31 December 2020.
- The short-term incentive (STI) is payable subject to normal performance testing, for a full 12-month period to December 2020. Details of the Group CEO annual bonus targets and achievement is disclosed on page 29 of the Implementation Report.
- Good leaver status provisions will be applied to the participation in all long-term incentive plans, i.e. DSP, PDSP and RSP (referred to as "LTI") and the rules of performance testing will apply in the same manner as they apply to all LTI participants in the Group.
- The Ex-CEO's OPP will be measured in accordance with the OPP agreement, consistently applying the Committee discretion applicable to PDSPs insofar as Adjusted RoGEV and exclusion of 2020 from the measurement period. See page 38 of the Implementation Report for measurement and outcome of the OPP.

It is in the best interest of all stakeholders to protect Sanlam's interests by enforcing restraint of trade conditions on the ex-CEO for 36 months as provided for in his remuneration agreement (based on 36 months' TGP to the value of R30,3 million).

The restraint will be settled by transferring restraint Sanlam shares to a restricted account for the duration of the restraint period. The number of restricted shares was determined at a 5 day VWAP prior to 31 December 2020 and release will only happen after the expiry of the restraint period of 36 Months. If any of the restraint of trade conditions are breached the restricted shares will be forfeited.

The restricted shares provide a holding condition of 36 months post 31 December 2020 and provides natural alignment with shareholders post retirement.

Group CEO remuneration arrangement

Upon appointment as Group CEO a 5 year remuneration arrangement was agreed with Paul Hanratty as part of his employment agreement.

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.

The arrangement provides that the Group CEO's remuneration arrangement is almost entirely in Sanlam shares and therefore directly linked to the performance of Sanlam.

The total Rand value potential over 5 years is approximately R332m and the components are as follows:

- Only 10% is cash salary (guaranteed pay).
- The remaining 90% value is made up of Sanlam shares linked to conditions for vesting:
 - **5%** - vests based on time served and acceptable individual performance;
 - **40%** - could vest based on short term performance of which more than 80% is measured annually with 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); and
 - **35%** - could vest based on strategic delivery on top of a required base of financial hurdles

The 5-year arrangement is more long term focused than short term and any share vesting is heavily weighted towards financial achievement. Taking into account the time of joining Sanlam (amidst the COVID-19 pandemic) and that the next 5 years will be challenging financially, the targets are stretching.

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.

The arrangement places the CEO fully on risk and short term, long term and strategic measures are all balanced in the design.

The performance measures are summarised in the table below as they pertain to the different categories of share awards (including the conditions applicable to the OPP share component for the Group CEO remuneration arrangement).

* At a R60,41 share price when design was approved.

Group CEO categories of shares, quantum of shares and applicable performance conditions

Shares	Remuneration category	Number of shares - 5 year period	Performance condition
A	Guaranteed Pay (cash) R6 130 000 per year fixed for 5 years		
	Restricted shares	328 590	Achieve satisfactory individual performance and continued employment
B	Bonus shares	1 671 910	Assessed annually based on Group CEO performance contract. The first annual assessment is after 31 December 2021 for 18 months. Vested shares have to be held until the end of the employment period and shares forfeited annually will lapse and such forfeiture will be disclosed.
C	Performance Shares (individual performance)	334 380	Same conditions as DSPs for Executive committee members. Refer to page 176 for DSP vesting conditions. Assessed over a 5 year period. Measured by actual achievement of Group CEO performance contract targets over the on-target achievement (average) for the 5 years.
D1	Performance Restricted Shares	496 605	Measured from 1 January 2021. Measurement is the same as disclosed for the 2020 PDSP A award conditions, see page 175 of this report. Measured until 31 December 2025 for 5 financial years. The weighting of the conditions are: <ul style="list-style-type: none"> • Adjusted RoGEV (40%) • Dividend Recovery and Growth (30%) • Strategic recovery to 2019 levels (30%)
D2	Performance Restricted Shares	496 605	Measured from 1 January 2021. Measurement is the same as disclosed for the 2020 PDSP B award conditions which are incrementally more stretching than PDSP A conditions, see page 175 of this report. Measured until 31 December 2025 for 5 financial years. Same weighting of the metrics applies as above for D1 shares.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Shares	Remuneration category	Number of shares - 5 year period	Performance condition																												
E	Outperformance (OPP) Restricted Shares*	1 671 910	<table border="1"> <thead> <tr> <th>Financial Measure</th> <th>Description</th> <th>Target (below threshold 0% and at stretch 100%)</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>Stock rating P/GEV</td> <td>Improve the rating from H2 2020 over the 5 years to a better average in 2024/2025</td> <td><1 = 0% 1.15 = 100%</td> <td>25%</td> </tr> <tr> <td>Dividend growth 2021 - 2025</td> <td>Average annual rate of growth between dividend paid in 2021 and the dividend paid in 2026 relating to the 2025 financial year</td> <td>CPI + 1 = 0% >CPI + 3% = 100%</td> <td>25%</td> </tr> <tr> <td>ROGEV 2021 - 2025</td> <td>Average return implied by dividends and change in GEV from 1 January 2021 to 31 December 2025, adjusted for normalised investment returns if required</td> <td>Risk free rate (RFR) + 4% = 0% RFR + 8% = 100%</td> <td>25%</td> </tr> <tr> <td>GEV Added</td> <td>Change in GEV: 1 January 2021 to 31 December 2025 plus dividends paid over the period in reference to years 2021 to 2025</td> <td>R100 billion = 0% R150 billion = 100%</td> <td>25%</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td>100%</td> <td></td> </tr> </tbody> </table>				Financial Measure	Description	Target (below threshold 0% and at stretch 100%)	Weighting	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 required	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%	
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Total			100%																												
	Total number of shares	5 000 000**																													

* The Board may moderate the vesting that arises from the financial metrics to reflect a number of areas that impact the long-term sustainability and value of the Group. These include, inter alia, transformation of the workforce, development of a sound culture within the Group, diversification of earnings streams and future proofing of the business. A maximum adjustment upwards or downwards of 25% may be made at the Board's discretion to reflect each of these factors.

** Due to the annual share scheme award limit, the 5 million shares were split into two transfers. 3 million shares were transferred in September 2020 and 2 million shares will be transferred after the closed period (March 2021). A SENS announcement will be issued upon transfer.

Executive remuneration summary

Remuneration earned by executive directors and members of the Sanlam Executive committee were as follows:

Remuneration for the year ended 31 December 2020

For the purposes of total remuneration, the vesting value of LTIs is disclosed in the table below as opposed to the fair value of LTIs on award date, which was disclosed in prior years. The disclosure approach was amended in 2019 to align closer with King IV™ recommendations. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year (refer to pages 177 to 180).

2020 R'000	Months in service	Salary	Company contri- butions	Subtotal: Guaran- teed package	Annual cash bonus	Attri- butable value of LTIs vested ⁽¹⁾	Other payments	Total remune- ration
Paul Hanratty	6	3 065	-	3 065	-	-	-	3 065
Ian Kirk ⁽²⁾	12	9 758	245	10 003	6 161	6 125	1 803	24 092
Abigail Mukhuba ⁽³⁾	3	1 296	83	1 379	1 000	-	5 900	8 279
Temba Mvusi ⁽⁴⁾	12	4 513	789	5 302	2 250	2 066	1 008	10 626
Jeanett Modise	12	3 920	230	4 150	2 000	1 600	-	7 750
Heinie Werth	12	6 100	210	6 310	2 750	3 247	-	12 307
Subtotal: executive directors		28 652	1 557	30 209	14 161	13 038	8 711	66 119
Thinus Alsworthy-Elvey ⁽⁵⁾	8	3 367	142	3 509	-	1 356	4 008	8 873
Anton Gildenhuys ⁽⁶⁾	12	5 332	210	5 542	3 100	4 685	-	13 327
Lizé Lambrechts	12	5 889	210	6 099	-	4 718	-	10 817
Bongani Madikiza ⁽⁷⁾	4	1 350	150	1 500	2 050	-	-	3 550
Lotz Mahlangeni ⁽⁸⁾	4	1 661	172	1 833	900	-	-	2 733
Sydney Mbhele	12	4 225	213	4 438	1 800	-	-	6 238
Kanyisa Mkhize ⁽⁹⁾	4	1 275	142	1 417	800	-	1 200	3 417
Junior Ngulube	12	3 975	254	4 229	1 250	3 042	-	8 521
Wikus Olivier ⁽¹⁰⁾	12	4 235	210	4 445	2 400	2 678	-	9 523
Robert Roux	12	5 313	210	5 523	4 000	3 017	-	12 540
Karl Socikwa ⁽¹¹⁾	4	1 463	70	1 533	2 100	1 988	-	5 621
Jurie Strydom ⁽¹²⁾	12	5 853	210	6 063	3 000	3 243	-	12 306
Executive committee		72 590	3 750	76 340	35 561	37 765	13 919	163 585

⁽¹⁾ Fair value of LTI's (excluding equity-settled OPPs) vested during the year - refer to page 179.

⁽²⁾ Other payments of R1,8 million in lieu of accrued leave. Prescribed officer until 30 June 2020.

⁽³⁾ Appointed as Financial 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.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Remuneration for the year ended 31 December 2019

2019 R'000	Months in service	Salary	Company contri- butions	Subtotal: Guaran- teed package	Annual bonus	Attri- butable value of LTIs vested ⁽²⁾	Total remune- ration
Ian Kirk	12	9 385	210	9 595	10 000	7 191	26 786
Heinie Werth	12	5 693	210	5 903	4 600	3 882	14 385
Temba Mvusi ⁽¹⁾	12	4 345	757	5 102	3 650	2 423	11 175
Jeanett Modise ⁽³⁾	6	1 840	160	2 000	2 800	1 757	6 557
Subtotal: executive directors		21 263	1 337	22 600	21 050	15 253	58 903
Anton Gildenhuis	12	4 878	210	5 088	5 100	3 223	13 411
Lizé Lambrechts	12	5 620	210	5 830	7 200	6 135	19 165
Junior Ngulube	12	4 364	279	4 643	2 500	2 113	9 256
Robert Roux	12	5 048	210	5 258	5 600	2 731	13 589
Jurie Strydom ⁽⁴⁾	12	5 283	210	5 493	4 300	8 535	18 328
Sydney Mbhele ⁽⁵⁾	9	3 038	172	3 210	2 250	-	5 460
Thinus Alsworthy-Elvey ⁽⁶⁾	9	3 571	171	3 742	3 000	-	6 742
Wikus Olivier ⁽⁶⁾	5	1 696	88	1 784	2 800	-	4 584
Executive committee		54 761	2 887	57 648	53 800	37 990	149 438

⁽¹⁾ Includes an amount of R369 250 paid by Santam.

⁽²⁾ Fair value of LTI's (excluding equity-settled OPPs) vested during the year – refer to page 179.

⁽³⁾ Appointed as Chief Executive: Human Resources on 1 July 2019. From September 2020 Group HR Director.

⁽⁴⁾ Appointed Chief Executive of Sanlam Personal Finance on 1 June 2017. An OPP was granted with effect from 1 January 2016 in respect of his role as Deputy Chief Executive: Sanlam Personal Finance. Achievement in respect of this OPP was measured on 31 December 2017 with the amount converted into RSP shares awarded in March 2018 that vested in April 2019.

⁽⁵⁾ Appointed as Chief Executive: Brand on 1 April 2019.

⁽⁶⁾ Appointed as Chief Executive: Sanlam Corporate on 1 April 2019.

Total guaranteed package

The TGP (in rand) of the executive directors and members of the Group Executive committee that are defined as prescribed officers are reflected in the table below. Due to increases in TGP being granted during the year (i.e. April), the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above, which relate to the financial year January to December.

Individual	TGP as at 31-Dec-20	TGP as at 31-Dec-19	TGP as at 31-Dec-18	% increase in TGP 2020	% increase in TGP 2019
Paul Hanratty ⁽¹⁾⁽²⁾	6 130 000	-	-	n/a	n/a
Ian Kirk ⁽¹⁾	10 100 000	9 710 000	9 250 000	4,02	4,97
Abigail Mukhuba ⁽¹⁾⁽³⁾	5 515 400	-	-	n/a	n/a
Thinus Alsworth-Elvey ⁽⁴⁾	-	5 100 000	-	(100,00)	n/a
Anton Gildenhuis ⁽⁵⁾	6 000 000	5 150 000	4 900 000	16,50	5,10
Lizé Lambrechts	6 165 000	5 900 000	5 620 000	4,49	4,98
Bongani Madikiza	4 500 000	-	-	n/a	n/a
Lotz Mahlangeni	5 500 000	-	-	n/a	n/a
Sydney Mbhele	4 490 000	4 280 000	-	n/a	n/a
Kanyisa Mkhize	4 250 000	-	-	n/a	n/a
Jeanett Modise ⁽¹⁾	4 200 000	4 000 000	-	n/a	n/a
Temba Mvusi ⁽¹⁾⁽⁶⁾	4 980 000	4 790 000	4 560 000	3,97	5,04
Junior Ngulube ⁽⁷⁾	4 270 000	4 104 000	4 890 000	4,04	(16,07)
Wikus Olivier	4 500 000	4 281 000	-	5,12	n/a
Robert Roux	5 590 000	5 320 000	5 070 000	5,08	6,00
Karl Socikwa	4 600 000	-	-	n/a	n/a
Jurie Strydom ⁽⁸⁾	6 600 000	5 620 000	5 110 000	17,44	9,98
Heinie Werth ⁽¹⁾	6 400 000	6 040 000	5 490 000	5,96	10,02

⁽¹⁾ Executive director.

⁽²⁾ Appointed as CEO from 1 July 2020.

⁽³⁾ Appointed as Financial Director at 1 October 2020. TGP as at 31 December 2020 reflects remuneration at date of appointment.

⁽⁴⁾ Resigned from Executive committee at 31 August 2020.

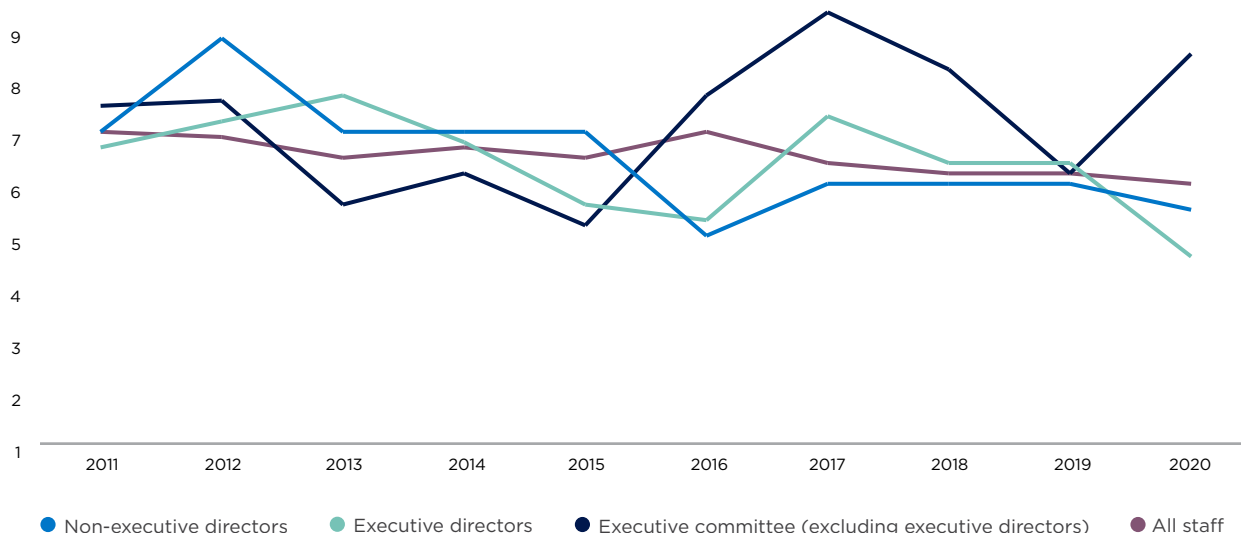
⁽⁵⁾ Appointed as Chief Executive of SA Retail Affluent in August 2020. TGP as at 31 December 2020 reflects remuneration on date of appointment as Chief Executive: SA Retail Affluent.

⁽⁶⁾ Receives an additional amount of R369 250 (2019: R369 250) from Santam for services rendered to Santam and retired on 31 December 2020.

⁽⁷⁾ Decrease in TGP 2019 reflects adjustment for the change in responsibilities and flexible working arrangements at Sanlam Emerging Markets.

⁽⁸⁾ Appointed as Chief Executive of Sanlam Life and Savings effective 1 September 2020. TGP as at 1 January 2021 reflects remuneration on date of appointment as Chief Executive: Sanlam Life and Savings.

The average salary increase paid to executive directors for 2020 was 4,6% (2019: 6,4%) and that of members of the Executive committee (defined as prescribed officers) for 2020 was 8,5% (2019: 6,2%), excluding new members compared with an average salary increase paid to all employees of 6% (2019: 6,2%). The Executive committee increase of 8,5% takes into account Group Exco role changes. The remuneration increase trends for the last 10 years are as follows:



Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Short-term incentives

Performance targets

The performance targets for the annual bonus plan are set by the GHRRC on an annual basis for executive directors and Executive committee members. In respect of the 2020 annual bonus, the split between business, Group and individual/strategic performance criteria for executive directors and Executive committee members was as follows:

Individual	Business	Group	Individual/ strategic ⁽¹⁾
	%	%	%
Ian Kirk		50	50
Heinie Werth	50	25	25
Anton Gildenhuis (as Chief Risk Officer)			100
Anton Gildenhuis (Chief Executive: RA)	50	25	25
Lizé Lambrechts	100*		
Temba Mvusi		35	65
Junior Ngulube		35	65
Robert Roux	60	15	25
Jurie Strydom	50	25	25
Jeanett Modise		50	50
Sydney Mbhele		50	50
Wikus Olivier		50	50

* Includes Santam financial and non-financial/strategic measures.

⁽¹⁾ Only individual/strategic performance achievement for 2020 will be used for purposes of measuring individual performance under any of the long term incentive plans (this particularly includes DSPs) and not business or Group financial performance.

Executive committee members appointed during the last quarter of the year, namely Abigail Mukhuba, Kanyisa Mkhize, Lotz Mahlangeni, Karl Socikwa and Bongani Madikiza are not reflected on this table. From 2021 their weighting between business, Group and individual/strategic objectives will be disclosed together with the weighting of the rest of the Executive committee.

The payments that can be achieved by executive directors and Executive committee members at the target and stretch levels are as indicated below. These levels are benchmarked with comparator groups together with other components of remuneration.

Individual	% of TGP (on-target)	% TGP (stretch)
	Ian Kirk	100
Heinie Werth	56	112
Anton Gildenhuis	56	112
Lizé Lambrechts	112	160
Temba Mvusi	56	112
Junior Ngulube	56	112
Robert Roux	100	200
Jurie Strydom	56	112
Jeanett Modise	56	112
Sydney Mbhele	56	112
Wikus Olivier	56	112
Abigail Mukhuba	56	112
Kanyisa Mkhize	56	112
Lotz Mahlangeni	56	112
Karl Socikwa	56	112
Bongani Madikiza	56	112

Short term incentives

Sanlam's performance measures applied in 2020 to group employees' short term incentives are summarised below. This also applied to Executive Committee members in relation to the weighting they have to group measures (see table detailing performance targets on page 172). The Group CEO's measures are disclosed in greater detail separately later in this report.

The group measures can be summarised as:

- Adjusted RoGEV: RoGEV is the key performance indicator of Sanlam's strategy;
- Group net result from financial services;
- Underlying businesses aggregate performance against targets
- Performance against transformation measures

The actual achievement of Sanlam's group performance measures for 2020 is as follows:

	Weight	Threshold	Target	Stretch	Score	Weighted score %
Sanlam Group		0%	100%	200%	0% - 200%	
Adjusted RoGEV	18,2%	13,5%	15,5%	17,5%	0%	0%
Group net result from financial services	27,3%	R10 109 m	R10 525 m	R10 805 m	0%	0%
Clusters' actual performance against targets	36,3%					26,4%
Transformation: weighted Financial Sector Charter score	9,1%	22,4%	23,4%	24,3%	0%	0%
Achievement (for participants' with "meet expectations" rating)	90,9%					26,4%
Differentiated for participants with "exceed expectations rating"	9,1%					2,6%
Total	100%					29,0%

Add discretionary (+21%)

For the 2020 financial year a discretionary amount for group employees was added to the total bonus pool. This discretion was exercised to reflect the performance of the underlying businesses, their bonus achievements and for parity in the Group. It resulted in an overall 50% of on-target bonus pool. 29% primary pool as reflected in the table and 21% to provide for discretionary bonuses to a small number of group employees based on exceptional performance, critical and scarce skills and retention requirements.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Group Chief Executive 2020 annual bonus targets

KPI	Weighting	Minimum hurdle	Hurdle for achievement	Stretched hurdle
RoGEV	20%	13,3%	15,3%	17,3%
Growth in net result from financial services	15%	4,5%	6,5%	9,5%
Growth in value of new business (VNB)	10%	7,9%	10,9%	13,9%
Share price performance:	2,5%	0%	15%	25%
<ul style="list-style-type: none"> share price premium to GEV on 31/12/2020, based on volume weighted traded price in December 2020 and January 2021 share price change relative to FTSE/JSE FINI and FTSE/JSE SWIX 	2,5%	90%	100%	110%
Strategic initiatives:	50%	Achievement measured by GHRRC on a quantitative basis.		
<ul style="list-style-type: none"> Capital and cost efficiencies Growth and diversification of the business (e.g. acquisitions, grow and consolidate offshore capacity, Pan-African footprint, deliver on new business cases and strategic partnerships, alternative distribution/markets/products through strategic partnerships and alliances, disruptive businesses) Transformation and sustainability Leadership Optimisation of business structure Governance and risk management 				

The business-level performance measures applicable to the business chief executives are based on the specific strategic objectives of each business, which are aligned to the achievement of the Group performance measures.

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and Executive committee members in respect of the performance achieved in 2020. Final individual payments are based on the outcome relative to the set performance criteria, but may be adjusted by the GHRRC within a discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are paid in March 2021:

Individual	% of TGP achieved ⁽¹⁾ 2020	Payment 2021 R	% of TGP achieved 2019	Payment 2020 R
Ian Kirk	61	6 161 000	103	10 000 000
Abigail Mukhuba ⁽²⁾	54	1 000 000	-	-
Anton Gildenhuys	52	3 100 000	99	5 100 000
Lizé Lambrechts	-	-	122	7 200 000
Bongani Madikiza ⁽²⁾	46	2 050 000	-	-
Lotz Mahlangu ⁽²⁾	54	900 000	-	-
Temba Mvusi	45	2 250 000	76	3 650 000
Sydney Mbhele	40	1 800 000	70	2 250 000
Kanyisa Mkhize ⁽²⁾	57	800 000	-	-
Jeanett Modise	48	2 000 000	70	2 800 000
Junior Ngulube	29	1 250 000	61	2 500 000
Wikus Olivier	53	2 400 000	65	2 800 000
Robert Roux	72	4 000 000	105	5 600 000
Karl Socikwa ⁽²⁾	46	2 100 000	-	-
Jurie Strydom	45	3 000 000	77	4 300 000
Heinie Werth	43	2 750 000	76	4 600 000

⁽¹⁾ Only individual/strategic performance achievement for 2020 will be used for purposes of measuring individual performance under any of the long term incentive plans (this particularly includes DSPs) and not business or Group financial performance.

⁽²⁾ Appointed to the Executive committee in 2020 and percentage achieved weighted for a full year.

LTIs

PDSP and RSPs subject to Company financial performance conditions

Due to Sanlam's vesting profile three LTI tranches were performance measured in 2020 for vesting (June 2020) from a financial metric perspective, namely:

- Award 2017 (40% of award and three financial years reviewed for performance testing) for vesting
- Award 2016 (30% of award and four financial years reviewed for performance testing) for early vesting
- Award 2015 (30% of award and five financial years reviewed for performance testing) for final vesting

A summary of the performance measurement and achievement for LTI vesting in June 2020 is shown below as it pertains to the Group RoGEV condition:

Group RoGEV	Award 2015 %	Award 2016 %	Award 2017 %
Target			
PDSP category A/RSP	13,2	15,4	15,2
PDSP category B	13,9	16,2	16,0
PDSP category C	14,5	16,9	16,7
Actual achievement (Adjusted RoGEV)	15,9	16,2	15,7
PDSP category A/RSP	y	y*	y*
PDSP category B	y	y*	y**
PDSP category C	y	n*	n***

* Even though the 2016 partially met the condition, the GHRRC decided not to apply its discretion to allow for early vesting.

** Portion vesting due to threshold achievement, remainder forfeited.

*** Shares forfeited.

The outcome of RoGEV achievement resulted in 100% vesting in June 2020 in relation to the 2015 awards where performance measurement was met in respect of Group RoGEV and partial vesting for the 2017 award.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

The Sanlam Investment Group RoGEV hurdle is applicable to the vesting of Robert Roux's PDSPs awarded in 2015 in addition to the Group RoGEV hurdle.

Sanlam Investment Group RoGEV	Award 2015 %
Measurement period	5 years
Target	15,8
Actual achievement	15,9
Vesting achievement	100

As both the Group and Sanlam Investment Group RoGEV hurdles were met, 100% LTI vesting in June 2020 was applied to Robert Roux's 2015 award.

DSP

For DSP vesting, Executive committee members' cluster/business scorecard achievement is evaluated. Due to their roles and line of sight, these scorecards are based on financial metrics and some strategic metrics which support the Sanlam business strategy. Due to the nature of their roles, the chief actuary and risk officer and chief executives: Group HR Director and Group Executive: Brand have higher exposure to strategic metrics with significant exposure to the Sanlam Group performance outcome.

The applicable Executive committee members' scorecard achievements were evaluated over the DSP performance period/s for June 2020 vesting as follows:

Measurement of Exco members' DSP vesting over 3, 4 and 5 years

Name	Policy on-target % bonus of TGP	Calculated as the average of the actual achievement over the on-target achievement for the respective measurement period/s %	> 100% achievement warrants achieving DSP target for vesting
Ian Kirk	100	116%	Vesting 100%
Heinie Werth	56	144%	Vesting 100%
Anton Gildenhuis	56	162%	Vesting 100%
Lizé Lambrechts ⁽¹⁾	101	122%	Vesting 100%
Robert Roux	100	153%	Vesting 100%
Temba Mvusi	56	138%	Vesting 100%
Junior Ngulube ⁽²⁾	56	126%	Vesting 100%
Jurie Strydom ⁽²⁾	56	146%	Vesting 100%
Thinus Alsworth-Elvey ⁽³⁾	56	139%	Vesting 100%
Sydney Mbhele ⁽³⁾	56	125%	Vesting 100%
Jeanett Modise ⁽⁴⁾	56	125%	Vesting 100%

⁽¹⁾ For the last 3 financial years' Lizé Lambrechts' on-target was 112% and the 2 years prior to that it was 90%. An average 5 year on-target is therefore 101%.

⁽²⁾ For Junior Ngulube this achievement is over 4 years as he joined the Group Exco in 2016. For Jurie Strydom this achievement is over 3 years as he joined the Group Exco in 2017.

⁽³⁾ Thinus Alsworth-Elvey and Sydney Mbhele joined the Group Exco in 2019 and as such they do not have any DSPs vesting.

⁽⁴⁾ Jeanett Modise was appointed to Group Exco and Group Board in 2019, the disclosed DSP vesting for her is by virtue of her previous role and not her Group Exco role.

The participation by executive directors and Executive committee members defined as prescribed officers in the Group's LTI schemes (excluding the OPP) at 31 December 2020 was as follows:

Number of shares

	Balance 31-12-19	Awarded in 2020	Shares vested	Shares forfeited	Balance 31-12-20	Vesting in				
						2021	2022	2023	2024	2025
Ian Kirk⁽¹⁾										
Sanlam	473 076	-	(99 207)	(1 915)	371 954	140 952	231 002	-	-	-
Santam	-	-	-	-	-	-	-	-	-	-
DSP										
Sanlam	158 178	-	(42 597)	-	115 581	115 581	-	-	-	-
Santam	-	-	-	-	-	-	-	-	-	-
PDSP										
Sanlam	277 037	-	(56 610)	(1 915)	218 512	25 371	193 141	-	-	-
Category A ⁽²⁾	113 664		(19 721)	-	93 943	13 847	80 096	-	-	-
Category B ⁽²⁾	111 268		(23 133)	(1 374)	86 761	10 744	76 017	-	-	-
Category C ⁽²⁾	52 105		(13 756)	(541)	37 808	780	37 028	-	-	-
Santam	-	-	-	-	-	-	-	-	-	-
RSP	37 861	-	-	-	37 861	-	37 861	-	-	-
Paul Hanratty⁽⁶⁾										
RSP	-	3 000 000	-	-	3 000 000	-	-	-	-	3 000 000
Heinie Werth	310 808	99 028	(52 614)	(2 802)	354 420	78 264	75 107	102 257	62 398	36 394
DSP	99 311	33 567	(24 248)	-	108 630	25 470	26 156	28 838	18 096	10 070
PDSP	122 551	38 950	(20 478)	(2 802)	138 221	10 828	32 033	48 525	28 464	18 371
Category A ⁽²⁾	72 225	22 346	(11 459)	-	83 112	10 828	16 513	26 371	17 251	12 149
Category B ⁽²⁾	50 326	16 604	(9 019)	(2 802)	55 109	-	15 520	22 154	11 213	6 222
RSP	88 946	26 511	(7 888)	-	107 569	41 966	16 918	24 894	15 838	7 953
Anton Gildenhuys⁽⁵⁾	478 317	203 403	(76 994)	-	604 726	117 834	139 617	169 636	112 679	64 960
DSP	84 532	38 827	(20 316)	-	103 043	22 452	22 228	29 227	17 488	11 648
PDSP - category A ⁽²⁾	60 984	28 044	(11 922)	-	77 106	8 150	13 966	25 271	17 367	12 352
RSP ⁽⁵⁾	332 801	136 532	(44 756)	-	424 577	87 232	103 423	115 138	77 824	40 960
Lizé Lambrechts										
Santam	51 486	17 724	(16 411)	-	52 799	10 794	11 747	14 960	9 981	5 317
Sanlam	31 292	-	(4 924)	-	26 368	11 287	9 387	5 694	-	-
DSP										
Santam	22 047	7 328	(6 588)	-	22 787	5 365	5 157	6 010	4 057	2 198
Sanlam	14 950	-	(3 093)	-	11 857	5 207	4 485	2 165	-	-
PDSP - category A										
Santam	29 439	10 396	(9 823)	-	30 012	5 429	6 590	8 950	5 924	3 119
Sanlam	16 342	-	(1 831)	-	14 511	6 080	4 902	3 529	-	-
RSP - Sanlam	-	-	-	-	-	-	-	-	-	-
Temba Mvusi⁽¹⁾	182 792	-	(33 536)	-	149 256	99 319	49 937	-	-	-
DSP	78 772	-	(16 866)	-	61 906	61 906	-	-	-	-
PDSP	34 524	-	(6 984)	-	27 540	7 856	19 684	-	-	-
Category A ⁽²⁾	31 539		(4 577)	-	26 962	7 451	19 511	-	-	-
Category B ⁽²⁾	2 985		(2 407)	-	578	405	173	-	-	-
RSP	69 496	-	(9 686)	-	59 810	29 557	30 253	-	-	-
Junior Ngulube⁽⁴⁾	197 805	-	(50 679)	-	147 126	78 739	68 387	-	-	-
DSP	87 119	-	(26 545)	-	60 574	60 574	-	-	-	-
PDSP - Category A ⁽²⁾	61 848	-	(18 394)	-	43 454	5 322	38 132	-	-	-
RSP	48 838	-	(5 740)	-	43 098	12 843	30 255	-	-	-
Robert Roux	255 770	68 917	(50 100)	-	274 587	74 728	59 929	69 326	46 027	24 577
DSP	88 676	32 372	(24 931)	-	96 117	24 152	21 326	24 390	16 537	9 712
PDSP	57 335	18 870	(13 688)	-	62 517	-	13 075	23 578	16 302	9 562
Category A ⁽²⁾	51 497	18 870	(7 850)	-	62 517	-	13 075	23 578	16 302	9 562
Category B ⁽²⁾	3 308	-	(3 308)	-	-	-	-	-	-	-
Category C ⁽²⁾	2 530	-	(2 530)	-	-	-	-	-	-	-
RSP	109 759	17 675	(11 481)	-	115 953	50 576	25 528	21 358	13 188	5 303

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

	Balance 31-12-19	Awarded in 2020	Shares vested	Shares forfeited	Balance 31-12-20	Vesting in				
						2021	2022	2023	2024	2025
Jurie Strydom	300 625	174 559	(53 842)	-	421 342	125 857	55 055	110 267	74 210	55 953
DSP	92 050	49 164	(27 126)	-	114 088	20 157	23 475	33 697	22 010	14 749
PDSP	72 156	98 884	(14 180)	-	156 860	14 672	18 439	56 108	34 390	33 251
Category A ⁽²⁾	72 156	34 990	(14 180)	-	92 966	14 672	18 439	30 550	15 222	14 083
Category B ⁽²⁾	-	63 894	-	-	63 894	-	-	25 558	19 168	19 168
RSP	136 419	26 511	(12 536)	-	150 394	91 028	13 141	20 462	17 810	7 953
Jeanett Modise⁽³⁾	85 045	46 581	(644)	-	130 982	23 507	27 075	41 981	24 444	13 975
Sanlam	7 098	-	(5 421)	-	1 677	1 530	147	-	-	-
DSP	63 510	3 873	(549)	-	66 834	17 668	20 792	20 240	6 972	1 162
Sanlam	4 628	-	(4 201)	-	427	325	102	-	-	-
PDSP - Category A ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Sanlam	21 535	25 033	(95)	-	46 473	5 839	6 283	14 672	12 169	7 510
Santam	2 470	-	(1 220)	-	1 250	1 205	45	-	-	-
RSP	-	17 675	-	-	17 675	-	-	7 069	5 303	5 303
Sydney Mbhele⁽⁷⁾	64 476	79 698	-	-	144 174	-	25 790	51 221	43 253	23 910
DSP	64 476	4 066	-	-	68 542	-	25 790	20 969	20 563	1 220
PDSP - Category A ⁽²⁾	-	57 957	-	-	57 957	-	-	23 183	17 387	17 387
RSP	-	17 675	-	-	17 675	-	-	7 069	5 303	5 303
Thinus Alsworth-Elvey⁽⁶⁾	118 637	17 675	(22 016)	-	114 296	114 296	-	-	-	-
DSP ⁽⁸⁾	73 816	-	-	-	73 816	73 816	-	-	-	-
PDSP - Category A	789	-	-	-	789	789	-	-	-	-
RSP	44 032	17 675	(22 016)	-	39 691	39 691	-	-	-	-
Wikus Olivier	155 604	207 817	(44 010)	-	319 411	41 943	37 785	102 326	73 310	64 047
DSP	58 617	35 626	(15 802)	-	78 441	14 594	15 142	23 004	15 013	10 688
PDSP - Category A ⁽²⁾	18 309	44 495	(2 392)	-	60 412	4 796	3 422	21 099	16 045	15 050
RSP	78 678	127 696	(25 816)	-	180 558	22 553	19 221	58 223	42 252	38 309
Abigail Mukhuba⁽⁷⁾	-	259 901	-	-	259 901	-	121 075	55 530	41 648	41 648
DSP	-	106 789	-	-	106 789	-	-	42 715	32 037	32 037
PDSP - Category A ⁽²⁾	-	32 037	-	-	32 037	-	-	12 815	9 611	9 611
RSP	-	121 075	-	-	121 075	-	121 075	-	-	-
Bongani Madikiza⁽⁷⁾	-	87 129	-	-	87 129	-	-	34 851	26 139	26 139
DSP	-	87 129	-	-	87 129	-	-	34 851	26 139	26 139
PDSP - Category A ⁽²⁾	-	-	-	-	-	-	-	-	-	-
RSP	-	-	-	-	-	-	-	-	-	-
Lotz Mahlangu⁽⁷⁾	-	334 090	-	-	334 090	68 997	68 997	78 440	58 828	58 828
DSP	-	106 491	-	-	106 491	-	-	42 597	31 947	31 947
PDSP - Category A ⁽²⁾	-	-	-	-	-	-	-	-	-	-
RSP	-	227 599	-	-	227 599	68 997	68 997	35 843	26 881	26 881
Kanyisa Mkhize⁽⁷⁾	-	82 288	-	-	82 288	-	-	32 916	24 686	24 686
DSP	-	82 288	-	-	82 288	-	-	32 916	24 686	24 686
PDSP - Category A ⁽²⁾	-	-	-	-	-	-	-	-	-	-
RSP	-	-	-	-	-	-	-	-	-	-
Karl Socikwa⁽⁷⁾	117 087	39 065	(33 238)	-	122 914	25 807	32 527	32 678	16 931	14 971
DSP	70 849	37 787	(25 547)	-	83 089	20 551	21 605	17 209	12 388	11 336
PDSP - Category A ⁽²⁾	33 096	1 278	(7 691)	-	26 683	-	6 979	11 526	4 543	3 635
RSP	13 142	-	-	-	13 142	5 256	3 943	3 943	-	-

⁽¹⁾ Retired on 31 December 2020.

⁽²⁾ The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:

a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital

b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Robert Roux)

c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Robert Roux)

⁽³⁾ Participated in the Santam LTIs as a former employee of Santam.

⁽⁴⁾ Retired on 31 January 2021.

⁽⁵⁾ The majority of the allocation is in respect of an incentive arrangement rewarding embedded value enhancement and balance sheet management deliverables.

⁽⁶⁾ The shares are held in a restricted share account subject to certain vesting conditions.

⁽⁷⁾ Appointed to the Executive committee in 2020.

⁽⁸⁾ Refer to the Group CEO remuneration arrangement.

Value

R'000	2020			2019		
	Value of shares awarded ⁽¹⁾	Value of shares vesting ⁽²⁾	Value of shares forfeited ⁽²⁾	Value of shares awarded ⁽¹⁾	Value of shares vesting ⁽²⁾	Value of shares forfeited ⁽²⁾
Ian Kirk	-	6 125	115	8 098	7 191	-
DSP	-	2 630	-	2 653	3 138	-
PDSP	-	3 495	115	4 445	4 053	-
RSP	-	-	-	1 000	-	-
Paul Hanratty⁽⁴⁾	161 580	-	-	-	-	-
DSP	-	-	-	-	-	-
PDSP	-	-	-	-	-	-
RSP ⁽³⁾	161 580	-	-	-	-	-
Abigail Mukhuba⁽⁴⁾	12 863	-	-	-	-	-
DSP	5 285	-	-	-	-	-
PDSP	1 586	-	-	-	-	-
RSP ⁽³⁾	5 992	-	-	-	-	-
Heinie Werth	5 311	3 247	168	5 180	3 882	-
DSP	1 808	1 497	-	1 735	1 726	-
PDSP	2 098	1 264	168	1 445	698	-
RSP ⁽³⁾	1 405	486	-	2 000	1 458	-
Temba Mvusi	-	2 066	-	2 860	2 423	-
DSP	-	1 039	-	1 039	1 113	-
PDSP	-	430	-	821	581	-
RSP	-	597	-	1 000	729	-
Jeanett Modise	2 746	1 600	-	-	-	-
DSP	234	1 243	-	-	-	-
PDSP	1 512	357	-	-	-	-
RSP ⁽³⁾	1 000	-	-	-	-	-
Subtotal: executive directors	182 500	13 038	283	16 138	13 496	-
Anton Gildenhuys	11 765	4 685	-	11 463	3 223	-
DSP	2 346	1 215	-	1 262	1 461	-
PDSP	1 694	713	-	851	605	-
RSP ⁽³⁾⁽⁵⁾	7 725	2 757	-	9 350	1 157	-
Lizé Lambrechts	4 775	4 718	-	4 732	6 135	-
DSP	1 974	1 959	-	1 886	2 137	-
PDSP	2 801	2 759	-	2 846	3 141	-
RSP ⁽³⁾	-	-	-	-	857	-
Junior Ngulube	-	3 042	-	3 000	2 113	-
DSP	-	1 588	-	1 683	2 113	-
PDSP	-	1 100	-	317	-	-
RSP ⁽³⁾	-	354	-	1 000	-	-
Robert Roux	4 096	3 017	-	4 318	2 731	-
DSP	1 956	1 491	-	1 475	1 780	-
PDSP	1 140	819	-	843	951	-
RSP	1 000	707	-	2 000	-	-
Jurie Strydom	10 444	3 243	-	4 844	8 535	-
DSP	2 970	1 623	-	1 569	1 477	-
PDSP	5 974	848	-	775	-	-
RSP ⁽³⁾	1 500	772	-	2 500	7 058	-
Sydney Mbhele⁽⁴⁾	4 747	-	-	4 181	-	-
DSP	246	-	-	4 181	-	-
PDSP	3 501	-	-	-	-	-
RSP ⁽³⁾	1 000	-	-	-	-	-

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

R'000	2020			2019		
	Value of shares awarded ⁽¹⁾	Value of shares vesting ⁽²⁾	Value of shares forfeited ⁽²⁾	Value of shares awarded ⁽¹⁾	Value of shares vesting ⁽²⁾	Value of shares forfeited ⁽²⁾
Thinus Alsworth-Elvey	1 000	1 356	-	8 187	-	-
DSP	-	-	-	4 786	-	-
PDSP	-	-	-	51	-	-
RSP ⁽³⁾	1 000	1 356	-	3 350	-	-
Wikus Olivier⁽⁴⁾	11 590	2 678	-	-	-	-
DSP	2 152	945	-	-	-	-
PDSP	2 688	143	-	-	-	-
RSP ⁽³⁾	6 750	1 590	-	-	-	-
Bongani Madikiza⁽⁴⁾	5 263	-	-	-	-	-
DSP	5 263	-	-	-	-	-
PDSP	-	-	-	-	-	-
RSP ⁽³⁾	-	-	-	-	-	-
Lotz Mahlangeni⁽⁴⁾	19 133	-	-	-	-	-
DSP	6 433	-	-	-	-	-
PDSP	-	-	-	-	-	-
RSP ⁽³⁾	12 700	-	-	-	-	-
Kanyisa Mkhize⁽⁴⁾	4 971	-	-	-	-	-
DSP	4 971	-	-	-	-	-
PDSP	-	-	-	-	-	-
RSP ⁽³⁾	-	-	-	-	-	-
Karl Socikwa⁽⁴⁾	2 360	1 988	-	-	-	-
DSP	2 283	1 528	-	-	-	-
PDSP	77	460	-	-	-	-
RSP ⁽³⁾	-	-	-	-	-	-
Executive committee	262 644	37 765	283	56 863	36 233	-

⁽¹⁾ Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.

⁽²⁾ Based on market value of shares on vesting and forfeiture dates respectively.

⁽³⁾ Grants during a year relates to performance in the prior financial year (refer description of scheme) and carry an individual performance condition. Awards have a three, four and five-year vesting profile.

⁽⁴⁾ Appointed to Executive committee in 2020.

⁽⁵⁾ The majority of the allocation is in respect of an incentive arrangement rewarding embedded value enhancement and balance sheet management deliverables.

It is anticipated that LTIs awards will be granted in 2021 to executive directors and Executive committee members on a basis consistent with that described above.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Individual	Measurement period and description	Performance measures	Achievement to 2020	Vesting
Robert Roux	<p>1 January 2017 – 31 December 2020</p> <p>550 454 Sanlam shares were awarded in 2016 and will vest in accordance with performance hurdles for net result from financial services (30% weighting), RoGEV (40% weighting) and net new business flows (30% weighting).</p>	<p>Net result from financial services [30%]:</p> <ul style="list-style-type: none"> • 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% <p>Adjusted RoGEV [40%]:</p> <ul style="list-style-type: none"> • 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% <p>Net new business flows [30%]:</p> <ul style="list-style-type: none"> • 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 	N/A	Final measurement end of financial year 2021 and vesting in March 2022

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers continued

Individual	Measurement period and description	Performance measures	Achievement to 2020	Vesting
Heinie Werth	1 January 2020 – 31 December 2023 702 000 Sanlam shares were awarded on 1 August 2019 and will vest in accordance with performance hurdles for RoGEV for Saham and SEM (weighted 75%) and Net Result from Financial Services for SEM (weighted 25%).	<p>Adjusted RoGEV (Saham) (50%):</p> <ul style="list-style-type: none"> • Base rate: 12% return on Moroccan dirham (MAD) purchase price paid. • Minimum hurdle (below which nil shares will vest): <10,8% return based on the 12% MAD base rate • Hurdle for 100% vesting: >15,2% return based on the 12% MAD base rate <p>Adjusted RoGEV (SEM) (25%):</p> <ul style="list-style-type: none"> • Base rate: SEM budgeted RoGEV hurdle for each year as determined by Sanlam Group • Minimum hurdle (below which nil shares will vest): Risk-free rate (Rfr) + 700bp • Hurdle for 100% vesting: Rfr + 1 200bps <p>Net Result from Financial Services (NRFS) (SEM) (25%):</p> <ul style="list-style-type: none"> • Base rate: 2019 NRFS for SEM R2 632 million • Minimum hurdle (below which nil shares will vest): cumulative annual real growth of 7,5% • Hurdle for 100% vesting: cumulative annual real growth of 12,5% 	The OPP targets will be reviewed for relevance in 2021, taking into account the current economic environment, alignment with the Group business strategy and the COVID pandemic.	Measurement end of financial year 2024 and vesting in March 2025

Notes applicable to all OPPs

- Nil vesting will happen below minimum achievement, with full vesting of shares at maximum achievement.
- Sliding scales will be used to do extrapolation between minimum and maximum achievements for vesting outcomes.
- The GHRRC will approve OPP share vesting at the end of the measurement periods (taking cognisance of any significant conditions, for example exchange rate movements, inflation, investment markets, acquisitions, corporate actions).

To the extent that any awards are granted under the OPP in 2021, it will occur on a basis consistent with that described above.

Minimum shareholding requirement

The table below reflects the actual qualifying Sanlam shares held by executive directors and Executive committee members relative to the minimum shareholding requirement (MSR).

Number of shares as at 31 December 2020

Individual	Minimum shareholding requirement	Actual qualifying shareholding	Date at which minimum shareholding must be reached
Paul Hanratty ⁽¹⁾	n/a	n/a	n/a
Ian Kirk ⁽²⁾	337 199	324 622	n/a
Heinie Werth	160 253	243 513	31 December 2021
Jeanett Modise	52 583		30 June 2025
Temba Mvusi ⁽²⁾	62 348	113 603	n/a
Anton Gildenhuys	100 158	108 992	31 December 2021
Sydney Mbhele	56 214		30 June 2025
Junior Ngulube ⁽³⁾	53 459		n/a
Robert Roux	93 314	154 449	31 December 2021
Jurie Strydom	165 261	83 577	30 June 2023
Wikus Olivier	75 119	18 194	30 September 2026
Karl Socikwa	57 591		30 September 2026
Abigail Mukhuba	138 103		30 September 2026
Bongani Madikiza	75 119		30 September 2026
Lotz Mahlangeni	68 859		30 September 2026
Kanyisa Mkhize	53 209		30 September 2026

⁽¹⁾ Refer to the 5-year CEO remuneration arrangement on page 166.

⁽²⁾ Retired 31 December 2020.

⁽³⁾ Retired 31 January 2021.

Sanlam share scheme allocation (dilution limits)

As approved by shareholders the scheme has an allocation of 110 million shares with a limit on annual usage of 11 million shares and the limit for any individual of 5 million shares.

The following table illustrates the usage for 2020 and the capacity position as at 31 December 2020:

		Number of shares
Scheme allocation originally approved		110 000 000
Allocation under DSP and PDSP in 2019	(5 729 811)	
Allocation under RSP in 2019	(433 037)	(6 162 848)
Shares forfeited in 2019		1 020 238
Balance of scheme allocation carried forward at 31 December 2019		104 857 390
Allocation under DSP and PDSP in 2020	(7 011 922)	
Allocation under RSP in 2020	(3 847 089)	(10 859 011)
Shares forfeited in 2020		504 933
Balance of scheme allocation carried forward at 31 December 2020		94 503 312

Remuneration details for non-executive directors

The policy for non-executive directors' fees is summarised under the remuneration policy part of this report.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

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

R'000	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	224	716	-	940
E Masilela (Chair from 11 June 2020)	1 837	214	-	2 051
M Mokoka	377	928	150	1 455
JP Möller	377	1 072	3 110	4 559
PT Motsepe (Deputy Chair)	573	497	-	1 070
KT Nondumo	377	1 388	1 116	2 881
SA Nkosi	537	716	-	1 253
RV Simelane	377	319	-	696
CG Swanepoel (to 30 June 2020)	183	635	1 538	2 356
J van Zyl (Chair until 10 June 2020)	1 761	259	-	2 020
S Zinn	377	574	-	951
Total non-executive directors	8 687	10 057	6 903	25 647

⁽¹⁾ Excluding VAT.

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R399 311 (2019: R920 322).

Non-executive directors' emoluments for the year ended 31 December 2019

R'000	Directors' fees	Attendance and committees	Fees from Group	Total
AS Birrell (Non-resident)	403	253	-	656
AD Botha	410	1 194	654	2 258
PB Hanratty (Non-resident)	902	1 842	-	2 744
E Masilela	105	37	-	142
M Mokoka	410	660	49	1 119
PT Motsepe (Deputy Chair)	624	482	-	1 106
KT Nondumo	410	1 233	1 456	3 099
SA Nkosi (LID)	768	1 055	-	1 823
RV Simelane	410	346	-	756
CG Swanepoel	410	1 319	2 078	3 807
J van Zyl (Chair)	3 503	-	-	3 503
SA Zinn	384	398	-	782
Total non-executive directors	8 739	8 819	4 237	21 795

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R920 322.

Fees from Group companies for the year ended 31 December 2020⁽¹⁾

R'000	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell	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.

Fees from Group companies for the year ended 31 December 2019

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	236	296	122	654
M Mokoka	26	23	-	49
KT Nondumo	956	200	300	1 456
CG Swanepoel	353	200	1 525	2 078
Total fees from Group companies	1 571	719	1 947	4 237

Sanlam Limited Board information

as at 31 December 2020

Total interest of directors in share capital at the date of this report

Directors	Beneficial		UB shares
	Direct	Indirect	
Executive directors			
HC Werth	351 082	578 438	-
I Kirk	324 622	-	-
TI Mvusi	113 603	-	4 000
J Modise	17 675	-	-
PB Hanratty	3 000 000	-	-
AM Mukhuba	121 075	-	-
Total executive directors	3 928 057	578 438	4 000
Non-executive directors			
J van Zyl	-	2 894 288	-
PT Motsepe (Deputy Chair)	-	-	Refer note**
AD Botha*	-	-	-
AS Birrell*	-	-	-
NAS Kruger	-	-	-
E Masilela (Chair)	-	-	-
MG Mokoka	-	-	-
JP Moller	600 000	-	-
KT Nondumo	-	-	-
SA Nkosi	-	-	-
RV Simelane	-	-	10 092
CG Swanepoel	10 000	-	-
SA Zinn	-	-	-
Total non-executive directors	610 000	2 894 288	10 092
Total	4 538 057	3 472 726	14 092

* UK citizen.

** Ubuntu-Botho Investments (Pty) Ltd (UBI) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Pty) Ltd (Sizanani), beneficially holds approximately 61% of the ordinary share capital (which includes the "A" ordinary shares) in UBI. Approximately 4,8% of Sizanani's beneficial holding in UBI is attributable to interests in UBI which have been acquired, directly or indirectly, by a subsidiary of UBI. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation Trust, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to approximately 61% of the UBI shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest of 20% of UBI's shareholding in Sanlam as a trustee of Sanlam's Ubuntu-Botho Community Development Trust. A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: RV Simelane has 10 092. Mr Temba Mvusi holds 4 000 Ubuntu-Botho shares after he sold 10 000 shares in November 2010.

Total interest of directors in share capital at 31 December 2019

Directors	Beneficial		UB shares
	Direct	Indirect	
Executive directors			
HC Werth	306 140	578 438	-
IM Kirk	263 276	-	-
TI Mvusi	192 303	-	4 000
J Modise	-	-	-
Total executive directors	761 719	578 438	4 000
Non-executive directors			
J van Zyl (Chair)	-	2 894 288	-
PT Motsepe (Deputy chair)	-	-	Refer note ⁽³⁾
AD Botha	-	-	-
AS Birrell ⁽²⁾	-	-	-
PB Hanratty ⁽²⁾	-	-	-
E Masilela	-	-	-
M Mokoka	-	-	-
KT Nondumo	-	-	-
SA Nkosi	-	-	-
RV Simelane	-	-	10 092
CG Swanepoel	10 000	-	-
SA Zinn	-	-	-
Total non-executive directors	10 000	2 894 288	10 092
Total	771 719	3 472 726	14 092

⁽¹⁾ At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2019.

⁽²⁾ UK citizen

⁽³⁾ Ubuntu-Botho Investments Proprietary Limited (UB) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments Proprietary Limited (Sizanani), beneficially holds 56% of the ordinary share capital (which includes the "A" ordinary shares) in UB. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 56% of UB's shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest in another 20% of UB's shareholding in Sanlam which he holds as a trustee of the Sanlam Ubuntu-Botho Community Development Trust. A number of other directors also have a beneficial interest in the share capital of UB through its shareholding structure as disclosed above.

⁽⁴⁾ Dr Motsepe also has an indirect interest through UB and the Sanlam Ubuntu Botho Community Development Trust's 20% indirect interest in SU BEE Funding SPV (RF) Pty Ltd (SU BEE Funding), the holding company of SU BEE Investment SPV (RF) Pty Ltd (SU BEE Investments) that acquired 111 349 000 Sanlam ordinary shares during 2019 (with external funding and Sanlam shareholder approved financial assistance). UB has the ability to appoint the majority of the directors of both SU BEE Funding and SU BEE Investments.

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Shareholders' information



Independent auditor's report on the Sanlam Limited Shareholders' Information

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited Shareholders' Information ("Shareholders' Information") of Sanlam Limited set out on pages 194 to 260 for the year ended 31 December 2020, comprising Group Equity Value, Change in Group Equity Value, Return on Group Equity Value, Analysis of GEV earnings, Analysis of Shareholders' Fund at net asset value, Shareholders' fund income statement, Net operating profit, Notes to the Shareholders' fund information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying Shareholders' Information of Sanlam Limited for the year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of accounting described on pages 194 to 201 of the Shareholders' Information.

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 Shareholders' Information 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 audits of financial statements of the group and company and 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 of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International 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.

Emphasis of Matter - Basis of Accounting

We draw attention to pages 194 to 201 of the Shareholders' Information which describes the basis of accounting. The Shareholders' Information is prepared to provide additional information in respect of the Group Shareholders' Fund in a format that corresponds with that used by management in evaluating the performance of the Group and allocation of resources. As a result, the Shareholders' Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of accounting described on pages 194 to 201, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that is free from material misstatement, whether due to fraud or error.

In preparing the Shareholders' Information, the directors are responsible for assessing the Group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Shareholders' Information

Our objectives are to obtain reasonable assurance about whether the Shareholders' Information 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 the Shareholders' Information.

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 Shareholders' Information, 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 internal control.

- 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 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 Shareholders' Information 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 company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Shareholders' Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2020, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 10 March 2021.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

3 Dock Road
V&A Waterfront
Cape Town
10 March 2021

Basis of accounting – Shareholders' information

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. For the purpose of internal monitoring, the directors make use of GEV to reflect the performance of the Group. This is considered to provide a meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

Basis of Accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section. Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2019 annual report apart from the following:

- In support of Sanlam's updated strategy, the former Sanlam Personal Finance (SPF) cluster was split into two clusters with effect from 1 September 2020 being SA Retail Mass and SA Retail Affluent. These two clusters, together with Sanlam Corporate, will form part of a new Sanlam Life and Savings cluster. This reflects the way that management information is reported internally. All comparative information that has been affected by this reorganisation has been adjusted to reflect the new structure in the shareholder information.
- IAS 29 – Financial Reporting in Hyperinflationary Economies has been applied to Lebanon from 1 January 2020. The 2020 monetary and non-monetary items on the balance sheet are reindexed at the end of the period to recognise the impact of the hyperinflation. This would have resulted in various line items on the income statement being artificially inflated but has been aggregated in fund transfers. For the second six months management has included all items of income and expense for LIA Insurance in the impairments line as it has been decided to write down the NAV to zero.
- The Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest rate benchmark reform – Phase 1 (Amendments to IFRS 7, IFRS 9 and IAS 39)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

With the exception of IAS 29, these amendments did not have a significant impact on these Annual Financial Statements and no further disclosures have therefore been made.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 202)
- Change in Group Equity Value (refer page 206)
- RoGEV (refer page 208)
- Analysis of Group Equity Value earnings (refer page 210)
- Shareholders' fund financial statements consisting of the Shareholders fund at net asset value (refer page 214), Shareholders' fund income statement (refer page 216) and related notes, including embedded value of covered business related disclosures.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Basis of accounting – Shareholders’ information continued

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilution effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders’ fund at net asset value, income statement and related information

The analysis of the shareholders’ fund at net asset value and the related shareholders’ fund income statement reflects the consolidated financial position and earnings of the shareholders’ fund, based on accounting policies consistent with those contained in IFRS Financial Statements, apart from the following:

Basis of consolidation

The shareholders’ funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders’ fund at net asset value. The policyholders’ and outside shareholders’ interests in these companies are treated as non-controlling shareholders’ interest on consolidation.

The segmental analysis of the shareholders’ fund at net asset value is consistent with the Group’s operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders’ fund’s investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group’s shareholders’ fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders’ fund at net asset value. The fund transfers between the shareholders’ and policyholders’ fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders’ fund’s normalised earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

In addition, the consolidation of the broad-based black economic empowerment (B-BBEE) Special Purpose Vehicle (SPV) to which 111 349 999 shares were issued in 2019, is treated similarly and is also recognised in the consolidation reserve and fund transfers, respectively. The SPV was funded 50% by a loan issued by Sanlam to the SPV, and 50% by external debt. For IFRS purposes:

- the SPV is consolidated
- the shares held within the SPV are treated as treasury shares
- the loan to the SPV is eliminated, and
- the external debt is reflected on the balance sheet.

Given that the shares will be sold in the market should the SPV not be able to repay the loan, management has, for Shareholders Information purposes, recognised the full share issue in the Shareholders’ Fund and not consolidated the SPV. Given the close relationship between the valuation of the loan and the Sanlam share price, this balance is classified as equities in the Shareholders’ Fund at NAV. Management tests the recoverability of the Sanlam loan semi-annually and has, as a result of this recoverability assessment, decided to impair the asset by R1,7 billion at 31 December 2020. As this is not necessarily reflective of the longer-term value of the SPV, this impairment can decrease or increase in future periods based on the movement in the Sanlam share price.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders’ fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group’s shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of

IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in the net result from financial services and net investment return respectively.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the B-BBEE SPV, policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund and B-BBEE SPV. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares, consolidated vehicles (B-BBEE SPV) and Group subsidiaries held by the policyholders' fund.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Basis of Accounting and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN107 (version 8), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

Basis of accounting – Shareholders' information continued

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2019 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, group stable bonus business, annuity business and other non-participating business written by SA Retail Affluent, SA Retail Mass, Sanlam Corporate, Sanlam Emerging Markets and Sanlam UK.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For South African insurance businesses (and businesses with similar regulatory regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a solvency cover ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 115% for Santam Limited, even after severe but plausible stress scenarios.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Annuities purchased by retirement fund members using in-fund options are treated as new business; Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 6 on page 230, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Basis of accounting – Shareholders' information continued

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long term gap relative to fixed-interest securities.

Future rates of bonuses for stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience, adjusted for expected future trends where appropriate.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2020.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, digital transformation, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

- **Value of new business**

The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

- **Net earnings from existing covered business**

Expected return on value of covered business

The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

- **Expected investment return on adjusted net worth**

The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

- *Economic assumption changes*

The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

- *Investment variances*

Investment variances - value of in-force

The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances - investment return on adjusted net worth

Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

Group Equity Value

at 31 December

R million	Note	Group Equity Value		Value of in-force/ Fair value adjustment	
		2020	2019	2020	2019
Sanlam Life and Savings		52 278	53 061	43 137	43 732
Covered business ⁽¹⁾	7.1	47 597	48 306	40 619	41 078
SA Retail Affluent		32 043	32 894	28 024	28 569
SA Retail Mass		10 596	10 076	9 696	9 232
Sanlam Corporate		4 958	5 336	2 899	3 277
Other operations		4 681	4 755	2 518	2 654
SA Retail Affluent Glacier		4 035	4 171	2 847	2 956
Sanlam Personal Loans		2 553	2 501	2 139	1 984
Other operations		1 119	1 320	414	692
Sanlam Corporate: Health Operations		363	350	294	280
		646	584	(329)	(302)
Sanlam Emerging Markets		35 323	40 731	5 381	7 395
Covered business	7.2	8 638	8 794	3 775	4 254
Saham		1 548	2 306	92	539
Namibia		2 063	1 997	1 546	1 487
Botswana		1 588	1 575	1 216	1 263
Other African operations		1 594	1 293	175	302
India		1 002	935	393	363
Malaysia		843	688	353	300
Other operations		26 685	31 937	1 606	3 141
Saham		15 827	19 400	2 241	1 918
Shriram Capital		8 954	9 282	191	1 222
Other operations		1 904	3 255	(826)	1
Sanlam Investment Group		19 003	20 050	9 337	10 579
Covered business	7.3	3 091	3 056	(182)	(153)
Sanlam UK		1 425	1 374	656	669
Central Credit Manager ⁽¹⁾		1 666	1 682	(838)	(822)
Other operations		15 912	16 994	9 519	10 732
Sanlam Investments ⁽²⁾		2 949 ⁽³⁾	5 058 ⁽³⁾	1 639	3 623
Wealth Management		2 588	2 275	2 331	2 024
International ⁽²⁾		8 928	7 997	4 190	3 613
Sanlam Specialised Finance		1 447	1 664	1 359	1 472
Santam		17 277	19 675	10 923	13 196
Dividend pool		6 185	6 911	-	-
Discretionary capital		636	220	-	-
Other capital		3 597	4 593	-	-
Present value of holding company expenses	15	(2 487)	(1 970)	(2 487)	(1 970)
Group Equity Value		131 812	143 271	66 291	72 932
Covered business	2	59 326	60 156	44 212	45 179
Other operations	5	64 555	73 361	24 566	29 723
Group operations		123 881	133 517	68 778	74 902
Discretionary and other capital		7 931	9 754	(2 487)	(1 970)
Group Equity Value		131 812	143 271	66 291	72 932
Value per share (Rand)	14	59,20	64,36		

⁽¹⁾ Excludes subordinated debt funding of Sanlam Life.

⁽²⁾ Adjusted for reallocation of consolidation journals.

⁽³⁾ Include Sanlam share (75%) of the third party asset management business of R3 379 million (31 December 2019: R5 395 million - 100% share).

<i>Adjusted net asset value</i>		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2020	2019	2020	2019	2020	2019
9 141	9 329	(1 240)	(1 304)	10 381	10 633
6 978	7 228	(1 240)	(1 304)	8 218	8 532
4 019	4 325	(681)	(694)	4 700	5 019
900	844	(371)	(403)	1 271	1 247
2 059	2 059	(188)	(207)	2 247	2 266
2 163	2 101	-	-	2 163	2 101
1 188	1 215	-	-	1 188	1 215
414	517	-	-	414	517
705	628	-	-	705	628
69	70	-	-	69	70
975	886	-	-	975	886
29 942	33 336	(3 154)	(3 316)	33 096	36 652
4 863	4 540	(3 154)	(3 316)	8 017	7 856
1 456	1 767	(1 774)	(2 677)	3 230	4 444
517	510	-	-	517	510
372	312	(2)	(3)	374	315
1 419	991	(744)	(11)	2 163	1 002
609	572	(302)	(297)	911	869
490	388	(332)	(328)	822	716
25 079	28 796	-	-	25 079	28 796
13 586	17 482	-	-	13 586	17 482
8 763	8 060	-	-	8 763	8 060
2 730	3 254	-	-	2 730	3 254
9 666	9 471	(356)	(356)	10 022	9 827
3 273	3 209	(356)	(356)	3 629	3 565
769	705	(356)	(356)	1 125	1 061
2 504	2 504	-	-	2 504	2 504
6 393	6 262	-	-	6 393	6 262
1 310	1 435	-	-	1 310	1 435
257	251	-	-	257	251
4 738	4 384	-	-	4 738	4 384
88	192	-	-	88	192
6 354	6 479	-	-	6 354	6 479
6 185	6 911	-	-	6 185	6 911
636	220	-	-	636	220
3 597	4 593	(1 197)	(1 197)	4 794	5 790
-	-	-	-	-	-
65 521	70 339	(5 947)	(6 173)	71 468	76 512
15 114	14 977	(4 750)	(4 976)	19 864	19 953
39 989	43 638	-	-	39 989	43 638
55 103	58 615	(4 750)	(4 976)	59 853	63 591
10 418	11 724	(1 197)	(1 197)	11 615	12 921
65 521	70 339	(5 947)	(6 173)	71 468	76 512
				32,10	34,37

Analysis of Group Equity Value per line of business at 31 December

R million	Total		Life Business	
	2020	2019	2020	2019
Southern Africa	92 374	99 655	53 387	54 028
South Africa	84 590	91 654	49 263	49 988
Other ⁽¹⁾	7 784	8 001	4 124	4 040
North and West Africa	16 639	20 579	2 068	2 017
East Africa	1 170	1 138	607	583
Other International ⁽¹⁾	21 629	21 899	3 264	3 528
Total	131 812	143 271	59 326	60 156

⁽¹⁾ Comparative information has been adjusted to reflect Saham in the underlying regions.

General Insurance		Investment Management		Credit & Structuring		Administration, Health and Other	
2020	2019	2020	2019	2020	2019	2020	2019
17 934	20 508	6 576	8 544	3 926	4 302	10 551	12 273
17 277	19 675	5 881	7 874	2 090	2 354	10 079	11 763
657	833	695	670	1 836	1 948	472	510
15 871	18 562	-	-	-	-	(1 300)	-
654	511	161	207	-	-	(252)	(163)
2 434	2 798	9 060	8 086	6 794	7 382	77	105
36 893	42 379	15 797	16 837	10 720	11 684	9 076	12 215

Change in Group Equity Value

at 31 December 2020

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	53 061	4 045	(397)	(4 431)	52 278
Covered business	48 306	4 032	(454)	(4 287)	47 597
SA Retail Affluent ¹	32 894	2 679	(434)	(3 096)	32 043
SA Retail Mass	10 076	1 170	53	(703)	10 596
Sanlam Corporate	5 336	183	(73)	(488)	4 958
Other operations	4 755	13	57	(144)	4 681
SA Retail Affluent	4 171	(93)	55	(98)	4 035
<i>Glacier</i>	2 501	208	-	(156)	2 553
<i>Sanlam Personal Loans</i>	1 320	(332)	55	76	1 119
<i>Other operations</i>	350	31	-	(18)	363
Sanlam Corporate: Health Operations	584	106	2	(46)	646
Sanlam Emerging Markets	40 731	(4 106)	701	(2 003)	35 323
Covered business	8 794	(446)	979	(689)	8 638
Saham	2 306	(677)	(139)	58	1 548
Namibia	1 997	261	(21)	(174)	2 063
Botswana	1 575	213	36	(236)	1 588
Other African operations	1 293	(463)	1 030	(266)	1 594
India	935	89	9	(31)	1 002
Malaysia	688	131	64	(40)	843
Other operations	31 937	(3 660)	(278)	(1 314)	26 685
Saham	19 400	(3 177)	146	(542)	15 827
Shriram Capital	9 282	(315)	105	(118)	8 954
Other operations	3 255	(168)	(529)	(654)	1 904
Sanlam Investment Group	20 050	8	(510)	(545)	19 003
Covered business	3 056	138	(65)	(38)	3 091
Sanlam UK	1 374	51	22	(22)	1 425
Central Credit Manager	1 682	87	(87)	(16)	1 666
Other operations	16 994	(130)	(445)	(507)	15 912
Sanlam Investments	5 058	(1 174)	(790)	(145)	2 949
Wealth Management	2 275	450	-	(137)	2 588
International	7 997	820	345	(234)	8 928
Sanlam Specialised Finance	1 664	(226)	-	9	1 447
Santam	19 675	(1 911)	-	(487)	17 277
Discretionary capital	220	98	318	-	636
Other capital	11 504	(1 491)	7 134	(7 365)	9 782
Present value of holding company expenses	(1 970)	(517)	-	-	(2 487)
Elimination of intergroup dividends	-	-	(7 466)	7 466	-
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812
Covered business	60 156	3 724	460	(5 014)	59 326
Other operations	73 361	(5 688)	(666)	(2 452)	64 555
Group operations	133 517	(1 964)	(206)	(7 466)	123 881
Discretionary and other capital	9 754	(1 910)	7 452	(7 365)	7 931
Elimination of intergroup dividends	-	-	(7 466)	7 466	-
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812

⁽¹⁾ The Pandemic reserve release is reported under SA Retail Affluent in Change in Group Equity value, but shown separately in the detailed information as reported in Note 7.1 on page 233.

Change in Group Equity Value

at 31 December 2019

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	49 194	9 414	(711)	(4 836)	53 061
Covered business	44 286	9 075	(711)	(4 344)	48 306
SA Retail Affluent	30 454	5 755	(532)	(2 783)	32 894
SA Retail Mass	8 755	2 258	107	(1 044)	10 076
Sanlam Corporate	5 077	1 062	(286)	(517)	5 336
Other operations	4 908	339	-	(492)	4 755
SA Retail Affluent	3 976	627	-	(432)	4 171
<i>Glacier</i>	2 359	339	-	(197)	2 501
<i>Sanlam Personal Loans</i>	1 224	291	-	(195)	1 320
<i>Other operations</i>	393	(3)	-	(40)	350
Sanlam Corporate: Health Operations	932	(288)	-	(60)	584
Sanlam Emerging Markets	44 659	(3 186)	1 497	(2 239)	40 731
Covered business	9 151	(83)	435	(709)	8 794
Saham	2 968	(1 192)	603	(73)	2 306
Namibia	1 867	371	(67)	(174)	1 997
Botswana	1 587	372	(143)	(241)	1 575
Other African operations	1 274	147	39	(167)	1 293
India	854	98	14	(31)	935
Malaysia	601	121	(11)	(23)	688
Other operations	35 508	(3 103)	1 062	(1 530)	31 937
Saham	20 309	(1 571)	662	-	19 400
Shriram Capital	10 632	(841)	9	(518)	9 282
Other operations	4 567	(691)	391	(1 012)	3 255
Sanlam Investment Group	18 703	1 452	906	(1 011)	20 050
Covered business	2 797	359	148	(248)	3 056
Sanlam UK	1 268	139	42	(75)	1 374
Central Credit Manager	1 529	220	106	(173)	1 682
Other operations	15 906	1 093	758	(763)	16 994
Sanlam Investments	4 821	666	(51)	(378)	5 058
Wealth Management	2 647	(283)	44	(133)	2 275
International	6 938	535	655	(131)	7 997
Sanlam Specialised Finance	1 500	175	110	(121)	1 664
Santam	20 102	290	-	(717)	19 675
Discretionary capital	(3 678)	242	3 656	-	220
Other capital	7 155	166	11 067	(6 884)	11 504
Present value of holding company expenses	(2 083)	113	-	-	(1 970)
Elimination of intergroup dividends	-	-	(8 803)	8 803	-
Group Equity Value	134 052	8 491	7 612	(6 884)	143 271
Covered business	56 234	9 351	(128)	(5 301)	60 156
Other operations	76 424	(1 381)	1 820	(3 502)	73 361
Group operations	132 658	7 970	1 692	(8 803)	133 517
Discretionary and other capital	1 394	521	14 723	(6 884)	9 754
Elimination of intergroup dividends	-	-	(8 803)	8 803	-
Group Equity Value	134 052	8 491	7 612	(6 884)	143 271

Return on Group Equity Value

at 31 December

%	2020	2019
Sanlam Life and Savings	7,6	19,2
Covered business	8,3	20,6
SA Retail Affluent	8,1	18,9
SA Retail Mass	11,6	25,8
Sanlam Corporate	3,4	21,9
Other operations	0,3	6,9
SA Retail Affluent	(2,2)	15,8
<i>Glacier</i>	8,3	14,4
<i>Sanlam Personal Loans</i>	(24,7)	23,8
<i>Other operations</i>	8,9	(0,8)
Sanlam Corporate: Health Operations	18,1	(30,9)
Sanlam Emerging Markets	(10,2)	(7,1)
Covered business	(5,2)	(0,9)
Saham	(31,3)	(40,2)
Namibia	13,1	19,9
Botswana	13,5	23,4
Other African operations	(27,6)	11,5
India	9,5	11,5
Malaysia	19,0	20,1
Other operations	(11,6)	(8,7)
Saham	(16,3)	(7,7)
Shriram Capital	(3,3)	(7,9)
Other operations	(6,3)	(14,6)
Sanlam Investment Group	-	7,6
Covered business	4,5	11,8
Sanlam UK	3,7	10,9
Central Credit Manager	5,2	12,5
Other operations	(0,8)	6,8
Sanlam Investments	(23,3)	13,7
Wealth Management	19,8	(10,6)
International	10,2	7,5
Sanlam Specialised Finance	(13,6)	11,7
Santam	(9,7)	1,4
Discretionary capital and other	(18,8)	65,4
Group Equity Value	(2,7)	6,3
Covered business	6,2	16,6
Other operations	(7,8)	(1,8)
Group operations	(1,5)	6,0
Discretionary and other capital	(18,8)	65,4
Group Equity Value	(2,7)	6,3
RoGEV per share	(2,8)	6,4
<i>Sanlam Group hurdle rate</i>	13,3	13,5

Cumulative RoGEV average growth rate

up to 31 December 2020

%	3 years	4 years	5 years
Sanlam Life and Savings	12,7	14,0	15,3
Sanlam Emerging Markets	(1,4)	1,7	0,9
Sanlam Investment Group	3,7	6,2	4,5
Santam	1,7	5,5	10,4
Sanlam Group RoGEV	4,5	7,0	8,0

Analysis of GEV Earnings

for the year ended 31 December

Covered business⁽¹⁾

R million	Total		Value of in-force	
	2020	2019	2020	2019
Operational earnings	5 428	8 691	119	3 573
Value of new life insurance business ⁽²⁾	1 921	2 280	4 835	5 302
Unwinding of discount rate	5 576	5 285	5 360	5 080
Expected profit	-	-	(7 831)	(7 099)
Operating experience variances	367	1 361	347	506
Risk experience	(125)	454	(47)	131
Persistency	157	(22)	358	328
Maintenance expenses	67	83	15	(6)
Working capital management	457	527	-	-
Credit spread	129	294	-	(1)
Other	(318)	25	21	54
Operating assumption changes	(2 436)	(235)	(2 592)	(216)
Risk experience	438	208	(218)	27
Persistency	(1 856)	(98)	(1 514)	260
Maintenance expenses	(353)	255	(267)	210
Modelling changes and other	(665)	(600)	(593)	(713)
Net investment return	184	330	-	-
Expected return on adjusted net asset value	1 006	1 025	-	-
Investment variances on adjusted net asset value	(822)	(695)	-	-
Valuation and economic basis	(1 279)	347	(850)	325
Investment variances on in-force business	(1 599)	337	(1 202)	282
Economic assumption changes	125	318	148	380
Investment yields	104	164	141	152
Long-term asset mix assumptions and other	21	154	7	228
Foreign currency translation differences	195	(308)	204	(337)
Change in tax basis	19	-	20	-
Net project expenses	(18)	-	-	-
Goodwill and VOBA from business combinations	(610)	(17)	(610)	(17)
GEV earnings: covered business	3 724	9 351	(1 321)	3 881
Acquired value of in-force	907	128	724	5
Transfers from/(to) other Group operations	(146)	-	(146)	-
Transfers from covered business	(5 315)	(5 557)	-	-
Embedded value of covered business at the beginning of the period	60 156	56 234	48 630	44 744
Embedded value of covered business at the end of the period	59 326	60 156	47 887	48 630

⁽¹⁾ Refer to note 7.1 for an analysis per cluster.

⁽²⁾ Refer to note 1 for further information.

Covered business per cluster

R million	Total		Value of in-force	
	2020	2019	2020	2019
Sanlam Life and Savings	47 597	48 306	42 476	42 943
Sanlam Emerging Markets	8 638	8 794	4 613	4 871
Sanlam Investment Group	3 091	3 056	798	816
Sanlam Group	59 326	60 156	47 887	48 630

Cost of capital		Adjusted net asset value	
2020	2019	2020	2019
(161)	(138)	5 470	5 256
(247)	(220)	(2 667)	(2 802)
216	205	-	-
-	-	7 831	7 099
(59)	(94)	79	949
9	(1)	(87)	324
(28)	(70)	(173)	(280)
-	(4)	52	93
-	-	457	527
-	-	129	295
(40)	(19)	(299)	(10)
(71)	(29)	227	10
1	7	655	174
(12)	(30)	(330)	(328)
(3)	-	(83)	45
(57)	(6)	(15)	119
-	-	184	330
-	-	1 006	1 025
-	-	(822)	(695)
27	(23)	(456)	45
23	1	(420)	54
13	(53)	(36)	(9)
(2)	49	(35)	(37)
15	(102)	(1)	28
(9)	29	-	-
(1)	-	-	-
-	-	(18)	-
-	-	-	-
(135)	(161)	5 180	5 631
(89)	(2)	272	125
-	-	-	-
-	-	(5 315)	(5 557)
(3 451)	(3 288)	14 977	14 778
(3 675)	(3 451)	15 114	14 977

Cost of capital		Adjusted net asset value	
2020	2019	2020	2019
(1 857)	(1 865)	6 978	7 228
(838)	(617)	4 863	4 540
(980)	(969)	3 273	3 209
(3 675)	(3 451)	15 114	14 977

Analysis of GEV Earnings continued

Other operations

R million	Total		Sanlam Life and Savings	
	2020	2019	2020	2019
Earnings from operations valued at listed share prices	(1 798)	608	-	-
Earnings from operations valued at net asset value	(5)	(156)	-	-
Earnings from operations valued based on discounted cash flows	(3 885)	(1 833)	13	339
Unwinding of discount rate	6 231	7 852	977	884
Operating experience variances	(5 168)	(596)	(963)	82
General insurance	(1 429)	(583)	-	-
Investment management	(2 725)	(87)	-	-
Credit and banking	(393)	97	(331)	116
Administration, health and other	(621)	(23)	(632)	(34)
Operating assumption changes	(8 604)	(7 660)	(81)	(719)
General insurance	(5 029)	(459)	-	-
Investment management	(825)	(2 755)	-	-
Credit and banking	(2 861)	(3 217)	(197)	(83)
Administration, health and other	111	(1 229)	116	(636)
Economic assumption changes	2 215	2 612	80	92
Foreign currency translation differences	1 441	(4 041)	-	-
GEV earnings: other operations	(5 688)	(1 381)	13	339

Discretionary and other capital

R million	Total	
	2020	2019
Investment return ⁽¹⁾	(1 561)	456
Corporate expenses	(603)	13
Net corporate expenses	(86)	(100)
Change in present value of holding company expenses	(517)	113
Share-based payment transactions	254	52
GEV earnings: discretionary and other capital	(1 910)	521

⁽¹⁾ Includes an impairment of R1,7 billion as described on page 81.

Sanlam Emerging Markets		Sanlam Investment Group		Santam	
2020	2019	2020	2019	2020	2019
-	-	113	318	(1 911)	290
(80)	(122)	75	(34)	-	-
(3 580)	(2 981)	(318)	809	-	-
3 051	4 739	2 203	2 229	-	-
(1 395)	(545)	(2 810)	(133)	-	-
(1 429)	(583)	-	-	-	-
85	46	(2 810)	(133)	-	-
(62)	(19)	-	-	-	-
11	11	-	-	-	-
(7 751)	(4 395)	(772)	(2 546)	-	-
(5 029)	(459)	-	-	-	-
(53)	(209)	(772)	(2 546)	-	-
(2 664)	(3 134)	-	-	-	-
(5)	(593)	-	-	-	-
1 444	1 158	691	1 362	-	-
1 071	(3 938)	370	(103)	-	-
(3 660)	(3 103)	(130)	1 093	(1 911)	290

Reconciliation of Group Equity Value earnings

R million	2020	2019
IFRS earnings (excluding fund transfers)	2 572	5 448
Normalised attributable earnings	(694)	9 110
Earnings recognised directly in equity		
Foreign currency translation differences	2 813	(3 890)
Net cost of treasury shares delivered	(578)	(338)
Share-based payments	474	391
Change in ownership of subsidiaries	595	(112)
Other comprehensive income	(38)	287
Fair value adjustments	(6 613)	2 605
Change in fair value adjustments: non-life	(5 157)	(1 115)
Earnings from covered business: VIF	(1 456)	3 720
Adjustments to net worth	167	438
Present value of holding company expenses	(517)	113
Movement in book value of treasury shares: non-life subsidiaries	(30)	(11)
Change in goodwill/VOBA less VIF acquired	714	336
Group Equity Value earnings	(3 874)	8 491

Analysis of Shareholders' Fund Net Asset Value

at 31 December

R million	Sanlam Life ⁽¹⁾		Sanlam Emerging Markets ⁽²⁾		Sanlam Investment Group	
	2020	2019	2020	2019	2020	2019
Assets						
Equipment	445	432	610	707	90	103
Rights-of-use assets	420	433	205	212	311	346
Owner-occupied properties	477	477	1 999	1 061	123	120
Goodwill	725	769	11 875	13 598	1 960	2 466
Value of business acquired	766	858	4 526	5 947	837	1 963
Other intangible assets	23	27	548	637	159	188
Deferred acquisition costs	2 436	2 572	331	269	18	24
Investments	14 645	13 912	40 534	39 432	5 021	5 007
Properties	-	-	5 869	6 815	-	-
Associated companies	1 086	1 011	15 527	15 380	335	280
Joint ventures	796	874	-	-	42	89
Equities and similar securities	493	462	6 588	7 199	263	348
Interest-bearing investments	4 992	2 766	5 115	3 477	366	596
Structured transactions	160	177	111	14	-	137
Investment funds	6 453	7 676	6 131	4 996	3 481	3 170
Cash, deposits and similar securities	665	946	1 193	1 551	534	387
Deferred tax	529	192	1 204	735	207	212
Assets of disposal groups classified as held for sale	-	-	9	127	2 187	-
General insurance technical assets	-	-	4 089	2 641	-	-
Working capital assets	7 765	8 456	19 085	17 347	16 109	14 923
Trade and other receivables	1 266	534	12 161	11 106	12 155	11 504
Taxation	24	6	849	842	23	3
Cash, deposits and similar securities	6 475	7 916	6 075	5 399	3 931	3 416
Total assets	28 231	28 128	85 015	82 713	27 022	25 352
Equity and liabilities						
Shareholders' fund	19 473	13 167	34 345	38 473	10 934	10 952
Non-controlling interest	101	150	11 222	11 538	1 137	650
Total equity	19 574	13 317	45 567	50 011	12 071	11 602
Term finance	1 004	1 013	1 973	545	607	882
Lease liabilities	472	478	221	223	347	370
Structured transactions liabilities	183	58	-	-	57	-
Cell owners' interest	-	-	-	-	-	-
Deferred tax	732	826	3 218	3 499	107	262
Liabilities of disposal groups classified as held for sale	-	-	-	-	454	-
General insurance technical provisions	-	-	20 443	17 696	-	-
Working capital liabilities	6 266	12 436	13 593	10 739	13 379	12 236
Trade and other payables	6 218	12 298	12 614	9 720	12 729	11 692
Provisions	48	52	170	152	77	90
Taxation	-	86	809	867	573	454
Total equity and liabilities	28 231	28 128	85 015	82 713	27 022	25 352
Analysis of shareholders' fund						
Covered business	8 218	8 532	8 017	7 856	3 629	3 565
Other operations	2 163	2 101	25 079	28 796	6 393	6 262
Discretionary and other capital	9 092	2 534	1 249	1 821	912	1 125
Shareholders' fund at net asset value	19 473	13 167	34 345	38 473	10 934	10 952
Consolidation reserve	817	641	62	62	-	-
Shareholders' fund per Group statement of financial position on page 214	20 290	13 808	34 407	38 535	10 934	10 952

⁽¹⁾ Includes the operations of SA Retail Affluent, SA Retail Mass and Sanlam Corporate (Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life.

⁽²⁾ Includes discretionary capital held by Sanlam Emerging Markets.

⁽³⁾ Group Office and other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.

⁽⁴⁾ Elimination of intercompany balances, other investments and term finance between companies within the Group.

Santam		Group office ⁽³⁾		Consolidation entries ⁽⁴⁾		Shareholders' fund at net asset value	
2020	2019	2020	2019	2020	2019	2020	2019
342	291	-	-	-	-	1 487	1 533
624	861	-	-	-	-	1 560	1 852
25	25	-	-	-	-	2 624	1 683
946	944	-	-	1 197	1 197	16 703	18 974
-	-	-	-	-	-	6 129	8 768
58	74	-	-	-	-	788	926
-	-	-	-	-	-	2 785	2 865
26 677	24 145	7 267	5 707	(5 719)	(4 517)	88 425	83 686
-	-	-	-	-	-	5 869	6 815
4 086	4 508	-	-	(4 079)	(4 489)	16 955	16 690
35	49	-	-	-	-	873	1 012
2 314	2 089	-	367	3 161	4 310	12 819	14 775
15 196	11 919	7 267	5 340	(4 922)	(4 458)	28 014	19 640
264	400	-	-	-	-	535	728
4 433	4 480	-	-	121	120	20 619	20 442
349	700	-	-	-	-	2 741	3 584
102	107	-	-	(23)	(15)	2 019	1 231
-	-	-	-	-	-	2 196	127
9 758	7 525	-	-	-	-	13 847	10 166
16 445	14 654	3 579	3 897	(1 773)	(1 251)	61 210	58 026
7 015	6 632	3 509	3 643	(2 153)	(1 386)	33 953	32 033
15	16	1	-	-	-	912	867
9 415	8 006	69	254	380	135	26 345	25 126
54 977	48 626	10 846	9 604	(6 318)	(4 586)	199 773	189 837
6 354	6 479	5 451	4 260	(5 089)	3 181	71 468	76 512
4 547	4 405	-	-	(4 507)	(4 716)	12 500	12 027
10 901	10 884	5 451	4 260	(9 596)	(1 535)	83 968	88 539
3 089	2 080	3 470	2 954	-	-	10 143	7 474
782	978	-	-	-	-	1 822	2 049
80	-	-	-	-	-	320	58
4 226	3 935	-	-	-	-	4 226	3 935
82	39	-	-	-	-	4 139	4 626
-	-	-	-	-	-	454	-
29 309	23 636	-	-	-	-	49 752	41 332
6 508	7 074	1 925	2 390	3 278	(3 051)	44 949	41 824
6 164	6 585	1 915	2 378	3 224	(3 074)	42 864	39 599
153	174	10	10	18	18	476	496
191	315	-	2	36	5	1 609	1 729
54 977	48 626	10 846	9 604	(6 318)	(4 586)	199 773	189 837
-	-	-	-	-	-	19 864	19 953
6 354	6 479	-	-	-	-	39 989	43 638
-	-	5 451	4 260	(5 089)	3 181	11 615	12 921
6 354	6 479	5 451	4 260	(5 089)	3 181	71 468	76 512
-	-	-	-	(7 635)	(9 898)	(6 756)	(9 195)
6 354	6 479	5 451	4 260	(12 724)	(6 717)	64 712	67 317

Shareholders' Fund Income Statement

for the year ended 31 December

Sanlam Life and Savings						
R million	SA Retail Affluent ⁽¹⁾		SA Retail Mass		Sanlam Corporate	
	2020	2019	2020	2019	2020	2019
Financial services income	14 166	13 195	8 799	7 873	6 230	5 989
Sales remuneration	(2 144)	(2 016)	(1 605)	(1 721)	(80)	(70)
Income after sales remuneration	12 022	11 179	7 194	6 152	6 150	5 919
Underwriting policy benefits	(2 814)	(2 258)	(4 476)	(3 183)	(3 707)	(3 511)
Administration costs	(4 657)	(4 466)	(1 668)	(1 621)	(1 607)	(1 582)
Result from financial services before tax	4 551	4 455	1 050	1 348	836	826
Tax on result from financial services	(1 266)	(1 174)	(392)	(396)	(224)	(236)
Result from financial services after tax	3 285	3 281	658	952	612	590
Non-controlling interest	-	1	45	31	-	-
Net result from financial services	3 285	3 282	703	983	612	590
Net investment income	201	191	65	65	75	55
Investment income	240	236	76	74	80	60
Tax on investment income	(37)	(40)	(11)	(9)	(5)	(5)
Non-controlling interest	(2)	(5)	-	-	-	-
Net investment surpluses	(30)	69	(12)	33	(1)	49
Investment surpluses	(45)	86	(7)	31	(5)	62
Tax on investment surpluses	13	(17)	(5)	2	4	(13)
Non-controlling interest	2	-	-	-	-	-
Project expenses	(21)	-	(1)	(2)	(10)	-
Net operational earnings	3 435	3 542	755	1 079	676	694
Net amortisation of value of business acquired and other intangibles	(51)	(53)	(8)	(5)	(5)	(20)
Equity participation costs ⁽¹⁾	-	-	-	-	-	-
Net non-operational equity-accounted earnings	-	-	-	-	(21)	(9)
Non-operational equity-accounted earnings	-	-	-	-	(21)	(9)
Tax on non-operational equity-accounted headline earnings	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Net profit on disposal of subsidiaries and associated companies	-	-	-	-	-	(3)
Profit on disposal of subsidiaries and associated companies	-	-	-	-	-	(3)
Non-controlling interest	-	-	-	-	-	-
Impairments	-	(4)	(3)	-	(44)	-
Normalised attributable earnings	3 384	3 485	744	1 074	606	662
Fund transfers ⁽²⁾	1	-	176	(370)	-	-
Attributable earnings per Group statement of comprehensive income	3 385	3 485	920	704	606	662
Net profit on disposal of subsidiaries and associated companies	-	-	-	-	-	3
Expected credit losses included in impairment	-	-	-	-	-	-
Impairments	-	4	3	-	44	-
Net equity-accounted non-headline earnings	-	-	-	-	4	(14)
Headline earnings	3 385	3 489	923	704	654	651
Diluted earnings per share						
Weighted average number of shares for operational earnings per share (million)						
Net result from financial services (cents)	147,5	148,6	31,6	44,5	27,5	26,7

⁽¹⁾ The Pandemic reserve release is reported under SA Retail Affluent in the income statement but shown separately in the detailed information as reported in Note 7.1 on page 233.

⁽²⁾ The B-BBEE transaction in 2019 gave rise to a non-recurring share-based payment charge of R1 686 million. The above market-related discount of R594 million was recognised as equity participation cost in Shareholders' fund income statement, with the remainder recognised in fund transfers.

⁽³⁾ Impairment in respect of B-BBEE SPV funding reversed in fund transfers

Sanlam Emerging Markets		Sanlam Investment Group		Santam		Group office and other ⁽²⁾		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
25 335 (3 650)	25 367 (3 345)	7 133 (751)	6 800 (547)	25 673 (3 035)	25 396 (2 882)	(175) -	(370) -	87 161 (11 265)	84 250 (10 581)
21 685 (10 098) (6 918)	22 022 (10 043) (6 431)	6 382 - (5 133)	6 253 - (4 694)	22 638 (16 770) (4 154)	22 514 (15 080) (4 382)	(175) - (327)	(370) - (302)	75 896 (37 865) (24 464)	73 669 (34 075) (23 478)
4 669 (1 254)	5 548 (1 789)	1 249 (378)	1 559 (392)	1 714 (456)	3 052 (898)	(502) 137	(672) 214	13 567 (3 833)	16 116 (4 671)
3 415 (1 038)	3 759 (1 127)	871 (66)	1 167 (97)	1 258 (572)	2 154 (937)	(365) 279	(458) 358	9 734 (1 352)	11 445 (1 771)
2 377 244	2 632 299	805 99	1 070 82	686 211	1 217 120	(86) 186	(100) 232	8 382 1 081	9 674 1 044
473 (152) (77)	568 (174) (95)	120 (21) -	89 (9) 2	455 (109) (135)	263 (64) (79)	97 39 50	106 87 39	1 541 (296) (164)	1 396 (214) (138)
(674)	(136)	(6)	53	(118)	152	31	(10)	(810)	210
(720) 11 35	48 (152) (32)	7 (11) (2)	81 (28) -	(246) 48 80	379 (125) (102)	22 4 5	(75) 37 28	(994) 64 120	612 (296) (106)
(178)	(89)	(41)	(39)	(40)	-	(13)	-	(304)	(130)
1 769 (353)	2 706 (437)	857 (254)	1 166 (211)	739 (28)	1 489 (40)	118 -	122 -	8 349 (699)	10 798 (766)
1	(1)	-	-	30	29	-	-	10	19
3	2	-	-	49	48	-	-	31	41
(1) (1)	(2) (1)	- -	- -	- (19)	- (19)	- -	- -	(1) (20)	(2) (20)
285	(4)	-	1	-	-	-	-	285	(6)
288 (3)	(7) 3	- -	1 -	- -	- -	- -	- -	288 (3)	(9) 3
(6 370)	(314)	(100)	(5)	(448)	(16)	(1 673) ⁽³⁾	-	(8 638)	(339)
(4 668) 1 136	1 950 (27)	503 (23)	951 -	292 81	1 460 -	(1 555) 2 186	(472) (1 563)	(694) 3 557	9 110 (1 960)
(3 532)	1 923	480	951	373	1 460	631	(2 035)	2 863	7 150
(285) (279) 6 370 -	4 - 314 -	- - 100 -	(1) - 5 -	- (19) 448 -	- - 16 -	- - - -	- - - -	(285) (298) 6 965 4	6 - 339 (14)
2 274	2 241	580	955	802	1 476	631	(2 035)	9 249	7 481
106,7	119,2	36,2	48,4	30,8	55,1	(3,9)	(4,4)	2 226,7 376,4	2 208,5 438,0

Net Operating Profit

for the year ended 31 December

Analysis per line of business

R million	Life Business		General Insurance	
	2020	2019	2020	2019
Southern Africa	4 733	4 981	804	1 162
South Africa	4 303	4 517	519	998
Other	430	464	285	164
North and West Africa	130	112	610	586
East Africa	37	59	9	18
Other International	114	149	497	585
Emerging Markets	92	74	497	585
Developed Markets	22	75	-	-
Total	5 014	5 301	1 920	2 351

[Ⓣ] Comparatives have been adjusted for the reallocation of lines of business.

	Investment Management ⁽¹⁾		Credit & Structuring ⁽¹⁾		Administration, Health Management & Other ⁽¹⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	535	498	305	681	(98)	35	6 279	7 357
	495	463	118	439	228	177	5 663	6 594
	40	35	187	242	(326)	(142)	616	763
	-	-	(21)	(26)	(128)	(107)	591	565
	14	4	-	-	(17)	22	43	103
	152	153	642	753	64	9	1 469	1 649
	(1)	(1)	642	753	64	9	1 294	1 420
	153	154	-	-	-	-	175	229
	701	655	926	1 408	(179)	(41)	8 382	9 674

Notes to the Shareholders' Fund Information

for the year ended 31 December

1. Value of new covered business

R million	Note	Total	
		2020	2019
Value of new covered business (at point of sale)			
Gross value of new covered business		2 507	2 807
Cost of capital		(305)	(262)
Value of new covered business		2 202	2 545
Value of new business attributable to			
Shareholders' fund	3	1 921	2 280
Non-controlling interest		281	265
Value of new covered business		2 202	2 545
Analysis of new business profitability			
<i>Before non-controlling interest</i>			
Present value of new business premiums		80 239	81 540
New business margin		2,74%	3,12%
<i>After non-controlling interest:</i>			
Present value of new business premiums		74 591	76 446
New business margin		2,58%	2,98%
Capitalisation factor - recurring premiums		3,8	4,1

Sanlam Life and Savings

SA Retail Affluent		SA Retail Mass		Sanlam Corporate		Sanlam Emerging Markets		Sanlam Investment Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
1 165 (83)	1 129 (79)	524 (7)	770 (10)	138 (44)	231 (57)	672 (163)	670 (109)	8 (8)	7 (7)
1 082	1 050	517	760	94	174	509	561	-	-
1 032 50	1 005 45	512 5	758 2	94 -	174 -	283 226	343 218	-	-
1 082	1 050	517	760	94	174	509	561	-	-
44 044 2,46%	41 290 2,54%	7 844 6,59%	8 854 8,58%	9 047 1,04%	13 525 1,29%	15 836 3,21%	14 461 3,88%	3 468 -	3 410 -
43 112 2,39%	40 417 2,49%	7 788 6,57%	8 852 8,56%	9 047 1,04%	13 525 1,29%	11 176 2,53%	10 242 3,35%	3 468 -	3 410 -
6,0	5,8	3,2	3,1	6,1	5,5	2,8	3,0	4,3	4,2

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

1. Value of new covered business (continued)

Geographical analysis

R million	Value of new covered business		Present value of new business premiums		New business margin	
	2020	2019	2020	2019	2020	2019
Before non-controlling interest						
Southern Africa	2 073	2 372	67 276	70 233	3,08%	3,38%
South Africa	1 693	1 984	60 935	63 669	2,78%	3,12%
SA Retail Affluent	1 082	1 050	44 044	41 290	2,46%	2,54%
SA Retail Mass	517	760	7 844	8 854	6,59%	8,58%
Sanlam Corporate	94	174	9 047	13 525	1,04%	1,29%
Other Southern Africa	380	388	6 341	6 564	5,99%	5,91%
North and West Africa	16	58	3 464	3 098	0,46%	1,87%
East Africa	26	(8)	1 532	1 185	1,70%	(0,68%)
Other International	87	123	7 967	7 024	1,09%	1,75%
Total	2 202	2 545	80 239	81 540	2,74%	3,12%
After non-controlling interest						
Southern Africa	1 866	2 166	64 221	67 203	2,91%	3,22%
South Africa	1 638	1 937	59 947	62 794	2,73%	3,08%
SA Retail Affluent	1 032	1 005	43 112	40 417	2,39%	2,49%
SA Retail Mass	512	758	7 788	8 852	6,57%	8,56%
Sanlam Corporate	94	174	9 047	13 525	1,04%	1,29%
Other Southern Africa	228	229	4 274	4 409	5,33%	5,19%
North and West Africa	1	45	2 774	2 346	0,04%	1,92%
East Africa	16	(13)	998	832	1,60%	(1,56%)
Other International	38	82	6 598	6 065	0,58%	1,35%
Total	1 921	2 280	74 591	76 446	2,58%	2,98%

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business		Cost of capital		Net value of in-force business		Change from base value (%)	
	2020	2019	2020	2019	2020	2019	2020	2019
Base value	47 887	48 630	(3 675)	(3 451)	44 212	45 179		
Risk discount rate increase by 1%	45 186	45 944	(4 147)	(3 862)	41 039	42 082	(7)	(7)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	48 971	49 876	(3 740)	(3 508)	45 231	46 368	2	3
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	46 650	47 153	(3 624)	(3 428)	43 026	43 725	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	48 577	49 292	(3 276)	(3 052)	45 301	46 240	2	2
Rand exchange rate depreciates by 10%	48 269	49 042	(3 769)	(3 519)	44 500	45 523	1	1
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	49 901	50 525	(3 680)	(3 453)	46 221	47 072	5	4
Discontinuance rates decrease by 10%	49 712	50 349	(3 777)	(3 548)	45 935	46 801	4	4
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	50 237	50 706	(3 673)	(3 446)	46 564	47 260	5	5
Mortality and morbidity decrease by 5% for annuity business	47 600	48 367	(3 683)	(3 454)	43 917	44 913	(1)	(1)
Gross value of in-force business profile								
<i>Year 1 - 5</i>	53%	55%						
<i>Year 1</i>	15%	17%						
<i>Year 2</i>	12%	12%						
<i>Year 3</i>	10%	10%						
<i>Year 4</i>	9%	9%						
<i>Year 5</i>	7%	7%						
<i>Year 6 - 10</i>	25%	24%						
<i>Year 11 - 20</i>	18%	17%						
<i>Year 20+</i>	4%	4%						

Notes to the Shareholders' Fund Information for the year ended 31 December (continued)

3. Value of new covered business sensitivity analysis

R million	Gross value of new business		Cost of capital		Net value of new business		Change from base value (%)	
	2020	2019	2020	2019	2020	2019	2020	2019
Base value	2 168	2 500	(247)	(220)	1 921	2 280		
Risk discount rate increase by 1%	1 918	2 214	(278)	(246)	1 640	1 968	(15)	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	2 312	2 652	(256)	(221)	2 056	2 431	7	7
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	2 351	2 706	(271)	(222)	2 080	2 484	8	9
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	2 403	2 725	(253)	(222)	2 150	2 503	12	10
Discontinuance rates decrease by 10%	2 456	2 820	(269)	(233)	2 187	2 587	14	13
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	2 393	2 760	(253)	(222)	2 140	2 538	11	11
Mortality and morbidity decrease by 5% for annuity business	2 154	2 484	(254)	(224)	1 900	2 260	(1)	(1)

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

%	2020	2019
Sanlam Life⁽¹⁾		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	9,6%	9,3%
Equities	13,1%	12,8%
Offshore investments	12,1%	11,8%
Hedged equity	8,6%	8,3%
Property	10,6%	10,3%
Cash	8,6%	8,3%
Inflation rate ⁽¹⁾	7,6%	7,3%
Risk discount rate	12,1%	11,8%
<i>⁽¹⁾ Expense inflation of 11,6% (2019: 11,3%) assumed for retail business administered on old platforms.</i>		
Sanlam Developing Markets⁽¹⁾		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	6,7%	8,1%
Equities and offshore investments	10,2%	11,6%
Hedged equities	5,7%	7,1%
Property	7,7%	9,1%
Cash	5,7%	7,1%
Inflation rate	4,7%	6,1%
Risk discount rate	9,2%	10,6%
<i>⁽¹⁾ Excludes the Sanlam Life products written on the SDM licence.</i>		
Botswana Life Insurance		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	7,5%	6,5%
Equities and offshore investments	11,0%	10,0%
Hedged equities	n/a	n/a
Property	8,5%	7,5%
Cash	6,5%	5,5%
Inflation rate	4,5%	3,5%
Risk discount rate	11,0%	10,0%
Saham Assurance Maroc		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	2,4%	2,8%
Equities and offshore investments	5,9%	6,3%
Hedged equities	n/a	n/a
Property	3,4%	3,8%
Cash	1,4%	1,8%
Inflation rate	0,0%	0,0%
Risk discount rate	6,4%	6,8%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	0,5%	1,2%
Equities and offshore investments	3,8%	4,4%
Hedged equities	n/a	n/a
Property	3,8%	4,4%
Cash	0,5%	1,2%
Inflation rate	2,9%	3,0%
Risk discount rate	4,3%	4,9%

Notes to the Shareholders' Fund Information for the year ended 31 December (continued)

4. Economic assumptions – covered business (continued)

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 70bps (2019: 25bps and 70bps) for non-participating annuities, between 25bps and 75bps (2019: 25bps and 75bps) for inflation-linked annuities and capped at 120bps (2019: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

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

%	R million		Fixed-interest securities		Equities	
	2020	2019	2020	2019	2020	2019
Required capital						
South Africa ⁽¹⁾	9 447	9 676	-	-	2	3
Namibia	517	510	6	6	36	36
Botswana Life	372	312	-	-	-	-
Saham	986	903	95	95	5	5
Sanlam Life insurance (Kenya)	96	111	85	100	-	-
Other African operations	946	521	74	39	3	4
Shriram Life Insurance (India)	308	277	85	85	10	10
MCIS (Malaysia)	490	402	69	69	18	18
Sanlam Investments and Pensions (UK)	612	541	80	80	-	-
Total required capital	13 774	13 253				
Free Surplus	1 340	1 724				
Adjusted net asset value	15 114	14 977				

⁽¹⁾ The 31 December 2020 asset mix backing the Sanlam Life required capital is 94% hedged (31 December 2019: 100%).

Assumed long-term expected return on required capital

%	Gross return on required capital		Net return on required capital	
	2020	2019	2020	2019
Sanlam Life	8,6%	8,3%	7,2%	6,9%
Sanlam Developing Markets	6,6%	8,0%	5,1%	6,2%
Sanlam Namibia	10,6%	10,3%	9,5%	9,2%
Sanlam Namibia Holdings	8,0%	8,5%	7,0%	7,4%
Botswana Life Insurance	7,5%	6,5%	5,6%	4,9%
Saham Assurance Maroc	2,4%	2,8%	2,4%	2,8%
Sanlam Life insurance (Kenya)	10,8%	10,7%	7,6%	7,5%
Shriram Life Insurance (India)	7,1%	7,8%	6,1%	6,1%
MCIS (Malaysia)	3,4%	4,1%	3,1%	3,8%
Sanlam Investments and Pensions (UK)	0,9%	1,6%	0,8%	1,2%

Hedged Equities		Property		Cash		Total	
2020	2019	2020	2019	2020	2019	2020	2019
93	91	-	-	5	6	100	100
-	-	-	-	58	58	100	100
-	-	50	50	50	50	100	100
-	-	-	-	-	-	100	100
-	-	-	-	15	-	100	100
-	-	3	4	20	53	100	100
-	-	-	-	5	5	100	100
-	-	-	-	13	13	100	100
-	-	-	-	20	20	100	100

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

R million	Total	
	2020	2019
Listed share price	18 688	20 973
Sanlam	17 277	19 675
Sanlam Investment Group: Nucleus	1 411	1 298
Discounted cash flows	45 346	50 003
Sanlam Life and Savings	4 681	4 755
Glacier	2 553	2 501
Sanlam Personal Loans	1 119	1 320
Sanlam Corporate: Health	646	584
Other operations	363	350
Sanlam Emerging Markets	27 700	31 556
Saham	15 827	19 400
Shriram Capital	8 954	9 282
Letshego	937	935
Pacific & Orient	274	330
Capricorn Investment Holdings	825	936
Other operations	883	673
Sanlam Investment Group	12 965	13 692
Sanlam Investments	2 862	5 058
Wealth Management	2 588	2 275
International	6 458	5 085
Sanlam Specialised Finance	1 057	1 274
Net asset value	521	2 385
Sanlam Investment Group	1 536	2 004
Sanlam Investments	87	-
International	1 059	1 614
Sanlam Specialised Finance	390	390
Sanlam Emerging Markets	(1 015)	381
Total	64 555	73 361

5. Value of other Group operations sensitivity analysis (continued)

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value		Risk discount rate +1%		Perpetuity growth rate +1%	
	2020	2019	2020	2019	2020	2019
	Sanlam Life and Savings	4 681	4 755	4 291	4 372	4 855
Glacier	2 553	2 501	2 324	2 275	2 662	2 610
Sanlam Personal Loans	1 119	1 320	1 036	1 234	1 150	1 352
Sanlam Corporate: Health	646	584	594	540	669	604
Other operations	363	350	337	323	374	361
Sanlam Emerging Markets	27 700	31 556	24 218	26 957	30 561	35 613
Saham	15 827	19 400	14 155	16 752	17 005	21 638
Shriram Capital	8 954	9 282	7 575	7 805	10 380	10 773
Letshego	937	935	807	805	1 034	1 033
Pacific & Orient	274	330	240	286	296	361
Capricorn Investment Holdings	825	936	738	817	877	1 026
Other operations	883	673	703	492	969	782
Sanlam Investment Group	12 965	13 692	11 352	11 990	14 019	14 781
Investment Management SA	2 862	5 058	2 566	4 558	3 007	5 304
Wealth Management	2 588	2 275	2 356	2 059	2 709	2 386
International	6 458	5 085	5 454	4 198	7 210	5 772
Sanlam Specialised Finance	1 057	1 274	976	1 175	1 093	1 319
	45 346	50 003	39 861	43 319	49 435	55 321
Weighted average assumption			14,7%	14,6%	2 - 6%	2 - 5%

⁽¹⁾ Includes third party asset management business of R3 379 million (31 December 2019: R5 395 million) based on the following main assumptions:

- Weighted average discount rate: 16,9% (2019: 16,4%)

- Weighted average perpetuity growth rate: 5,0% (2019: 5,0%)

- Fee income (excluding performance fees) compound annual growth rate (10 years): 10,2% (2019: 9,8%)

R million	Equities and properties -10%		Risk discount rate -1%		Rand exchange rate depreciation +10%	
	2020	2019	2020	2019	2020	2019
	Sanlam Life and Savings	4 467	4 757	5 142	5 206	4 681
Glacier	2 339	2 503	2 825	2 770	2 553	2 501
Sanlam Personal Loans	1 119	1 320	1 215	1 420	1 119	1 320
Sanlam Corporate: Health	646	584	708	636	646	584
Other operations	363	350	394	380	363	350
Sanlam Emerging Markets	27 700	31 556	32 755	38 131	30 368	34 618
Saham	15 827	19 400	18 286	23 189	17 410	21 340
Shriram Capital	8 954	9 282	11 009	11 452	9 848	10 209
Letshego	937	935	1 108	1 107	1 031	1 029
Pacific & Orient	274	330	321	392	301	363
Capricorn Investment Holdings	825	936	932	1 092	825	936
Other operations	883	673	1 099	899	953	741
Sanlam Investment Group	11 713	11 775	15 042	15 880	13 640	14 223
Investment Management SA	2 556	3 963	3 219	5 658	2 879	5 071
Wealth Management	2 278	1 930	2 867	2 538	2 601	2 284
International	5 905	4 686	7 803	6 294	7 103	5 594
Sanlam Specialised Finance	974	1 196	1 153	1 390	1 057	1 274
	43 880	48 088	52 939	59 217	48 689	53 596

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

6. Business volumes

6.1 Analysis of new business and total funds received

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	43 517	42 295	-	-	34 330	34 756	77 847	77 051
SA Retail Affluent	34 459	30 666	-	-	30 982	28 308	65 441	58 974
Recurring	1 906	2 203	-	-	15	15	1 921	2 218
Single	32 553	28 463	-	-	30 967	28 293	63 520	56 756
SA Retail Mass	2 558	2 839	-	-	-	-	2 558	2 839
Sanlam Corporate	6 500	8 790	-	-	3 348	6 448	9 848	15 238
Recurring	504	1 045	-	-	108	95	612	1 140
Single	5 996	7 745	-	-	3 240	6 353	9 236	14 098
Sanlam Emerging Markets	9 241	8 343	16 479	15 604	21 178	10 862	46 898	34 809
Southern Africa	4 268	4 365	1 091	1 206	15 481	10 124	20 840	15 695
Recurring	852	927	1 091	1 206	-	-	1 943	2 133
Single	3 416	3 438	-	-	15 481	10 124	18 897	13 562
North and West Africa	2 524	1 901	11 696	10 765	-	-	14 220	12 666
Recurring	1 419	738	11 696	10 765	-	-	13 115	11 503
Single	1 105	1 163	-	-	-	-	1 105	1 163
East Africa	1 126	774	905	850	5 697	738	7 728	2 362
Recurring	338	246	905	850	-	-	1 243	1 096
Single	788	528	-	-	5 697	738	6 485	1 266
Other International	1 323	1 303	2 787	2 783	-	-	4 110	4 086
Recurring	1 005	965	2 787	2 783	-	-	3 792	3 748
Single	318	338	-	-	-	-	318	338
Sanlam Investment Group	3 353	3 289	-	-	158 117	109 947	161 470	113 236
Investment Management SA	-	-	-	-	120 006	88 857	120 006	88 857
Wealth Management	-	-	-	-	10 403	6 890	10 403	6 890
International	3 353	3 289	-	-	27 708	14 200	31 061	17 489
Recurring	35	37	-	-	1	3	36	40
Single	3 318	3 252	-	-	27 707	14 197	31 025	17 449
Santam	-	-	24 660	24 227	-	-	24 660	24 227
Total new business	56 111	53 927	41 139	39 831	213 625	155 565	310 875	249 323

⁽¹⁾ Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.⁽²⁾ Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.

6.1 Analysis of new business and total funds received (continued)

R million	Life business		General insurance		Investment business		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Recurring premiums on existing funds:								
Sanlam Life and Savings	30 285	27 287	-	-	3 982	3 013	34 267	30 300
SA Retail Affluent	15 090	14 616	-	-	139	161	15 229	14 777
SA Retail Mass	7 709	6 116	-	-	-	-	7 709	6 116
Sanlam Corporate	7 486	6 555	-	-	3 843	2 852	11 329	9 407
Sanlam Emerging Markets	8 453	8 615	-	-	2 278	644	10 731	9 259
Southern Africa	3 616	3 199	-	-	-	-	3 616	3 199
North and West Africa	1 382	2 184	-	-	-	-	1 382	2 184
East Africa	659	535	-	-	2 278	644	2 937	1 179
Other International	2 796	2 697	-	-	-	-	2 796	2 697
Sanlam Investment Group	365	340	-	-	41	48	406	388
Investment Management SA	-	-	-	-	-	-	-	-
International	365	340	-	-	41	48	406	388
Total funds received	95 214	90 169	41 139	39 831	219 926	159 270	356 279	289 270

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

6 Business volumes (continued)

6.2 Analysis of payments to clients

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	64 438	58 587	-	-	36 325	33 604	100 763	92 191
SA Retail Affluent	45 858	42 668	-	-	28 167	25 893	74 025	68 561
Surrenders	8 057	6 571	-	-	-	-	8 057	6 571
Other	37 801	36 097	-	-	28 167	25 893	65 968	61 990
SA Retail Mass	5 905	4 552	-	-	-	-	5 905	4 552
Surrenders	586	536	-	-	-	-	586	536
Other	5 319	4 016	-	-	-	-	5 319	4 016
Sanlam Corporate	12 675	11 367	-	-	8 158	7 711	20 833	19 078
Surrenders	2 659	2 178	-	-	1 129	1 279	3 788	3 457
Other	10 016	9 189	-	-	7 029	6 432	17 045	15 621
Sanlam Emerging Markets	11 327	11 007	9 904	9 569	15 206	12 253	36 437	32 829
Southern Africa	5 133	4 691	384	570	11 123	11 743	16 640	17 004
Surrenders	755	788	-	-	-	-	755	788
Other	4 378	3 903	384	570	11 123	11 743	15 885	16 216
North and West Africa	2 109	1 645	7 257	6 930	-	-	9 366	8 575
Surrenders	1 167	1 511	-	-	-	-	1 167	1 511
Other	942	134	7 257	6 930	-	-	8 199	7 064
East Africa	1 051	885	487	445	4 083	510	5 621	1 840
Surrenders	173	37	-	-	-	-	173	37
Other	878	848	487	445	4 083	510	5 448	1 803
Other International	3 034	3 786	1 776	1 624	-	-	4 810	5 410
Surrenders	795	651	-	-	-	-	795	651
Other	2 239	3 135	1 776	1 624	-	-	4 015	4 759
Sanlam Investment Group	4 836	4 586	-	-	135 910	87 817	140 746	92 403
Investment Management SA	-	-	-	-	109 647	68 778	109 647	68 778
Wealth Management	-	-	-	-	7 648	6 327	7 648	6 327
International	4 836	4 586	-	-	18 615	12 712	23 451	17 298
Santam	-	-	16 770	15 081	-	-	16 770	15 081
Total payments to clients	80 601	74 180	26 674	24 650	187 441	133 674	294 716	232 504

⁽¹⁾ Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

⁽²⁾ Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.

6.3 Analysis of net inflow/(outflow) of funds

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Sanlam Life and Savings	9 364	10 995	-	-	1 987	4 165	11 351
SA Retail Affluent	3 691	2 614	-	-	2 954	2 576	6 645	5 190
SA Retail Mass	4 362	4 403	-	-	-	-	4 362	4 403
Sanlam Corporate	1 311	3 978	-	-	(967)	1 589	344	5 567
Sanlam Emerging Markets	6 367	5 951	6 575	6 035	8 250	(747)	21 192	11 239
Southern Africa	2 751	2 873	707	636	4 358	(1 619)	7 816	1 890
North and West Africa	1 797	2 440	4 439	3 835	-	-	6 236	6 275
East Africa	734	424	418	405	3 892	872	5 044	1 701
Other International	1 085	214	1 011	1 159	-	-	2 096	1 373
Sanlam Investment Group	(1 118)	(957)	-	-	22 248	22 178	21 130	21 221
Investment Management SA	-	-	-	-	10 359	20 079	10 359	20 079
Wealth Management	-	-	-	-	2 755	563	2 755	563
International	(1 118)	(957)	-	-	9 134	1 536	8 016	579
Santam	-	-	7 890	9 146	-	-	7 890	9 146
Total funds received	14 613	15 989	14 465	15 181	32 485	25 596	61 563	56 766

7. Cluster information

7.1 Sanlam Life and Savings

Analysis of earnings

R million	Life business		Non-life operations		Total	
	2020	2019	2020	2019	2020	2019
Net result from financial services	4 287	4 344	313	511	4 600	4 855
SA Retail Affluent	2 742	2 844	189	438	2 931	3 282
Recurring premium business	1 712	1 794	7	9	1 719	1 803
Glacier	970	963	152	176	1 122	1 139
SBD and Other	60	87	30	253	90	340
SA Retail Mass	703	983	-	-	703	983
Sanlam Corporate	488	517	124	73	612	590
Pandemic reserve release	354	-	-	-	354	-
Net investment return	219	375	79	87	298	462
Net other earnings	(122)	(38)	(42)	(58)	(164)	(96)
Normalised attributable earnings	4 384	4 681	350	540	4 734	5 221

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.1 Sanlam Life and Savings (continued)

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2020	2019	2020	2019	2020	2019	2020	2019
Operational earnings	4 982	8 058	328	3 800	(43)	(16)	4 697	4 274
Value of new life insurance business	1 638	1 937	3 986	4 410	(125)	(143)	(2 223)	(2 330)
Unwinding of discount rate	4 828	4 533	4 731	4 417	97	116	-	-
Expected profit	-	-	(6 591)	(5 943)	-	-	6 591	5 943
Operating experience variances	322	1 212	231	502	(7)	(47)	98	757
Risk experience	(203)	420	(64)	116	7	2	(146)	302
Persistency	140	44	289	315	7	(49)	(156)	(222)
Maintenance expenses	110	91	-	(2)	-	-	110	93
Working capital management	391	470	-	-	-	-	391	470
Credit spread	103	117	-	(1)	-	-	103	118
Other	(219)	70	6	74	(21)	-	(204)	(4)
Operating assumption changes	(1 806)	376	(2 029)	414	(8)	58	231	(96)
Risk experience	306	154	(292)	26	(5)	2	603	126
Persistency ⁽¹⁾	(1 764)	(30)	(1 458)	306	(1)	(11)	(305)	(325)
Maintenance expenses	(148)	400	(136)	353	(3)	-	(9)	47
Modelling changes and other	(200)	(148)	(143)	(271)	1	67	(58)	56
Net investment return	219	375	-	-	-	-	219	375
Expected return on adjusted net asset value	490	530	-	-	-	-	490	530
Investment variances on adjusted net asset value	(271)	(155)	-	-	-	-	(271)	(155)
Valuation and economic basis	(1 160)	659	(801)	666	51	(77)	(410)	70
Investment variances on in-force business	(1 509)	260	(1 165)	195	23	(5)	(367)	70
Economic assumption changes	349	399	364	471	28	(72)	(43)	-
Investment yields	349	242	364	244	28	10	(43)	(12)
Long-term asset mix assumptions and other	-	157	-	227	-	(82)	-	12
Goodwill and VOBA from business combinations	(9)	(17)	(9)	(17)	-	-	-	-
GEV earnings: covered business	4 032	9 075	(482)	4 449	8	(93)	4 506	4 719
Acquired value of in-force	16	138	15	32	-	(1)	1	107
Transfers from/(to) other Group operations	-	(231)	-	-	-	123	-	(354)
Transfers from covered business	(4 757)	(4 962)	-	-	-	-	(4 757)	(4 962)
Embedded value of covered business at the beginning of the period	48 306	44 286	42 943	38 462	(1 865)	(1 894)	7 228	7 718
Embedded value of covered business at the end of the period	47 597	48 306	42 476	42 943	(1 857)	(1 865)	6 978	7 228

⁽¹⁾ Includes a persistency assumption basis change to allow for the possible impact of COVID-19 on policyholder behaviour. For those products where policyholders can lapse or surrender, the impact of increased lapse and surrender experience over the next two to three years is allowed for by assuming an immediate loss of 5% of the business.

7. Cluster information (continued)

7.1 Sanlam Life and Savings (continued)

Assets under management

R million	SA Retail Affluent									
	SA Retail Mass		Recurring premium business		Glacier		Sanlam Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Life business	5 329	5 267	154 613	158 816	215 877	201 775	111 563	106 236	487 382	472 094
Investment operations	-	-	1 728	1 827	158 977	147 316	-	-	160 705	149 143
Total assets under management	5 329	5 267	156 341	160 643	374 854	349 091	111 563	106 236	648 087	621 237

Credit business

R million	Gross size of loan book		Interest margin		Bad debt ratio		Administration cost as % of net interest	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Personal Loans	5 605	5 633	15,9%	16,5%	12,4%	5,6%	27,6%	29,9%

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets

Analysis of net result from financial services

R million	Life Business		General Insurance	
	2020	2019	2020	2019
Southern Africa	807	815	347	213
North and West Africa	180	224	1 102	1 436
East Africa	101	138	11	30
Other International	173	139	776	989
Corporate costs	-	-	-	-
Gross result from financial services	1 261	1 316	2 236	2 668
Tax on result from financial services	(260)	(293)	(474)	(873)
Non-controlling interests	(312)	(314)	(528)	(661)
Net result from financial services	689	709	1 234	1 134
<i>Southern Africa</i>	430	464	257	125
<i>North and West Africa</i>	130	112	583	546
<i>East Africa</i>	37	59	7	16
<i>Other International</i>	92	74	387	447
<i>Corporate costs</i>	-	-	-	-
Saham ⁽¹⁾	(81)	73	808	905
Other	770	636	426	229
Net result from financial services	689	709	1 234	1 134

⁽¹⁾ Earnings exclude cost allocation.

Analysis of General insurance and reinsurance gross result from financial services

R million	Gross written premiums		Net earned premiums ⁽¹⁾	
	2020	2019	2020	2019
Southern Africa	3 485	3 499	1 691	1 766
North and West Africa	14 953	12 914	11 058	10 220
East Africa	1 573	1 445	896	834
Other International	3 181	3 424	2 785	2 779
Total General insurance and reinsurance	23 192	21 282	16 430	15 599
Saham	17 853	16 312	12 577	12 248
Other	5 339	4 970	3 853	3 351
Total General insurance and reinsurance	23 192	21 282	16 430	15 599

⁽¹⁾ Net earned premiums consists of General insurance, Reinsurance and Health business before consolidation.

Investment Management		Credit and Structuring		Corporate and other		Total	
2020	2019	2020	2019	2020	2019	2020	2019
121	97	457	596	127	55	1 859	1 776
-	-	(10)	(20)	(170)	(125)	1 102	1 515
39	27	-	-	(29)	23	122	218
(1)	(1)	876	1 061	141	35	1 965	2 223
-	-	-	-	(379)	(184)	(379)	(184)
159	123	1 323	1 637	(310)	(196)	4 669	5 548
(49)	(41)	(414)	(559)	(57)	(22)	(1 254)	(1 788)
(57)	(44)	(101)	(109)	(40)	-	(1 038)	(1 128)
53	38	808	969	(407)	(218)	2 377	2 632
40	35	187	242	-	10	914	876
-	-	(21)	(26)	(128)	(107)	564	525
14	4	-	-	(17)	22	41	101
(1)	(1)	642	753	64	9	1 184	1 282
-	-	-	-	(326)	(152)	(326)	(152)
-	-	-	-	(333)	(248)	394	730
53	38	808	969	(74)	30	1 983	1 902
53	38	808	969	(407)	(218)	2 377	2 632

Claims ratio (%)		Underwriting margin (%)		Investment return on insurance funds (%)		Net insurance result (%)	
2020	2019	2020	2019	2020	2019	2020	2019
49,8	51,9	13,2	11,8	3,6	3,1	16,8	14,9
61,7	65,0	6,0	0,8	2,7	12,7	8,7	13,5
54,5	53,0	(5,4)	(1,4)	4,8	5,3	(0,6)	3,9
63,9	58,8	7,4	13,4	21,7	23,2	29,1	36,6
60,3	61,6	6,3	4,0	6,1	13,2	12,4	17,2
60,2	63,3	7,3	2,0	3,0	11,9	10,3	13,9
60,8	55,5	3,6	11,7	16,5	17,7	20,1	29,4
60,3	61,6	6,3	4,0	6,1	13,2	12,4	17,2

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of insurance funds

R million	R million	
	2020	2019
Southern Africa	328	673
North and West Africa	12 025	12 518
East Africa	601	424
Other International	1 583	1 951
Total insurance funds	14 537	15 566
Saham	12 061	13 686
Other subsidiaries	843	309
Total Subsidiaries	12 904	13 995
Associated companies ⁽¹⁾	1 633	1 571
Total insurance funds	14 537	15 566

⁽¹⁾ Sanlam's effective share.*Analysis of net investment return*

R million	Life business		General Insurance	
	2020	2019	2020	2019
Southern Africa	96	137	(43)	(59)
North and West Africa	47	50	(224)	257
East Africa	49	42	66	32
Other International	(559)	(3)	415	132
Corporate	-	-	-	-
Gross investment return	(367)	226	214	362
Tax on investment return	(45)	(70)	(16)	(178)
Non-controlling interests	23	(32)	(23)	(125)
Net investment return	(389)	124	175	59
Saham	(565)	20	(207)	58
Other	176	104	382	1
Net investment return	(389)	124	175	59

Asset allocation (%)

Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
2020	2019	2020	2019	2020	2019	2020	2019
36	50	7	2	22	14	35	34
43	44	41	45	15	11	1	-
13	-	15	5	48	55	24	40
14	15	-	-	84	56	2	29
39	39	35	37	24	18	2	6
45	44	41	41	14	11	-	4
9	-	11	-	58	45	22	55
42	42	39	41	17	12	2	5
10	9	-	-	81	74	9	17
39	39	35	37	24	18	2	6

Investment Management		Credit and Banking		Corporate and other		Total	
2020	2019	2020	2019	2020	2019	2020	2019
10	(2)	(3)	(2)	(36)	70	24	144
-	2	-	-	30	(67)	(147)	242
1	(1)	-	-	(150)	(18)	(34)	55
-	-	(36)	(7)	12	65	(168)	187
-	-	-	-	78	(12)	78	(12)
11	(1)	(39)	(9)	(66)	38	(247)	616
(3)	(7)	(1)	1	(76)	(72)	(141)	(326)
(3)	9	-	-	(39)	21	(42)	(127)
5	1	(40)	(8)	(181)	(13)	(430)	163
-	-	-	-	(158)	(60)	(930)	18
5	1	(40)	(8)	(23)	47	500	145
5	1	(40)	(8)	(181)	(13)	(430)	163

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of capital portfolio

R million	R million	
	2020	2019
Southern Africa	1 955	2 462
North and West Africa	14 491	13 645
East Africa	1 797	1 793
Other International	2 749	3 600
Total capital portfolio⁽¹⁾	20 992	21 500
Saham	13 926	15 703
Other subsidiaries	4 771	3 294
Total subsidiaries	18 697	18 997
Associated companies ⁽²⁾	2 295	2 503
Total capital portfolio⁽¹⁾	20 992	21 500

⁽¹⁾ Includes float assets.⁽²⁾ Sanlam's effective share.⁽³⁾ LIA has been reallocated from North and West Africa to Other International.*Assets under management*

R million	Southern Africa	
	2020	2019
Life business	33 335	32 115
Investment operations	44 486	40 621
Total assets under management	77 821	72 736

Credit and structuring

R million	Size of loan books (Sanlam share)	
	2020	2019
Shriram Transport Finance Company	22 301	20 811
Shriram City Union Finance	4 860	5 158
Capricorn Investment Holdings	9 931	9 219
Letshego	2 432	2 201

Asset allocation (%)

Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
2020	2019 ⁽³⁾	2020	2019 ⁽³⁾	2020	2019 ⁽³⁾	2020	2019 ⁽³⁾
22	39	8	4	36	32	34	25
41	44	36	44	22	12	1	-
8	10	35	42	34	33	23	15
23	19	-	-	74	54	3	27
34	36	28	32	31	23	7	9
46	45	37	38	16	12	1	5
4	5	14	24	60	49	22	22
35	38	31	36	27	18	7	8
28	28	3	-	57	59	12	13
34	36	28	32	31	23	7	9

North and West Africa		East Africa		Other International		Total	
2020	2019	2020	2019	2020	2019	2020	2019
20 716	13 157	3 738	3 590	16 726	16 326	74 515	65 188
-	-	43 530	40 855	-	-	88 016	81 476
20 716	13 157	47 268	44 445	16 726	16 326	162 531	146 664

Net interest margin (%)		Bad debt ratio (%)		Administration cost as % of net interest margin	
2020	2019	2020	2019	2020	2019
6,9	7,3	2,9	2,2	23,8	22,7
13,1	12,3	3,7	2,3	38,6	40,6
4,7	2,9	0,9	0,1	95,9	95,1
17,6	21,1	0,3	1,7	59,7	52,7

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of change in GEV – covered business

R million	Total	
	2020	2019
Operational earnings	554	485
Value of new life insurance business	283	343
Unwinding of discount rate	669	680
Expected profit	-	-
Operating experience variances	125	8
Risk experience	73	18
Persistency	13	(66)
Maintenance expenses	(34)	2
Working capital management	66	57
Credit spread	12	5
Other	(5)	(8)
Operating assumption changes	(523)	(546)
Risk experience	102	45
Persistency	(97)	(74)
Maintenance expenses	(155)	(105)
Modelling changes and other	(373)	(412)
Net investment return	(164)	(180)
Expected return on adjusted net asset value	343	317
Investment variances on adjusted net asset value	(507)	(497)
Valuation and economic basis	(258)	(388)
Investment variances on in-force business	(107)	33
Economic assumption changes	(287)	(106)
Investment yields	(308)	(118)
Long-term asset mix assumptions and other	21	12
Foreign currency translation differences	136	(315)
Change in tax basis	41	-
Goodwill and VOBA from business combinations	(601)	-
Net project expenses	(18)	-
GEV earnings: covered business	(446)	(83)
Acquired value of in-force	891	(10)
Transfers from/(to) other Group operations	(146)	-
Transfers from covered business	(455)	(264)
Embedded value of covered business at the beginning of the period	8 794	9 151
Embedded value of covered business at the end of the period	8 638	8 794

Value of in-force		Cost of capital		Net asset value	
2020	2019	2020	2019	2020	2019
(163)	(204)	(63)	(62)	780	751
794	840	(114)	(71)	(397)	(426)
582	621	87	59	-	-
(1 110)	(1 043)	-	-	1 110	1 043
101	14	(31)	(28)	55	22
20	16	2	(3)	51	5
63	12	(33)	(20)	(17)	(58)
15	(4)	-	(4)	(49)	10
-	-	-	-	66	57
-	-	-	-	12	5
3	(10)	-	(1)	(8)	3
(530)	(636)	(5)	(22)	12	112
81	3	5	5	16	37
(63)	(55)	(9)	(16)	(25)	(3)
(94)	(110)	-	-	(61)	5
(454)	(474)	(1)	(11)	82	73
-	-	-	-	(164)	(180)
-	-	-	-	343	317
-	-	-	-	(507)	(497)
(98)	(399)	(69)	53	(91)	(42)
(11)	43	-	6	(96)	(16)
(220)	(96)	(72)	16	5	(26)
(227)	(97)	(87)	5	6	(26)
7	1	15	11	(1)	-
133	(346)	3	31	-	-
41	-	-	-	-	-
(601)	-	-	-	-	-
-	-	-	-	(18)	-
(821)	(603)	(132)	(9)	507	529
709	(27)	(89)	(1)	271	18
(146)	-	-	-	-	-
-	-	-	-	(455)	(264)
4 871	5 501	(617)	(607)	4 540	4 257
4 613	4 871	(838)	(617)	4 863	4 540

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of Saham (100%)

R million	Life business		General insurance ⁽¹⁾		Consolidation and other ⁽²⁾		Saham Total	
	2020	2019	2020	2019	2020	2019	2020 ⁽³⁾	2019
Financial services income	962	1 229	13 458	14 085	543	283	14 963	15 597
Long-term insurance contracts	884	1 139	-	-	-	-	884	1 139
General insurance contracts	-	-	12 577	12 248	-	-	12 577	12 248
Investment return on insurance funds	50	70	376	1 454	-	-	426	1 524
Other	28	20	505	383	543	283	1 076	686
Sales remuneration	(260)	(212)	(1 605)	(1 617)	-	-	(1 865)	(1 829)
Underwriting policy benefits	(259)	(376)	(7 579)	(7 757)	-	-	(7 838)	(8 133)
Administration costs	(440)	(468)	(3 035)	(2 947)	(609)	(460)	(4 084)	(3 875)
Gross result from Financial services	3	173	1 239	1 764	(66)	(177)	1 176	1 760
Tax	(30)	(61)	(284)	(504)	39	17	(275)	(548)
Profit after tax	(27)	112	955	1 260	(27)	(160)	901	1 212
Non-controlling interest	(21)	(38)	(250)	(354)	(18)	(6)	(289)	(398)
Net result from financial services	(48)	74	705	906	(45)	(166)	612	814
Project expenses	(2)	-	-	-	-	-	(2)	-
Net investment return on shareholders' funds	(201)	(101)	(755)	(108)	(148)	(2)	(1 104)	(211)
Amortisation of intangibles	-	(5)	(39)	(24)	(15)	(10)	(54)	(39)
Impairments	(40)	-	(318)	-	-	-	(358)	-
Foreign currency translation differences	-	-	17	(76)	70	(40)	87	(116)
Net other earnings	(2)	-	26	-	-	-	24	-
Fund transfers	(325)	-	1 616	-	-	-	1 291	-
Attributable (Losses)/Earnings	(618)	(32)	1 252	698	(138)	(218)	496	448

⁽¹⁾ General insurance includes the following lines of business namely, general insurance, health, property, reinsurance and Elite broker company.

⁽²⁾ Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure and Netis Group.

⁽³⁾ Impairments and VOBA amortisation are excluded and are shown at a consolidated level.

Statement of financial position at 31 December – SAN JV/Saham consolidated

R million	2020	2019
Assets	57 417	59 209
Equipment	384	525
Right-of-use assets	77	74
Owner-occupied properties	1 646	830
Goodwill	10 727	14 106
Value of business acquired	4 114	5 439
Other intangible assets	449	542
Deferred acquisition costs	329	265
Investments	18 949	19 511
Investment properties	5 190	6 023
Equity-accounted investments	11	7
Equities and similar securities	6 361	7 017
Interest bearing investments	2 231	1 748
Investment funds	5 011	4 143
Cash, deposits and similar securities	145	573
Deferred tax	1 141	669
General insurance technical assets	3 554	2 281
Working capital assets	16 047	14 967
Trade and Other receivables	10 419	9 584
Cash, deposits and similar securities	4 873	4 596
Taxation	755	787
Liabilities	32 507	29 218
Term finance	673	534
Lease liabilities	74	76
Deferred tax	2 929	3 220
General insurance technical provisions	19 139	16 843
Working capital liabilities	9 692	8 545
Trade and other payables	8 739	7 410
Provisions	170	152
Tax	783	983
Net asset value	24 910	29 991
Non-controlling interest	4 768	4 848
Shareholders' fund	20 142	25 143

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.3 Sanlam Investment Group

Analysis of net result from financial services

R million	Sanlam Investments		Wealth Management	
	2020	2019	2020	2019
Financial services income ⁽¹⁾	2 053	2 017	921	862
Sales remuneration	-	-	-	-
Income after sales remuneration	2 053	2 017	921	862
Administration cost ⁽¹⁾	(1 605)	(1 585)	(721)	(679)
Results from financial services before performance fees	448	432	200	183
Net performance fees ⁽¹⁾	104	104	14	3
Results from financial services	552	536	214	186
Tax on result from financial services	(147)	(145)	(57)	(56)
Non-controlling interest	(34)	(37)	-	-
Net result from financial services	371	354	157	130
Covered	-	-	-	-
Non covered	371	354	157	130
Net investment return	(71)	(30)	1	(5)
Covered	-	-	-	-
Non covered	(71)	(30)	1	(5)
Project expenses	(14)	(37)	-	-
Net operational earnings	286	287	158	125
Amortisation of intangible assets	(19)	(19)	(19)	(20)
Profit on disposal of associates	-	-	-	-
Other	(41)	-	-	-
Normalised attributable earnings	226	268	139	105

⁽¹⁾ Financial services income and administration costs on page 253 includes performance fees and the related administration costs.

International		Sanfin		Corporate Services		Consolidation		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
3 222 (751)	2 701 (547)	773 -	1 090 -	- -	3 -	(45) -	(46) -	6 924 (751)	6 627 (547)
2 471 (2 179)	2 154 (1 791)	773 (534)	1 090 (585)	- (40)	3 (31)	(45) 45	(46) 46	6 173 (5 034)	6 080 (4 625)
292 (10)	363 (8)	239 2	505 5	(40) -	(28) -	- -	- -	1 139 110	1 455 104
282 (75) (32)	355 (66) (60)	241 (106) -	510 (132) -	(40) 7 -	(28) 7 -	- - -	- - -	1 249 (378) (66)	1 559 (392) (97)
175	229	135	378	(33)	(21)	-	-	805	1 070
22 153	75 154	16 119	173 205	- (33)	- (21)	- -	- -	38 767	248 822
66	39	86	123	11	8	-	-	93	135
(16) 82	5 34	87 (1)	126 (3)	- 11	- 8	- -	- -	71 22	131 4
(14)	(2)	-	-	(13)	-	-	-	(41)	(39)
227 (210) - (52) (35)	266 (172) 1 (5) 90	221 - - - 221	501 - - - 501	(35) (6) - (7) (48)	(13) - - - (13)	- - - - -	- - - - -	857 (254) - (100) 503	1 166 (211) 1 (5) 951

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.3 Sanlam Investment Group (continued)

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2020	2019	2020	2019	2020	2019	2020	2019
Operational earnings	(108)	148	(46)	(23)	(55)	(60)	(7)	231
Value of new life insurance business	-	-	55	52	(8)	(6)	(47)	(46)
Unwinding of discount rate	79	72	47	42	32	30	-	-
Expected profit	-	-	(130)	(113)	-	-	130	113
Operating experience variances	(80)	141	15	(10)	(21)	(19)	(74)	170
Risk experience	5	16	(3)	(1)	-	-	8	17
Persistency	4	-	6	1	(2)	(1)	-	-
Maintenance expenses	(9)	(10)	-	-	-	-	(9)	(10)
Credit spread	14	172	-	-	-	-	14	172
Other	(94)	(37)	12	(10)	(19)	(18)	(87)	(9)
Operating assumption changes	(107)	(65)	(33)	6	(58)	(65)	(16)	(6)
Risk experience	30	9	(7)	(2)	1	-	36	11
Persistency	5	6	7	9	(2)	(3)	-	-
Maintenance expenses	(50)	(40)	(37)	(33)	-	-	(13)	(7)
Modelling changes and other	(92)	(40)	4	32	(57)	(62)	(39)	(10)
Net investment return	129	135	-	-	-	-	129	135
Expected return on adjusted net asset value	173	178	-	-	-	-	173	178
Investment variances on adjusted net asset value	(44)	(43)	-	-	-	-	(44)	(43)
Valuation and economic basis	139	76	49	58	45	1	45	17
Investment variances on in-force business	17	44	(26)	44	-	-	43	-
Economic assumption changes	63	25	4	5	57	3	2	17
Investment yields	63	40	4	5	57	34	2	1
Long-term asset mix assumptions and other	-	(15)	-	-	-	(31)	-	16
Foreign currency translation differences	59	7	71	9	(12)	(2)	-	-
Change in tax basis	(22)	-	(21)	-	(1)	-	-	-
GEV earnings: covered business	138	359	(18)	35	(11)	(59)	167	383
Transfers from/(to) other covered business Group operations	-	231	-	-	-	(123)	-	354
Transfers from covered business	(103)	(331)	-	-	-	-	(103)	(331)
Embedded value of covered business at the beginning of the period	3 056	2 797	816	781	(969)	(787)	3 209	2 803
Embedded value of covered business at the end of the period	3 091	3 056	798	816	(980)	(969)	3 273	3 209

Assets under management

R million	Assets under management		Fee income (%)		Administration cost (%)	
	2020	2019	2020	2019	2020	2019
Sanlam Investments ⁽¹⁾	648 805	663 705	0,30	0,31	0,22	0,22
Wealth Management	90 446	80 738	1,08	1,12	0,82	0,88
International	211 166	152 717	1,19	1,30	1,03	1,10
Intra-cluster eliminations	(33 858)	(39 314)				
Asset management operations	916 559	857 846				
Covered business	104 879	85 746				
Sanlam UK	57 732	51 668				
Central Credit Manager	47 147	34 078				
Assets under management	1 021 438	943 592				

⁽¹⁾ Includes Sanlam assets of R179 billion (2019: R215,4 billion).

Mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
2020						
Sanlam Investments	127 513	273 173	112 274	26 633	109 212	648 805
Wealth Management	-	45 101	42 280	-	3 065	90 446
International	-	-	211 166	-	-	211 166
Intra-cluster consolidation						(33 858)
Assets under management - Asset management	127 513	318 274	365 720	26 633	112 277	916 559
2019						
Sanlam Investments	111 329	311 003	93 332	37 692	110 349	663 705
Wealth Management	-	46 163	32 666	-	1 909	80 738
International	-	-	152 717	-	-	152 717
Intra-cluster consolidation						(39 314)
Assets under management - Asset management	111 329	357 166	278 715	37 692	112 258	857 846

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.4 Santam

R million	2020		2019	
Business volumes				
Gross written premiums	38 273		35 852	
Net earned premiums	24 660		24 227	
Net fund flows	7 890		9 146	
<i>Insurance activities</i>				
R million	Gross written premiums		Underwriting result	
	2020	2019	2020	2019
Conventional insurance	31 098	29 725	699	1 820
Motor	13 430	13 340	2 141	1 201
Property	11 798	10 974	(2 375)	212
Engineering	1 651	1 601	439	312
Liability	1 362	1 310	153	159
Transportation	799	762	125	50
Accident and health	641	585	96	24
Guarantee	117	246	(14)	(58)
Crop	1 262	886	151	(86)
Other	38	21	(17)	6
Alternative risk (ART)	7 175	6 127	2	62
Total	38 273	35 852	701	1 882
Ratios				
			2020	2019
Administration cost ratio ⁽¹⁾			16,2%	17,7%
Claims ratio ⁽¹⁾			68,2%	62,1%
Underwriting margin ⁽¹⁾			2,9%	7,7%
Investment return on insurance funds margin ⁽¹⁾			2,1%	2,4%
R million				
			2020	2019
Conventional Insurance				
Net earned premiums			24 320	23 673
Net claims incurred			(16 593)	(14 711)
Net commission			(3 083)	(2 950)
Management expenses (excluding BEE costs)			(3 945)	(4 192)
Underwriting result: Conventional insurance			699	1 820
Investment return on insurance funds			501	579
Net insurance result			1 200	2 399
Net Other Income			166	173
Alternative Risk ⁽²⁾			165	171
Other			1	2
Strategic participations			350	483
Saham ⁽³⁾			97	162
SEM target shares			253	321
Santam BEE cost			(2)	(3)
Gross result from financial services			1 714	3 052
Tax and Non-controlling interest			(1 028)	(1 835)
Net result from financial services			686	1 217

⁽¹⁾ Ratios are calculated as a percentage of net earned premiums for the conventional business.⁽²⁾ Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.⁽³⁾ Includes SEM cluster cost allocation of R7 million (2019: R14 million).

7. Cluster information (continued)

7.5 Group Office

Analysis of earnings

R million	Group Office & Other		Consolidation ⁽¹⁾		Total	
	2020	2019	2020	2019	2020	2019
Financial services income	206	162	(381)	(532)	(175)	(370)
Sales remuneration	-	-	-	-	-	-
Income after sales remuneration	206	162	(381)	(532)	(175)	(370)
Administration cost	(327)	(302)	-	-	(327)	(302)
Results from financial services	(121)	(140)	(381)	(532)	(502)	(672)
Tax on result from financial services	35	40	102	174	137	214
Non-controlling interest	-	-	279	358	279	358
Net result from financial services	(86)	(100)	-	-	(86)	(100)
Net investment income	186	232	-	-	186	232
Net investment surpluses	31	(10)	-	-	31	(10)
Project expenses	(13)	-	-	-	(13)	-
Net operational earnings	118	122	-	-	118	122
Impairments	(1 673)	-	-	-	(1 673)	-
Net equity participation costs	-	(594)	-	-	-	(594)
Normalised attributable earnings	(1 555)	(472)	-	-	(1 555)	(472)

⁽¹⁾ Includes the consolidation entries relating to SEM target shares and Saham included within the Santam results.

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

8. Investments

8.1 Investment in associated companies

R million	2020	2019
Shriram Capital	7 671	7 381
Shriram Transport Finance Company	1 571	1 497
Shriram General Insurance	1 351	1 150
Shriram Life Insurance	531	501
Pacific & Orient	426	503
Capricorn Investment Holdings	1 000	1 097
Letshego	1 571	1 522
Afrocentric	1 109	1 043
Other associated companies	1 725	1 996
Total investment in associated companies	16 955	16 690

Details of the investments in the material associated companies are reflected in note 8.2.3 on page 84 of the Sanlam Annual Financial Statements.

8.2 Investment in joint ventures

R million	2020	2019
Sanlam Personal Loans	665	811
Other joint ventures	208	201
Total investment in joint ventures	873	1 012

Details of the investments in the material joint ventures are reflected in note 8.2.4 on page 88 of the Sanlam Annual Financial Statements.

8.3 Investments include the following offshore investments

R million	2020	2019
Investment properties	5 897	6 828
Equities	8 612	9 023
Structured transactions	-	9
Interest-bearing investments	7 583	4 626
Investment funds	6 939	5 648
Cash, deposits and similar securities	2 582	2 869
Total offshore investments	31 613	29 003

9. Financial services income

R million	2020	2019
Equity-accounted earnings included in financial services income		
Sanlam Life and Savings	208	406
SA Retail Affluent	6	240
Sanlam Corporate	202	166
Sanlam Emerging Markets	2 710	3 047
Sanlam	350	483
Sanlam Investment Group	143	159
	3 411	4 095
10. Sales remuneration		
Life business	5 639	4 934
Non-life operations	5 626	5 647
	11 265	10 581
11. Administration costs		
Life business	9 559	9 059
Non-life operations	14 905	14 419
	24 464	23 478
Depreciation included in administration costs:		
Sanlam Life and Savings	189	333
SA Retail Affluent	127	232
SA Retail Mass	43	86
Sanlam Corporate	19	15
Sanlam Emerging Markets	257	320
Sanlam	144	257
Sanlam Investment Group	50	107
	640	1 017
12. Investment income		
Equities and similar securities	1 043	915
Interest-bearing, preference shares and similar securities	486	444
Properties	12	37
Rental income	30	49
Rental-related expenses	(18)	(12)
	1 541	1 396
Total investment income	1 541	1 396
Interest expense netted off against investment income	578	974

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

13. Normalised diluted earnings per share

Cents	2020	2019
Normalised diluted earnings per share:		
Net result from financial services	376,4	438,0
Operational earnings	374,9	488,9
(Loss)/profit attributable to shareholders' fund	(31,2)	412,5
R million		
Analysis of operational earnings (refer shareholders' fund income statement on page 216):		
Net result from financial services	8 382	9 674
Operational earnings	8 349	10 798
(Loss)/profit attributable to shareholders' fund	(694)	9 110
Reconciliation of operational earnings:		
Headline earnings per note 20 on page 121 of the Sanlam Annual Financial Statements	9 249	7 481
Add/(Less):	(900)	3 317
<i>Fund transfers</i>	(3 557)	1 960
<i>B-BBEE SPV impairment reversal</i>	1 673	-
<i>Net equity-accounted earnings</i>	(14)	(5)
<i>Net amortisation of value of business acquired and other intangibles</i>	699	766
<i>Expected credit losses</i>	298	-
<i>Equity participation costs</i>	1	596
Operational earnings	8 349	10 798
Adjusted number of shares (million):		
Weighted average number of shares for diluted earnings per share (refer note 23 on page 121 of the Sanlam Annual Financial Statements)	2 087,8	2 090,0
Add: Weighted average Sanlam shares held by policyholders and B-BBEE SPV	138,9	118,5
Adjusted weighted average number of shares for normalised diluted earnings per share	2 226,7	2 208,5

14. Value per share

R million	2020	2019
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R71 468 million (31 December 2019: R76 512 million), divided by 2 226,5 million (31 December 2019: 2 226,2 million) shares.		
Equity value per share is calculated based on the Group Equity Value of R131 812 million (31 December 2019: R143 271 million), divided by 2 226,5 million (31 December 2019: 2 226,2 million) shares.		
Number of shares for value per share		
Number of ordinary shares in issue	2 226,9	2 343,3
Shares held by subsidiaries in shareholders' fund	(26,2)	(139,2)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	25,8	22,1
Adjusted number of shares for value per share	2 226,5	2 226,2

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,1 (2019: 8,8) to the after tax recurring corporate expenses.

16. Shares repurchased and cancelled

Sanlam shareholders granted general authorities to the Group at the 2020 and 2019 annual general meetings to repurchase Sanlam shares in the market.

During 2020, Sanlam Limited repurchased 116,363,639 ordinary shares of 1 cent each held in treasury by its wholly-owned subsidiary, Sanlam Life Insurance Limited at a repurchase price of R56,29 per share (in aggregate R6,550,109,239).

The Repurchase constitutes a transfer to, and subsequent cancellation of the Treasury Shares previously acquired by Sanlam Life pursuant to the General Authorities and is cash neutral for the Sanlam Group.

The Treasury Shares represented 4,97% of the issued share capital of the Company immediately prior to their cancellation. Following the cancellation, the issued share capital of the Company now comprises 2,226,974,408 ordinary shares of 1 cent each.

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

17. Reconciliations

17.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	2020			
	Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
Net income	132 866	87 992	38 768	6 106
Financial services income	104 701	87 161	-	17 540
Reinsurance premiums paid	(18 794)	-	-	(18 794)
Reinsurance commission received	2 929	-	-	2 929
Investment income	31 879	1 541	23 785	6 553
Investment surpluses	11 001	(710)	14 983	(3 272)
Finance cost – margin business	(216)	-	-	(216)
Change in fair value of external investors liability	1 366	-	-	1 366
Net insurance and investment contract benefits and claims	(75 896)	(37 865)	(37 577)	(454)
Long-term insurance contract benefits	(25 596)	(13 547)	(10 931)	(1 118)
Long-term investment contract benefits	(26 646)	-	(26 646)	-
General insurance claims	(37 593)	(24 318)	-	(13 275)
Reinsurance claims received	13 939	-	-	13 939
Expenses	(42 201)	(36 034)	-	(6 167)
Sales remuneration	(14 319)	(11 265)	-	(3 054)
Administration costs	(27 882)	(24 769)	-	(3 113)
Impairments	(9 275)	(8 638)	(158)	(479)
Amortisation of intangibles	(1 323)	(699)	-	(624)
Net operating result	4 171	4 756	1 033	(1 618)
Equity-accounted earnings	2 568	35	-	2 533
Finance cost – other	(835)	-	-	(835)
Net monetary gain (Lebanon hyperinflation)	1 535	-	-	1 535
Profit before tax	7 439	4 791	1 033	1 615
Tax expense	(3 805)	(4 066)	(1 033)	1 294
Shareholders' fund	(2 154)	(4 066)	-	1 912
Policyholders' fund	(1 651)	-	(1 033)	(618)
Profit from continuing operations	3 634	725	-	2 909
Profit for the year	3 634	725	-	2 909
Attributable to:				
Shareholders' fund	2 863	(694)	-	3 557
Non-controlling interest	771	1 419	-	(648)
	3 634	725	-	2 909

⁽¹⁾ Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.

⁽²⁾ IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that are not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

2019

Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
147 796	86 263	58 952	2 581
95 520	84 250	-	11 270
(15 893)	-	-	(15 893)
2 676	-	-	2 676
33 003	1 396	22 595	9 012
43 064	617	36 357	6 090
(242)	-	-	(242)
(10 332)	-	-	(10 332)
(91 526)	(34 075)	(57 458)	7
(30 802)	(11 304)	(17 952)	(1 546)
(39 506)	-	(39 506)	-
(29 646)	(22 771)	-	(6 875)
8 428	-	-	8 428
(41 051)	(34 785)	-	(6 266)
(13 246)	(10 581)	-	(2 665)
(27 805)	(24 204)	-	(3 601)
(742)	(339)	-	(403)
(1 405)	(766)	-	(639)
13 072	16 298	1 494	(4 720)
2 989	27	-	2 962
(1 500)	-	-	(1 500)
-	-	-	-
14 561	16 325	1 494	(3 258)
(5 756)	(5 183)	(1 494)	921
(4 017)	(5 183)	-	1 166
(1 739)	-	(1 494)	(245)
8 805	11 142	-	(2 337)
8 805	11 142	-	(2 337)
7 150	9 110	-	(1 960)
1 655	2 032	-	(377)
8 805	11 142	-	(2 337)

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

17. Reconciliations (continued)

17.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

2020

R million	Total	Shareholder activities	Policyholder activities ⁽¹⁾	Consolidation reserve
Assets				
Equipment	1 652	1 487	165	-
Rights-of-use assets	1 614	1 560	54	-
Owner-occupied properties	2 692	2 624	68	-
Goodwill	16 703	16 703	-	-
Other intangible assets	788	788	-	-
Value of business acquired	6 129	6 129	-	-
Deferred acquisition costs	3 374	2 785	589	-
Long-term reinsurance assets	2 258	-	2 258	-
Investments	814 074	88 425	733 222	(7 573)
Properties	20 302	5 869	14 433	-
Associated companies	16 955	16 955	-	-
Joint ventures	1 818	873	945	-
Equities and similar securities	186 990	12 819	181 744	(7 573)
Interest-bearing investments	261 434	28 014	233 420	-
Structured transactions	29 566	535	29 031	-
Investment funds	252 026	20 619	231 407	-
Cash, deposits and similar securities	44 983	2 741	42 242	-
Deferred tax	2 843	2 019	7	817
Assets of disposal groups classified as held for sale	2 218	2 196	22	-
General insurance technical assets	13 847	13 847	-	-
Working capital assets	75 604	61 210	14 394	-
Trade and other receivables	44 568	33 953	10 615	-
Taxation	942	912	30	-
Cash, deposits and similar securities	30 094	26 345	3 749	-
Total assets	943 796	199 773	750 779	(6 756)
Equity and liabilities				
Shareholders' fund	64 712	71 468	-	(6 756)
Non-controlling interest	12 512	12 500	12	-
Long-term policy liabilities	625 527	-	625 527	-
Insurance contracts	190 943	-	190 943	-
Investment contracts	434 584	-	434 584	-
Term finance	13 837	10 143	3 694	-
Lease liabilities	1 878	1 822	56	-
External investors in consolidated funds	83 714	-	83 714	-
Cell owners' interest	4 226	4 226	-	-
Deferred tax	5 810	4 139	1 671	-
Liabilities of disposal groups classified as held for sale	454	454	-	-
Structured transactions liabilities	22 970	320	22 650	-
General insurance technical provisions	49 752	49 752	-	-
Working capital liabilities	58 404	44 949	13 455	-
Trade and other payables	55 356	42 864	12 492	-
Provisions	506	476	30	-
Taxation	2 542	1 609	933	-
Total equity and liabilities	943 796	199 773	750 779	(6 756)

⁽¹⁾ Includes the impact of IFRS adjustments.

2019

Total	Shareholder activities	Policyholder activities ⁽¹⁾	Consolidation reserve
1 655	1 533	122	-
1 912	1 852	60	-
1 794	1 683	111	-
18 974	18 974	-	-
926	926	-	-
8 768	8 768	-	-
3 505	2 865	640	-
2 042	-	2 042	-
770 995	83 686	697 145	(9 836)
21 565	6 815	14 750	-
16 690	16 690	-	-
1 992	1 012	980	-
201 501	14 775	196 562	(9 836)
234 509	19 640	214 869	-
23 090	728	22 362	-
222 141	20 442	201 699	-
49 507	3 584	45 923	-
1 872	1 231	-	641
159	127	32	-
10 166	10 166	-	-
77 461	58 026	19 435	-
46 180	32 033	14 147	-
912	867	45	-
30 369	25 126	5 243	-
900 229	189 837	719 587	(9 195)
67 317	76 512	-	(9 195)
12 043	12 027	16	-
591 168	-	591 168	-
189 687	-	189 687	-
401 481	-	401 481	-
11 187	7 474	3 713	-
2 110	2 049	61	-
85 187	-	85 187	-
3 935	3 935	-	-
5 766	4 626	1 140	-
-	-	-	-
19 272	58	19 214	-
41 332	41 332	-	-
60 912	41 824	19 088	-
58 062	39 599	18 463	-
523	496	27	-
2 327	1 729	598	-
900 229	189 837	719 587	(9 195)

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

18. Geographical analysis

R million	Per shareholders fund' income statement on page 216	IFRS adjustments (refer note 17.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2020	87 161	17 540	104 701
South Africa	57 259	13 727	70 986
Other African operations	23 237	5 419	28 656
Other international ⁽¹⁾	6 665	(1 606)	5 059
2019	84 250	11 270	95 520
South Africa	55 020	11 075	66 095
Other African operations	22 941	2 238	25 179
Other international ⁽¹⁾	6 289	(2 043)	4 246

R million	Per analysis of shareholders' fund on page 214	Policyholders' fund	Total
Non-current assets⁽²⁾			
2020	34 272	898	35 170
South Africa	20 190	431	20 621
Other African operations	9 743	201	9 944
Other international ⁽¹⁾	4 339	266	4 605
2019	36 728	965	37 693
South Africa	24 767	456	25 223
Other African operations	7 606	250	7 856
Other international ⁽¹⁾	4 355	259	4 614

R million	2020	2019
Attributable earnings (per shareholders' fund income statement on page 216)	2 863	7 150
South Africa	5 721	4 150
Other African operations	(3 088)	1 519
Other international ⁽¹⁾	230	1 481

⁽¹⁾ Other international comprises of business in the Europe, United Kingdom, Australia, India, Malaysia and Lebanon.

⁽²⁾ Non-current assets include property and equipment, right-of-use assets, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.

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