Sanlam

Sanlam Life Insurance Limited
Annual Financial Statements
31 December 2020

Insurance | Financial Planning | Retirement | Investments | Wealth

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors at 31 December 2020

Independent Non-Executive

AS Birrell
M Mokoka
KT Nondumo
NAS Kruger (Appointed 26 May 2020)
E Masilela (Chairman, appointed 11 June 2020)
CG Swanepoel (Retired 10 June 2020)
S Zinn
JP Moller (Chairman of the audit committee, appointed 1 January 2020)

Non-Executive

J van Zyl (Chairman, resigned as Chairman on 10 June 2020, but remained on the board)
PT Motsepe (Deputy Chair)
RV Simelane
AD Botha
SA Nkosi

Executive

PB Hanratty (Appointed CEO 1 July 2020) (1)
IM Kirk (Retired 30 June 2020) (1)
HC Werth (1)
AM Mukhuba (Appointed 1 October 2020 as Finance Director) (1)
TI Mvusi (Retired 31 December 2020) (1)
J Modise (1)

(1) Full time employees

Company Secretary

S Bray

Registered office

2 Strand Road
Bellville
7530

Postal address

PO Box 1
Sanlamhof
7532

Auditors

Ernst & Young Inc.
P O Box 504
Sanlamhof
7532

Pages 19 to 190 of the financial statements have been audited. Refer to the Independent Auditors' report on page 11. The preparation of the consolidated and separate financial statements was supervised by the Finance Director, AM Mukhuba CA (SA).

SANLAM LIFE INSURANCE LIMITED

Annual Financial Statements

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the financial statements based on their audit of Sanlam Life Insurance Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the 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.

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

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

The Annual Financial Statements were approved by the Board and signed on its behalf by:

PB Hanratty
CEO
10 March 2021

E Masilela
Chair
10 March 2021

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.

S Bray

Company Secretary

10 March 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

NATURE OF BUSINESS

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

CORPORATE GOVERNANCE

Application of and approach to King IV™

The Board is satisfied that, during 2020, every effort was made to apply and explain all aspects of King IV™, as appropriate. The Risk and Compliance committee is also satisfied that Sanlam has applied the King IV™ principles during 2020, and is taking steps to ensure adherence to the obligations placed upon the Group as a consequence thereof. The Group regularly assessed its compliance levels to ensure that all areas requiring improvement were appropriately identified and addressed.

During the reporting period the focus areas included:

- reviewing and approving Sanlam Life's revised Group strategy;
- reviewing and approving Sanlam Life's risk appetite statement;
- reviewing and approving Sanlam Life's Group own risk and solvency assessment (ORSA) supervisory report. This included assessing the capital targets contained in the ORSA report to be adequate, i.e. given the size, business mix and complexity of the Group's operations;
- ensuring ongoing compliance with an enhancement of the Sanlam Life Group Governance policy, including enhancing governance and compliance protocols implemented across the Group. This included the recruitment of new independent non-executive directors to the Board, while taking cognisance of the recommendations made by shareholders and the PA as well as in accordance with the JSE's criteria relevant to diversity attributes;
- ongoing adherence to the Sanlam Life Group information management and information technology (IIT) governance framework and charter, as well as the IIT policy framework;
- promoting and monitoring ESG and responsible investment principles in how Sanlam Life conducts its business;
- adopting a heightened approach towards stakeholder inclusivity and exercising an oversight role over the implementation of Sanlam Life's Group stakeholder management policy;
- evaluating on a continuous basis the independence status of Sanlam's directors in accordance with King IV™'s criteria and recommended practices, on a substance-overform basis;
- recruiting and appointing an African black female as the Group Finance Director, effective 1 October 2020; and
- proposing candidates for the Sanlam Audit, Actuarial and Finance committee to be elected by shareholders at the Sanlam Limited AGM, which is a Sanlam Life's holding company, held in June 2020. This process will be repeated in 2021 as members are elected annually at the Sanlam Limited AGM, which is a Sanlam Life's holding company.

Areas considered for improved disclosure in the annual reporting suite of Sanlam Limited Group included:

- integrating Sanlam's resilience factors into the annual reporting suite of Sanlam Limited Group, incorporating Sanlam Life Group;
- presenting Sanlam Limited's remuneration report to shareholders to enable them to cast a non-binding advisory vote on the Company's remuneration policy; and
- updating the disclosure in Sanlam Limited Group's Remuneration Report in line with developing best practice.

Information and technology (IT) is essential for Sanlam as it has become truly pervasive. The Board's IT governance directs the strategic and operational use of IT to ensure benefits are realised at an acceptable and articulated level of risk. IT receives the appropriate level of focus and is an important enabler of projects that effect change to our businesses. Thus, IT governance is extended to include all major change projects. The IT governance framework is established at Group level.
It extends into the businesses and is tailored to suit their specific needs. Similarly, IT governance capacity and awareness are supported by all Board and management structures within the businesses.

The Board entrenched the principles and recommended practices of King IV™ across the Group. A process to apply and explain King IV™ principles was initiated and is expected to be rolled out further to subsidiaries, joint ventures and associated companies (including non-SA entities). It will continue to focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting, and the composition of governance structures.

Sanlam's decentralised business approach requires that each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to endorse the principles of King IV™ by putting measures in place to ensure good corporate governance. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, which ensure a coherent and consistent application of the Group's governance approach across the businesses.

Refer to the Sanlam Group Corporate Governance Report 2020 as well as the King IV™ Report 2020 for a greater appreciation of the application of King IV™ by the Sanlam Group. Specifically, under the Group's Code of Ethical Conduct, no material breaches were reported during 2020. The Group compliance office, with the compliance functions of the business clusters and units, facilitates the management of compliance through analysing statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. No material deviations were reported in 2020.

Board responsibilities and functioning

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

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

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as ensuring compliance with the requirements set out in the Long-term Insurance Act, 52 of 1998. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board Committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest
- Nominations Committee
- SES Committee
- Non-executive Directors Committee

Refer to the Sanlam Group Corporate Governance Report 2020 online for a greater appreciation of the composition and functioning of the Board.

Audit, Actuarial and Finance committee (Audit committee)

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

Members and dates of appointment:
JP Moller (Chair) (01/01/2020), NAS Kruger (10/06/2020), M Mokoka (14/03/2018), KT Nondumo (01/01/2016),AS Birrell (01/09/2019), AD Botha (02/03/2017 – 10/06/2020), PB Hanratty (03/04/2017 – 10/06/2020) and CG Swanepoel (08/06/2011 - 10/06/2020).

Attendees:
During the period under review, four meetings were held, and all committee members attended all meetings.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act No 71 of 2008 (the Act), as amended, the individual members of the committee are appointed annually by the shareholders at the Sanlam Annual General Meeting (AGM) for the ensuing financial year. The committee consists of five members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers, also attend committee meetings. This committee carries out all (statutory) Audit committee responsibilities in terms of the Companies Act on behalf of the majority of subsidiary companies within the Group. It oversees the preparation of the financial and non-financial information provided in the annual reporting suite. To review the assurances obtained regarding non-financial information, the Chair of the Audit committee is also a member of the SES committee. Likewise, the Chair of the SES committee is a member of the Audit committee who fulfils a pivotal role when sustainability reporting is addressed.

The Audit committee has Board-approved formal terms of reference, and is satisfied that it has discharged its responsibilities as set out in these terms. The role of the Audit committee is to fulfil all functions as set out in the Companies Act, to assist the Board in fulfilling its responsibility regarding financial and auditing oversight, and to oversee their overall quality. It assists the Board with the effectiveness, design and implementation, and the nature and extent of any significant weaknesses in the design, implementation, or integrity of financial and actuarial reporting, and internal control matters that may result in material financial loss, fraud, corruption or error. The Audit committee evaluates the Group's internal controls annually and has satisfied itself on the effectiveness of the design and implementation and that there were no material breakdowns in internal financial control systems during the year.

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

The Audit committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

The Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2020 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2020, the committee also confirmed that it was satisfied that Mr ML Olivier, the interim Chief Finance Officer of Sanlam and Sanlam Life, and Ms AM Mukhuba, appointed as Finance Director of Sanlam and Sanlam Life with effect from 1 October 2020, possesses the appropriate skills, expertise and experience to meet the responsibilities required for this position. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive.

The Board, furthermore, instituted a policy that governs the level and nature of non-audit services. The policy requires pre-approval by the Audit committee for all non-audit services. As required by the Companies Act, the Audit committee has, after it afforded due consideration to the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor (Ernst & Young) is independent of the Company and has recommended the re-appointment of Ernst & Young as external auditors for the 2021 financial year with Christo du Toit as the designated individual registered auditor who will undertake the audit of Sanlam Life on behalf of Ernst & Young. A similar exercise was conducted during the 2020 reporting period, in order to assess the independence of the newly appointed joint auditors (KPMG) as well as Pierre Fourie as the designated individual registered representing KPMG.

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

The committee meets at least four times a year.

The Audit, Actuarial and Finance (Audit) committee report for the 2020 financial year

The Audit committee takes pleasure in submitting this report required in terms of the Act. The Audit committee consisted of five non-executive directors who acted independently as described in section 94 of the Act. During the period under review, four meetings were held and all the committee members attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the committee charter, some of which are elaborated upon above. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

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

JP Moller
Audit committee Chairman

GROUP AND COMPANY RESULTS

Profit before tax for the Group decreased from R15 840 million in 2019 to R6 462 million in 2020, mainly due largely due to the impacts of COVID-19 on mortality claims, investment market performance and a net impairment charge of R6 965 million recognised due to lower valuations of Group operations, partially offset by hyperinflation impact of R1 535 million in respect of Lebanon. Taking the above into account, the Group achieved satisfactory operational performance in 2020. Profit before tax for the Company decreased from R6 771 million in 2019 to (R605) million in 2020 mainly due largely due to the impacts of COVID-19 on mortality claims and investment market performance. Further details regarding the Group's results are included in the financial statements on pages 32 to 190.

SHARE CAPITAL

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

DIVIDEND

A dividend of R9 375 million was declared and paid in the 2020 financial year (2019: R2 000 million).

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 130.

HOLDING COMPANY

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS AND SECRETARY

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

DIRECTORS' EMOLUMENTS

Refer to note 22 for details on directors' emoluments. Further details can also be found in the Sanlam Group Remuneration Report 2020 online.

EMPLOYMENT EQUITY

The required report in terms of section 21 of the Employment Equity Act has been submitted and a compliance certificate has been issued. See page 191 for an extract of the report.

SUBSEQUENT EVENTS

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

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

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in Section 45 of the Act.

In accordance with Section 45(5) of the Act this serves to give notice that the Sanlam Life Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2020, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in Section 45 of the Act.

The amount and format of financial assistance which may be granted pursuant to the resolution is subject to on-going review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Life Group's net asset value provided for in the Act.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the directors as reflected on page 3, including the certificate by the Company Secretary on page 4 and the Board of Directors' report for the 2020 financial year on pages 5 to 10.

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

To the Shareholders of Sanlam Life Insurance Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited and its subsidiaries (‘the Group’) and Company set out on pages 19 to 190, 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 the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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.

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. 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.

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

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>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.

<u>Life Insurance Liabilities:</u>
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.

<u>General Insurance Liabilities:</u>
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</td><td>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.
‣ We assessed management’s approach to allow for the impact of the COVID-19 pandemic on the</td></tr>
</table>

Key Audit Matter	How the matter was addressed in the audit

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 27 to 31), note 10 of the Group financial statements (General insurance technical provisions) (page 62), note 15 of the Group financial statements (Long-term policy liabilities) (pages 70 to 76) and notes 25.2 to 25.4 of the Group financial statements (Critical accounting estimates and judgements) (pages 96 to 99).
	assumptions, and the impact thereof on the assumption setting process, 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; and
	  ‣ 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.

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	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.

Key Audit Matter	How the matter was addressed in the audit
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 25.6 of the Group financial statements (Critical accounting estimates and judgements, page 100) and note 34 of the Group financial statements (Fair value disclosures, pages 117 to 126).	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. ***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 in subsidiaries, associates and joint ventures** 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.	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,

Key Audit Matter	How the matter was addressed in the audit

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.
 	
In addition, in the Company (separate) financial statements, the investments in unlisted strategic investments are measured at fair value and are considered to be significant to the separate financial statements of Sanlam Life Insurance Limited.
 	
The valuation for purposes of goodwill impairment testing at a Group level, and for the valuation of the investments at a Company level is similar in nature.
 	
For non-life insurance entities, the valuation is determined on a discounted cash flow valuation basis.
 	
For investments in life insurance entities, the valuation 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 in the group financial statements and for the assessment of fair value in the separate financial statements to be a key audit matter, because of the sensitivity of the various unobservable valuation inputs. For non-life entities this includes such as 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 and persistency 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.
	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.
	
	<u>Investments in life insurance entities</u>
	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;
	▸ 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.

Key Audit Matter	How the matter was addressed in the audit
Separate Financial Statements Refer to Note 8.2, pages 47 to 51 and Note 8.3.3, page 57 (Investments in subsidiaries, associates and joint ventures), the Principal subsidiaries note (pages 130 to 132) and Note 34 (Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions for the Company) on page 125 of the Company financial statements. *Group Financial Statements* Refer to Note 4 of the Group financial statements (Intangible assets arising on acquisition, pages 42 to 43), and note 8.2 (Investments in associates and joint ventures, pages 47 to 51) and note 25.1 (Critical accounting estimates and judgements, pages 93 to 95).	***Goodwill impairment testing (Group)*** ‣ We compared the valuation output as determined in the procedures noted above to the carrying value at which unlisted strategic investments are recorded in the financial records to determine whether an indicator of goodwill impairment exists; and We assessed the adequacy of the disclosures relating to goodwill in terms of IAS 36 Impairment of Assets.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 191-page document titled “Sanlam Life Insurance Limited Annual Financial Statements 31 December 2020”, which includes the Directors’ Responsibility for Financial Reporting, Certificate by the Company Secretary and the 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/ or Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Ernst & Young Inc, and its predecessor firms, have been the joint auditors of Suid-Afrikaans Nasionale Lewens Assuransie Maatskappij Beperk (South African National Life Assurance Company Limited) since it came into existence in 1918. The entity was demutualised and incorporated as the company, Sanlam Life Insurance Limited, in 1998. As of 2002, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Life Insurance Limited. In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, have been the auditors of Sanlam Life Insurance Limited for a total of 103 years.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
3 Dock Road
V&A Waterfront
Cape Town

1 April 2021

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

Introduction

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

The following new or revised IFRS and interpretations became effective on 1 January 2020 and have therefor 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 therefor 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 largely 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 ARRs 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 policy liabilities;
- Impairment of financial assets, including measurement of ECL (expected credit losses) 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, possibly significantly. 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 32 to 36 include the consolidated activities of the policyholders and shareholders.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation basis for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation basis in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 27 to 31.

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 136 to 189
- 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 segment 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); and
  - SA Retail Affluent (providing life insurance and investment solutions to the middle and upper level of the market).
- 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 between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in note 33 on pages 115 to 116 of the Annual Financial Statements.

Accounting policies

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

Basis of consolidation

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

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

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

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

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

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

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

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

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund 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 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

Introduction

The valuation basis and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam
Developing Markets, 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, 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.
- For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on a combination of the market yields of South African and Namibian fixed interest securities on the valuation date. Refer to note 25.2 on page 96 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 nonparticipating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, amongst other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

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.

Sanlam Life Insurance Limited Group

Statement of financial position

at 31 December 2020

R million	Note	Group 2020	Group 2019	Company 2020	Company 2019
ASSETS					
Equipment	1	**1,573**	1,556	**353**	340
Right-of-use assets	2.1	**1,352**	1,576	**272**	272
Owner-occupied properties	3	**2,669**	1,771	**543**	565
Goodwill	4.1	**13,711**	15,355	**753**	753
Value of business acquired	4.2	**5,373**	6,893	**-**	-
Other intangible assets	5	**755**	885	**126**	150
Deferred acquisition costs	6	**3,356**	3,481	**2,680**	2,769
Long-term reinsurance assets	7	**2,228**	2,014	**1,154**	996
Investments		**754,111**	728,909	**606,297**	600,544
Properties	8.1	**17,720**	18,874	**8,763**	10,041
Investment in subsidiaries, associated companies and joint ventures	8.2, 8.3.3	**17,830**	17,733	**114,432**	124,636
Equities and similar securities	8.3.1	**181,178**	206,556	**67,135**	75,424
Interest-bearing investments	8.3.2	**252,450**	224,523	**124,712**	107,239
Structured transactions	8.3.2	**29,119**	23,090	**22,872**	19,459
Investment funds	8.3.2	**214,082**	191,231	**253,587**	246,019
Cash, deposits and similar securities	8.3.2	**41,732**	46,902	**14,796**	17,726
Deferred tax	9.1	**2,681**	1,689	**6**	48
Assets of disposal groups classified as held for sale	32	**31**	159	**-**	-
General insurance technical assets	10	**13,847**	10,167	**-**	-
Working capital assets		**63,382**	65,180	**16,664**	11,664
Trade and other receivables	11.1	**36,371**	37,849	**12,038**	7,175
Taxation		**872**	855	**-**	-
Cash, deposits and similar securities	35.1	**26,139**	26,476	**4,626**	4,489
Total assets		**865,069**	839,635	**628,848**	618,101
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	12	**5,000**	5,000	**5,000**	5,000
Treasury shares		**(44)**	(17)	**-**	-
Other reserves	13	**2,855**	3,257	**5,362**	5,429
Retained earnings		**58,801**	65,401	**88,330**	100,300
Shareholders' fund		**66,612**	73,641	**98,692**	110,729
Non-controlling interest	14	**11,378**	11,393	**-**	-
Total equity		**77,990**	85,034	**98,692**	110,729
Long-term policy liabilities	15	**567,705**	539,501	**464,955**	444,082
Term finance	16	**6,222**	5,410	**1,004**	1,013
Lease liabilities	2.2	**1,590**	1,739	**301**	292
Structured transactions liabilities	17.1	**22,970**	19,201	**14,857**	11,788
External investors in consolidated funds	35.2	**84,870**	90,416	**-**	-
Cell owners' interest		**4,226**	3,935	**-**	-
Deferred tax	9.1	**5,309**	5,179	**1,816**	1,427
General insurance technical provisions	10	**49,752**	41,332	**-**	-
Loans from Subsidiaries	8.3.3	**-**	-	**31,236**	31,426
Net defined benefit liability	26.2	**15**	-	**-**	
Working capital liabilities		**44,420**	47,888	**15,987**	17,344
Trade and other payables	11.2	**41,603**	45,215	**15,234**	16,542
Provisions	18	**401**	406	**20**	22
Taxation		**2,416**	2,267	**733**	780
Total equity and liabilities		**865,069**	839,635	**628,848**	618,101

Sanlam Life Insurance Limited Group

Statement of comprehensive income

for the year ended 31 December 2020

R million	Note	Group 2020	Group 2019	Company 2020	Company 2019
Net income		**122,413**	136,410	**42,988**	64,443
Financial services income	19	**99,008**	89,881	**21,121**	19,381
Reinsurance premiums paid	20	**(18,794)**	(15,879)	**(1,871)**	(1,751)
Reinsurance commission received	21	**2,929**	2,676	**-**	-
Investment income	8.4	**31,517**	32,444	**26,783**	20,994
Investment surpluses	8.4	**5,303**	37,633	**(3,045)**	25,819
Change in fair value of external investors' liability		**2,450**	(10,345)	**-**	-
Net insurance and investment contract benefits and claims		**(72,140)**	(85,976)	**(34,139)**	(48,846)
Long-term insurance contract benefits	15.5	**(25,217)**	(30,337)	**(14,658)**	(19,498)
Long-term investment contract benefits	15.5	**(23,269)**	(34,413)	**(21,264)**	(30,845)
General insurance claims		**(37,593)**	(29,646)	**-**	-
Reinsurance claims received	21	**13,939**	8,420	**1,783**	1,497
Expenses		**(37,102)**	(34,662)	**(9,331)**	(8,684)
Sales remuneration	22	**(13,568)**	(12,698)	**(1,743)**	(1,608)
Administration costs	22	**(23,534)**	(21,964)	**(7,588)**	(7,076)
Impairments		**(9,171)**	(741)	**-**	-
Net impairment losses on financial assets	22.3	**(1,898)**	(404)	**-**	-
Other impairments	22.3	**(7,273)**	(337)	**-**	-
Amortisation of intangibles		**(994)**	(1,115)	**(19)**	(19)
Net operating result		**3,006**	13,916	**(501)**	6,894
Equity-accounted earnings	8.2.1	**2,451**	2,847	**-**	-
Finance cost - other	23	**(530)**	(923)	**(104)**	(123)
Net monetary gain (Lebanon hyperinflation)		**1,535**	-	**-**	-
Profit/(loss) before tax		**6,462**	15,840	**(605)**	6,771
Taxation	9.2	**(3,430)**	(5,265)	**(1,990)**	(2,218)
Shareholders' fund		**(2,006)**	(3,832)	**(1,263)**	(1,168)
Policyholders' fund		**(1,424)**	(1,433)	**(727)**	(1,050)
Profit/(loss) for the year		**3,032**	10,575	**(2,595)**	4,553
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		**3,241**	(4,680)	**-**	-
Other comprehensive income (net of tax) of equity accounted investments		**-**	(335)		
Comprehensive income/(loss) for the year		**6,273**	5,560	**(2,595)**	4,553
Allocation of comprehensive income:					
Profit/(loss) for the year		**3,032**	10,575	**(2,595)**	4,553
Shareholders' fund		**2,270**	8,951	**(2,595)**	4,553
Non-controlling interest		**762**	1,624	**-**	-
Comprehensive income/(loss) for the year		**6,273**	5,560	**(2,595)**	4,553
Shareholders' fund		**5,243**	4,759	**(2,595)**	4,553
Non-controlling interest		**1,030**	801	**-**	-

Sanlam Life Insurance Limited Group
Statement of changes in equity
for the year ended 31 December 2020

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Common control reserve [3]	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2019	1	4,999	(7)	6,163	539	-	58,393	70,088	870	70,958	11,432	82,390
Comprehensive income	-	-	-	-	(3,856)	-	8,615	4,759	-	4,759	801	5,560
Profit for the year	-	-	-	-	-	-	8,951	8,951	-	8,951	1,624	10,575
Other comprehensive income	-	-	-	-	(3,856)	-	(336)	(4,192)	-	(4,192)	(823)	(5,015)
Net (acquisition)/disposal of treasury shares [2]	-	-	(10)	-	1	-	(49)	(58)	74	16	1	17
Share-based payments	-	-	-	-	-	-	51	51	-	51	33	84
Transfer (from)/to non-distributable reserve	-	-	-	(173)	-	-	173	-	-	-	-	-
Transfer (from)/to consolidation reserve	-	-	-	-	-	-	361	361	(361)	-	-	-
Dividends paid [1]	-	-	-	-	-	-	(2,000)	(2,000)	-	(2,000)	(1,019)	(3,019)
Acquisitions, disposals and other movements in interests	-	-	-	-	-	-	(143)	(143)	-	(143)	145	2
Balance at 31 December 2019	1	4,999	(17)	5,990	(3,316)	-	65,401	73,058	583	73,641	11,393	85,034
Hyperinflation[4]	**-**	**-**	**-**	**-**	**(1,234)**	**-**	**-**	**(1,234)**	**-**	**(1,234)**	**-**	**(1,234)**
Comprehensive income	**-**	**-**	**-**	**-**	**2,967**	**-**	**2,276**	**5,243**	**-**	**5,243**	**1,030**	**6,273**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,275**	**2,275**	**-**	**2,275**	**757**	**3,032**
Other comprehensive income	**-**	**-**	**-**	**-**	**2,967**	**-**	**1**	**2,968**	**-**	**2,968**	**273**	**3,241**
Net acquisition of treasury shares [2]	**-**	**-**	**(27)**	**-**	**-**	**-**	**(66)**	**(93)**	**(85)**	**(178)**	**(60)**	**(238)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**50**	**-**	**50**	**32**	**82**
Transfer (from)/to non-distributable reserve	**-**	**-**	**-**	**(19)**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**
Transfer (from)/to consolidation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(193)**	**(193)**	**193**	**-**	**-**	**-**
Dividends paid [1]	**-**	**-**	**-**	**-**	**-**	**-**	**(9,374)**	**(9,374)**	**-**	**(9,374)**	**(804)**	**(10,178)**
Acquisitions, disposals and other movements in interests [3]	**-**	**-**	**-**	**(11)**	**21**	**(2,234)**	**688**	**(1,536)**	**-**	**(1,536)**	**(213)**	**(1,749)**
Balance at 31 December 2020	**1**	**4,999**	**(44)**	**5,960**	**(1,562)**	**(2,234)**	**58,801**	**65,921**	**691**	**66,612**	**11,378**	**77,990**

[1] A dividend of R187 per share (2019: R40 per share) was declared and paid 2020 in respect of the 2019 financial year. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

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

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

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

Sanlam Life Insurance Limited Group

Statement of changes in equity
for the year ended 31 December 2020

Company

R million	Share capital	Share premium	Common control reserve	Non-distributable reserve	Retained earnings	Total equity
Balance at 1 January 2019	1	4,999	-	5,429	97,747	108,176
Profit for the year	-	-	-	-	4,553	4,553
Dividends paid [1]	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2019	1	4,999	-	5,429	100,300	110,729
Profit for the year	-	-	-	-	**(2,595)**	**(2,595)**
Dividends paid [1]	-	-	-	-	**(9,375)**	**(9,375)**
Acquisitions, disposals and other movements in interests [2]	-	-	**(67)**	-	-	**(67)**
Balance at 31 December 2020	**1**	**4,999**	**(67)**	**5,429**	**88,330**	**98,692**

[1] A dividend of R187 per share (2019: R40 per share) was declared and paid 2020 in respect of the 2019 financial year. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

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

Sanlam Life Insurance Limited Group

Cash flow statement

for the year ended 31 December 2020

		Group		Company	
			Restated(1)(2)		Restated(1)(2)
R million	Note	2020	2019	2020	2019
Cash flow from operating activities		**(6,394)**	9,693	**(1,981)**	2,158
Cash utlilised in operations(2)	30.1	**(31,100)**	(13,561)	**(24,078)**	(14,740)
Interest and preference share dividends received		**18,489**	16,424	**8,461**	7,643
Interest paid		**(355)**	(753)	**(64)**	(92)
Dividends received		**12,319**	13,870	**15,165**	12,223
Dividends paid(2)		**(1,334)**	(857)	**-**	-
Taxation paid		**(4,413)**	(5,430)	**(1,465)**	(2,876)
Cash flow from investment activities		**(1,683)**	184	**(147)**	(110)
Payments made for the acquisition of equipment		**(667)**	-	**(145)**	-
Proceeds in respect of the sale of equipment		**54**	-	**1**	-
Payments made for the acquisition of owner occupied properties		**(405)**	-	**(3)**	-
Proceeds in respect of the sale of owner occupied properties		**441**	-	**-**	-
Acquisition of subsidiaries and associated companies	30.2	**(1,144)**	(22)	**-**	(110)
Disposal of subsidiaries and associated companies	30.3	**38**	206	**-**	-
Cash flow from financing activities		**1,054**	(902)	**(111)**	(110)
Disposal of treasury shares		**478**	-	**-**	-
Acquisition of treasury shares		**(240)**	(17)	**-**	-
Acquisition of NCI		**-**	(110)	**-**	-
Term finance raised		**1,646**	77	**-**	-
Term finance repaid		**(247)**	(341)	**-**	-
Lease liabilities repaid		**(583)**	(511)	**(111)**	(110)
Net (decrease)/increase in cash and cash equivalents		**(7,023)**	8,975	**(2,239)**	1,938
Net Foreign exchange difference		**1,477**	(310)	**113**	(47)
Cash and cash equivalents at beginning of the year		**46,426**	37,761	**11,263**	9,372
Cash and cash equivalents at end of the year	30.4	**40,880**	46,426	**9,137**	11,263

(1) 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 and Statement of Changes in Equity. Refer to note 36.1 for additional information.

(2) Prior year dividends paid has been restated from (R2 857) million and (R2 000) million to (R857) million and Rnil for both Group and Company respectively. Prior year Cash utilised in operations have been adjusted accordingly. The cash flow statement was amended to reflect dividends paid to Sanlam Limited on loan account as a non-cash transaction. It did not affect the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity.

1 Equipment

Equipment is reflected at depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets as follows:
- Computer equipment and vehicles: 3 to 5 years
- Furniture, fittings and equipment: 5 to 20 years

If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives and depreciation methods are reviewed at each Statement of Financial Position date and adjusted as appropriate.
Cost prices include costs directly attributable to the acquisition of equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the Statement of Comprehensive Income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the Statement of Comprehensive Income.

	Group		Company	
R million	**2020**	2019	**2020**	2019
Computer equipment	**717**	658	**184**	174
Cost	**2,309**	2,121	**699**	718
Accumulated depreciation and impairment	**(1,592)**	(1,463)	**(515)**	(544)
Furniture, equipment, vehicles and other	**856**	898	**169**	166
Cost	**2,122**	1,890	**490**	459
Accumulated depreciation and impairment	**(1,266)**	(992)	**(321)**	(293)
Equipment	**1,573**	1,556	**353**	340
Reconciliation of carrying amount				
Balance at beginning of the year	**1,556**	1,484	**340**	303
Additions and expenditure capitalised	**667**	697	**145**	165
Disposals of subsidiaries[1]	**(82)**	(8)	**-**	-
Other disposals[1]	**(54)**	(160)	**(1)**	(4)
Depreciation	**(524)**	(454)	**(131)**	(124)
Gross impairments	**(17)**	-	**-**	-
Acquired through business combinations	**36**	27	**-**	-
Transfer to owner occupied properties	**(112)**	-	**-**	-
Other movements	**35**	-	**-**	-
Foreign currency translation differences	**68**	(30)	**-**	-
Balance at end of the year	**1,573**	1,556	**353**	340

(1) During the current year Disposals were split out into Disposals of subsidiaries and other subsidiaries, in 2019 disposals was disclosed as R168 million.

2 Leases

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

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

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

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

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

On initial recognition, the carrying value of the lease liability also includes:
• amounts expected to be payable under any residual value guarantee;
• the exercise price of any purchase option granted in favour of the group if it is 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 Leases (continued)

2.1 Rights-of-use assets

R million	2020 Properties	2020 Computer equipment, Furniture, equipment, vehicles and other	2020 Total	2019 Properties	2019 Computer equipment, Furniture, equipment, vehicles and other	2019 Total
Group						
Balance at the beginning of the year	**1,524**	**52**	**1,576**	-	-	-
IFRS transitional adjustment	-	-	-	1,674	50	1,724
Additions	263	7	270	155	25	180
Disposal of Subsidiaries	(17)	-	(17)	-	-	-
Termination of lease agreements	(122)	-	(122)	(12)	-	(12)
Effect of modification of lease terms	103	2	105	-	-	-
Reclassified as non-current assets held for sale	(1)	-	(1)	-	-	-
Variable lease payment adjustment	-	-	-	166	-	166
Depreciation	(455)	(22)	(477)	(410)	(22)	(432)
Foreign currency translation differences	15	2	17	(32)	(1)	(33)
Other movements	1	-	1	(17)	-	(17)
Balance at end of the year	**1,311**	**41**	**1,352**	1,524	52	1,576
Company	**2020**			**2019**		
Balance at the beginning of the year	270	2	272	-	-	-
IFRS transitional adjustment	-	-	-	334	4	338
Additions	27	-	27	34	-	34
Disposal of Subsidiaries	(15)	-	(15)	-	-	-
Termination of lease agreements	(3)	-	(3)	(2)	-	(2)
Effect of modification of lease terms	86	-	86	-	-	-
Variable lease payment adjustment	-	-	-	1	-	1
Depreciation	(95)	-	(95)	(96)	(2)	(98)
Other movements	-	-	-	(1)	-	(1)
Balance at end of the year	270	2	272	270	2	272

2 Leases

2.2 Lease liabilities

R million	Group 2020	Group 2019	Company 2020	Company 2019
Balance at the beginning of the year	**1,739**	-	**292**	-
IFRS transitional adjustment	-	1,753	-	338
Additions	299	201	27	34
Acquired through business combinations[1]	-	(5)	-	-
Disposal of Subsidiaries	(21)	-	(19)	-
Disposal/termination of lease agreements[1]	(116)	(6)	(5)	(2)
Variable lease payment adjustment	(2)	166	(1)	1
Effect of modification of lease terms	102	-	84	-
Interest accrued	166	170	34	31
Lease payments	(583)	(511)	(111)	(110)
Foreign currency translation differences	6	(29)	-	-
Balance at end of the year	**1,590**	1,739	**301**	**292**

(1) In the current year Disposal /Termination of Lease agreements has been split out, in 2019 this amounted to (R11 million)

2 Leases (continued)

2.2 Lease liabilities (continued)

	Group		Company	
R million	**2020**	2019	**2020**	2019
Maturity analysis - carrying value				
Due within one year	**382**	393	**50**	74
Due within two to five years	**875**	973	**166**	153
Due within five to ten years	**330**	373	**86**	65
Due within ten to twenty years	**3**	-	**-**	-
	1,590	1,739	**302**	292
Maturity analysis - undiscounted				
Due within one year	**475**	509	**80**	100
Due within two to five years	**1,182**	1,240	**245**	220
Due within five to ten years	**466**	513	**108**	71
Due within ten to twenty years	**9**	-	**-**	-
	2,132	2,262	**433**	391
The Group is exposed to the following potential cash flows (undiscounted) which are not included in the lease liability:				
Extension options	**415**	165	**-**	106
Termination options	**4**	-	**-**	-
committed	**22**	186	**-**	119
	441	351	**-**	225

2.3 Additional profit or loss and cash flow information

Refer to the Expenses (note 22.1) and the Finance cost (note 23) notes for information about depreciation and interest expense respectively.Total cash outflow in respect of leases in the year was R726 million (Restated 2019: R915 million) and R161 million (Restated 2019: R160 million) respectively. The group prior year amount has been restated from R511 million to R915 million to include other lease payments included in note 22.1 of R404 million. The company prior year amount has been restated from R110 million to R160 million to include other lease payments included in note 22.1 of R50 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.

3 Owner-occupied properties

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

	Group		Company	
R million	**2020**	2019	**2020**	2019
Balance at beginning of the year	**1,771**	1,987	**565**	548
Additions and expenditure capitalised	**405**	12	**3**	10
Disposal of subsidiaries	**(4)**	(113)	**-**	-
Disposals	**(441)**	-	**-**	-
Acquired through business combinations	**77**	1	**-**	-
Transfer to non-current assets held for sale	**(13)**	(15)	**-**	-
Transfer from investment properties	**944**	208	**(25)**	7
Transfer from equipment	**112**	-	**-**	-
Foreign currency translation differences	**(107)**	(251)	**-**	-
Depreciation	**(34)**	(31)	**-**	-
Impairment[1]	**(41)**	(8)	**-**	-
Other movements	**-**	(19)	**-**	-
Balance at end of the year	**2,669**	1,771	**543**	565

(1) Refer to note 22.3 for additional information

4 Intangible assets arising on acquisition

4.1 Goodwill

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

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for directly in equity. 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 note 25 for valuation assumptions used.

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

	Group		Company	
R million	**2020**	2019	**2020**	2019
Balance at beginning of the year	**15,355**	17,147	**753**	753
Gross carrying amount	**15,661**	17,473	**753**	753
Accumulated impairment	**(306)**	(326)	**-**	-
Additions during the year	**-**	11	**-**	-
Acquired through business combinations[1]	**1,111**	37	**-**	-
Impairments [2]	**(4,954)**	(26)	**-**	-
Disposals	**-**	(67)	**-**	-
Foreign currency translation differences	**2,199**	(1,747)	**-**	-
Balance at end of the year	**13,711**	15,355	**753**	753
Gross carrying amount	**19,774**	15,661	**753**	753
Accumulated impairment	**(6,063)**	(306)	**-**	-
Allocation of goodwill				
Life insurance	**3,251**	3,299		
MCIS Insurance	**194**	194		
BrightRock Holdings	**441**	441		
Saham Finances	**1,671**	2,516		
FBNI Life[1]	**731**	-		
Other	**214**	148		
Other Sanlam businesses	**10,460**	12,056		
Santam	**863**	1,019		
Sanlam Investments East Africa Limited	**31**	75		
Saham Finances	**9,137**	10,816		
FBNI GI	**102**	-		
Glacier	**91**	-		
Other	**236**	146		
Balance at end of the year	**13,711**	15,355		

(1) 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.

(2) Refer to note 25.1 for additional information.

4 Intangible assets arising on acquisition

4.2 Value of business acquired

The value of insurance and investment management services contracts, as well as general insurance intangibles in the form of client and broker relationships, that are acquired in a business combination, are recognised as 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, Brackenham Holdings and Sanlam Private Investments UK, 11 years for Brightrock Holdings and 10 years for MCIS Insurance, Saham Finances 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 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.

	Group		Company	
R million	**2020**	2019	**2020**	2019
Balance at beginning of the year	**6,893**	8,219	**-**	-
Additions during the year	**9**	9	**-**	-
Amortisation	**(755)**	(871)	**-**	-
Foreign currency translation differences	**457**	(460)	**-**	-
Disposals	**-**	(4)	**-**	-
Impairments[(1)]	**(1,231)**	-	**-**	-
Balance at end of the year	**5,373**	6,893	**-**	-
Gross carrying amount	**9,978**	9,525	**-**	-
Accumulated amortisation and impairment	**(4,605)**	(2,632)	**-**	-
Allocation of value of business acquired				
Sanlam Developing Markets	**314**	421	**-**	-
Sanlam Emerging Markets	**4,505**	5,872	**-**	-
Sanlam Investment Group	**115**	119	**-**	-
BrightRock Holdings	**269**	304	**-**	-
Sanlam Corporate	**139**	177	**-**	-
Other	**31**	-	**-**	-
Balance at end of the year	**5,373**	6,893	**-**	-

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

5 Other intangible assets

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 is considered to be the appraisal value which is 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.

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

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

	Group		Company	
R million	**2020**	2019	**2020**	2019
Balance at beginning of the year	**885**	1,035	**150**	161
Gross carrying amount	**1,631**	1,566	**244**	235
Accumulated amortisation and impairment	**(746)**	(531)	**(94)**	(74)
Additions during the year	**140**	184	**1**	13
Acquired through business combinations	**12**	-	**-**	-
Expenditure capitalised	**4**	18	**-**	-
Impairments	**(17)**	(33)	**(6)**	(4)
Other disposals	**(65)**	(64)	**-**	-
Amortisation	**(239)**	(244)	**(19)**	(20)
Foreign currency translation differences	**35**	(11)	**-**	-
Balance at end of the year	**755**	885	**126**	150
Gross carrying amount	**1,811**	1,631	**249**	244
Accumulated amortisation and impairment	**(1,056)**	(746)	**(123)**	(94)

6 Deferred acquisition costs

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

DAC are amortised to the statement of comprehensive income over the 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.

	Group		Company	
R million	2020	2019	2020	2019
Balance at beginning of the year	**3,481**	3,403	**2,769**	2,784
Acquisition costs capitalised	**404**	665	**344**	411
Disposals	**(12)**	-	**-**	-
Expensed for the year	**(562)**	(565)	**(433)**	(426)
Impairments	**(12)**	(13)	**-**	-
Foreign currency translation differences	**57**	(9)	**-**	-
Balance at end of the year	**3,356**	3,481	**2,680**	2,769

7 Long-term reinsurance assets

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

	Group		Company	
R million	2020	2019	2020	2019
Balance at beginning of the year	**2,014**	1,919	**996**	879
Other movement in reinsurers' share of insurance liabilities	**114**	125	**158**	117
Acquired in business combinations	**34**	-	**-**	-
Foreign currency translation differences	**66**	(30)	**-**	-
Balance at end of year	**2,228**	2,014	**1,154**	996
Maturity analysis of long-term reinsurance assets				
Due within one year	**93**	170	**8**	8
Due within two to five years	**912**	819	**124**	110
Due after more than five years	**968**	855	**856**	772
Open ended	**255**	170	**166**	106
Total long-term reinsurance assets	**2,228**	2,014	**1,154**	996

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

8 Investments

8.1 Properties

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

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

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

		Group		Company	
R million	**Note**	**2020**	2019	**2020**	2019
Properties comprise:					
Office buildings		**4,201**	4,808	**4,201**	4,803
Retail buildings		**3,730**	3,592	**3,730**	3,592
Industrial buildings		**832**	991	**832**	991
Undeveloped land		**503**	455	**-**	-
International properties (situated outside South Africa)		**8,454**	8,373	**-**	-
Other		**-**	655	**-**	655
Total properties		**17,720**	18,874	**8,763**	9,386
Less: straight-line rental adjustment		**(206)**	(165)	**(206)**	(165)
Total investment properties		**17,514**	18,709	**8,557**	9,221
Reconciliation of carrying amount of properties					
Properties - balance at beginning of the year		**18,874**	18,485	**10,041**	8,984
Additions		**1,482**	425	**154**	221
Disposals		**(325)**	(557)	**-**	(13)
Reclassified to disposal groups classified as held for sale (refer note 32)	32	**(2)**	(2)	**-**	-
Transfer to/from owner-occupied properties		**(944)**	(208)	**25**	(7)
Disposal of subsidiaries		**(91)**	-	**-**	-
Acquired through business combinations		**4**	65	**-**	-
Foreign currency translation differences		**704**	(251)	**-**	-
Investment surpluses		**(1,982)**	917	**(1,457)**	856
Properties - balance at end of the year		**17,720**	18,874	**8,763**	10,041
Reconciliation of straight-line rental adjustment					
Straight-line rental adjustment - balance at beginning of the year		**165**	140	**165**	140
Movement for the year included in the statement of comprehensive income		**41**	25	**41**	25
Straight-line rental adjustment - balance at end of the year		**206**	165	**206**	165
Contractual future minimum lease payments receivable under non-cancellable operating leases:					
Due within one year		**701**	771	**658**	691
Due within two to five years		**1,304**	1,658	**1,188**	1,542
Due after five years		**607**	517	**564**	517
Future minimum lease payments		**2,612**	2,946	**2,410**	2,750

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 and Company's in determining fair value were in the following ranges for the 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% - 13.90%
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%

8 Investments

8.2 Investments in associates and joint ventures

Associated companies

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

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

Joint ventures

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

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

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

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

R million	Notes	2020	2019
Investments in associated companies	**8.2.3**	**16,572**	16,410
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		**1,109**	1,043
Other associated companies		**1,342**	1,716
Investments in joint ventures		**1,258**	1,323
Sanlam Personal Loans	**8.2.4**	**665**	811
Speqtel Investment Holdings [1]		**427**	400
Other joint ventures		**166**	112
Total Investments in associated companies and joint ventures		**17,830**	17,733

(1) The investment carried at fair value.

8 Investments

8.2 Investments in associates and joint ventures (continued)

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	133	112
Other associated companies	335	415
Investments in joint ventures		
Sanlam Personal Loans	-	234
Other joint ventures	4	(44)
Equity-accounted earnings	2,451	2,847

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	88
Pacific & Orient [(1)]	127	81
Other	19	47

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

(2) Refer to note 25.1 for additional information.

8.2.3 Investments in associated companies

Details of material associated companies

Group

R million	Shriram Capital [(1)] 2020	Shriram Capital [(1)] 2019	Shriram Transport Finance Company [(2)] 2020	Shriram Transport Finance Company [(2)] 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.

8.2.3 Investments in associated companies

Details of material associated companies

Group

R million	Shriram General Insurance 2020	Shriram General Insurance 2019	Shriram Life Insurance 2020	Shriram Life Insurance 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

R million	Letshego [(1)] 2020	Letshego [(1)] Restated 2019	Capricorn Investment Holdings [(2)] 2020	Capricorn Investment Holdings [(2)] 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.

8.2.3 Investments in associated companies

Details of material associated companies

Group

R million	Pacific & Orient [1] 2020	Pacific & Orient [1] 2019	AfroCentric Health [2] 2020	AfroCentric Health [2] 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	335	415
Total comprehensive income	335	415

8.2.4 Investments in joint ventures

Details of material joint ventures

Group

R million	Sanlam Personal Loans [1] 2020	Sanlam Personal Loans [1] 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 loss	**(511)**	(130)
Total comprehensive (loss)/income	**(5)**	258
Dividends received	**133**	194

[1] The Group holds a 70% interest in Sanlam Personal Loans, 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**	(44)
Total comprehensive income	**55**	(44)

8 Investments

8.3 Other investments

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

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

8.3.1 Equities and similar securities

	Group		Company	
R million	**2020**	2019	**2020**	2019
Equities and similar securities comprise:				
Listed on the JSE	**53,923**	65,492	**48,291**	61,489
Unlisted - at directors' valuation	**2,888**	2,890	**2,519**	2,591
Offshore equity investments	**27,139**	24,536	**16,325**	11,344
Listed	**24,944**	22,438	**16,163**	11,263
Unlisted - at directors' valuation	**2,195**	2,098	**162**	81
Equities held by consolidated investment funds	**97,228**	113,638	**-**	-
Total equities and similar securities	**181,178**	206,556	**67,135**	75,424

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

Shares held in ultimate holding company - Sanlam Ltd

	Group		Company	
R million	**2020**	2019	**2020**	2019
Shareholders				
Number of shares (thousand)	**6**	116,369	**6**	116,369
Fair value (R million)	**-**	9,205	**-**	9,205
Policyholders				
Number of shares (thousand)	**16,274**	23,842	**15,788**	12,125
Fair value (R million)	**956**	1,886	**928**	959

8 Investments

8.3 Other investments

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

Group

R million	Designated as at fair value through profit or loss (1)	Mandatorily measured at fair value through profit or loss	Total fair value	Amortised Cost Gross	Expected credit loss allowance for financial assets at amortised cost	Amortised Cost Net (2)	Total
31 December 2020							
Cash, deposits and similar securities	38,988	-	38,988	3,638	(894)	2,744	41,732
Structured transactions	3,226	25,893	29,119	-	-	-	29,119
Interest-bearing investments	245,556	-	245,556	7,845	(951)	6,894	252,450
Government interest-bearing investments	99,097	-	99,097	3,717	(627)	3,090	102,187
Corporate interest-bearing investments	123,406	-	123,406	2,716	(67)	2,649	126,055
Other interest-bearing investments	23,053	-	23,053	1,412	(257)	1,155	24,208
Investment funds	-	214,082	214,082	-	-	-	214,082
	287,770	239,975	527,745	11,483	(1,845)	9,638	537,383

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 2019							
Cash, deposits and similar securities	45,900	-	45,900	1,235	(233)	1,002	46,902
Structured transactions	4,624	18,466	23,090	-	-	-	23,090
Interest-bearing investments	218,417	-	218,417	6,486	(380)	6,106	224,523
Government interest-bearing investments	69,960	-	69,960	3,018	(177)	2,841	72,801
Corporate interest-bearing investments	131,721	-	131,721	2,090	(18)	2,072	133,793
Other interest-bearing investments	16,736	-	16,736	1,378	(185)	1,193	17,929
Investment funds	-	191,231	191,231	-	-	-	191,231
	268,941	209,697	478,638	7,721	(613)	7,108	485,746

(1) The change during the period and cumulatively in the fair value through profit and loss that is attributable to change in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rate. The impact of changes in credit risk for 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 R9 638 million (2019: R7 108 million). These are classified as level 2 instruments and the valuation is based on discounted cash flows.

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

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

R million	Designated as at fair value through profit or loss [1]	Mandatorily measured at fair value through profit or loss	Total fair value
31 December 2019			
Cash, deposits and similar securities	17,726	-	17,726
Structured transactions	2,641	16,818	19,459
Interest-bearing investments	107,239	-	107,239
Government interest-bearing investments	24,836	-	24,836
Corporate interest-bearing investments	63,187	-	63,187
Other interest-bearing investments	19,216	-	19,216
Investment funds	-	246,019	246,019
	127,606	262,837	390,443

[1] The amount of change, during the period and cumulatively, in the fair value of financial assets designated at 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 rate. 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.

8 Investments

8.3 Other investments

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

Reconciliation of expected credit losses
Group

R million	12-month ECL	Lifetime ECL (credit impaired)	Total
		2020	
Cash, deposits and similar securities			
Balance at the beginning of year	9	224	233
Net remeasurement of loss allowance	70	608	678
Foreign currency translation differences	(11)	(6)	(17)
Balance at the end of the year	68	826	894
Government interest-bearing investments			
Balance at the beginning of year	75	102	177
Net remeasurement of loss allowance	78	405	483
Foreign currency translation differences	(24)	(9)	(33)
Balance at the end of the year	129	498	627
Corporate interest bearing investments			
Balance at the beginning of year	4	14	18
Net remeasurement of loss allowance	14	37	51
Foreign currency translation differences	(2)	-	(2)
Balance at the end of the year	16	51	67
Other interest bearing investments			
Balance at the beginning of year	196	3	199
Net remeasurement of loss allowance	43	-	43
Foreign currency translation differences	15	-	15
Balance at the end of the year	254	3	257
		2019	
Cash, deposits and similar securities			
Balance at the beginning of year	37	-	37
Net remeasurement of loss allowance	(28)	224	196
Foreign currency translation differences	-	-	-
Balance at the end of the year	9	224	233
Government interest-bearing investments			
Balance at the beginning of year	-	-	-
Net remeasurement of loss allowance[1]	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	(8)	14	6
Balance at the end of the year	4	14	18
Other interest bearing investments			
Balance at the beginning of year	181	3	184
Net remeasurement of loss allowance	18	-	18
Foreign currency translation differences	(3)	-	(3)
Balance at the end of the year	196	3	199

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

The significant increase in lifetime 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 due to the economic environment and the downgrade of the credit sovereign rating by the three major rating agencies of Lebanon. LIA 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 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.

	December 2020			December 2019
R million	**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.

8 Investments

8.3 Other investments

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

Maturity analysis
Group

R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2020					
Cash, deposits and similar securities	33,132	8,257	343	-	41,732
Structured transactions	18,078	5,872	5,169	-	29,119
Interest-bearing investments	35,453	102,649	113,474	874	252,450
Government interest-bearing investments	8,213	12,934	81,040	-	102,187
Corporate interest-bearing investments	22,483	77,391	26,177	4	126,055
Other interest-bearing investments	4,757	12,324	6,257	870	24,208
Investment funds	-	-	-	214,082	214,082
Total	86,663	116,778	118,986	214,956	537,383
31 December 2019					
Cash, deposits and similar securities	34,740	11,952	210	-	46,902
Structured transactions	15,294	5,433	2,363	-	23,090
Interest-bearing investments	26,236	105,419	91,937	931	224,523
Government interest-bearing investments	3,881	10,252	58,668	-	72,801
Corporate interest-bearing investments	20,393	84,603	28,792	5	133,793
Other interest-bearing investments	1,962	10,564	4,477	926	17,929
Investment funds	-	-	-	191,231	191,231
Total	76,270	122,804	94,510	192,162	485,746

Company

R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2020					
Cash, deposits and similar securities	12,890	1,633	273	-	14,796
Structured transactions	16,303	3,308	3,261	-	22,872
Interest-bearing investments	19,690	56,234	48,330	458	124,712
Government interest-bearing investments	2,359	5,204	33,790	-	41,353
Corporate interest-bearing investments	13,671	39,313	8,462	429	61,875
Other interest-bearing investments	3,660	11,717	6,078	29	21,484
Investment funds	-	-	-	253,587	253,587
Total	48,883	61,175	51,864	254,046	415,967
31 December 2019					
Cash, deposits and similar securities	14,019	3,497	210	-	17,726
Structured transactions	13,576	4,050	1,833	-	19,459
Interest-bearing investments	13,997	55,508	37,275	459	107,239
Government interest-bearing investments	307	1,701	22,828	-	24,836
Corporate interest-bearing investments	9,129	43,512	10,145	401	63,187
Other interest-bearing investments	4,561	10,295	4,302	58	19,216
Investment funds	-	-	-	246,019	246,019
Total	41,592	63,055	39,318	246,478	390,443

8 Investments

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

R million	Company 2020	2019
Investments in subsidiaries	**110,756**	120,838
Equity holding	**108,865**	120,157
Loans to subsidiaries	**1,891**	681
Investments in associated companies	**2,498**	2,247
Shriram Transport Finance Company	**1,586**	1,550
Afrocentric	**834**	683
Other	**78**	14
Investments in joint ventures	**1,178**	1,551
Sanlam Personal Loans	**1,139**	1,496
Other	**39**	55
	114,432	124,636

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

Loans from subsidiaries	**(31,236)**	(31,426)

Refer to page 130 for details of principal subsidiaries.

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

R million	2020	2019
Listed entities	**18,863**	21,225
Non-listed non-covered	**62,916**	71,004
Non-listed covered	**32,653**	32,407
	114,432	124,636

Refer to note 34 for the sensivity analysis of level 3 investment in subsidiaries, joint ventures and associates.

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

	2020	2019
Risk discount rate (RDR)	**1.0**	1.0

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

	2020	2019
Risk discount rate (RDR)	**15.5%**	14.7%

8 Investments

8.4 Investment return

Investment income

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

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

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

Investment surpluses

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

R million	Group 2020	Group 2019	Company 2020	Company 2019
Investment income				
Equities and similar securities	**12,319**	13,870	**9,610**	9,079
Dividends received from subsidiaries	**-**	-	**7,929**	3,150
Interest-bearing, preference shares and similar securities	**18,294**	17,602	**8,599**	8,083
Properties	**927**	1,004	**667**	713
Rental income - excluding contingent rental	**917**	889	**700**	716
Contingent rental income	**191**	293	**104**	154
Rental related expenses	**(181)**	(178)	**(137)**	(157)
Loss from margin business [(1)]	**(23)**	(32)	**(22)**	(31)
Total investment income	**31,517**	32,444	**26,783**	20,994

(1) Refer to note 23 for finance cost incurred in respect of margin business.

	Group 2020	Group 2019
Interest income on financial assets measured at amortised cost	**259**	354
Interest expense for financial liabilities measured at amortised cost	**(93)**	(46)
Interest income on impaired financial assets measured at amortised cost	**68**	-

	Group 2020	Group 2019	Company 2020	Company 2019
Investment surpluses				
Financial assets	**4,631**	36,648	**(1,801)**	24,932
Financial assets designated as at fair value through profit or loss	**(15,414)**	8,438	**(13,618)**	(1,822)
Financial assets mandatorily measured at fair value through profit or loss	**20,049**	28,212	**11,817**	26,754
Financial assets measured at amortised cost	**(4)**	(2)	**-**	-
Financial liabilities	**(16)**	39	**9**	-
Financial liabilities designated as at fair value through profit or loss	**(16)**	39	**9**	-
Investment properties	**(1,982)**	917	**(1,457)**	856
Profit on disposal of subsidiaries, associated companies and operations	**2,528**	(9)	**90**	-
Fair value adjustment - Deferred share plan	**142**	38	**114**	31
Total investment surpluses	**5,303**	37,633	**(3,045)**	25,819
Investment return includes:				
Foreign exchange gains/(losses)	**1,203**	(516)	**1,777**	(677)
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)	**-**	-

9 Taxation

9.1 Deferred tax

Deferred tax

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

• Temporary differences relating to investment in subsidiaries, associated companies and joint ventures where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and

• Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

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

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

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.

Reconciliation of the deferred tax balances:

	Group		Company	
R million	**Income Tax**	**Capital Gains Tax**	**Income Tax**	**Capital Gains Tax**
Balance at 1 January 2019	(1,344)	(1,690)	25	(981)
Temporary differences credited/(charged) to the Statement of Comprehensive Income	(192)	(430)	22	(445)
Accruals and provisions	17	(10)	23	-
Tax losses and credits	14	-	-	-
Net unrealised investment surpluses on shareholders' fund	(25)	86	-	8
Net unrealised investment surpluses on policyholders' fund	(45)	(555)	-	(453)
Leases	(3)	-	(3)	-
Other temporary differences	(150)	49	2	-
Acquisition of subsidiaries	(10)	-	-	-
Disposal of subsidiaries	(3)	-	-	-
Foreign currency translation differences	170	9	-	-
Balance at 31 December 2019	(1,379)	(2,111)	47	(1,426)
Temporary differences credited/(charged) to the Statement of Comprehensive Income	**1,350**	**(328)**	**(30)**	**(401)**
Accruals and provisions	**282**	**203**	**(47)**	**-**
Tax losses and credits	**773**	**(64)**	**-**	**-**
Net unrealised investment surpluses on shareholders' fund	**(342)**	**(114)**	**-**	**17**
Net unrealised investment surpluses on policyholders' fund	**(100)**	**(354)**	**-**	**(422)**
Intangible assets	**234**	**-**	**-**	**-**
Leases	**9**	**-**	**6**	**2**
Share based payments	**9**	**2**	**7**	**2**
Other temporary differences	**485**	**(1)**	**4**	**-**
Acquisition of subsidiaries	**(4)**	**-**	**-**	**-**
Disposal of subsidiaries	**(11)**	**-**	**-**	**-**
Foreign currency translation differences	**(103)**	**(42)**	**-**	**-**
Balance at 31 December 2020	**(147)**	**(2,481)**	**17**	**(1,827)**

(1) Refer to note 36.3 for more information

9 Taxation (continued)

9.1 Deferred tax

R million	Group Income Tax	Group Capital Gains Tax	Company Income Tax	Company Capital Gains Tax
Analysis of deferred tax balances at 31 December 2020	**(147)**	**(2,481)**	**17**	**(1,827)**
Accruals and provisions	**(164)**	**(376)**	**1**	**-**
Tax losses and credits	**2,236**	**38**	**-**	**-**
Unrealised gains/losses on shareholders' fund	**(23)**	**(867)**	**-**	**(641)**
Unrealised gains/losses on policyholders' fund	**(144)**	**(1,302)**	**-**	**(1,188)**
Leases	**6**	**-**	**2**	**-**
Share based payments	**9**	**2**	**7**	**2**
Intangible assets	**(1,822)**	**-**	**-**	**-**
Other temporary differences	**(245)**	**24**	**7**	**-**
Analysis of deferred tax balances at 31 December 2019	(1,379)	(2,111)	47	(1,426)
Accruals and provisions	(382)	(512)	48	-
Tax losses and credits	1,421	89	-	-
Unrealised gains/losses on shareholders' fund	319	(753)	-	(660)
Unrealised gains/losses on policyholders' fund	(47)	(947)	-	(766)
Leases	(3)	-	(3)	-
Intangible assets	(1,963)	7	-	-
Other temporary differences	(724)	5	2	-

R million	2020	2019	2020	2019
Total deferred tax asset recognised	**2,681**	1,689	**6**	48
Total deferred tax liability recognised	**(5,309)**	(5,179)	**(1,816)**	(1,427)
Total net deferred tax	**(2,628)**	(3,490)	**(1,810)**	(1,379)

9 Taxation

9.2 Income tax

Group

Analysis of income tax per category R million	Normal Income Tax 2020	Normal Income Tax 2019	Deferred Tax 2020	Deferred Tax 2019	Total 2020	Total 2019
RSA – current year	**3,126**	2,839	**(1,018)**	155	**2,108**	2,994
RSA – prior year	**(33)**	27	**(16)**	(17)	**(49)**	10
Dividends Tax - Policyholders	**90**	125	**-**	-	**90**	125
Foreign	**1,152**	1,305	**(316)**	26	**836**	1,331
Capital gains tax	**117**	376	**328**	429	**445**	805
Tax expense	**4,452**	4,672	**(1,022)**	593	**3,430**	5,265

Company

Analysis of income tax per category R million	Normal Income Tax 2020	Normal Income Tax 2019	Deferred Tax 2020	Deferred Tax 2019	Total 2020	Total 2019
RSA – current year	**1,378**	1,328	**47**	(22)	**1,425**	1,306
RSA – prior year	**-**	-	**(17)**	-	**(17)**	-
Dividends Tax - Policyholders	**62**	89	**-**	-	**62**	89
Foreign	**10**	10	**-**	-	**10**	10
Capital gains tax	**109**	368	**401**	445	**510**	813
Tax expense	**1,559**	1,795	**431**	423	**1,990**	2,218

R million	Group 2020	Group 2019	Company 2020	Company 2019
Shareholders' fund	**2,006**	3,832	**1,263**	1,168
Policyholders' fund	**1,424**	1,433	**727**	1,050
Tax expense	**3,430**	5,265	**1,990**	2,218
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	**429**	376
Included elsewhere in profit for the year	**120**	112	**89**	94
Total indirect taxes and levies	**626**	606	**518**	470

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

9 Taxation

9.2 Income tax

%	Group 2020	Group 2019	Company 2020	Company 2019
Standard rate of taxation	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(25.6)**	(6.4)	**391.5**	(15.0)
Disallowable expenses	**30.9**	5.6	**(14.5)**	0.6
Share based payments	**0.3**	-	**(3.2)**	-
Utilisation of assessed losses	**0.4**	0.1	**-**	-
Change in tax rate	**0.1**	-	**-**	-
Investment surpluses	**12.2**	(1.6)	**(639.4)**	7.9
Foreign tax rate differential	**(0.4)**	(0.7)	**(0.3)**	-
Policyholders	**15.8**	6.7	**(86.1)**	11.2
Other fund transfers	**(8.6)**	0.7	**(3.8)**	-
Dividend tax	**0.0**	-	**-**	-
Prior year adjustment	**(0.2)**	0.1	**-**	-
Other	**(0.0)**	0.8	**(1.2)**	0.1
Effective tax rate	**53.1**	33.3	**(329.0)**	32.8

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.

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

10 General insurance technical provisions

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

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported 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	Group 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	10,167
Outstanding claims	10,077	6,841
Unearned premiums	2,869	2,552
Deferred acquisition cost	901	774
Net general insurance technical provisions	35,905	31,165

10 General insurance technical provisions

Analysis of movement in general insurance technical provisions

Group	2020			2019		
R million	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)	3,966	(15,533)
Increase in liabilities	26,861	(9,999)	16,862	21,663	(4,915)	16,748
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	-	224
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	-	393	393
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.

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

11 Trade receivables and payables

11.1 Trade and other receivables

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

R million	2019					
Trading account	579	9	-	9	-	588
Accounts receivable	-	13,026	(333)	12,693	323	13,016
Premiums receivable	-	13,082	(1,372)	11,710	-	11,710
Accrued investment income	2,785	1,080	-	1,080	-	3,865
Amounts due from holding company and fellow subsidiaries	1,152	3,454	-	3,454	-	4,606
Amounts due from reinsurers	-	3,703	-	3,703	-	3,703
Contract receivables	-	361	-	361	-	361
Total trade and other receivables	4,516	34,715	(1,705)	33,010	323	37,849

	2020	2019
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	1,771	1,737
Designated at fair value through profit or loss [1]	2,785	2,779
Amortised cost	31,109	33,010
Non-financial instrument [2]	706	323
	36,371	37,849

The estimated fair value of trade and other receivables measured at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

[1] The change during the period and cumulatively in the fair value of financial assets designated at 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 rate. The impact of the changes in credit risk for 2020 and 2019 was not material.

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

11 Trade receivables and payables

11.1 Trade and other receivables(continued)

R million	Company 2020					
	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument [2]	Total
Trading account	**70**	**-**	**-**	**-**	**-**	**70**
Accounts receivable	**-**	**2,262**	**-**	**2,262**	**389**	**2,651**
Premiums receivable	**-**	**1,695**	**-**	**1,695**	**-**	**1,695**
Accrued investment income	**1,891**	**15**	**-**	**15**	**-**	**1,906**
Amounts due from holding company and fellow subsidiaries	**1,603**	**3,279**	**-**	**3,279**	**-**	**4,882**
Amounts due from reinsurers	**-**	**547**	**-**	**547**	**-**	**547**
Contract receivables	**-**	**287**	**-**	**287**	**-**	**287**
Total trade and other receivables	**3,564**	**8,085**	**-**	**8,085**	**389**	**12,038**

R million	2019					
Trading account	133	-	-	-	-	133
Premiums receivable	-	1,831	-	1,831	-	1,831
Accounts receivable	-	1,070	-	1,070	130	1,200
Accrued investment income	1,792	-	-	-	-	1,792
Amounts due from holding company and fellow subsidiaries	1,044	640	-	640	-	1,684
Amounts due from reinsurers	-	346	-	346	-	346
Contract receivables	-	189	-	189	-	189
Total trade and other receivables	2,969	4,076	-	4,076	130	7,175

	2020	2019
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	**1,673**	1,178
Designated at fair value through profit or loss [1]	**1,891**	1,791
Amortised cost	**8,085**	4,076
Non-financial instrument [2]	**389**	130
	12,038	7,175

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 the fair value of financial assets designated at 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 rate. The impact of the changes in credit risk for 2020 and 2019 was not material.

[2] Non-financial Instruments refer to prepaid expenses and tax receivables.

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

R million	2020	2019
Maturity analysis of trading account - fair value		
Due within one year	179	456
On demand	70	132
Total trading account	249	588
Maturity analysis of trading account - undiscounted		
Due within one year	179	456
Due within two to five years	1	-
On demand	70	133
Total trading account	250	589

Reconciliation of contract receivables	2020	2019
Balance at the beginning of the year	361	348
Revenue recognised in the current reporting period [1]	10,875	10,019
Consideration received	(10,901)	(9,987)
Acquisition of subsidiaries	104	-
Foreign currency translation differences	(17)	(19)
Balance at the end of the year	422	361

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

Reconciliation of expected credit losses

R million	2020	2019
Accounts receivable		
Balance at the beginning of year	333	342
Acquired through business combination	166	-
Net remeasurement of loss allowance	146	18
Foreign currency translation differences	(6)	(27)
Balance at the end of the year	639	333
Premiums receivable		
Balance at the beginning of year	1,372	1,246
Net remeasurement of loss allowance	214	145
Acquired through business combination	178	-
Foreign currency translation differences	87	(19)
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	-

11 Trade receivables and payables (continued)

11.1 Trade and other receivables (continued)

Trade and other receivables:

There has been a general increase in expected credit loss proviions for trade and other receivables, mostly as a result of COVID-19. The methodologies applied have however not changed since December 2019.

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 analyzed on a case-by-case basis.

Other receivables:

Expected credit losses have been provided for as follows:

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

Commission receivable (including accounts receivable):

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

Company

R million	2020	2019
Maturity analysis of trading account non-derivative - fair value		
On demand	**70**	133
Total trading account	**70**	133
Maturity analysis of trading account non-derivative - undiscounted		
On demand	**70**	133
Total trading account	**70**	133

Reconciliation of contract receivables	2020	2019
Balance at the beginning of the year	**189**	173
Revenue recognised in the current reporting period [1]	**7,807**	8,190
Consideration received	**(7,709)**	(8,174)
Balance at the end of the year	**287**	189

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

11 Trade receivables and payables (continued)

11.2 Trade and other payables

Trade and other payables are measured in accordance with the classification categories below (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).

	Group		Company	
R million	**2020**	2019	**2020**	2019
Trading account[3]	**1,267**	1,172	**-**	-
Accounts payable	**22,984**	23,411	**7,626**	6,656
Accrued interest payable	**238**	391	**238**	364
Policy benefits payable	**6,873**	5,900	**4,431**	3,873
Amounts due to holding company and fellow subsidiaries	**1,644**	5,296	**967**	3,545
Amounts due to reinsurers	**5,261**	4,487	**15**	14
Bank overdraft	**859**	2,031	**-**	-
Liability for share based payments	**482**	601	**415**	540
Claims incurred but not reported	**1,961**	1,893	**1,542**	1,550
Lease creditor	**34**	33	**-**	-
Total trade and other payables	**41,603**	45,215	**15,234**	16,542
Classification of trade and other payables:				
Mandatorily measured at fair value through profit or loss	**867**	785	**-**	-
Designated at fair value through profit or loss [1]	**400**	387	**-**	-
Other payables at amortised cost	**36,844**	39,988	**12,639**	13,220
Non-financial instruments [2]	**3,492**	4,055	**2,595**	3,322
Total trade and other payables	**41,603**	45,215	**15,234**	16,542

Trade and other payables, excluding the trading account and the liability for share based payments, are payable within one year. In respect of the liability for share based payments, the amount outstanding is payable over five years, however weighted towards one to two years. The estimated fair value of other payables at amortised cost approximates carrying value. This valuation is based on discounted cash flows and is classified as level 3.

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

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

(3) Included in trading account payables are repurchase agreement positions of R867 million (2019: R785 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.

	Group		Company	
R million	**2020**	2019	**2020**	2019
Maturity analysis of trading account - fair value				
Due within one year	**848**	770	**-**	-
Due within two to five years	**419**	403	**-**	-
Total trading account	**1,267**	1,173	**-**	-
Maturity analysis of trading account- undiscounted				
Due within one year	**850**	770	**-**	-
Due within two to five years	**419**	403	**-**	-
Total	**1,269**	1,173	**-**	-

12 Share capital and premium

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

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

	Group and company	
R million	**2020**	2019
Authorised share capital		
100 million ordinary shares of 1 cent each	**1**	1
Issued share capital and share premium		
50 million ordinary shares issued at:		
Nominal value of 1 cent per share	**1**	1
Share premium	**4,999**	4,999
Total nominal value and share premium	**5,000**	5,000

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

13 Other reserves

Non-distributable reserve
The 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; and
- Investments in associated companies and joint ventures, which are recognised on an equity-accounted basis

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

Common control reserve

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

13 Other reserves

R million	Group 2020	Group 2019	Company 2020	Company 2019
Non-distributable reserves[1]	**5,960**	5,990	**5,429**	5,429
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**5,329**	5,429	**5,429**	5,429
Regulatory reserves	**631**	561	**-**	-
Foreign currency translation reserve	**(1,562)**	(3,316)	**-**	-
Common Control Reserve[2]	**(2,234)**	-	**(67)**	-
Consolidation reserve	**691**	583	**-**	-
Policyholder fund investments in consolidated subsidiaries	**(131)**	(63)	**-**	-
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	**822**	646	**-**	-
Total reserves other than retained earnings	**2,855**	3,257	**5,362**	5,429

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

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

14 Non-controlling interest

R million	Group 2020	Group 2019
Santam	**4,143**	4,006
Sanlam Emerging Markets	**6,838**	7,231
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**	170
Sanlam Personal Finance: BrightRock Holdings	**125**	140
Other	**262**	-
Non-controlling shareholders' interest	**11,368**	11,377
Non-controlling policyholders' interest	**10**	16
Total non-controlling interest	**11,378**	11,393

For additional financial information for subsidiaries with significant non-controlling interest refer to page 131.

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
- 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

Group

R million	2020 Total	2020 Insurance contracts	2020 Investment contracts [1]	2019 Total	2019 Insurance contracts	2019 Investment contracts [1]
Income	134,459	57,206	77,253	148,101	56,458	91,643
Premium income (note 15.3)	100,619	46,635	53,984	96,201	38,971	57,230
Investment return after tax (note 15.5)	33,840	10,571	23,269	51,900	17,487	34,413
Outflow	(111,896)	(57,552)	(54,344)	(103,244)	(53,871)	(49,373)
Policy benefits (note 15.4)	(65,187)	(23,783)	(41,404)	(59,967)	(23,521)	(36,446)
Retirement fund terminations	(7,068)	-	(7,068)	(6,884)	-	(6,884)
Fees, risk premiums and other payments to shareholders' fund	(39,641)	(33,769)	(5,872)	(36,393)	(30,350)	(6,043)
Movement in policy loans	60	-	60	37	-	37
Other movements	(81)	(81)	-	(2)	(2)	-
Net movement for the year	22,542	(427)	22,969	44,892	2,585	42,307
Liabilities acquired through business combinations	4,416	(165)	4,581	129	11	118
Disposal of subsidiaries	(66)	(66)	-	-	-	-
Foreign currency translation differences	1,312	1,637	(325)	(1,462)	(1,433)	(29)
Balance at beginning of the year	539,501	185,392	354,109	495,942	184,229	311,713
Balance at end of the year	567,705	186,371	381,334	539,501	185,392	354,109

Company

R million	2020 Total	2020 Insurance contracts	2020 Investment contracts [1]	2019 Total	2019 Insurance contracts	2019 Investment contracts [1]
Income	96,188	26,743	69,445	110,439	27,998	82,441
Premium income (note 15.3)	68,111	19,930	48,181	67,068	15,472	51,596
Investment return after tax (note 15.5)	28,077	6,813	21,264	43,371	12,526	30,845
Outflow	(75,329)	(30,081)	(45,248)	(69,327)	(28,894)	(40,433)
Policy benefits (note 15.4)	(47,912)	(14,392)	(33,520)	(43,709)	(14,757)	(28,952)
Retirement fund terminations	(7,004)	-	(7,004)	(6,811)	-	(6,811)
Fees, risk premiums and other payments to shareholders' fund	(20,413)	(15,689)	(4,724)	(18,807)	(14,137)	(4,670)
Movement in policy loans	14	-	14	11	-	11
Net movement for the year	20,873	(3,338)	24,211	41,123	(896)	42,019
Balance at beginning of the year	444,082	127,464	316,618	402,959	128,360	274,599
Balance at end of the year	464,955	124,126	340,829	444,082	127,464	316,618

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

15 Long-term policy liabilities

15.2 Composition of policy liabilities

R million	Group 2020	Group 2019	Company 2020	Company 2019
Individual business	**445,259**	424,490	**353,391**	337,848
Risk business	**19,929**	16,494	**8,661**	9,668
Risk underwriting	**17,614**	13,441	**6,646**	6,876
Asset mismatch reserve	**2,315**	3,053	**2,015**	2,792
Investments	**316,380**	298,328	**255,142**	235,852
Linked business	**152,836**	137,020	**142,249**	126,825
Business with no investment guarantees	**103,161**	99,901	**91,850**	89,166
Business with minimum investment guarantees	**10,163**	26,579	**4,021**	4,346
Smoothed bonus	**36,996**	23,589	**12,999**	12,152
Market related and smoothed bonus	**3,972**	3,209	**3,958**	3,202
Non guaranteed investments	**853**	420	**-**	-
Fully guaranteed business	**8,399**	7,610	**65**	161
Life Annuities	**45,717**	39,588	**29,511**	25,689
Combined policies	**61,048**	67,269	**57,974**	63,886
Non-product/Other	**2,185**	2,811	**2,103**	2,753
Employee benefits business	**122,446**	115,011	**111,564**	106,234
Risk business	**8,413**	7,225	**6,381**	5,930
Risk underwriting	**8,021**	6,851	**5,997**	5,558
Asset mismatch reserve	**392**	374	**384**	372
Investments	**88,448**	82,180	**83,377**	78,162
Linked business	**64,867**	61,084	**60,955**	57,270
Smoothed bonus	**23,333**	20,892	**22,422**	20,892
Non guaranteed investments	**40**	45	**-**	-
Fully guaranteed business	**208**	159	**-**	-
Life Annuities	**23,343**	23,598	**21,608**	21,933
Non-product/Other	**2,242**	2,008	**198**	209
Total policy liabilities	**567,705**	539,501	**464,955**	444,082

15.3 Analysis of premium income

	Group 2020	Group 2019	Company 2020	Company 2019
Individual business	**73,247**	65,657	**47,331**	42,149
Recurring	**36,954**	33,695	**16,814**	16,679
Single	**33,477**	29,303	**28,210**	23,150
Continuations	**2,816**	2,659	**2,307**	2,320
Employee benefits business	**27,372**	30,544	**20,780**	24,919
Recurring	**16,376**	14,293	**12,204**	10,821
Single	**10,996**	16,251	**8,576**	14,098
Total premium income	**100,619**	96,201	**68,111**	67,068

15 Long-term policy liabilities

15.4 Analysis of long-term policy benefits

	Group 2020	Group 2019	Company 2020	Company 2019
Individual business	**55,114**	50,842	**38,429**	34,950
Maturity benefits	**25,727**	26,487	**18,362**	17,851
Surrenders	**9,497**	7,782	**4,826**	4,386
Life and term annuities	**14,723**	12,292	**12,576**	10,387
Death and disability benefits (1)	**4,677**	3,914	**2,664**	2,325
Cash bonuses (1)	**490**	367	**1**	1
Employee benefits business	**10,073**	9,125	**9,483**	8,759
Withdrawal benefits	**4,131**	3,748	**3,800**	3,460
Pensions	**2,232**	2,042	**1,996**	1,964
Lump-sum retirement benefits	**2,853**	2,423	**2,853**	2,423
Death and disability benefits (1)	**854**	912	**834**	912
Cash bonuses (1)	**3**	-	**-**	-
Total long-term policy benefits	**65,187**	59,967	**47,912**	43,709

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

15.5 Long-term insurance and investment contract benefits

Underwriting benefits

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

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

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

Other policy benefits

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

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

R million	Group 2020	Group 2019	Company 2020	Company 2019
Insurance contracts				
Underwriting policy benefits	**14,646**	12,850	**7,845**	6,972
After tax investment return attributable to insurance contract liabilities (note 15.1)	**10,571**	17,487	**6,813**	12,526
Total long-term insurance contract benefits	**25,217**	30,337	**14,658**	19,498
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 15.1)	**23,269**	34,413	**21,264**	30,845
Total long-term investment contract benefits	**23,269**	34,413	**21,264**	30,845
Analysis of underwriting policy benefits				
Individual insurance	**8,802**	7,601	**3,963**	3,251
Employee benefits	**5,844**	5,249	**3,882**	3,721
Total underwriting policy benefits	**14,646**	12,850	**7,845**	6,972

15 Long-term policy liabilities

15.6 Maturity analysis of investment policy contracts

Group

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	8,294	42,133	70,086	244,332	364,845
Linked business	97	6,883	-	205,585	212,565
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
Other	358	-	1,480	212	2,050
Total investment policies	10,017	47,193	79,241	244,883	381,334

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	7,879	39,125	67,898	222,687	337,589
Linked business	-	5,418	8	187,839	193,265
Business with no investment guarantees	4,417	23,171	57,471	9,265	94,324
Business with minimum investment guarantees	1,444	4,069	1,064	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	446	703	20	281	1,450
Guaranteed annuities	446	703	20	281	1,450
Combined policies	694	3,273	6,600	-	10,567
Non-product/Other	83	-	1,535	197	1,815
Other	83	-	1,535	197	1,815
Total investment policies	9,278	44,044	77,596	223,191	354,109

The composition of policy liabilities have been aligned with the new solvency regime compositions.

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

15 Long-term policy liabilities

15.6 Maturity analysis of investment policy contracts(continued)

Company

R million	< 1 year	1 - 5 years	> 5 years	Open ended	Total
2020					
Risk business	-	-	-	1	1
Risk underwriting	-	-	-	1	1
Investments	4,112	24,959	67,983	232,078	329,132
Linked business	-	6,592	-	196,611	203,203
Business with no investment guarantees	3,874	17,738	57,176	9,359	88,147
Business with minimum investment guarantees	65	252	717	116	1,150
Smoothed bonus	173	312	10,090	22,856	33,431
Market related and smoothed bonus	-	-	-	3,136	3,136
Fully guaranteed business	-	65	-	-	65
Life Annuities	416	581	23	313	1,333
Guaranteed annuities	416	581	23	313	1,333
Participating annuities	-	-	-	-	-
Combined policies	754	3,410	6,002	-	10,166
Non-product/Other	-	-	-	197	197
Other	-	-	-	197	197
Total investment policies	5,282	28,950	74,008	232,589	340,829

R million	< 1 year	1 - 5 years	> 5 years	Open ended	Total
2019					
Risk business	-	-	-	1	1
Risk underwriting	-	-	-	1	1
Investments	3,416	22,558	67,437	211,143	304,554
Linked business	-	4,942	-	179,152	184,094
Business with no investment guarantees	3,161	16,810	57,239	8,115	85,325
Business with minimum investment guarantees	85	347	843	104	1,379
Smoothed bonus	170	298	9,355	21,302	31,125
Market related and smoothed bonus	-	-	-	2,470	2,470
Fully guaranteed business	-	161	-	-	161
Life Annuities	446	701	20	281	1,448
Guaranteed annuities	446	701	20	281	1,448
Combined policies	676	3,229	6,533	-	10,438
Non-product/Other	-	-	-	177	177
Other	-	-	-	177	177
Total investment policies	4,538	26,488	73,990	211,602	316,618

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

15 Long-term policy liabilities

15.7 Maturity analysis of insurance policy contracts

Group

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

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	2,189	7,488	29,355	3,887	42,919
Linked business	273	1,103	2,785	678	4,839
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	48,069	61,736
Guaranteed annuities	144	460	11,087	39,636	51,327
Participating annuities	8	-	1,968	8,433	10,409
Combined policies	5,176	17,416	26,183	7,927	56,702
Non-product/Other	260	-	-	2,744	3,004
Working capital Management	-	-	-	286	286
Other	260	-	-	2,458	2,718
Total insurance policies	8,522	26,811	74,197	75,862	185,392

15 Long-term policy liabilities

15.7 Maturity analysis of insurance policy contracts(continued)

Company

R million	< 1 year	1 - 5 years	> 5 years	Open ended	Total
2020					
Risk business	75	646	4,278	10,042	15,041
Risk underwriting	75	646	4,278	7,643	12,642
Asset mismatch reserve	-	-	-	2,399	2,399
Investments	436	1,838	4,873	2,240	9,387
Linked business	-	-	-	1	1
Business with no investment guarantees	175	764	2,119	645	3,703
Business with minimum investment guarantees	162	638	1,662	409	2,871
Smoothed bonus	92	436	990	472	1,990
Market related and smoothed bonus	7	-	102	713	822
Life Annuities	-	-	-	49,786	49,786
Guaranteed annuities	-	-	-	43,649	43,649
Participating annuities	-	-	-	6,137	6,137
Combined policies	4,527	14,472	21,391	7,418	47,808
Non-product/Other	136	-	250	1,718	2,104
Working capital Management	-	-	-	325	325
Other	136	-	250	1,393	1,779
Total insurance policies	5,174	16,956	30,792	71,204	124,126

R million	< 1 year	1 - 5 years	> 5 years	Open ended	Total
2019					
Risk business	70	591	3,919	11,017	15,597
Risk underwriting	70	591	3,919	7,853	12,433
Asset mismatch reserve	-	-	-	3,164	3,164
Investments	444	1,840	5,108	2,068	9,460
Linked business	-	-	-	1	1
Business with no investment guarantees	172	792	2,242	635	3,841
Business with minimum investment guarantees	146	658	1,791	372	2,967
Smoothed bonus	124	390	985	420	1,919
Market related and smoothed bonus	2	-	90	640	732
Life Annuities	-	-	-	46,174	46,174
Guaranteed annuities	-	-	-	39,552	39,552
Participating annuities	-	-	-	6,622	6,622
Combined policies	4,847	16,402	24,599	7,600	53,448
Non-product/Other	82	-	-	2,703	2,785
Working capital Management	-	-	-	286	286
Other	82	-	-	2,417	2,499
Total insurance policies	5,443	18,833	33,626	69,562	127,464

15.8 Policy liabilities include the following:

	Group		Company	
R million	2020	2019	2020	2019
Provision for HIV/Aids and other pandemics	2,939	3,452	1,761	2,164
Asset mismatch reserve	2,707	3,427	2,399	3,164

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 stock exchange prices or amortised cost as applicable

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

		Group		Company	
	R million	2020	2019	2020	2019
16.1	**Term finance comprises:**				
	Other interest-bearing liabilities	**6,222**	5,410	**1,004**	1,013
		6,222	5,410	**1,004**	1,013
	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	**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, Santam issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2016. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.	**3,089**	2,080	**-**	-
	Preference share issued by Sanlam Emerging Markets to Sanpref (Pty) Limited. The preference share has a redemption put option which can be exercised on 22 December 2021.	**1,326**	1,660	**-**	-
	Other	**803**	657	**-**	-
		6,222	5,410	**1,004**	1,013

16 Term finance

16.2 Reconciliation of term finance (including interest accrued)

	Group 2020	Group 2019	Company 2020	Company 2019
Balance at the beginning of the year	**5,410**	5,720	**1,013**	1,013
Cash movements	**792**	(972)	**(64)**	(92)
New issuances	**1,646**	77	**-**	-
Acquired through business combinations	**-**	46	**-**	-
Disposal of subsidiaries	**(252)**	-	**-**	-
Capital repayment	**(247)**	(341)	**-**	-
Interest paid	**(355)**	(754)	**(64)**	(92)
Non-cash movements	**29**	662	**62**	92
Net fair value movements	**(335)**	16	**(9)**	-
Interest expense	**363**	753	**71**	92
Foreign currency translation differences	**-**	(107)	**-**	-
Balance at the end of the year (including interest accruals)	**6,230**	5,410	**1,011**	
1,013 Balance comprises:				
Term finance	**6,222**	5,410	**1,004**	1,013
Accrued interest (included in trade and other payables)	**8**	-	**7**	-

16.3 Maturity analysis of term finance

	Group 2020	Group 2019 Restated [1]	Company 2020	Company 2019
Maturity analysis of term finance - fair value				
Due within one year	**1,661**	67	**1,004**	-
Due within two to five years	**3,998**	5,300	**-**	1,013
Due after more than five years	**563**	43	**-**	-
Total term finance liabilities	**6,222**	5,410	**1,004**	1,013
Maturity analysis of term finance - undiscounted				
Due within one year	**1,864**	330	**1,034**	87
Due within two to five years	**4,921**	5,965	**-**	1,059
Due after more than five years	**563**	43	**-**	-
Total term finance liabilities	**7,348**	6,338	**1,034**	1,146

(1) *Prior year undiscounted maturity analysis for the "due within two to five years" bucket as been corrected from R3 965 million to R5 965 million. It has been adjusted with an ommited amount of R2 000 million.*

16.4 Classification of term finance

R million		Group 2020	Group 2019	Company 2020	Company 2019
At fair value through profit or loss	16.4.1	**5,419**	4,753	**1,004**	1,013
Other financial liabilities	16.4.2	**803**	657	**-**	-
Total term finance liabilities		**6,222**	5,410	**1,004**	1,013

	Group 2020	Group 2019	Company 2020	Company 2019
16.4.1 **Term finance classified as at fair value through profit or loss**				
Total designated as at fair value through profit or loss	**5,419**	4,753	**1,004**	1,013
Amount contractually payable at maturity	**4,127**	3,000	**1,000**	1,000
16.4.2 **Term finance classified as other financial liabilities**				
Estimated fair value of term finance liabilities measured at amortised cost	**803**	657	**-**	-

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

17 Structured transaction liabilities

17.1 Maturity analysis of structured transaction liabilities - fair value [1]	Group 2020	Group 2019	Company 2020	Company 2019
Due within one year	**12,408**	17,490	**11,255**	11,015
Due within two to five years	**2,414**	935	**253**	449
Due within five to ten years	**2,751**	500	**266**	102
Due after ten years	**5,397**	276	**3,083**	222
Total structured transaction liabilities	**22,970**	19,201	**14,857**	11,788

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

18 Provisions

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

Details of the different classes of provisions are as follows:

R million	Possible claims	Other	Total
Group			
Balance at 1 January 2019	24	309	333
Charged to the statement of comprehensive income	3	155	158
Additional provisions	3	341	344
Unused amounts reversed	-	(186)	(186)
Utilised during the year	(3)	(64)	(67)
Foreign currency translation reserve	-	(18)	(18)
Balance at 31 December 2019	24	382	406
Charged to the statement of comprehensive income	**-**	**51**	**51**
Additional provisions	**-**	**176**	**176**
Unused amounts reversed	**-**	**(125)**	**(125)**
Utilised during the year	**-**	**(16)**	**(16)**
Acquired through business combinations	**-**	**(4)**	**(4)**
Foreign currency translation reserve	**(1)**	**(35)**	**(36)**
Balance at 31 December 2020	**23**	**378**	**401**
Analysis of provisions			
Current	**8**	**319**	**327**
Non-current	**15**	**59**	**74**
Total provisions at 31 December 2020	**23**	**378**	**401**

R million	Possible claims	Other	Total
Company			
Balance at 1 January 2019	**15**	8	23
Utilised during the year	-	(1)	(1)
Balance at 31 December 2019	15	7	22
Utilised during the year	**-**	**(2)**	**(2)**
Balance at 31 December 2020	**15**	**5**	**20**
Analysis of provisions			
Non-current	**15**	**5**	**20**
Total provisions at 31 December 2020	**15**	**5**	**20**

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.

19 Financial services income

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

Major IFRS 15 revenue sources:

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

Major revenue sources not within the scope of IFRS 15:

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

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

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

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

IFRS 15 Revenue disaggregation

Revenue from contracts with customers are disaggregated by geographic location and type of revenue.It is also split per the Group's key reporting segments.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 outperformance of a specific benchmark over a certain period, a fee is recouped from the clients account.

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

Actuarial and risk management fees relate to actuarial billing to clients. Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. The long-term policy contract fee income is recognised as revenue over time as the related services are rendered.

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

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

19 Financial services income (continued)

R million	Group 2020	Group Restated[2] 2019	Company 2020	Company 2019
Analysis per revenue source				
Long-term insurance	42,602	38,520	21,121	19,381
General insurance	53,335	49,085	-	-
Other financial services	3,071	2,276	-	-
Total financial services income	99,008	89,881	21,121	19,381
Analysis per revenue category				
Long-term insurance fee income	42,602	38,520	21,121	19,381
Investment management fees	626	655	627	655
Risk benefit charges and other fee income[1]	41,976	37,865	20,494	18,726
General insurance premiums	53,335	49,085	-	-
Premiums receivable	54,739	50,605	-	-
Tax recovered from cell owners	429	-	-	-
Change in unearned premium provision	(1,833)	(1,520)	-	-
Other financial services fees and income	2,721	2,270	-	-
Trading profit/(loss)	-	6	-	-
Foreign exchange movements	3	-	-	-
Recovered from third parties	347	-	-	-
Total financial services income	99,008	89,881	21,121	19,381

(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 586 million to R38 520 million and R51 019 million to R49 085 million respectively. Risk benefit charges and other fee income and premiums receivable has been restated from R35 931 million to R37 865 million and R52 539 million to R50 605 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.

Group

Disaggregation of revenue

- According to primary geography

R million	South Africa	Rest of Africa	Other International	Total
31 December 2020				
IFRS 15 Revenue	9,858	1,017	-	10,875
Administration fees	8,119	569	-	8,688
Asset management and performance fees	826	362	-	1,188
Commissions	177	86	-	263
Consulting fees	308	-	-	308
Actuarial and risk management fees	221	-	-	221
Trust and estate fees	136	-	-	136
Other	71	-	-	71
Revenue not within the scope of IFRS 15	51,166	31,226	5,741	88,133
Financial services income	61,024	32,243	5,741	99,008
31 December 2019				
IFRS 15 Revenue	9,198	821	-	10,019
Administration fees	7,641	527	-	8,168
Asset management and performance fees	934	206	-	1,140
Commissions	159	78	-	237
Consulting fees	35	10	-	45
Actuarial and risk management fees	204	-	-	204
Trust and estate fees	166	-	-	166
Other	59	-	-	59
Revenue not within the scope of IFRS 15 [1]	51,254	25,771	2,837	79,862
Financial services income	60,452	26,592	2,837	89,881

(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 Africa geographical market to 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.

19 Financial services income (continued)

Group

Disaggregation of revenue

- 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	**489**	**10,386**	**-**	**10,875**
Administration fees	**270**	**8,418**	**-**	**8,688**
Asset management and performance fees	**1**	**1,187**	**-**	**1,188**
Commissions	**121**	**142**	**-**	**263**
Consulting fees	**23**	**285**	**-**	**308**
Actuarial and risk management fees	**-**	**221**	**-**	**221**
Trust and estate fees	**74**	**62**	**-**	**136**
Other	**-**	**71**	**-**	**71**
Revenue not within the scope of IFRS 15	**-**	**-**	**88,133**	**88,133**
Financial services income	**489**	**10,386**	**88,133**	**99,008**
31 December 2019				
IFRS 15 Revenue	156	9,863	-	10,019
Administration fees	-	8,168	-	8,168
Asset management and performance fees	1	1,138	-	1,139
Commissions	34	204	-	238
Consulting fees	-	45	-	45
Actuarial and risk management fees	-	204	-	204
Trust and estate fees	99	67	-	166
Other	22	37	-	59
Revenue not within the scope of IFRS 15	-	-	79,862	79,862
Financial services income	156	9,863	79,862	89,881

Company

Disaggregation of revenue

As all revenue for Life Company orignates from a South African source, a geographical split is not provided.

19 Financial services income (continued)

Company

Disaggregation of revenue

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

R million	Over time	Not in the scope of IFRS 15	Total
31 December 2020			
IFRS 15 Revenue	7,807	-	7,807
Administration fees	7,356	-	7,356
Asset management and performance fees	226	-	226
Commissions	1	-	1
Actuarial and risk management fees	221	-	221
Scrip lending fees	-	-	-
Other	3	-	3
Revenue not within the scope of IFRS 15	-	13,314	13,314
Financial services income	7,807	13,314	21,121
31 December 2019			
IFRS 15 Revenue	8,190	-	8,190
Administration fees	7,664	-	7,664
Asset management and performance fees	313	-	313
Consulting fees	1	-	1
Actuarial and risk management fees	204	-	204
Other	8	-	8
Revenue not within the scope of IFRS 15	-	11,191	11,191
Financial services income	8,190	11,191	19,381

20 Reinsurance premiums paid

R million	Group 2020	Group Restated 2019	Company 2020	Company 2019
Long-term insurance[(1)]	5,015	3,968	1,871	1,751
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	15,879	1,871	1,751

(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 707 million to R3 968 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.

21 Reinsurance income

R million	Group 2020	Group 2019	Company 2020	Company 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	2,208	1,783	1,497
General insurance	11,104	6,212	-	-
Total reinsurance claims received	13,939	8,420	1,783	1,497

22 Expenses, Amortisation and Impairments

22.1 Expenses

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

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

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

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

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

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

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

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

Restricted Share Plan

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

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2020 (R'000) (5)

Name	Directors' fees	Attendance and committees	Fees from Group	Total
AS Birrell (Non-resident)	888	1,319	394	2,601
AD Botha	396	850	595	1,841
PB Hanratty (Non-resident NED to 30 June 2020)	403	570	-	973
NAS Kruger (1)	224	716	-	940
E Masilela	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 (3)	183	635	1,538	2,356
J van Zyl (4)	1,761	259	-	2,020
S Zinn	377	574	-	951
Total non-executive directors	8,687	10,057	6,903	25,647

(1) *Appointed 26 May 2020*
(2) *Appointed as Chairman from 11 June 2020*
(3) *Retired 10 June 2020*
(4) *Chairman until 10 June 2020*
(5) *Excluding VAT*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R399 311 (2019: R920 322).

22 Expenses (continued)

22.1 Expenses (continued)

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

Name	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual cash bonus	Attributable value of LTIs vested [1]	Other payments	Total remuneration	Attributable value of LTIs awarded
Paul Hanratty	6	3,065	-	3,065	-	-	-	3,065	161,580
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	12,863
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	2,746
Heinie Werth	12	6,100	210	6,310	2,750	3,247	-	12,307	5,311
Subtotal: executive directors		28,652	1,557	30,209	14,161	13,038	8,711	66,119	182,500
Thinus Alsworthy-Elvey[5]	8	3,367	142	3,509	-	1,356	4,008	8,873	1,000
Anton Gildenhuys [6]	12	5,332	210	5,542	3,100	4,685	-	13,327	11,765
Lizé Lambrechts	12	5,889	210	6,099	-	4,718	-	10,817	4,775
Bongani Madikiza [7]	4	1,350	150	1,500	2,050	-	-	3,550	5,263
Lotz Mahlangeni [8]	4	1,661	172	1,833	900	-	-	2,733	19,133
Sydney Mbhele	12	4,225	213	4,438	1,800	-	-	6,238	4,747
Kanyisa Mkhize [9]	4	1,275	142	1,417	800	-	1,200	3,417	4,971
Junior Ngulube	12	3,975	254	4,229	1,250	3,042	-	8,521	-
Wikus Olivier [10]	12	4,235	210	4,445	2,400	2,678	-	9,523	11,590
Robert Roux	12	5,313	210	5,523	4,000	3,017	-	12,540	4,096
Karl Socikwa [11]	4	1,463	70	1,533	2,100	1,988	-	5,621	2,360
Jurie Strydom[12]	12	5,853	210	6,063	3,000	3,243	-	12,306	10,444
Executive committee		72,590	3,750	76,340	35,561	37,765	13,919	163,585	262,644

(1) *Fair value of LTI's (excluding equity-settled OPPs) vested during the year.*
(2) *Other payments of R1,8 million in lieu of accrued leave. Prescribed officer until 30 June 2020.*
(3) *Appointed as Finance Director on 1 October 2020. A sign-on retention cash bonus of R5,9 million was granted on appointment.*
(4) *Includes an amount of R369 250 paid by Santam. Other payments in lieu of accrued leave.*
(5) *Chief Executive of Sanlam Corporate until 31 August 2020. The lump sum (other) is in lieu of notice period, handover obligations and accrued leave.*
(6) *Appointed as Chief Executive: SA Retail Affluent effective on 14 September 2020.*
(7) *Appointed as Chief Executive: SA Retail Mass on 1 September 2020.*
(8) *Appointed as Chief Risk Officer and Chief Actuary with effect on 14 September 2020.*
(9) *Appointed Chief Executive of Sanlam Corporate on 1 September 2020. A sign-on retention cash bonus of R1,2 million was granted on appointment.*
(10) *Appointed as Group Executive: Strategy on 1 October 2020.*
(11) *Appointed as Group Executive: Market development on 1 September 2020.*
(12) *Appointed as Chief Executive: Sanlam Life and Savings on 1 September 2020.*

Non-executive directors' emoluments for the year ended 31 December 2019 (R'000)

Name	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.

22 Expenses (continued)
22.1 Expenses (continued)

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2019 (R'000)

Name	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual cash bonus	Attributable value of LTIs vested [2]	Total remuneration	Attributable value of LTIs awarded
IM Kirk	12	9,385	210	9,595	10,000	7,191	26,786	8,098
HC Werth	12	5,693	210	5,903	4,600	3,882	14,385	5,180
TI Mvusi[1]	12	4,345	757	5,102	3,650	2,423	11,175	2,860
J 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	16,138
A Gildenhuys	12	4,878	210	5,088	5,100	3,223	13,411	11,463
L Lambrechts	12	5,620	210	5,830	7,200	6,135	19,165	4,732
J Ngulube	12	4,364	279	4,643	2,500	2,113	9,256	3,000
R Roux	12	5,048	210	5,258	5,600	2,731	13,589	4,318
J Strydom[4]	12	5,283	210	5,493	4,300	8,535	18,328	4,844
S Mbehle[5]	9	3,038	172	3,210	2,250	-	5,460	4,181
T Alsworthy-Elvey[6]	9	3,571	171	3,742	3,000	-	6,742	8,187
W Olivier	5	1,696	88	1,784	2,800	-	4,584	-
Executive committee		54,761	2,887	57,648	53,800	37,990	149,438	56,863

(1) *Includes an amount of R369 250 paid by Santam.*
(2) *Fair value of LTI's (excluding equity-settled OPPs) vested during the year.*
(3) *Appointed as Chief Executive: Human Resources on 1 July 2019.*
(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.*

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

	Directors' fees	Attendance fees	Committee fees	Total
AS Birrell (Non-resident)	**266**	**-**	**128**	**394**
AD Botha	**251**	**268**	**76**	**595**
M Mokoka	**105**	**-**	**45**	**150**
JP Möller	**628**	**544**	**1,938**	**3,110**
KT Nondumo	**271**	**478**	**367**	**1,116**
CG Swanepoel	**111**	**-**	**1,427**	**1,538**
Total fees from Group companies	**1,632**	**1,290**	**3,981**	**6,903**

(1) *Excluding VAT.*

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

22 Expenses (continued)

22.1 Expenses

Out-Performance Plan (OPP)

From time to time, at the discretion of the Group Human Resources and Remuneration committee (GHRRC), participation in an OPP is extended to certain members of the Sanlam Executive committee who are leaders of the Group's main operating businesses and infrequently, to senior leaders within the main businesses. The OPP rewards superior performance over a three- to five-year measurement period.

No payment is made under the OPP unless expected growth over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation).

There were four (4) OPP's which operated during 2020. The consistent policy approach is to treat OPPs in the same manner as performance LTIs. The treatment of performance LTIs in 2020 (taking into account the impact of COVID) is disclosed in detail below. In essence it provides for an extension of the OPPs to 2021, excluding the 2020 performance from the measurement period and adding 2021 into the financial measurement period.

However, for Ian Kirk retiring from Sanlam and for Jurie Strydom, where his role in the Group changed materially the current OPP measures are not entirely applicable and should not be extended. Therefore, the principles were applied in differentiated manner based on the facts applicable to them.

For Ian Kirk the measurement was up to 31 December 2019 applying all the performance LTI principles to his OPP targets. The final outcome was pro-rated taking into account one less year of measurement. The principles for Ian Kirk's retirement arrangement are disclosed under 'Ex-CEO retirement arrangement' on the next page as well.

For Jurie Strydom the measurement was up to 31 December 2019 applying all the performance LTI principles to his OPP targets and pro-rating the outcome to address the reduced measurement period. Jurie's shares will be held in a restricted share account, subject to continued employment, individual performance and malus and clawback conditions. This provides for an additional year of retention to replace the 2020 financial year excluded from measurement. If the conditions are met the shares will become unrestricted 31 March 2022.

The OPP outcomes and achievements are detailed below:

Individual	Measurement period and description	Performance measures	Achievement to 2020	Vesting
Ian Kirk	**1 January 2016 - 31 December 2019** 1 375 000 Sanlam shares were awarded in 2016 and will vest in accordance with performance hurdles for net result from financial services (40% weighting) and RoGEV (60% weighting).	**Net result from financial services [40%]:** • Base value: 2015 net result from financial services of R7 270 million • Minimum hurdle: annualised real growth of 5% • Hurdle for 100% vesting: annualised real growth of 15%	0%	92 400 shares vesting based on RoGEV achievement
		Adjusted RoGEV [60%] • Base rate: Annual Group RoGEV hurdle, e.g. 14.1% in 2016 • Minimum hurdle: average annual outperformance of base rate by 2% • Hurdle for 100% vesting: average annual outperformance of base rate by 7%	14%	
Robert Roux	**1 January 2017 – 31 December 2020** 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).	**Net result from financial services [30%]:** • Base value: 2016 SI cluster net result from financial services of R1 093 million • Minimum hurdle: annualised real growth of 5% • Hurdle for 100% vesting: annualised real growth of 15% **Adjusted RoGEV [40%]:** • Base rate: Annual SI cluster RoGEV hurdle • Minimum hurdle: average annual RoGEV equal to base rate • Hurdle for 100% vesting: average annual outperformance of base rate by 7% **Net new business flows [30%]:** • Base value: aggregate investment management fees earned (after acquisition costs) on net new third-party business flows (NF) of R43,75 million • Minimum hurdle: annual NF equal to base value • Hurdle for 100% vesting: annual NF of R87,5 million	N/A	Final measurement end of financial year 2021 and vesting in March 2022
Jurie Strydom	**1 January 2018 - 31 December 2019** 338 480 Sanlam shares were awarded in 2018 and will vest in accordance with performance hurdles for net result from financial services (30% weighting), RoGEV (30% weighting), net value of new covered business (25% weighting) and key strategic initiatives (15% weighting).	**Net result from financial services [30%]:** • Base value: 2018 SPF budgeted net result from financial services of R4 292 million • Minimum hurdle: year 1 growth of 2,5% on base value, thereafter annualised real growth of 2,5% • Hurdle for 100% vesting: year 1 growth of 5% on base value, thereafter annualised real growth of 5% **Adjusted RoGEV [30%]:** • Base rate: SPF budgeted RoGEV hurdle for each year as determined by Sanlam Group • Minimum hurdle: Budgeted RoGEV hurdle rate • Hurdle for 100% vesting: Budgeted RoGEV plus 4.5% **Net value of new covered business [25%]:** • Base value: 2018 SPF budgeted net value of new covered business of R1 636 million • Minimum hurdle: year 1 growth of 5% on base value, thereafter annualised real growth of 10% • Hurdle for 100% vesting: year 1 growth of 10% on base value, thereafter annualised real growth of 10% **Key strategic initiatives [15%]:** Critical partnerships such as the Capitec partnership rendered good results. Digital transformation of the Retail Affluent and Retail Mass (previously SPF) contributed to client experience and the omni channel approach. Cost optimisation clearly indicated by value optimisation, which added to the business resilience during the COVID pandemic. Growth in the retail mass market aligned to the business strategy.	54% achievement of RoGEV component (30% weighting). Net result from financial services and net value of new covered business outcomes were below the minimum. 75% of strategic achievement (weighted 15%)	Total of 61 942 shares vested, with an employment restriction and malus and clawback provisions until 31 March 2022.
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%).	**Adjusted RoGEV (Saham) (50%):** • 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 **Adjusted RoGEV (SEM) (25%):** • 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) + 700bps • Hurdle for 100% vesting: Rfr + 1 200bps **Net Result from Financial Services (NRFS) (SEM) (25%):** • 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 scale applies to determine vesting percentage 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.

22 Expenses (continued)

22.1 Expenses

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.
- 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.

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 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 Paul'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 R332 million 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 automatically based on time served and acceptable individual performance;
  - 40% – could vest based on short term performance (>80% measured annually for vesting or forfeiture, the remainder measured over a rolling 5 year period);
  - 20% – could vest based on long term achievement of financial targets which are the same as for participants of the performance share plan (PDSP); 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 Paul).

Shares	Remuneration category	Number of shares - 5 year	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 end of employment period and shares forfeited annually will lapse and such forfeiture will be disclosed.			
C	**Performance Shares (individual performance)**	**334 380**	Same conditions as DSP's for Executive committee members. 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. Financial: Group and Business level metrics with weighting >65%: Value of new covered business, Net result from financial services, RoGEV/Return on Capital and Share price perfomance (relative and absolute). Strategic measures supporting Group business strategy with weighting >20% - 35%: Cost efficiencies/optimisation, Growth and diversification, Transformation and sustainability factors, Leadership and collaboration and Governance and risk management. 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 is based on meeting Group RoGEV targets. Targets for PDSP Category A: 13.2% LTI tranch Award 2015, 15.4% LTI tranch Award 2016; 15.2% LTI tranch Award 2017. Measured until 31 December 2025 for 5 financial years. The weighting of the conditions are: • Adjusted RoGEV (40%) • Dividend Recovery and Growth (30%) • Strategic recovery to 2019 levels (30%)			
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) is based on meeting Group RoGEV targets Targets for PDSP Category B: 13.9% LTI tranch Award 2015, 16.2% LTI tranch Award 2016; 16.0% LTI tranch Award 2017. Measured until 31 December 2025 for 5 financial years. Same weighing of the metrics applies as above for D1 shares.			
E	**Outperformance (OPP) Restricted Shares[1]**	**1 671 910**	**Financial Measure**	**Description**	**Target (below threshold 0% and at stretch 100%)**	**Target (below threshold 0% and at stretch 100%)**
			Stock rating P/GEV	Improve the rating from H2 2020 over the 5 years to a better average in 2024/2025	<1 = 0% 1.15 = 100%	25%
			Dividend growth 2021 – 2025	Average annual rate of growth between dividend paid in 2021 and the dividend paid in 2026 relating to the 2025 financial year	CPI + 1 = 0% >CPI + 3% = 100%	25%
			ROGEV 2021 – 2025	Average return implied by dividends and change in GEV from 1 January 2021 to 31 December 2025, adjusted for normalised investment returns if 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 Shares	**5 000 000[2]**	**Total**			**100%**

(1) *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.*

(2) *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.*

22 Expenses (continued)

22.1 Expenses (continued)

Equity compensation plans

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

	Shares 2020 000s	Shares 2019 000s
Group		
Executive share incentive scheme		
Total number of shares at beginning of year	21 765	19 923
Unrestricted shares at beginning of year	(170)	(272)
Restricted shares at beginning of year	21 595	19 651
Shares in respect of the movement of employees	(2 316)	324
Total restricted shares and share options	19 279	19 975
New restricted shares granted in terms of restricted share and DSP schemes	10 019	6 085
Unconditional shares released, available for release, or taken up	(3 954)	(3 482)
Options and shares forfeited/transferred to new scheme	(401)	(983)
Restricted shares at end of year	24 943	21 595
Unrestricted shares at end of year	300	170
Total number of shares at end of year	25 243	21 765
Total equity participation by employees	25 243	21 765

	Shares 2020 000s	Shares 2019 000s
Company		
Executive share incentive scheme		
Total number of shares at beginning of year	19 931	17 931
Unrestricted shares at beginning of year	(144)	(272)
Restricted shares at beginning of year	19 787	17 659
Shares in respect of the movement of employees	(2 578)	442
Total restricted shares and share options	17 209	18 101
New restricted shares granted in terms of restricted share and DSP schemes	9 311	5 569
Unconditional shares released, available for release, or taken up	(3 554)	(3 080)
Options and shares forfeited/transferred to new scheme	(332)	(803)
Restricted shares at end of year	22 635	19 787
Unrestricted shares at end of year	300	144
Total number of shares at end of year	22 934	19 931
Total equity participation by employees	22 934	19 931

(1) *Outstanding amount of loans granted in respect of these shares amounts to Rnil (2019: Rnil) for the Group and Rnil (2019: No new loans were granted during the current year.*

(2) *During the year 503 300 (Group) (2019: 372 715) and 503 300 (Company) (2019: 372 715) number of shares became unrestricted in terms of Restricted Share Plan.*

22 Expenses (continued)

22.1 Expenses (continued)

Equity compensation plans

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

	Group Number of shares 000's		Company Number of shares 000's	
Unrestricted during year ending (subject to performance targets)	**2020**	2019	**2020**	2019
31 December 2020	**-**	4 748	**-**	4 305
31 December 2021	**7 120**	4 529	**6 568**	4 072
31 December 2022	**4 407**	7 116	**3 860**	6 638
31 December 2023	**4 830**	2 942	**4 209**	2 663
31 December 2024	**3 746**	2 260	**3 366**	2 109
31 December 2025	**4 841**	-	**4 632**	-
	24 944	21 595	**22 635**	19 787

The total restricted shares granted to staff and executive directors were 10.9 million (2019: 6.1 million) for the Group and 8.7 million (2019: 5.6 million) for the Company.

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R472 million (2019: R384 million) for the Group and R434 million (2019: R351 million) for the Company and is expensed in the statement of comprehensive income over the vesting period of five years.

The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

	Group		Company	
R million	**2020**	2019	**2020**	2019
Auditors' remuneration				
Audit fees: statutory audit	**165**	146	**69**	62
Other services provided by:	**28**	33	**3**	9
Subsidiaries' own auditors	**26**	31	**3**	9
Other Group auditors	**2**	2	**-**	-
Total auditors' remuneration	**193**	179	**72**	71
Admin costs: Depreciation	**1 033**	917	**228**	223
Owned assets	**558**	485	**131**	125
Computer equipment	**297**	248	**103**	93
Furniture, equipment, vehicles and other	**227**	206	**28**	32
Owner-occupied properties	**34**	31	**-**	-
Leased assets	**475**	432	**97**	98
Computer equipment, furniture, equipment, vehicles and other[1]	**21**	22	**2**	2
Properties	**454**	410	**95**	96
Leases	**150**	404	**50**	50
Short-term leases	**73**	101	**5**	-
Low value leases	**24**	243	**(2)**	-
Variable lease payments	**53**	60	**47**	50
Consultancy fees	**2 017**	1 297	**1 293**	944
Technical, administrative and secretarial fees	**713**	1 121	**51**	65
Employee benefits	**11 666**	11 278	**4 334**	4 152
Salaries and other short-term benefits	**10 331**	10 122	**3 681**	3 592
Pension costs - defined contribution plans	**744**	672	**285**	266
Pension costs - defined benefit plans	**20**	-	**1**	-
Share-based payments	**410**	344	**347**	291
Other long-term incentive schemes	**161**	140	**20**	3
Number of employees (excluding advisors)	**19 855**	19 434	**5 600**	5 620

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

22 Expenses (continued)

22.2 Amortisation

R million		Group 2020	Group 2019	Company 2020	Company 2019
Amortisation of intangibles		994	1 115	19	19
Value of business acquired	4.2	755	871	-	-
Other intangibles assets	5	239	244	19	19

22.3 Impairments

R million		Group 2020	Group 2019	Company 2020	Company 2019
Other impairments		7 273	404	-	-
Investment in equity-accounted investments	8.2.2	1 017	337	-	-
Goodwill[(1)]	4.1	4 954	26	-	-
Value of business acquired[(1)]	4.2	1 231	-	-	-
Other intangibles assets	5	17	33	-	-
Owner-occupied properties	3	41	8	-	-
Other		13	-	-	-
Net impairment losses on financial assets		1 898	549	-	-
Investments other than equities and similar securities, equity-accounted investments and properties	8.3.2	1 255	399	-	-
Working capital cash	35.1	250	-	-	-
Trade and other receivables	11.1	393	150	-	-
Included in the following line items of the Statement of Comprehensive Income		1 898	549	-	-
Impairments		1 898	337	-	-
Administration cost		-	212	-	-

(1) Refer to note 25.1 for additional information

23 Finance cost

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

R million	Group 2020	Group 2019	Company 2020	Company 2019
Interest-bearing liabilities designated as at fair value through profit or loss	362	732	70	92
Interest-bearing liabilities held at amortised cost	1	21	-	-
Lease liabilities at amortised cost	167	170	34	31
Finance cost - other	530	923	104	123

24 Collateral

24.1 Collateral provided

R million	Group 2020	Group 2019	Company 2020	Company 2019
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:				
Investments	505	794	213	299
Properties	-	22	-	-
Equities and similar securities	-	4	-	-
Interest-bearing investments	213	414	213	299
Cash, deposits and similar securities	292	354	-	-
Working capital	9	220	-	-
Trading account	9	188	-	-
Cash, deposits and similar securities	-	32	-	-

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

24 Collateral (continued)

24.2 Collateral received

The Group is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government interest bearing investments to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent. Scrip lending agreements are governed by Global Master Securities Lending Agreement (GMSLA). The main risk in scrip lending activities is the risk of default by the borrower of securities, 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.

	Group		Company	
	2020	2019	**2020**	2019
Fair value of collateral accepted as security for these activities	**7,657**	11,836	**7,420**	12,416
Carrying value of scrip on loan:	**6,743**	10,983	**6,506**	10,747

Collateral of between 100% (2019: 100%) and 120% (2019: 120%) of the value of the loaned securities is held at 31 December 2020.

25 Critical accounting estimates and judgements

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

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

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

25.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill, value of business acquired 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.

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 December 2020. This is mainly the result of exchange rates. Most notably within the portfolio was weaker Angola Kwanza since June 2020. In additon to this, the Rand has also strengthend 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.

25 Critical accounting estimates and judgements (continued)

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

25.1.1 Saham (continued)

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:

	Non-life			Life		
	31 December 2020	30 June 2020 ***	31 December 2019	31 December 2020	30 June 2020 ***	31 December 2019
Weighted average local discount rate*	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%
Revenue: compounded annual growth rate (10 years)	n/a	n/a	n/a	10.0 - 16.3	10.0 - 16.3	15.9 - 24.0%
Weighted average local discount rate*	6.3% - 8.9%	5.7% - 11.5%	6.2% - 9.9%	n/a	n/a	n/a
Net insurance result margin**	11.0% - 17.0%	11.0% - 18.0%	10.0% - 19.0%	n/a	n/a	n/a

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

** Expressed as a percentage of net earned premiums.

*** 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.

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	**(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.

25 Critical accounting estimates and judgements (continued)

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

25.1.1 Saham (continued)

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 (excluding Lebanon, as the base value is zero)

The sensitivities are based on 100% shareholding of Sanlam Life Group:

R million	Value	Change
Base value	17,950	
Risk discount rate increase by 1%	16,050	(10.6%)
Risk discount rate decrease by 1%	20,740	15.5%
Perpetuity growth rate increase by 1%	19,290	7.5%
Rand exchange rate depreciation increase by 10%	19,750	10.0%

Life businesses sensitivity analysis (excluding Lebanon)

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	(3.5%)

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	(14.1%)

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%
Aggregrate growth rate (Dec 2019: 10.0% - 16.0% and 10.3% - 15.2%) *	4.0% - 15.0%	-0.1% - 13.7%

* Aggregrate growth rate refers to aggregate compound growth rate of the loan book growth rate for the credit businesses and gross written premium growth for non-life.

Refer to the sensitivity analysis in respect of Shriram non-life businesses below. Life comprise approximately 10% of the total value in use.

	2020		**2019**	
R million	Value	Change		
Base value	9,339		9,881	
Risk discount rate increase by 1%	7,901	(15.4%)	8,309	(15.9%)
Risk discount rate decrease by 1%	11,482	22.9%	12,191	23.4%
Perpetuity growth rate increase by 1%	10,826	15.9%	11,468	16.1%
Equities and properties price decrease by 10%	9,339	0.0%	9,881	0.0%
Rand exchange rate depreciation increase by 10%	10,271	10.0%	10,868	10.0%

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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 27 to 31.

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	
%	2020	2019	2020	2019	2020	2019
Reversionary bonus business						
Retirement annuity business	**11.1**	10.8	**n/a**	n/a	**11.1**	10.8
Individual policyholder business	**9.1**	8.8	**5.8**	6.9	**10.4**	10.1
Individual stable bonus business						
Retirement annuity business	**10.8**	10.5	**7.5**	8.9	**10.8**	10.5
Individual policyholder business	**8.7**	8.5	**5.8**	6.9	**10.1**	9.8
Non-taxable business	**10.8**	10.5	**n/a**	n/a	**10.8**	10.5
Corporate policyholder business	**8.1**	7.9	**n/a**	n/a	**10.1**	9.8
Individual market-related business						
Retirement annuity business	**11.1**	10.8	**7.5**	8.9	**11.1**	10.8
Individual policyholder business	**9.1**	8.8	**5.8**	6.9	**10.4**	10.1
Non-taxable business	**11.1**	10.8	**n/a**	n/a	**11.1**	10.8
Corporate policyholder business	**8.4**	8.2	**n/a**	n/a	**10.4**	10.1
Participating annuity business	**9.6**	9.3	**n/a**	n/a	**9.2**	8.9
Non-participating annuity business [1]	**10.7**	10.0	**11.1**	10.6	**9.3**	10.0
Guarantee plans [1]	**4.6**	5.1	**7.2**	4.3	**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.

Sensitivity analysis of the value of in-force business
Refer to page 159 of the Sanlam Life Group Risk management report for a sensitivity analysis of the value of in-force business, and page 184 of the Sanlam Life Company Risk management report for a sensitivity analysis of the value of in-force business.

25 Critical accounting estimates and judgements

25.3 Economic assumptions - covered business

Gross investment return, risk discount rate and inflation

Sanlam life [1]

%	2020	2019
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%

(1) Expense inflation of 11,6% (2019: 11,3%) assumed for retail business administered on old platforms.

Botswana Life Insurance

%	2020	2019
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 equity	**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

%	2020	2019
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 equity	**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 Developing Markets[1]

%	2020	2019
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 equity	**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%

(1) Excludes the Sanlam Life products written on the SDM licence.

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity. Assumed illiquidity premiums 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.

25 Critical accounting estimates and judgements

25.3 Economic assumptions - covered business (continued)

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

%	R million		Fixed-interest securities		Equities		Hedged equities		Property		Cash		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Required Capital														
South Africa[(1)]	**9,447**	9,676	**-**	-	**2**	3	**93**	91	**-**	-	**5**	6	**100**	100
Namibia	**517**	510	**6**	6	**36**	36	**-**	-	**-**	-	**58**	58	**100**	100
Botswana Life	**372**	312	**-**	-	**-**	-	**-**	-	**50**	50	**50**	50	**100**	100
Saham	**986**	903	**95**	95	**5**	5	**-**	-	**-**	-	**-**	-	**100**	100
Sanlam Life Insurance (Kenya)	**96**	111	**85**	100	**-**	-	**-**	-	**-**	-	**15**	-	**100**	100
Other African operations	**946**	521	**74**	39	**3**	4	**-**	-	**3**	4	**20**	53	**100**	100
Shriram Life Insurance (India)	**308**	277	**85**	85	**10**	10	**-**	-	**-**	-	**5**	5	**100**	100
MCIS (Mayalsia)	**490**	402	**69**	69	**18**	18	**-**	-	**-**	-	**13**	13	**100**	100
Total required Capital	**13,162**	12,712					**-**							
Free Surplus	**1,183**	1,499												
Adjusted net asset value	**14,345**	14,211												

(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	**7.5%**	6.5%	**5.6%**	4.9%
Saham Morocco	**2.4%**	2.8%	**2.4%**	2.8%
Sanlam Life Kenya	**10.8%**	10.7%	**7.6%**	7.5%
Shriram (India)	**7.1%**	7.8%	**6.1%**	6.1%
MCIS (South East Asia)	**3.4%**	4.1%	**3.1%**	3.8%

Notes to the annual financial statements

25 Critical accounting estimates and judgements (continued)

25.4 Policy liabilities for investment contracts with investment management services

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

25.5 The ultimate liability arising from claims under general insurance contracts

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

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

Refer to the Capital and Risk Management Report on page 136 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).

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.

Notes to the annual financial statements

25 Critical accounting estimates and judgements (continued)

25.6 Valuation of unlisted investments

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

Refer to note 34 for additional information.

25.7 Consolidation of investment funds

The Group invest in a number of investment funds and has varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

25.8 Deferred tax assets

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

25.9 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.

25.10 Financial assets: Impairment

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

Refer to Investments note 8.3.2 and Trade receivable note 11.1

26 Retirement benefits for employees

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

Defined-benefit plans

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

Defined-contribution plans

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

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

Group and Company

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

Although there are no active employees under the defined benefit plan the Sanlam Life Group has 438 pensioners as at 31 December 2020 (2019: 589) who still receive an insured pension from the defined benefit fund.

26 Retirement benefits for employees (continued)

26.1 Defined-contribution pension funds

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

Group

The Group contributed 744 million to these funds during 2020 (2019: 672 million).

Company

The Company contributed 285 million to these funds during 2020 (2019: 266 million).

26.2 Defined-benefit pension funds

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

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.

The Sanlam Developing Markets SA fund was in a materially sound position at 31 December 2020

Principal actuarial assumptions:		Sanlam Developing Markets SA
2020		
Valuation date		**31 December 2020**
Pre-retirement discount rate	**% pa**	**11.0%**
Post-retirement discount rate	**% pa**	**5.0%**
Future pension increases	**% pa**	**5.0%**
Actual experience:		
Actual return on assets	**% pa**	**6.7%**
2019		
Valuation date		31 December 2019
Pre-retirement discount rate	% pa	10.2%
Post-retirement discount rate	% pa	5.0%
Future pension increases	% pa	5.0%
Actual experience:		
Actual return on assets	% pa	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 fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

26 Retirement benefits for employees (continued)

26.2 Defined benefit pension funds (continued)

Group

R million	2020	2019	2018	2017	2016
Net liability recognised in Statement of Financial Position:					
Present value of fund obligations	89	85	863	876	803
Actuarial value of fund assets	(89)	(89)	(867)	(891)	(892)
Net present value of funded obligations	-	(4)	(4)	(15)	(89)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	-	4	4	15	89
Net asset recognised in Statement of Financial Position	-	-	-	-	-

Company

R million	2020	2019	2018	2017	2016
Net liability recognised in Statement of Financial Position:					
Present value of fund obligations	-	776	787	700	720
Actuarial value of fund assets	-	(776)	(787)	(778)	(769)
Net present value of funded obligations	-	-	-	(78)	(49)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	-	-	-	78	49
Net asset recognised in Statement of Financial Position	-	-	-	-	-

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2020				
Balance at beginning of the year	89	(85)	(4)	-
Benefit payments	(6)	9	-	3
Contributiond received	16	-	-	16
Interest income / (expense)	9	(9)	-	-
Actuarial gains and losses: change in financial	(19)	(4)	-	(23)
Effect of limiting defined benefit asset to amount available to employer	-	-	4	4
Balance at end of the year	89	(89)	-	-

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2019				
Balance at beginning of the year	867	(863)	(4)	-
Benefit payments	(9)	9	-	-
Interest income / (expense)	9	(9)	-	-
Actuarial gains and losses: change in financial	-	2	-	2
Returns from plan assets (excluding amounts	(2)	-	-	(2)
Other [(1)]	(776)	776	-	-
Balance at end of the year	89	(85)	(4)	-

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

26 Retirement benefits for employees (continued)

26.2 Defined benefit pension funds (continued)

Company

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2019				
Balance at beginning of the year	776	(776)	-	-
Other	(776)	776	-	-
Balance at end of the year[1]	-	-	-	-

[1] 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.

R million	Group 2020	Group 2019	Company 2020	Company 2019
Fund assets comprise:				
Equities and similar securities	89	45	-	-
Interest-bearing investments	-	44	-	-
Cash, deposits and similar securities	-	-	-	-
Insurance policy	-	-	-	-
	89	89	-	-

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

R million	Group 2020	Group 2019	Company 2020	Company 2019
Net expense recognised in the Statement of Comprehensive Income (included in administration costs):				
Interest cost	-	1	-	-
Total included in staff costs	-	1	-	-

R million	Group 2020	Group 2019	Company 2020	Company 2019
The following discounted benefits payments are expected payments to be made in future years out of the defined benefit pl				
Due within one year	(8)	(8)	-	-
Due within two to five years	(8)	(12)	-	-
Due after 5 years	(73)	(65)	-	-
Total Expected payments	(89)	(85)	-	-

26.3 Medical aid funds

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

27 Borrowing powers

In terms of the memorandum of incorporation of Sanlam Life Insurance Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

Material borrowings of the Group and Company are disclosed in note 16.

28 Commitments and contingencies

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

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

28.1 Leasing commitments

	Group		Company	
R million	**2020**	2019	**2020**	2019
Future lease commitments:				
Lease rentals due within one year	**30**	43	**10**	22
Lease rentals due within two to five years	**62**	144	**51**	108
Lease rentals due within more than five years	**46**	81	**28**	72
Total lease commitments	**138**	268	**89**	202

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

28.2 Other

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 18). 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 shareholder

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

An agreement has been reached in respect of a transaction between Sanlam and African Rainbow Capital Financial Services Holding (Pty) Ltd ("ARC FS"), subject to the fulfilment of certain suspensive conditions, for Sanlam Life Insurance Limited to acquire a 25% non-controlling shareholding in a wholly-owned subsidiary of ARC FS, ARC Financial Services Investments Proprietary Limited, for an approximate amount of R739 million, which will be rolled forward to the Effective Date at the funding rate applicable to the Ubuntu-Botho Facility (85% of the prime interest rate). The fulfilment of the suspensive conditions is expected to occur during the first half of 2021. ARC FS is owned 50.1% by African Rainbow Capital Pty Ltd ("ARC") and 49.9% by the ARC Fund. ARC is a wholly-owned subsidiary of UBI which is a material shareholder in Sanlam Limited and accordingly deemed a related party.

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

29.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R744 million in 2020 (2019: R672 million) for the Group and R285 million in 2020 (2019: R266 million) for the company.

There are no amounts outstanding at year-end.

29.3 Transactions with directors

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

Total interest of directors in share capital at 31 December	**Beneficial**			
	2020		**2019**	
	Direct	**Indirect**	**Direct**	**Indirect**
Executive directors				
HC Werth	351,082	578,438	306,140	278,438
I Kirk	324,622	-	263,276	-
TI Mvusi	113,603	-	192,303	-
J Modise	17,675	-	-	-
PB Hanratty	3,000,000	-	-	-
AM Mukhuba	121,075	-	-	-
Total executive directors	**3,928,057**	**578,438**	**761,719**	**278,438**
Non-executive directors				
J van Zyl	-	2,894,288	-	2,894,288
JP Moller	600,000	-	-	-
CG Swanepoel	10,000	-	10,000	-
Total non-executive directors	**610,000**	**2,894,288**	**10,000**	**2,894,288**
Total	**4,538,057**	**3,472,726**	**771,719**	**3,172,726**

29.4 Transactions with entities in the Sanlam group

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

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

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

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

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

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

Details of transactions that occurred during the financial period and outstanding balances with related parties, are listed below. A complete list of all subsidiaries, fellow subsidiaries, associates and joint ventures that are considered related parties are disclosed on pages 133 to 135.

A fellow subsidiary of Sanlam Life Insurance Ltd, Sanlam Capital Markets Pty Ltd, provides financing for the loans granted to Sanlam Personal Loans. The carrying value of these loans amounts to 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.

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

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

29 Related parties

29.5 Transactions with related parties

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

Company R million Related Parties	Transaction / Balance type	Transactions 2020	2019	Balances outstanding 2020	2019
Holding company					
Sanlam Ltd	Inter-company balances	**-**	-	**1 562**	(3 419)
	Distributions paid	**(9 374)**	(2 000)	**-**	-
	Distributions received	**389**	363	**-**	-
Subsidiaries (Direct and Indirect)					
Channel Life Ltd	Distributions received	**510**	181	**-**	-
	Service, commission and marketing fees	**11**	16	**-**	-
Coris Capital (Pty) Ltd	Service fees	**11**	(5)	**-**	-
Brightrock Holdings (Pty) Limited	Service, commission and marketing fees	**-**	-	**-**	-
Safrican Insurance Company Limited	Distributions received	**73**	128	**-**	-
	Service, commission and marketing fees	**18**	19	**-**	-
	Reinsurance	**6**	12	**-**	-
Sanlam Developing Markets (Pty) Ltd	Service, commission and marketing fees	**149**	147	**-**	-
	Distributions received	**1 288**	823	**-**	-
Sanlam Emerging Markets (Pty) Ltd	Inter-company balances	**-**	-	**1 687**	(343)
	Distributions received	**1 892**	823	**-**	-
Sanlam Investment Management (Pty) Ltd	Inter-company balances	**-**	-	**108**	261
	Service fees	**475**	487	**-**	-
	Distributions received	**2 700**	-	**-**	-
	Scrip lending fees	**15**	13	**-**	-
Sanlam Life Namibia Ltd	Cost recoveries	**4**	4	**-**	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	**32**	26	**-**	-
	Financial instruments	**-**	-	**906**	850
	Inter-company balances	**-**	-	**9**	13
Sanlam Trust (Pty) Ltd	Service, commission and marketing fees	**(52)**	(52)	**-**	-
	Distributions received	**18**	17	**-**	-
Santam Ltd	Service fees	**306**	278	**-**	-
	Distributions received	**487**	717	**-**	-
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	**(31)**	(8)	**-**	-
	Distributions received	**534**	-	**-**	-
	Inter-company balances	**-**	-	**(6)**	(15)
Graviton Financial Partners (Pty) Ltd	Services, commission and marketing fees	**(4)**	(4)	**-**	-
MiWay Finance (Pty) Ltd	Inter-company balances	**-**	-	**4**	111
Real Futures (Pty) Limited	Service, commission and marketing fees	**-**	4	**-**	-
Sanlam Capital Markets Ltd	Financial instruments	**-**	-	**1 154**	1 139
	Service,commission and marketing fees	**1**	2	**-**	-
	Inter-company balances	**-**	-	**(1 286)**	(1 057)
Sanlam Collective Investments (Pty) Ltd	Service, commission and marketing fees	**(49)**	(96)	**-**	-
	Inter-company balances	**-**	-	**3**	3
Sanlam FOUR Investments UK Limited	Service, commission and marketing fees	**(5)**	(3)	**-**	-
	Inter-company balances	**-**	-	**(8)**	-
Sanlam Health Solutions (Pty) Ltd	Inter-company balances	**-**	-	**31**	25
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	**-**	-	**-**	348
Sanlam Investments (Pty) Ltd	Inter-company balances	**-**	-	**(54)**	(54)
Sanlam Multi Managers International (Pty) Ltd	Service, commission and marketing fees	**129**	130	**-**	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	**-**	-	**(363)**	(358)
Sanpref (Pty) Ltd	Inter-company balances	**-**	-	**2 174**	213
Sanlam Spec (Pty) Ltd	Inter-company balances	**-**	-	**124**	(309)
Simeka Consultants and Actuaries (Pty) Ltd	Service, commission and marketing fees	**-**	(7)	**-**	-
	Inter-company balances	**-**	-	**3**	3
Simeka Health (Pty) Ltd	Inter-company balances	**-**	-	**-**	-
The Sanlam Limited Share Incentive Trust	Inter-company balances	**-**	-	**140**	1 314
Associate of holding company					
AfroCentric Healthcare Assets (Pty) Ltd	Distributions received	**61**	-	**-**	-
Gensec Property Services Ltd	Property Management fee	**(34)**	(21)	**-**	-
	Tenant commission	**(10)**	(37)	**-**	-
Joint Ventures					
Sanlam Personal Loans (Pty) Ltd	Distributions received	**133**	194	**-**	-
Indwe Broker Holdings (Pty) Ltd	Distributions received	**5**	5	**-**	-
Curo Fund Services (Pty) Ltd	Asset administration fee	**119**	102	**-**	-

29 Related parties

29.5 Policy administration

Company

R million Related Parties	Transaction	Transactions 2020	2019
Glacier Global Stock Feeder Fund	Distributions received	-	1
Glacier Money Market Fund	Distributions received	242	257
Sanlam Growth Institutional Fund	Distributions received	43	25
Sanlam Institutional Special Opportunities Fund	Distributions received	28	27
Sanlam Investment Management Active Income Fund	Distributions received	572	622
Sanlam Investment Management Balanced Fund	Distributions received	482	683
Sanlam Investment Management Bond Plus Fund	Distributions received	177	176
Sanlam Investment Management Enhanced Yield Fund	Distributions received	677	500
Sanlam Investment Management Financial Fund	Distributions received	5	12
Sanlam Investment Management General Equity Fund	Distributions received	151	256
Sanlam Investment Management Inflation Plus Fund	Distributions received	554	720
Sanlam Investment Management Institutional Income Plus Fund	Distributions received	325	137
Sanlam Investment Management Managed Aggressive Fund of Funds	Distributions received	15	40
Sanlam Investment Management Managed Cautious Fund of Funds	Distributions received	30	69
Sanlam Investment Management Managed Conservative Fund of Funds	Distributions received	11	23
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	Distributions received	29	77
Sanlam Investment Management Managed Moderate Fund of Funds	Distributions received	73	195
Sanlam Investment Management Medium Equity Fund	Distributions received	4	4
Sanlam Investment Management Property Fund	Distributions received	277	501
Sanlam Investment Management Small Cap Fund	Distributions received	12	17
Sanlam Investment Management Top Choice Equity Fund	Distributions received	28	55
Sanlam Multi Managed Aggressive Fund of Funds	Distributions received	4	4
Sanlam Multi Managed Balanced Fund of Funds	Distributions received	58	108
Sanlam Multi Managed Bond Fund	Distributions received	303	242
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	10	9
Sanlam Multi Managed Conservative Fund of Funds	Distributions received	23	26
Sanlam Multi Managed Defensive Fund of Funds	Distributions received	20	31
Sanlam Multi Managed Equity Fund	Distributions received	108	92
Sanlam Multi Managed Equity Index Fund	Distributions received	10	11
Sanlam Multi Managed Flexible Equity Fund	Distributions received	17	38
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	47	11
Sanlam Multi Managed Institutional Aggressive Balanced Fund	Distributions received	77	76
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	29	53
Sanlam Multi Managed Institutional Balanced Fund	Distributions received	136	134
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	44	62
Sanlam Multi Managed Institutional Moderate Balanced Fund	Distributions received	134	151
Sanlam Multi Managed Institutional Positive Return Fund Two	Distributions received	14	31
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	45	53
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	1	30
Sanlam Multi Managed Institutional Prudential Balanced Fund One	Distributions received	35	35
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	37	112
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	36	36
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	22	15
Sanlam Multi Managed Property Fund	Distributions received	88	173
Sanlam Multi Managed Yield Plus Fund	Distributions received	15	20
Sanlam Select Bond Plus Fund	Distributions received	87	74
Sanlam Select Focused Equity Fund	Distributions received	4	-

29 Related parties

29.5 Policy administration

Company

R million		Transactions	
Related Parties	**Transaction**	**2020**	2019
Sanlam Select Managed Fund	Distributions received	-	42
Sanlam Select Thematic Equity Fund	Distributions received	8	14
Sanlam Stable Growth Fund	Distributions received	20	31
Sanlam Value Institutional Fund	Distributions received	70	64
Satrix Balanced Index Fund	Distributions received	175	184
Satrix Bond Index Fund	Distributions received	241	124
Satrix Low Equity Balanced Index Fund	Distributions received	69	56
Satrix Capped SWIX ALSI	Distributions received	33	-
Satrix Money Market Fund	Distributions received	13	16
Satrix Property Index Fund	Distributions received	115	175
Satrix Quality Index Fund	Distributions received	16	27
Satrix SWIX Top40 Index Fund	Distributions received	209	400
Satrix Top 40 Index Fund	Distributions received	-	-

29 Related parties

29.5 Policy administration

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

Group R million Related Parties	Transaction / Balance type	Transactions 2020	Transactions 2019	Balances outstanding 2020	Balances outstanding 2019
Holding company					
Sanlam Ltd	Inter-company balances	-	-	1 562	(3 419)
	Dividends paid	-	2 000	-	-
	Dividends received	389	363	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments (Pty) Ltd	Investment Management Fees	(97)	-	-	-
	Investment Management Fees Income	230	11	-	-
	Performance Fees	25	-	-	-
	Financial services income	-	-	-	-
	Other Income	76	-	-	-
	Administration costs	15	(5)	-	-
	Financial services income	235	-	-	-
Sanlam Capital Markets (Pty) Ltd	Financial services income	-	8	-	-
	Administration costs	-	2	-	-
	Structured Notes	31	-	-	-
	Derivative Assets	(4)	-	-	-
	Inter-company balances	-	-	(1 286)	(1 117)
	Administration costs	-	30	-	-
	Administration costs - CDA - SEB Market link	-	(448)	-	-
	Inter-company balances	-	-	-	(10)
Sanlam Multi Managers International (Pty) Ltd	Administration costs	129	130	-	-
	Investment income	1	-	-	-
	Inter-company balances	-	-	25	(6)
Sanpref (Pty) Ltd	Inter-company balances	-	-	2 171	213
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	124	(277)
Satrix Managers (Pty) Ltd	Investment Management Fees	3	3	-	5
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	139	1 314
Sanlam Investment Holdings Ltd	Inter-company balances	-	-	-	348
Graviton Financial Partners (Pty) Ltd	Inter-company balances	-	-	-	22
	Investment Management Fees	(4)	(4)	-	-
Graviton Wealth (Pty) Ltd	Inter-company balances	-	-	-	6
	Investment Management Fees	-	4	-	-
Coris Capital Holdings (Proprietary) Limited	Inter-company balances	-	-	36	36
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(363)	(358)
Sanlam Asset Management (Ireland) Ltd	Investment Management Fees	-	18	-	-
	Fee income	25	4	-	-
Sanlam Investment Management (Ireland) Ltd	Fee income	13	11	-	-
Sanlam Health Solutions	Inter-company balances	-	-	28	22
Sanlam Africa Real Estate Advisor (Pty) Ltd	Inter-company balances	-	-	1	9
Sanlam UK	Inter-company balances	-	-	(8)	-
	Administration costs	-	(3)	-	-
Real Futures	Administration costs	-	4	-	-
Simeka Consultants and Actuaries (Pty) Ltd	Asset management fees	-	(7)	-	3
Sanlam Private Wealth (Pty) Ltd: SA division	Financial services income	46	45	10	(9)
	Accounts Receivable	9	-	-	-
	Mortgages & Loans	899	-	-	-
	Accrued Investment Income	7	-	-	-
Sanlam Investment Management Holdings (Pty) Ltd	Inter-company balances	-	-	-	(21)
Sanlam Credit Fund Advisor (Pty) Ltd	Inter-company balances	-	-	-	8

29 Related parties

29.6 Key management personnel compensation

R million	Group 2020	Group 2019	Company 2020	Company 2019
Compensation paid to the Group's key management personnel is as follows:				
Short-term employee benefits	**879**	626	**266**	241
Share-based payments [1]	**141**	181	**77**	132
Termination benefits	**6**	14	**3**	10
Other long-term benefits and incentive schemes	**56**	34	**29**	16
Total key management personnel compensation	**1,083**	855	**375**	399

[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	Group 2020	Group Restated[(1)(2)] 2019	Company 2020	Company Restated[(1)(2)] 2019
Profit before tax per Statement of Comprehensive Income	6,462	15,840	(605)	6,771
Net movement in policy liabilities (note 15.1)	22,542	44,892	20,873	41,124
Non-cash flow items	2,561	(37,314)	3,637	(25,520)
Depreciation	1,032	917	226	224
Bad debts written off	161	309	-	56
Share-based payments	492	84	347	-
Loss / (profit) on sale of subs	(2,528)	11	(90)	-
Fair value adjustments	(2,775)	(37,644)	3,135	(25,819)
Net monetary gain (hyperinflation)	(1,535)	-	-	-
Impairments	9,171	741	-	-
Amortisation of VOBA	994	1,115	19	19
Equity-accounted earnings	(2,451)	(2,847)	-	-
Items excluded from cash utilised in operations	(30,060)	(30,518)	(26,011)	(20,158)
Interest and preference share dividends received	(18,271)	(17,571)	(8,576)	(8,052)
Interest paid	530	923	104	123
Dividends received	(12,319)	(13,870)	(17,539)	(12,229)
Net acquisition of investments [(1)]	(17,374)	(17,688)	(8,044)	(14,904)
Increase/(decrease) in net working capital assets and liabilities[(2)]	(15,231)	11,227	(13,928)	(2,053)
Cash utilised in operations	(31,100)	(13,561)	(24,078)	(14,740)

(1) Prior year amount has been increased with R713 million (Group) and reduced with R1 633 million (Company) respectively.

(2) Prior year has been restated from R13 227 million and (R53) million to R11 227 million and (R2 053) million for Group and Company respectively. This was amended to reflect dividends paid to Sanlam Limited on loan account as a non-cash transaction.

30.2 Acquisition of subsidiaries and associated companies

R million	Group 2020	Group 2019	Company 2020	Company 2019
During the year, interests in subsidiaries and associated companies were acquired within the Group.				
Investments in associated companies	-	(158)	-	-
The fair value of assets acquired via business combinations is as follows:				
Equipment	(36)	(27)	-	-
Owner-occupied property	(77)	(1)	-	-
Goodwill (note 4)	(1,092)	(37)	-	-
Other Intangible assets	(12)	-	-	-
Common control reserve	(2,178)	-	-	-
Deferred acquisition cost	(8)	-	-	-
Long-term reinsurance assets	(50)	-	-	-
Investments	(5,436)	(175)	-	(110)
General insurance technical assets	(138)	-	-	-
Trade and other receivables	(122)	(55)	-	-
Cash, deposits and similar securities	(140)	(4)	-	-
Long-term policy liabilities	4,577	129	-	-
Term finance	-	46	-	-
Deferred tax liabilities	12	10	-	-
Working capital liabilities	395	20	-	-
Non-controlling interest	(72)	-	-	-
General insurance technical provisions	251	226	-	-
Total purchase consideration	(4,126)	(26)	-	(110)
Less: Previously held interest at fair value	548	-	-	-
Cash element of consideration	(3,578)	(26)	-	(110)
Less: Cash, deposits and similar securities acquired and consideration payable	2,434	4	-	-
Cash component of acquisition of subsidiaries and associated companies	(1,144)	(22)	-	(110)

30 Notes to the cash flow statement

30.3 Disposal of subsidiaries and associated companies

R million	Group 2020	Group 2019	Company 2020	Company 2019
The fair value of assets disposed of were as follows:				
Equipment	82	10	-	-
Right-of-use asset	(1)	-	-	-
Owner occupied	4	113	-	-
Goodwill	13	33	-	-
Other intangible assets	9	-	-	-
Deferred acquisition costs	12	-	-	-
Investments	227	-	-	-
Investments in subsidiaries and associated companies	-	83	2,516	-
Deferred tax assets	11	4	-	-
Long-term policy liabilities	(64)	-	-	-
Trade and other receivables	250	1	-	-
General insurance technical assets	68	-	-	-
Term finance	(220)	-	-	-
General insurance technical provisions	(203)	(25)	-	-
Cash, deposits and similar securities	486	80	-	-
Deferred tax liabilities	-	(7)	-	-
Working capital liabilities	(162)	(16)	-	-
Minority shareholders interest	77	(2)	-	-
Profit on disposal of subsidiaries and associated companies	2,528	(9)	90	-
Total disposal price	3,117	265	2,606	-
Less: Deemed disposal adjustment	(257)	-	-	-
Less: Cash, deposits and similar securities disposed of and consideration receivable	(2,822)	(59)	(2,606)	-
Cash component of disposal of subsidiaries and associated companies	38	206	-	-

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	Group 2020	Group Restated[(1)] 2019	Company 2020	Company Restated[(1)] 2019
Working capital: Cash and cash equivalents	26,139	26,475	4,626	4,489
Investment cash	15,600	21,982	4,511	6,774
Bank overdrafts	(859)	(2,031)	-	-
Total cash and cash equivalents	40,880	46,426	9,137	11,263

Included in cash and cash equivalents are restricted cash balances of R 2,326 million (2019: R 1,034 million) for the Group and R 2,189 million (2019: R 589 million) for the Company respectively. It mainly relates to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchanged traded derivatives.

(1) Refer to note 36.1 for additional information.

30.5 Non-cash transactions

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

31 Business combinations

Material acquisitions of the Group consolidated in the 2020 financial year

FBN Insurance

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, premium 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.

Glacier

Sanlam Life acquired Glacier Financial holdings Pty Ltd from a fellow subsidiary in the Sanlam group, Sanlam Investment Holdings Pty Ltd, for a purchase consideration of R2 294 million (loan account settlement). The transaction is regarded as a common control transaction. All regulatory approvals and other conditions precedent were satisfied on 26 March 2020.

The original pre-acquisition net asset value was R9 million. Goodwill that arose then was R91 million. As the recent transaction occurred at fair value, a common control reserve of R2 177 million reflects the excess over and above the previous net asset value acquired.

Material disposals of the Group consolidated in the 2020 financial year

Sanlam Investment Management

Sanlam Life disposed of Sanlam Investment Management Pty Ltd to a fellow subsidiary in the Sanlam group, Sanlam Investment Holdings Pty Ltd, for a consideration of R2 606 million (loan account settlement). The transaction is regarded as a common control transaction. All regulatory approvals and other conditions precedent were satisfied on 2 December 2020. The sale resulted in a profit of R2 243 million on group level.

At a company level, Sanlam life carries its investment in subsidiaries at fair value. The sale resulted in a profit of R90 million.

32 Disposal groups and assets held for sale

Assets of disposal groups 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.

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

33 Segmental information

Group

33.1 Business segments

	Sanlam Life and Savings																				
	SA Retail Mass		SA Retail Affluent		SA Corporate		Sanlam Emerging Markets		Sanlam Investments		Santam		Group Office and Other		Consolidation entries & IFRS adjustments		Policyholder activities		Total	
		Restated[1]		Restated[1]		Restated[1]		Restated[1]		Restated[1]		Restated[1]		Restated[1]		Restated[1]		Restated[1]		
R million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net income	7 176	6 472	16 213	15 069	6 119	5 834	23 854	23 687	953	1 281	28 724	28 081	(478)	(313)	4 186	2 232	35 666	54 067	122 413	136 410
Financial services income[1]	6 026	5 784	17 648	14 648	6 177	5 868	28 092	25 640	1 134	1 362	37 500	34 358	-	4	2 380	2 149	51	68	99 008	89 881
Reinsurance premiums paid	1 525	712	(2 072)	(1 831)	(263)	(274)	(5 537)	(4 344)	-	-	(12 064)	(10 132)	-	-	(383)	(10)	-	-	(18 794)	(15 879)
Reinsurance commission received	20	10	-	-	-	-	714	671	-	-	2 089	1 995	-	-	106	-	-	-	2 929	2 676
Investment income[1]	(158)	171	842	1 997	192	177	762	742	(328)	(225)	1 697	1 545	(315)	(188)	3 991	4 233	24 834	23 992	31 517	32 444
Investment surpluses[1]	(237)	(205)	(205)	255	13	63	(177)	978	147	144	(93)	315	(163)	(129)	(6 264)	708	12 282	35 504	5 303	37 633
Change in fair value of external investors liability & policyholder non-controlling interest[1]	-	-	-	-	-	-	-	-	-	-	(405)	-	-	-	4 356	(4 848)	(1 501)	(5 497)	2 450	(10 345)
Net insurance and investment contract benefits and claims	(3 744)	(2 521)	(2 815)	(2 258)	(3 688)	(3 511)	(10 099)	(10 043)	-	-	(16 770)	(15 081)	-	-	(1 184)	(662)	(33 840)	(51 900)	(72 140)	(85 976)
Long-term insurance contract benefits	(2 751)	(2 166)	(4 813)	(3 961)	(3 882)	(3 721)	(2 463)	(2 331)	-	-	-	-	-	-	(737)	(671)	(10 571)	(17 487)	(25 217)	(30 337)
Long-term investment contract benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(23 269)	(34 413)	(23 269)	(34 413)
Short-term insurance claims	(1 020)	(367)	-	-	-	-	(9 528)	(9 386)	-	-	(25 205)	(19 894)	-	-	(1 840)	1	-	-	(37 593)	(29 646)
Reinsurance claims received	27	12	1 998	1 703	194	210	1 892	1 674	-	-	8 435	4 813	-	-	1 393	8	-	-	13 939	8 420
																-	-	-	-	-
Expenses	(2 126)	(2 065)	(8 592)	(7 146)	(1 717)	(1 545)	(11 100)	(10 426)	(755)	(681)	(9 662)	(9 211)	(341)	(313)	(2 134)	(2 542)	(675)	(733)	(37 102)	(34 662)
Sales remuneration	(1 344)	(1 361)	(2 144)	(2 016)	(80)	(70)	(4 343)	(4 004)	-	51	(5 124)	(4 878)	-	-	(533)	(420)	-	-	(13 568)	(12 698)
Administration costs	(782)	(704)	(6 448)	(5 130)	(1 637)	(1 475)	(6 757)	(6 422)	(755)	(732)	(4 538)	(4 333)	(341)	(313)	(1 601)	(2 122)	(675)	(733)	(23 534)	(21 964)
Impairment of investments and goodwill	(26)	(19)	-	-	(44)	-	(8 772)	(737)	1	(10)	(38)	(28)	38	-	(172)	53	(158)	-	(9 171)	(741)
Net impairment losses on financial and contract assets	(21)	(19)	-	-	-	-	(1 106)	(379)	1	(10)	-	-	-	-	(614)	4	(158)	-	(1 898)	(404)
Other impairments	(5)	-	-	-	(44)	-	(7 666)	(358)	-	-	(38)	(28)	38	-	442	49	-	-	(7 273)	(337)
Amortisation of intangibles	(14)	(14)	(73)	(74)	(20)	(20)	(841)	(946)	(30)	(30)	(16)	(115)	-	83	-	1	-	-	(994)	(1 115)
Net operating result	1 266	1 853	4 733	5 591	650	758	(6 958)	1 535	169	560	2 238	3 646	(781)	(543)	696	(918)	993	1 434	3 006	13 916
Equity-accounted earnings	-	-	4	240	133	112	2 263	2 361	-	-	(741)	80	789	50	3	4	-	-	2 451	2 847
Finance cost	(8)	(17)	(93)	(113)	(14)	(4)	(75)	(86)	(9)	(9)	(329)	(691)	(2)	(3)	-	-	-	-	(530)	(923)
Net monetary gain (Lebanon hyperinflation)	-	-	-	-	-	-	1 535	-	-	-	-	-	-	-	-	-	-	-	1 535	-
Profit before tax	1 258	1 836	4 644	5 718	769	866	(3 235)	3 810	160	551	1 168	3 035	6	(496)	699	(914)	993	1 434	6 462	15 840
Taxation	60	(491)	(1 234)	(1 084)	(155)	(211)	179	(699)	(197)	(218)	(793)	(844)	59	38	(354)	(323)	(994)	(1 433)	(3 429)	(5 265)
Shareholders' fund	60	(492)	(1 234)	(1 083)	(155)	(211)	179	(699)	(197)	(218)	(364)	(844)	59	38	(354)	(323)	-	-	(2 006)	(3 832)
Policyholders' fund[1]	-	1	-	(1)	-	-	-	-	-	-	(429)	-	-	-	-	-	(994)	(1 433)	(1 423)	(1 433)
Profit from continuing operations	1 318	1 345	3 410	4 634	614	655	(3 056)	3 111	(37)	333	375	2 191	65	(458)	345	(1 237)	(1)	1	3 033	10 575
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	1 318	1 345	3 410	4 634	614	655	(3 056)	3 111	(37)	333	375	2 191	65	(458)	345	(1 237)	(1)	1	3 033	10 575
Attributable to:																			-	-
Shareholders' fund	1 366	282	3 419	4 642	614	655	(3 177)	2 235	(48)	298	373	1 459	(631)	(565)	358	(56)	(1)	1	2 273	8 951
Non-controlling interest	(48)	(31)	(12)	(8)	-	-	124	876	11	35	2	732	696	107	(13)	(87)	-	-	760	1 624
	1 318	251	3 407	4 634	614	655	(3 053)	3 111	(37)	333	375	2 191	65	(458)	345	(143)	(1)	1	3 033	10 575
Non-cash expenses/(income)	300	53	(10 566)	(28 530)	(318)	(719)	3 728	(3 801)	(106)	(91)	1 094	(112)	5 650	(4 519)	2 211	405	158	-	2 151	(37 314)
Depreciation	43	34	124	113	1	-	223	192	12	11	121	101	1	2	507	464	-	-	1 032	917
Bad debts	-	36	(9)	(5)	8	5	104	271	-	2	57	-	-	-	1	-	-	-	161	309
Share-based payments	-	-	-	-	-	-	7	6	-	-	76	78	-	-	(1)	-	-	-	82	84
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	-	-	(2 243)	-	-	5	(289)	7	-	(1)	1	-	3	-	-	-	-	-	(2 528)	11
Fair value adjustments[1]	217	(50)	(8 507)	(28 472)	(258)	(637)	(2 132)	(3 599)	(147)	(143)	44	(354)	6 473	(4 388)	1 535	(1)	-	-	(2 775)	(37 644)
Net monetary gain (Lebanon hyperinflation)	-	-	-	-	-	-	(1 535)	-	-	-	-	-	-	-	-	-	-	-	(1 535)	-
Amortisation of intangibles	14	14	73	74	20	20	841	946	30	30	16	115	-	(83)	-	(1)	-	-	994	1 115
Impairment of investments and goodwill	26	19	-	-	44	-	8 772	737	(1)	10	38	28	(38)	-	172	(53)	158	-	9 171	741
Equity-accounted earnings	-	-	(4)	(240)	(133)	(112)	(2 263)	(2 361)	-	-	741	(80)	(789)	(50)	(3)	(4)	-	-	(2 451)	(2 847)

(1) Previously Retail Mass was part of the Sanlam Personal Finance, due to the new structure the Retail Mass portion of 2019 SPF balance has been split to reflect Retail Mass and Retail Affluent.

The Group has restated the segments as a result of change in segmentation methodology. Segmental disclosures will only include amounts attributed to shareholders. As a result of this, the 2019 figures were restated to be consistent with the methodology applied in 2020. Within the consolidation entries and IFRS adjustments column, the investment in subsidiaries are reversed and inter-company balances, other investments and term finance between companies within the Group are consolidated. Policyholders' assets and liabilities are reflected in the Policyholder activities column. This restatement does not have an impact on the Statement of Comprehensive Income. For additional information for the restatements refer to note 36.2.

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

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

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

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

33 Segmental information

Group

33.1 Business segments

R million	Total segment assets 2020	Total segment assets Restated[2] 2019	Total segment liabilities 2020	Total segment liabilities Restated[2] 2019	Total equity 2020	Total equity Restated[2] 2019
Sanlam Life and Savings	26 056	25 448	7 246	3 096	18 810	22 352
Sanlam Emerging Markets	84 180	81 765	38 581	33 386	45 599	48 379
Investment Management	3 727	2 325	1 979	1 908	1 748	417
Santam	53 396	47 261	42 495	36 377	10 901	10 884
Consolidation entries	57 012	65 260	56 080	62 258	932	3 002
Policyholder activities	640 698	617 576	640 698	617 576	-	-
Total per Group Statement of Financial Position	865 069	839 635	787 079	754 601	77 990	85 034

33.2 Geographical segments

R million	2020	Restated[3] 2019
Segment financial services income	99 008	89 881
South Africa & Other African Operations	93 267	87 044
Other international	5 741	2 837
Non-current assets[1]	28 820	31 676
South Africa & Other African Operations	28 120	30 918
Other international	700	758

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

(2) Refer to note 36.2 for additional information.

(3) In the current year, Santam was aligned to the Group's geographical split therefore R1 667 million have been reallocated from the South Africa geographical market & Other African Operations to Other international. It did not affect the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity or the Statement of Cash flows. Refer to note 19 for more information.

34 Fair value disclosures

Financial instruments

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

Recognition and derecognition

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

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

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

Collateral placed at counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

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.

34 Fair value disclosures (continued)

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are measured at fair value after initial recognition. Net gains and losses (ie on the sale of investments and fair value gains and losses), interest or dividend income and foreign exchange gains or losses are recognised in profit or loss. Changes in fair value recognised in the Statement of Comprehensive Income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments classified as at amortised cost are measured at amortised cost using the effective interest method. Interest income, interest expense, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss or derecognition is also measured in profit or loss.

Impairment

The Group recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost (including contract assets/contract receivables); and
- Financial guarantee contracts

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12 month expected credit losses if:

- The credit risk on a financial instrument has not increased significantly since initial recognition; or
- Financial instruments are determined to have a low credit risk at the reporting date.

The Group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Default is the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations

At each reporting date the loss allowances are measured at an amount equal to the 12 month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. Financial instruments that are determined to have a low credit risk at the reporting date are assumed to have no significant increase in credit risk.

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

Measurement of expected credit losses

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

Presentation of loss allowances in the Statement of Financial Position

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

Write-offs

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

Offsetting

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

Other financial liabilities

Other financial liabilities include:

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

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices and quoted prices in an inactive market, included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

34 Fair value disclosures (continued)

Group

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2020				
Non-financial instruments	**-**	**-**	**17,720**	**17,720**
Properties	**-**	**-**	**17,720**	**17,720**
Financial instruments	**471,331**	**243,264**	**2,603**	**717,198**
Equities and similar securities	**176,041**	**4,036**	**1,101**	**181,178**
Interest-bearing investments	**94,385**	**150,627**	**543**	**245,555**
Investment in joint ventures	**-**	**-**	**427**	**427**
Structured transactions	**117**	**29,002**	**-**	**29,119**
Investment funds	**199,590**	**13,970**	**522**	**214,082**
Trade and other receivables	**1,198**	**3,348**	**10**	**4,556**
Cash, deposits and similar securities: Investments	**-**	**38,988**	**-**	**38,988**
Cash, deposits and similar securities: Working capital assets	**-**	**3,293**	**-**	**3,293**
Total assets at fair value	**471,331**	**243,264**	**20,323**	**734,918**
Financial instruments	**84,619**	**409,903**	**1,338**	**495,860**
Investment contract liabilities	**388**	**380,946**	**-**	**381,334**
External investors in consolidated funds	**83,831**	**1,039**	**-**	**84,870**
Term finance	**-**	**4,093**	**1,326**	**5,419**
Structured transactions liabilities	**-**	**22,958**	**12**	**22,970**
Trade and other payables	**400**	**867**	**-**	**1,267**
Total liabilities at fair value	**84,619**	**409,903**	**1,338**	**495,860**

Group

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2019				
Non-financial instruments	-	-	18,874	18,874
Properties	-	-	18,874	18,874
Financial instruments	448,197	242,884	2,592	693,673
Equities and similar securities	201,522	4,097	985	206,604
Interest-bearing investments	76,785	141,133	499	218,417
Investment in joint ventures	-	-	400	400
Structured transactions	862	22,228	-	23,090
Investment funds	168,624	21,899	708	191,231
Trade and other receivables	404	4,112	-	4,516
Cash, deposits and similar securities: Investments	-	45,900	-	45,900
Cash, deposits and similar securities: Working capital assets	-	3,515	-	3,515
Total assets at fair value	448,197	242,884	21,466	712,547
Financial instruments	90,405	377,586	1,660	469,651
Investment contract liabilities	-	354,109	-	354,109
External investors in consolidated funds	90,018	398	-	90,416
Term finance	-	3,093	1,660	4,753
Structured transactions liabilities	-	19,201	-	19,201
Trade and other payables	387	785	-	1,172
Total liabilities at fair value	90,405	377,586	1,660	469,651

(1) Trading account liabilities to the amount of R4,547 million has been reclassified to amortised cost. This does not impact the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity.

(2) Cash, deposits and similar securities to the amount of R1,234 million has been reclassified to amortised cost.

34 Fair value disclosures (continued)

Company

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

Company

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2019				
Non-financial instruments	-	-	10,041	10,041
Properties	-	-	10,041	10,041
Financial instruments	366,710	124,917	105,359	596,986
Equities and similar securities	72,749	2,204	471	75,424
Investment in subsidiaries, joint ventures and associated companies	21,225	-	103,411	124,636
Interest-bearing investments	28,762	77,638	838	107,238
Structured transactions	27	19,432	-	19,459
Investment funds	243,947	1,433	639	246,019
Trade and other receivables	-	2,969	-	2,969
Cash, deposits and similar securities: Investments	-	17,726	-	17,726
Cash, deposits and similar securities: Working capital assets	-	3,515	-	3,515
Total assets at fair value	366,710	124,917	115,400	607,027
Financial instruments	-	329,419	31,426	360,845
Investment contract liabilities	-	316,618	-	316,618
Term finance	-	1,013	-	1,013
Loans from subsidiaries	-	-	31,426	31,426
Structured transactions liabilities	-	11,788	-	11,788
Total liabilities at fair value	-	329,419	31,426	360,845

34 Fair value disclosures (continued)

Group

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

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

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

Group

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

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Total assets
2019						
Assets						
Balance at 1 January 2019	18,485	297	69	824	539	20,214
Net gains in Statement of Comprehensive Income	917	69	(2)	(68)	(139)	777
Acquisitions/Issues	425	44	437	56	-	962
Acquired through business combinations	65	-	-	-	-	65
Disposals	(557)	(84)	(6)	(102)	-	(749)
Issues	-	218	-	-	-	218
Reclassified as disposal groups classified as held for sale	(2)	-	-	-	-	(2)
Foreign exchange movements	(251)	(15)	-	(1)	-	(267)
Transfers to owner-occupied properties	(208)	-	-	-	-	(208)
Transfers from level 2	-	456	-	-	-	456
Balance at 31 December 2019	18,874	985	498	709	400	21,466

R million	Term finance	Total liabilities
2019		
Liabilities		
Balance at 1 January 2019	2,000	2,000
Total (gains)/loss in statement of comprehensive income	(340)	(340)
Balance at 31 December 2019	1,660	1,660

34 Fair value disclosures (continued)

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

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

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

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

R million	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in subsidiaries, joint ventures and associated companies	Total assets
2019						
Assets						
Balance at 1 January 2019	8,984	15	417	704	104,681	114,801
Net gains/(loss) in Statement of Comprehensive Income	856	-	(9)	(68)	-	779
Acquisitions	221	-	430	6	(1,270)	(613)
Disposals	(13)	-	-	(3)	-	(16)
Transfer from owner-occupied properties	(7)	-	-	-	-	(7)
Transfer from level 2	-	456	-	-	-	456
Balance at 31 December 2019	10,041	471	838	639	103,411	115,400

R million	Loans from subsidiaries	Total liabilities
2019		
Liabilities		
Balance at 1 January 2019	32,225	32,225
Net issues	(799)	(799)
Balance at 31 December 2019	31,426	31,426

Gains and losses (realised and unrealised) included in Statement of Comprehensive Income R million	Group 2020	 2019	Company 2020	 2019
Total gains or losses included in profit or loss for the period	(2,372)	(564)	(1,732)	779
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(1,485)	(112)	(1,437)	(77)

34 Fair value disclosures (continued)

Group
Transfers between levels

R million	Structured Transactions	Interest bearing investments [1]	Investment funds	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	(4,291)	(2,043)	-	(6,334)

[1] Instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

Company
Transfers between levels

R million	Structured Transactions	Interest bearing investments [1]	Investment funds	Total assets
Assets				
2020				
Transfer from level 1 to level 2	-	(576)	(2,715)	(3,291)
2019				
Transfer from level 1 to level 2	(2,295)	(48)	-	(2,343)

[1] Instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

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

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

34 Fair value disclosures (continued)

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

Group

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties [1]						
2020						
Cashflow risk adjustments	**17 720**	**(1 772)**	**1 772**			
Base rate				**9 260**	**(373)**	**403**
Capitalisation				**9 260**	**(470)**	**574**

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

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	18 874	(1 887)	1 887			
Base rate				10 415	(447)	484
Capitalisation				10 415	(479)	582

	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple	8 459	772	(766)

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	**1 101**	**110**	**(110)**			
Investment Funds[2]	**522**	**52**	**(52)**			
Trade receivables	**10**	**1**	**(1)**			
Interest-bearing investments				**543**	**(21)**	**21**
Investment in joint ventures[3]	**427**	**43**	**(43)**			
Total	**2 060**	**206**	**(206)**	**543**	**(21)**	**21**
2019						
Equities and similar securities	938	94	(94)			
Investment Funds[2]	708	71	(71)			
Interest-bearing investments				498	(23)	14
Investment in joint ventures[3]	400	40	(40)			
Total	2 046	205	(205)	498	(23)	14

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

Group

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2020			
Term finance	**1 326**	**133**	**(133)**
Structured transaction liabilities	**12**	**1**	**(1)**
Total liabilities	**1 338**	**134**	**(134)**
2019			
Term finance	1 660	166	(166)
Total liabilities	1 660	166	(166)

(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.

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

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

(3) The valuation methodology applied to the underlying investment changed from a discounted cash flows based methodology to an earnings multiple methodology.

34 Fair value disclosures (continued)

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

Company

Assets

R million	Carrying amount [1]	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [1]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2020						
Cashflow risk adjustments	**8 763**	**(876)**	**876**			
Base rate				**8 763**	**(362)**	**391**
Capitalisation				**8 763**	**(447)**	**546**
2019						
Cashflow risk adjustments	10 041	(1 004)	1 004			
Base rate				10 041	(437)	473
Capitalisation				10 041	(453)	552

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

Company

Assets

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2020						
Equities and similar securities [4]	**459**	**46**	**(46)**			
Interest bearing investments	**427**	**43**	**(43)**	**470**	**(29)**	**29**
Investment in subsidiaries, joint ventures and associates				**95,569**	**(4 958)**	**6 741**
Investment funds [4]	**467**	**47**	**(47)**			
Total	**1 353**	**136**	**(136)**	**96 039**	**(4 987)**	**6 770**
2019						
Equities and similar securities	471	47	(47)			
Interest bearing investments				438	(29)	20
Investment in subsidiaries, joint ventures and associates	400	40	(40)	103 411	(5 162)	9 221
Investment funds	639	64	(64)			
Total	1 510	151	(151)	103 849	(5 191)	9 241

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

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

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

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

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2020			
Loans from subsidiaries	**31 236**	**3 124**	**(3 124)**
Total liabilities	**31 236**	**3 124**	**(3 124)**
2019			
Loans from subsidiaries	31 426	3 143	(3 143)
Total liabilities	31 426	3 143	(3 143)

34 Fair value disclosures (continued)

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

				Related amounts not set off in the Statement of Financial Position				
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	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
Group								
31 December 2020								
Assets								
Working Capital cash	**186**	**-**	**186**	**-**	**-**	**186**	**25,953**	**26,139**
Trading account assets	**-**	**-**	**-**	**-**	**-**	**-**	**249**	**249**
Structured transactions [4]	**1,417**	**- 1,214**	**203**	**-**	**-**	**203**	**28,916**	**29,119**
Liabilities								
Trading account liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**1,267**	**1,267**
Structured transactions [4]	**10,987**	**- 7,140**	**3,847**	**-**	**-**	**3,847**	**19,123**	**22,970**
31 December 2019								
Assets								
Structured transactions [4]	2 722	(2 523)	199	-	-	199	22 891	23 090
Liabilities								
Structured transactions [4]	8 762	(5 936)	2 826	-	-	2 826	16 375	19 201
Company								
31 December 2020								
Assets								
Structured transactions [4]	**1 417**	**(1 214)**	**203**	**-**	**-**	**203**	**22 669**	**22 872**
Liabilities								
Structured transactions [4]	**10 987**	**(7 140)**	**3 847**	**-**	**-**	**3 847**	**11 010**	**14 857**
31 December 2019								
Assets								
Structured transactions [4]	2 722	(2 523)	199	-	-	199	19 260	19 459
Liabilities								
Structured transactions [4]	8 762	(5 936)	2 826	-	-	2 826	8 962	11 788

(1) The figures for other financial instruments column are made up of ISDA netting, CSA collateral, repo's and scrip received. These amounts have been limited to the net amount recognised on the Statement of Financial Position.

(2) Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation) ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties. Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1. Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted. Security/collateral received refers to equity collateral that has been pledged to SCM to cover events of default.

(3) Excludes enforceable netting arrangements.

(4) Structured transactions liabilities include derivative liabilities.

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:

	Group		Company	
R million	2020	**2019**	2020	**2019**
Net amortised cost [1]	**22,846**	22,961	**1,333**	974
Gross	**23,084**	22,961	**1,333**	974
Expected credit loss allowance	**(238)**		**-**	
Fair value through other comprehensive income [2]	**3,293**	3,515	**3,293**	3,515
Total Working capital assets: Cash, deposits and similar s	**26,139**	26,476	**4,626**	4,489

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

(2) Refer to note 34 for the fair value levels. No material adjustments to fair value occurred during the accounting period.

Reconciliation of expected credit losses

	Group	
R million	2020	**2019**
Net remeasurement	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 34 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, eg 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 adjustments of R713 million and (R1 633) million of Group and the Company respectively, reflects the cash flows with respect to the 2019 acquisitions and disposals of these investments.

In addition to above, dividends of R2 000 million paid in the prior year to Sanlam Limited on loan account has been reassessed. It was concluded that it should be treated as a non-cash transaction. 'Cash utilised in operations' and 'Dividends paid' have been restated for both Group and Company accordingly

The impacts are as follows:

Group

	2019		
R million	Previously reported	Adjustments	Restated
Cash Flows from operating activities	8 980	713	9 693
Cash utlilised in operations	(12 274)	(1 287)	(13 561)
Dividends paid	(2 857)	2 000	(857)
Net increase in cash and cash equivalents	8 262	713	8 975
Cash and cash equivalents at beginning of the year	57 205	(19 444)	37 761
Cash and cash equivalents at end of the year	65 157	(18 731)	46 426

Company

Cash Flows from operating activities	3 791	(1 633)	2 158
Cash utlilised in operations	(11 107)	(3 633)	(14 740)
Dividends paid	(2 000)	2 000	-
Net increase in cash and cash equivalents	3 571	(1 633)	1 938
Cash and cash equivalents at beginning of the year	18 691	(9 319)	9 372
Cash and cash equivalents at end of the year	22 215	(10 952)	11 263

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.

36.2 Segment reporting

The Group has restated the segments as a result of change in segmentation methodology. Segmental disclosures will only include amounts attributed to shareholders. As a result of this the 2019 figures were restated to be consistent with the methodolgy applied in 2020. This does not have an impact on the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cashflows or Statement of Changes in Equity. Refer to the tables below for the line items impacted.

36.2.2 *Segment Balance Sheet*

Assets

	2019		
R million	Previously reported	Adjustments	Restated
Sanlam Life and Savings	51 886	(26 438)	25 448
Sanlam Emerging Markets	126 957	(45 192)	81 765
Investment Management	4 362	(2 037)	2 325
Santam	47 261	-	47 261
Consolidation entries	(8 407)	73 667	65 260
Policyholder activities	617 576	-	617 576
Total per Group Statement of Financial Position	839 635	-	839 635

Liabilities

	2019		
R million	Previously reported	Adjustments	Restated
Sanlam Life and Savings	28 184	(25 088)	3 096
Sanlam Emerging Markets	78 579	(45 193)	33 386
Investment Management	2 581	(673)	1 908
Santam	36 377	-	36 377
Consolidation entries	(8 696)	70 954	62 258
Policyholder activities	617 576	-	617 576
Total per Group Statement of Financial Position	754 601	-	754 601

36 Restatement

36.2 Segment reporting (continued)

36.2.2 Business segments

Sanlam Life and Savings: SA Retail Mass, SA Retail Affluent, SA Corporate

R million	SA Retail Mass			SA Retail Affluent			SA Corporate			Sanlam Emerging Markets			Sanlam Investments			Santam			Group Office and Other			Consolidation entries & IFRS adjustments			Policyholder activities			Total
	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	Previously reported 2019	Adjusment	Restated[1] 2019	2019
Net income	-	6 472	6 472	20 855	(5 786)	15 069	5 967	(133)	5 834	25 949	(2 262)	23 687	1 440	(159)	1 281	25 974	2 107	28 081	(663)	350	(313)	2 819	(587)	2 232	54 067	-	54 067	136 410
Financial services income[1]	-	5 784	5 784	20 431	(5 783)	14 648	5 845	23	5 868	25 338	302	25 640	1 234	128	1 362	25 396	8 962	34 358	(461)	465	4	12 030	(9 881)	2 149	68	-	68	89 881
Reinsurance premiums paid	-	712	712	-	(1 831)	(1 831)	-	(274)	(274)	-	(4 344)	(4 344)	-	-	-	-	(10 132)	(10 132)	-	-	-	(15 879)	15 869	(10)	-	-	-	(15 879)
Reinsurance commission received	-	10	10	-	-	-	-	-	-	-	671	671	-	-	-	-	1 995	1 995	-	-	-	2 676	(2 676)	-	-	-	-	2 676
Investment income[1]	-	171	171	292	1 705	1 997	60	117	177	568	174	742	88	(313)	(225)	263	1 282	1 545	(65)	(123)	(188)	7 245	(3 012)	4 233	23 992	-	23 992	32 444
Investment surpluses[1]	-	(205)	(205)	132	123	255	62	1	63	43	935	978	118	26	144	315	-	315	(137)	8	(129)	1 595	(887)	708	35 504	-	35 504	37 633
Change in fair value of external investors liability & policyholder non-controlling interest[1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4 848)	-	(4 848)	(5 497)	-	(5 497)	(10 345)
Net insurance and investment contract benefits and claims	-	(2 521)	(2 521)	(5 441)	3 183	(2 258)	(3 511)	-	(3 511)	(10 043)	-	(10 043)	-	-	-	(15 080)	(1)	(15 081)	-	-	-	-	(662)	(662)	(51 900)	-	(51 900)	(85 976)
Long-term insurance contract benefits	-	(2 166)	(2 166)	(5 441)	1 480	(3 961)	(3 511)	(210)	(3 721)	(10 043)	7 712	(2 331)	-	-	-	(15 080)	15 080	-	-	-	-	21 226	(21 897)	(671)	(17 487)	-	(17 487)	(30 337)
Long-term investment contract benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(34 413)	-	(34 413)	(34 413)
Short-term insurance claims	-	(367)	(367)	-	-	-	-	-	-	-	(9 386)	(9 386)	-	-	-	-	(19 894)	(19 894)	-	-	-	(29 646)	29 647	1	-	-	-	(29 646)
Reinsurance claims received	-	12	12	-	1 703	1 703	-	210	210	-	1 674	1 674	-	-	-	-	4 813	4 813	-	-	-	8 420	(8 412)	8	-	-	-	8 420
																								-	-		-	-
Expenses	-	(2 065)	(2 065)	(9 503)	2 357	(7 146)	(1 514)	(31)	(1 545)	(9 874)	(552)	(10 426)	(589)	(92)	(681)	(7 267)	(1 944)	(9 211)	(315)	2	(313)	(4 867)	2 325	(2 542)	(733)	-	(733)	(34 662)
Sales remuneration	-	(1 361)	(1 361)	(3 736)	1 720	(2 016)	(70)	-	(70)	(3 345)	(659)	(4 004)	-	51	51	(2 882)	(1 996)	(4 878)	-	-	-	(2 665)	2 245	(420)	-	-	-	(12 698)
Administration costs	-	(704)	(704)	(5 767)	637	(5 130)	(1 444)	(31)	(1 475)	(6 529)	107	(6 422)	(589)	(143)	(732)	(4 385)	52	(4 333)	(315)	2	(313)	(2 202)	80	(2 122)	(733)	-	(733)	(21 964)
Impairment of investments and goodwill	-	(19)	(19)	-	-	-	-	-	-	(372)	(365)	(737)	(8)	(2)	(10)	(28)	-	(28)	(82)	82	-	(415)	468	53	-	-	-	(741)
Net impairment losses on financial and contract assets	-	(19)	(19)	-	-	-	-	-	-	(372)	(7)	(379)	(8)	(2)	(10)	-	-	-	-	-	-	(415)	419	4	-	-	-	(404)
Other impairments	-	-	-	-	-	-	-	-	-	-	(358)	(358)	-	-	-	(28)	-	(28)	(82)	82	-	-	49	49	-	-	-	(337)
Amortisation of intangibles	-	(14)	(14)	(82)	8	(74)	(20)	-	(20)	(922)	(24)	(946)	(29)	(1)	(30)	(155)	40	(115)	(83)	166	83	(30)	31	1	-	-	-	(1 115)
Net operating result	-	1 853	1 853	5 829	(238)	5 591	922	(164)	758	4 738	(3 203)	1 535	814	(254)	560	3 444	202	3 646	(1 143)	600	(543)	(2 493)	1 575	(918)	1 434	-	1 434	13 916
Equity-accounted earnings	-	-	-	-	240	240	(9)	121	112	2	2 359	2 361	-	-	-	48	32	80	-	50	50	2 807	(2 803)	4	-	-	-	2 847
Finance cost	-	(17)	(17)	-	(113)	(113)	-	(4)	(4)	-	(86)	(86)	-	(9)	(9)	-	(691)	(691)	-	(3)	(3)	(923)	923	-	-	-	-	(923)
Net monetary gain (Lebanon hyperinflation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	-	1 836	1 836	5 829	(111)	5 718	913	(47)	866	4 740	(930)	3 810	814	(263)	551	3 492	(457)	3 035	(1 143)	647	(496)	(609)	(305)	(914)	1 434	-	1 434	15 840
Taxation	-	(491)	(491)	(1 899)	815	(1 084)	(255)	44	(211)	(1 872)	1 173	(699)	(208)	(10)	(218)	(1 015)	171	(844)	237	(199)	38	1 180	(1 503)	(323)	(1 433)	-	(1 433)	(5 265)
Shareholders' fund	-	(492)	(492)	(1 899)	816	(1 083)	(255)	44	(211)	(1 872)	1 173	(699)	(208)	(10)	(218)	(1 015)	171	(844)	237	(199)	38	1 180	(1 503)	(323)	-	-	-	(3 832)
Policyholders' fund[1]	-	1	1	-	(1)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 433)	-	(1 433)	(1 433)
Profit from continuing operations	-	1 345	1 345	3 930	704	4 634	658	(3)	655	2 868	243	3 111	606	(273)	333	2 477	(286)	2 191	(906)	448	(458)	571	(1 808)	(1 237)	1	-	1	10 575
Discontinued operations	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-
Profit for the year	-	1 345	1 345	3 930	704	4 634	658	(3)	655	2 868	243	3 111	606	(273)	333	2 477	(286)	2 191	(906)	448	(458)	571	(1 808)	(1 237)	1	-	1	10 575
Attributable to:																												-
Shareholders' fund	-	282	282	3 969	673	4 642	658	(3)	655	1 967	268	2 235	570	(272)	298	1 435	24	1 459	(357)	(208)	(565)	708	(764)	(56)	1	-	1	8 951
Non-controlling interest	-	(31)	(31)	(39)	31	(8)	-	-	-	901	(25)	876	36	(1)	35	1 082	(350)	732	(219)	326	107	(137)	50	(87)	-	-	-	1 624
	-	251	251	3 930	704	4 634	658	(3)	655	2 868	243	3 111	606	(273)	333	2 517	(326)	2 191	(576)	118	(458)	571	(714)	(143)	1	-	1	10 575
Non-cash expenses/(income)	-	53	53	45	(28 575)	(28 530)	(25)	(694)	(719)	1 725	(5 526)	(3 801)	(69)	(22)	(91)	(41)	(71)	(112)	58	(4 577)	(4 519)	(3 957)	4 362	405	(35 504)	35 504	-	(37 314)
Depreciation	-	34	34	64	49	113	-	-	-	192	-	192	11	-	11	101	-	101	86	(84)	2	-	464	464	-	-	-	917
Bad debts	-	36	36	31	(36)	(5)	5	-	5	271	-	271	2	-	2	-	-	-	-	-	-	-	-	-	-	-	-	309
Share-based payments	-	-	-	-	-	-	-	-	-	6	-	6	-	-	-	78	-	78	-	-	-	-	-	-	-	-	-	84
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	-	-	-	-	-	-	3	2	5	7	-	7	(1)	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	11
Fair value adjustments[1]	-	(50)	(50)	(132)	(28 340)	(28 472)	(62)	(575)	(637)	(43)	(3 556)	(3 599)	(118)	(25)	(143)	(315)	(39)	(354)	137	(4 525)	(4 388)	(1 595)	1 594	(1)	(35 504)	35 504	-	(37 644)
Amortisation of intangibles	-	14	14	82	(8)	74	20	-	20	922	24	946	29	1	30	115	-	115	(83)	-	(83)	30	(31)	(1)	-	-	-	1 115
Impairment of investments and goodwill	-	19	19	-	-	-	-	-	-	372	365	737	8	2	10	28	-	28	(82)	82	-	415	(468)	(53)	-	-	-	741
Equity-accounted earnings	-	-	-	-	(240)	(240)	9	(121)	(112)	(2)	(2 359)	(2 361)	-	-	-	(48)	(32)	(80)	-	(50)	(50)	(2 807)	2 803	(4)	-	-	-	(2 847)

Sanlam Life Insurance Limited

Principal Subsidiaries

at 31 December 2020

	Country of incorporation	% interest	Fair value of interest in subsidiaries Equities 2020 R million	Equities 2019 R million	Loans [2] 2020 R million	Loans [2] 2019 R million
Investment companies [4]						
U.R.D. Beleggings (Pty) Limited	RSA	100	21 782	21 817	(21 568)	(21 545)
Sanlam Africa Credit Investments Limited	MAU	100	-	148	-	-
Property investment company [4]						
Anson Holdings (Pty) Limited	RSA	100	-	-	-	-
Jane Furse Plaze (Pty) Limited	RSA	-	-	-	-	-
Rycklof Beleggings (Pty) Limited	RSA	100	1 467	1 467	(1 459)	(1 460)
San Lameer (Pty) Ltd	RSA	100	13	13	(13)	(13)
Acornhoek Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Kwagga Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Winter Robin Investments 26 Proprietary Limited (Waterfall Industrial)	RSA	80	482	434	-	-
Speculation company in negotiable securities [4]						
Edimed (Pty) Ltd	RSA	100	76	76	(76)	(76)
Asset Management [5]						
Sanlam Investment Management (Pty) Limited	RSA	100	-	4 869	-	261
Brackenham Holdings (Pty) Limited	RSA	100	-	-	-	-
Glacier Financial Holdings (Pty) Ltd	RSA	100	2 709	-	(6)	-
Credit provider [5][6]	RSA					
Anglo African Finance (Pty) Limited[6]	RSA	-	-	-	-	-
Linked Investment Service Provider [5][6]						
Sanlam Linked Investments (Pty) Limited	RSA	100	74	67	(32)	(15) [3]
Trust services [5][6]						
Sanlam Trust (Pty) Limited[6]	RSA	100	181	181	4	(8)
Administration Services [5][6]						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	-	-	-	-
Sanlam Healthcare Management (Pty) Limited	RSA	100	1	6	-	-
Infinit Group Risk Solutions (Pty) Limited	RSA	100	-	-	-	-
ACA Consultants and Actuaries	RSA	100	69	442	(64)	16
African Rainbow Life	RSA	51	68	55	-	-
Succession Financial Planning Advisory Services (Pty) Ltd	RSA	100	15	(1)	3	9
Life Insurance[5][6]						
Brightrock Holdings (Pty) Limited	RSA	58	1 184	1 258	18	4
Safrican Insurance Company Limited	RSA	100	1 510	1 578	76	(20)
Sanlam Life Namibia Limited	Namibia	-	-	-	66	56
Sanlam Namibia Holdings Limited	Namibia	-	-	-	-	-
Sanlam Developing Markets Limited	RSA	100	16 512	16 245	(3)	13
Channel Life Limited	RSA	100	243	1 125	(90)	164
Sanlam Emerging Markets (Pty) Limited	RSA	100	37 124	42 755	1 687	(344)
Short-term insurance [7]						
Santam Limited	RSA	59	17 277	19 675	-	-
Dormant companies [4]						
Coris Capital Holdings (Pty) Limited	RSA	100	-	-	36	36
Sankorp (Pty) Limited	RSA	100	701	701	(701)	(701)
Electra Investments (South Africa) (Pty) Limited	RSA	100	6 306	6 306	(6 306)	(6 306)
Electra Share Ventures (Pty) Limited	RSA	100	532	532	(532)	(532)
Status Beleggings (Pty) Limited	RSA	100	406	406	(406)	(406)
Simeka Health			133	-	3	-
Other			-	2	15	122
Total			108 865	120 157	(29 348)	(30 745)

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

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

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

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

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

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

(6) The valuations of the life businesses are based on embedded value plus a multiple of VNB. Non-life businesses are valued on a discounted cash flow (DCF) basis. Refer to note 8.4. The fair values disclosed are classified as level 3 instruments in terms of IFRS 13.

(7) The fair value of Santam is based on the listed share price.

Sanlam Life Insurance Limited

Principal Subsidiaries

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

%	Santam Limited[1] 2020	Santam Limited[1] 2019	MCIS Insurance [3] 2020	MCIS Insurance [3] 2019	Botswana Insurance Holdings Limited [2] 2020	Botswana Insurance Holdings Limited [2] 2019
Shareholder's fund	61.93	61.49	51.00	51.00	59.16	59.39
Policyholder's fund	0.15	0.21	-	-	-	0.80
Non-controlling interest	37.93	38.30	49.00	49.00	40.84	39.81
Total	100.00	100.00	100.00	100.00	100.00	100.00

R million	Santam Limited[1] 2020	Santam Limited[1] 2019	MCIS Insurance [3] 2020	MCIS Insurance [3] 2019	Botswana Insurance Holdings Limited [2] 2020	Botswana Insurance Holdings Limited [2] 2019
Summarised statement of profit or loss for the year ending 31 December:						
Net income	28 842	28 867	2 248	2 547	4 668	5 097
Net insurance and investment contract benefits and claims	(16 770)	(15 081)	(1 262)	(1 645)	(2 958)	(3 577)
Expenses	(10 127)	(10 177)	(771)	(678)	(1 123)	(981)
Share of profit of associates and joint ventures	(610)	(414)	-	-	370	194
Finance cost	(318)	-	(3)	-	-	-
Profit before tax	1 446	3 475	212	224	957	733
Income tax	(800)	(1 154)	(89)	(125)	(185)	(135)
Discontinued Operations	-	-	-	-	-	3
Profit for the year	646	2 321	123	99	772	601
Total comprehensive income	855	2 006	184	80	671	592
Attributable to non-controlling interests	104	122	100	39	268	236
Dividends paid to non-controlling interests	50	109	41	29	227	203

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

R million	Santam Limited[1] 2020	Santam Limited[1] 2019	MCIS Insurance [3] 2020	MCIS Insurance [3] 2019	Botswana Insurance Holdings Limited [2] 2020	Botswana Insurance Holdings Limited [2] 2019
Summarised statement of financial position as at 31 December:						
Assets						
Investments	33 137	28 546	16 452	15 496	22 088	21 174
Other non-current assets	1 728	1 932	340	318	412	385
Deferred tax (non-current)	102	107	-	-	-	-
Cash and cash equivalents (working capital)	4 544	4 822	186	117	326	217
Trade and other receivables	16 669	13 827	432	422	386	338
Liabilities						
Policyholder liabilities	(33 109)	(27 171)	(14 343)	(13 719)	(18 169)	(17 581)
Other non-current liabilities	(7 462)	(6 250)	(55)	(60)	(26)	(37)
Deferred tax (non-current)	(104)	(78)	(164)	(116)	(27)	(29)
Other current liabilities	(324)	(392)	(11)	(22)	(5)	(21)
Trade and other payables	(5 089)	(5 280)	(1 632)	(1 330)	(894)	(522)
Total equity	10 092	10 063	1 205	1 106	4 091	3 924
Attributable to:						
Equity holders of the parent	9 356	9 542	615	564	2 456	2 362
Non-controlling interest	736	521	590	542	1 635	1 562
Summarised statement of cash flows for the year ending 31 December:						
Operating	1 127	2 897	(189)	(328)	1 377	788
Investing	(1 322)	(281)	-	-	(1 259)	(715)
Financing	(208)	(1 559)	(649)	1 887	(7)	(5)
Net increase/(decrease) in cash and cash equivalents	(403)	1 057	(838)	1 559	111	68

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

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

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

Sanlam Life Insurance Limited
Principal Subsidiaries

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

	Saham Assurance Maroc [1]	
	2020	**2019**
	%	**%**
Shareholder's fund	**61.90**	61.90
Policyholder's fund	**-**	-
Non-controlling interest	**38.10**	38.10
Total	**100.00**	100.00

[1] The financial information of Saham Assurance Maroc, incorporated and operating mainly in Morocco which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.

	Saham Assurance Maroc	
R million	**2020**	**2019**
Summarised statement of profit or loss for the year ending 31 December:		
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:		
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:		
Operating	**(115)**	2 142
Financing	**834**	(2 178)
Investing	**-**	209
Net increase/(decrease) in cash and cash equivalents	**719**	173

Sanlam Life Insurance Limited

Related Parties
for the year ended 31 December 2020

Company Name	% interest held by Sanlam Life Insurance Ltd in company [1]	Country of registration
SUBSIDIARIES [1]		
ACA Consultants and Actuaries (Pty) Ltd	100%	RSA
African Rainbow Life Limited	51%	RSA
Brackenham Holdings (Pty) Ltd	100%	RSA
Brightrock Holdings (Pty) Ltd	58%	RSA
Channel Life Ltd	100%	RSA
Coris Capital Holdings (Pty) Ltd	100%	RSA
Edimed (Pty) Ltd	100%	RSA
Electra Investments (SA) (Pty) Ltd	100%	RSA
Electra Share Ventures (Pty) Ltd	100%	RSA
Glacier Financial Holdings (Pty) Ltd	100%	RSA
Infinit Group Risk Solutions (Pty) Ltd	100%	RSA
Phoenix Industriële Park (Pty) Ltd	100%	RSA
Rycklof-Beleggings (Pty) Ltd	100%	RSA
Safrican Insurance Company Ltd	100%	RSA
Sankorp (Pty) Ltd	100%	RSA
Sanlam Africa Credit Investments Ltd	100%	Mauritius
Sanlam Developing Markets Ltd	100%	RSA
Sanlam Emerging Markets (Pty) Ltd	100%	RSA
Sanlam Fundshares Nominee (Pty) Ltd	100%	RSA
Sanlam Healthcare Distribution Service Management (Pty) Ltd	100%	RSA
Sanlam Healthcare Management (Pty) Ltd	100%	RSA
Sanlam Home Solutions (Pty) Ltd	100%	RSA
Sanlam Investment Management (Pty) Ltd	100%	RSA
Sanlam Linked Investments (Pty) Ltd	100%	RSA
Sanlam Share Account Nominee (Pty) Ltd	100%	RSA
Sanlam Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	60%	RSA
Simeka Consultants & Actuaries (Pty) Ltd	30%	RSA
Simeka Employee Benefits Holdings (Pty) Ltd	100%	RSA
Simeka Health (Pty) Ltd	100%	RSA
Status-Beleggings (Pty) Ltd	100%	RSA
Succession Financial Planning Advisory Services (Pty) Ltd	100%	RSA
The Financial Services Exchange (Pty) Ltd	100%	RSA
U.R.D. Beleggings (Pty) Ltd	100%	RSA
ASSOCIATES [1]		
AfroCentric Healthcare Assets (Pty) Ltd	29%	RSA
IFAnet Independent Distribution Services (Pty) Ltd	26%	RSA
Shriram Transport Finance Company Limited	3%	India
Transparent Financial Services (Pty) Ltd	26%	RSA
Ubuntu-Botho Investment Holdings (Pty) Ltd (UBIH)	45%	RSA
Uyanda STI Careers (Pty) Ltd	26%	RSA
JOINT VENTURES [1]		
Waterfall JVCO 115 (Pty) Ltd	76%	RSA
Indwe Broker Holdings Group (Pty) Ltd	25%	RSA
Sanlam Personal Loans (Pty) Ltd	70%	RSA

[1] Percentage interest held directly by the company

Sanlam Life Insurance Limited
Related Parties
for the year ended 31 December 2020

Company Name	% interest held by Sanlam Life Insurance Ltd in company [1]	Country of registration
INVESTMENT VEHICLES		
Sanlam Alternative Gamma Retail Hedge Fund	80%	RSA
Sanlam Alternative Vega Fund	42%	RSA
Sanlam Alternative Zeta Retail Hedge Fund	44%	RSA
Sanlam Alternative Pi Retail Hedge Fund	81%	RSA
Sanlam Alternative Rho Retail Hedge Fund	40%	RSA
Sanlam Alternative Lambda Retail Hedge Fund	100%	RSA
Sanlam Alternative Lambda Retail Hedge Fund	100%	RSA
Sanlam Alternative Theta Retail Hedge Fund	80%	RSA
Sanlam Alternative Veta Retail Hedge Fund	43%	RSA
Blue Ink-Ubator Diversified Fund LLP	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund One	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund Two	100%	RSA
Sanlam Global	100%	RSA
Sanlam Designated	99%	RSA
Satrix Balanced Index Fund	49%	RSA
Satrix Bond Index Fund	39%	RSA
Satrix Capped SWIX All Share Index Fund	32%	RSA
Satrix Low Equity Balanced Index Fund	53%	RSA
Satrix Money Market Fund	41%	RSA
Satrix Property Index Fund	80%	RSA
Satrix Quality Index Fund	73%	RSA
Satrix Smartcore Index Fund	45%	RSA
Satrix Swix Top40 Index Fund	100%	RSA
Collective Investment Schemes	20%	RSA
Glacier Money Market Fund	49%	RSA
Glacier Global Stock Feeder Fund	78%	RSA
Sanlam Investment Management Active Income Fund	47%	RSA
Sanlam Select Thematic Equity Fund	100%	RSA
Sanlam Investment Management Bond Plus Fund	80%	RSA
Sanlam Investment Management Money Market Fund	96%	RSA
Sanlam Multi Managed Defensive Fund of Funds	30%	RSA
Sanlam Investment Management Institutional Income Plus Fund	53%	RSA
Sanlam Investment Management Enhanced Yield Fund	42%	RSA
Sanlam Investment Management Medium Equity Fund	99%	RSA
Sanlam Global Cautious Fund of Funds	46%	RSA
Sanlam Global Balanced Fund of Funds	40%	RSA
Sanlam Institutional Special Opportunities Fund	75%	RSA
Sanlam Growth Institutional Fund	91%	RSA
Sanlam Multi Managed Institutional Aggressive Equity Fund One	100%	RSA
Sanlam Investment Management Managed Aggressive Fund of Funds	46%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	70%	RSA
Sanlam Investment Management Managed Cautious Fund of Funds	54%	RSA
Sanlam Investment Management Managed Conservative Fund of Funds	44%	RSA
Sanlam Investment Management Inflation Plus Fund	41%	RSA
Sanlam Multi Managed Institutional General Equity Fund Two	100%	RSA
Sanlam Select Bond Plus Fund	79%	RSA
Sanlam Multi Managed Yield Plus Fund	100%	RSA
Sanlam Multi Managed Bond Fund	93%	RSA
Sanlam Multi Managed Equity Fund	100%	RSA
Sanlam Multi Managed Inflation Linked Bond Fund	84%	RSA
Sanlam Multi Managed Flexible Equity Fund	60%	RSA
Sanlam Value Institutional Fund	100%	RSA
Sanlam Multi Managed Institutional Aggressive Balanced Fund	100%	RSA

Sanlam Life Insurance Limited

Related Parties
for the year ended 31 December 2020

Company Name	% interest held by Sanlam Life Insurance Ltd in company [1]	Country of registration
INVESTMENT VEHICLES (continued)		
Sanlam Multi Managed Institutional Balanced Fund	100%	RSA
Sanlam Multi Managed Conservative Fund of Funds	68%	RSA
Sanlam Investment Management Managed Moderate Fund of Funds	57%	RSA
Sanlam Multi Managed Equity Index Fund	69%	RSA
Sanlam Multi Managed Institutional Moderate Balanced Fund	100%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	75%	RSA
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	55%	RSA
Sanlam Multi Managed Moderate Fund of Funds	91%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Three	48%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	59%	RSA
Sanlam Multi Managed Property Fund	89%	RSA
Sanlam Multi Managed Institutional Prudential Balanced Fund One	93%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	62%	RSA
Sanlam Multi Managed Inst Positive Return Fund	39%	RSA
Sanlam Stable Growth Fund	7067%	RSA
Sanlam Investment Management Property Fund	90%	RSA
Sanlam Multi Managed Balanced Fund of Funds	48%	RSA
Sanlam Investment Management Small Cap Fund	20%	RSA
Sanlam Select Focused Equity Fund	99%	RSA
Sanlam Investment Management Top Choice Equity Fund	68%	RSA
Sanlam Investment Management General Equity Fund	27%	RSA
Sanlam Investment Management Balanced Fund	56%	RSA
Glacier AI Flexible Fund of Fund	53%	RSA
Sanlam Global Bond Fund	46%	Ireland
Sanlam Centre Global Listed Infrastructure Fund	97%	Ireland
Sanlam Centre American Select Equity Fund	65%	Ireland
Sanlam Emerging Market Equity Tracker Fund	61%	Ireland
Sanlam World Equity Fund	25%	Ireland
Sanlam FOUR Global Equity Fund	32%	Ireland
Sanlam FOUR US Dividend Income Fund	40%	Ireland
Sanlam Global Convertible Securities Fund	100%	Ireland
Sanlam Africa Equity Fund	32%	Ireland
Sanlam Global Balanced Fund	98%	Ireland
Sanlam Global Equity Fund	100%	Ireland
Sanlam Global Investment Fund	100%	Ireland
Sanlam Real Assets Fund	68%	Ireland
Sanlam Global Property Fund	80%	Ireland
Sanlam Institutional Equity Flexible Fund	99%	Ireland
SIM Global Emerging Markets Fund	62%	Ireland
Sanlam Institutional Bond Fund	98%	Ireland
Sanlam Global Investment Fund Two	100%	Ireland
Sanlam Global Investment Fund Three	100%	Ireland
Sanlam Global Investment Fund Four	100%	Ireland
Sanlam Global Investment Fund Five	100%	Ireland
Sanlam Global Investment Fund Six	100%	Ireland
Sanlam Global Investment Fund Seven	100%	Ireland
Sanlam Global Investment Fund Eight	100%	Ireland
Sanlam Global Investment Fund Nine	100%	Ireland
Sanlam Global Investment Fund Ten	99%	Ireland
Sanlam Global Investment Fund Thirteen	100%	Ireland
Sanlam Global Investment Fund Fourteen	100%	Ireland
Sanlam Global Investment Fund Fifteen	100%	Ireland
Satrix Global Factor Enhanced Equity Fund	100%	Ireland
Sanlam World Equity Tracker Fund	26%	Ireland

CAPITAL AND RISK MANAGEMENT REPORT

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CAPITAL MANAGEMENT

RISK MANAGEMENT

OBJECTIVE

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 new regulatory framework, as defined in the South African Insurance Act, 18 of 2017, and supporting Prudential Standards.

The Group sets an appropriate level of required capital for Sanlam Life's covered business under the Prudential Standards, based on a standard formula Solvency Capital Requirement (SCR) targeted cover range of between 170% and 210% over a 10-year projection period. At the lower end of the range, Sanlam Life's covered business should be able to withstand two economic shock scenarios (as defined on page 141) 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

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

Reconciliation of IFRS Shareholders' fund to Own Funds (R'm)	Sanlam Life Insurance Limited 2020	2019
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 adjustments 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.

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 (2019: 206%) remains well within the stated target range.

Sensitivity analysis

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

Sanlam Life solo	**Own Funds eligible**		**SCR**		**Surplus**		**SCR Cover**	
R'million	**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%
(2) Equities decline by 30% and implied equity volatility increases by 25%
Property values decline by 15%
Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields
Emerging market currencies decline by 20% against developed market currencies
Credit spreads widen by 1%

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

Credit rating

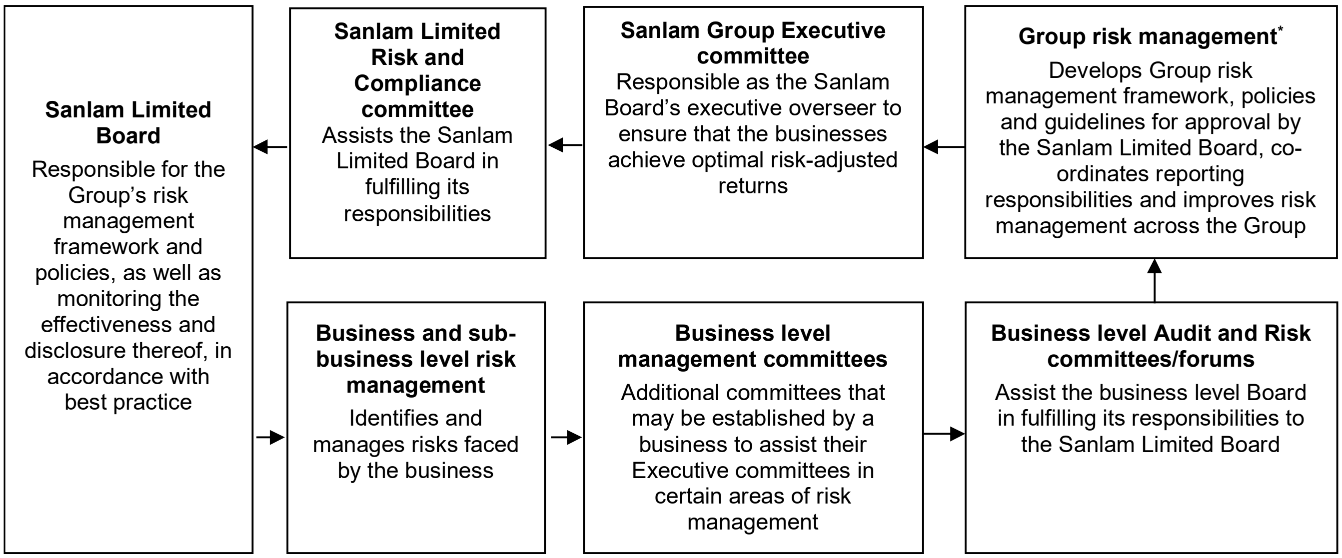
The latest Standard & Poor's (S&P) ratings for Group companies are:

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

RISK MANAGEMENT

Governance structure

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



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

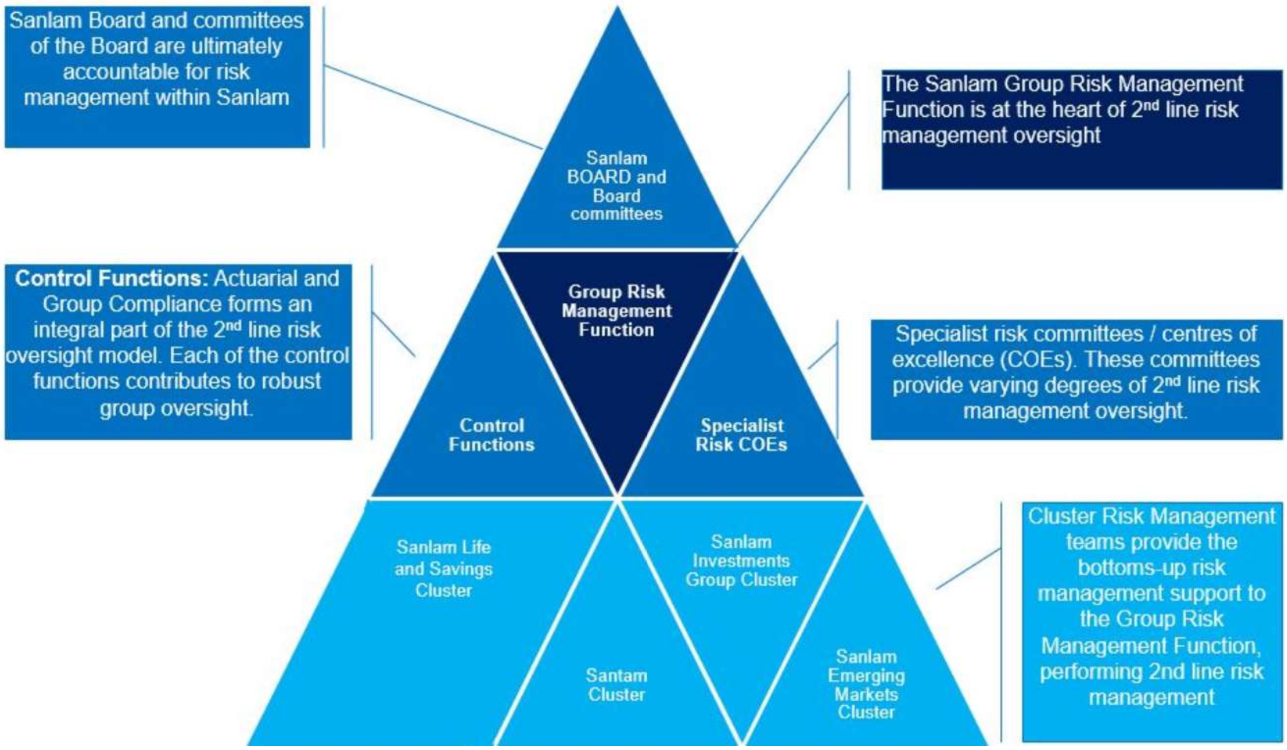
Role of Group risk management

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

OTHER RISK MANAGEMENT / MONITORING MECHANISMS		
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Group secretariat and public officers** Review and report on corporate governance practices and structures. Report on applicable legal and compliance matters	**Group compliance function** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Sanlam Group Technology (SGT) Manages and reports Group-wide technology, cyber and information security risks	**Risk officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	**Internal audit** Assists the Sanlam Limited Board and management by monitoring the adequacy and effectiveness of risk management in businesses
Actuarial forum Assists the Audit, Actuarial and Finance and the Risk and Compliance committees on actuarial related matters. It also assists the actuarial control function in providing oversight over first line activities in Group actuarial, most notably balance sheet management		

Group risk policies

The main policies are listed below:

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

The following also cover aspects with linkage to risk management:

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

The policies above are aligned with the requirements set out in the Prudential Authority's Governance and Operational

Standards for Insurers and Governance and Operational Standard for Insurance Groups.

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

Sanlam Group ERM 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 practices [1], investment management mandates, as well as the failure to uphold the Group's core values and Code of Ethical Conduct.
	Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.
	Fraud/financial crime risk: the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.
	Taxation risk: the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in RoGEV; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.
	Regulatory change risk: the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.
	Process risk: the risk of loss as a result of failed or inadequate internal processes.
	Project risk: the risks that are inherent in major projects.
	Physical risk: risk related to financial loss that might occur due to natural and non-natural disaster events.
	Outsourcing provider risk: the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and

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

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
	from concentration with an individual outsourcing service provider (which exacerbates the former).
Conduct risk	**Conduct risk:** relates to the failure to deliver fair client outcomes or the failure to uphold integrity within the market. It also refers to the failure to uphold the Group's core values and Code of Ethical Conduct.
Brand and reputational risk	**Reputational risk**: is the risk that adverse publicity regarding the Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, *inter alia*, potential and existing clients, investors, suppliers and supervisors.
	Brand risk: is the risk that market perception of the organisation's brand might be weak or inferior when compared to other competitors within the market.
Strategic risk	**Strategic risk** is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
	Capital risk: the risk related to the potential loss of part or all of on balance sheet capital.
	Competition risk: The potential for losses due to competitive pressures.
	Governance risk: is the risk that the effective, ethical management of a company by its executives and managerial levels is not achieved.
	Market share risk: risk related to the reduction of the organisation's market share or inability to grow/expand market share.
	Organisational strategy risk: risk that the structure of the organisation or the overall strategic direction of the organisation might cause the organisation not to achieve its strategic goals.
	Performance risk: risk that products or services offered by the organisation might underperform against market expectations.
	Product risk: the risk that relates to design defects within products which may cause loss to the organisation.
	Profit/earnings risk: risk that profitability/earnings of the organisation might be affected due to various internal/external factors.
	Investment risk: the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.
Market risk	**Market risk:** is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes:
	Equity risk: the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
	Interest rate risk: the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates.
	Currency risk: the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates.
	Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property).

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
	Asset liability mismatching (ALM) risk: the risk of a change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts. ALM risk originates from changes in market risk factors.
	Concentration risk: the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).
	Market liquidity risk (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or make the required profit).
	Credit spread risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of market implied credit spreads over the risk-free interest rate term structure.
Credit risk	**Credit risk** is the risk of default and deterioration in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has exposure. Credit risk includes:
	Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
	Downgrade or migration risk: risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator today.
	Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.
	Reinsurance counterparty risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Funding liquidity risk	**Funding liquidity risk:** is the risk relating to the difficulty/inability to access/raise funds to meet commitments associated with financial instruments or policy contracts.
Insurance risk (life business)	**Insurance risk (life business)**: relates to life insurance classes regulated under the Insurance Act: risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Underwriting risk: the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.
	Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders.
	Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.
	Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
Insurance risk **(general insurance business)**	**Insurance risk (general insurance business**): relates to general insurance classes regulated under the Insurance Act: risk arising from the underwriting of general insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Claims risk (premium and reserve risk): refers to a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into – reserve risk (relating to incurred claims) and premium risk (relating to future claims).
	Underwriting risk: relates to inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors. As a result, the insurer's costs may significantly exceed the premium income.
	Reinsurance risk: the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.
	Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

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 defense 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 11.

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 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.

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

Investment management

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

Investment performance

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

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

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

General insurance

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

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

- Underwriting risk; and
- Reinsurance risk.

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

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

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

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

1. Underwriting risk

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

In general, SPA GI issues personal and commercial insurance policies through its subsidiaries, as well as reinsurance contracts in respect of most of the classes of business covered by Santam (as listed on page 172),apart from alternative risk transfer.

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

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

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

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

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

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

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

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

2. Reinsurance risk

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

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

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

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

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

3. Market risk

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

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

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

Life insurance

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

The table below summarises the various risks associated with the different policyholder solutions as well as with the capital portfolio. Please refer to the policy liabilities and profit entitlement section on page 27 for a description of the different policyholder solutions, as well as to note 15 on page 70, which discloses the monetary value of the Group’s exposure to the various solutions.

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

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

✓ *Risk applicable to item*

× *Risk not applicable to item*

The management of these risks is as follows:

1. MARKET RISK

Linked and market-related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios.

The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed-bonus business

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

Capital

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

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

SHAREHOLDERS' FUND

R million	2020	2019
Property and equipment	**1 418**	1 445
Right-of-use assets	**1 299**	1 517
Owner-occupied properties	**2 602**	1 661
Goodwill	**13 711**	15 355
Other intangibles	**755**	885
Value of business acquired	**5 373**	6 893
Deferred acquisition costs	**2 767**	2 844
Investments	**82 348**	83 184
Properties	**5 870**	6 815
Equity-accounted investments	**17 451**	17 333
Equities and similar securities	**9 403**	19 007
Interest-bearing investments	**25 563**	15 652
Structured transactions	**535**	729
Investment funds	**21 224**	20 378
Cash, deposits and similar securities	**2 302**	3 270
Net deferred tax	**(1 372)**	(2 675)
Net disposal groups classified as held for sale	**9**	127
Short-term insurance technical assets	**13 847**	10 166
Net working capital assets	**17 292**	16 082
Short-term insurance technical provisions	**(49 624)**	(41 212)
Cell owners interest	**(4 226)**	(3 935)
Defined benefit liability	**(15)**	-
Structured transactions	**(448)**	(177)
Term finance	**(6 222)**	(3 410)
Lease liabilities	**(1 534)**	(1 679)
Non-controlling interest	**(11 369)**	(13 430)
Shareholders' fund - Sanlam Life Group	**66 611**	73 641

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

31 December 2020 R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Moroccan dirham	Lebanese pound	Angolan kwanza	Malaysian ringgit	Other currencies	Total
Investment properties	-	-	-	14	-	4 671	-	2	-	1 157	5 844
Equities and similar securities	24	240	3	45	-	5 608	171	-	53	691	6 835
Equity-accounted investments	-	-	-	1 571	11 124		-	-	426	-	13 121
Interest-bearing investments	1	223	3	93	-	697	60	1	768	3 129	4 975
Government interest-bearing investments	-	56	-	-	-	2	41	-	124	2 489	2 712
Corporate interest-bearing investments	1	167	3	40	-	677	19	1	644	499	2 051
Mortgages, policy and other loans	-	-	-	53	-	18	-	-	-	141	212
Investment funds	-	265	31	1 053	-	4 665	-	3	2	638	6 657
Cash, deposits and similar securities	5	64	1	330	7	-	-	-	67	626	1 100
General insurance technical assets	-	597	-	78	-	779	1 131	163	-	1 340	4 088
Net working capital	162	1 311	52	(290)	350	8 413	(1 780)	(999)	406	(489)	7 136
Other liabilities[1]	(49)	(455)	(2)	(232)	(961)	(13 026)	(1 766)	(290)	-	(4 834)	(21 615)
Foreign currency exposure	143	2 245	88	2 662	10 520	11 807	(2 184)	(1 120)	1 722	2 258	28 141
Exchange rates (Rand):											
Closing rate	17.97	14.69	20.08	1.36	0.20	1.65	0.01	0.02	3.64		
Average rate	18.64	16.34	20.99	1.44	0.22	1.73	0.01	0.03	3.91		

31 December 2019 R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Moroccan dirham	Lebanese pound	Angolan kwanza	Malaysian ringgit	Other currencies	Total
Investment properties	-	-	-	14	-	5 180	-	-	-	1 585	6 779
Equities and similar securities	1	709	-	15	-	5 522	182	3	-	898	7 330
Equity-accounted investments	-	-	-	1 522	10 529		-	-	505	-	12 556
Interest-bearing investments	2	211	3	77	-	593	107	1	603	1 609	3 206
Government interest-bearing investments	-	116	-	1	-	(85)	910	-	113	1 135	2 190
Corporate interest-bearing investments	2	95	3	9	-	664	(803)	1	490	447	908
Mortgages, policy and other loans	-	-	-	67	-	14	-	-	-	27	108
Investment funds	-	373	83	733	-	3 964	-	-	5	316	5 474
Cash, deposits and similar securities	-	21	-	310	30	(224)	797	-	214	306	1 454
General insurance technical assets	-	296	-	62	-	657	337	201	-	1 088	2 641
Net working capital	177	837	-	186	335	7 984	(1 364)	(750)	352	18	7 775
Other liabilities[1],[2]	(39)	(127)	(2)	(221)	(886)	(13 296)	(839)	(542)	(67)	(4 590)	(20 609)
Foreign currency exposure	141	2 320	84	2 698	10 008	10 380	(780)	(1 087)	1 612	1 230	26 606
Exchange rates (Rand):											
Closing rate	15.70	13.98	18.52	1.34	0.20	1.49	0.01	0.03	3.44		
Average rate	16.16	14.43	18.42	1.36	0.21	1.52	0.01	0.04	3.49		

(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.

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

Sensitivities

Changes in investment return assumptions have an impact on the return on the Group’s capital, as changes in the market value of the capital portfolio’s investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase/decrease of R1 005 million (2019: increase of R1 177 million).

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

2. CREDIT RISK – POLICYHOLDER SOLUTIONS AND CAPITAL

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

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

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

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

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

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

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

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

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, clients and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;

- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2020 and 2019 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged. The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure, including the exposure managed by SanFin, to instruments subject to credit risk using international rating scales.

Credit risk concentration by credit rating:

Assets backing policy liabilities	**AAA %**	**AA %**	**A %**	**BBB %**	**BB %**	**B %**	**Not rated %**	**Other %**	**Total %**	**Carrying value R million**
31 December 2020										
Government interest-bearing investments	**10**	**-**	**5**	**1**	**59**	**18**	**7**	**-**	**100**	**66 057**
Corporate interest-bearing investments	**4**	**5**	**3**	**21**	**50**	**9**	**6**	**2**	**100**	**76 369**
Mortgages, policy and other loans	**-**	**-**	**-**	**1**	**51**	**29**	**13**	**6**	**100**	**22 757**
Structured transactions	**-**	**7**	**1**	**42**	**46**	**-**	**1**	**3**	**100**	**22 970**
Cash, deposits and similar securities	**2**	**15**	**6**	**19**	**36**	**1**	**14**	**7**	**100**	**27 977**
Net working capital	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**-**	**100**	**(875)**
Total	**5**	**5**	**3**	**14**	**51**	**12**	**7**	**3**	**100**	**215 255**
31 December 2019										
Government interest-bearing investments	14	8	1	8	50	10	9	-	100	42 909
Corporate interest-bearing investments	2	8	4	21	54	5	4	2	100	76 985
Mortgages, policy and other loans	-	-	-	6	57	16	18	3	100	20 150
Structured transactions	-	32	9	38	17	2	2	-	100	20 056
Cash, deposits and similar securities	5	14	2	22	44	-	13	-	100	26 361
Net working capital	-	-	-	-	-	-	100	-	100	1 859
Total	5	10	3	19	47	6	9	1	100	188 320

Capital portfolio	**AAA %**	**AA %**	**A %**	**BBB %**	**BB %**	**B %**	**Not rated %**	**Other %**	**Total %**	**Carrying value R million**
31 December 2020										
Government interest-bearing investments	**-**	**-**	**1**	**1**	**27**	**58**	**8**	**5**	**100**	**3 778**
Corporate interest-bearing investments	**9**	**5**	**5**	**19**	**43**	**6**	**12**	**1**	**100**	**6 069**
Mortgages, policy and other loans	**-**	**-**	**-**	**3**	**26**	**28**	**40**	**3**	**100**	**416**
Structured transactions	**1**	**3**	**-**	**18**	**29**	**-**	**48**	**1**	**100**	**227**
Cash, deposits and similar securities	**-**	**20**	**16**	**14**	**30**	**5**	**13**	**2**	**100**	**1 952**
Net working capital	**-**	**1**	**1**	**7**	**39**	**5**	**40**	**7**	**100**	**5 586**
Total	**3**	**4**	**4**	**10**	**37**	**17**	**21**	**4**	**100**	**18 028**
31 December 2019										
Government interest-bearing investments	2	3	-	9	12	59	14	1	100	1 258
Corporate interest-bearing investments	6	7	10	21	35	7	14	-	100	4 471
Mortgages, policy and other loans	-	-	4	7	29	8	49	3	100	271
Structured transactions	4	26	8	41	15	2	4	-	100	324
Cash, deposits and similar securities	4	15	11	9	16	2	43	-	100	2 485
Net working capital	6	1	2	10	28	12	39	2	100	6 303
Total	5	6	6	14	26	12	30	1	100	15 112

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

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position as there are no financial guarantees provided to parties outside the Group. Please refer to note 28 on page 104, which discloses the possible obligations of the Group. There are also no loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

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

Reinsurance credit risk

Sanlam makes use of reinsurance to:

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

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

3. LIQUIDITY RISK

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

✓ *Risk applicable to item*

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

31 December 2020 R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	**14 186**	**31 372**	**62 647**	**78 166**	**186 371**
Investment contracts	**10 017**	**47 193**	**79 241**	**244 883**	**381 334**
Total policy liabilities	**24 203**	**78 565**	**141 888**	**323 049**	**567 705**
Properties	**22**	**-**	**-**	**10 762**	**10 784**
Equities and similar securities	**-**	**-**	**-**	**74 459**	**74 459**
Government interest-bearing investments	**2 731**	**8 319**	**54 244**	**-**	**65 294**
Corporate interest-bearing investments	**14 806**	**43 900**	**16 834**	**428**	**75 968**
Mortgages, policy and other loans	**3 567**	**12 177**	**6 164**	**844**	**22 752**
Structured transactions	**16 397**	**3 313**	**3 261**	**-**	**22 971**
Investment funds[1]	**-**	**-**	**-**	**282 881**	**282 881**
Cash, deposits and similar securities[2]	**20 121**	**5 444**	**325**	**-**	**25 890**
Deferred acquisition costs	**-**	**-**	**-**	**589**	**589**
Long-term reinsurance assets	**118**	**906**	**932**	**272**	**2 228**
Lease liabilities	**(15)**	**(40)**	**-**	**-**	**(55)**
Structured transaction liabilities	**(10 904)**	**(253)**	**(3 349)**	**(129)**	**(14 635)**
Net working capital	**(1 421)**	**-**	**-**	**-**	**(1 421)**
Total policyholder assets	**45 422**	**73 766**	**78 411**	**370 106**	**567 705**

31 December 2019 R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	8 522	26 811	74 197	75 862	185 392
Investment contracts	9 278	45 611	76 029	223 191	354 109
Total policy liabilities	17 800	72 422	150 226	299 053	539 501
Properties	32	-	-	12 473	12 505
Equities and similar securities	-	-	-	73 892	73 892
Government interest-bearing investments	1 520	4 178	37 983	-	43 681
Corporate interest-bearing investments	12 755	45 862	17 967	401	76 985
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]	-	-	-	273 753	273 753
Cash, deposits and similar securities[2]	17 616	8 577	210	18	26 421
Deferred acquisition costs	-	-	-	637	637
Long-term reinsurance assets	193	818	822	183	2 016
Term finance	(13)	(47)	-	-	(60)
Structured transaction liabilities	(11 042)	(463)	(324)	(11)	(11 840)
Net working capital	1 303	-	-	-	1 303
Total policyholder assets	40 020	73 499	62 876	363 106	539 501

[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.

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

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

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

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short time frame if need be. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 182 for more information).

4. INSURANCE RISK

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

✓ *Risk applicable to item*

× *Risk not applicable to item*

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

Persistency risk

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.

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

Sensitivity to insurance risk	**2020** **R million**	2019 R million
Expenses and persistency		
• Maintenance unit expenses (excluding investment expenses) decrease by 10%	**1 947**	1 840
• Discontinuance rates decrease by 10%	**1 684**	1 583
Insurance risk		
• Base mortality and morbidity rates decrease by 5% for life assurance business	**2 345**	2 075
• Base mortality and morbidity rates decrease by 5% for life assurance annuity business	**(258)**	(248)

Concentration risk

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

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

Non-participating annuity per annum per life insured		
	Number of lives	
	2020	2019
R'000		
0 - 20	**184 918**	191 115
20 - 40	**27 692**	26 654
40 - 60	**10 731**	10 103
60 - 80	**6 200**	5 833
80 - 100	**3 784**	3 394
>100	**11 039**	9 412
	244 364	246 511

Value of benefits insured: non-participating life business (*excluding funeral policies*)						
	Number of lives		**Before reinsurance**		**After reinsurance**	
Benefits insured per individual life	**2020**	2019[1]	**2020**	2019[1]	**2020**	2019[1]
R'000			**%**	%	**%**	%
0 - 500	**8 966 585**	8 871 474	**18**	17	**21**	23
500 - 1 000	**318 284**	304 666	**11**	11	**11**	12
1 000 - 5 000	**490 420**	475 747	**45**	43	**47**	43
5 000 - 8 000	**36 907**	37 075	**10**	10	**9**	8
>8 000	**25 167**	26 318	**16**	19	**12**	14
	9 837 363	9 715 280	**100**	100	**100**	100

Value of benefits insured: non-participating life business (*including funeral policies*)						
	Number of lives		**Before reinsurance**		**After reinsurance**	
Benefits insured per individual life	**2020**	2019[1]	**2020**	2019[1]	**2020**	2019[1]
R'000			**%**	%	**%**	%
0 - 500	**14 953 619**	14 665 842	**27**	25	**34**	33
500 - 1 000	**318 284**	304 666	**9**	10	**9**	10
1 000 - 5 000	**490 420**	475 747	**41**	39	**40**	38
5 000 - 8 000	**36 907**	37 075	**9**	9	**7**	7
>8 000	**25 167**	26 318	**14**	17	**10**	12
	15 824 397	15 509 648	**100**	100	**100**	100

[1] *Comparative figures were reclassified due to reallocation of individuals covered by funeral products.*

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

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

	2020		2019	
	R million	**%**	R million	%
South Africa	**493 190**	**86**	474 312	87
Rest of Africa	**60 172**	**11**	51 470	10
Other International	**14 343**	**3**	13 719	3
Total policy liabilities	**567 705**	**100**	539 501	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 51.
- 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 Group 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.

Capital and risk management disclosures: 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.

In order to determine the quantify 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

R million	Total actual claims cost	Claims paid in respect of (i.e. incident year) 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**

Reporting development

General insurance claims provision - gross

R million	Total provisions	Financial year during which claim occurred (i.e. incident year) 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**

General insurance claims provision - net

R million	Total provisions raised	Financial year during which claim occurred (i.e. incident year) 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.

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

31 December 2019(1) *R million*	**AAA**	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**Not rated**	**Carrying value**
Government interest-bearing investments	-	-	-	-	-	-	-	-	-	2,892	64	18	5	40	**3,019**
Corporate interest-bearing investments	16	18	-	-	-	-	-	11	10	9,259	463	609	584	1,119	**12,089**
Mortgages and loans	-	-	-	-	-	-	-	-	-	-	-	18	85	62	**165**
Structured transactions	-	-	-	-	-	-	-	-	-	339	3	33	25	-	**400**
Investment funds	-	-	-	-	-	-	-	-	-	7	-	218	-	3,558	**3,783**
Cash, deposits and similar securities	-	-	225	-	-	-	-	-	-	1,366	-	-	-	164	**1,755**
Other loans and receivables	-	12	8	23	3	-	-	10	61	73	5	9	4	911	**1,119**
Cash and cash equivalents	-	92	267	113	15	-	-	2	11	3,595	72	262	98	115	**4,642**
Receivables due from contractholders/intermediaries	-	-	187	30	-	6	69	-	-	10	1	-	-	4,442	**4,745**
Reinsurance receivables	-	5	4	80	24	3	37	-	-	1	20	-	-	199	**373**
Cell owners' interest	-	-	-	-	-	-	-	-	-	-	-	-	-	26	**26**
Deposit with cell owners	-	-	-	-	-	-	-	-	-	-	-	-	-	180	**180**
Total	**16**	**127**	**691**	**246**	**42**	**9**	**106**	**23**	**82**	**17,542**	**628**	**1,167**	**801**	**10,816**	**32,296**

(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.

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.

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.

1. Liquidity risk

The unsecured subordinated bonds issued by Sanlam Life, which are matched by assets with appropriate maturity profiles, are 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**	**-**
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.*

Capital and risk management disclosures: Sanlam Life Insurance Company

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

CAPITAL

SANLAM LIFE INSURANCE LIMITED

SHAREHOLDERS' FUND - LIFE INSURANCE

R million	**2020**	2019
Property and equipment	**353**	340
Right of use assets	**272**	272
Owner-occupied properties	**514**	511
Intangible assets	**879**	904
Deferred acquisition costs	**2 280**	2 369
Investments	**95 665**	114 116
Investment in subsidiaries, joint ventures and associates	**82 289**	92 202
Equities and similar securities	**567**	9 724
Interest bearing investments	**3 408**	1 588
Structured transactions	**135**	257
Investment funds	**9 158**	9 685
Cash, deposits and similar securities	**108**	660
Term finance	**(1 004)**	(1 013)
Lease liabilities	**(301)**	(292)
Net deferred tax	**(624)**	(614)
Structured transaction liabilities	**(222)**	(39)
Net working capital assets/(liabilities)	**879**	(5 824)
Shareholders' fund	**98 691**	110 730

CURRENCY RISK

Company

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

31 December 2019 R million	**Euro**	**United States Dollar**	**British Pound**	**African Assets**	**Indian Rupee**	**Other**	**Total**
Equities and similar securities	1	51	-	-	-	65	117
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 550	-	1 550
Interest bearing investments		56		-	-	-	56
Investment funds	-	373	-	-	-	108	481
Cash, deposits and similar securities	-	21	-	-	30	-	51
Net working capital assets	-	-	-	-	-	-	-
Capital portfolio	1	501	-	-	1 580	173	2 255
Exchange rates (Rand):							
Closing rate	15.70	13.98	18.53		0.20		
Average rate	16.16	14.43	18.42		0.21		

Sensitivities

Changes in investment return assumptions have an impact on the return on the company's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R674 million (2019: increase of R657 million).

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

CREDIT RISK

Company

Credit risk concentration by credit rating:

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

R million	AA	A	BBB	BB	B	Not rated	Other	Total
31 December 2019								
Assets backing policy liabilities								
Government interest bearing investments	122	80	3 233	20 737	611	-	-	24 783
Corporate interest bearing investments	392	1 442	15 519	38 939	3 531	1 243	709	61 775
Mortgages, Policy and other loans	-	-	1 154	11 358	3 294	2 621	665	19 093
Structured transactions	6 367	1 804	7 660	2 679	354	337	-	19 200
Cash deposits and similar securities	3,055	187	3 206	7 592	27	3 001	-	17 068
Net working capital assets	-	-	-	-	-	144	-	144
Total	9 936	3 513	30 772	81 305	7 817	7 347	1 374	142 064
Capital portfolio								
Government interest bearing investments	-	-	7	45	1	-	-	53
Corporate interest bearing investments	9	33	355	890	81	28	16	1 412
Mortgages, Policy and other loans	-	-	7	73	21	17	4	122
Structured transactions	85	24	103	36	5	5	-	258
Cash deposits and similar securities	118	7	124	294	1	116	-	660
Net working capital assets	-	-	-	-	-	(5 824)	-	(5 824)
Total	212	64	596	1 338	109	(5 658)	20	(3 319)

LIQUIDITY RISK – POLICYHOLDER SOLUTIONS

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

31 December 2020

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

31 December 2019

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	5 443	18 834	33 626	69 561	**127 464**
Investment contracts	4 538	26 489	73 990	211 600	**316 618**
Total policy liabilities	**9 982**	**45 322**	**107 616**	**281 162**	**444 082**
Properties	**-**	**-**	**-**	**10 096**	**10 096**
Equities and similar securities	**-**	**-**	**-**	**65 700**	**65 700**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**1 008**	**1 008**
Government interest bearing investments	**278**	**1 688**	**22 817**	**-**	**24 783**
Corporate interest bearing investments	**11 422**	**40 086**	**9 866**	**401**	**61 775**
Mortgages and loans	**4 501**	**10 233**	**4 302**	**58**	**19 093**
Structured transactions	**12 504**	**4 042**	**1 833**	**823**	**19 201**
Investment funds	**-**	**-**	**-**	**236 334**	**236 334**
Cash, deposits and similar securities(1)	**13 399**	**3 438**	**210**	**18**	**17 065**
Deferred acquisition cost	**-**	**-**	**-**	**400**	**400**
Long-term reinsurance assets	**7**	**110**	**773**	**106**	**996**
Structured transaction liabilities	**(10 964)**	**(449)**	**(324)**	**(11)**	**(11 748)**
Net working capital and deferred taxation	**(621)**	**-**	**-**	**-**	**(621)**
Total policyholder assets	**30 526**	**59 148**	**39 477**	**314 933**	**444 082**

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

LIQUIDITY RISK – CAPITAL

Company: R million	**<1 year**	**1-5 years**	**>5 years**	**Open ended**	**Total**
31 December 2020					
Interest-bearing liabilities[(1)]	**(1 004)**	**-**	**-**	**-**	**(1 004)**
Assets held in respect of term finance	**333**	**352**	**263**	**56**	**1 004**
Equities and similar securities	**-**	**-**	**-**	**-**	**-**
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**	**-**
31 December 2019					
Interest-bearing liabilities[(1)]	-	(1 013)	-	-	(1 013)
Assets held in respect of term finance	220	460	277	56	1 013
Equities and similar securities	-	-	-	-	-
Government interest-bearing investments	1	1	-	-	2
Corporate interest-bearing investments	164	376	277	-	817
Mortgages, policy and other loans	1	57	-	-	58
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.

INSURANCE RISK

31 December 2020

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

31 December 2019

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	30 595	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	32 001	1 406
Discontinuance rates decrease by 10%	31 508	914
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	31 789	1 195
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	30 358	(237)

CONCENTRATION RISK

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

R'000	Number of lives **2020**	2019	Before reinsurance **2020** %	2019 %	After reinsurance **2020** %	2019 %
0 - 500	**1 037 391**	1 008 076	**11**	8	**12**	8
500 - 1000	**259 518**	233 654	**11**	16	**11**	18
1000 - 5000	**371 274**	345 744	**52**	50	**53**	51
5000 - 8000	**24 219**	22 149	**10**	10	**10**	10
> 8000	**16 003**	15 308	**16**	16	**14**	13
	1 708 405	1 624 931	**100**	100	**100**	100

Non-participating annuity payable per annum per life insured

R'000	Number of lives **2020**	2019	Before reinsurance **2020** %	2019 %	After reinsurance **2020** %	2019 %
0 - 20	**171 481**	178 133	**24**	26	**24**	26
20 - 40	**23 524**	22 793	**14**	14	**14**	14
40 - 60	**8 390**	7 891	**9**	9	**9**	9
60 - 80	**4 578**	4 301	**7**	7	**7**	7
80 - 100	**2 621**	2 287	**5**	5	**5**	5
> 100	**8 756**	7 316	**41**	39	**41**	39
	219 350	222 721	**100**	100	**100**	100

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

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

	Company **2020** R million	2019 R million
South Africa	**464 950**	444 082
Africa	**-**	-
Total policy liabilities	**464 950**	444 082

ACTUARIAL NOTES

MARKET CONSISTENT STOCHASTIC MODEL USED IN RESERVING FOR EMBEDDED INVESTMENT DERIVATES

Monte Carlo simulation techniques were used in the calculation of the liabilities in respect of embedded investment derivatives.
This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2020

%	**Dec 2020**	Dec 2019
This stochastic model was used to price the following option contracts. (Prices are expressed as percentages of the nominal)		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**7.5**	5.3
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**2.0**	1.0
A 1-year forward put on the FTSE/JSE TOP40 index.	**8.3**	6.7
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**10.9**	7.7
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**18.6**	14.0
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**9.8**	6.7
A 5-year forward put on the FTSE/JSE TOP40 index	**18.7**	16.7
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**1.0**	2.4
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**3.6**	8.5
A 20-year put based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower	**0.1**	0.2
A 20-year forward put on the FTSE/JSE TOP40 index	**32.0**	31.6
The implied volatilities of these option contracts are as follows:		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**21.6**	17.9
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**25.1**	21.4
A 1-year forward put on the FTSE/JSE TOP40 index.	**21.3**	17.5
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**25.0**	22.9
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**23.8**	21.8
A 5-year forward put on the FTSE/JSE TOP40 index	**23.8**	21.5
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**35.6**	33.8
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**33.4**	32.1
A 20-year forward put on the FTSE/JSE TOP40 index	**29.7**	30.1
The risk-free zero coupon yield curve (annually compounded) used to calibrate the market-consistent stochastic model, is shown in the table below. This yield curve is based on the zero coupon government bond curve.		
1 year	**4.5**	6.8
2 years	**4.6**	7.1
3 years	**5.2**	7.3
4 years	**5.8**	7.7
5 years	**6.5**	8.0
10 years	**10.3**	9.6
15 years	**12.2**	10.6
20 years	**14.2**	11.2
25 years	**13.7**	11.7
30 years	**13.3**	12.3

EMPLOYMENT EQUITY REPORT

1. Workforce profile

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

	Male				Female				Foreign		Grand Total
Occupational Level	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	
Top Management	11	1	2	28	3	2	1	4	-	-	52
Senior Management	49	41	48	240	42	23	21	103	8	-	575
Middle Management	314	318	185	731	323	331	163	710	25	5	3,105
Junior Management	1,361	868	267	959	1,819	1,586	341	1,612	25	19	8,857
Semi-Skilled	1,674	296	81	61	3,669	600	91	278	21	12	6,783
Unskilled	46	4	-	1	106	7	-	2	-	-	166
Grand Total	**3,455**	**1,528**	**583**	**2,020**	**5,962**	**2,549**	**617**	**2,709**	**79**	**36**	**19,538**

1.2 Employees with disabilities in each of the following levels:

	Male				Female				Foreign		Grand Total
Occupational Level	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	
Top Management	-	-	-	-	-	-	-	-	-	-	-
Senior Management	2	-	-	2	-	1	1	-	-	-	6
Middle Management	3	6	3	12	-	2	1	10	-	-	37
Junior Management	25	6	4	19	16	23	5	25	-	-	123
Semi-Skilled	38	18	2	5	59	14	1	9	-	-	146
Unskilled	1	-	-	-	1	-	-	-	-	-	2
Total	**69**	**30**	**9**	**38**	**76**	**40**	**8**	**44**	**-**	**-**	**314**