Sanlam

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Annual Financial STATEMENTS

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Directors' responsibility for financial reporting

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

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

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

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

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

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

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

The Annual Financial Statements, the Corporate Governance report, the Remuneration Report and the Shareholders' Information on pages 202 to 263 were approved by the Board and signed on its behalf by:

Elias Masilela
Chair

Paul Hanratty
Group Chief Executive

Cape Town
8 March 2023

Internal Financial Reporting Control ("IFC") environment

In accordance with the JSE Listings Requirement 3.84(k) the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 64 to 263, fairly present in all material respects the financial position, financial performance and cash flows of Sanlam in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

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

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and executive of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remedied the deficiencies; and

(f) We are not aware of any fraud involving directors.

Paul Hanratty
Group Chief Executive

Abigail Mukhuba
Finance Director

Cape Town
8 March 2023

Independent auditor's report on the consolidated group and separate company financial statements

To the Shareholders of Sanlam Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Limited (the Group and Company) set out on page 12 to 267 which comprise:

- capital and risk management report
- basis of presentation and accounting policies
- policy liabilities and profit entitlement;
- group statement of financial position at 31 December 2022;
- group statement of comprehensive income for the year ended 31 December 2022;
- group statement of changes in equity for the year ended 31 December 2022;
- group statement of cash flow for the year ended 31 December 2022;
- notes to the group financial statements for the year ended 31 December 2022;
- Sanlam Limited statement of financial position at 31 December 2022;
- Sanlam Limited statement of comprehensive income for the year ended 31 December 2022;
- Sanlam Limited cash flow statement for the year 31 December 2022;
- Sanlam Limited statement of changes in equity for the year 31 December 2022;
- Sanlam Limited notes to the financial statements;
- Remuneration Information;
- Shareholders' (Segmental) Information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Limited Group and Company at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) 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 audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How the matter was addressed in our audit
1. Valuation of policy liabilities At 31 December 2022, the value of long-term policy liabilities was R607 380 million for continuing operations and R41 375 million for discontinuing operations. Refer to note 15 to the consolidated financial statements, long-term policy liabilities, the policy liabilities and profit entitlement, note 25.2, policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services and use of estimates, assumptions and judgements disclosed in the basis of presentation and accounting policies. The long-term policy liabilities are measured in accordance with actuarial guidance in Standard of Actuarial Practice (SAP) 104 as issued by the actuarial society of South Africa and in a manner allowed under IFRS 4 – Insurance Contracts in the consolidated financial statements. We considered the valuation of all material lines of the long-term insurance business to be significant to the audit of the 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 long-term policy liabilities. The long-term policy liabilities' actuarial basis and methodologies that are reflected in the long-term policy liabilities are subject to a considerable level of judgement. The operational assumptions are informed by the Group's actual experience, market data/practice, and best estimate of future experience. Economic assumptions are typically based on the latest market conditions and are set in accordance with relevant guidance and the Group approved policy. The assumptions that we considered requiring the most significant auditors' attention due to the impact on the life insurance actuarial valuations were: • Future mortality and disability; • Persistency assumptions with regard to lapse, surrender and paid-up rates; • Future maintenance expenses; • Discount rates; and • Policies for managing and releasing discretionary margins. Due to the significant judgement and estimation uncertainty involved in the determination of the long-term policy liabilities, their valuation is considered a key audit matter in our audit of the consolidated financial statements.	Our audit of the long-term policy liabilities actuarial assumptions, models and methodologies applied in the valuation of material lines of the long-term insurance business, included the following audit procedures that were executed with the assistance of our actuarial specialists: • We assessed the valuation methodology and assumptions for compliance against the latest actuarial guidance, legislation and approved Group accounting policy; • We assessed the economic basis applied in the valuation, including allowances for credit risk and the risk discount rates, by independently validating the risk-free yield curve, product yield curves and the credit spreads; • We evaluated the assumptions applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing the insurance contract liabilities. This included performing, on a sample basis, inspection to assess the accuracy of key input assumptions, as well as to inspect whether the correct rates have been applied in the valuation models; • We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the following assumptions: future mortality and disability, persistency assumptions, future expense assumptions and discount rates; • We assessed the consistency of the data used in experience reviews supporting key changes in assumptions with other audited information and evaluating the results of these experience reviews ensuring they were appropriately applied in the valuations; • Where actuarial judgement has been applied, we assessed the justification provided by management by benchmarking to similar situations and by obtaining input from within our wider actuarial practice; • We evaluated the appropriateness of discretionary margins applied and any adjustments to the levels of discretionary margins in the light of experience to ensure they were consistent with actuarial guidance, the Group's policies and IFRS; • We evaluated if the claims reserves met the minimum requirements of the liability adequacy test as per *IFRS 4: Insurance Contracts (IFRS 4)*; and • We considered whether the associated disclosures are compliant with IFRS 4 and with the methodologies and assumptions approved by the directors.

Key audit matter	How the matter was addressed in our audit
2. Valuation of the Incurred But Not Reported (IBNR) liability The Group's gross incurred but not yet reported ("IBNR") liability is included in outstanding claims of R21 086 million for continuing operations, and R16 926 million for discontinued operations, that forms part of the general insurance technical provisions. Refer to note 10 and note 32. Also refer to the basis of presentation and accounting policies, use of estimates, assumptions and judgements disclosed in the basis of presentation and accounting policies and the ultimate liability arising from claims under general insurance contracts disclosed in note 25.4. The calculation of this IBNR liability is subject to inherent uncertainty and significant estimation is required. We considered the valuation of the IBNR liability to be a matter of most significance to the current year audit of the consolidated financial statements due to the following: • Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date; • The stochastic chain ladder methodology applied by management to determine the IBNR liability; • The significance of estimation uncertainty because of actuarial assumptions and the assumption that the historical claims development pattern will recur; and • The magnitude of the IBNR liability and sensitivity to the key assumptions The calculation of this liability is subject to inherent uncertainty and significant estimation is required and as such, is considered a key audit matter in our audit of the consolidated financial statements.	Our audit of the valuation of the (IBNR) liability, included the following audit procedures: • We assessed the reasonability of management's estimate of claims reserves by comparing previous claim estimates to the runoff experienced between initial recognition of the claims and the ultimate settlement of the claims. • On a sample basis, we tested the data used in calculating actuarial reserves by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid, and by agreeing a sample of claims to the relevant documentation which detailed the loss event. We compared the claim values used by management to assessor reports. We also tested if the claims were valid claims by testing if the claims related to valid policies (e.g. if the item being claimed was included in the original policy and whether the premium has been paid up). • We assessed the validity of the claims by testing if the claims related to valid policies (e.g. if the item being claimed was included in the original policy and whether the premium has been paid up). • We made use of our actuarial specialists to test the model used by management to calculate the IBNR by performing the following procedures: • We compared the methodology applied by management to the methodology applied within the industry; • We recalculated the estimated claims development factors used in the model based on historical data; and • We performed independent stochastic simulations, considering the standard industry practice. We compared the results of our independent simulations to management's proposed estimates (i.e. best estimate plus margin). • We considered whether the associated disclosures are compliant with IFRS 4 and with the methodologies and assumptions approved by the directors

Key audit matter	How the matter was addressed in our audit
3. Valuation of level 3 investments At 31 December 2022, level 3 investments with regards to continuing operations were valued at R14 744 million for the Group and R8 779 million for discontinuing operations. Refer to note 33 to the consolidated financial statements for fair value disclosures, note 9 for investment disclosures, note 32 for discontinued operations and to the use of estimates, assumptions and judgements disclosed in the basis of presentation and accounting policies. We considered the valuation of the level 3 investments to be an area requiring significant audit focus as a result of the significant value of these unlisted investments in the consolidated financial statements. Additionally, the sensitivity of the various unobservable valuation inputs, uncertain future cash flows and assumptions used in the valuation of unlisted investments requires considerable judgement, specifically: • the discount rate and cost of capital; • the cost of capital, adjusted earnings multiples and budgets and forecasts; • the capitalisation rate, discount rate and cash flow forecasts (including vacancy rates) in respect of property valuations; and • Earning multiple in respect of investment funds. Due to the significant judgements applied, the estimation uncertainty and the audit work effort required, the valuation of unlisted investments is considered to be a key audit matter in our audit of the consolidated financial statements.	Our audit of the valuation of level 3 investments, included the following audit procedures that were executed with the assistance of our valuation specialists: • We assessed the appropriateness of valuation methodologies applied by management against generally accepted market practice; • We evaluated the key inputs and assumptions applied by management in determining fair value by making a comparison to our own understanding of the market, comparable evidence relied upon by management and to industry benchmarks; • Where valuation inputs were unobservable, our valuation specialists assessed these inputs by corroborating key inputs to valuation models and validating significant assumptions on a sample basis with reference to relevant industry market valuation considerations; • We assessed the reasonableness of the estimated cashflow forecasts by performing retrospective testing and comparing actual financial performance against previous forecasts. • We performed independent valuations on a sample basis and compared the output to the modelled valuations prepared by management; • We assessed the adequacy of the disclosures related to the valuation of level 3 financial instruments in terms of IFRS 7 *Financial instruments disclosures* and IFRS 13 *Fair value measurement*. In addition to the above, our specific procedures included the following: *Unlisted equities and investment funds* • We assessed that the assumptions and inputs used in the models are consistent with the business' past performance and management's business strategy and has been appropriately adjusted for the implicit risk of achieving this strategy under prevailing market conditions; and • Where deemed appropriate, we performed an independent corroboration of the valuations to comparable entities in the market by challenging the valuations and where applicable re-pricing underlying investments. *Interest-bearing investments:* • We evaluated the valuation inputs by performing independent checks against external sources; and • In respect of counter party exposure, we considered, with support of our valuation specialists, whether credit risk had been appropriately applied in the valuation at year-end. *Investment properties:* • We evaluated and challenged the judgements applied by the internal valuers in determining the fair value of the investment property, in particular, the models and significant assumptions used in performing the valuations; • We engaged a suitably qualified auditors' expert to independently assess the reasonability and appropriateness of the valuation models, methodologies and inputs used by the internal valuers on a sample basis; and • Performed further procedures based on a profile of the investment property population including an assessment of the valuation techniques used, the appropriateness of the forecast period in respect of rental income, comparison of rental income to the market and comparison of capitalisation and discount rates to those available in industry publications.

Key audit matter	How the matter was addressed in our audit
4. Valuation of unlisted strategic investments in subsidiaries, associates and joint ventures for the purpose of goodwill and intangible asset impairment Refer to note 25 of the consolidated financial statements, critical accounting estimates and judgements, note 9.2, investments in associates and joint ventures, note 4, intangible assets arising on acquisition and to the basis of presentation and accounting policies, use of estimates, assumptions and judgements. At 31 December 2022 goodwill amounted to R5 001 million, other intangible assets amounted to R612 million and value of business acquired was R876 million in the consolidated financial statements. The recoverable amount of goodwill and other intangible assets for purposes of impairment testing has been determined based on the value in use for both life and non-life insurance entities. Value of business acquired is assessed as part of the liability adequacy test. For investments in life insurance entities, value in use is determined as the embedded value of covered business together with a multiple of Value of New Business (VNB multiple). Actuarial assumptions and methodologies reflected in the embedded value of covered business is an actuarially determined estimate of the value of covered business using parameters informed by Sanlam's actual experience, market data/practice, and best estimate of expectations as to future trends. For non-life insurance entities, the value in use is determined on a discounted cash flow basis. We consider the valuation of life and non-life entities for impairment testing purposes to be a key audit matter, because of the sensitivity of the various unobservable valuation inputs. For non-life entities this includes risk discount rates, uncertain future cash flows and growth rate assumptions on the valuation of the investments that require considerable judgement. For life entities this will include the mortality, disability, persistency and expense assumptions. Additional audit effort was required in determining the recoverable amount of goodwill and intangible assets, which included the use of actuarial and valuation specialists and accordingly was considered a key audit matter in our audit of the consolidated financial statements.	Our audit included the following audit procedures for the valuation of unlisted strategic investments and impairment testing: *Investments in non-life insurance entities and investments in subsidiaries, associates and joint ventures* We performed the following with assistance from our valuation specialists: • We assessed the valuation models by comparing inputs to observable sources (where available), including the assessment of historical and budgeted performance of the relevant entities; • We considered the appropriateness of inputs that required significantly more judgement, such as growth rates and risk premia by benchmarking inputs against those of other comparable industry participants; and • For selected significant strategic investments we reperformed the fair value calculation using market observable and comparable industry inputs, with the assistance of our valuation specialists. In performing the above, we determined a range of indicative equity values and assessed whether the client value was within the respective range. *Investments in life insurance entities and investments in subsidiaries, associates and joint ventures* Our audit of the actuarial assumptions, models and methodology applied in the embedded value calculations, included the following audit procedures that were executed with the assistance of our actuarial specialists: • We assessed the embedded value methodology and assumptions for compliance by reviewing the methodology and assumptions against the latest actuarial guidance, legislation and approved Group policy, including consistency with the valuation of insurance contract liabilities; • We evaluated the assumptions applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing insurance contract liabilities. This includes assessing, on a sample basis, the accuracy of key input assumptions, as well as to inspect whether the correct rates have been applied in valuation models; • We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date. Our challenge focused on the following assumptions: mortality, disability, morbidity and lapse rates, maintenance expenses and valuation discount rates; • We performed an independent evaluation of the sensitivities of the embedded value to various changes in inputs; • We evaluated the key sources of profit and loss of the unlisted strategic investments and assessed management's analysis of movements in the embedded value and obtained evidence to support large or unexpected movements; and • We assessed the multiples of VNB added to embedded value for reasonability by considering each entity's context and market in which it operates. *Goodwill and other intangible assets impairment testing* • We compared the valuation output as determined in the procedures noted above to the carrying value at which non-listed strategic investments are recorded in the financial records to determine whether an indicator of goodwill impairment exists; and • We assessed the adequacy of the disclosures relating to goodwill in terms of IAS 36 Impairment of Assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sanlam Limited Annual Financial Statements 2022" which includes the Certificate by the Company Secretary, the Directors' report and the Audit committee report, as required by the Companies Act of South Africa and the Integrated Report 2022. 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 IFRS 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's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc and KPMG Inc. have been the joint auditors of Sanlam Limited for two years. Ernst & Young have been the auditors of Sanlam Limited for 25 years, the sole auditor for 15 years as well as another 8 years with a previous joint auditor.

Ernst & Young Inc.

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

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

8 March 2023

KPMG Inc

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

4 Christiaan Barnard Street
Cape Town City Centre
Cape Town

8 March 2023

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 2022, 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.

Adela Fortune
Company Secretary

8 March 2023

The Audit committee report for the 2022 financial year

During the year under review, the Audit committee comprised five independent non-executive directors. They performed their duties and responsibilities as described in section 94 of the Companies Act and the supplementary functions assigned by the Board. The Audit committee fulfilled its oversight responsibility and all other relevant aspects relating to the independence of the auditors and audit quality in alignment with JSE Listings Requirements.

The Audit committee's roles and responsibilities are outlined in its Board-approved charter. Some of these functions are elaborated on in this report. It evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in these controls in the reporting period that impacted on the reasonability of financial reporting to stakeholders.

The committee is also satisfied that the joint external auditors have considered all significant matters concerning the Group's Annual Financial Statements and how, in response, these were addressed by the committee. Furthermore, the committee expressed its satisfaction with the independence of the joint external auditors and confirmed that they are able to conduct their audit functions objectively without any undue influence from the Company.

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

Kobus Möller
Chair: Audit committee

Directors' report

For the year ended 31 December 2022

Nature of business

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

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

Corporate governance

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

Group results

Profit attributable to shareholders increased 25% to R11 863 million in 2022 from R9 473 million in 2021, largely due to the high COVID-19 mortality claims not repeated in 2022 and the recognition of the profit on disposal of associates, subsidiaries, and other operations of R2 013 million in terms of IFRS. Taking the above into account, the Group achieved satisfactory operational performance in 2022. Further details regarding the Group's results and prospects are included in the Financial Review in the Integrated Report. The information in the Corporate Governance and Remuneration Reports, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited. The holding company's interest in the after-tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholder's fund income statement on page 226.

Share capital

The issued ordinary share capital of the Company is 2 227 million shares. Refer to page 99 for further information.

Dividend

The Board has declared a normal cash dividend of 360 cents per share (2021: normal dividend of 334 cents), payable on 11 April 2023, to shareholders registered on 6 April 2022. All payments through electronic bank transfer will take place on this date.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 101.

Directors' interests in contracts

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

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the online Remuneration report on pages 179 and 200.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships and company secretary are set out on pages 28 and 38 of the Integrated Report. Also refer to the Governance Report.

Subsequent events

In February 2023 the Group agreed to combine the fiduciary operations of Sanlam Trust Proprietary Limited with those of Capital Legacy Solutions Proprietary Limited. The Group agreed to acquire the remaining shares in BrightRock Holdings Proprietary Limited (BrightRock) from its minorities.

During December 2022, the Group released a combined circular detailing the acquisition of Afrocentric Investment Corporation Limited ("Afrocentric"). This will be implemented through a Partial Offer to the Afrocentric Shareholders and subsequently an asset for share transaction in which Sanlam will exchange its 28.7% stake in ACT Healthcare Assets Proprietary Limited for a 28.7% stake in Afrocentric. On 14 February 2023, an announcement was made to confirm the level of acceptance received from Afrocentric Shareholders which resulted in the partial offer being unconditional only to the extent relating to acceptances. The Proposed Transaction remains subject to the remaining Partial Offer Conditions Precedent detailed in Section B Paragraph 6.2 of the Combined Circular.

South Africa was grey-listed by the Financial Action Task Force (FATF). We expect that this development may have a negative impact on capital flows. This could in turn impact the currency and local bond and equity markets over time. More importantly, investors should know that much of this impact has likely been priced into our markets already, when considering current valuations.

To mitigate against these concerns, Sanlam initiated a group-wide programme in 2021 to further enhance its already robust internal processes to combat money laundering, the financing of terrorism and proliferation financing (AML/CFT/CPF) processes and controls and will continue with this programme as part of its ongoing risk management processes.

Sanlam has and will continue to focus on managing and mitigating any potential indirect fall-out of the FATF MER observations and the grey-listing by engaging with international counterparties to show them the robustness of Sanlam's internal AML/CFT/CPF processes and controls.

Sanlam will monitor and respond to direct and indirect impacts across various transmission channels – financial market volatility (equities, credit, bonds, interest rates, currency, derivatives, etc); cross-border transaction flows; business performance impacts arising from the decision to grey-list the country.

No other material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2022 as reflected in these financial statements.

Approval of Annual Financial Statements

The directors have approved the annual financial statements as reflected on page 1, including the certificate by the Company Secretary on page 9, the Audit, Actuarial and Finance committee report for the 2022 financial year on page 9 and the analysis of shareholders on page 88 of the value added statement in the Integrated Report.

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

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2022, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to on-going review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act.

CAPITAL AND RISK MANAGEMENT REPORT

Confidence Rule 39:

SPEND LESS. SAVE MORE. REPEAT. SPEND LESS. SAVE MORE. REPEAT.

CONTENTS

Capital and Risk Management report

Capital management

Objective

Responsible capital management and allocation are an essential component of meeting the Group's strategic objective of shared value creation for all stakeholders, including maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV), as reported on page 212. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise Return on GEV (RoGEV) and ensure appropriate solvency levels as a safeguard to our clients, regulators and broader society. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Accordingly, risk management is an important component of responsible capital management and allocation.

Capital allocation methodology

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

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

The Group sets an appropriate level of required capital for Sanlam Life's covered business (defined on page 211) under the Prudential Standards, based on a standard formula Solvency Capital Requirement (SCR) targeted cover range of between 150% and 200% over a 5-year projection period. The minimum end of the targeted cover range is set such that Sanlam Life's covered business is expected to be able to absorb a combined economic shock, a pandemic/catastrophe shock, and an operational risk event without breaching 100% of regulatory SCR cover. A similar methodology was followed to set ranges for the other South African life insurers. This approach remains aligned with the overarching principle to set the level and nature of the supporting capital taking cognisance of minimum regulatory capital requirements, as well as economic, risk and growth considerations. For the non-South African insurers, the Group sets supporting capital levels according to risk appetites based on applicable local rules and operational requirements, but applying the same overarching principles as for South Africa.

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

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

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

Capital management

Covered business (life insurance operations)

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

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

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

Other Group operations

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

Group Estate committee

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

Discretionary capital

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

Capital adequacy

Sanlam Group

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

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

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

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

- The capital adequacy of the insurance Group must be assessed by aggregating adjusted solo OF and solo SCR of entities within the Group, with intra-Group transactions eliminated to avoid double-counting.
- The measurement of solo OF and solo SCR to be used in Group calculations will depend on the type of entity and holding, and may be based on regulatory capital requirements that apply in other sectors (for non-insurers) as follows:
  - South African insurers: OF and SCR as prescribed under the Prudential Standards.
  - Non-South African insurers applying Solvency II: OF and standard formula SCR as prescribed under Solvency II.
  - Non-South African insurers regulated in non-equivalent jurisdictions: OF and SCR as prescribed under the Prudential Standards. 11 insurers in the Group are still developing equivalent calculations as prescribed by the Prudential Standards. Sanlam plans to achieve full adherence by 2023. Combined, these 11 insurers account for less than 2% of Group OF.
  - Regulated banks and credit institutions: Regulatory capital resources and capital requirements are determined in line with banking regulatory requirements i.e. Basel III.
  - Other regulated entities (e.g., asset managers): In line with applicable regulatory and/or prescribed capital requirements.
  - Other non-regulated entities including holding companies: Where no capital requirements are prescribed: Adjusted IFRS net asset values for OF and SCR are based on the relevant prescribed equity stress under the Prudential Standards.
- The AC method allows for diversification between South African insurance subsidiaries. All other entities within the insurance Group must be assessed using the D&A method.
- The determination of Group eligible OF must consider potential restrictions on the availability of certain OF, including the fungibility and transferability of OF across the insurance Group.
- A deduction for foreseeable dividends, which represent the proposed 2023 Sanlam Limited dividend, was made to eligible OF as at 31 December 2022. (Similar adjustments have also been implemented for solo solvency ratios e.g., Sanlam Life).

The Sanlam Group solvency cover was 169% at 31 December 2022, compared to 173% at 31 December 2021. The reduction in the solvency ratio is mainly attributed to higher yields and poor investment markets over 2022.

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

Sanlam Group solvency

at 31 December 2022

R million	Sanlam Limited Own Funds	SCR	Surplus	SCR cover
2022				
Sanlam Life	120 837	52 480	68 357	230%
Covered business	36 658	20 828	15 830	176%
Participations	80 157	29 959	50 198	268%
Other capital	4 022	1 693	2 329	238%
Other Group entities[1]	58 348	33 237	25 111	176%
SA insurance	20 425	11 321	9 104	180%
SA other	3 663	2 285	1 378	160%
Non-SA insurance	19 498	11 404	8 094	171%
Non-SA other	14 762	8 227	6 535	179%
Consolidation adjustments	(84 697)	(29 731)	(54 966)	
Total Sanlam Group Own Funds eligible to meet SCR	94 488	55 986	38 502	169%
Tier 1	87 751			
Tier 2	3 036			
Tier 3	3 701			
Total Sanlam Group Own Funds eligible to meet SCR	94 488			

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

[1] *Values are shown net of participations and gross of intra-Group loans.*

Sanlam Life solo

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

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

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

Sanlam Life solvency

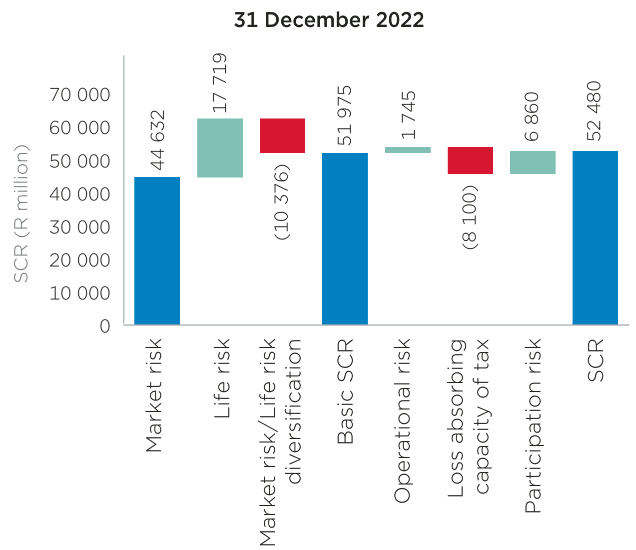
at 31 December 2022

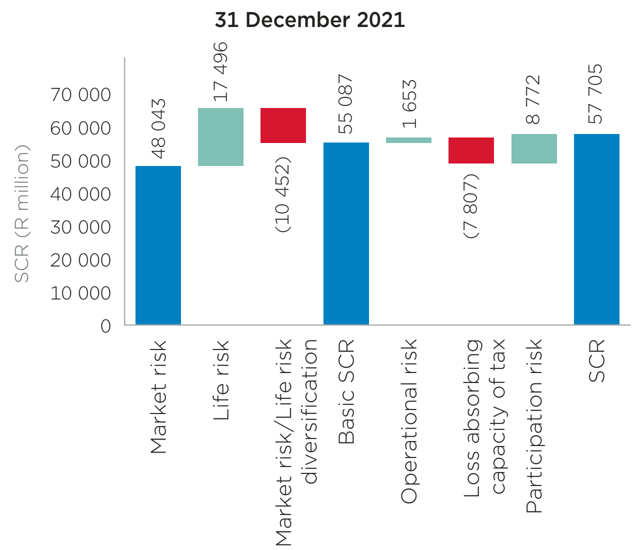
R million	Sanlam Life Insurance Limited 2022	2021
Reconciliation of IFRS Shareholders' fund to Own Funds (R'm)		
Shareholders' fund	108 281	107 495
Adjustments from IFRS to regulatory basis	(15 025)	(12 947)
Write-down intangibles including DAC and goodwill	(3 783)	(3 737)
Regulatory adjustment to valuation basis	(11 242)	(9 210)
Regulatory basis adjustments to policyholder liabilities	30 084	29 530
Liability valuation adjustments	49 167	48 103
Impact of risk margin	(8 765)	(8 476)
Increase in net deferred tax liabilities resulting from liability valuation differences above	(10 318)	(10 097)
Add subordinated debt	2 011	2 016
Other	(218)	–
Basic Own Funds	125 133	126 094
Treasury shares	(974)	–
Foreseeable dividends[1]	(3 322)	(2 716)
Own Funds eligible to meet SCR	120 837	123 378
SCR	52 480	57 705
SCR cover	230%	214%

[1] *The foreseeable dividends represents the accrued profits in the dividend pool at 31 December 2022 for Sanlam Life.*

Sanlam Life solo SCR

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





Sanlam Life covered business

For this view, the regulatory solvency balance sheet and SCR are adjusted to exclude strategic participations, cash available for dividend payments to Sanlam, discretionary capital and other capital not allocated to covered business. Sanlam sets the level of required capital for the Sanlam Life covered business on this view, based on a stated target SCR cover range of between 150% and 200%.

The SCR cover ratio for Sanlam Life covered business of 176% at 31 December 2022 remains within the stated target range.

Sensitivity analysis

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

Sanlam Group

R million	Own Funds eligible to meet SCR		SCR		Surplus		SCR Cover	
	2022	2021	2022	2021	2022	2021	2022	2021
Base position	94 488	94 394	55 986	54 548	38 502	39 846	169%	173%
Equities -30%[1]	88 998	89 098	53 470	51 225	35 528	37 873	166%	174%
Interest rates -1%	96 093	95 672	56 790	55 287	39 303	40 385	169%	173%
Credit spreads +1%	93 908	93 723	56 127	54 642	37 781	39 081	167%	172%
ZAR appreciation 10%	94 220	94 006	56 084	54 675	38 136	39 331	168%	172%
Shock scenario[2]	81 486	82 090	52 530	51 186	28 956	30 904	155%	160%

Sanlam Life

R million	Own Funds eligible to meet SCR		SCR		Surplus		SCR Cover	
	2022	2021	2022	2021	2022	2021	2022	2021
Base position	120 837	123 378	52 480	57 705	68 357	65 673	230%	214%
Equities -30%[1]	92 871	93 967	36 390	36 327	56 481	57 640	255%	259%
Interest rates -1%	122 783	125 280	52 839	58 001	69 944	67 279	232%	216%
Credit spreads +1%	120 342	122 890	52 552	57 801	67 790	65 089	229%	213%
ZAR appreciation 10%	120 654	123 058	52 557	57 815	68 097	65 243	230%	213%
Shock scenario[2]	88 620	89 345	35 631	39 131	52 989	50 214	249%	228%

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

The sensitivities illustrate the resilience of the Sanlam and Sanlam Life balance sheets. The cover ratio improves for some equity sensitivities due to the effect of the equity symmetric 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

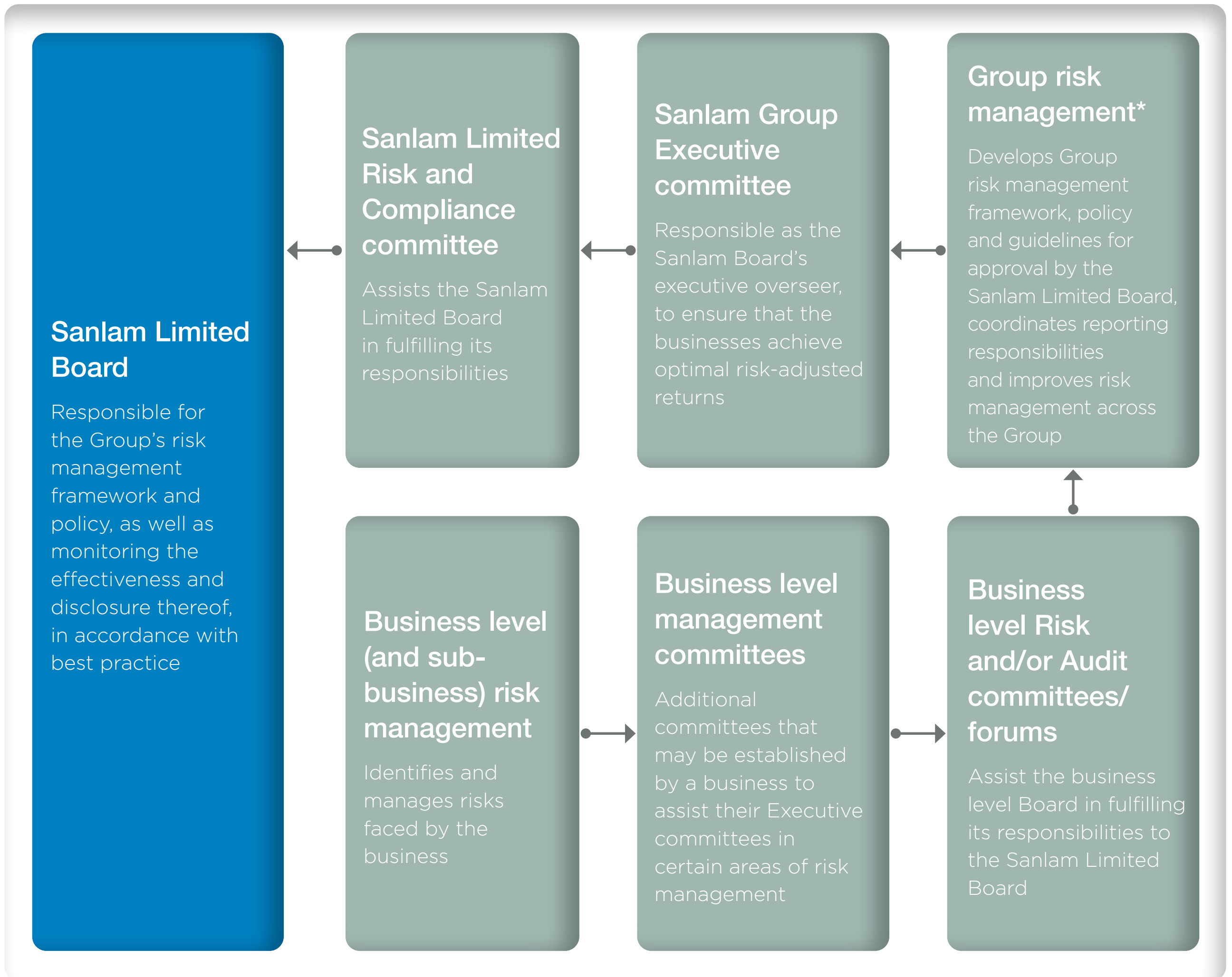
The latest Standard & Poor's (S&P) ratings for Group companies are:

	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.*

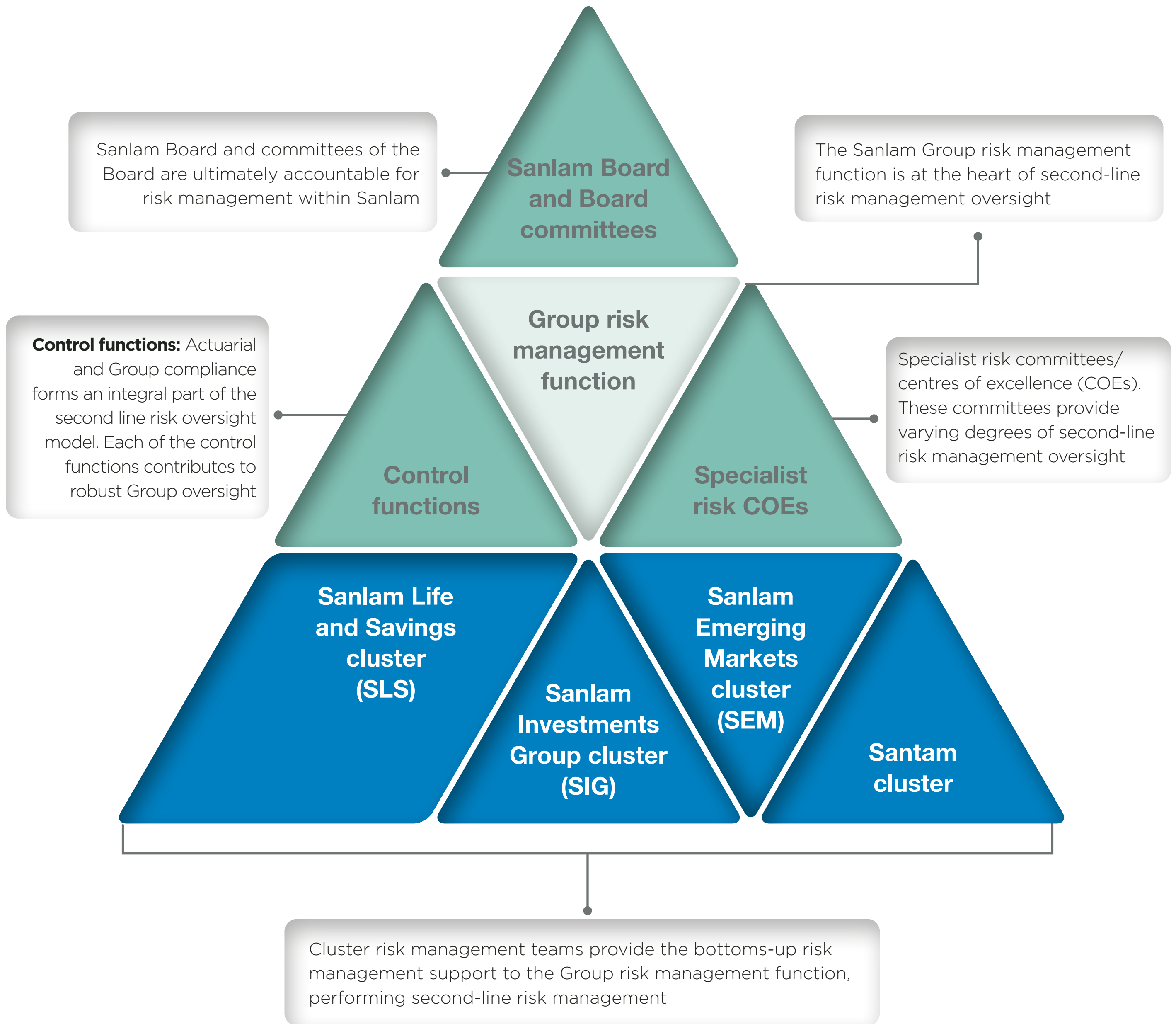
Role of Group risk management

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

Overview of Sanlam Group risk function



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

Other risk management/monitoring mechanisms

Mechanism	Role
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
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 Digital and IT Forum	Assists the Risk and Compliance committee on all Group-related IT and digital matters and key risks are discussed at this forum.

Group risk policies

The main policies are listed below:

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

The following also cover aspects with linkage to risk management:

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

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

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

Sanlam Group Enterprise Risk Management policy and plan

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

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

Escalation of Risks

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

Summary of Sanlam Group's risk appetite

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

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

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

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

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

Assessment of the effectiveness of the risk management process

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

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

Risk types

The Group is exposed to the following main risks:

Risk categories (primary) Level 1	Risk types (secondary) Level 2 and description
Operational risk	**Operational risk:** is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:
	Technology, cyber and information security (IT) risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical information. Cyber risk and information security risk are also included under this category.
	Business continuity risk: the risk that inadequate planning, controls and preparation are in place to ensure the organisation can overcome serious incidents or disasters and resume its normal operations within a reasonably short period.
	Going concern risk: the risk that inadequate processes, people and/or financial resources exist to continue business in the foreseeable future.
	Legal risk: the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgments 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 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.

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

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

Risk management: general risks

1. Operational risk

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

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

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

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

The following functionaries assist in mitigating operational risk:

Internal audit

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

Technology, cyber and information security (IT) risk

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

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

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

Going concern/business continuity risk

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

Legal risk

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

Compliance risk

Laws and regulations

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

Compliance with client mandates

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

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

Financial crime/fraud risk

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

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

Taxation risk

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

Regulatory risk

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

Process risk

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

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

Project risk

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

Outsourcing provider risk

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

2. Reputational risk

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

3. Conduct risk

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

4. Strategic risk

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

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

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

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

Risk management: by business area

The following business areas' risks are included:

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

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

Investment management

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

Investment performance

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

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

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

General insurance

Sanlam Emerging Markets' (SEM) exposure to general insurance business includes significant exposures to general insurers in Morocco and Ivory Coast, as well as an investment in Shriram General Insurance 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.

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 splits 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 and compliance function as well as through specific audits (by Internal Audit) focusing on general insurance underwriting and reinsurance practises.

SPA have been reclassified as held for sale at 30 June 2022, after entering into a definitive agreement with Allianz. This results in prior year information not being comparable to the current year. Sanlam and Allianz will contribute their respective African operations into a newly incorporated joint venture company, creating a leading Pan-African financial services group with an extensive footprint across the African continent.

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 46), 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. Given the current inflationary environment, the impact of inflation is monitored very closely and adjusted for regularly. 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 against an approved budget and business plan.

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

Reinsurance risk

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

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.
- The Saham Re retrocession structure has been amended for 2023 to also include the facultative excess of loss per risk retention into the aggregate excess of loss retention cover.
- 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. Similarly, the reinsurance strategy for SPA GI is approved annually in November by the SEM Board. The major portion of the reinsurance programme is placed with Group reinsurers/ Underwriting Management Agencies (UMA) and external reinsurers that have an international credit rating of no less than A- from S&P or AM Best. For reinsurance counterparties who do not meet the minimum counterparty credit rating criteria, exposure limits apply based on the counterparty's international credit rating (S&P or AM Best). Compliance with the counterparty limit exposures is monitored on a continuous basis and reported quarterly to the SEM Finance and Risk Forum and the SEM Board.

Market risk

SEM's general insurance businesses, most notably the SPA GI general insurance subsidiary in Morocco 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 61 for a description of the different policyholder solutions, as well as to note 15 on page 106, which discloses the monetary value of the Group's exposure to the various solutions.

	Market risk				Credit risk	Liquidity risk	Insurance risk	
Life insurance business exposed to via risk	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 2022 all material stable bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

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

The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia*, the following:

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

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

Non-participating annuities

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

Guarantee plans

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

Other non-participating business

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

Policyholder solutions' exposure to currency risk

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

Capital

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

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

R million	Euro	United States dollar	British pound	Botswana pula[2]	Indian rupee	Moroccan dirham[2]	Lebanese pound[2]	Angolan kwanza[2]	Malaysian ringgit	Other currencies[2]	Total
31 December 2022											
Investment properties	–	–	–	–	–	–	–	–	–	–	–
Equities and similar securities	21	174	22	–	–	–	–	–	101	59	377
Equity-accounted investments	–	–	–	–	14 352	–	–	–	437	–	14 789
Interest-bearing instruments	–	190	73	–	–	–	–	–	1 414	–	1 677
Government interest-bearing investments	–	40	–	–	–	–	–	–	765	–	805
Corporate interest-bearing investments	–	150	–	–	–	–	–	–	649	–	799
Mortgages, policy and other loans	–	–	73	–	–	–	–	–	–	–	73
Investment funds	–	317	90	–	–	–	–	–	–	123	530
Cash, deposits and similar securities	2	132	2 582	–	46	–	–	–	63	1	2 826
General insurance technical assets	–	–	–	–	–	–	–	–	–	–	–
Net working capital	8	911	(20)	–	187	26	–	–	619	21	1 752
Other liabilities[1]	(17)	(87)	(4)	–	(940)	(3)	–	–	–	(65)	(1 116)
Foreign currency exposure	14	1 637	2 743	–	13 645	23	–	–	2 634	139	20 835
Exchange rates (rand):											
Closing rate	18,16	17,02	20,47	1,33	0,21	1,62	0,00	0,03	3,85		
Average rate	17,18	16,31	20,16	1,32	0,21	1,61	0,00	0,04	3,72		
31 December 2021											
Investment properties	–	–	–	14	–	4 633	–	119	–	1 358	6 124
Equities and similar securities	28	240	24	205	–	6 815	7	–	100	773	8 192
Equity-accounted investments	–	–	–	1 806	13 510	–	–	–	468	–	15 784
Interest-bearing instruments	–	122	–	83	–	637	7	–	667	4 040	5 556
Government interest-bearing investments	–	122	–	–	–	115	5	–	107	3 396	3 745
Corporate interest-bearing investments	–	–	–	36	–	499	2	–	560	542	1 639
Mortgages, policy and other loans	–	–	–	47	–	23	–	–	–	102	172
Investment funds	–	2 384	34	1 062	–	6 161	–	3	1	412	10 057
Cash, deposits and similar securities	1	134	197	230	33	–	(19)	–	868	650	2 094
General insurance technical assets	–	494	–	129	–	966	143	356	–	1 597	3 685
Net working capital	38	1 878	530	79	322	8 064	(91)	(1 167)	505	(984)	9 174
Other liabilities[1]	(13)	(567)	(3)	(326)	(928)	(13 976)	(216)	(661)	–	(5 609)	(22 299)
Foreign currency exposure	54	4 685	782	3 282	12 937	13 300	(169)	(1 350)	2 609	2 237	38 367
Exchange rates (rand):											
Closing rate	18,15	15,96	21,62	1,36	0,21	1,72	0,00	0,03	3,82		
Average rate	17,47	14,76	20,32	1,33	0,20	1,64	0,00	0,02	3,57		

[1] *Other liabilities include structured transaction liabilities and general insurance technical provisions.*
[2] *The decrease in exposure is due to certain entities included as Held-for-Sale during the year.*

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

Sensitivities

Refer to page 233 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

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

✓ Risk applicable to item.

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

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

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

The credit risk framework highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and to identify and administer problematic credits.

Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a Group exposure and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, and to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's and Global Credit Ratings) are taken into account when available.

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

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

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

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

The Group has considered the impact of changes in its own credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2022 and 2021 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 2022										
Government interest-bearing investments	–	–	8	–	89	3	–	–	100	52 673
Corporate interest-bearing investments	–	–	6	7	64	18	5	–	100	72 019
Mortgages, policy and other loans	–	–	–	3	44	35	16	2	100	34 171
Structured transactions	–	–	11	3	84	–	2	–	100	13 962
Cash, deposits and similar securities	–	10	7	4	63	9	7	–	100	24 057
Held for sale	–	–	–	–	–	–	–	–	–	–
Net working capital[1]	–	3	21	2	175	2	(52)	(51)	100	2 467
Total	–	1	6	4	70	14	5	–	100	199 349
31 December 2021										
Government interest-bearing investments	2	–	13	–	71	14	–	–	100	70 641
Corporate interest-bearing investments	–	–	5	8	62	17	5	3	100	74 225
Mortgages, policy and other loans	–	–	–	2	46	36	11	5	100	26 717
Structured transactions	–	–	1	17	79	1	2	–	100	8 996
Cash, deposits and similar securities	–	11	19	6	40	2	22	–	100	23 655
Held for sale	44	16	13	4	–	1	11	11	100	3 413
Net working capital[1]	–	(8)	(12)	14	68	(19)	57	–	100	(1 370)
Total	1	2	9	5	59	16	6	2	100	206 277

[1] *Net working capital includes Structured transaction liabilities.*

Capital portfolio	AAA %	AA %	A %	BBB %	BB %	B %	Not rated %	Other %	Total %	Carrying value R million
31 December 2022										
Government interest-bearing investments	–	–	39	–	57	4	–	–	100	1 986
Corporate interest-bearing investments	–	–	9	8	60	20	2	1	100	5 161
Mortgages, policy and other loans	–	–	–	–	6	7	4	83	100	1 539
Structured transactions	–	–	9	2	89	–	–	–	100	305
Cash, deposits and similar securities	–	5	42	2	39	5	7	–	100	8 343
Held for sale	–	–	–	–	–	–	–	–	–	–
Net working capital	–	(1)	(3)	–	(31)	–	135	–	100	(4 347)
Total	–	4	38	4	71	13	(40)	10	100	12 987
31 December 2021										
Government interest-bearing investments	–	–	2	–	39	54	1	4	100	4 830
Corporate interest-bearing investments	–	–	10	7	65	16	2	–	100	6 107
Mortgages, policy and other loans	–	–	–	1	21	21	40	17	100	386
Structured transactions	–	–	12	–	88	–	–	–	100	166
Cash, deposits and similar securities	–	7	27	8	37	6	12	3	100	5 444
Held for sale	–	(8)	18	–	1	2	87	–	100	937
Net working capital	1	36	43	70	469	156	(676)	1	100	558
Total	–	3	15	7	57	27	(11)	2	100	18 428

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 132, 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 man-made disasters. As far as possible, credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have international ratings of no less than A+ from S&P.

3. Liquidity risk

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

✓ Risk applicable to item.

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

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2022					
Insurance contracts	7 273	17 232	29 707	96 430	150 642
Investment contracts	11 114	40 852	100 234	304 538	456 738
Total policy liabilities	18 387	58 084	129 941	400 968	607 380
Properties	865	–	–	9 799	10 664
Equities and similar securities	–	–	–	79 347	79 347
Government interest-bearing investments	2 230	6 950	43 491	–	52 671
Corporate interest-bearing investments	19 844	41 099	10 612	472	72 027
Mortgages, policy and other loans	6 498	17 507	8 179	724	32 908
Structured transactions	8 623	1 680	3 611	47	13 961
Investment funds(1)	–	–	–	325 587	325 587
Cash, deposits and similar securities(2)	14 454	9 705	305	–	24 464
Deferred acquisition costs	–	–	–	637	637
Long-term reinsurance assets	129	315	1 759	267	2 470
Term finance	–	–	–	–	–
Lease liabilities	(15)	(55)	–	–	(70)
Structured transactions liabilities	(1 672)	(197)	(2 730)	–	(4 599)
Net working capital	(2 687)	–	–	–	(2 687)
Total policyholder assets	48 269	77 004	65 227	416 880	607 380

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

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

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

3.2 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking expected cash outflows into account. Please refer to the liquidity section on page 43 describing the liquidity risk management framework.

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

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

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

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short time frame if need be. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 57 for more information).

4. Insurance risk

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

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

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

Persistency risk

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

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

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

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

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

Expense risk

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

Concentration risk

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

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

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2022	Number of lives 2021
0 – 20	188 368	184 649
20 – 40	33 623	30 642
40 – 60	13 781	12 089
60 – 80	7 685	6 786
80 – 100	5 174	4 420
>100	16 145	13 360
	264 776	251 946

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

Benefits insured per individual life R'000	Number of lives 2022	Number of lives 2021	Before reinsurance 2022	Before reinsurance 2021	After reinsurance 2022	After reinsurance 2021
0 – 500[(1)]	11 106 494	10 277 418	15	15	24	25
500 – 1 000	281 038	314 507	8	9	13	13
1 000 – 5 000	535 044	573 193	44	45	45	45
5 000 – 8 000	54 281	54 852	13	12	9	8
>8 000	38 492	38 012	20	19	9	9
	12 015 349	11 257 982	100	100	100	100

[(1)] *Including funeral policies, the number of lives in the 0 - 500 band increases by 3,5 million (2021: 3,1 million). Benefits insured before reinsurance increase to 26% (2021: 23%) and after reinsurance increase to 37% (2021: 35%).*

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

Geographical split of policy liabilities

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

	2022 R million	2022 %	2021 R million	2021 %
South Africa	573 601	94	566 126	88
Rest of Africa[(1)]	19 897	4	60 402	10
Other International	13 882	2	14 668	2
Total policy liabilities	607 380	100	641 196	100

[(1)] *The reduction in the Rest of Africa exposure is due to certain entities Held-for-Sale during the year.*

Retail credit

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

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2022 is shown below:

R million	2022	2021
Gross balance	5 197	5 173
Impairments[(1)]	(1 012)	(1 091)
Net balance	4 185	4 082

[(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 9.2.4 on page 86.
- The Group treasury function also provided financing to SPL of R3 097 million at 31 December 2022 (2021: R2 960 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. Most of the Group's exposure to retail credit is made up of an indirect holding via Shriram Finance Limited (the investment entity formed through the merger of Shriram Transport Finance Company, Shriram City Union Finance and Shriram Capital Limited) and a direct holding in Shriram Finance Limited. The carrying value of these investments on the Statement of Financial Position is R12 556 million (2021: R11 526 million), of which approximately 76% (2021: 78%) is attributed to credit business and most of the remainder to general insurance business. Other significant retail credit investments include Letshego which is owned by Botswana Life Insurance Limited and has a carrying value of R1 811 million (2021: R1 806 million), and Capricorn Investment Holdings in Namibia (which has a stake in Capricorn Group Limited, which owns 44% of Bank Windhoek Limited) with a carrying value of R1 079 million (2021: R1 070 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 forum is to:

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

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

SanFin

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

Market risk

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

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

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

Credit risk

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

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

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

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

R million	2022	2021
Maximum exposure to credit risk	60 949	57 089
Stress results (3 notch)	(563)	(824)

Maximum exposure to credit risk

SanFin's maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of Financial Position, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances. Please refer to note 28 on page 132, which discloses the possible obligations of the Group.

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

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

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 35% (2021: 42%) of total credit risk capital, but only 13,5% (2021: 16%) of the total exposure. SanFin is therefore not exposed to significant concentration risk.

Liquidity risk

Within SanFin, the maximum available facilities of R6,75 billion (2021: R7 billion) exceed the amount utilised of R5 billion (2021: R3,4 billion), indicating available unutilised funding sources. In order to keep commitment fees contained within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Utilised committed facilities granted by SanFin to various counterparties were R543 million (2021: R261 million). A significant portion of trading account assets and liabilities is due within one year.

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

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

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2022					
CCM term finance liabilities	–	(683)	(80)	–	(763)
Term finance liabilities held in respect of CCM margin business	–	(683)	(80)	–	(763)
Assets held in respect of CCM term finance	(50)	473	126	214	763
Equities and similar securities	–	–	–	214	214
Corporate interest-bearing investments	–	472	126	–	598
Mortgages, policy and other loans	–	1	–	–	1
Working capital assets and liabilities	(50)	–	–	–	(50)
Net term finance liquidity position[1]	(50)	(210)	46	214	–

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

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

Santam

Objective and framework

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

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

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

Capital appetite

Santam's objective is to maintain sufficient capital (including foreign capital), which comprises shareholders' equity and subordinated debt capital, to meet its strategic business plan and objectives. This represents sufficient surpluses for both regulatory and economic capital. To assist in managing its capital position, Santam has set an internal coverage ratio band for its economic capital requirement of 145% – 165%, while at all times achieving specific threshold levels for its regulatory capital requirement. Santam remains committed to efficient capital management.

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 2022 based on the internal economic capital model amounted to R8,6 billion (2021: R8,3 billion) or an economic capital coverage ratio of 156% (2021: 169%).

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.

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. This includes cover for mining rehabilitation.

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. This business is in run-off.

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. Policies including an extension for contingency business interruption cover, for both physical and non-physical damage, are included in the property class.

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

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

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

In order to quantify the underwriting risk faced by Santam and its subsidiaries, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal economic capital model. Assumptions for each line of business are determined based on more than 19 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	2022	2021	2020	2019	2018	2017	2016
Claims paid and provided %[(1), (2)]	64,6	62,0	68,2	62,1	60,3	65,8	64,9

(1) Expressed as a percentage of net earned premiums
(2) Excludes ART business, as claims ratio is not a key monitoring risk in this line of business

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	2022	2021	2020	2019	2018	2017	2016	2015 and prior
Reporting year									
– 2022	29 806	21 236	6 613	1 503	242	103	100	5	4
– 2021	24 460	–	18 596	4 932	508	206	150	62	6
– 2020	21 077	–	–	14 165	3 951	1 804	176	445	536
– 2019	18 898	–	–	–	14 055	3 667	606	244	326
– 2018	17 997	–	–	–	–	12 231	4 627	503	636
– 2017	18 823	–	–	–	–	–	13 623	4 032	1 168
– 2016	16 112	–	–	–	–	–	–	11 087	5 025
– 2015	52 063	–	–	–	–	–	–	–	52 063
Cumulative payments to date	199 236	21 236	25 209	20 600	18 756	18 011	19 282	16 378	59 764

General insurance claims – net

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

R million	Total actual claims cost	2022	2021	2020	2019	2018	2017	2016	2015 and prior
Reporting year									
– 2022	17 441	13 604	2 968	628	132	46	61	1	1
– 2021	16 923	–	12 847	3 447	326	152	103	48	–
– 2020	15 022	–	–	11 293	2 868	342	62	337	120
– 2019	14 805	–	–	–	11 746	2 574	177	129	179
– 2018	14 107	–	–	–	–	10 955	2 563	246	343
– 2017	13 819	–	–	–	–	–	10 852	2 359	608
– 2016	12 808	–	–	–	–	–	–	9 865	2 943
– 2015	43 755	–	–	–	–	–	–	–	43 755
Cumulative payments to date	148 680	13 604	15 815	15 368	15 072	14 069	13 818	12 985	47 949

General insurance claims provision – gross

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

R million	Total provisions raised	2022	2021	2020	2019	2018	2017	2016	2015 and prior
Reporting year									
– 2022	17 553	8 569	4 817	1 385	485	468	511	715	603
– 2021	17 942	–	12 071	2 765	663	713	421	655	654
– 2020	12 358	–	–	7 887	1 335	1 031	579	743	783
– 2019	9 208	–	–	–	4 353	2 646	772	675	762
– 2018	8 497	–	–	–	–	5 033	1 405	1 082	977
– 2017	8 348	–	–	–	–	–	5 240	1 541	1 567
– 2016	6 814	–	–	–	–	–	–	3 870	2 944
– 2015	12 519	–	–	–	–	–	–	–	12 519
	93 239	8 569	16 888	12 037	6 836	9 891	8 928	9 281	20 809

General insurance claims provision – net

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

R million	Total provisions raised	2022	2021	2020	2019	2018	2017	2016	2015 and prior
Reporting year									
– 2022	6 665	4 056	683	431	287	313	193	213	489
– 2021	6 010	–	3 488	912	307	384	191	215	513
– 2020	6 684	–	–	4 128	796	565	301	252	642
– 2019	4 900	–	–	–	2 813	767	363	298	659
– 2018	4 345	–	–	–	–	2 679	602	321	743
– 2017	4 442	–	–	–	–	–	3 031	451	960
– 2016	3 973	–	–	–	–	–	–	2 334	1 639
– 2015	8 024	–	–	–	–	–	–	–	8 024
	45 043	4 056	4 171	5 471	4 203	4 708	4 681	4 084	13 669

Reserving

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

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

Percentile approach

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

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

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

Cost of capital approach

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

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

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

Reinsurance risk

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

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

The core components of the reinsurance programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R17 million to R85 million (2021: 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 R75 million on any one risk;
- Santam buys catastrophe cover exceeding the 1 in 250-year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1,06% of the total exposure of the significant geographical areas, amounting to protection of R11 billion per event. For 2022, Santam purchased catastrophe cover up to R10,5 billion (2021: R10,5 billion) with a R150 million retention. This presents 1,11% of the total exposure of the significant geographical areas;
- The ultimate cost of a loss that would exhaust the total Santam catastrophe programme of R11 billion in 2022, amounted to the retention of R150 million plus additional premiums to reinstate the cover to provide for a second catastrophe loss.
- South African insurers, because of CBI losses in 2020 and the KZN flood in 2022, transferred significant losses to international reinsurers under their catastrophe programmes. This resulted in significant increases in pricing and the level at which catastrophe protection attaches and Santam's own covers were affected. The attachment point for 2023 is now just over R500 million for Santam's South African and African business. This meaningful increase remains within the range of an acceptable figure as regards Santam's shareholders' funds, as well as a percentage of retained net premium income. Outside of the African continent, Santam Re still enjoys protection for catastrophe events down to R150 million in 2023.
- In 2018 Santam purchased a multi-year aggregate excess of loss treaty, which protects the Santam group against the accumulation of multiple catastrophe losses over a financial year, where losses are below the catastrophe excess of loss retention of R150 million. The 2021 financial year was the third year of the multi-year cover. This multi-year cover ended in 2022 and was not renewed. Santam is comfortable to assume the increase in earnings volatility going forward; and
- Santam's agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme aggregate loss events.

Santam has arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In 2019, Santam entered into an agreement with New Reinsurance Company Limited Switzerland (New Re), which is a wholly owned Munich Re company. In terms of the agreement, selected Santam business units are able to write inwards international reinsurance business on New Re's AA- credit rating licence. The five-year agreement between Santam and New Re became effective 1 January 2020.

In the prior year, Santam Re had a reinsurance quota share programme with several key international reinsurers, with reinsurance quota share premium of R1.8 billion. This programme was ended. Santam Re has adjusted its underwriting policy and strategy so that it is not dependent on such support other than for catastrophe and large per risk losses which are placed under a multi-year contract at better than market-related terms. 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- (2021: A-) from S&P or AM Best, unless specific approval is obtained from the Board to use reinsurers with ratings lower than the agreed benchmark.

Insurance-related credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Santam uses a large panel of high-quality reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam's largest reinsurance counterparty is Munich Re (2021: Munich Re). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

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

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
31 December 2022															
Government interest-bearing investments	158	46	–	–	–	–	–	–	–	–	–	4 389	7	40	4 640
Corporate interest-bearing investments	–	23	110	219	249	153	306	58	62	–	–	12 617	939	604	15 340
Mortgages and loans	–	–	–	–	–	–	–	–	–	–	–	25	10	52	87
Structured transactions	–	–	–	–	–	–	–	–	–	–	–	193	45	–	238
Investment funds	–	–	–	–	–	–	–	–	–	–	–	716	–	7 603	8 319
Cash, deposits and similar securities	–	–	–	–	–	–	–	–	–	–	–	3 477	–	–	3 477
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	242	68	2 413	2 723
Cash and cash equivalents	–	160	–	839	72	–	68	–	–	–	–	4 193	35	20	5 387
Receivables due from contractholders/ intermediaries	–	58	112	443	25	42	63	–	–	171	–	251	–	5 707	6 872
Reinsurance receivables	18	–	115	56	1 057	192	74	13	–	–	–	45	–	154	1 724
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	–	–	3	3
Deposit with cell owners	–	–	–	–	–	–	–	–	–	–	–	–	–	56	56
Total	176	287	337	1 557	1 403	387	511	71	62	171	–	26 148	1 104	16 652	48 866

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
31 December 2021															
Government interest-bearing investments	–	–	–	–	–	–	–	–	–	–	–	5 284	326	56	5 666
Corporate interest-bearing investments	68	40	–	72	277	169	158	3	58	–	–	12 178	831	948	14 802
Mortgages and loans	–	–	–	–	–	–	–	–	–	–	–	24	12	48	84
Structured transactions	–	–	–	–	–	–	–	–	–	–	–	206	–	10	216
Investment funds	–	–	–	–	–	–	–	–	–	–	–	975	–	4 237	5 212
Cash, deposits and similar securities	–	–	–	–	48	–	–	–	–	–	–	947	–	36	1 031
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	326	63	1 502	1 891
Cash and cash equivalents	–	117	–	749	102	–	–	–	–	–	–	3 343	167	18	4 496
Receivables due from contractholders/ intermediaries	–	–	149	10	–	32	165	–	5	–	25	13	85	5 551	6 035
Reinsurance receivables	–	6	35	37	37	13	32	7	–	–	–	–	24	195	386
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	–	–	11	11
Deposit with cell owners	–	–	–	–	–	–	–	–	–	–	–	–	–	90	90
Total	68	163	184	868	464	214	355	10	63	–	25	23 296	1 508	12 702	39 920

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 SIM. The total level of equity investments, both listed and unlisted, is closely monitored by the Investment committee, Audit committee and the Board. The internal economic capital model is used to model the asset mix and absolute level of equity exposure on at least a quarterly basis and to compare the results to Santam's risk appetite. The analysis is presented to the Risk committee for consideration in terms of required actions.

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

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. Santam's largest investment in any one company comprises 4,3% (2021: 8%) of the total quoted equities and 0,2% (2021: 0,4%) of the total assets. The company's largest investment in any one company comprises 4,3% (2021: 8,3%) of the total quoted equities and 0,2% (2021: 0,3%) of the total assets.

Interest rate risk

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

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

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

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

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9% as at 31 December 2022 (2021: 9%).

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

Currency risk

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

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

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

Santam has two sources of currency risk:

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

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz.

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 the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by cash and liquid interest-bearing instruments while the company's subordinated debt obligation is covered by matching cash and interest-bearing instruments. 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 committees. 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.

Group Office

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

Liquidity risk

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

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

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2022					
Non-CCM term finance liabilities	(1 450)	(3 200)	–	–	(4 650)
Term finance liabilities held in respect of non-CCM margin business	(1 450)	(3 200)	–	–	(4 650)
Assets held in respect of non-CCM term finance	633	3 333	–	684	4 650
Equities and similar securities	–	–	–	684	684
Corporate interest-bearing investments	–	3 333	–	–	3 333
Working capital assets and liabilities	633	–	–	–	633
Net term finance liquidity position(1)	(817)	133	–	684	–

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

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

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

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

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2022					
Term finance liabilities					
Interest-bearing liabilities(1)	–	(981)	(1 000)	–	(1 981)
Assets held in respect of term finance	681	980	265	55	1 981
Government interest-bearing investments	27	70	–	–	97
Corporate interest-bearing investments	430	595	265	–	1 290
Mortgages, policy and other loans	1	63	–	–	64
Structured transactions	3	18	–	–	21
Investment funds	–	–	–	55	55
Cash, deposits and similar securities	201	234	–	–	435
Working capital assets and liabilities	19	–	–	–	19
Net term finance liquidity position(2)	681	(1)	(735)	55	–

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

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

The subordinated debt issued by the SEM entity MCIS in Malaysia of R767 million at the end of December 2022, will be closely monitored to ensure investments generate matching returns to cover the interest cost, including sufficient controls put in place to manage the liquidity risk.

Sensitivity analysis – market risk

Refer to page 239 for an analysis of the Group's exposure to market risk as measured by GEV.

Basis of presentation and accounting policies

Basis of presentation

Introduction

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

The following new or revised IFRS and interpretations became effective on 1 January 2022 and have therefore been applied:

- Effective 1 January 2022:
  - Onerous Contracts – Cost of Fulfilling a Contract (Amendments 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 9 and IFRS 16.

The following new or revised IFRSs and interpretations, effective in future years and not early adopted, may have an impact on future results:

- Effective 1 January 2023:
  - IFRS 17 – Insurance contracts
  - Definition of Accounting Estimate (Amendments to IAS 8)
  - Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)
  - Amendments regarding deferred tax on leases and decommissioning obligations (Amendments to IAS 12)
- Effective 1 January 2024:
  - Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
  - Classification of liabilities as current or non-current (Amendments to IAS 1)
  - Non-current liabilities with covenants (Amendments to IAS 1)

The Group does not expect any of the above new or revised IFRS and interpretations issued by the IASB, but not yet effective, to have a material impact, except for IFRS 17 – Insurance contracts, please refer to note 38 for additional information.

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 major items subject to the application of estimates, assumptions and judgements include:

- Impairment of goodwill and investment value of business acquired;
- The liability arising from claims under general insurance contracts;
- The fair value of unlisted investments, unlisted debt, property valuations and determining IFRS 5;
- The valuation of policy liabilities;
- Impairment of financial assets, including measurement of ECL (expected credit losses) allowances for trade receivables;
- Potential claims and contingencies;
- The consolidation of investment funds where the Group has less than a majority interest;
- Classifications in terms of IFRS 5 – Discontinued operations, disposal groups or non-current assets held for sale;
- Deferred tax – Utilisation of historic losses.

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

Policyholders' and shareholders' activities

The Group financial statements set out on pages 64 to 171 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 202 to 263.

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 61 to 63.

Insurance contracts

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

Cash, deposits and similar securities

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

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

Financial instruments

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

- Capital and Risk Management Report on pages 12 to 57
- Note 9: Investments
- Note 11: Trade receivables and payables
- Note 15: Long-term policy liabilities
- Note 16: Term finance
- Note 25: Critical accounting estimates and judgements
- Note 33: Fair value

Segmental information

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

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

The decentralised nature of the Group businesses facilitates the allocation of costs directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices. The audited segmental information is disclosed in the Shareholders' Information on pages 202 to 263 in the Annual Financial Statements.

Accounting policies

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

Business combinations under Common control

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

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

Foreign currencies

Transactions and balances

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

Foreign operations

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

Hyperinflation

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. The inflation rate during 2021 and 2022 continued to increase and as such, Lebanon continues to be a hyperinflationary economy and continues to be accounted for as such in the annual financial results.

The Sayrafa-rate was used in terms of the closing rate in the translation of both the Statement of Comprehensive Income items and assets and liabilities of entities with Lebanese pound (LBP) as functional currency as at 31 December 2022.

Policy liabilities and profit entitlement

Introduction

The valuation basis and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Safrican Insurance Company, BrightRock Holdings, African Rainbow Life as well as Sanlam Emerging Markets, unless otherwise stated.

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 2022 as a result of the aforementioned adequacy test. The valuation basis and methodology comply with the requirements of IFRS. Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the basis as set out in the accounting policy for investments (with the exception of investments in treasury shares, associated companies, joint ventures and consolidated funds, which are also valued at fair value).

Classification of contracts

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

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

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

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

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

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

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

Insurance contracts and investment contracts with DPF

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

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

The value of policy liabilities at 31 December 2022 exceeds the minimum requirements in terms of SAP 104 and APN 110.

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

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes.
- The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.
- For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on a combination of the market yields of South African and Namibian fixed interest securities on the valuation date. Refer to note 4 on page 235 for investment return assumptions per asset class.

- Future expense assumptions are based on the 2022 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 2022. Allowance is made for project expenses consistently with the best estimate used for embedded value purposes.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience (excluding the period of the COVID-19 pandemic) or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for the impact of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

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

Bonus stabilisation reserves

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

Provision for future bonuses

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

Individual stable bonus, linked and market-related business

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

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

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

Group stable bonus business

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

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

Participating annuity business

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

Non-participating annuity business

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

Other non-participating business

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

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

Provision for HIV/Aids and other pandemics

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

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

In addition, Sanlam continues to provide for future pandemics. This is done by adjusting best estimate actuarial assumptions to allow for this, or to set-up specific pandemic reserves.

Provision for minimum investment return guarantees

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

Working capital

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

Reinsurance

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

Investment contracts (other than with DPF)

Contracts with investment management services

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

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

Non-participating annuity business

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

Guaranteed plans and fixed return products

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

Group Statement of Financial Position

at 31 December

R million	Note	2022	2021
ASSETS			
Equipment	1	1 090	1 730
Right-of-use assets	2.1	1 036	1 481
Owner-occupied properties	3	686	2 582
Goodwill	4.1	5 001	16 431
Value of business acquired	4.2	876	4 718
Other intangible assets	5	612	746
Deferred acquisition costs	6	2 984	3 225
Long-term reinsurance assets	7	2 469	2 188
Deferred tax asset	8.1	1 600	3 154
Investments		787 100	834 287
Investment properties	9.1	10 436	17 980
Investments in associates and joint ventures	9.2	20 721	22 755
Equities and similar securities	9.3.1	184 358	191 958
Interest-bearing investments	9.3.2	242 176	271 840
Structured transactions	9.3.2	17 991	12 434
Investment funds	9.3.2	264 490	278 145
Cash, deposits and similar securities	9.3.2	46 928	39 175
Non-current assets classified as held for sale	32	119 073	81 386
General insurance technical assets	10	14 672	19 525
Working capital assets		69 387	84 725
Trade and other receivables	11.1	45 256	55 806
Tax receivable		574	1 218
Cash, deposits and similar securities	35.1	23 557	27 701
Total assets		1 006 586	1 056 178
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	12	12 784	12 784
Treasury shares		(2 888)	(1 671)
Other reserves	13	5 159	6 078
Retained earnings		56 478	52 188
Shareholders' fund		71 533	69 379
Non-controlling interest	14	13 409	13 517
Total equity		84 942	82 896
Long-term policy liabilities	15	607 380	641 196
Insurance contracts		150 642	186 658
Investment contracts		456 738	454 538
Term finance	16	14 654	15 116
Margin business		5 413	5 330
Other interest-bearing liabilities		9 241	9 786
Lease liabilities	2.2	1 371	1 789
Structured transactions liabilities	9.3.2	10 972	8 898
External investors in consolidated funds	35.2	89 214	85 506
Cell owners' interest (third party)		7 123	4 900
Deferred tax liability	8.1	2 185	7 311
Non-current liabilities classified as held for sale	32	83 420	78 700
General insurance technical provisions	10	40 383	57 559
Working capital liabilities		64 942	72 307
Trade and other payables	11.2	62 866	69 123
Provisions	17	232	628
Tax payable		1 844	2 556
Total equity and liabilities		1 006 586	1 056 178

Group Statement of Comprehensive Income

for the year ended 31 December

R million	Note	2022	Re-presented[1] 2021
Continuing operations			
Net income		89 034	177 807
Financial services income	18	91 270	91 322
Reinsurance premiums paid	19	(17 373)	(14 704)
Reinsurance commission received	20	2 336	2 085
Investment income	9.4	32 965	28 701
Investment (deficits)/surpluses	9.4	(16 142)	86 238
Finance cost – margin business	22	(305)	(249)
Change in fair value of external investors' liability		(3 717)	(15 586)
Net insurance and investment contract benefits and claims		(39 851)	(128 883)
Long-term insurance contract benefits	15.5	(18 833)	(42 059)
Long-term investment contract benefits	15.5	(6 562)	(73 224)
General insurance claims		(29 294)	(31 810)
Reinsurance claims received	20	14 838	18 210
Expenses		(35 498)	(34 340)
Sales remuneration	21.1	(11 235)	(10 790)
Administration costs	21.1	(24 263)	(23 550)
Impairments	21.3	(16)	213
Net impairment gains/(losses) on financial assets		60	(17)
Other (impairments)/reversal of other impairments		(76)	230
Amortisation of intangibles	21.2	(311)	(470)
Net operating result		13 358	14 327
Equity-accounted earnings	9.2.1	2 642	1 727
Finance cost – other	22	(821)	(714)
Net monetary loss		–	(2)
Profit before tax from continuing operations		15 179	15 338
Taxation	8.2	(3 297)	(5 352)
Shareholders' fund	8.2	(3 022)	(2 907)
Policyholders' fund	8.2	(275)	(2 445)
Profit for the year from continuing operations		11 882	9 986
Profit for the year from discontinued operations	32	1 399	1 364
Profit for the year		13 281	11 350
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		(2 560)	2 082
Other comprehensive income of equity-accounted investments		(170)	17
Movement in cashflow hedge		(35)	-
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement loss	26	(21)	(81)
Comprehensive income for the year		10 495	13 368
Allocation of profit for the year:		13 281	11 350
Profit for the year from continuing operations		11 882	9 986
Shareholders' fund		11 153	9 026
Non-controlling interest		729	960
Profit for the year from discontinued operations		1 399	1 364
Shareholders' fund		710	447
Non-controlling interest		689	917
Allocation for comprehensive income for the year:		10 495	13 368
Shareholders' fund		9 692	10 886
Non-controlling interest		803	2 482
Earnings attributable to shareholders (cents):			
Profit for the year			
Basic earnings per share	23	578,9	459,4
Diluted earnings per share	23	570,9	453,7
Earnings attributable to shareholders (cents) of continuing operations:			
Profit for the year from continuing operations:			
Basic earnings per share from continuing operations	23	544,3	437,7
Diluted earnings per share from continuing operations	23	536,7	432,3

[1] *Prior year re-presented due to discontinued operations. Refer to note 32 for additional information.*

Group Statement of Changes in Equity

for the year ended 31 December

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Retained earnings	**Subtotal: equity**	Consolidation reserve[3]	**Shareholders' fund**	Non-controlling interest	**Total equity**
Balance at 1 January 2021	22	12 762	(1 633)	10 045	1 094	49 178	**71 468**	(6 756)	**64 712**	12 512	**77 224**
Comprehensive income	–	–	–	–	1 495	9 391	**10 886**	–	**10 886**	2 482	**13 368**
Profit for the year	–	–	–	–	–	9 473	**9 473**	–	**9 473**	1 877	**11 350**
Other comprehensive income	–	–	–	–	1 495	(82)	**1 413**	–	**1 413**	605	**2 018**
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods											
Movement in foreign currency translation reserve	–	–	–	–	1 481	–	**1 481**	–	**1 481**	601	**2 082**
Other comprehensive income of equity accounted investments	–	–	–	–	14	(1)	**13**	–	**13**	4	**17**
Other comprehensive loss (net of tax): not to be recycled through profit or loss in subsequent periods											
Employee benefits re-measurement loss	–	–	–	–	–	(81)	**(81)**	–	**(81)**	–	**(81)**
Shares issued	–	–	–	–	–	–	**–**	–	**–**	–	**–**
Net (acquisition)/disposal of treasury shares	–	–	(44)	–	–	(461)	**(505)**	176	**(329)**	(44)	**(373)**
Share-based payments	–	–	–	–	–	468	**468**	–	**468**	38	**506**
Transfer (from)/to non-distributable reserve	–	–	–	(13)	–	13	**–**	–	**–**	–	**–**
Transfer (from)/to consolidation reserve	–	–	–	–	–	(31)	**(31)**	31	**–**	–	**–**
Dividends	–	–	–	–	–	(6 233)	**(6 233)**	–	**(6 233)**	(752)	**(6 985)**
Acquisitions, disposals and other movements in interests[4]	–	–	6	2	4	(137)	**(125)**	–	**(125)**	(719)	**(844)**
Balance at 1 January 2022	22	12 762	(1 671)	10 034	2 593	52 188	**75 928**	(6 549)	**69 379**	13 517	**82 896**
Hyperinflation	–	–	–	–	–	–	**–**	–	**–**	–	**–**
Comprehensive income	–	–	–	(22)	(1 958)	11 672	**9 692**	–	**9 692**	803	**10 495**
Profit for the year	–	–	–	–	–	11 863	**11 863**	–	**11 863**	1 418	**13 281**
Other comprehensive income	–	–	–	(22)	(1 958)	(191)	**(2 171)**	–	**(2 171)**	(615)	**(2 786)**
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods											
Movement in foreign currency translation reserve	–	–	–	–	(1 964)	–	**(1 964)**	–	**(1 964)**	(596)	**(2 560)**
Other comprehensive income of equity accounted investments	–	–	–	–	6	(172)	**(166)**	–	**(166)**	(4)	**(170)**
Movement in cashflow hedge	–	–	–	(22)	–	–	**(22)**	–	**(22)**	(13)	**(35)**
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods											
Employee benefits re-measurement loss	–	–	–	–	–	(19)	**(19)**	–	**(19)**	(2)	**(21)**
Shares issued	–	–	–	–	–	–	**–**	–	**–**	–	**–**
Net (acquisition)/disposal of treasury shares[1]	–	–	(1 217)	–	–	185	**(1 032)**	(56)	**(1 088)**	(91)	**(1 179)**
Share-based payments	–	–	–	–	–	485	**485**	–	**485**	46	**531**
Transfer from non-distributable reserve	–	–	–	(17)	–	17	**–**	–	**–**	–	**–**
Transfer (from)/to contingency reserve	–	–	–	6	–	(6)	**–**	–	**–**	–	**–**
Transfer (from)/to consolidation reserve	–	–	–	–	–	(1 170)	**(1 170)**	1 170	**–**	–	**–**
Dividends[2]	–	–	–	–	–	(6 959)	**(6 959)**	–	**(6 959)**	(1 491)	**(8 450)**
Acquisitions, disposals and other movements in interests[4]	–	–	–	(29)	(9)	66	**28**	(4)	**24**	625	**649**
Balance at 31 December 2022	22	12 762	(2 888)	9 972	626	56 478	**76 972**	(5 439)	**71 533**	13 409	**84 942**

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

(2) A dividend of 360 cents per share (2021: 334 cents per share) was declared in 2023 in respect of the 2022 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R7,8 billion (after allowing for treasury shares), but may vary depending on the number of shares in issue on the last day to trade. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

(3) Refer to note 13 for additional information.

(4) In 2022 additional shares of Sanlam Investment Holdings (SIH) were issued to Absa (R603 million), refer to note 31.2 for additional information. Movement line in the prior year mostly relates to the disposal of Nucleus (R519 million), the change of ownership of Centres Asset Management (R105 million) and African Rainbow Life (R79 million) as well as the acquisition of the remaining interest in Mirabilis Engineering (R174 million).

Group Statement of Cash Flow

for the year ended 31 December

R million	Note	2022	2021
Cash flow from operating activities		6 814	(1 450)
Cash utilised in operations	30.1	(7 799)	(15 499)
Interest and preference share dividends received		17 322	15 514
Interest paid		(1 018)	(858)
Dividends received		11 758	10 887
Dividends paid		(8 449)	(6 965)
Taxation paid		(5 000)	(4 529)
Cash flow from investment activities		(1 153)	695
Payments made for the acquisition of equipment		(574)	(586)
Proceeds in respect of the disposal of equipment		71	48
Payments made for the acquisition of owner-occupied properties		(225)	(175)
Proceeds in respect of the disposal of owner-occupied properties		227	18
Acquisition of subsidiaries and associated companies	30.2	(303)	(93)
Disposal of subsidiaries and associated companies	30.3	149	1 483
Payments made for the acquisition of other intangible assets		(656)	–
Proceeds in respect of the sale of other intangible assets		158	–
Cash flow from financing activities		(1 128)	172
Acquisition of treasury shares		(1 703)	(632)
Disposal of treasury shares		755	261
Acquisition/(disposal) of non-controlling interest		50	(326)
Term finance raised	16.2	1 378	3 136
Term finance repaid	16.2	(1 271)	(1 848)
Lease liabilities repaid		(337)	(419)
Net increase/(decrease) in cash and cash equivalents		4 533	(583)
Effect of exchange rate movements on cash balances		162	2 251
Cash and cash equivalents at the beginning of the year		50 078	48 410
Cash and cash equivalents at the end of the year	30.4	54 773	50 078

Notes to the Group financial statements

for the year ended 31 December

1 Equipment

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

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

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

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

R million	Note	2022	2021
Computer equipment		591	739
Cost		2 232	2 512
Accumulated depreciation and impairment		(1 641)	(1 773)
Furniture, equipment, vehicles and other		499	991
Cost		1 475	2 366
Accumulated depreciation and impairment		(976)	(1 375)
Total equipment		1 090	1 730
Reconciliation of carrying amount			
Balance at the beginning of the year		1 730	1 652
Additions and expenditure capitalised		574	586
Acquired through business combinations		6	–
Disposals of subsidiaries		(8)	(1)
Other disposals		(71)	(48)
Transfer to owner-occupied properties		(14)	(2)
Reclassified to non-current assets held for sale	32	(573)	(30)
Depreciation		(494)	(513)
Foreign currency translation differences		(22)	107
Impairments		(39)	–
Other movements		1	(21)
Balance at the end of the year		1 090	1 730

2 Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 9.1 and 9.4.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

2.1 Right-of-use assets

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

R million	Note	Properties	Computer equipment, furniture, equipment, vehicles and other	Total
Balance at 1 January 2021		1 574	40	1 614
Additions		415	6	421
Termination of lease agreements		(106)	(3)	(109)
Effect of modification of lease terms		31	–	31
Depreciation		(480)	(15)	(495)
Reclassified to non-current assets held for sale	32	(2)	–	(2)
Foreign currency translation differences		21	–	21
Balance at 1 January 2022		1 453	28	1 481
Additions		175	29	204
Acquired through business combinations		24	–	24
Disposal of subsidiaries		(8)	–	(8)
Termination of lease agreements		(42)	–	(42)
Effect of modification of lease terms		(58)	(7)	(65)
Variable lease payment adjustment		1	–	1
Depreciation		(389)	(16)	(405)
Reclassified to non-current assets held for sale	32	(130)	(17)	(147)
Foreign currency translation differences		(7)	–	(7)
Balance at 31 December 2022		1 019	17	1 036

2.2 Lease liabilities

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

R million	Note	2022	2021
Balance at the beginning of the year		1 789	1 878
Additions		189	479
Acquired through business combinations		30	–
Termination of lease agreements		(52)	(113)
Effect of modification of lease terms		12	(32)
Variable lease payment adjustment		(33)	(27)
Interest accrued		119	148
Lease payments		(456)	(564)
Reclassified to liabilities held for sale	32	(159)	(2)
Foreign currency translation differences		(17)	22
Disposal of subsidiaries		(7)	–
Other movements		(44)	–
Balance at the end of the year		1 371	1 789
Maturity analysis – carrying value			
Due within one year		341	471
Due from one to five years		812	1 009
Due from five to 10 years		218	309
		1 371	1 789
Maturity analysis – undiscounted			
Due within one year		436	480
Due from one to five years		952	1 217
Due from five to 10 years		259	329
Due from 10 to 20 years		–	1
		1 647	2 027
The Group is exposed to the following potential cash flows (undiscounted) which are not included in the lease liability:		419	393
Extension options		415	391
Leases not yet commenced to which the lessee is committed		4	2

2.3 Additional profit or loss and cash flow information

Refer to the Expenses (note 21.1) and the Finance cost (note 22) notes for information about depreciation and interest expense respectively. Total cash outflow in respect of leases in the year was R711 million (2021: R625 million).

3 Owner-occupied properties

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

R million	Note	2022	2021
Balance at the beginning of the year		2 582	2 692
Additions and expenditure capitalised		225	175
Disposals		(227)	(18)
Transfer from equipment		14	2
Reclassified to non-current assets held for sale	32	(1 892)	–
Acquired through business combinations		5	5
Transfer to investment properties		–	(361)
Foreign currency translation differences		8	111
Depreciation		(28)	(24)
Other movements		(1)	–
Balance at the end of the year		686	2 582

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 subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

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

For impairment purposes, the carrying amount of goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The carrying amount of goodwill is reviewed bi-annually for impairment and written down where the recoverable amount is less than the carrying amount. Impairment losses in respect of goodwill are recognised in the Statement of Comprehensive Income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash generating units that expect to benefit from the synergies of the business combination. The recoverable amount of goodwill for purposes of impairment testing has been determined based on the value in use for both life and non-life insurance entities. For non-life insurance entities, the value in use is determined on a discounted cash flow basis. For investments in life insurance entities, value in use is determined as the embedded value of covered business, together with a multiple of Value of New Business (VNB multiple). Refer to page 212 for an analysis of Group Equity Value as well as pages 235 to 237 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 9.2 for additional information.

R million	Note	2022	2021
Balance at the beginning of the year		16 431	16 703
Gross carrying amount		23 511	22 805
Accumulated impairment		(7 080)	(6 102)
Acquired through business combinations[1]		887	36
Disposals		(1)	(46)
Impairments	25.1	(6)	(390)
Reclassified to non-current assets held for sale	32	(12 035)	(530)
Foreign currency translation differences		(275)	658
Balance at the end of the year		5 001	16 431
Gross carrying amount		5 548	23 511
Accumulated impairment		(547)	(7 080)
Allocation of goodwill			
Life insurance		813	3 432
MCIS Insurance		196	192
BrightRock Holdings		441	441
Sanlam Pan Africa Life		–	1 774
FBN Life		–	743
Other life businesses		176	282
Other Sanlam businesses		4 188	12 999
Goodwill held on Group level[2]		1 198	1 198
Santam[3]		922	863
Sanlam Investment Management[1,4]		1 221	432
International: Investment Management		428	453
Sanlam Investments East Africa Limited		–	33
Sanlam UK (excluding Sanlam Life and Pensions UK)		328	343
Sanlam Pan Africa General Insurance		–	9 547
FBN General Insurance		–	104
Other non-life businesses		91	26
Total goodwill		5 001	16 431

[1] Goodwill acquired through business combinations relates mainly to the acquisitions of Absa Multi Manager R358 million, Absa Asset Management R276 million, Absa Fund Managers R156 million and Absa Alternative Asset Management R31 million

[2] The recoverable amount used for goodwill impairment testing is based on the value in use of R2 543 million. The valuation was done based on an average risk discount rate of 14,4% and an average perpetuity growth rate of 5%. Cashflows are forecasted for 10 years, whereafter a perpetuity factor is applied.

[3] The recoverable amount used for goodwill impairment testing is based on fair value less cost of disposal, which is driven by the listed price of Santam.

[4] The recoverable amount used for goodwill impairment testing is based on the value in use. The valuation was done based on an average risk discount rate of 15,8% and an average perpetuity growth rate of 5%. Cashflows are forecasted for 10 years, whereafter a perpetuity factor is applied. Please refer to page 239 in the segmental reporting disclosures for sensitivities of the Sanlam Investments business.

4.2 Value of business acquired

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

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

Insurance related VOBA

Life insurance

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

4 Intangible assets arising on acquisition *continued*

4.2 Value of business acquired *continued*

Insurance related VOBA continued

General insurance

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

Investment related VOBA

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

R million	Note	2022	2021
Balance at the beginning of the year		4 718	6 129
Acquired through business combinations		135	–
Amortisation		(491)	(983)
Reclassified to non-current assets held for sale	32	(3 357)	(430)
Foreign currency translation differences		(129)	2
Balance at the end of the year		876	4 718
Gross carrying amount		2 655	10 643
Accumulated amortisation and impairment		(1 779)	(5 925)
	Expected useful life (years)		
Allocation of value of business acquired			
Insurance related		427	4 269
Sanlam Developing Markets	18	104	140
Sanlam Emerging Markets[1]	10	101	3 863
BrightRock Holdings	11	199	234
Other	15	23	32
Investment related		449	449
Sanlam Emerging Markets[1]	10	–	85
Sanlam Investments Group	8 – 15	214	239
Sanlam Corporate	5	235	125
Total value of business acquired		876	4 718

[1] *Refer to note 32 for additional information.*

5 Other intangibles

Other intangible assets mainly comprise of internally developed software, acquired computer software and key business relationships. Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their amortised cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives:

Acquired computer software	3 to 10 years
Key business relationships	3 to 6 years

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. Other Intangible assets with indefinite useful lives are tested annually for impairment, irrespective of whether there is any indication of impairment.

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

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

R million	Note	Acquired computer software	Key business relationships	Other[2]	Total
Balance at 1 January 2021 – Re-presented[1]		476	131	181	788
Gross carrying amount		670	325	900	1 895
Accumulated amortisation and impairment		(194)	(194)	(719)	(1 107)
Additions during the year		130	–	67	197
Acquired through business combinations		–	106	–	106
Disposal of subsidiaries		–	–	(3)	(3)
Disposals		–	–	(44)	(44)
Amortisation		(76)	(47)	(142)	(265)
Reclassified to non-current assets held for sale	32	–	–	(11)	(11)
Foreign currency translation differences		(37)	–	–	(37)
Other movements		–	–	15	15
Balance at 1 January 2022		493	190	63	746
Gross carrying amount		764	406	840	2 010
Accumulated amortisation and impairment		(271)	(216)	(777)	(1 264)
Additions during the year		103	–	304	407
Acquired through business combinations		3	42	28	73
Expenditure capitalised		85	160	4	249
Disposals		(8)	(2)	(148)	(158)
Amortisation		(104)	(53)	(9)	(166)
Disposal of subsidiaries		–	–	(6)	(6)
Reclassified to non-current assets held for sale	32	(438)	–	(78)	(516)
Foreign currency translation differences		(20)	(6)	20	(6)
Other movements		–	(11)	–	(11)
Balance at 31 December 2022		114	320	178	612
Gross carrying amount		153	597	423	1 173
Accumulated amortisation and impairment		(39)	(277)	(245)	(561)

[1] *The prior year has been re-presented to disaggregate other intangible assets into separate asset classes.*
[2] *The other asset class is the sum of Internally developed software, patents and licences, brands, trademarks and trade names as well as indefinite useful life intangibles assets. The net book value of internally developed software is R97 million.*

6 Deferred acquisition costs

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

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

R million	Note	2022	2021
Balance at the beginning of the year		3 225	3 374
Acquisition costs capitalised		583	453
Expensed for the year		(489)	(481)
Impairments		(9)	(10)
Reclassified to non-current assets held for sale	32	(286)	–
Foreign currency translation difference		(14)	(111)
Disposal		(26)	–
Balance at the end of the year		2 984	3 225

7 Long-term reinsurance assets

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

R million	Note	2022	2021
Balance at the beginning of the year		2 188	2 258
Acquired in business combinations[(1)]		642	–
Foreign currency translation differences		(36)	(46)
Reclassified to non-current assets held for sale	32	(568)	(31)
Disposal		–	(33)
Net movement in reinsurers' share of insurance liabilities		243	40
Balance at the end of the year		2 469	2 188
Maturity analysis of long-term reinsurance assets			
Open ended		225	264
Due within one year		110	111
Due from one to five years		330	811
Due after five years		1 804	1 002
Total long-term reinsurance assets		2 469	2 188

(1) *The increase in acquired through business combinations relates to Alexander Forbes Life that was acquired on 31 March 2022.*

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 Taxation

8.1 Deferred tax

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

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

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

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

R million	Note	Income tax	Capital gains tax
Reconciliation of the deferred tax balances:			
Balance at 1 January 2021		(47)	(2 920)
Temporary differences charged to the Statement of Comprehensive Income		(437)	(1 111)
Accruals and provisions		(587)	4
Tax losses and credits		365	190
Net unrealised investment surpluses/(deficits) on shareholders' fund		45	(379)
Net unrealised investment surpluses/(deficits) on policyholders' fund		16	(1 152)
Leases		47	–
Intangible assets		17	–
Share based payments		38	–
Other temporary differences		(378)	226
Reclassified as non-current liabilities/(assets) held for sale	32	13	431
Disposal of subsidiaries		(1)	–
Foreign currency translation differences		(65)	(20)
Balance at 1 January 2022		(537)	(3 620)
Temporary differences charged to the Statement of Comprehensive Income		(400)	1 847
Accruals and provisions		(72)	407
Tax losses and credits		(300)	2
Net unrealised investment (deficits)/surpluses on shareholders' fund		(56)	184
Net unrealised investment surpluses on policyholders' fund		39	1 211
Leases		(9)	–
Intangible assets		(153)	–
Share based payments		34	–
Other temporary differences		117	43
Change in tax rate		(6)	–
Acquired in business combinations		37	–
Reclassified as non-current liabilities/(assets) held for sale	32	2 446	(494)
Disposal of subsidiaries		1	–
Foreign currency translation differences		66	75
Balance at 31 December 2022		1 607	(2 192)

8 Taxation *continued*

8.1 Deferred tax *continued*

R million	Income tax	Capital gains tax
Analysis of deferred tax balances at 31 December 2022	1 607	(2 192)
Accruals and provisions	644	(112)
Tax losses and credits	1 150	220
Unrealised gains/losses on shareholders' fund	(1)	(1 126)
Unrealised gains/losses on policyholders' fund	(2)	(1 243)
Leases	46	–
Intangible assets	(249)	44
Share based payments	111	5
Other temporary differences	(92)	20
Analysis of deferred tax balances at 31 December 2021	(537)	(3 620)
Accruals and provisions	(754)	(426)
Tax losses and credits	2 711	227
Unrealised gains/losses on shareholders' fund	54	(1 306)
Unrealised gains/losses on policyholders' fund	(131)	(2 454)
Leases	25	–
Intangible assets	(1 962)	–
Share based payments	78	5
Other temporary differences	(558)	334

R million	2022	2021
Total deferred tax asset recognised	1 600	3 154
Total deferred tax liability recognised	(2 185)	(7 311)
Total net deferred tax	(585)	(4 157)

8.2 Income tax

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

Analysis of income tax per category

	Normal income tax		Deferred tax		Total	
R million	2022	2021	2022	2021	2022	2021
RSA – current year	3 463	3 704	478	(541)	3 941	3 163
RSA – prior year	16	(133)	4	19	20	(114)
Dividends Tax – Policyholders	81	77	–	–	81	77
Foreign	1 249	608	(81)	959	1 168	1 567
Capital gains tax	374	348	(1 854)	1 111	(1 480)	1 459
Change in tax rate	–	–	6	–	6	–
Tax expense (including profit from discontinued operations)	5 183	4 604	(1 447)	1 548	3 736	6 152
Shareholders' fund					3 465	3 694
Policyholders' fund					271	2 458
Tax expense (including profit from discontinued operations)					3 736	6 152
Profit from discontinued operations					439	800
Taxation (continuing operations)					3 297	5 352
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:						
Included in administration costs					650	228
Included elsewhere in profit for the year					166	139
Total indirect taxes and levies					816	367

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

%	2022	2021
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income[1]	(10,3)	(5,1)
Disallowable expenses	1,7	4,0
Utilisation of assessed losses	(1,1)	(0,1)
Change in tax rate	(0,2)	–
Investment surpluses	0,9	(0,6)
Foreign tax rate differential	(0,5)	(0,3)
Policyholders	1,1	10,0
Other fund transfers[1]	1,9	0,2
Prior year adjustment	–	(0,8)
Other	0,2	(0,2)
Effective tax rate	21,7	35,1

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

9 Investments

9.1 Investment properties

Investment properties comprise of properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value, less the related cumulative straight-line rental adjustment (refer to the accounting policy for investment income). Valuations are carried out 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.

Tenants in the retail sector that were banned from trading were offered 70% – 85% (2021: 70% – 85%) rental discounts and some deferments. Smaller Level 1 and 2 tenants were granted further concessions of up to 100% discounts. These concessions are expected to be extended for the foreseeable future in an effort to avoid widespread failures and defaults, which would result in increased portfolio vacancies. The cost of replacing failed tenants and filling up vacant space outweighs that of retaining existing tenants. By the end of December 2022, rental concessions of R79 million (2021: R79 million) have been awarded, both discounts and deferments. No additional rental concessions have been provided in 2022.

9 Investments *continued*

9.1 Investment properties *continued*

R million	Note	2022	2021
Properties comprise:			
South African portfolio		10 034	9 050
Office buildings		4 356	3 767
Retail buildings		4 640	4 245
Industrial buildings		592	618
Undeveloped land		446	420
International portfolio		402	8 930
Office buildings		402	1 010
Retail buildings		–	4 829
Undeveloped land		–	3 089
Other		–	2
Total properties		10 436	17 980
Less: straight-line rental adjustment		(280)	(260)
Total investment properties		10 156	17 720
Reconciliation of carrying amount of properties			
Balance at the beginning of the year		17 980	20 302
Additions		315	720
Disposals		(323)	(955)
Reclassified to non-current assets held for sale	32	(8 561)	(2 374)
Other movements		9	–
Acquired through business combinations		50	–
Foreign currency translation differences		(216)	297
Investment surpluses		1 182	(371)
Transfers from owner-occupied properties		–	361
Balance at the end of the year		10 436	17 980
Reconciliation of straight-line rental adjustment			
Balance at the beginning of the year		260	206
Movement for the year included in the Statement of Comprehensive Income		20	54
Balance at the end of the year		280	260
Undiscounted contractual future minimum lease payments receivable under non-cancellable operating leases:			
Due within one year		698	683
Due from one to five years		1 214	1 258
Due after five years		634	448
Future minimum lease payments		2 546	2 389

The value drivers underpinning the valuation of properties have not significantly changed since 31 December 2021.

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

Unobservable inputs across sectors	2022	2021
South African portfolio		
Discounted cash flow method		
Base rate[1]	n/a	9,29%
Vacancy rate	19,95%	18,00%
Expected expense growth (average over five years, range cover different types of expenses)	5,10% – 9,10%	5,10% – 11,00%
Office buildings		
Discount rate	11,60% – 15,50%	12,01% – 14,76%
Exit capitalisation rate	8,50% – 11,00%	9,50% – 13,00%
Retail buildings		
Discount rate	11,60% – 14,80%	12,01% – 13,01%
Exit capitalisation rate	7,93% – 11,00%	9,50% – 11,25%
Industrial buildings		
Discount rate	13,75% – 15,50%	12,76% – 13,76%
Exit capitalisation rate	8,75% – 10,50%	9,50% – 13,00%

[1] *The base rate has been replaced by using capitalisation rates determined by independent body South African Property Owners Association (SAPOA).*
[1] *International portfolio unobservable inputs across sectors have moved to note 32.3.1.*

9.2 Investments in associates and joint ventures

Associated companies

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

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

9 Investments *continued*

9.2 Investments in associates and joint ventures *continued*

Joint ventures

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

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

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

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

R million	Note	2022	2021
Investments in associated companies	9.2.3	22 895	20 919
Shriram Capital		10 496	9 571
Shriram Transport Finance Company		2 060	1 955
Shriram General Insurance		1 208	1 442
Shriram Life Insurance		564	542
Letshego	32	1 898	1 806
Capricorn Investment Holdings		1 162	1 079
Pacific & Orient		437	439
AfroCentric Health		1 185	1 210
ARC Financial Services Investment (ARC FSI)		953	820
aYo Holdings	32	750	–
Other associated companies	32	2 182	2 055
Investments in joint ventures		1 877	1 836
Sanlam Personal Loans	9.2.4	754	815
Speqtel Investment Holdings[(1)]		471	444
Other joint ventures		652	577
Total investments in associates and joint ventures (including assets held for sale)		24 772	22 755
Reclassified as non-current assets held for sale	32	(4 051)	–
Total equity-accounted investments		20 721	22 755

[(1)] *The investment is carried at fair value as it is held by an investment linked insurance fund.*

9.2.1 *Equity-accounted earnings*

R million	Note	2022	2021
Investments in associated companies			
Shriram Capital		1 630	779
Shriram Transport Finance Company		208	150
Shriram General Insurance		15	181
Shriram Life Insurance		52	9
Letshego	32	214	283
Capricorn Investment Holdings		116	111
Pacific & Orient		(1)	45
AfroCentric Health		124	140
ARC Financial Services Investment		133	66
aYo Holdings	32	(31)	–
Other associated companies	32	360	348
Investments in joint ventures			
Sanlam Personal Loans		170	179
Other joint ventures		146	(51)
Equity-accounted earnings (including profits from discontinued operation)		3 136	2 240
Profits from discontinued operations		494	513
Equity-accounted earnings (continuing operations)		2 642	1 727

9.2.2 *Impairments/(reversal of impairments) of equity accounted investments*

R million	Note	2022	2021
		31	(621)
Shriram Capital	25.1	–	(672)
Shriram Transport Finance Company	25.1	–	7
Pacific & Orient	25.1	–	28
Other		31	16

9.2.3 *Investments in associated companies*

Details of material associated companies:

	Shriram Capital[(1)(3)]		Shriram Transport Finance Company[(1)(3)]	
R million	2022	2021	2022	2021
Carrying value of interest – equity method	10 496	9 571	2 060	1 955
Fair value of interest – based on internal valuation	11 528	9 864	2 126	1 956
Fair value of interest – based on quoted prices for listed businesses	11 336	10 976	2 121	1 965
Effective interest in issued share capital – shareholders' fund[(2)]	26%	26%	3%	3%
Summarised financial information:				
Revenue	14 054	13 491	41 108	35 725
Post-tax profit from continuing operations	4 751	3 216	7 944	4 978
Other comprehensive (loss)/income	(1 016)	(221)	(480)	154
Total comprehensive income	3 735	2 995	7 464	5 132
Assets and liabilities				
Non-current assets	78 671	72 974	277 214	254 354
Current assets	3 506	3 420	41 637	34 089
Non-current liabilities	(35 355)	(34 518)	(197 450)	(179 039)
Current liabilities	(3 037)	(2 533)	(63 969)	(56 893)
Net asset value	43 785	39 343	57 432	52 511
Non-controlling interest	15 872	14 475	–	–
Shareholders' fund	27 913	24 868	57 432	52 511
Calculated carrying value	10 287	9 165	1 602	1 465
Impairment to value in use	–	–	–	(7)
Goodwill recognised in the carrying value of associate	209	406	458	497
Carrying value	10 496	9 571	2 060	1 955
Dividends received	161	74	18	30

[(1)] *Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2022 have been accounted for the period 1 October 2021 to 30 September 2022. The Group also holds a 2,79% direct interest in Shriram Transport Finance Company (subsidiary company of Shriram Capital) mainly in India, resulting in an effective holding of 10,4%.*

[(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.*

[(3)] *During December 2022, Shriram Transport Finance Company, Shriram City Union Finance Limited and Shriram Capital Limited were merged into one entity, Shriram Finance Limited. Due to lag reporting, the new structure will be reflected in the 2023 results.*

9 Investments *continued*

9.2 Investments in associates and joint ventures *continued*

9.2.3 Investments in associated companies continued

R million	Shriram General Insurance 2022	Shriram General Insurance 2021	Shriram Life Insurance 2022	Shriram Life Insurance 2021
Carrying value of interest – equity method	1 208	1 442	564	542
Fair value of interest – based on internal valuation	2 586	2 373	1 162	984
Effective interest in issued share capital – shareholders' fund	23%	23%	23%	23%
Summarised financial information:				
Revenue	4 093	3 956	5 147	1 848
Post-tax profit/(loss) from continuing operations	628	901	(12)	(14)
Other comprehensive (loss)/income	(613)	(112)	64	54
Total comprehensive income	15	789	52	40
Assets and liabilities				
Non-current assets	23 870	25 250	17 538	15 389
Current assets	931	953	630	405
Non-current liabilities	(19 391)	(19 830)	(15 870)	(13 699)
Current liabilities	(1 214)	(1 163)	(639)	(615)
Net asset value	4 196	5 210	1 659	1 480
Non-controlling interest	19	55	–	–
Shareholders' fund	4 177	5 155	1 659	1 480
Calculated carrying value	957	1 182	382	340
Recognition of hedge on acquisition	(34)	(34)	(10)	(10)
Goodwill recognised in the carrying value of associate	285	294	192	212
Carrying value	1 208	1 442	564	542
Dividends received	181	177	–	34

R million	Letshego[(1)(2)] 2022	Letshego[(1)(2)] 2021	Capricorn Investment Holdings[(3)] 2022	Capricorn Investment Holdings[(3)] 2021
Carrying value of interest – equity method	1 898	1 806	1 162	1 079
Fair value of interest – based on internal valuation	2 013	1 945	1 173	1 080
Fair value of interest – based on quoted prices for listed businesses	718	1 142	1 058	1 021
Effective interest in issued share capital – shareholders' fund	28%	28%	23%	23%
Summarised financial information:				
Revenue	2 790	2 971	86	67
Post-tax profit from continuing operations	–	–	540	486
Post-tax profit/(loss) from discontinued operations	683	872	(20)	–
Other comprehensive loss	–	–	–	(7)
Total comprehensive income	683	872	520	479
Assets and liabilities				
Non-current assets	18 920	16 025	4 256	3 969
Current assets	3 600	4 332	1 179	1 110
Non-current liabilities	(12 725)	(11 897)	(430)	(430)
Current liabilities	(2 422)	(1 484)	(1)	(1)
Net asset value	7 373	6 976	5 004	4 648
Non-controlling interest	618	566	–	–
Shareholders' fund	6 755	6 410	5 004	4 648
Calculated carrying value	1 890	1 798	1 162	1 079
Goodwill recognised in the carrying value of associate	8	8	–	–
Carrying value	1 898	1 806	1 162	1 079
Dividends received	123	124	37	31

(1) The Group holds a 28% interest in Letshego, a listed retail credit business in Botswana.
(2) Letshego value in use is higher than the carrying value.
(3) The Group holds a 23% interest in Capricorn Investment Holdings, an investment company in Namibia.

R million	Pacific & Orient[(1)] 2022	Pacific & Orient[(1)] 2021	AfroCentric Health[(2)(3)] 2022	AfroCentric Health[(2)(3)] 2021
Carrying value of interest – equity method	437	439	1 185	1 210
Fair value of interest – based on internal valuation	437	439	893	997
Effective interest in issued share capital – shareholders' fund	49%	49%	29%	29%
Summarised financial information:				
Revenue	1 054	896	9 341	8 540
Post-tax (loss)/profit from continuing operations	(3)	91	432	488
Other comprehensive (loss)/income	(18)	28	–	–
Total comprehensive (loss)/income	(21)	119	432	488
Assets and liabilities				
Non-current assets	2 838	3 170	4 097	4 192
Current assets	347	343	1 666	1 464
Non-current liabilities	(2 268)	(2 569)	(1 080)	(1 457)
Current liabilities	(24)	(48)	(1 250)	(719)
Net asset value	893	896	3 433	3 480
Non-controlling interest	–	–	49	9
Shareholders' fund	893	896	3 384	3 471
Calculated carrying value	437	439	971	996
Goodwill recognised in the carrying value of associate	–	–	214	214
Carrying value	437	439	1 185	1 210
Dividends received	4	44	85	82

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

R million	ARC Financial Services Investments[(1)] 2022	ARC Financial Services Investments[(1)] 2021	aYo Holdings[(2)] 2022
Carrying value of interest – equity method	953	820	750
Fair value of interest – based on internal valuation	953	820	783
Effective interest in issued share capital – shareholders' fund	25%	25%	50%
Summarised financial information:			
Revenue	518	333	–
Post-tax profit from continuing operations	532	264	–
Post-tax loss from discontinued operations	–	–	(31)
Total comprehensive income/(loss)	532	264	(31)
Assets and liabilities			
Non-current assets	5 915	5 434	87
Current assets	136	110	221
Non-current liabilities	(2 018)	(2 072)	(5)
Current liabilities	(220)	(192)	(108)
Net asset value – Shareholders' fund	3 813	3 280	195
Calculated carrying value	953	820	98
Goodwill recognised in the carrying value of associate	–	–	652
Carrying value	953	820	750

(1) The Group acquired a 25% interest in ARC FSI, on 30 April 2021. ARC FSI, is an investment company focusing on opportunities in the South African and African financial services and diversified investments (non-financial) industries.
(2) The Group acquired a 50% interest in aYo Holdings, on 31 October 2022, a holding company incorporated in Mauritius. aYo Holdings is an insurance holding company focusing on opportunities on the African continent.

Details of immaterial associated companies:

R million	2022	Re-presented[(1)] 2021
Post-tax profit from continuing operations	74	111
Post-tax profit from discontinued operations	286	237
Total comprehensive income	360	348

(1) Prior year re-presented due to discontinued operations. Refer to note 32 for additional information.

9 Investments *continued*

9.2 Investments in associates and joint ventures *continued*

9.2.4 *Investments in joint ventures*

Details of material joint ventures:

	Sanlam Personal Loans[1]	
R million	2022	2021
Carrying value of interest – equity method	754	815
Fair value of interest – based on internal valuation	1 371	1 420
Effective interest in issued share capital: Class A	70%	70%
Summarised financial information:		
Non-current assets	3 450	3 373
Current assets	980	963
Cash and cash equivalents	51	53
Other current assets	929	910
Non-current liabilities	(1 686)	(1 690)
Current liabilities	(1 644)	(1 468)
Trade and other payables	(49)	(43)
Short-term borrowings	(1 472)	(1 384)
Tax asset	(123)	(41)
Net asset value attributable to class B shares	(22)	(14)
Total equity	1 078	1 164
Calculated carrying value	754	815
Revenue	191	215
Interest income	1 016	1 064
Interest expense	(226)	(232)
Admin expenses excluding depreciation	(352)	(326)
Expected credit losses	(280)	(317)
Taxation	(150)	(122)
Total comprehensive income	199	282
Dividends received	175	–

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

Details of individually immaterial joint ventures:

R million	2022	2021
Post-tax profit/(loss) from continuing operations	146	(51)
Total comprehensive income/(loss)	146	(51)

9.3 Other investments

Other investments comprise:

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

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

Structured transactions

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

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

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

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

Cash, deposits and similar securities

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

9.3.1 *Equities and similar securities*

R million	2022	2021
Equities and similar securities comprise:		
Listed on the JSE – at market value[2]	54 984	63 022
Unlisted – at directors' valuation[2]	1 511	4 160
Offshore equity investments	24 876	34 648
Listed – at market value	24 691	32 860
Unlisted – at directors' valuation	185	1 788
Equities held by consolidated investment funds	102 987	90 128
Total equities and similar securities[1]	184 358	191 958

[1] *Equities and similar securities of R9 920 million were reclassified to non-current assets held for sale in the current year. Refer to note 32 for additional information.*
[2] *Unlisted – at directors' valuation of R848 million has been reclassified to Listed on the JSE – at market value in the prior year. This did not affect the Statement of Financial Position, Statement of Changes in Equity, Statement of Comprehensive Income or Statement of Cash Flow.*

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

Spread of equities listed on the JSE by sector (%)	2022	2021
Consumer services	9,5	10,6
Consumer goods	5,5	5,8
Financials	32,6	15,8
Basic materials	23,3	26,2
General industrials	3,1	5,2
Telecommunications	5,3	6,9
Healthcare	2,2	3,2
Information technology	12,2	14,8
Property	1,6	4,4
Other	4,7	7,1
	100,0	100,0

9 Investments *continued*

9.3 Other investments *continued*

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

R million	Designated as at fair value through profit or loss[1]	Mandatorily measured at fair value through profit or loss	Total fair value	Amortised cost gross	Expected credit loss allowance for financial assets at amortised cost	Amortised cost net[2]	Total
31 December 2022							
Cash, deposits and similar securities	44 261	–	44 261	2 667	–	2 667	46 928
Structured transactions	1 991	16 000	17 991	–	–	–	17 991
Interest-bearing investments	236 079	–	236 079	6 097	–	6 097	242 176
Government interest-bearing investments	89 635	–	89 635	–	–	–	89 635
Corporate interest-bearing investments	115 289	–	115 289	3 965	–	3 965	119 254
Other interest-bearing investments	31 155	–	31 155	2 132	–	2 132	33 287
Investment funds	–	264 490	264 490	–	–	–	264 490
Total[3]	282 331	280 490	562 821	8 764	–	8 764	571 585
Structured transaction liabilities	–	10 972	10 972	–	–	–	10 972
31 December 2021							
Cash, deposits and similar securities	37 846	–	37 846	1 467	(138)	1 329	39 175
Structured transactions	2 195	10 239	12 434	–	–	–	12 434
Interest-bearing investments	259 345	–	259 345	12 921	(426)	12 495	271 840
Government interest-bearing investments	113 841	–	113 841	4 441	(141)	4 300	118 141
Corporate interest-bearing investments	119 477	–	119 477	7 041	(19)	7 022	126 499
Other interest-bearing investments	26 027	–	26 027	1 439	(266)	1 173	27 200
Investment funds	–	278 145	278 145	–	–	–	278 145
Total	299 386	288 384	587 770	14 388	(564)	13 824	601 594
Structured transaction liabilities	–	8 898	8 898	–	–	–	8 898

(1) The change during the period and cumulatively in fair value through profit and loss that is attributable to change in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rate. The impact of changes in credit risk for 2022 and 2021 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 R8 764 million (2021: R13 824 million). These are classified as level 2 instruments and the valuation is based on a discounted cash flows.

(3) Cash, deposits and similar securities, interest-bearing investments and investment funds of respectively, R7 078 million, R29 591 million and R13 456 million were reclassified to non-current assets held for sale in the current year. Refer to note 32 for additional information.

Reconciliation of expected credit losses

R million	2022 12-month ECL	2022 Lifetime ECL (credit impaired)	2022 Total
Interest-bearing Investments			
Government interest-bearing investments			
Balance at the beginning of the year	106	35	141
Net remeasurement of loss allowance	23	(8)	15
Reclassified to non-current assets held for sale	(129)	(22)	(151)
Foreign currency translation differences	–	(5)	(5)
Balance at the end of the year	–	–	–
Corporate interest-bearing investments			
Balance at the beginning of the year	15	4	19
Net remeasurement of loss allowance	10	–	10
Reclassified to non-current assets held for sale	(26)	(3)	(29)
Foreign currency translation differences	1	(1)	–
Balance at the end of the year	–	–	–
Other interest-bearing investments			
Balance at the beginning of the year	263	3	266
Net remeasurement of loss allowance	–	–	–
Reclassified to non-current assets held for sale	(251)	(3)	(254)
Foreign currency translation differences	(12)	–	(12)
Balance at the end of the year	–	–	–
Total interest-bearing investments			
Balance at the beginning of the year	384	42	426
Net remeasurement of loss allowance	33	(8)	25
Reclassified to non-current assets held for sale	(406)	(28)	(434)
Foreign currency translation differences	(11)	(6)	(17)
Balance at the end of the year	–	–	–
Cash, deposits and similar securities			
Balance at the beginning of the year	80	58	138
Net remeasurement of loss allowance	3	(5)	(2)
Reclassified to non-current assets held for sale	(84)	(32)	(116)
Foreign currency translation differences	1	(21)	(20)
Balance at the end of the year	–	–	–

9 Investments *continued*

9.3 Other investments *continued*

9.3.2 *Investments other than equities and similar securities, equity-accounted investments and properties continued*

Reconciliation of expected credit losses continued

	2021			
R million	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Interest-bearing Investments				
Government interest-bearing investments				
Balance at the beginning of the year	129	–	498	627
Net remeasurement of loss allowance	(23)	–	–	(23)
Foreign currency translation differences	–	–	(463)	(463)
Balance at the end of the year	106	–	35	141
Corporate interest-bearing investments				
Balance at the beginning of the year	18	–	51	69
Net remeasurement of loss allowance	(3)	–	–	(3)
Foreign currency translation differences	–	–	(47)	(47)
Balance at the end of the year	15	–	4	19
Other interest-bearing investments				
Balance at the beginning of the year	253	1	3	257
Net remeasurement of loss allowance	–	(1)	–	(1)
Foreign currency translation differences	10	–	–	10
Balance at the end of the year	263	–	3	266
Total interest-bearing investments				
Balance at the beginning of the year	400	1	552	953
Net remeasurement of loss allowance	(26)	(1)	–	(27)
Foreign currency translation differences	10	–	(510)	(500)
Balance at the end of the year	384	–	42	426
Cash, deposits and similar securities				
Balance at the beginning of the year	70	–	826	896
Net remeasurement of loss allowance	(4)	–	–	(4)
Foreign currency translation differences	14	–	(768)	(754)
Balance at the end of the year	80	–	58	138

Maturity analysis

R million	On demand	<1 year	1 - 5 years	>5 years	Total
31 December 2022					
Interest-bearing investments	18 984	50 747	96 394	76 051	242 176
Government interest-bearing investments	10 342	11 946	14 204	53 143	89 635
Corporate interest-bearing investments	7 935	31 743	64 851	14 725	119 254
Other interest-bearing investments	707	7 058	17 339	8 183	33 287
Structured transactions	512	10 988	2 289	4 202	17 991
Investment funds	264 490	–	–	–	264 490
Cash, deposits and similar securities[1]	77	32 407	14 140	304	46 928
Total	284 063	94 142	112 823	80 557	571 585
Structured transaction liabilities – Present value	–	2 527	1 859	6 586	10 972
Structured transaction liabilities – Undiscounted	–	4 428	1 856	3 391	9 675
31 December 2021					
Interest-bearing investments	1 082	44 817	110 428	115 513	271 840
Government interest-bearing investments	12	11 530	20 733	85 866	118 141
Corporate interest-bearing investments	204	28 971	74 794	22 530	126 499
Other interest-bearing investments	866	4 316	14 901	7 117	27 200
Structured transactions	–	8 640	3 074	720	12 434
Investment funds	278 145	–	–	–	278 145
Cash, deposits and similar securities[1]	186	30 051	8 653	285	39 175
Total	279 413	83 508	122 155	116 518	601 594
Structured transaction liabilities – Present value	–	7 040	1 190	668	8 898
Structured transaction liabilities – Undiscounted	–	6 977	1 811	2 908	11 696

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

9.4 Investment return

Investment income

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

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

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

Investment surpluses

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

9 Investments *continued*

9.4 Investment return *continued*

Investment surpluses continued

R million	2022	2021
Investment income		
Equities and similar securities	13 716	12 254
Interest-bearing, preference shares and similar securities	21 892	18 512
Properties	841	1 064
Rental income – excluding contingent rental	973	1 116
Contingent rental income	85	90
Rental related expenses	(217)	(142)
Income from margin business[1]	64	(26)
Total investment income (including profit from discontinued operations)	36 513	31 804
Profit from discontinued operations	3 548	3 103
Investment income (continuing operations)	32 965	28 701
Interest income on financial assets measured at amortised cost	50	188
Interest income on impaired financial assets measured at amortised cost	–	8
Investment (deficits)/surpluses		
Financial assets	(21 446)	81 336
Financial assets designated as at fair value through profit or loss	(6 981)	21 097
Financial assets mandatorily measured at fair value through profit or loss	(14 467)	60 252
Financial assets measured at amortised cost	2	(13)
Financial liabilities	40	3 518
Financial liabilities designated as at fair value through profit or loss	3	3 518
Financial liabilities measured at amortised cost	37	–
Investment properties	1 211	(371)
Profit on disposal of subsidiaries, associated companies and operations	2 013	234
Total investment (deficits)/surpluses (including profit from discontinued operations)	(18 182)	84 717
Profit from discontinued operations	(2 040)	(1 521)
Investment (deficits)/surpluses (continuing operations)	(16 142)	86 238
Investment return includes:		
Foreign exchange gains	385	453
Financial assets measured at amortised cost		
Gains on derecognition of financial assets measured at amortised cost	8	2
Losses on derecognition of financial assets measured at amortised cost	(6)	(15)

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

9.5 Use of valuation techniques to determine fair value

Refer to note 33 for additional disclosures.

10 General insurance technical provisions

Outstanding claims

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

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

Unearned premiums

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

General insurance technical assets

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

Salvage and subrogation reimbursements

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

R million	2022	2021
General insurance technical provisions	40 383	57 559
Outstanding claims	21 086	38 633
Provision for unearned premiums	18 655	18 324
Deferred reinsurance acquisition revenue	642	602
Less: General insurance technical assets		
Reinsurers' share of technical provisions	14 672	19 525
Outstanding claims	11 303	15 271
Unearned premiums	2 314	3 194
Deferred acquisition cost	1 055	1 060
Net general insurance technical provisions	25 711	38 034

10 General insurance technical provisions *continued*

Analysis of movement in general insurance technical provisions

R million	Note	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
Outstanding claims							
Balance at the beginning of the year		38 633	(15 271)	23 362	32 897	(10 077)	22 820
Cash paid for claims settled in the year		(27 351)	12 446	(14 905)	(22 095)	5 449	(16 646)
Increase in liabilities		27 349	(11 661)	15 688	26 813	(10 544)	16 269
Additions		–	–	–	45	(13)	32
Reclassified as non-current (liabilities)/ assets held for sale	32	(16 926)	3 096	(13 830)	(147)	7	(140)
Foreign currency translation difference		(637)	(59)	(696)	1 120	(198)	922
Other movements: transfer to cell owners		18	146	164	–	105	105
Balance at the end of the year		21 086	(11 303)	9 783	38 633	(15 271)	23 362
Unearned premiums							
Balance at the beginning of the year		18 324	(3 194)	15 130	16 314	(2 869)	13 445
Net increase/(release) in the period		5 207	(1 283)	3 924	1 764	(888)	876
Reclassified as non-current (liabilities)/ assets held for sale	32	(4 850)	1 311	(3 539)	(19)	2	(17)
Foreign currency translation difference		(147)	(4)	(151)	265	(53)	212
Other movements: transfer to cell owners		121	856	977	–	614	614
Balance at the end of the year		18 655	(2 314)	16 341	18 324	(3 194)	15 130

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 market-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.

2022

R million	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	Net amortised cost	Non-financial instrument[2]	Total
Trading account	14 124	–	–	–	–	14 124
Accounts receivable	11	12 738	(344)	12 394	535	12 940
Premiums receivable	–	8 904	(294)	8 610	–	8 610
Accrued investment income	4 575	657	–	657	–	5 232
Amounts due from reinsurers	–	3 115	(44)	3 071	–	3 071
Contract receivables	–	1 258	–	1 258	–	1 258
Contract assets	–	21	–	21	–	21
Total trade and other receivables[3]	18 710	26 693	(682)	26 011	535	45 256

2021

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

R million	2022	2021
Classification of trade and other receivables:		
Mandatorily measured at fair value through profit or loss	14 156	16 162
Designated at fair value through profit or loss[1]	4 554	2 858
Amortised cost	26 011	35 722
Non-financial instrument[2]	535	1 064
	45 256	55 806

[1] *The change during the period and cumulatively in fair value through profit or loss that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in the benchmark interest rates. The impact of the changes in credit risk for 2022 and 2021 was not material.*
[2] *Non-financial instruments refer to prepaid expenses.*
[3] *Trade and other receivables of R13 583 million were reclassified to non-current assets held for sale in the current year. Refer to note 32 for additional information.*

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

11 Trade receivables and payables *continued*

11.1 Trade and other receivables *continued*

R million	Non-derivative trading account assets 2022	2021	Derivative trading account assets 2022	2021	Total trading account assets 2022	2021
Maturity analysis of trading account – fair value						
On demand	402	362	1	–	403	362
Due within one year	2 126	4 165	(404)	(112)	1 722	4 053
Due from one to five years	2 827	3 099	940	845	3 767	3 944
Due after five years	8 210	7 546	22	80	8 232	7 626
Total	13 565	15 172	559	813	14 124	15 985
Maturity analysis of trading account – undiscounted						
On demand	264	211	2	–	266	211
Due within one year	2 804	6 281	98	(34)	2 902	6 247
Due from one to five years	6 163	5 106	903	878	7 066	5 984
Due after five years	27 063	24 158	(5)	5	27 058	24 163
Total	36 294	35 756	998	849	37 292	36 605

R million	Note	2022	2021
Reconciliation of contract receivables			
Balance at the beginning of the year		1 021	885
Revenue recognised in the current reporting period	18	18 104	15 305
Consideration received		(17 846)	(15 241)
Reclassified to non-current assets held for sale		(48)	–
Foreign currency translation reserve		27	72
Balance at the end of the year		1 258	1 021
Reconciliation of expected credit losses			
Accounts receivable			
Balance at the beginning of the year		675	643
Net remeasurement of loss allowance		20	2
Reclassified as non-current assets held for sale		(397)	–
Foreign currency translation differences		(8)	30
Other		54	–
Balance at the end of the year		344	675
Premiums receivable			
Balance at the beginning of the year		2 261	1 851
Net remeasurement of loss allowance		(56)	320
Foreign currency translation differences		(85)	90
Reclassified as non-current assets held for sale		(1 826)	–
Balance at the end of the year		294	2 261
Accrued investment income			
Balance at the beginning of the year		18	18
Reclassified as non-current assets held for sale		(18)	–
Balance at the end of the year		–	18
Amounts due from reinsurers			
Balance at the beginning of the year		16	12
Net remeasurement of loss allowance		44	3
Foreign currency translation differences		–	1
Reclassified as non-current assets held for sale		(16)	–
Balance at the end of the year		44	16

Trade and other receivables:

Movement in expected credit loss allowance is mainly due to reclassification as non-current assets held for sale. The methodologies applied have however not changed since December 2021.

General insurance related receivables:

Santam:

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

Sanlam Pan Africa:

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

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

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

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

Other receivables:

Expected credit losses have been provided for as follows:

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

Commission receivable (including accounts receivable):

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

11.2 Trade and other payables

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

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

11 Trade receivables and payables *continued*

11.2 Trade and other payables *continued*

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

R million	2022	2021
Trading account[1]	17 794	19 857
Accounts payable	31 600	29 893
Accrued interest payable	1 279	996
Policy benefits payable	7 661	9 229
Amounts due to reinsurers	1 841	5 079
Bank overdrafts	16	1 153
Contract liabilities	1	1
Claims incurred but not reported	2 674	2 880
Lease creditor	–	35
Total trade and other payables[4]	62 866	69 123
Classification of trade and other payables:		
Mandatorily measured at fair value through profit or loss	1 966	3 714
Designated at fair value through profit or loss[2]	14 770	16 648
Other payables at amortised cost	40 464	42 927
Non-financial instruments[3]	5 666	5 834
Total trade and other payables	62 866	69 123

[1] *Included in trading account payables are repurchase agreement positions of R8 019 million (2021: R8 282 million) which is secured by interest bearing investments with a carrying value of R8 098 million (2021: R8 338 million). It relates to the sale of interest bearing investments with an agreement to repurchase these investments at a fixed price at a later date. Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the Statement of Financial Position. The proceeds received are recognised as a liability (trading account payable) carried at fair value.*
[2] *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.*
[3] *Non-financial instruments include amounts due to intermediaries, leave pay accrual, lease creditors, income received in advance and claims incurred but not reported.*
[4] *Trade and other payables of R10 815 million were reclassified as non-current liabilities held for sale in the current year. Refer to note 32 for additional information.*

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

	Non-derivative trading account liabilities		Derivative trading account liabilities		Total trading account liabilities	
R million	2022	2021	2022	2021	2022	2021
Maturity analysis of trading account – fair value						
Due within one year	15 778	17 015	2	139	15 780	17 154
Due from one to five years	1 986	2 617	14	13	2 000	2 630
Due after five years	–	–	14	73	14	73
Total	17 764	19 632	30	225	17 794	19 857
Maturity analysis of trading account – undiscounted						
Due within one year	15 689	17 212	16	165	15 705	17 377
Due from one to five years	2 008	2 581	20	54	2 028	2 635
Due after five years	–	–	(6)	3	(6)	3
Total	17 697	19 793	30	222	17 727	20 015

12 Share capital and premium

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

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

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

		2022	2021
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	40,0	40,0
Issued share capital: ordinary shares			
Total shares in issue at the beginning of the year	million	2 226,9	2 226,9
Total shares in issue at the end of the year	million	2 226,9	2 226,9
Shares held by subsidiaries	million	(184,1)	(177,4)
Balance at the end of the year	million	2 042,8	2 049,5
% of ordinary shares held by subsidiaries		8,3%	8,0%
Nominal value and share premium			
Nominal value of 1 cent per share	R million	22,3	22,3
Share premium	R million	12 761,3	12 761,3
Total nominal value and share premium	R million	12 783,6	12 783,6

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

	Shares	
Thousands	2022	2021
Executive share incentive scheme[1]		
Total number of shares at the beginning of the year	31 668	30 758
Unrestricted shares at the beginning of the year	(613)	(300)
Restricted shares at the beginning of the year	31 055	30 458
Adjustment for exclusion of shares that may be required to settle OPP obligations	–	(2 966)
New restricted shares granted in terms of restricted share and deferred share plan schemes	8 536	9 536
Additional shares issued pertaining to prior year tranches	362	–
Unconditional shares released, available for release, or taken up	(4 621)	(4 676)
Options and shares forfeited/transferred to new scheme	(2 281)	(1 297)
Restricted shares at the end of the year	33 051	31 055
Unrestricted shares at the end of the year[2]	766	613
Total equity participation by employees[3]	33 817	31 668

	2022	2021
Total equity participation by employees as a percentage of total issued ordinary shares	1,5%	1,4%
Approved maximum level of equity participation by employees (number of shares)	160 000	160 000

[1] *Refer Remuneration Report for further details of the schemes.*
[2] *709 672 shares became unrestricted during 2022 (2021: 712 132) in respect of the Restricted Share Plan.*
[3] *Refer to the Remuneration report on page 199 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).*

12 Share capital and premium *continued*

Details regarding the restricted shares outstanding on 31 December 2022 and the financial years during which they become unconditional, are as follows:

Thousands	Number of Shares
Unrestricted during year ending (subject to performance targets)	
31 December 2023	6 447
31 December 2024	6 701
31 December 2025	12 754
31 December 2026	4 622
31 December 2027	2 528
Total unrestricted shares	33 052

A total R8,8 million (2021: R9,5 million) restricted shares were granted to staff and executive directors during 2022. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R488 million (2021: R433 million) and is expensed in the Statement of Comprehensive Income over the vesting period of up to five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

13 Other reserves

Non-distributable reserve

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

Foreign currency translation reserve

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

Consolidation reserve

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

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

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

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

R million	2022	2021
Non-distributable reserves	9 972	10 034
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	9 414	9 414
Regulatory reserves	558	620
Foreign currency translation reserve	626	2 593
Consolidation reserve	(5 439)	(6 549)
Policyholder fund investments in consolidated subsidiaries	(52)	(98)
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	706	948
Policyholder fund investment in Sanlam Limited shares	(6 093)	(7 399)
Total reserves other than retained earnings	5 159	6 078

14 Non-controlling interest

R million	2022	2021
Santam	4 438	4 842
Sanlam Emerging Markets	7 371	7 792
Botswana Insurance Holdings	1 947	1 838
MCIS Insurance	680	699
Sanlam Namibia Holdings	269	189
Sanlam Pan Africa	4 228	4 832
Saham Assurance Maroc	3 348	3 595
Other Sanlam Pan Africa	880	1 237
Other Sanlam Emerging Markets	247	234
Sanlam Personal Finance: BrightRock Holdings	58	92
Sanlam Investment Holdings Capital	445	543
Absa Financial Services Limited	615	–
Other	376	193
Non-controlling shareholders' interest	13 303	13 462
Non-controlling policyholders' interest	106	55
Total non-controlling interest	13 409	13 517

14.1 Financial information for subsidiaries with significant non-controlling interest

Analysis of the Group's holding in material subsidiaries

	Santam Limited(1)		Sanlam Investment Holdings Capital(5)		Botswana Insurance Holdings Limited(2)		MCIS Insurance(3)		Saham Assurance Maroc(4)	
%	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Shareholders' fund	62,26	62,07	75,00	75,00	58,93	58,99	51,00	51,00	61,72	61,72
Policyholders' fund	0,13	0,14	–	–	–	–	–	–	–	–
Non-controlling interest	37,61	37,79	25,00	25,00	41,07	41,01	49,00	49,00	38,28	38,28
Total	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

(1) *The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders Fund section on page 224 and page 225.*
(2) *The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.*
(3) *The financial information of MCIS Insurance, incorporated and operating mainly in Malaysia, which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.*
(4) *The financial information of Saham Assurance Maroc, incorporated and operating mainly in Morocco which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.*
(5) *The financial information of Sanlam Investment Holdings Capital (SIHC), incorporated and operating mainly in South Africa which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.*

14 Non-controlling interest *continued*

14.1 Financial information for subsidiaries with significant non-controlling interest *continued*

14.1.1 *Financial information of Santam Limited*

Summarised Statement of profit or loss for the year ending 31 December

R million	2022	2021
Net income	33 166	31 839
Net insurance and investment contract benefits and claims	(18 034)	(16 405)
Expenses	(12 129)	(11 476)
Share of profit of associates and joint ventures	68	78
Other income	749	–
Finance cost	(323)	(313)
Profit before tax	3 497	3 723
Income tax	(1 394)	(1 471)
Profit for the year	2 103	2 252
Total comprehensive income	2 032	2 862
Attributable to non-controlling interests	764	1 082
Dividends paid to non-controlling interests	98	227
Summarised Statement of Financial Position at 31 December		
Assets		
Investments	37 913	35 022
Other non-current assets	1 713	1 691
Other current assets	84	78
Cash and cash equivalents (working capital)	5 387	4 586
Trade and other receivables	27 950	24 181
Liabilities		
Policyholder liabilities	(47 101)	(40 948)
Other non-current liabilities	(6 870)	(7 019)
Deferred tax (non-current)	(94)	(85)
Other current liabilities	(473)	(593)
Trade and other payables	(6 911)	(4 851)
Total equity	11 598	12 062
Attributable to:		
Equity holders of the parent	7 236	7 504
Non-controlling interest	4 362	4 558
Santam summarised Statement of Cash Flow for the year ending 31 December		
Operating	3 543	1 884
Investing	1	(109)
Financing	(2 688)	(1 634)
Net increase in cash and cash equivalents	856	141

14.1.2 *Financial information of Botswana Insurance Holdings Limited*

Summarised Statement of profit or loss for the year ending 31 December

R million	2022	2021
Net income	5 151	4 516
Net insurance and investment contract benefits and claims	(3 112)	(3 038)
Expenses	(1 348)	(1 250)
Share of profit of associates and joint ventures	313	407
Profit before tax	1 004	635
Income tax	(191)	(112)
Profit for the year	813	523
Total comprehensive income	795	690
Attributable to non-controlling interests	327	283
Dividends paid to non-controlling interests	211	102
Summarised Statement of Financial Position at 31 December		
Assets		
Investments	23 169	23 601
Other non-current assets	384	405
Other current assets	3	–
Cash and cash equivalents (working capital)	532	186
Trade and other receivables	488	395
Liabilities		
Policyholder liabilities	(18 758)	(19 097)
Other non-current liabilities	(71)	(70)
Deferred tax (non-current)	–	(32)
Other current liabilities	(4)	(2)
Trade and other payables	(1 031)	(841)
Total equity	4 712	4 545
Attributable to:		
Equity holders of the parent	2 777	2 681
Non-controlling interest	1 935	1 864
Summarised Statement of Cash Flow for the year ending 31 December		
Operating	837	2 401
Investing	(482)	(2 532)
Financing	(6)	(7)
Net increase/(decrease) in cash and cash equivalents	349	(138)

14 Non-controlling interest *continued*

14.1.3 Financial information of MCIS Insurance

Summarised Statement of profit or loss for the year ending 31 December

R million	2022	2021
Net income	1 596	1 280
Net insurance and investment contract benefits and claims	(586)	(398)
Expenses	(861)	(790)
Finance Cost	(21)	17
Profit before tax	128	109
Income tax	(41)	(29)
Profit for the year	87	80
Total comprehensive income	102	140
Attributable to non-controlling interests	50	69
Dividends paid to non-controlling interests	36	36
Summarised Statement of Financial Position at 31 December		
Assets		
Investments	17 124	17 772
Other non-current assets	350	395
Cash and cash equivalents (working capital)	183	148
Trade and other receivables	640	802
Liabilities		
Policyholder liabilities	(13 882)	(14 668)
Other non-current liabilities	(838)	(847)
Deferred tax (non-current)	(132)	(153)
Other current liabilities	(39)	(29)
Trade and other payables	(2 111)	(2 151)
Total equity	1 295	1 269
Attributable to:		
Equity holders of the parent	660	648
Non-controlling interest	635	621
Summarised Statement of Cash Flow for the year ending 31 December		
Operating	(1 999)	1 062
Investing	(43)	(43)
Financing	(18)	696
Net (decrease)/increase in cash and cash equivalents	(2 060)	1 715

14.1.4 Financial information of Saham Assurance Maroc:

Summarised Statement of profit or loss for the year ending 31 December

R million	2022	2021
Net income	9 777	9 283
Net insurance and investment contract benefits and claims	(7 904)	(5 238)
Expenses	(2 173)	(2 404)
(Loss)/profit before tax	(300)	1 641
Income tax	186	(644)
(Loss)/profit for the year	(114)	997
Total comprehensive (loss)/income	(114)	997
Attributable to non-controlling interests	(44)	382
Summarised Statement of Financial Position at 31 December		
Assets		
Investments	26 433	29 462
Other non-current assets	4 707	4 699
Cash and cash equivalents (working capital)	837	630
Trade and other receivables	5 221	5 260
Liabilities		
Policyholder liabilities	(11 133)	(11 471)
Other non-current liabilities	(12 615)	(14 128)
Deferred tax (non-current)	(1 192)	(1 490)
Other current liabilities	(974)	(835)
Trade and other payables	(2 815)	(3 013)
Total equity	8 469	9 114
Attributable to:		
Equity holders of the parent	5 227	5 625
Non-controlling interest	3 242	3 489
Summarised Statement of Cash Flow for the year ending 31 December		
Operating	733	978
Investing	(77)	(1 252)
Financing	(734)	(39)
Net decrease in cash and cash equivalents	(78)	(313)

14 Non-controlling interest *continued*

14.1.5 Financial information of Sanlam Investment Holdings Capital

Summarised Statement of profit or loss for the year ending 31 December

R million	2022	2021
Net income	2 531	2 220
Expenses	(1 959)	(1 716)
Share of profit of associates and joint ventures	137	64
Finance Cost	(3)	(2)
Profit before tax	706	566
Income tax	(129)	(167)
Profit for the year	577	399
Total comprehensive income	581	400
Attributable to non-controlling interests	185	113
Dividends paid to non-controlling interests	108	100

Summarised Statement of Financial Position at 31 December

R million	2022	2021
Assets		
Investments	884	402
Other non-current assets	1 782	938
Other current assets	404	270
Cash and cash equivalents (working capital)	741	860
Trade and other receivables	981	809
Liabilities		
Other non-current liabilities	(302)	(15)
Deferred tax (non-current)	(5)	(4)
Other current liabilities	(203)	(260)
Trade and other payables	(1 317)	(857)
Total equity	2 965	2 143
Attributable to:		
Equity holders of the parent	2 092	2 037
Non-controlling interest	873	106

Summarised Statement of Cash Flow for the year ending 31 December

R million	2022	2021
Operating	226	82
Investing	(129)	72
Financing	(4)	(6)
Net increase in cash and cash equivalents	93	148

15 Long-term policy liabilities

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

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

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

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

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

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

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

15.1 Analysis of movement in policy liabilities

		2022			2021		
R million	Note	Total	Insurance contracts	Investment contracts[1]	Total	Insurance contracts	Investment contracts[1]
Income		138 769	60 206	78 563	217 982	72 224	145 758
Premium income	15.3	129 857	58 041	71 816	125 103	53 112	71 991
Investment return after tax	15.5	8 912	2 165	6 747	92 879	19 112	73 767
Outflow		(131 154)	(61 052)	(70 102)	(142 223)	(70 484)	(71 739)
Policy benefits	15.4	(74 248)	(25 387)	(48 861)	(78 424)	(24 626)	(53 798)
Retirement fund terminations		(9 505)	–	(9 505)	(12 720)	–	(12 720)
Fees, risk premiums and other payments to shareholders' fund		(47 401)	(35 665)	(11 736)	(51 079)	(45 858)	(5 221)
Movement in policy loans		39	69	(30)	59	20	39
Other movements		(114)	(114)	–	(44)	(44)	–
Net movement for the year		7 540	(891)	8 431	75 774	1 716	74 058
Liabilities acquired through business combinations[2]		900	900	–	–	–	–
Reclassified as non-current liabilities held for sale		(41 375)	(35 153)	(6 222)	(63 892)	(5 591)	(58 301)
Foreign currency translation differences		(881)	(872)	(9)	3 787	(410)	4 197
Balance at the beginning of the year		641 196	186 658	454 538	625 527	190 943	434 584
Balance at the end of the year		607 380	150 642	456 738	641 196	186 658	454 538

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

[2] *The liabilities acquired through business combination relates to Alexander Forbes Life that was acquired on 31 March 2022.*

15 Long-term policy liabilities *continued*

15.2 Composition of policy liabilities

R million	2022	2021
Individual business	459 998	500 717
Risk business	18 212	18 660
Risk underwriting	16 530	16 906
Asset mismatch reserve	1 682	1 754
Investments	359 605	377 828
Linked business	184 597	189 150
Business with no investment guarantees	129 183	127 503
Business with minimum investment guarantees	8 034	9 996
Smoothed bonus	26 929	27 789
Market related and smoothed bonus	4 698	4 587
Non-guaranteed investments	847	834
Fully guaranteed business	5 317	17 969
Life Annuities	44 072	50 277
Guaranteed annuities	39 688	46 107
Participating annuities	4 384	4 170
Combined policies	35 672	50 410
Non-product/Other	2 437	3 542
Working capital Management	428	356
Other	2 009	3 186
Employee benefits business	147 382	140 479
Risk business	9 546	8 788
Risk underwriting	8 920	8 203
Asset mismatch reserve	626	585
Investments	110 797	103 676
Linked business	78 448	73 511
Business with minimum investment guarantees	–	2
Smoothed bonus	32 311	29 756
Non-guaranteed investments	38	42
Fully guaranteed business	–	365
Life Annuities	24 614	25 685
Guaranteed annuities	18 164	18 869
Participating annuities	6 450	6 816
Non-product/Other	2 425	2 330
Other	2 425	2 330
Total policy liabilities(1)	607 380	641 196

(1) *Total policy liabilities represent total investment policies in note 15.6 and total insurance policies in note 15.7.*

15.3 Analysis of premium income

R million	2022	2021
Individual business	86 097	91 299
Recurring	44 487	41 005
Single	38 936	47 183
Continuations	2 674	3 111
Employee benefits business	43 760	33 804
Recurring	19 550	18 114
Single	24 210	15 690
Total premium income	129 857	125 103

15.4 Analysis of long-term policy benefits

R million	2022	2021
Individual business	60 603	67 317
Maturity benefits	25 536	27 409
Surrenders	8 305	13 566
Life and term annuities	18 200	17 192
Death and disability benefits(1)	7 893	8 604
Cash bonuses(1)	669	546
Employee benefits business	13 645	11 107
Withdrawal benefits	6 951	4 562
Pensions	2 328	2 155
Lump-sum retirement benefits	2 617	2 778
Death and disability benefits(1)	1 741	1 607
Cash bonuses(1)	8	5
Total long-term policy benefits	74 248	78 424

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

15.5 Long-term insurance and investment contract benefits

Underwriting benefits

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

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

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

Other policy benefits

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

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

15 Long-term policy liabilities *continued*

15.5 Long-term insurance and investment contract benefits *continued*

R million	Note	2022	2021
Insurance contracts			
Underwriting policy benefits		20 228	25 228
After tax investment return attributable to insurance contract liabilities	15.1	2 165	19 112
Total long-term insurance contract benefits (including profit from discontinued operations)		22 393	44 340
Profit from discontinued operations		3 560	2 281
Long-term insurance contract benefits (continuing operations)		18 833	42 059
Investment contracts			
After tax investment return attributable to investment contract liabilities	15.1	6 747	73 767
Total long-term investment contract benefits (including profit from discontinued operations)		6 747	73 767
Profit from discontinued operations		185	543
Long-term investment contract benefits (continuing operations)		6 562	73 224
Analysis of underwriting policy benefits			
Individual insurance		12 906	13 909
Employee benefits		7 322	11 319
Total underwriting policy benefits		20 228	25 228

15.6 Maturity analysis of investment policy contracts

R million	Open ended[1]	<1 year	1 - 5 years	>5 years	Total
2022					
Risk business	10	236	1 264	2 033	3 543
Risk underwriting[2]	10	236	1 264	2 033	3 543
Investments	303 562	9 914	37 540	92 916	443 932
Linked business	253 450	–	–	8 022	261 472
Business with no investment guarantees	16 107	7 431	30 524	69 041	123 103
Business with minimum investment guarantees	1 739	695	1 060	1 447	4 941
Smoothed bonus	32 133	58	360	11 144	43 695
Market related and smoothed bonus	95	13	1 149	3 262	4 519
Non-guaranteed investments	38	–	847	–	885
Fully guaranteed business	–	1 717	3 600	–	5 317
Life Annuities	416	–	–	1 516	1 932
Guaranteed annuities	416	–	–	–	416
Participating annuities	–	–	–	1 516	1 516
Combined policies	1	474	2 046	2 198	4 719
Non-product/Other	549	490	2	1 571	2 612
Working capital Management	310	–	–	–	310
Other	239	490	2	1 571	2 302
Total investment policies	304 538	11 114	40 852	100 234	456 738

[1] *Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand) or where the policies do not have a specified contract term.*
[2] *This represents the savings component of a risk and savings product.*

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

[1] *Open ended is defined as policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand) or where the policies do not have a specified contract term.*
[2] *This represents the savings component of a risk and savings product.*

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

15.7 Maturity analysis of insurance policy contracts (discounted)

R million	Open ended[1]	<1 year	1 - 5 years	>5 years	Total
2022					
Risk business	20 990	1 617	529	1 079	24 215
Risk underwriting	18 682	1 617	529	1 079	21 907
Asset mismatch reserve	2 308	–	–	–	2 308
Investments	4 206	1 704	6 085	14 475	26 470
Linked business	1 547	18	–	8	1 573
Business with no investment guarantees	920	370	1 393	3 397	6 080
Business with minimum investment guarantees	741	196	606	1 550	3 093
Smoothed bonus	988	1 120	4 036	9 401	15 545
Market related and smoothed bonus	10	–	50	119	179
Life Annuities	63 767	9	863	2 115	66 754
Guaranteed annuities	56 563	–	863	10	57 436
Participating annuities	7 204	9	–	2 105	9 318
Combined policies	7 042	3 568	9 755	10 588	30 953
Non-product/Other	425	375	–	1 450	2 250
Working capital Management	118	–	–	–	118
Other	307	375	–	1 450	2 132
Total insurance policies	96 430	7 273	17 232	29 707	150 642

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

15 Long-term policy liabilities *continued*

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

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

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

16 Term finance

Term finance liabilities include:

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

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

16.1 Term finance comprises:

R million	2022	2021
Interest-bearing liabilities held in respect of margin business	5 413	5 330
Other interest-bearing liabilities	9 241	9 786
	14 654	15 116

R million	2022	2021
Interest-bearing liabilities held in respect of margin business		
Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 5,5% and 5,9% (2021: 4,4% and 4,9%) or linked to prime interest rates. The preference shares have different redemption dates up to 2027.	5 413	5 330
Other interest-bearing liabilities		
The unsecured subordinated bond of 2020 carried interest at 5,53%. The bond had a redemption call option at its nominal value of R1 billion, which the Group has exercised on the first call, 15 August 2021. Unsecured subordinated bonds of R2 billion have been issued in three tranches (SLI5, SLI6 and SLI7) during 2021. SLI5 and SLI6 unsecured subordinated carries interest at a floating rate (three-month JIBAR plus 155 and 174 basis points respectively) and mature on 16 August 2026 and 16 August 2028 respectively. SLI7 carries interest at a fixed rate of 8,42% and matures on 16 August 2028. Sanlam Limited irrevocably and unconditionally guarantees to the noteholders the due and punctual performance of all obligations arising under the programme.	1 981	1 992
Unsecured subordinated callable notes to the value of R1 billion (issued during 2016) in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11,77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028. The optional redemption was exercised in April 2021. During June 2017, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027. During November 2020, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2016. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030. During May 2022, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 159 basis points. The notes have an optional redemption date of 16 May 2027 with a final maturity date of 16 May 2032.	2 539	2 552
Preference shares issued by the Group to the value of R2,4 billion for funding of BEE transaction in 2019. The preference shares have an annual interest rate of 7,14% p.a (2021: 6,97% p.a) and redemption date on 10 March 2024. The remaining R1,2 billion relates to the Collar loan with annual interest rate of 8,33%. The loan is to be redeemed at maturity on 14 March 2024.	3 617	3 617
Unsecured subordinated callable notes to the value of 200 million Malaysian Ringgit (ZAR equivalent of R767 million) were issued during December 2021 at a fixed interest rate of 5,30% with a tenure of 10 years, plus an option to call five years prior to maturity.	767	761
Other	337	864
	9 241	9 786

16.2 Reconciliation of term finance (including interest accrued)

R million	2022	2021
Balance at the beginning of the year	15 622	14 195
Cash movements	(718)	568
New issuances	1 378	3 136
Capital repayment	(1 271)	(1 848)
Interest paid	(825)	(720)
Non-cash movements	440	859
Net fair value movements	(23)	(47)
Other movements(2)	337	–
Interest expense	1 009	868
Reclassified as non-current liabilities held for sale(1)	(880)	(79)
Foreign currency translation differences	(3)	117
Balance at the end of the year (including interest accruals)	15 344	15 622
Balance comprises		
Term finance	14 654	15 116
Accrued interest (included in trade and other payables)	690	506

(1) *Refer to note 32 for additional information.*
(2) *Non-cash preference share issued to Absa and deferred consideration for Alexander Forbes Life is included in other movements.*

16 Term finance *continued*

16.3 Maturity analysis of term finance

R million	Note	2022	2021
Maturity analysis of term finance – fair value			
Due within one year		5 627	3 605
Due from one to five years		7 260	9 312
Due after five years		1 767	2 199
Total term finance liabilities		14 654	15 116
Maturity analysis of term finance – undiscounted			
Due within one year		5 969	3 867
Due from one to five years		8 340	9 926
Due after five years		1 853	2 327
Total term finance liabilities		16 162	16 120

16.4 Classification of term finance

R million	Note	2022	2021
At fair value through profit or loss	16.4.1	4 570	4 544
Valued at stock exchange prices		4 520	4 544
Based on internal valuation		50	–
Other financial liabilities	16.4.2	10 084	10 572
Total term finance liabilities		14 654	15 116

16.4.1 Term finance classified as at fair value through profit or loss

R million	2022	2021
Total designated as at fair value through profit or loss[1]	4 570	4 544
Amount contractually payable at maturity	4 837	4 500

16.4.2 Term finance classified as other financial liabilities

R million	2022	2021
Estimated fair value of term finance liabilities measured at amortised cost	10 084	10 572

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

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

17 Provisions

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

Details of the different classes of provisions are as follows:

R million	Note	Possible claims	Other	Total
Balance at 1 January 2021		57	449	506
Charged to the Statement of Comprehensive Income		1	303	304
Additional provisions		1	337	338
Unused amounts reversed		–	(34)	(34)
Utilised during the year		(11)	(95)	(106)
Foreign currency translation reserve		–	(6)	(6)
Reclassified as non-current liabilities held for sale	32	(28)	(42)	(70)
Balance at 1 January 2022		19	609	628
Charged to the Statement of Comprehensive Income		8	436	444
Additional provisions		9	494	503
Unused amounts reversed		(1)	(58)	(59)
Acquired through business combinations		–	27	27
Utilised during the year		–	(263)	(263)
Foreign currency translation reserve		–	(1)	(1)
Other		–	2	2
Reclassified as non-current liabilities held for sale	32	(11)	(594)	(605)
Balance at 31 December 2022		16	216	232
Analysis of provisions				
Current		–	145	145
Non-current		16	71	87
Total provisions at 31 December 2022		16	216	232

Possible claims

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

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

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

Other

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

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

18 Financial services income

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

Major IFRS 15 revenue sources:

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

Major revenue sources not within the scope of IFRS 15:

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

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

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

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

IFRS 15 revenue disaggregation

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

Recognition of different sources of revenue:

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

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

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

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

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

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

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

Trust and fund administration fees are recognised as follows:

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

R million	2022	2021
Analysis per revenue source		
Long-term insurance	52 437	53 513
General insurance	60 846	54 881
Other financial services	6 781	8 493
Total financial services income (including profit from discontinued operations)	120 064	116 887
Analysis per revenue category		
Long-term insurance fee income	52 437	53 513
Investment management fees	1 115	823
Risk benefit charges and other fee income[1]	51 322	52 690
General insurance premiums	60 846	54 881
Premiums receivable	65 071	56 345
Tax recovered from cell owners	759	592
Change in unearned premium provision	(4 984)	(2 056)
Other financial services fees and income	6 221	8 111
Trading profit	2	12
Foreign exchange gains	10	18
Fees recovered from third parties	548	352
Total financial services income (including profit from discontinued operations)	120 064	116 887
Profit from discontinued operations	28 794	25 565
Financial services income (continuing operations)	91 270	91 322

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

18 Financial services income *continued*

R million	2022	Re-presented[(1)] 2021
Segment IFRS 15 revenue from contracts with customers		
Sanlam Life and Savings	11 622	7 287
Sanlam Retail Affluent	9 914	5 473
Sanlam Retail Mass	–	5
Sanlam Corporate	1 708	1 809
Sanlam Emerging Markets	634	757
Sanlam Investment Group	5 300	6 600
Santam	548	352
Total IFRS 15 revenue	18 104	14 996

18.1 Disaggregation of revenue

18.1.1 According to primary geography

R million	South Africa	Rest of Africa	Other International	Total
31 December 2022				
IFRS 15 Revenue	15 499	665	1 940	18 104
Administration fees	11 119	476	275	11 870
Asset management and performance fees	2 934	94	1 356	4 384
Commissions	529	95	284	908
Consulting fees	332	–	15	347
Actuarial and risk management fees	268	–	–	268
Trust and estate fees	196	–	–	196
Other	121	–	10	131
Revenue not within the scope of IFRS 15	64 903	3 104	5 159	73 166
Financial services income	80 402	3 769	7 099	91 270
31 December 2021 – Re-presented[(1)]				
IFRS 15 Revenue	10 697	788	3 511	14 996
Administration fees	6 722	600	1 342	8 664
Asset management and performance fees	2 538	96	1 695	4 329
Commissions	557	92	454	1 103
Consulting fees	309	–	16	325
Actuarial and risk management fees	238	–	–	238
Trust and estate fees	179	–	–	179
Other	154	–	4	158
Revenue not within the scope of IFRS 15	68 053	3 832	4 441	76 326
Financial services income	78 750	4 620	7 952	91 322

[(1)] *Prior year re-presented due to discontinued operations. Refer to note 32.3 for additional information.*

18.1.2 According to timing of revenue recognition

R million	At a point in time	Over time	Total
31 December 2022			
IFRS 15 Revenue	1 367	16 737	18 104
Administration fees	480	11 390	11 870
Asset management and performance fees	17	4 367	4 384
Commissions	704	204	908
Consulting fees	42	305	347
Actuarial and risk management fees	–	268	268
Trust and estate fees	116	80	196
Other	8	123	131
Revenue not within the scope of IFRS 15			73 166
Financial services income			91 270
31 December 2021 – Re-presented[(1)]			
IFRS 15 Revenue	1 360	13 636	14 996
Administration fees	311	8 353	8 664
Asset management and performance fees	21	4 308	4 329
Commissions	888	215	1 103
Consulting fees	30	295	325
Actuarial and risk management fees	–	238	238
Trust and estate fees	104	75	179
Other	6	152	158
Revenue not within the scope of IFRS 15			76 326
Financial services income			91 322

[(1)] *Prior year re-presented due to discontinued operations. Refer to note 32.3 for additional information.*

19 Reinsurance premiums paid

R million	2022	2021
Long-term insurance	10 303	8 058
General insurance	13 568	12 023
Premiums payable	14 606	13 008
Change in unearned premium provision	(1 038)	(985)
Total reinsurance premiums paid (including profit from discontinued operations)	23 871	20 081
Profit from discontinued operations	6 498	5 377
Reinsurance premiums paid (continuing operations)	17 373	14 704

20 Reinsurance income

R million	2022	2021
Reinsurance commission received		
Long-term insurance	205	177
General insurance	3 047	2 638
Total reinsurance commission received (including profit from discontinued operations)	3 252	2 815
Profit from discontinued operations	916	730
Reinsurance commission received (continuing operations)	2 336	2 085
Reinsurance claims received		
Long-term insurance	6 633	7 357
General insurance	9 905	12 206
Total reinsurance claims received (including profit from discontinued operations)	16 538	19 563
Profit from discontinued operations	1 700	1 353
Reinsurance claims received (continuing operations)	14 838	18 210

21 Expenses, Amortisation and Impairments

21.1 Expenses

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

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

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

Sales remuneration recognised in the Statement of Comprehensive Income includes the amortisation of DAC 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 with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. These expenses are included under **leases** and recognised in the Statement of Comprehensive Income.

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

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

Restricted Share Plan

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

R million	Sanlam Limited auditors E&Y	KPMG	Other Group auditors PwC	Other	Total
Auditors' remuneration					
2022					
Audit fees: statutory audit[(1)]	104	94	39	16	253
Non-audit services	16	5	6	–	27
	120	99	45	16	280
Non-audit services as a percentage of statutory audit fees	15%	5%	15%	0%	11%
2021					
Audit fees: statutory audit[(1)]	92	77	33	30	232
Non-audit services	13	1	3	3	20
	105	78	36	33	252
Non-audit services as a percentage of statutory audit fees	14%	1%	9%	10%	9%

[(1)] *Includes IFRS 17 assurance services.*

R million	Note	2022	2021
Depreciation		927	1 032
Owned assets		522	537
Computer equipment		291	307
Furniture, equipment, vehicles and other		203	206
Owner-occupied properties		28	24
Leased assets		405	495
Computer equipment, furniture, equipment, vehicles and other		16	15
Properties		389	480
Leases		236	177
Short term leases		189	90
Leases of low value assets		5	15
Variable lease payments		42	72
Consultancy fees		3 027	2 530
Technical, administrative and secretarial fees		680	783
Employee benefits		16 307	14 915
Salaries and other short-term benefits		14 887	13 437
Pension costs – defined contribution plans		827	807
Pension costs – defined benefit plans		2	–
Share-based payments		425	496
Other long-term incentive schemes		166	175
Number of employees (excluding advisers and associates)		25 661	21 180
Profit from discontinued operations		5 131	4 896
Administration costs (continuing operations)		24 263	23 550

21.2 Amortisation

R million	Note	2022	2021
Amortisation of intangibles (including profit from discontinued operations)		657	1 248
Value of business acquired	4.2	491	983
Other intangible assets	5	166	265
Profit from discontinued operations		346	778
Amortisation of intangibles (continuing operations)		311	470

21 Expenses, Amortisation and Impairments *continued*

R million	Note	2022	2021
21.3 Impairments			
Other impairments/(reversal) of other impairments (including profit from discontinued operations)		76	(208)
Investments in associates and joint ventures	9.2.2 and 25.1	31	(621)
Goodwill	4.1	6	390
Equipment	1	39	–
Other impairments		–	23
Profit from discontinued operations		–	22
Other impairments/(reversal) of other impairments (continuing operations)		76	(230)
Net impairment losses/(gains) on financial assets (including profit from discontinued operations)		32	296
Investments other than equities and similar securities, investments in associates and joint ventures and investment properties	9.3.2	23	(31)
Trade and other receivables	11.1	8	325
Working capital cash	35.1	1	2
Profit from discontinued operations		92	279
Net impairment losses/(gains) on financial assets (continuing operations)		(60)	17

22 Finance cost

R million	2022	2021
Finance costs are recognised as an expense in the Statement of Comprehensive Income on an accrual basis.		
Interest paid and term finance cost in respect of margin business	305	249
Finance cost – margin business	305	249
Interest-bearing liabilities designated as at fair value through profit or loss	465	373
Interest-bearing liabilities held at amortised cost	304	246
Lease liabilities at amortised cost	128	144
Finance cost – other (including profit from discontinued operations)	897	763
Profit from discontinued operations	76	49
Finance cost – other (continuing operations)	821	714

23 Earnings per share

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

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

Cents	2022	Re-presented[(1)] 2021
Basic earnings per share:		
Headline earnings	453,6	438,4
Profit attributable to shareholders' fund	578,9	459,4
Diluted earnings per share:		
Headline earnings	447,3	433,0
Profit attributable to shareholders' fund	570,9	453,7
Basic earnings per share from continuing operations:		
Headline earnings	418,8	415,6
Profit attributable to shareholders' fund	544,3	437,7
Diluted earnings per share from continuing operations:		
Headline earnings	413,0	410,5
Profit attributable to shareholders' fund	536,7	432,3
Basic earnings per share from discontinued operations:		
Headline earnings	34,8	22,8
Profit attributable to shareholders' fund	34,6	21,7
Diluted earnings per share from discontinued operations:		
Headline earnings	34,8	22,8
Profit attributable to shareholders' fund	34,2	21,4

[(1)] *Prior year re-presented due to discontinued operations. Refer to note 32 for additional information.*

23 Earnings per share *continued*

R million	2022 Continuing operations	2022 Discontinued operations	2022 Total	Re-presented[1] 2021 Continuing operations	Re-presented[1] 2021 Discontinued operations	Re-presented[1] 2021 Total
Analysis of earnings:						
Profit attributable to shareholders' fund	11 153	710	11 863	9 026	447	9 473
Less: Net (profit)/loss on disposal of subsidiaries	(2 017)	3	(2 014)	(222)	–	(222)
Profit	(2 017)	3	(2 014)	(227)	–	(227)
Tax	–	–	–	5	–	5
Less: Net profit on disposal of associated companies	–	–	–	(7)	–	(7)
Profit	–	–	–	(6)	–	(6)
Non-controlling interest	–	–	–	(1)	–	(1)
Less: Equity-accounted non-headline earnings	(628)	–	(628)	8	–	8
Plus: Impairments	73	–	73	(235)	24	(211)
Gross	101	–	101	(231)	22	(209)
Tax	(17)	–	(17)	–	–	–
Non-controlling interest	(11)	–	(11)	(4)	2	(2)
Headline earnings	8 581	713	9 294	8 570	471	9 041

[1] *Prior year re-presented due to discontinued operations. Refer to note 32 for additional information.*

Million	2022	2021
Number of shares:		
Weighted number of ordinary shares in issue	2 226,9	2 226,9
Less: Weighted Sanlam shares held by subsidiaries and consolidated vehicles (including policyholders and B-BBEE SPV)	(177,8)	(164,8)
Adjusted weighted average number of shares for basic earnings per share	2 049,1	2 062,1
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	28,8	25,7
Adjusted weighted average number of shares for diluted earnings per share	2 077,9	2 087,8

24 Collateral

24.1 Collateral provided

R million	2022	2021
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments	1 061	499
Interest-bearing investments	662	86
Cash, deposits and similar securities	399	413
Working capital assets	597	219
Trading account	525	219
Cash, deposits and similar securities	72	–
The transferee does not have the right to sell or repledge the assets.		

24.2 Collateral received

R million	2022	2021
The Group is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government interest bearing investments to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent. Scrip lending agreements are governed by Global Master Securities Lending Agreement (GMSLA). The main risk in scrip lending activities is the risk of default by the borrower of securities, i.e. the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees. The following collateral has been received in respect of securities lending activities conducted by the Group.		
Fair value of collateral accepted as security for these activities:	7 686	13 983
Carrying value of scrip on loan:	6 865	12 537
Collateral of between 100% (2021: 100%) and 120% (2021: 120%) of the value of the loaned securities is held at 31 December 2022.		
Fair value of collateral accepted as security for credit facilities provided to clients:	5 566	7 378
Sanlam has the legal right to liquidate the collaterised securities if the loan reaches a level of 70% of the value of these securities.		
Fair value of other collateral received relates to preference share investments of the margin business which the Group is permitted to sell only in the case of default.		
Carrying value of the related preference share investments	4 875	5 562
Collateral (mainly equity securities) of between 130% (2021: 140%) and 176% (2021: 250%) of the value of the preference share investments is held at 31 December 2022.	2 717	3 213
Fair value of the collateral held that the Group is permitted to sell or repledge internally in the absence of default.	–	784
Fair value of collateral held that the Group is not permitted to sell or repledge (including cash margins)	1 690	1 758
Fair value of collateral sold or repledged	–	540
This relates to shares pledged as security for loans granted. The borrower has to maintain a certain minimum loan cover ratio and has to post cash margin or additional shares if the ratio drops below the agreed minimum. Sanlam is allowed to place some of these shares as collateral for other securities, but this contract came to an end during 2022. There are however also collateral placed in terms of loans granted that is not allowed to be sold or repledged.		

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 from the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

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

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 208 for additional information.

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

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

Refer to pages 235 to 237 respectively for the main assumptions applied in determining the embedded value of covered business and the value in use of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 233 and 234 respectively.

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 61 to 63.

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	
Expected investment return %	2022	2021	2022	2021	2022	2021
Individual stable bonus business						
Retirement annuity business	12,7	11,5	21,0	17,8	12,7	9,7
Individual policyholder business	10,3	9,3	16,1	13,8	11,9	8,3
Non-taxable business	12,7	11,5	n/a	n/a	12,7	9,7
Corporate policyholder business	9,6	8,6	n/a	n/a	11,9	8,3
Individual market-related business						
Retirement annuity business	13,0	11,8	21,0	17,8	13,0	10,0
Individual policyholder business	10,6	9,6	16,1	13,8	12,2	8,7
Non-taxable business	13,0	11,8	n/a	n/a	13,0	10,0
Corporate policyholder business	10,0	9,0	n/a	n/a	12,2	8,7
Participating annuity business	11,5	10,3	n/a	n/a	11,1	9,1
Non-participating annuity business[1]	11,4	10,6	21,7	20,3	11,2	10,0
Guarantee plans[1]	4,6	5,4	6,8	5,3	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 4,5 years up to 30 June 2020. The effect of the COVID-19 pandemic experienced during this period was however excluded. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender, lapse and paid-up rates are based on the experience for the 4,75 years ending 30 September 2022.

Expenses

Unit expenses are based on 31 October 2022 actual figures plus estimates for the last two months of the year (adjusted for significant differences from actual) and escalated at assumed expense inflation rates per annum.

Refer to note 2 on page 233 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

25 Critical accounting estimates and judgements *continued*

25.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2021: 10%) from management's estimates, no impairment of the DAC asset would be required.

25.4 The ultimate liability arising from claims under general insurance contracts

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

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

Refer to the Capital and Risk Management Report on page 12 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 2022. The ultimate costs of claims are always uncertain and different outcomes to those assumed are possible.

Judgement is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the exposure to CBI claims. There remains, however, uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery).

The judgement applied includes:

Insurance liabilities:

- The assumptions used to determine the underlying exposure at a policy level
- The impact of the claims payment experience to date

Reinsurance assets:

- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty
- Expected recoveries from applicable reinsurance contracts

The projected ultimate net insurance liability at 31 December 2021 was R2,55 billion. This comprised gross claims payments of R3,2 billion, a gross liability provision of R3,2 billion for open claims, a reinsurance recovery net of reinstatement premiums of R0,6 billion and a reinsurance asset of R3,2 billion.

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

Provisions for CBI claims have been reviewed at year-end, considering the underlying exposure, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, the projected net ultimate liability for CBI claims has reduced by R714 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates. There is still, however, uncertainty in relation to the ultimate liability which will only be eliminated once the process has been finalised.

A sensitivity analysis on the net CBI provision of R1,9 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 projected ultimate net insurance exposure of 4% (2021: 6%). A 10% negative movement in the assumptions used would result in an increase in the projected ultimate net insurance exposure of 4% (2021: 6%).

25.5 Valuation of unlisted investments

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

Refer to note 33 for additional information.

25.6 Consolidation of investment funds

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

25.7 Deferred tax assets

During 2016, changes to the South Africa insurance tax legislation gave rise to a change in the probability and timing of utilisations of historic losses in certain tax funds. As a result, management determined that it is now probable that these losses will be utilised and therefore that a deferred tax asset should be raised. In determining the extent to which these losses should be recognised, management forecast future profits, including the impact of new business, where applicable, as well as other business decisions that may affect future profits. Changes in these assumptions, as well as decisions made by the Group in future may affect the extent to which these losses are utilised. Changes in the Taxation Laws Amendment Act 20 of 2021 announced the 80% limitation on the use of assessed losses effective for tax years ending on or after 31 March 2023 (applicable to the Sanlam Group from 1 January 2023). Tax losses carried forward may only be applied against 80% of taxable income. This amendment impacted the level of the deferred tax asset held.

25.8 Financial assets: Impairment

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

Refer to Investments note 9.3.2, Trade receivables note 11.1 and Working capital cash note 35.

26 Retirement benefits for employees

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

Defined benefit plans

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

Defined contribution plans

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

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

At 31 December 2022, 100% of employees were covered by defined contribution funds and none by defined benefit funds (2021: 100%).

26.1 Defined contribution pension funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R827 million to these funds during 2022 (2021: R807 million).

26 Retirement benefits for employees *continued*

26.2 Defined benefit pension funds

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

- Sanlam Investments Holdings UK Limited; and
- Sanlam Developing Markets defined benefit fund SA.

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

Both the Sanlam Investments Holdings UK Limited as well as Sanlam Developing Markets SA funds were in materially sound positions at 31 December 2022.

Principal actuarial assumptions:		Sanlam Investments Holdings UK Limited[1]	Sanlam Developing Markets SA
2022			
Valuation date		31 December 2022	31 December 2022
Pre-retirement discount rate	% pa	4,8%	11,8%
Post-retirement discount rate	% pa	4,8%	6,5%
Future pension increases	% pa	3,1%	5,0%
Actual experience:			
Actual return on assets	% pa	1,7%	0,0%
2021			
Valuation date		31 December 2021	31 December 2021
Pre-retirement discount rate	% pa	1,8%	10,8%
Post-retirement discount rate	% pa	1,8%	5,5%
Future pension increases	% pa	3,0%	5,0%
Actual experience:			
Actual return on assets	% pa	(1,3%)	0,0%

[1] *Sanlam Investments and Pensions was sold during May 2022. The defined benefit pension fund is guaranteed by Sanlam Investments Holdings UK Limited refer to note 28.2.8 for additional information.*

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

R million	2022	2021	2020	2019	2018
Net liability recognised in Statement of Financial Position:					
Actuarial value of fund assets	913	1 442	1 371	1 144	1 741
Present value of fund obligations	(808)	(1 271)	(1 330)	(1 071)	(1 740)
Net present value of funded obligations	105	171	41	73	1
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	(105)	(171)	(41)	(73)	(1)
Net asset recognised in Statement of Financial Position	–	–	–	–	–

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2022				
Balance at 1 January 2022	1 442	(1 271)	(171)	–
Contributions – employer	26	–	–	26
Benefit payments	(35)	44	–	9
Interest income/(expense)	32	(29)	(3)	–
Actuarial gains and losses: change in financial assumptions	(13)	378	–	365
Returns from plan assets (excluding amounts included in interest)	(454)	–	–	(454)
Foreign exchange gains and (losses)	(79)	70	–	(9)
Effect of limiting defined benefit asset to amount available to employer	–	–	69	69
Other	(6)	–	–	(6)
Balance at 31 December 2022	913	(808)	(105)	–
2021				
Balance at 1 January 2021	1 371	(1 330)	(41)	–
Contributions – employer	28	–	–	28
Benefit payments	(24)	34	–	10
Interest income/(expense)	24	(25)	–	(1)
Actuarial gains and losses: change in financial assumptions	(14)	137	–	123
Returns from plan assets (excluding amounts included in interest)	(32)	–	–	(32)
Foreign exchange gains and (losses)	97	(87)	–	10
Effect of limiting defined benefit asset to amount available to employer	–	–	(130)	(130)
Other	(8)	–	–	(8)
Balance at 31 December 2021	1 442	(1 271)	(171)	–

	2022 R million	2021 R million	2022 %	2021 %
Fund assets comprise:				
Equities and similar securities	243	362	27%	25%
Interest-bearing investments	557	960	60%	66%
Cash, deposits and similar securities	31	34	4%	3%
Insurance policy	82	86	9%	6%
	913	1 442	100%	100%

The above value of fund assets includes an investment of Rnil (2021: Rnil) in Sanlam Shares.

R million	2022	2021
Net expense recognised in the Statement of Comprehensive Income (included in administration costs):		
Other	6	8
Total included in staff costs	6	8
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
Due within one year	(17)	(20)
Due from one to five years	(33)	(46)
Due after five years	(758)	(1 205)
Total expected payments	(808)	(1 271)

26.3 Medical aid funds

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

27 Borrowing powers

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

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

28 Commitments and contingencies

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

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

28.1 Leasing commitments

R million	2022	2021
Future lease commitments:		
Lease rentals due within one year	45	29
Lease rentals due from one to five years	114	110
Lease rentals due after five years	58	77
Total lease commitments	217	216

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

28.2 Guarantees provided in favour of SanFin and others

- Sanlam has guaranteed obligations that may arise under SanFin's unlisted commercial paper programme, as well as SanFin's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R20 billion, but both these and the direct guarantees are subject to an overall R6,75 billion guarantee utilisation limit in terms of the Group governance processes. At 31 December 2022 the utilisation of guarantees by SanFin amounted to R5,6 billion (2021: R4,2 billion).
- Sanlam has provided security to third parties in respect of the preference share business subject to and within the overall approved limit of 35% of debt to adjusted equity, currently R31 billion (2021: R13 billion).
- Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.
- Sanlam Life Insurance Limited has approved a guarantee facility, in March 2018 in respect of the distribution agreement between Sanlam Life and Savings and Capitec, which has been launched during 2018. The facility is subject to an internal limit of R500 million. Performance guarantees with the sum of R500 million (2021: R312 million) have been issued in respect of the sales up to 31 December 2022.
- Sanlam Limited irrevocably and unconditionally guarantees to the noteholders of the Sanlam Life Insurance Limited's R2 billion unsecured unsubordinated notes under its R6 billion programme, the due and punctual performance of all obligations arising under the programme. Refer to note 16 for additional information.
- During 2020 Sanlam Emerging Markets Proprietary Limited (SEM) entered into a performance guarantee agreement with Stanbic Bank Kenya Limited (Stanbic Kenya) for a revolving credit facility to be provided to Sanlam Kenya PLC (Sanlam Kenya), to an aggregate limit of approximately KES3 billion (circa R410 million) (SEM Guarantee). Sanlam Limited will be providing an irrevocable guarantee to Stanbic Kenya for the due performance by SEM of its obligations to Sanlam Kenya in terms of the SEM Guarantee. The facility has been utilised in full during 2021.

- Sanlam Pan Africa issued a five-year guarantee of up to R500 million to the Bank of Africa in respect of Colina business operations which has expired in April 2021. Another guarantee of R413 million which expires 31 December 2025 has been entered into during December 2020 and has been fully utilised during 2021.
- Guarantee to the trustees of Merchant Investors Staff Pension Scheme Trustees Limited for the due performance of its guaranteed obligations by Sanlam's wholly owned subsidiary, Sanlam Investments Holdings UK Limited, limited to a maximum of GBP 18 million (circa R368 million).

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

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

28.3 Litigation, disputes and investigations

The Competition Commission released a media statement on 25 August 2022 in which it indicated that it was investigating pricing practices relating to eight South African life insurance companies, including Sanlam and Brightrock. The Group is engaging with the Commission to better understand its concerns and respond accordingly.

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 Groups financial position.

29 Related parties

29.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its relationship with Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' (UBI) role as the Group's Broad-Based Black Economic Empowerment (B-BBEE) partner and jointly pursuing investments in complimentary financial services businesses, the Group does not enter into transactions with UBI in the normal course of business. During 2017, the Group provided preference share funding of R500 million (carrying value at 31 December 2022: R688 million and 31 December 2021: R644 million) to a Special Purpose Vehicle (SPV) co-owned by UBI and the Sanlam Ubuntu-Botho Community Development Trust on arms' length terms. Refer to note 24 for additional information. The preference shares are redeemable after 10 years, carry a dividend rate of 72,5% of the prime lending rate and are secured by Sanlam shares at a minimum of 1,25 times cover ratio. The preference shares will participate in 10% of the net asset value of the SPV at the time of redemption.

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

African Rainbow Capital Financial Services Holdings (Pty) Ltd (ARC FS), has purchased 25% of the shares in Sanlam Investment Holdings Capital (Pty) Ltd (an investment company that holds the 3rd party asset management business of Sanlam Investment Holdings (SIH)). ARC is a wholly-owned subsidiary of UBI which is, a material shareholder in Sanlam and accordingly deemed a related party.

29 Related parties *continued*

29.1 Major shareholders *continued*

Sanlam Life is a 25% non-controlling shareholder of ARC Financial Services Investments Proprietary Limited with African Rainbow Capital Financial Services Holdings (Pty) Ltd (ARC FS) retaining the majority a 75% shareholding. ARC FS is owned 50,1% by African Rainbow Capital Pty Ltd (ARC) and 49,9% by the ARC Fund.

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

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

29.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R853 million in 2022 (2021: R807 million).

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

29.3 Transactions with directors

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

29.4 Transactions with entities in the Group

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

Included in note 9.3.2 under Corporate interest-bearing investment is R28 million (2021: R804 million) which relates to the corporate interest-bearing investments in Bank Windhoek Limited and Letshego Holdings Limited.

The Group provides loans to Sanlam Personal Loans. The carrying value of these loans amounts to R3 097 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 September 2025.

Sanlam authorised funding of up to R2 billion to Sanlam Private Wealth (SPW) to facilitate funding for equity-backed loans provided to SPW clients. Utilisation at 31 December 2022 amounted to R1 334 million (2021: R1 293 million).

29.5 Policy administration

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

29.6 Key management personnel compensation

R million	2022	2021
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	782	826
Share-based payments[1]	133	128
Termination benefits	36	4
Other long-term benefits and incentive schemes	33	55
Total key management personnel compensation	**984**	**1 013**

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

30 Notes to the cash flow statement

30.1 Cash utilised in operations

R million	Note	2022	2021
Profit before tax per Statement of Comprehensive Income		17 017	17 502
Profit before tax from continuing operations		15 179	15 338
Profit before tax from discontinued operations		1 838	2 164
Net movement in policy liabilities	15.1	7 540	75 774
Non-cash flow items		21 375	(68 174)
Depreciation		927	1 032
Bad debts written off		127	140
Share-based payments		531	506
Profit on disposal of subsidiaries and associates		(2 014)	(234)
Fair value adjustments and change in external investors' liability		24 148	(68 716)
Net monetary loss		27	2
Impairment of investments and goodwill		108	88
Amortisation of intangibles		657	1 248
Equity-accounted earnings		(3 136)	(2 240)
Items excluded from cash utilised in operations		(34 470)	(29 728)
Interest and preference share dividends received		(21 957)	(18 486)
Interest accrued		1 202	1 012
Dividend accrued		(13 715)	(12 254)
Net acquisition of investments		(25 999)	(13 125)
Increase in net working capital assets and liabilities		6 738	2 252
Cash utilised in operations		**(7 799)**	**(15 499)**

30.2 Acquisition of subsidiaries

R million	2022	2021
During the year, various interests in subsidiaries were acquired within the Group.		
Investments in associated companies	(845)	–
The fair value of assets acquired via business combinations is as follows:		
Equipment	(6)	–
Right-of-use assets	(24)	–
Goodwill	(887)	(36)
Value of business acquired	(135)	–
Other intangible assets	(73)	(106)
Long-term reinsurance assets	(642)	–
Investments	(74)	–
Deferred tax assets	(16)	–
Trade and other receivables	(245)	–
Taxation	(10)	–
Cash, deposits and similar securities	(675)	–
Long-term policy liabilities	900	–
Lease liabilities	30	–
Deferred tax liabilities	53	–
Trade and other payables	416	–
Provisions	27	–
Total purchase consideration	(2 206)	(142)
Plus: Previously held interest at fair value	81	–
Plus: Deferred consideration payable	256	–
Plus: Share Capital and preference shares issued	891	–
Cash element consideration	(978)	(142)
Plus: Cash, deposits and similar securities acquired	675	–
Plus: Contingent liability	–	49
Cash component of acquisition of subsidiaries	(303)	(93)

The acquisitions during the current period relate to a 50% holding in aYo Holdings Limited (investment in associate) for a consideration of R845 million, acquisition of the 51% remaining shareholding of Indwe Broker Holdings Group (Pty) Ltd from ARC Financial Services Investments (Pty) Ltd for a consideration of R83 million, acquisition of Alexander Forbes Life risk business for a consideration of R100 million as well as ABSA Investments for a total purchase consideration of R1 097 million. Refer to note 31 for additional information.

30 Notes to the cash flow statement *continued*

30.3 Disposal of subsidiaries and associated companies

R million	2022	2021
During the year, various interests in subsidiaries were disposed of within the Group.		
Investments in associated companies	41	3
The fair value of assets disposed of were as follows:		
Equipment	8	1
Right-of-use assets	8	–
Goodwill	–	46
Other intangible assets	6	3
Deferred tax assets	1	1
Non-current assets held for sale	80 692	2 301
Trade and other receivables	67	34
Cash, deposits and similar securities	–	11
Lease liabilities	(7)	–
Non-current liabilities held for sale	(78 869)	(441)
Working capital liabilities	–	(7)
Trade and other payables	(54)	–
Non-controlling interest	(5)	(653)
Profit on disposal of subsidiaries and associates	2 014	234
Total disposal price	3 902	1 533
Less: Cash and cash equivalents disposed of	(3 298)	(9)
Less: Deferred purchase consideration and loan settled	(414)	–
Less: Deemed disposal adjustment	(41)	(41)
Cash component of disposal of subsidiaries and associated companies	149	1 483

The disposals during the period mainly relates to the disposal of the UK businesses. Refer to note 32 for more information.

30.4 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

R million	Note	2022	2021
Working capital: Cash and cash equivalents	35.1	23 557	27 701
Investment cash	9.3.2	46 928	39 175
Bank overdrafts	11.2	(16)	(1 153)
Total cash, deposits and similar securities – as per the Statement of Financial Position		70 469	65 723
Less: Investment cash with original maturities of greater than 3 months		(28 077)	(19 227)
Plus: Cash, deposits and similar securities included in non-current assets held for sale		12 381	3 582
Total cash and cash equivalents – as per Statement of Cash Flow		54 773	50 078

Included in cash and cash equivalents are restricted cash balances of R9 626 million (2021: R4 847 million) relating mainly to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchange traded derivatives.

30.5 Non-cash transactions

Interest and dividend income in respect of investment funds to the amount of R3 098 million (2021: R3 044 million) and R1 958 million (2021: R1 367 million) were reinvested. Both of these transactions represent non-cash transactions and also affected the "Net acquisition of investments" in note 30.1 above.

31 Business combinations

Material acquisitions of the Group consolidated in the 2022 financial year

31.1 Alexander Forbes Life

Effective 31 March 2022, the Sanlam Group acquired Alexander Forbes's group risk and retail life businesses through a Section 50 transfer for a consideration of R100 million of which R50 million is still payable.

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

R million	Total
Assets	
Equipment	1
Value of business acquired	135
Long-term reinsurance assets	642
Working capital assets- Cash, deposits and similar securities	258
Total identifiable assets	1 036
Liabilities	
Long-term policy liabilities	900
Deferred tax liability	35
Working capital liabilities- Provisions	1
Total identifiable liabilities	936
Total equity and liabilities	936
Total identifiable net assets	100
Net purchase consideration	100
Less: Deferred consideration	(50)
Net consideration	50

The revenue and other comprehensive income since acquisition date included in the consolidated Statement of Comprehensive Income as at 31 December 2022 is, R692 million and R74 million, respectively.

31.2 Absa Investments

In October 2021 Sanlam and Absa announced that an agreement was reached to combine investment management businesses in a transaction which will result in an asset management company with assets under management, administration and advice greater than R1 trillion. Absa Financial Services Limited (AFS) exchanged its investment business, Absa Investments, for a stake of up to 17.5% in Sanlam Investment Holdings Propriety Limited (SIH) for an acquisition value of approximately R890 million. Absa Investments comprises of Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers RF (Pty) Ltd (excluding the Absa Prudential Money Market Fund) and Absa Multi Managers. The acquisition date is 1 December 2022. 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.

The goodwill arising on the acquisition is attributable to synergies and future opportunities expected.

31 Business combinations *continued*

31.2 Absa Investments *continued*

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

R million	Total
Assets	
Goodwill	7
Investments	74
Deferred tax	8
Working capital assets	
Trade and other receivables	209
Cash, deposits and similar securities	262
Tax assets	1
Total identifiable assets	561
Liabilities	
Deferred tax liability	1
Working capital liabilities	
Trade and other payables	257
Provisions	27
Total identifiable liabilities	285
Total equity and liabilities	285
Total identifiable net assets	276
Goodwill arising on acquisition	821
Net purchase consideration	1 097
Less: Deferred consideration	(206)
Less: Share capital issued by SIH	(604)
Less: Preference shares issued by SIH	(287)
Net consideration	–

The revenue and other comprehensive income of Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Multi Managers and Absa Fund Managers RF (Pty) Ltd since acquisition date included in the consolidated Statement of Comprehensive Income as at 31 December 2022 is R43 million and R13 million respectively. The revenue and other comprehensive income of the combined entity for the current reporting period as though the acquisition date occurred at the beginning of the reporting period is R2 672 million and R518 million respectively.

Trade Receivables had a fair value of R188 million at acquisition date, it comprised of loans and advances to banks R138 million, accounts receivables R39 million and loans and advances R11 million. The gross amount is R188 million and it is expected that the full contractual amount will be collected.

31.3 Immaterial business combinations

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

R million	Total
Assets	
Equipment	30
Value of business acquired	66
Deferred tax	8
Working capital assets	201
Trade and other receivables	45
Cash, deposits and similar securities	156
Taxation	–
Total identifiable assets	305
Liabilities	
Lease liability	30
Deferred tax liability	17
Working capital liabilities- Trade and other payables	159
Total identifiable liabilities	206
Total equity and liabilities	206
Total identifiable net assets	99
Goodwill arising on acquisition	66
Net purchase consideration	165
Purchase consideration	165
Less: Previously held at fair value	(40)
Net consideration	125

32 Disposal groups, discontinued operations and assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5: Non-current Assets Held For Sale and Discontinued Operations, in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Below is a summary of non-current assets and disposal groups held for sale:

R million	Segment	Valuation methodology	Fair value hierarchy	Note	Non-current assets held for sale	Non-current liabilities held for sale	Net
31 December 2022							
Assets					865	–	865
Investment properties	Sanlam Life and Savings	Fair value	Level 3	32.1	860	–	860
Owner-occupied properties	Sanlam Emerging Markets	Carrying value			5	–	5
Disposal groups					340	(330)	10
LIA	Sanlam Emerging Markets	Carrying value		32.2.4	340	(330)	10
Discontinued operation					117 868	(83 090)	34 778
Sanlam Pan Africa	Sanlam Emerging Markets	Carrying value		32.3.1	117 868	(83 090)	34 778
Total					119 073	(83 420)	35 653
31 December 2021							
Assets					582	–	582
Investment properties	Sanlam Life and Savings	Fair value	Level 3		539	–	539
	Sanlam Emerging Markets	Fair value	Level 3		43	–	43
Disposal groups					80 804	(78 700)	2 104
Sanlam Life and Pensions UK	Sanlam Investments Group	Fair value less costs to sell	Level 3	32.2.1	78 325	(77 857)	468
Sanlam UK Wealth Management operations	Sanlam Investments Group	Carrying value	n/a	32.2.2	1 690	(277)	1 413
NSIA Participation (NSIA)	Sanlam Emerging Markets	Carrying value	n/a	32.2.3	789	(566)	223
Total					81 386	(78 700)	2 686

32 Disposal groups, discontinued operations and assets classified as held for sale *continued*

32.1 Investment Properties

During 2022, the Sanlam Property Committee approved the sale of 7 South African Properties. Potential buyers for all 7 properties have been identified and the purchase prices are equivalent to the valuation prices performed by an independent valuer. The sale and purchase agreements have been initiated. The sales are expected to be finalised during 2023.

32.2 Disposal groups

32.2.1 Sanlam Life and Pensions UK (Sanlam Investment Group)

Sanlam Life and Pensions (SLP) was reclassified as a disposal group held for sale at 30 June 2021 following the Sanlam Board decision to sell the investment. The transaction was concluded on the 27th of April 2022, resulting in a profit on sale of R334 million on group level.

32.2.2 Sanlam UK Wealth Management operations (Sanlam Investment Group)

Sanlam Private Investments and Sanlam Wealth Planning and their subsidiaries have been reclassified as a disposal group held for sale at 31 October 2021 following the Sanlam Board decision to sell the investment. The transaction was concluded on the 6th May 2022, resulting in a profit on sale of R1 591 million on a group level.

32.2.3 NSIA (Sanlam Emerging Markets)

Sanlam entered into a share purchase agreement to sell all the shares held in Sanlam Guinee, Sanlam Congo, Sanlam Gabon Vie and Sanlam Togo Vie (subsidiaries of San JV) to NSIA Participation (NSIA). The transaction was concluded on the 16th of June 2022 after all conditions precedent relating to the sale were met including receipt of regulatory approvals. The total consideration was XOF 7 869 million (approximately R202 million) of which XOF 3 793 million (approximately R96 million) is only payable within a year's time.

32.2.4 LIA (Sanlam Emerging Markets)

In August 2022 Sanlam Emerging Markets entered into a share purchase agreement to sell all the shares it holds in LIA ASSUREX SAL and its subsidiary, Total Care Lebanon (TCL) to MARIUS SARADAR HOLDING, pending regulatory approvals. LIA ASSUREX SAL owns 70% shareholding in TCL. The asset and liabilities of these Sanlam subsidiaries have been reclassified to disposal group held for sale as at 31 December 2022. The transaction's effective date is only expected during the first half of 2023.

Assets and liabilities of disposal group:

The following assets and liabilities were reclassified as held for sale as at 31 December 2022.

R million	2022
Assets of disposal group classified as held for sale:	
Deferred acquisition costs	9
Long-term reinsurance assets	4
Investments	32
Equities and similar securities	2
Interest-bearing investments	14
Cash, deposits and similar securities	16
General insurance technical assets	71
Working capital assets	224
Trade and other receivables	215
Cash, deposits and similar securities	9
Total assets	340
Liabilities of disposal group classified as held for sale	
Long-term policy liabilities – Insurance contracts	64
General insurance technical provisions	98
Working capital liabilities	168
Trade and other payables	160
Provisions	4
Tax payable	4
Total liabilities	330

32.3 Discontinued operations

32.3.1 Sanlam Pan Africa (Sanlam Emerging Markets)

Sanlam Pan Africa (SPA) have been reclassified as a discontinued operation held for sale at 30 June 2022 following entering into a definitive agreement in respect of a long-term strategic joint venture arrangement regarding Sanlam's operations on the African continent, outside of South Africa with Allianz. Sanlam and Allianz will contribute their respective African operations into a newly incorporated joint venture company, creating a leading Pan-African financial services group with an extensive footprint across the African continent.

SPA is considered to be a separate major geographical area of operations based on its contribution to the Sanlam Emerging Markets. The SPA operations and cash flows can be clearly distinguished operationally and for financial reporting purposes, from the rest of the group. The classification as a discontinued operation is considered to be met.

The transaction is expected to be finalised mid 2023, whereafter, all else being equal, the incorporated joint venture will be equity-accounted by Sanlam as shareholder unanimous consent is required over relevant activities. If regulatory approval are not obtained and for any reason the transaction is not successful, the treatment prior to classification as held for sale would apply.

An impairment test was conducted prior to the reclassification as a disposal group. The expected proceeds are in line with the fair value less costs to sell. Fair value less cost to sell was higher than the carrying value and thus no impairment was recognised.

Financial performance relating to the discontinued operation for the year is set out below:

R million	2022	2021
Net income	24 485	22 318
Financial services income	28 794	25 565
Reinsurance premiums paid	(6 498)	(5 377)
Reinsurance commission received	916	730
Investment income	3 548	3 103
Investment surpluses	(2 040)	(1 521)
Change in fair value of external investors' liability	(235)	(182)
Net insurance and investment contract benefits and claims	(12 809)	(10 709)
Long-term insurance contract benefits	(3 560)	(2 281)
Long-term investment contract benefits	(185)	(543)
General insurance claims	(10 764)	(9 238)
Reinsurance claims received	1 700	1 353
Expenses	(9 793)	(8 830)
Sales remuneration	(4 662)	(3 934)
Administration costs	(5 131)	(4 896)
Impairments	(92)	(301)
Net impairment losses on financial assets	(92)	(279)
Other impairments	–	(22)
Amortisation of intangibles	(346)	(778)
Net operating result	1 445	1 700
Equity-accounted earnings	494	513
Finance cost – other	(76)	(49)
Net monetary loss	(25)	–
Profit before tax from discontinued operations	1 838	2 164
Taxation	(439)	(800)
Shareholders' fund	(443)	(787)
Policyholders' fund	4	(13)
Profit for the period from discontinued operations	1 399	1 364

32 Disposal groups, discontinued operations and assets classified as held for sale *continued*

32.3.1 Sanlam Pan Africa (Sanlam Emerging Markets) *continued*

Assets and liabilities of discontinued operations:

The following assets and liabilities were reclassified as held for sale as at 31 December 2022.

R million	2022
Assets of discontinued operations classified as held for sale:	
Equipment	573
Right-of-use assets	147
Owner-occupied properties	1 887
Goodwill	12 035
Value of business acquired	3 357
Other intangible assets	516
Deferred acquisition costs	277
Long-term reinsurance assets	564
Investments	72 304
Investment properties	8 240
Investments in associates and joint ventures	4 051
Equities and similar securities	9 918
Interest-bearing investments	29 577
Investment funds	13 456
Cash, deposits and similar securities	7 062
Deferred tax asset	911
General insurance technical assets	4 436
Working capital assets	20 861
Trade and other receivables	13 368
Tax receivable	777
Cash, deposits and similar securities	6 716
Total assets	117 868
Liabilities of discontinued operations classified as held for sale	
Long-term policy liabilities	41 311
Insurance contracts	35 089
Investment contracts	6 222
Term finance – Other interest-bearing liabilities	880
Lease liabilities	159
External investors in consolidated funds	3 754
Deferred tax liability	2 863
General insurance technical provisions	21 727
Working capital liabilities	12 396
Trade and other payables	10 655
Provisions	601
Tax payable	1 140
Total liabilities	83 090

The foreign exchange losses and employee benefits re-measurement gain recognised in other comprehensive income in relation to the discontinued operations for the year is R941 million (2021: R669 million) and R1 million respectively. The foreign currency translation reserve for the discontinued operating is R135 million as at 31 December 2022.

Cash flow information from discontinued operations

R million	2022	2021
Cash flow from operating activities	1 945	4 906
Cash flow from investment activities	(263)	(467)
Cash flow from financing activities	34	124
Net increase in cash and cash equivalents generated by discontinued operations	1 716	4 563

Classification of financial instruments of discontinued operations

	Fair value through profit or loss							
R million	Manda-torily	Desig-nated	Total fair value	Amor-tised cost gross	Expected credit loss allowance	Amor-tised cost net	Non financial Instruments	Total
Instruments	23 374	26 415	49 789	10 710	(486)	10 224	–	60 013
Equities and similar securities	9 918	–	9 918	–	–	–	–	9 918
Interest-bearing investments	–	20 807	20 807	9 172	(402)	8 770	–	29 577
Structured transactions	–	–	–	–	–	–	–	–
Investment funds	13 456	–	13 456	–	–	–	–	13 456
Cash, deposits and similar securities	–	5 608	5 608	1 538	(84)	1 454	–	7 062
Working capital assets	–	–	–	21 047	(2 257)	18 790	1 294	20 084
Trade and other receivables	–	–	–	14 326	(2 252)	12 074	1 294	13 368
Cash, deposits and similar securities	–	–	–	6 721	(5)	6 716	–	6 716
Total financial assets	23 374	26 415	49 789	31 757	(2 743)	29 014	1 294	80 097
External investors in consolidated funds	–	3 754	3 754			–	–	3 754
Investment contracts liabilities	–	6 222	6 222			–	–	6 222
Term finance	–	–	–			880	–	880
Trade and other payables	–	–	–			10 446	209	10 655
Total financial liabilities	–	9 976	9 976			11 326	209	21 511

32 Disposal groups, discontinued operations and assets classified as held for sale *continued*

32.3.1 Sanlam Pan Africa (Sanlam Emerging Markets) continued

Fair value information on discontinued operations

Recurring fair value measurements (financial instruments)

R million	Level 1[(1)]	Level 2[(1)]	Level 3	Total
31 December 2022				
Non-financial instruments				
Investment properties	–	–	8 240	8 240
Financial instruments	26 921	22 515	353	49 789
Equities and similar securities	8 600	981	337	9 918
Interest-bearing investments	10 809	9 998	–	20 807
Investment funds	7 512	5 928	16	13 456
Cash deposits and similar securities: Investments	–	5 608	–	5 608
Total assets at fair value	26 921	22 515	8 593	58 029
Financial instruments	3 754	6 222	–	9 976
Investment contracts liabilities	–	6 222	–	6 222
External investors in consolidated funds	3 754	–	–	3 754
Total liabilities at fair value	3 754	6 222	–	9 976

(1) *There were no transfers between level 1 and 2 in the current period.*

Unobservable inputs on discontinued operations

	2022	2021
Investment property – International portfolio		
Comparison		
Majority of the properties are valued by applying the comparison methodology (in line with RICS global valuation standards). As part of the comparison method, the value of the property is determined by reference to the sales or offers of goods that are identical or equivalent to the valued property and to the activity of the corresponding market. The value of the property is determined by the product of the weighted area and the unit price retained by comparison.		
Office buildings		
Weighted area	133m² – 1 870m²	224m² – 4 461m²
Annual rental income per m²	R12 892 – R45 122	R21 383 – R236 855
Retail buildings		
Weighted area	26m² – 1 402m²	38m² – 1 632m²
Annual rental income per m²	R17 727 – R67 683	R15 603 – R43 253
Other (domestic, including land and parking)		
Weighted area	184m² – 710 142m²	166m² – 710 142m²
Annual rental income per m²	R820 – R90 244	R5 734 – R263 509
Capitalisation of income		
A number of properties are valued in accordance with the income method. The income method has several variations, but is mainly based on the income that the property is likely to generate over its remaining life or a given period. This estimate is determined by reference to past recorded results and forecasts. When such data is not available, the capitalisation method over a single representative period is then applied.		
Capitalisation rates		
Office buildings	10,25% – 11,25%	8,25% – 9,50%
Retail buildings	4,75% – 12,37%	8,25% – 9,50%
Other (domestic, including land and parking)	4,5% – 10,02%	4,50% – 9,75%

33 Fair value disclosures

Financial instruments

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

Recognition and derecognition

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

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

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

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

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.

33 Fair value disclosures *continued*

Recognition and derecognition *continued*

Financial liabilities continued

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.

Initial measurement

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

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

Subsequent measurement

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

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

Impairment

The Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost (including contract assets/contract receivables)

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

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

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

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

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

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

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

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

Measurement of expected credit losses

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

Presentation of loss allowances in the Statement of Financial Position

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

Write-offs

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

Offsetting

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

Other financial liabilities

Other financial liabilities include:

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

Determination of fair value and fair value hierarchy

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

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

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

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

33 Fair value disclosures *continued*

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements 31 December 2022				
Non-financial instruments				
Investment properties	–	–	10 436	10 436
Financial instruments	518 394	246 311	4 308	769 013
Equities and similar securities	182 678	758	922	184 358
Investment in joint ventures	–	–	471	471
Interest-bearing investments	76 614	158 922	543	236 079
Structured transactions	540	17 451	–	17 991
Investment funds	247 043	15 185	2 262	264 490
Trade and other receivables	11 519	7 081	110	18 710
Cash deposits and similar securities: Investments	–	44 261	–	44 261
Cash deposits and similar securities: Working capital	–	2 653	–	2 653
Total assets at fair value	518 394	246 311	14 744	779 449
Financial instruments	88 232	489 597	401	578 230
Investment contract liabilities	–	456 738	–	456 738
External investors in consolidated funds	86 493	2 320	401	89 214
Term finance	–	4 570	–	4 570
Structured transactions liabilities	65	10 907	–	10 972
Trade and other payables	1 674	15 062	–	16 736
Total liabilities at fair value	88 232	489 597	401	578 230
Recurring fair value measurements 31 December 2021				
Non-financial instruments				
Investment properties	–	–	17 980	17 980
Financial instruments	561 338	235 583	4 225	801 146
Equities and similar securities	186 401	3 220	2 337	191 958
Investment in joint ventures	–	–	444	444
Interest-bearing investments	102 744	156 051	550	259 345
Structured transactions	585	11 849	–	12 434
Investment funds	261 685	15 752	708	278 145
Trade and other receivables	9 923	8 911	186	19 020
Cash deposits and similar securities: Investments	–	37 846	–	37 846
Cash deposits and similar securities: Working capital	–	1 954	–	1 954
Total assets at fair value	561 338	235 583	22 205	819 126
Financial instruments	86 689	486 799	360	573 848
Investment contract liabilities	–	454 538	–	454 538
External investors in consolidated funds	83 310	1 836	360	85 506
Term finance	10	4 534	–	4 544
Structured transactions liabilities	3	8 895	–	8 898
Trade and other payables	3 366	16 996	–	20 362
Total liabilities at fair value	86 689	486 799	360	573 848

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

R million	Investment properties	Equities and similar securities	Investment in joint ventures	Interest-bearing investments	Investment funds[2]	Trade and other receivables	Total assets
2022							
Assets							
Balance at 1 January 2022	17 980	2 337	444	550	708	186	22 205
Net gains/(loss) in Statement of Comprehensive Income[1]	1 182	(18)	27	20	(402)	(24)	785
Acquired through business combinations	50	–	–	–	–	–	50
Acquisitions	315	1 018	–	(27)	2 123	11	3 440
Disposals/settlements	(323)	(2 009)	–	–	(47)	(53)	(2 432)
Foreign exchange movements	(216)	(207)	–	–	–	(10)	(433)
Reclassified to non-current assets held for sale	(8 561)	(199)	–	–	(19)	–	(8 779)
Other movements	9	–	–	–	–	–	9
Transfer out of level 3	–	–	–	–	(101)	–	(101)
Balance at 31 December 2022	10 436	922	471	543	2 262	110	14 744
2021							
Balance at 1 January 2021	20 302	1 146	427	542	617	398	23 432
Net (loss)/gains in Statement of Comprehensive Income[1]	(371)	(178)	17	43	(377)	(226)	(1 092)
Acquisitions	720	1 543	–	1	528	1	2 793
Disposals/settlements	(955)	(72)	–	(36)	(59)	(46)	(1 168)
Foreign exchange movements	116	(69)	–	–	(1)	(5)	41
Reclassified to non-current assets held for sale	(2 193)	(33)	–	–	–	–	(2 226)
Transfer from owner-occupied property	361	–	–	–	–	–	361
Transfers into level 3	–	–	–	–	–	64	64
Balance at 31 December 2021	17 980	2 337	444	550	708	186	22 205

(1) *Net gains/(loss) in Statement of Comprehensive Income forms part of investment (deficits)/surpluses.*
(2) *Investment funds are priced on a more regular basis and have been transferred from level 3 to level 1.*

33 Fair value disclosures *continued*

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

R million	Investment contract liabilities	External investors in consolidated funds	Structured transaction liabilities	Total liabilities
2022				
Liabilities				
Balance at 1 January 2022	–	360	–	360
Net loss in Statement of Comprehensive Income[1]	–	16	–	16
Foreign exchange movements	–	25	–	25
Balance at 31 December 2022	–	401	–	401
2021				
Liabilities				
Balance at 1 January 2021	1 698	446	12	2 156
Net loss/(gains) in Statement of Comprehensive Income[1]	38	(115)	–	(77)
Acquisitions	29	–	–	29
Disposals	(154)	–	(12)	(166)
Foreign exchange movements	20	29	–	49
Reclassified to non-current liabilities held for sale	(1 631)	–	–	(1 631)
Balance at 31 December 2021	–	360	–	360

[1] *Net loss/(gains) in Statement of Comprehensive Income forms part of (deficits).*

R million	2022	2021
Gains or losses (realised and unrealised) in respect of level 3 financial instruments included in Statement of Comprehensive Income[1]		
Total losses included in Statement of Comprehensive Income for the period	(1 108)	(2 015)
Total unrealised gains/(losses) included in Statement of Comprehensive Income for the period for assets held at the end of the reporting period	1 202	(623)

[1] *Total realised and unrealised losses included in Statement of Comprehensive Income forms part of investment (deficits)/surpluses.*

Transfers between levels

R million	Interest-bearing investments[1]	Total assets
Assets		
2022		
Transfer from level 2 to level 1	(111)	(111)
2021		
Transfer from level 1 to level 2	7 329	7 329
Transfer from level 2 to level 1	(211)	(211)

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

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

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

33 Fair value disclosures *continued*

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base/ capitalisation rate
Investment properties						
2022						
Cashflow risk adjustments[1]	10 436	(1 044)	1 044			
Base rate[2]				9 979	n/a	n/a
Capitalisation				9 979	(429)	516

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple[3]	457	46	(46)

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
2021						
Cashflow risk adjustments[1]	17 980	(1 798)	1 798			
Base rate				9 111	(344)	371
Capitalisation				9 111	(429)	516

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple[3]	8 869	887	(887)

[1] *Investment properties comprise of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.*
[2] *The base rate has been replaced by using capitalisation rates determined by independent body South African Property Owners Association (SAPOA).*
[3] *Investment properties also comprises of Sanlam Pan Africa properties valued using a multiple of earnings.*

R million	Carrying amount	Effect of a 10% increase in price multiple	Effect of a 10% decrease in price multiple	Carrying amount	Effect of a 1% increase discount rate	Effect of a 1% decrease discount rate
Other investments						
2022						
Equities and similar securities	922	92	(92)			
Investment in joint ventures	471	47	(47)			
Interest-bearing investments				543	(28)	28
Investment funds	2 262	226	(226)			
Trade and other receivables				110	(1)	1
Total	3 655	365	(365)	653	(29)	29
2021						
Equities and similar securities	2 337	234	(234)			
Investment in joint ventures	444	44	(44)			
Interest-bearing investments				550	(31)	31
Investment funds	708	71	(71)			
Trade and other receivables				186	(14)	14
Total	3 489	349	(349)	736	(45)	45

Liabilities

R million	Carrying amount[1]	Effect of a 10% increase in price multiple	Effect of a 10% decrease in price multiple
2022			
External investors in consolidated funds	401	40	(40)
Total liabilities	401	40	(40)
2021			
External investors in consolidated funds	360	36	(36)
Total liabilities	360	36	(36)

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

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

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the Statement of Financial Position	Net amounts of financial instruments presented in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position: Other financial instruments[1]	Related amounts not set off in the Statement of Financial Position: Cash collateral received[2]	Net amount	Amounts not set off in the Statement of Financial Position[3]	Total amounts recognised in the Statement of Financial Position
31 December 2022								
Assets								
Working capital cash	1 565	(1 216)	349	(998)	(385)	(1 034)	24 591	23 557
Trading account assets	1 068	(1 030)	38	(1 022)	(22)	(1 006)	15 130	14 124
Structured transactions assets	10 165	(6 171)	3 994	–	–	3 994	13 997	17 991
Liabilities								
Trading account liabilities	7 858	(7 800)	58	(7 426)	(407)	(7 775)	25 569	17 794
Structured transactions liabilities[4]	2 090	(1 128)	962	–	–	962	10 010	10 972
31 December 2021								
Assets								
Working capital cash	1 699	–	1 699	(1 004)	(200)	495	27 206	27 701
Trading account assets	1 552	(55)	1 497	(1 173)	(244)	80	15 905	15 985
Structured transactions assets	4 324	(4 094)	230	–	–	230	12 204	12 434
Liabilities								
Trading account liabilities	10 014	(55)	9 959	(9 394)	(444)	121	19 736	19 857
Structured transactions liabilities[4]	4 680	(3 894)	786	–	–	786	8 112	8 898

[1] *The figures for other financial instruments column are made up of ISDA netting, CSA (Credit Support Agreement) collateral, repo's and scrip received. These amounts have been limited to the net amount recognised on the Statement of Financial Position.*
[2] *Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation). ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties. Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1. Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted. Security/collateral received refers to equity collateral that has been pledged to SanFin to cover events of default.*
[3] *Excludes enforceable netting arrangements.*
[4] *Structured transactions liabilities include derivative liabilities.*

35 Classification of other financial instruments

35.1 Working capital cash: Cash, deposits and similar securities

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

R million	2022	2021
Net amortised cost[1]	20 904	25 747
Gross	20 905	25 766
Expected credit loss allowance	(1)	(19)
Fair value through other comprehensive income[2]	2 653	1 954
Total working capital assets: Cash, deposits and similar securities	23 557	27 701

[1] *Working capital assets: Cash, deposits and similar securities that are classified at amortised cost carrying values approximates fair value, due to the short term nature of the instruments. These are classified as level 2 instruments and the valuation is based on discounted cash flows.*
[2] *Refer to note 33 for the fair value levels. No material adjustments to fair value occurred during the accounting period.*

Reconciliation of expected credit losses

R million	2022 Lifetime ECL (not credit impaired)	2021 Lifetime ECL (not credit impaired)
Balance at the beginning of the year	19	238
Net remeasurement of loss allowance	1	2
Reclassified as non-current assets held for sale	(16)	–
Foreign currency translation differences	(3)	(221)
Balance at the end of the year	1	19

35.2 External investors in consolidated funds

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

36 Reconciliations

36.1 Reconciliation between Group Statement of Comprehensive Income and shareholders' fund income statement

R million	2022 Total	2022 Shareholder activities	2022 Policyholder activities[2]	2022 IFRS adjustments[3]	Re-represented[1] 2021 Total	2021 Shareholder activities	2021 Policyholder activities[2]	2021 IFRS adjustments[3]
Continuing operations								
Net income	89 034	100 964	8 254	(20 184)	177 807	101 802	94 564	(18 559)
Financial services income	91 270	97 606	–	(6 336)	91 322	99 632	–	(8 310)
Reinsurance premiums paid	(17 373)	–	–	(17 373)	(14 704)	–	–	(14 704)
Reinsurance commission received	2 336	–	–	2 336	2 085	–	–	2 085
Investment income	32 965	1 709	25 129	6 127	28 701	1 072	22 516	5 113
Investment surpluses	(16 142)	1 649	(16 875)	(916)	86 238	1 098	72 048	13 092
Finance cost – margin business	(305)	–	–	(305)	(249)	–	–	(249)
Change in fair value of external investors liability	(3 717)	–	–	(3 717)	(15 586)	–	–	(15 586)
Net insurance and investment contract benefits and claims	(39 851)	(43 727)	(7 297)	11 173	(128 883)	(46 671)	(92 876)	10 664
Long-term insurance contract benefits	(18 833)	(16 990)	(735)	(1 108)	(42 059)	(22 634)	(19 109)	(316)
Long-term investment contract benefits	(6 562)	–	(6 562)	–	(73 224)	–	(73 767)	543
General insurance claims	(29 294)	(26 737)	–	(2 557)	(31 810)	(24 037)	–	(7 773)
Reinsurance claims received	14 838	–	–	14 838	18 210	–	–	18 210
Expenses	(35 498)	(38 582)	–	3 084	(34 340)	(37 430)	–	3 090
Sales remuneration	(11 235)	(12 654)	–	1 419	(10 790)	(11 881)	–	1 091
Administration costs	(24 263)	(25 928)	–	1 665	(23 550)	(25 549)	–	1 999
Impairments	(16)	(1 178)	(43)	1 205	213	66	45	102
Amortisation of intangibles	(311)	(346)	–	35	(470)	(738)	–	268
Net operating result	13 358	17 131	914	(4 687)	14 327	17 029	1 733	(4 435)
Equity-accounted earnings	2 642	275	–	2 367	1 727	57	–	1 670
Finance cost – other	(821)	–	–	(821)	(714)	–	–	(714)
Net monetary loss	–	–	–	–	(2)	–	–	(2)
Profit before tax	15 179	17 406	914	(3 141)	15 338	17 086	1 733	(3 481)
Taxation	(3 297)	(4 587)	(914)	2 204	(5 352)	(5 078)	(1 733)	1 459
Shareholders' fund	(3 022)	(4 587)	–	1 565	(2 907)	(5 078)	–	2 171
Policyholders' fund	(275)	–	(914)	639	(2 445)	–	(1 733)	(712)
Profit for the year from continuing operations	11 882	12 819	–	(937)	9 986	12 008	–	(2 022)
Profit for the year from discontinued operations	1 399	–	–	1 399	1 364		–	1 364
Profit for the year	13 281	12 819	–	462	11 350	12 008	–	(658)
Attributable to:								
Shareholders' fund	11 863	11 164	–	699	9 473	9 860	–	(387)
Non-controlling interest	1 418	1 655	–	(237)	1 877	2 148	–	(271)
	13 281	12 819	–	462	11 350	12 008	–	(658)

[1] *Prior year re-presented due to discontinued operations. Refer to note 32.3 for additional information.*
[2] *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.*
[3] *IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

36 Reconciliations *continued*

36.2 Reconciliation between Group Statement of Financial Position and shareholders' fund at net asset value

	2022				2021			
R million	Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve	Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
Assets								
Equipment	1 090	1 547	(457)	–	1 730	1 536	194	–
Rights-of-use assets	1 036	1 114	(78)	–	1 481	1 397	84	–
Owner-occupied properties	686	2 496	(1 810)	–	2 582	2 503	79	–
Goodwill	5 001	16 434	(11 433)	–	16 431	16 431	–	–
Value of business acquired	876	4 235	(3 359)	–	4 718	4 718	–	–
Other intangible assets	612	1 031	(419)	–	746	731	15	–
Deferred acquisition costs	2 984	2 624	360	–	3 225	2 633	592	–
Long-term reinsurance assets	2 469	–	2 469	–	2 188	–	2 188	–
Investments	787 100	108 949	684 289	(6 138)	834 287	104 373	737 404	(7 490)
Investment property	10 436	5 855	4 581	–	17 980	6 157	11 823	–
Investment in associates and joint ventures	20 721	22 938	(2 217)	–	22 755	21 157	1 598	–
Equities and similar securities	184 358	11 716	178 780	(6 138)	191 958	14 534	184 914	(7 490)
Interest-bearing investments	242 176	33 370	208 806	–	271 840	30 717	241 123	–
Structured transactions	17 991	479	17 512	–	12 434	382	12 052	–
Investment funds	264 490	23 836	240 654	–	278 145	25 644	252 501	–
Cash, deposits and similar securities	46 928	10 755	36 173	–	39 175	5 782	33 393	–
Deferred tax	1 600	1 806	(906)	700	3 154	2 213	–	941
Non-current assets classified as held for sale	119 073	878	118 195	–	81 386	3 154	78 232	–
General insurance technical assets	14 672	19 108	(4 436)	–	19 525	19 525	–	–
Working capital assets	69 387	73 987	(4 600)	–	84 725	69 131	15 594	–
Trade and other receivables	45 256	46 040	(784)	–	55 806	43 802	12 004	–
Tax receivable	574	918	(344)	–	1 218	1 165	53	–
Cash, deposits and similar securities	23 557	27 029	(3 472)	–	27 701	24 164	3 537	–
Total assets	1 006 586	234 209	777 815	(5 438)	1 056 178	228 345	834 382	(6 549)
Equity and liabilities								
Shareholders' fund	71 533	76 971	–	(5 438)	69 379	75 928	–	(6 549)
Non-controlling interest	13 409	13 304	105	–	13 517	13 462	55	–
Long-term policy liabilities	607 380	–	607 380	–	641 196	–	641 196	–
Insurance contracts	150 642	–	150 642	–	186 658	–	186 658	–
Investment contracts	456 738	–	456 738	–	454 538	–	454 538	–
Term finance	14 654	11 917	2 737	–	15 116	11 499	3 617	–
Lease liabilities	1 371	1 458	(87)	–	1 789	1 704	85	–
Structured transactions liabilities	10 972	229	10 743	–	8 898	270	8 628	–
External investors in consolidated funds	89 214	–	89 214	–	85 506	–	85 506	–
Cell owners' interest (third party)	7 123	7 123	–	–	4 900	4 900	–	–
Deferred tax	2 185	4 096	(1 911)	–	7 311	3 633	3 678	–
Non-current liabilities classified as held for sale	83 420	266	83 154	–	78 700	1 023	77 677	–
General insurance technical provisions	40 383	62 110	(21 727)	–	57 559	57 559	–	–
Working capital liabilities	64 942	56 735	8 207	–	72 307	58 367	13 940	–
Trade and other payables	62 866	53 025	9 841	–	69 123	55 391	13 732	–
Provisions	232	800	(568)	–	628	597	31	–
Tax payable	1 844	2 910	(1 066)	–	2 556	2 379	177	–
Total equity and liabilities	1 006 586	234 209	777 815	(5 438)	1 056 178	228 345	834 382	(6 549)

[1] *Includes the impact of IFRS adjustments.*

37 Unconsolidated structured entities

The Group does not consolidate the structured entities where it either does not have the power to control the investment decisions or is exposed to significant variable returns from the structured entities.

38. Standards issued but not yet effective: IFRS 17 – Insurance contracts

38.1 Background

IFRS 17 – Insurance Contracts replaces *IFRS 4 – Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Group commenced with the application of the Standard on 1 January 2023 and will restate 2022 comparatives when reporting on 2023 financial periods.

The Group applies *IFRS 17 – Insurance Contracts* to insurance and reinsurance contracts it issues, reinsurance contracts it holds and investment contracts with discretionary participation features (DPF) it issues. All references to insurance contracts apply to insurance contracts issued or acquired, reinsurance contracts issued or held, and investment contracts with DPF issued, unless specifically stated otherwise.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and aims to ensure that the Group provides relevant information that faithfully represents the insurance contracts of the Group. This will provide a basis for users of the financial statements to assess the effect that the insurance contracts have on the Group's financial position, performance and cash flows.

IFRS 17 requires new disclosures about the amounts recognised in the financial statements, including detailed reconciliations of insurance liabilities, the measurement impact of recognising new contracts, and disclosures about significant estimates and judgements made when applying the Standard. Disclosures will be expanded with additional detail on the nature and extent of risks related to insurance contracts.

The Group has disclosed known or reasonably estimable information relevant to assessing the possible impact that the application of IFRS 17 will have on its financial statements in the period of initial application that was available when the 2022 financial statements were authorised for issue. The Group has assessed the expected impact of the initial application of IFRS 17 on the Statement of Financial Position as at 31 December 2021. Based on the calculations performed to date, the Group expects the total IFRS equity to increase by between R12 billion and R15 billion (net of tax) on 1 January 2022. Refer to section 38.6 for further details.

In addition to IFRS disclosures, Sanlam also publishes Shareholders Information in line with how the Group manages the business. The Group does not expect significant changes to the non-IFRS key performance indicators and segmental analysis that are currently presented in the Shareholders Information reporting. There will be different reconciling items between the IFRS financial statements and Shareholders' Information under IFRS 17 compared to the current reconciliation under IFRS 4. These differences are explained in more detail in section 38.8.

38.2 Readiness for IFRS 17

38.2.1 Progress

The Group has progressed well with the activities required for the adoption of IFRS 17. In the initial stages of the centrally driven Group IFRS 17 implementation Programme ("the Programme"), a blueprint was developed which included systems design, data requirements and policy and methodology decisions. All implementation is aligned to this blueprint.

Group policy and methodology decisions, key judgements and significant estimations and assumptions relating to products were finalised in 2022, and transition values calculated on this basis.

Full end-to-end testing of the IFRS 17 policies and systems/models was carried out by running year-to-date June 2022 results. Tests highlighted some system and data quality issues which have since been addressed, in preparation for a subsequent parallel run of the December 2022 results. Regular training of all impacted stakeholders was carried out in parallel to equip stakeholders with the understanding of the expected impact of IFRS 17 on financial results, and to refine and embed the new reporting processes, including the on-boarding of management teams, audit committees and boards across the Group.

38.2.2 Further developments in 2023

The Programme is closed, with the IFRS 17 policies and systems/models handed over to the businesses. In 2023, the following activities will be completed for the Group:

- Comparative results and disclosures, including the audit thereof.
- Operational updates comparative information restatement.
- Ongoing combined assurance reviews of IFRS 17 systems and models.

38.3 Accounting policies relating to insurance liabilities and profit entitlement

38.3.1 Introduction

The nature of the impending changes in accounting policies relating to insurance liabilities and profit entitlement is covered in the sections below.

38.3.2 Classification of insurance contracts

The Group's insurance contracts are classified as follows:

1 Insurance contracts without direct participation features

A contract is classified as an *insurance contract without direct participation features where* the Group provides insurance coverage. The definition of insurance risk is aligned with the requirements of IFRS 4, except that IFRS 17 explicitly specifies that the overall loss to the Group as a result of an insured event should be determined on a present value basis. This clarification of the assessment of insurance risk is not expected to have a significant impact on net policy liabilities.

The accounting model applied to these insurance contracts (including reinsurance contracts issued and/or held) for liability measurement purposes is the General Measurement Model (GMM), unless the Premium Allocation Approach (PAA) applies. The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the insurance contract liabilities for certain eligible types of contracts.

Risk underwriting business will be measured using the GMM, unless the PAA applies (see page 164 for more information). Non-participating life annuities (excluding term certain annuities) will be measured using the GMM.

2 Insurance contracts with direct participation features

The Group issues *insurance contracts with direct participation features* that are substantially investment-related service contracts where underlying items are managed on behalf of the policyholders. The Group expects to pay amounts to these policyholders equal to a substantial share of the fair value returns on the underlying items, and a substantial proportion of any change in the amounts to be paid to the policyholders is expected to vary with the change in fair value of the underlying items. Underlying items comprise reference portfolios of investment assets that determine the amounts payable to the policyholders.

The accounting model applied to these insurance contracts for liability measurement purposes is the Variable Fee Approach (VFA).

Investment business with minimum investment guarantees and participating annuities will be measured using the VFA. Combined policies relate to contracts that give rise to investment and insurance risk, and will be measured using the VFA if assessed to be substantially investment-related, or else these contracts will be measured using the GMM.

3 Investment contracts with discretionary participation features (DPF)

Investment contracts with DPF are in scope of IFRS 17 as the Group also issues insurance contracts. These contracts do not include a transfer of significant insurance risk and will be measured under the VFA if it meets the eligibility requirements of direct participating contracts. Refer to page 61 for the criteria for investment contracts to be classified with DPF.

Smoothed bonus contracts will be measured using the VFA if the DPF criteria are met.

Other investment contracts with or without investment management services fall within the scope of *IFRS 9 – Financial Instruments* and are designated as at fair value through profit or loss.

The application of IFRS 17 will result in some reclassification of contracts between insurance contracts and investment contracts. This is not expected to have a significant impact on the net policyholder liabilities presented in the balance sheet.

38.3.3 Aggregation of insurance contracts

Insurance contracts within each broad product line are allocated to portfolios of insurance contracts that are managed together and subject to similar risks.

The portfolios are further divided into the groups of insurance contracts required by IFRS 17 based on recognition date (refer to section 38.3.4 for further details) and expected profitability.

Portfolios of insurance contracts issued will be divided into groups of insurance contracts at initial recognition based on whether contracts are expected to be profitable or loss-making, where relevant. Groups of insurance contracts are loss-making (onerous) if the fulfilment cash flows allocated to each contract at initial recognition in total are a net outflow. For insurance contracts measured under the PAA, the Group has assumed that these contracts are not onerous at initial recognition. For reinsurance contracts the references to onerous contracts are replaced with references to contracts on which there is a net gain at initial recognition.

Each group of contracts does not include contracts issued more than one year apart in the same group.

These groups represent the level of aggregation at which insurance revenue is measured. Such groups are not subsequently reconsidered.

38. Standards issued but not yet effective: IFRS 17 – Insurance contracts *continued*

38.3 Accounting policies relating to insurance liabilities and profit entitlement *continued*

38.3.4 Measurement of insurance contracts

The Group measures insurance contracts by performing year-to-date estimates of the carrying amount of the insurance liabilities.

IFRS 17 is not expected to have a significant impact on the initial recognition date or contract boundaries of insurance contracts issued and reinsurance contracts held for the material lines of insurance business within the Group.

The measurement of a group of insurance contracts (including the contractual service margin) with cash flows in more than one currency, will be denominated in a single currency based on the dominant currency in which expected cash flows are generated.

Recognition

The Group recognises insurance contracts issued or reinsurance contracts held from the beginning of the coverage period, or if earlier, the date when the first payment from the policyholder is due or actually received for insurance contracts issued.

Contract boundaries

Sanlam includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the reporting period in which the Group:

- can compel the policyholder to pay premiums; or
- has a substantive obligation to provide the policyholder with insurance contract services.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group considers the legal rights and the commercial substance of the contracts in this assessment.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Initial measurement (excluding PAA)

On initial recognition, the Group will measure a group of insurance contracts as the total of the:

- fulfilment cash flows; and
- contractual service margin (CSM).

Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary. Fulfilment cash flows are determined separately for insurance contracts (including reinsurance contracts) issued and reinsurance contracts held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes. Fulfilment cash flows exclude expense cash flows not directly attributable to the fulfilment of the insurance contracts.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For reinsurance contracts held, the risk adjustment reflects that some of this uncertainty will be ceded to the reinsurer. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Refer to page 61 for more information on the determination of the best estimate of future experience.

Risk adjustment

The main sources of non-financial risk are the estimates related to decrement rates for mortality and morbidity, persistency rates and expenses. Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and are therefore excluded from the risk adjustment. Operational risk will be excluded from the risk adjustment as it is mainly related to general operational risk that cannot be directly attributed to the fulfilment of the insurance contracts.

IFRS 17 does not require a specific technique to estimate the risk adjustment, with the confidence level technique highlighted as a possible approach. The material lines of business in Sanlam Life and Savings (SLS) and Santam adopt a confidence level technique, whereas the businesses in SEM use a margins approach. The confidence level is determined based on each cluster's level of risk appetite for bearing the non-financial risk arising from the uncertain amount and timing of cash flows.

The confidence level technique is determined with reference to a particular target confidence level. A distribution of fulfilment cash flows is required, from which the risk adjustment is determined based on the standard deviation around the mean for the target confidence level. The standard deviation is estimated assuming the same risk distribution used for solvency purposes.

The margins approach requires the calibration of margins based on historic decrement/expense experience and fitting a statistical distribution to the data. Margins are initially calibrated on an independent basis for each risk type based on a specified confidence level. The margins are applied as percentage changes to the best estimate assumptions. The direction of each margin is tested independently and the direction that increases the best estimate liability (BEL) is adopted. The increase in the BEL resulting from these margins represent the risk adjustment.

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the Group expects to recognise as it provides insurance contract services.

- If a group of insurance contracts is not onerous at initial recognition, the CSM will be measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows. This results in no income or expenses arising on initial recognition.
- If a group of insurance contracts is onerous at initial recognition, the Group will immediately recognise this net outflow in profit or loss. Following this, a loss component will be created to represent these losses recognised in profit or loss. Subsequently an increase or reversal of losses on onerous groups of insurance contracts will be presented in profit or loss.

For reinsurance arrangements a loss recovery component is established when underlying onerous groups of insurance contracts are recognised, which will offset the insurance losses for the portion of the contracts being reinsured.

Discount rates

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows.

Cash flows will be divided between cash flows that vary based on the returns on underlying items and cash flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns on underlying items will be discounted using rates that reflect that variability. The discount rates applied to cash flows that vary based on the returns on underlying items are consistent with the future investment return assumptions.

A zero-coupon yield curve, adjusted to reflect the illiquidity of the group of insurance contracts where applicable, will be applied to cash flows that do not vary based on the returns on underlying items. Insurance contracts such as non-participating life annuities that cannot be surrendered or lapsed, are illiquid.

Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts at each reporting date will be the sum of:

- the liability for remaining coverage, comprising:
  - the fulfilment cash flows related to service to be provided under the contract in future periods; and
  - the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported.

38. Standards issued but not yet effective: IFRS 17 – Insurance contracts *continued*

38.3 Accounting policies relating to insurance liabilities and profit entitlement *continued*

38.3.4 Measurement of insurance contracts continued

Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Fulfilment cash flows for past incurred claims include the discounted value of the estimates of future payments arising from these claims, for example the estimated future benefit payments on income protection contracts and riders such as premium waivers.

Contractual service margin

For groups of insurance contracts measured under the GMM, the CSM at the start of the period is explicitly accreted with interest based on the discount rates applied to the fulfilment cash flows at initial recognition.

For groups of insurance contracts measured under the VFA, the CSM at the start of the period is implicitly accreted with interest equal to the effect of the time value of money on the variable fee in each period.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past) or future service:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

For groups of insurance contracts measured under the GMM, changes in fulfilment cash flows related to future service are based on the discount rates applied to the fulfilment cash flows at initial recognition. Changes in the estimates that relate to the effect of the time value of money and the effect of financial risk and changes therein, do not adjust the CSM and are recognised in profit or loss.

For groups of insurance contracts measured under the VFA, the fulfilment cash flows will be determined as the obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future services. Changes in the fair value of the underlying items do not adjust the CSM. The Group has chosen not to apply the risk mitigation option and therefore changes in the cost of minimum investment guarantees will adjust the CSM.

In general, premium-related experience adjustments are related to current or past service. Experience adjustments relating to premiums received for future coverage are an exception to this general rule.

An amount of the CSM is recognised in insurance revenue in profit or loss in each reporting period based on the insurance contract services provided under the group of contracts (refer to the next sub-section for further details).

Coverage units

The CSM will be recognised as insurance revenue (income) over the duration of insurance (reinsurance) contracts based on the number of coverage units provided in each period. Coverage units are determined for broad product types to best reflect the rendering of insurance contract services in a particular reporting period.

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The quantity of benefits will typically be determined based on the maximum amounts that policyholders can claim in each period. The coverage units are updated at each reporting date to reflect the actual experience over the reporting period and the expected coverage to be provided in the future.

Contracts measured under the PAA

The PAA will be applied to all contracts with a contract boundary of one year or less. In some scenarios, the PAA will also be applied where the Group expects that the measurement under the PAA model would produce a measurement of the liabilities that would not differ materially from the one that would be produced by applying the GMM.

The liability of remaining coverage under the PAA represents the portion of the premiums related to future service. IFRS 17 is not expected to have a significant impact on the insurance liabilities for contracts measured under PAA, except for general insurance business due to the impact of discounting incurred claims.

A risk adjustment is determined for the liabilities for incurred claims where there is uncertainty in the size of the estimate and/or the timing of the future cash flows.

Derecognition

The Group derecognises a contract when the rights and obligations relating to the contract are extinguished, i.e. expired, discharged, or cancelled.

If a contract modification results in derecognition, a new contract is recognised on the modified terms. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

38.3.5 Explanation of recognised insurance amounts in profit or loss

IFRS 17 will significantly change how insurance contracts are presented and disclosed in the Group's consolidated financial statements.

Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Group, adjusted for the discounting effect and excluding any investment components. Investment components are amounts payable to the policyholder in all circumstances. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, the total consideration for a group of contracts covers the following:

- expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- amount of the CSM recognised in profit or loss;
- release of the risk adjustment for risk expired (excluding amounts allocated to the loss component);
- amounts related to income tax that are specifically chargeable to policyholders;
- premium experience adjustments relating to current service (including experience adjustments arising from related cash flows such as insurance acquisition cash flows); and
- amortisation of insurance acquisition cash flows.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

The main components of insurance profits recognised in insurance service expenses are:

- the actual incurred claims and administration expense cash flows (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- actual incurred acquisition expense cash flows on insurance contracts measured under the PAA (where businesses do not elect to include these cash flows in the liability for remaining coverage);
- expected future losses on onerous groups of contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows for contracts not measured under the PAA.

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses will be recognised separately in profit or loss.

The combined impact of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

38. Standards issued but not yet effective: IFRS 17 – Insurance contracts *continued*

38.3 Accounting policies relating to insurance liabilities and profit entitlement *continued*

38.3.5 Explanation of recognised insurance amounts in profit or loss continued

Income or expenses from reinsurance contracts

The Group will present income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

Insurance finance income and expense

The Group recognises all insurance finance income or expenses for the reporting period in profit or loss. The Group has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.

Under the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

38.4 Transition

The IFRS 17 Standard is applicable to annual periods beginning on or after 1 January 2023. However, the requirement for 2022 comparative information means that the IFRS 17 transition statement of financial position is required at 1 January 2022.

When determining the insurance liabilities at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is "impracticable" to do so based on the requirements in *IAS 8: Accounting policies, Changes in Accounting Estimates and Errors*. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met. The FVA has to be applied if there is no reasonable and supportable information to apply the MRA.

The transition approach will be determined at a group of insurance contracts level. The high-level distribution of transition approaches across the Group is summarised below:

- The FRA will be applied to groups of contracts measured under the PAA;
- For contracts measured under the GMM or VFA, the FRA is not expected to be applied to any groups of contracts issued before 1 January 2016. The retrospective calculation start date will vary depending on the availability of historic data, assumptions and models.
- The FVA will be applied to the remaining groups of contracts, including closed books of business.

Full retrospective approach

It is impracticable to adopt the FRA for groups of contracts at the date of transition if:

- the approach cannot be applied retrospectively after a reasonable effort was made by businesses to demonstrate that it will not be possible to collect the required information or create information where the required data is unavailable (for example, due to system migrations, data retention policies, and changes in requirements in terms of IFRS 17); or
- hindsight is needed to determine the estimates at prior periods, i.e. the measurement of the fulfilment cash flows and CSM should apply management's estimates at that point in time, with only the information that would have been available at that point in time (for example, assessing the level of aggregation of contracts at the inception date, and if the estimates needed to determine the risk adjustment during periods where solvency information on the latest regulatory framework was not available).

Fair value approach

The FVA is applied if retrospective application is impracticable or if the MRA is not applied. Under this approach the CSM (or loss component) is calculated as the difference between the fair value of the group of insurance contracts and the IFRS 17 fulfilment cash flows. The fair value will be determined in accordance with *IFRS 13: Fair Value Measurement*.

IFRS 13 defines fair value as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"*. The transaction price is therefore based on a general market participant's view of the fair value of the group of insurance contracts.

The fair value is forward-looking and therefore future cash flows within the contract boundary will be included in the fair value estimation, including non-attributable expenses. No other material adjustments are made to the future expected cash flows when compared to the IFRS 17 estimates of future cash flows.

The income approach will be used in determining the fair value of the insurance contracts. This approach converts a stream of future expected cash flows to a current single amount, reflecting market participants' expectations of the future amounts.

There will be an initial capital outlay for the buyer of the insurance contracts based on the transaction price agreed between the buyer and the seller on the transaction date, and the total required capital that the buyer expects to set up on the transaction date. The transaction price is determined such that the buyer earns the required rate of return (hurdle rate) on the initial capital outlay.

The requirements in sections 38.3.2 and 38.3.3 will be assessed based on what the business would have determined given the terms of the contract and the market conditions at the date of initial recognition.

38.5 Summary of impact of IFRS 17 on the Group

The expected IFRS 17 impact on the Group is summarised below post effective date:

Statement of Financial Position	**Increase in total IFRS equity** of between R12 billion and R15 billion (net of tax) on 1 January 2022.
Statement of Comprehensive Income	**Profit after tax attributable to Shareholders is expected to accelerate marginally for life insurance businesses**. The overall impact will depend on the mix and volume of future new business relative to the in-force book. Limited impact is expected for general insurance businesses.
Shareholders' fund income statement	**Attributable earnings in the Shareholders' fund income statement will continue to be equal to profit after tax attributable to Shareholders in the IFRS income statement**. There will be new adjustments between the IFRS financial statements and Shareholders' Information.
Tax changes for South African insurers	**Limited impact on earnings** – the additional tax payments for life insurance businesses will be funded from the balance sheet.

The detail behind the summary is elaborated on below.

38.6 Impact on the Statement of Financial Position

The increase in total shareholders' equity is largely driven by the impact of the:

- net reduction in policyholder liabilities (increase in equity):
  - The best estimate of future cash flows is expected to be lower than under IFRS 4. This is mainly driven by the exclusion of non-attributable expense cash flows and the impact of discounting incurred claims on general insurance business.
  - There will be differences in the calibration of the compulsory margins under IFRS 4 compared to the risk adjustment for non-financial risk in terms of IFRS 17. For example, the inclusion of margins for financial risk was permitted under IFRS 4.
  - Implicit discretionary margins (such as liability zeroisation margins) will be released and replaced by the CSM which represents unearned future insurance profits. The CSM is expected to be less than the implicit discretionary margins on initial application of IFRS 17. Other explicit discretionary reserves held under IFRS 4 will also be released, for example the asset mismatch reserve (AMR) will be released from insurance liabilities and held as new shareholders' fund reserves.

38. Standards issued but not yet effective: IFRS 17 – Insurance contracts *continued*

38.6 Impact on the Statement of Financial Position *continued*

- treatment of treasury shares (increase in equity):
  - For the purposes of transition to IFRS 17, Sanlam has elected not to eliminate the investment in Sanlam Limited shares held by policyholder portfolios (where the Group promises to generate investment returns under the insurance contracts based on the underlying assets) and related consolidated IFRS 10 vehicles, resulting in an increase of investments in equity instruments.
- derecognition of the value of business acquired (VOBA) that relates to existing insurance contracts (decrease in equity):
  - IFRS 4 allowed the recognition of an intangible asset (VOBA), however this is no longer an option under IFRS 17 and will be derecognised on transition.

Presentation

Portfolios of insurance/reinsurance contracts that are assets and those that are liabilities, will be presented separately in the Statement of Financial Position under IFRS 17.

38.7 Impact on the Statement of Comprehensive Income

The Group is performing assessments to determine the overall impact of IFRS 17 on profit after tax for the year ended 31 December 2022. IFRS 17 will introduce consistent principles for recognising profits as insurance contract services are provided, therefore impacting the timing of profit recognition.

The following changes are expected to impact profit recognition under IFRS 17:

- The net reduction in policy liabilities at transition will reduce subsequent profits from the in-force book.
- There will be an initial net acceleration in profits on new business sold after the initial application of IFRS 17 which is mainly due to the deferral of acquisition costs. The overall net impact will depend on the mix and volume of new business relative to the margins released from the in-force book.
- The impact of certain changes in best estimate assumptions will be deferred over the lifetime of the contracts via the CSM, whereas these impacts are taken through profit or loss in each period under IFRS 4.
- The release of the asset mismatch reserve (AMR) from the policyholder liabilities (as covered in the previous section) will increase the volatility of investment variances related to insurance contracts. This impact of short-term volatility in markets will continue to be absorbed by the AMR in the shareholders' fund income statement under IFRS 17 (refer to section 38.8 for further details).
- The pattern of CSM recognition and risk adjustment release is expected to be more predictable and based on when services are provided.

In line with past practices and previous market communications, as allowed by IFRS 4, Sanlam re-established a pandemic reserve in 2022. IFRS 17 does not allow the continuation of existing prudent practices related to these reserves which will lead to an increase in profits recognised under IFRS17 compared to IFRS 4 for the comparative 2022 period. However, the assets released from policyholder funds are expected to be retained in shareholders' fund reserves under IFRS 17 to allow for the impact of any future pandemic events.

38.8 Impact on the Shareholders' fund income statement

This section provides further details on expected changes to shareholders' fund income statement (segmental reporting in terms of IFRS 8). In line with past practice, the Group will continue to prepare Shareholders Information in addition to the IFRS financials, including the Shareholders' fund income statement.

The Shareholders' fund income statement will continue to be representative of Sanlam's financial performance from operational and investment activities. Attributable earnings in the Shareholders' fund income statement will continue to be equal to profit after tax attributable to Shareholders in the IFRS income statement, with a reconciliation between the IFRS and Shareholders' fund income statements.

As covered in section 38.6 the AMR will be held as new shareholders' fund reserves under IFRS 17. In line with past practice, the AMR will continue to absorb the impact of short-term volatility in markets in net result from financial services (NRFFS) in the Shareholders' fund income statement. This will require a new line in the Shareholders' fund income statement to offset any adjustments in NRFFS against the net movement in AMR.

IFRS 17 will introduce artificial accounting mismatches related to the measurement impact of locking in discount rates at the inception of contracts measured under the GMM. These mismatches will be removed from NRFFS by including offsetting amounts as Fund transfers.

Dividends/cash earnings

Under IFRS 17, adjustments will be applied to NRFFS in the Shareholders' fund income statement to remove non-cash earnings for dividend purposes. For example, a proportion of retained earnings is non-cash due to the deferral of acquisition costs under IFRS 17 and will therefore not be distributable as dividends. Cash earnings will not be presented on the face of the income statement, but will be disclosed as a note to the Shareholders' fund income statement which includes a reconciliation between NRFFS and cash earnings.

38.9 Impact of changes in tax legislation in South Africa

Changes to section 29A of the South African Income Tax Act have been enacted to cater for the implementation of IFRS 17. The phasing-in period for dealing with the income tax impact of the transition amount will be 6 years. This phasing-in period is in line with the transition phasing-in period when the new solvency regime was introduced in South Africa in 2018.

The main impact on Sanlam of the proposed tax amendments is accelerated tax payments for South African life insurance businesses on the net reduction in liabilities with a corresponding increase in deferred tax liabilities at transition. However, this acceleration in tax payments will be provided for in current reserves with no impact on earnings. The changes in tax legislation are expected to have limited impact on the timing of tax payments for South African general insurance businesses.

Sanlam Limited Statement of Financial Position

at 31 December

R million	Note	2022	2021
ASSETS			
Investment in subsidiaries	2	27 572	29 846
Working capital assets		851	20
Loans to group companies	2	753	18
Trade and other receivables		96	–
Cash		2	2
Total assets		28 423	29 866
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	12 783	12 783
Non-distributable reserves		9 342	9 342
Retained earnings		2 519	4 242
Total Equity		24 644	26 367
Working capital liabilities		3 779	3 499
Loans from group companies	2	2 809	2 729
Accounts payable		766	770
Taxation payable		204	–
Total equity and liabilities		28 423	29 866

Sanlam Limited Statement of Comprehensive Income

for the year ended 31 December

R million	Note	2022	2021
Net income		8 235	12 021
Dividend income		7 192	8 337
Interest income		9	5
Investment surpluses and other income	4	1 015	1 867
Reversal of impairments	2	19	1 812
Expenses			
Administration costs	5	(24)	(22)
Impairments	2	(2 293)	–
Profit before tax		5 918	11 999
Taxation	11	(203)	(1)
Profit for the year		5 715	11 998

Sanlam Limited Cash Flow Statement

for the year ended 31 December

R million	Note	2022	2021
Cash flow from operating activities		655	1 529
Cash utilised in operations	10	(6)	(97)
Dividends received		7 192	8 240
Dividends paid		(7 438)	(6 582)
Investment surpluses		897	–
Interest income		9	5
Taxation paid		1	(37)
Cash flow from investment activities		–	(1 997)
Investment in subsidiaries		–	(1 997)
Increase/(decrease) in cash and cash equivalents		655	(468)
Cash and cash equivalents – beginning of the year		(2 711)	(2 243)
Cash and cash equivalents – end of the year		(2 056)	(2 711)

Sanlam Limited Statement of Changes in Equity

for the year ended 31 December

R million	Note	Share capital	Share premium	Non-distributable reserve[1]	Retained income	Total
Balance at 1 January 2021		22	12 761	9 342	(1 074)	21 051
Profit for the year		–	–	–	11 998	11 998
Dividends declared	6	–	–	–	(6 682)	(6 682)
Balance at 1 January 2022		22	12 761	9 342	4 242	26 367
Profit for the year		–	–	–	5 715	5 715
Dividends declared	6	–	–	–	(7 438)	(7 438)
Balance at 31 December 2022		22	12 761	9 342	2 519	24 644

[1] *Pre-acquisition reserves arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited notes to the financial statements

for the year ended 31 December

1 Accounting Policies

The accounting policies of the Sanlam Limited group as set out on pages 58 to 63 are also applicable to Sanlam Limited except for investments in subsidiaries which are reflected at cost or at a lower value if there is an impairment in value.

The following new or revised IFRS and interpretations became effective on 1 January 2022 and have therefore been applied:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements to IFRS Standards 2018-2020, pertaining to IFRS 9

2 Investment in subsidiaries and loans with Group companies

R million	2022	2021
Investment in subsidiaries – shares at cost less impairments	27 572	29 846
Loans with Group companies	(2 056)	(2 711)
Loans to Group companies	753	18
Loans from Group companies	(2 809)	(2 729)
Net interest in Group companies	25 516	27 135
Net (impairment)/reversal of investments in Group companies		
Genbel Securities Limited	(946)	1 281
Sanlam Invest (Pty) Limited	(673)	500
Sanlam PrefCo (Pty) Limited	19	31
Sanlam Investment Holdings UK	(674)	–
Total net impairment of investment in Group companies	(2 274)	1 812
Fair value of net investment in Group companies	163 346	172 223

Genbel Securities Limited

Due to a decrease in the underlying fair values in the unlisted subsidiaries driven by investment returns and economic assumption changes, there was a fair value write down resulting in a recognised impairment loss of R946 million. The recoverable amount for impairment testing purposes has been determined based on the value in use of the businesses. The value in use was determined on a discounted cash flow valuation basis.

Sanlam Invest (Pty) Limited

Sanlam Invest (Pty) Ltd forms part of the Group Office reporting segment. In 2022, due to the decreased performance of financial markets locally there was an impairment of R673 million on the value in Sanpref (Pty) Ltd. The recoverable amount for impairment testing purposes has been determined based on the value in use of the businesses. The value in use was determined on a discounted cash flow valuation basis.

Sanlam PrefCo (Pty) Limited

Due to an increase in profits for the year, there was a reversal of impairments to the value of R19 million. The recoverable amount for impairment testing purposes has been determined based on the value in use of the businesses. The value in use was determined on a discounted cash flow valuation basis.

Sanlam Investment Holdings UK

During 2022, due to a decrease in the underlying fair values in the unlisted subsidiaries mainly from the disposal of Sanlam Private Investments UK as well as economic assumptions changes impacting Sanlam Investments UK, there was a fair value write down resulting in a recognised impairment loss of R674 million. The recoverable amount for impairment testing purposes has been determined based on the value in use of the businesses. The value in use was determined on a discounted cash flow valuation basis.

Loans: Group companies

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

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

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

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

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

The loans to/from Group companies are unsecured and repayable on demand. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 178.

Investment in Group companies

Investment in group companies are carried at cost less accumulated impairment. The fair values disclosed are classified level 3 instruments in terms of IFRS 13. Investment management subsidiaries are valued on a discounted cash flow (DCF) basis, subsidiaries that conduct life insurance business are valued at embedded value plus a multiple of new life insurance business and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 33 on page 147.

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

R million	2022	2021
Loans to Group companies		
Sanlam Life Insurance Limited	753	–
Sanlam Investment Management Holdings (Pty) Limited	–	18
	753	18
Loans from Group companies		
Sanlam Invest (Pty) Limited	11	11
Sanlam PrefCo (Pty) Limited	2 310	2 310
Sanlam Investment Management Holdings (Pty) Limited	175	–
Sanlam Life Insurance Limited	–	95
Genbel Securities Limited	265	264
Loans from others		
Sanlam Foundation	48	49
	2 809	2 729

3 Share capital and premium

Details of share capital and premium are reflected in note 12 on page 99 of the Sanlam Limited group financial statements.

Sanlam Share Account Nominee (Pty) Limited (SSA), serves as a nominee company for the holders of shares in Sanlam Limited, which holders have acquired such Sanlam Limited shares, amongst others, pursuant to the demutualisation of Sanlam Life Insurance Limited in 1998. During 2021, SSA became the beneficial holder of 16 981 148 Sanlam Limited shares (Forfeited Sanlam Shares), which shares were forfeited by the holders thereof who have become unknown and untraceable in accordance with the terms and conditions governing the holding of shares in Sanlam Limited through SSA (SSA Terms and Conditions) for no consideration. Under the SSA Terms and Conditions, SSA have sold the 16 981 148 shares during November and December 2022. The shares were sold for R897 million.

4 Investment surpluses

R million	2022	2021
Investment surpluses	897	–
Financial assets designated as at fair value through profit of loss	–	1 673
Other income	118	194
	1 015	1 867

5 Administration costs include:

R million	2022	2021
Directors' remuneration		
Detail of the directors' remuneration are reflected in the Remuneration Report.		
Audit fees: statutory audit	9	9

6 Dividends

Details of the dividends declared are disclosed on page 66 of the Sanlam Limited group financial statements.

7 Borrowing powers

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

8 Commitments and contingencies

Details of commitments and contingencies are reflected in note 28.2 on page 132 of the Sanlam Limited group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R6,8 billion (2021: R7 billion).

9 Related parties

Details of related parties are reflected in note 29 on page 133 of the Sanlam Limited group financial statements.

10 Notes to the cash flow statement

R million	2022	2021
Cash from operations		
Profit before tax	5 918	11 998
Non-cash flow items		
Impairment on investments in subsidiaries	2 293	–
Reversal of impairment on investments in subsidiaries	(19)	(1 812)
Fair value adjustment	–	(1 673)
Other income	–	(194)
Items disclosed separately		
Dividends received	(7 192)	(8 337)
Investment surpluses	(897)	–
Interest Income	(9)	(5)
Decrease in net working capital liabilities	(100)	(74)
Cash generated from/(utilised) operations	(6)	(97)

11 Taxation

Tax Rate Reconciliation

%	2022	2021
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(35,5)	(28,0)
Non-deductible expenses	11,0	–
Effective tax rate	3,5	–

Non-taxable income includes dividends received and reversal of impairment in subsidiaries. Non-deductible expenses includes impairments in subsidiaries.

12 Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. Loss allowances are recognised on these loans in terms of IFRS 9, by establishing whether the borrowing Group company has sufficient accessible liquid assets in order to repay the loan if demanded at the reporting date. If the borrowing Group company is not able to repay the loan if demanded at the reporting date, then Sanlam Limited considers the expected manner of recovery to measure expected credit losses. The credit quality of the loans receivable has been assessed as acceptable within the parameters used to measure and monitor credit risk. The circumstances as at the Statement of Financial Position date is not expected to change in the foreseeable future.

R million	2022	2021
Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
Carrying value of loans granted	753	18

Further details of risk management are disclosed in the Capital and Risk Management Report on page 12.

13 Principal subsidiaries

at 31 December 2022

R million	% Interest	Issued ordinary capital 2022	Interest in subsidiaries – Shares 2022	Shares 2021	Loans 2022	Loans 2021
Long-term insurance						
Sanlam Life Insurance Limited	100	5 000	146 249	149 346	753	(95)
Investment and capital markets						
Genbel Securities Limited	100	2 415	6 930	7 876	(265)	(264)
Investment management and consulting						
Sanlam Investment Holdings Capital Holdings Limited	75	(1)	3 357	3 357	–	–
Sanlam Investment Holdings (UK) Limited	100	1 686	2 037	5 777	–	–
Sanlam Investment Management Holdings (Pty) Limited	100	2 428	2 462	3 628	(175)	18
Investment companies						
Sanlam Spec (Pty) Limited[(2)(3)]	100	(1)	(1)	(1)	–	–
Sanlam Invest (Pty) Limited	100	2 497	1 824	–	(11)	(11)
Sanlam Share Incentive Trust	100	(1)	(1)	(1)	–	–
Sanpref (Pty) Limited	100	(1)	(1)	(1)	–	–
Sanlam PrefCo (Pty) Ltd	100	(1)	2 453	2 434	(2 310)	(2 310)
Other						
Sanlam Foundation		n/a	n/a	n/a	(48)	(49)
Total		14 026	165 312	172 387	(2 056)	(2 711)

(1) *Issued share capital is less than R1 million.*
(2) *Sanlam Limited provided a letter of guarantee to Sanlam Spec (Pty) Limited.*
(3) *Sanlam Limited, with Sanlam Spec (Pty) Limited, provided a letter of guarantee to Real Futures (Pty) Limited.*

REMUNERATION INFORMATION

Confidence Rule 22:

YOU CHANGE EVERY YEAR. SO SHOULD YOUR FINANCIAL PLAN.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers

Executive remuneration summary

Remuneration earned by executive directors and Exco were as follows:

Remuneration for the year ended 31 December 2022

The disclosure approach (and specifically as it pertains to LTIs) is aligned with King IV™ recommendations. Separate disclosure is provided in respect of the number and value of LTIs that were awarded and vested in the year (refer to pages 188 to 193).

2022 R'000	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual bonus Cash	Annual bonus Deferred	Attributable value of LTIs vested[1]	Other	Total remuneration
Paul Hanratty	12	6 130	–	6 130	–	–	–	–	6 130
Abigail Mukhuba	12	5 386	343	5 729	4 200	1 800	–	–	11 729
Jeanett Modise[4]	12	4 014	351	4 365	–	–	1 200	1 012	6 577
Heinie Werth	12	6 305	350	6 655	4 900	2 100	3 344	–	16 999
Subtotal: executive directors		21 835	1 044	22 879	9 100	3 900	4 544	1 012	41 435
Anton Gildenhuys	12	5 890	350	6 240	4 200	1 800	7 835	–	20 075
Lizé Lambrechts[2]	6	2 908	175	3 083	2 000	–	7 197	884	13 164
Theo Mabaso	12	4 589	349	4 938	2 975	1 275	–	–	9 188
Bongani Madikiza	12	4 146	879	5 025	3 500	1 500	–	–	10 025
Tavaziva Madzinga[3]	9	5 362	263	5 625	5 250	2 250	–	–	13 125
Lotz Mahlangeni	12	5 310	407	5 717	4 550	1 950	3 872	–	16 089
Sydney Mbhele[4]	12	4 320	350	4 670	–	–	–	738	5 408
Kanyisa Mkhize	12	4 143	430	4 573	3 220	1 380	–	–	9 173
Wikus Olivier	12	4 675	350	5 025	2 625	1 125	2 121	–	10 896
Carl Roothman	12	4 260	935	5 195	3 500	1 500	–	–	10 195
Karl Socikwa	12	4 430	350	4 780	2 625	1 125	1 604	–	10 134
Jurie Strydom[4]	6	3 125	175	3 300	1 398	–	6 566	482	11 746
Executive committee		74 993	6 057	81 050	44 943	17 805	33 739	3 116	180 653

[1] *Fair value of LTIs (excluding equity-settled OPPs) vested during the year – refer to pages 194 and 195.*
[2] *Retired 30 June 2022. Leave payment of R883 665 on retirement.*
[3] *Appointed on 1 April 2022 as deputy CEO at Santam and CEO of Santam effective 1 July 2022. Remuneration pro-rated for the time employed.*
[4] *Statutory accrued leave payments due on termination of employment disclosed under "Other".*

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

2021 R'000	Months in service	Salary	Company contributions	Subtotal: Guaranteed package	Annual bonus Cash	Annual bonus Deferred	Attributable value of LTIs vested[1]	Other	Total remuneration
Paul Hanratty	12	6 130	–	6 130	–	–	–	–	6 130
Abigail Mukhuba	12	5 165	350	5 515	4 564	1 956	–	–	12 035
Jeanett Modise	12	3 859	341	4 200	3 150	1 350	1 703	–	10 403
Heinie Werth	12	6 050	350	6 400	5 439	2 331	4 796	–	18 966
Subtotal: executive directors		21 204	1 041	22 245	13 153	5 637	6 499	–	47 534
Anton Gildenhuys	12	5 650	350	6 000	4 361	1 869	6 799	–	19 029
Lizé Lambrechts	12	5 815	350	6 165	8 100	–	3 234	–	17 499
Bongani Madikiza	12	3 712	788	4 500	3 290	1 410	–	–	9 200
Lotz Mahlangeni[2]	12	4 831	669	5 500	4 333	1 857	4 381	831	16 902
Sydney Mbhele	12	4 140	350	4 490	3 283	1 407	–	–	9 180
Kanyisa Mkhize	12	3 506	744	4 250	3 150	1 350	–	–	8 750
Junior Ngulube[3]	1	313	43	356	–	–	5 024	427	5 807
Wikus Olivier	12	4 150	350	4 500	3 409	1 461	2 577	–	11 947
Robert Roux[4]	12	5 240	350	5 590	7 350	–	4 621	6 892	24 453
Karl Socikwa	12	4 250	350	4 600	3 360	1 440	1 324	–	10 724
Jurie Strydom[5]	12	6 250	350	6 600	5 257	–	7 660	–	19 517
Executive committee		69 061	5 735	74 796	59 046	16 431	42 119	8 150	200 542

[1] *Fair value of LTIs (excluding equity-settled OPPs) vested during the year – refer to page 194 and 195.*
[2] *Retention bonus paid as part of sign-on, subject to retention period of 24 months from date of employment.*
[3] *Retired 31 January 2021. Leave payment of R427 149 on retirement.*
[4] *Retired 31 December 2021. Leave payment of R1,3 million on retirement and R5,6 million restraint of trade for 12 months in accordance with the terms of the Sanlam executive contracts.*
[5] *Employed until 30 June 2022. 2021 Deferred bonus shares forfeited as employment condition will not be met.*

Total guaranteed package

The TGP (in rand) of the executive directors and Exco that are defined as prescribed officers are reflected in the table below.

Individual	TGP as at 31 December 2022	TGP as at 31 December 2021	TGP as at 1 January 2021	% increase in TGP 2022	% increase in TGP 2021
Paul Hanratty	6 130 000	6 130 000	6 130 000	n/a	n/a
Abigail Mukhuba	5 800 000	5 515 400	5 515 400	5,16	0,00
Anton Gildenhuys	6 320 000	6 000 000	6 000 000	5,33	0,00
Lizé Lambrechts[1]	–	6 165 000	6 165 000	n/a	0,00
Theo Mabasa[2]	5 000 000	–	–		n/a
Bongani Madikiza	5 200 000	4 500 000	4 500 000	15,56	0,00
Tavaziva Madzinga[2]	7 500 000	–	–	n/a	n/a
Lotz Mahlangeni	5 790 000	5 500 000	5 500 000	5,27	0,00
Sydney Mbhele[3]	4 730 000	4 490 000	4 490 000	5,35	0,00
Kanyisa Mkhize	4 680 000	4 250 000	4 250 000	10,12	0,00
Jeanett Modise[4]	–	4 200 000	4 200 000	n/a	0,00
Wikus Olivier	5 200 000	4 500 000	4 500 000	15,56	0,00
Carl Roothman[2]	5 260 000	–	–	n/a	n/a
Karl Socikwa	4 840 000	4 600 000	4 600 000	5,22	0,00
Jurie Strydom[5]	–	6 600 000	6 600 000	n/a	0,00
Heinie Werth	6 740 000	6 400 000	6 400 000	5,31	0,00

[1] *Retired from Exco on 30 June 2022.*
[2] *Appointed to Exco in 2022 and % of TGP achieved weighted for the full year.*
[3] *Resigned from Exco on 31 December 2022.*
[4] *Resigned from Exco on 30 September 2022.*
[5] *Resigned from Exco on 30 June 2022.*

Short term incentives

CEO and Group Finance Director (FD) performance outcomes

The CEO and FD performance measures for 2022 and achievement against it are set out below (Group achievement). Exco all have exposure to the Group achievement (30% weighting) in addition to business or functional area achievement for short term incentives to ensure direct alignment.

The business-level performance measures applicable to the business chief executives are based on the specific strategic objectives of each business, which are aligned to the achievement of the Group performance measures.

The individual/strategic performance measures for Exco are based on the contracted output of each individual (as agreed with the Group CEO) for the 2022 financial year and are summarised on page 14 in the standalone remuneration report.

	Weighting	Measure (for 100%)	Actual	Achievement (0% – 200%)	Outcome
Financial metrics					
Adjusted RoGEV (per share)	15%	13,7%	14,9%	134,3%	20,1%
Operating profit (NRFS)	15%	10,15 bn	10,191 bn	108,2%	16,2%
VNB	10%	3,100 bn	2,388 bn	0%	0%
NCCF as % of opening AUM	5%	3%	2,96%	96,2%	4,8%
Company valuation (Price to GEV)	5%	1,05%	0,76%	0%	0%
Achievement					41,2%

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

	Weighting	Achievement	Outcome
Strategic metrics – Developing the Sanlam platform to support growth and value creation – Strengthening the partnership with UB/ARC – Capital Allocation (to enhance RoGEV) – Deepening customer relations in South Africa – Modernise the business through strategic initiatives – Reposition the Brand – Transformation, Human capital, and culture – Optimisation (business), compliance, risk management	50%	157%	78,7%
Total CEO (out of maximum 200%)			119,9% (rounded 120%)

The FD has 50% weighting to the Group achievement and 50% to Strategic objectives aligned to the Group CEO and achieved 120% out of a maximum of 200%.

Group office bonus outcomes

Sanlam's performance measures applied in 2022 to group office employees' short-term incentives are summarised below. This also applied to Exco in relation to the weighting they have to group measures (see table detailing STI weightings for Exco and performance targets on page 11 of the standalone remuneration report). The group office bonus outcomes are aligned to underlying business outcomes and the Group achievement as disclosed above.

The group office performance bonus measures can be summarised as:

- weighted average outcome of business Clusters' achievements;
- transformation outcomes; and
- efficiency and business optimisation outcomes.

The actual achievement of Sanlam's group office performance bonus measures for 2022 are:

Bonus measures for primary bonus pool	Weighting	Achievement	Outcome
Weighted average outcome of business Clusters' achievements* • Business achievements ranged from 50% – 123% out of a maximum of 200%	85%	97,1%	82,5%
Group office efficiencies and business optimisation	5%	181,8%	9,1%
Transformation	10%	90,1%	9,0%
Total	100%		100,6%

Note: An additional 10% of the primary pool value is disbursed to out-performers with "exceed expectations" ratings.

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and Exco in respect of the performance achieved in 2022 as well as the deferral into Sanlam restricted shares for three years.

Final individual payments are based on the outcome relative to the set performance criteria but may be adjusted by the committee within a discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are payable and deferred into restricted shares in March 2023 as set out below:

Individual	% of TGP achieved[1] 2022	Total annual bonus R	Cash payment 2023 R	Bonus deferral (restricted shares) R	% of TGP achieved 2021	Total annual bonus R	Cash payment 2022 R	Bonus deferral (restricted shares) R
Abigail Mukhuba	103%	6 000 000	4 200 000	1 800 000	118%	6 520 000	4 564 000	1 956 000
Anton Gildenhuys	95%	6 000 000	4 200 000	1 800 000	104%	6 230 000	4 361 000	1 869 000
Lizé Lambrechts*	65%	2 000 000	2 000 000	–	131%	8 100 000	8 100 000	–
Bongani Madikiza	96%	5 000 000	3 500 000	1 500 000	104%	4 700 000	3 290 000	1 410 000
Lotz Mahlangeni	112%	6 500 000	4 550 000	1 950 000	113%	6 190 000	4 333 000	1 857 000
Sydney Mbhele[1]	n/a	–	–	–	104%	4 690 000	3 283 000	1 407 000
Kanyisa Mkhize	98%	4 600 000	3 220 000	1 380 000	106%	4 500 000	3 150 000	1 350 000
Jeanett Modise[1]	n/a	–	–	–	107%	4 500 000	3 150 000	1 350 000
Wikus Olivier[3]	72%	3 750 000	2 625 000	1 125 000	108%	4 870 000	3 409 000	1 461 000
Robert Roux	n/a	n/a	n/a	n/a	131%	7 350 000	7 350 000	–
Karl Socikwa	77%	3 750 000	2 625 000	1 125 000	104%	4 800 000	3 360 000	1 440 000
Jurie Strydom[2]	61%	1 398 480	1 398 480	–	114%	5 257 000	5 257 000	–
Heinie Werth	104%	7 000 000	4 900 000	2 100 000	121%	7 770 000	5 439 000	2 331 000
Carl Roothman	95%	5 000 000	3 500 000	1 500 000	–	–	–	–
Theo Mabaso	85%	4 250 000	2 975 000	1 275 000	–	–	–	–
Tavaziva Madzinga*	133%	7 500 000	5 250 000	2 250 000	–	–	–	–

* *TGP pro-rated for time employed to calculate % of TGP achieved.*
[1] *No bonus entitlement, due to resignation during 2022.*
[2] *Achievement is reflective of calculated bonus, however deferred bonus shares will be forfeited as employment condition will not be met (resigned on 30 June 2022). TGP pro-rated for time employed to calculate % of TGP achieved for cash bonus.*
[3] *Wikus Olivier's bonus deferral (restricted shares) will be delivered in Santam restricted bonus shares.*

LTIs

Company financial performance conditions

PDSP vesting percentage: June 2022

Award year	2018	2017	2016
Tranches measured	1st (40%)	2nd (30%)	3rd (30%)
PDSP A	100%	100%	100%
PDSP B	89%	89%	100%

The Sanlam Investment Group (SIG) RoGEV hurdle is applicable to the vesting of PDSP B's awarded up to 2019 to SIG participants in addition to the Group RoGEV hurdle. From 2020 onwards only the Group RoGEV hurdle applies to PDSP B awards to SIG participants. The SIG RoGEV hurdle for PDSP B awards made in 2016, 2017 and 2018 has not been met and the relevant shares were forfeited.

Outcome of Group CEO five-year remuneration structure

The 2022 outcomes of the Group CEO five-year remuneration structure are detailed below. The performance and OPP shares are finally measured after a five-year measurement period.

Category	Total number of shares (over five years)	Eligible for measurement (12 months) January – December 2022	Shares which met performance condition*	Forfeited shares**	Measurement detail
Restricted shares (in lieu of TGP)	328 590	65 718	65 718		Based on performance per CEO scorecard as evaluated by the Board.
Bonus shares	1 671 910	334 382	200 415	133 967	CEO 2022 performance achievement (119,9 out of 200). Measured annually based on Group CEO performance contract. Measurement of achievement ranges between 0% – 200%. 100% vesting at target and 200% vesting at stretch. Shares which met the performance condition (vested) to be held until the end of the holding period.
Total shares which met performance condition/ forfeited shares		400 100	266 133	133 967	

* *Shares which met the performance condition are only released after the holding period (i.e. 12 months after the end of the five-year employment period) unless the Board determines otherwise.*
** *Cumulative forfeited shares from financial year 2021 (98 956) and financial year 2022 (133 967), totalling 232 923.*

DSP

For DSP vesting Exco business and individual scorecard achievement are evaluated. Due to their roles and line of sight, these scorecards are based on metrics which support the Sanlam business strategy. Refer to pages 11 and 14 of the standalone remuneration report on performance metrics and weightings.

The applicable Exco scorecard achievements were evaluated over the DSP performance period/s ending in 2022 and the outcomes and vesting were as follows:

Measurement of Exco members' DSP vesting in June 2022

Name	Policy on-target % bonus of TGP	> 100% achievement warrants achieving DSP target for vesting	Achievement (average) over five years expressed over on-target %
Heinie Werth	85	Vesting 100%	108%
Anton Gildenhuys	75	Vesting 100%	119%
Lizé Lambrechts	112	Vesting 100%	109%
Robert Roux	100	Vesting 100%	116%
Jurie Strydom	85	Vesting 100%	100%
Sydney Mbhele	75	Vesting 100%	102%
Jeanett Modise	75	Vesting 100%	107%

Notes:
Abigail Mukhuba, Kanyisa Mkhize, Bongani Madikiza and Lotz Mahlangeni were appointed Exco members in 2020 and therefore their DSPs are eligible for vesting in June 2023.

Theo Mabaso, Karl Socikwa, Wikus Olivier and Carl Roothman's June 2022 DSP vesting were not attributable to their roles as Exco members, but due to roles they held prior to 1 January 2022.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

The participation by executive directors and Exco defined as prescribed officers in the Group's LTI schemes (excluding the OPP) on 31 December 2022 was as follows:

Number of shares

	Balance 31 December 2021	Awarded in 2022	Shares vested	Shares forfeited	Balance 31 December 2022	Vesting in 2023	2024	2025	2026	2027
Paul Hanratty										
RSP[1]	5 000 000	–	–	(98 956)	4 901 044	–	–	–	4 901 044	–
Heinie Werth	368 807	157 953	(73 400)	(1 707)	451 653	102 257	99 459	151 454	63 139	35 344
DSP	110 109	–	(26 156)	–	83 953	28 838	28 875	18 155	8 085	–
PDSP	161 674	117 812	(30 326)	(1 707)	247 453	48 525	42 177	75 779	45 628	35 344
Category A[2]	89 815	117 812	(16 513)	–	191 114	26 371	24 264	64 532	40 603	35 344
Category B[2]	71 859	–	(13 813)	(1 707)	56 339	22 154	17 913	11 247	5 025	–
RSP and bonus shares	97 024	40 141	(16 918)	–	120 247	24 894	28 407	57 520	9 426	–
Anton Gildenhuys	669 060	106 906	(139 617)	–	636 349	169 636	185 545	181 685	77 067	22 416
DSP	104 610	–	(22 228)	–	82 382	29 227	27 095	18 854	7 206	–
PDSP – *category A*[2]	83 906	74 721	(13 966)	–	144 661	25 271	23 347	46 726	26 901	22 416
RSP and bonus shares	480 544	32 185	(103 423)	–	409 306	115 138	135 103	116 105	42 960	–
Lizé Lambrechts										
Santam	42 005	23 298	(24 012)	–	41 291	32 248	5 924	3 119	–	–
Sanlam	21 161	–	(12 729)	–	8 432	8 432	–	–	–	–
DSP										
Santam	17 420	974	(17 420)	–	974	974	–	–	–	–
Sanlam	6 650	–	(6 650)	–	–	–	–	–	–	–
PDSP – *category A*										
Santam	24 585	–	(6 592)	–	17 993	8 950	5 924	3 119	–	–
Sanlam	14 511	–	(6 079)	–	8 432	8 432	–	–	–	–
RSP – Santam restraint shares	–	22 324	–	–	22 324	22 324	–	–		
Tavaziva Madzinga	–	70 888	–	–	70 888	8 878	8 878	26 578	13 277	13 277
PDSP – Santam	–	44 255	–	–	44 255	–	–	17 701	13 277	13 277
RSP – Santam	–	26 633	–	–	26 633	8 878	8 878	8 877	–	–
Robert Roux	199 859	–	(131 414)	–	68 445	42 581	16 302	9 562	–	–
DSP	71 965	–	(71 965)	–	–	–	–	–	–	–
PDSP Category A[2]	62 517	–	(13 075)	–	49 442	23 578	16 302	9 562	–	–
RSP	65 377	–	(46 374)	–	19 003	19 003	–	–	–	–
Jurie Strydom	421 421	113 656	(116 998)	(287 869)	130 210	130 210	–	–	–	–
DSP	115 495	–	(23 475)	(92 020)	–	–	–	–	–	–
PDSP	161 053	–	(18 439)	(126 060)	16 554	16 554	–	–	–	–
Category A[2]	97 159	–	(18 439)	(62 166)	16 554	16 554	–	–	–	–
Category B[2]	63 894	–	–	(63 894)	–	–	–	–	–	–
RSP	144 873	113 656	(75 084)	(69 789)	113 656	113 656	–	–	–	–
Jeanett Modise[3]										
Sanlam	149 229	78 418	(20 721)	(206 926)	–	–	–	–	–	–
Santam	147	3	150	–	–	–	–	–	–	–
DSP										
Sanlam	68 746	–	(20 721)	(48 025)	–	–	–	–	–	–
Santam	102	3	105	–	–	–	–	–	–	–
PDSP – *Category A*[2]	–	–	–	–	–	–	–	–	–	–
Sanlam	51 024	55 170	–	(106 194)	–	–	–	–	–	–
Santam	45	–	(45)	–	–	–	–	–	–	–
RSP and bonus shares	29 459	23 248	–	(52 707)	–	–	–	–	–	–
Sydney Mbhele	163 688	80 379	(25 790)	(218 277)	–	–	–	–	–	–
DSP	68 542	–	(25 790)	(42 752)	–	–	–	–	–	–
PDSP – *Category A*[2]	57 957	56 150	–	(114 107)	–	–	–	–	–	–
RSP and bonus shares	37 189	24 229	–	(61 418)	–	–	–	–	–	–
Wikus Olivier[5]	320 097	87 025	(37 785)	–	369 337	102 326	90 359	126 742	31 350	18 560
DSP	79 349	–	(15 142)	–	64 207	23 004	21 213	15 339	4 651	–
PDSP – *Category A*[2]	59 178	61 866	(3 422)	–	117 622	21 099	17 469	40 865	19 629	18 560
RSP and bonus shares	181 570	25 159	(19 221)	–	187 508	58 223	51 677	70 538	7 070	–

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

	Balance 31 December 2021	Awarded in 2022	Shares vested	Shares forfeited	Balance 31 December 2022	Vesting in 2023	2024	2025	2026	2027
Abigail Mukhuba	360 704	71 136	–	–	431 840	176 605	81 967	120 554	41 478	11 236
DSP	106 789	–	–	–	106 789	42 715	32 037	32 037	–	–
PDSP	118 245	37 453	–	–	155 698	12 815	44 093	50 455	37 099	11 236
Category A[2]	68 509	37 453	–	–	105 962	12 815	24 199	35 534	22 178	11 236
Category B[2]	49 736	–	–	–	49 736	–	19 894	14 921	14 921	–
RSP and bonus shares	135 670	33 683	–	–	169 353	121 075	5 837	38 062	4 379	–
Bongani Madikiza	156 944	62 743	–	–	219 687	34 851	54 064	86 749	32 484	11 539
DSP	87 129	–	–	–	87 129	34 851	26 139	26 139	–	–
PDSP – *Category A*[2]	54 105	38 462	–	–	92 567	–	21 641	31 616	27 771	11 539
RSP and bonus shares	15 710	24 281	–	–	39 991	–	6 284	28 994	4 713	–
Lotz Mahlangeni	331 221	58 375	(68 997)	–	320 599	78 440	85 280	121 203	27 757	7 919
DSP	106 491	–	–	–	106 491	42 597	31 947	31 947	–	–
PDSP – Category A[2]	66 128	26 396	–	–	92 524	–	26 452	30 396	27 757	7 919
RSP and bonus shares	158 602	31 979	(68 997)	–	121 584	35 843	26 881	58 860	–	–
Kanyisa Mkhize	133 387	51 149	–	–	184 536	32 916	45 125	74 425	23 700	8 370
DSP	82 288	–	–	–	82 288	32 916	24 686	24 686	–	–
PDSP – *Category A*[2]	51 099	27 901	–	–	79 000	–	20 439	26 491	23 700	8 370
RSP and bonus shares	–	23 248	–	–	23 248	–	–	23 248	–	–
Karl Socikwa	172 567	85 712	(33 840)	–	224 439	32 678	48 956	85 196	39 335	18 274
DSP	83 926	–	(21 605)	–	62 321	17 209	20 944	17 752	6 416	–
PDSP – *Category A*[2]	59 789	60 914	(6 979)	–	113 724	11 526	17 785	37 933	28 206	18 274
RSP and bonus shares	28 852	24 798	(5 256)	–	48 394	3 943	10 227	29 511	4 713	–
Theo Mabaso[4]	85 246	76 736	(11 118)	–	150 864	19 035	25 822	49 660	33 326	23 021
DSP	65 064	–	(11 118)	–	53 946	16 706	18 331	12 912	5 997	–
PDSP – Category A[2]	20 182	76 736	–	–	96 918	2 329	7 491	36 748	27 329	23 021
Carl Roothman[4]	335 087	61 029	(19 967)	(16 567)	359 582	44 125	208 790	55 313	33 045	18 309
DSP	49 150	–	(11 538)	–	37 612	12 457	13 011	8 159	3 985	–
PDSP	124 413	61 029	(8 429)	(16 567)	160 446	31 668	34 255	47 154	29 060	18 309
Category A[2]	41 195	61 029	(8 429)	–	93 795	11 403	10 918	32 199	20 966	18 309
Category B[2]	41 195	–	–	(8 429)	32 766	11 403	10 918	7 788	2 657	–
Category C[2]	42 023	–	–	(8 138)	33 885	8 862	12 419	7 167	5 437	–
RSP and bonus shares	161 524	–	–	–	161 524	–	161 524	–	–	–

(1) Refer to the Group CEO remuneration arrangement.
(2) The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Carl Roothman)
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Carl Roothman)
(3) Participated in the Santam LTI's as a former employee of Santam.
(4) Appointed to the Executive committee in 2022.
(5) The majority of Wikus Olivier's Sanlam long-term incentives will be converted to Santam shares maintaining the vesting conditions due to him joining Santam from 1 January 2023.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

Value

R'000	2022 Value of shares awarded[1]	2022 Value of shares vesting[2]	2022 Value of shares forfeited[2]	2021 Value of shares awarded[1]	2021 Value of shares vesting[2]	2021 Value of shares forfeited[2]
Paul Hanratty	–	–	5 426	115 580	–	–
DSP	–	–	–	–	–	–
PDSP	–	–	–	–	–	–
RSP (CEO arrangement)[3]	–	–	5 426	115 580	–	–
Abigail Mukhuba	3 901	–	–	6 067	–	–
DSP	–	–	–	–	–	–
PDSP	2 054	–	–	5 224	–	–
RSP[3]	1 847	–	–	843	–	–
Heinie Werth	8 661	3 344	96	5 526	4 796	–
DSP	–	1 468	–	1 633	1 543	–
PDSP	6 460	927	96	2 077	656	–
RSP[3]	2 201	949	–	1 816	2 597	–
Jeanett Modise	4 300	1 200	10 082	2 388	1 703	–
DSP	–	1 189	2 340	1 187	1 153	–
PDSP	3 025	11	5 174	520	550	–
RSP[3]	1 275	–	2 568	681	–	–
Subtotal: executive directors	16 862	4 544	15 604	129 561	6 499	60
Anton Gildenhuys	5 862	7 835	–	10 637	6 799	–
DSP	–	1 247	–	1 456	1 447	–
PDSP	4 097	784	–	906	525	–
RSP[3]	1 765	5 804	–	8 275	4 827	–
Lizé Lambrechts[5]	6 434	6 937	–	–	3 234	–
DSP	269	4 891	–	–	1 769	–
PDSP	–	2 046	–	–	1 465	–
Santam restraint shares	6 165	–	–	–	–	–
Tavaziva Madzinga	16 566	–	–	–	–	–
PDSP	10 342	–	–	–	–	–
Santam RSPs	6 224	–	–	–	–	–
Robert Roux	–	7 376	–	–	4 621	–
DSP	–	4 039	–	–	1 556	–
PDSP	–	734	–	–	–	–
RSP	–	2 603	–	–	3 065	–

R'000	2022 Value of shares awarded[1]	2022 Value of shares vesting[2]	2022 Value of shares forfeited[2]	2021 Value of shares awarded[1]	2021 Value of shares vesting[2]	2021 Value of shares forfeited[2]
Jurie Strydom	6 232	6 566	15 220	7 391	7 660	–
DSP	–	1 317	4 865	1 307	1 299	–
PDSP	–	1 035	6 665	1 143	945	–
Sanlam Restraint shares	6 232	4 214	3 690	4 941	5 416	–
Sydney Mbhele	4 407	1 447	10 634	1 128	–	–
DSP	–	1 447	2 083	–	–	–
PDSP	3 079	–	5 559	–	–	–
RSP[3]	1 328	–	2 992	1 128	–	–
Wikus Olivier[4]	4 771	2 121	–	2 517	2 577	–
DSP	–	850	–	939	940	–
PDSP	3 392	192	–	216	309	–
RSP[3]	1 379	1 079	–	1 362	1 328	–
Bongani Madikiza	3 440	–	–	4 187	–	–
DSP	–	–	–	–	–	–
PDSP	2 109	–	–	3 279	–	–
RSP[3]	1 331	–	–	908	–	–
Lotz Mahlangeni	3 200	3 872	–	4 007	4 381	–
DSP	–	–	–	–	–	–
PDSP	1 447	–	–	4 007	–	–
RSP[3]	1 753	3 872	–	–	4 381	–
Kanyisa Mkhize	2 805	–	–	3 097	–	–
DSP	–	–	–	–	–	–
PDSP	1 530	–	–	3 097	–	–
RSP[3]	1 275	–	–	–	–	–
Karl Socikwa	4 700	1 604	–	4 210	1 324	–
DSP	–	1 212	–	1 296	1 324	–
PDSP	3 340	392	–	2 006	–	–
RSP[3]	1 360	–	–	908	–	–
Theo Mabaso	4 207	624	–	–	–	–
DSP	–	624	–	–	–	–
PDSP	4 207	–	–	–	–	–
RSP[3]	–	–	–	–	–	–
Carl Roothman	3 346	1 121	930	–	–	–
DSP	–	648	–	–	–	–
PDSP	3 346	473	930	–	–	–
RSP[3]	–	–	–	–	–	–
Executive committee	82 832	44 047	42 388	166 735	37 095	60

[1] *Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.*

[2] *Based on market value of shares on vesting and forfeiture dates respectively.*

[3] *Restricted shares are awarded per the policy on RSPs (prior to 2022) or as bonus deferral shares for bonuses earned and deferred (since 2022).*

[4] *The majority of Wikus Olivier's long-term incentives will be converted to Santam shares maintaining the vesting conditions due to him joining Santam from 1 January 2023.*

[5] *Lizé Lambrecht DSP and PDSP value includes Sanlam (legacy) and Santam share vesting.*

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

OPPs

There are two business OPPs in place, namely for Sanlam Life and Savings and for Sanlam Emerging Markets. The design of the OPPs is in accordance with the Sanlam remuneration policy.

The design of the OPPs and the relevant performance conditions for vesting are detailed below. As explained in the remuneration policy, OPP targets are considerably more stretching than the performance conditions for PDSPs. Historic vesting % (over the past three years amounted to less than 20%).

Business/ chief executive participants	Measurement period and description	OPP Performance Conditions: Financial Measure	Description	Minimum (0% vesting below this)	Maximum (100% vesting)	Weight	Potential – maximum number of shares that can be delivered
Sanlam Life and Savings (SLS) Kanyisa Mkhize Bongani Madikiza Anton Gildenhuys	1 January 2021 – 31 December 2025 (**Final measurement** March 2026 after conclusion of 2025 financial year-end)	SLS Operating EV experience from all sources 2021 – 2025	Total operating variances from improving persistency, as well as operating assumption changes, reducing maintenance unit expenses in real terms and improving other sources of profit such as mortality and morbidity	< R7,5 billion	R15 billion	25%	**Kanyisa Mkhize** (100% TGP per year) 363 186 shares **Bongani Madikiza** (100% TGP per year) 384 550 shares **Anton Gildenhuys** (100% TGP per year) 512 733 shares
		SLS profit growth 2021 – 2025	Average annual rate of growth between NRFS for 2020 and the NRFS for 2025 FY	CPI + 1 %	>CPI + 9%	25%	
		SLS ROGEV 2021 – 2025	Average return implied by dividends and change in GEV from 1 January 2021 to 31 December 2025, adjusted for normalised investment returns and interest rates (if required)	RFR+4% For 2021 From 2022 CPI + 6%	RFR+8% For 2021 From 2022 CPI + 10%	25%	
		SLS GEV Added	Change in GEV 1 January 2021 – 31 December 2025 plus dividends paid over the period in reference to years 2021 to 2025	R40 billion	R60 billion	25%	

Modifier based on strategic outcomes measured against:

- reshaping the Sanlam Group through M&A and strategic partnerships;
- creating Value from Mergers and Acquisitions (M&A) *inter alia*, transformation of the workforce;
- modernisation of the business through data and digital transformation;
- fortress South Africa: Strengthen the competitive position in South Africa through partnerships and by driving deeper customers relationships through use of a wider product set, improved customer proposition;
- transformation of the employee base; and
- culture and ESG.

A maximum adjustment of an added 25% or decreased 25% may be made at the committee's discretion (after testing of the financial metrics) to reflect these factors.

Business/ chief executive participants	Measurement period and description	OPP Performance Conditions: Financial Measure	Description	Minimum (0% vesting below this)	Maximum (100% vesting)	Potential – maximum number of shares that can be delivered
Sanlam Emerging Markets (SEM) Heinie Werth	1 January 2021 – 31 December 2025 (**Final measurement** March 2026 after conclusion of 2025 financial year-end)	Stock rating P/GEV	Improved Group rating from H2 2020 over the five years to a better average in 2024/5	< 1	1,15	**Heinie Werth** (200% TGP per year) 1 093 830 shares
		SEM profit growth 2021 – 2025	Average annual rate of growth between NRFS for 2020 and the NRFS for 2025 FY in constant currency	10%	17,5%	
		SEM dividend growth 2021 – 2025	Average annual rate of growth of dividend paid to the Group by SEM between 2020 and 2025 FY in constant currency	10%	20%	
		SEM ROGEV 2021 – 2025	Average return implied by dividends and change in GEV from 1 January 2021 to 31 December 2025, adjusted for normalised investment returns if required	RFR+4% From 2022 CPI + 6%	RFR+8% From 2022 CPI + 10%	

Modifier based on strategic outcomes measured against:

- reshaping the Sanlam Pan-African business through strategic partnerships;
- development of digital channels to reach the consumers on the African continent;
- sustainable management, skills and culture; and
- derive maximum value from the Indian operations.

A maximum adjustment of an added 25% or decreased 25% may be made at the committee's discretion (after testing of the financial metrics) to reflect these factors.

Notes:
Sliding scale applies to determine vesting percentage between minimum and maximum hurdles.
Targets may be adjusted by the committee for material reorganisation, acquisitions, or disposals during the measuring period.

Remuneration details for executive directors and members of the Group Executive committee that are defined as prescribed officers *continued*

Minimum shareholding requirement

The table below reflects the actual qualifying Sanlam shares held by executive directors and Exco members relative to the minimum shareholding requirement (MSR).

Number of shares as at 31 December 2022

Individual	Minimum shareholding requirement	Actual qualifying shareholding	Date at which minimum shareholding must be reached
Paul Hanratty[1]	n/a	n/a	n/a
Heinie Werth	172 986	313 239	Complies
Anton Gildenhuys	108 137	302 891	Complies
Wikus Olivier[2]	88 974	76 797	2026/09/30
Karl Socikwa	62 111	–	2026/09/30
Abigail Mukhuba	148 860	–	2026/09/30
Bongani Madikiza	88 974	–	2026/09/30
Lotz Mahlangeni	74 302	13 799	2026/09/30
Kanyisa Mkhize	60 057	–	2026/09/30
Theo Mabaso	64 164	–	2027/12/31
Carl Roothman	90 000	–	2027/12/31

[1] *Refer to the five-year CEO remuneration arrangement on page 186.*
[2] *Sanlam shares to be converted to Santam shares due to him joining Santam from 1 January 2023.*

Sanlam share scheme allocation

As approved by shareholders the scheme has an allocation of 110 million shares with a limit on annual usage of 11 million shares and the limit for any individual of 5 million shares.

The following table illustrates the usage since the original approval, the details for 2021 and for 2022 and the capacity position as at 31 December 2022:

		Number of shares
Scheme allocation originally approved*		110 000 000
Less net movement in 2019		(5 142 610)
Less net movement in 2020		(10 354 078)
Balance at 31 December 2020		94 503 312
Allocation under DSP and PDSP in 2021	(7 113 125)	
Allocation under RSP in 2021	(2 501 176)	(9 614 301)
Shares forfeited in 2021		1 341 800
Balance of scheme allocation carried forward at 31 December 2021		86 230 811
Allocation under DSP and PDSP in 2022	(8 625 896)	
Allocation under RSP in 2022	(362 433)	(8 988 329)
Shares forfeited in 2022		4 691 703
Balance of scheme allocation carried forward at 31 December 2022		81 934 185

* *Scheme allocation approved at the AGM held on 5 June 2019 and applies with effect from 1 January 2019.*

Remuneration details for non-executive directors

The policy for non-executive directors' fees is summarised under the remuneration policy part of this report.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

Non-executive directors' emoluments for the year ended 31 December 2022

R'000	Directors' fees	Attendance Fees	Committee Fees	Fees from Group: Director fees	Fees from Group: Attendance fees	Fees from Group: Committee fees	Total
AS Birrell[2]	993	437	1 345	78	596	613	4 062
AD Botha[2]	397	175	260	–	–	–	832
NAS Kruger	397	175	904				1 476
E Masilela (Chair)	3 604	–	–	–	–	–	3 604
M Mokoka	397	175	1 108	105		150	1 935
JP Möller	397	175	1 297	302	–	295	2 466
PT Motsepe (Deputy Chair)	604	177	397	–	–	–	1 178
KT Nondumo	397	175	1 494	–	–	955	3 021
SA Nkosi	397	175	212	–	–	–	784
J van Zyl	397	175	397	–	–	–	969
SA Zinn	397	175	472	–	–	–	1 044
E Essoka[3]	993	437	377	–	–	–	1 807
N Manyonga	397	175	75	–	–	–	647
W Van Biljon	397	175	828	–	–	–	1 400
Thembisa Skweyiya	102	36	–	–	–	–	138
Total Non-Executive directors	10 266	2 837	9 166	485	596	2 013	25 363

[1] *Excluding VAT.*
[2] *Nationality: British/South African.*
[3] *Nationality: Cameroonian.*

Travel and subsistence paid in respect of attendance of Board and committee meeting amounted to R498 667 (2021: R122 346).

Non-executive directors' emoluments for the year ended 31 December 2021[1]

R'000	Directors' fees	Attendance Fees	Committee Fees	Fees from Group: Director fees	Fees from Group: Attendance fees	Fees from Group: Committee fees	Total
AS Birrell[2]	968	424	1 015	–	361	189	2 957
AD Botha[2]	387	169	180	129	71	39	975
NAS Kruger	387	169	945	–	–	–	1 501
E Masilela (Chair)	3 307	–	–	–	–	–	3 307
M Mokoka	387	169	945	92	–	39	1 632
JP Möller	387	169	1 124	414	435	487	3 016
PT Motsepe (Deputy Chair)	589	172	314	–	–	–	1 075
KT Nondumo	387	169	1 285	–	407	426	2 674
SA Nkosi	387	169	134	–	–	–	690
RV Simelane	387	169	158	–	–	–	714
J van Zyl	387	169	314	–	–	–	870
SA Zinn	387	169	361	–	–	–	917
E Essoka[3]	484	254	67	–	–	–	805
N Manyonga	32	34	–	–	–	–	66
W Van Biljon	161	68	93	–	–	–	322
Total Non-Executive directors	9 024	2 473	6 935	635	1 274	1 180	21 521

[1] *Excluding VAT.*
[2] *Nationality: British/South African.*
[3] *Nationality: Cameroonian.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R122 346 (2020: R399 311).

Sanlam Limited Board information

Total interest of directors in share capital at 31 December 2022

Directors	Beneficial: Direct	Beneficial: Indirect	Non-beneficial: Direct	Non-beneficial: Indirect	UB shares
Executive directors					
PB Hanratty[1]	4 901 044	–	–	–	–
AM Mukhuba	169 353	–	–	–	–
HC Werth	458 942	578 438			
Total Executive Directors	5 529 339	578 438	–	–	–
Non-executive directors					
J van Zyl	–	1 000 000	–	–	164 231
PT Motsepe (Deputy Chair)	–	–	–	–	Refer note*
AD Botha[2]	–	–	–	–	–
AS Birrell[2]	65 487	–	–	–	–
E Essoka[3]	–	–	–	–	–
NAS Kruger	–	–	–	–	–
N Manyonga	–	–	–	–	–
E Masilela (Chair)	–	–	–	–	–
MG Mokoka	–	–	–	–	–
JP Moller	600 000	–	200 000	–	–
KT Nondumo	–	–	–	–	–
SA Nkosi	–	–	–	–	–
T Skweyiya	–	–	–	–	–
W van Biljon	1 169				
SA Zinn	–	–	–	–	–
Total Non-Executive Directors	666 656	1 000 000	200 000	–	164 231
Total all Directors	6 195 995	1 578 438	200 000	–	164 231

[1] *Nationality: Irish.*
[2] *Nationality: British/South African.*
[3] *Nationality: Cameroonian.*
* *Ubuntu-Botho Investments (Proprietary) Ltd ("UBI") is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited ("Sizanani"), holds a beneficial interest approximately 59% of the issued shares (which issued shares includes both the "A" ordinary shares) in UBI. Approximately 5% of Sizanani's beneficial interest in UBI is attributable to interests in UBI which have been acquired, directly or indirectly, by a subsidiary of UBI. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation Trust, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to approximately 59% of the UBI shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest of 20% of UBI's shareholding in Sanlam, by virtue of Dr Motsepe being a trustee (but not a beneficiary) of Sanlam's Ubuntu-Botho Community Development Trust.*

J van Zyl holds a beneficial interest of 164 231 shares in the share capital of UBI (10 000 000 UBI shares in issue).

Total interest of directors in share capital at 31 December 2021

	Beneficial		Non-beneficial		
Directors	Direct	Indirect	Direct	Indirect	UB shares
Executive directors					
PB Hanratty[1]	5 000 000	–			
AM Mukhuba	135 670	–			
HC Werth	418 801	578 438			
J Modise	51 164	–			
Total executive directors	5 605 635	578 438			
Non-executive directors					
J van Zyl	–	1 000 000	–	–	164 231
PT Motsepe (Deputy Chair)	–	–	–	–	Refer note*
AD Botha	–	–	–	–	–
AS Birrell[2]	65 487	–	–	–	–
E Essoka[3]	–	–	–	–	–
NAS Kruger	–	–	–	–	–
N Manyonga					
E Masilela (Chair)	–	–	–	–	–
MG Mokoka	–	–	–	–	–
JP Möller	600 000	–	200 000	–	–
KT Nondumo	–	–	–	–	–
SA Nkosi	–	–	–	–	–
RV Simelane	–	–	–	–	10 092
W van Biljon	1 169				
SA Zinn	–	–	–	–	–
Total non-executive directors	666 656	1 000 000	200 000	–	174 323
Total	6 272 291	1 578 438	200 000	–	174 323

(1) *Nationality: Irish.*
(2) *Nationality: British/South African.*
(3) *Nationality: Cameroonian.*
* *Ubuntu-Botho Investments (Proprietary) Ltd (UBI) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), holds a beneficial interest of approximately 59% of the issued shares (which issued shares includes both the "A" ordinary shares) in UBI. Approximately 5% of Sizanani's beneficial interest in UBI is attributable to interests in UBI which have been acquired, directly or indirectly, by a subsidiary of UBI. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation Trust, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to approximately 59% of the UBI shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest of 20% of UBI's shareholding in Sanlam by virtue of Dr Motsepe being a trustee (but not a beneficiary) of Sanlam's Ubuntu-Botho Community Development Trust.*

A number of other directors also have a beneficial interest in the share capital of UBI through its shareholding structure. Their effective holdings in the 10 000 000 UBI shares in issue are: Dr RV Simelane has 10 092 and Dr J van Zyl has 164 231.

SHAREHOLDERS' INFORMATION

Confidence Rule 55:

YOU DON'T HAVE TO BE A FINANCIAL EXPERT.

CONTENTS

Basis of accounting – shareholders' information

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. For the purpose of internal monitoring, the directors make use of GEV to reflect the performance of the Group. This is considered to provide meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 264.

Basis of accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section. Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2021 annual report apart from the following:

- Disposal related transaction costs are allocated to the proceeds of the sale
- The relevant per line of business disclosures have been expanded from administration, health & other into two categories namely, administration & health and corporate & other (GEV is split between administration & health and discretionary capital & other)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments 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 9 and IFRS 16.

These amendments did not have a significant impact on the shareholders information and no further disclosures have therefore been made.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 212)
- Change in Group Equity Value (refer page 215)
- Return on Group Equity Value (refer page 217)
- Analysis of Group Equity Value earnings (refer page 218)
- Shareholders' fund financial statements consisting of:
  - Shareholders fund at net asset value (refer page 224)
  - Shareholders' fund income statement (refer page 226)
  - Related notes, including embedded value of covered business related disclosures.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analysis are provided for changes from the base estimates and assumptions (refer to note 2 for covered operations and note 5 for non-covered operations).

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those contained in IFRS Financial Statements online, apart from the following:

Basis of consolidation

The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as non-controlling shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

In addition, the consolidation of the Broad-Based Black Economic Empowerment (B-BBEE) special purpose vehicle (SPV) to which 111 349 999 shares were issued, is treated similarly and is also recognised in the consolidation reserve and fund transfers, respectively. The SPV was funded 50% by a loan issued by Sanlam to the SPV, and 50% by external debt. For IFRS purposes:

- the SPV is consolidated,
- the shares held within the SPV are treated as treasury shares
- the loan to the SPV is eliminated, and
- the external debt is shown on the balance sheet

Given that the shares will be sold in the market should the SPV not be able to repay the loan, management has for Shareholders Information purposes recognised the full share issue in the Shareholders' Fund and has not consolidated the SPV. Given the close relationship between the valuation of the loan and the Sanlam share price, this balance is classified as equities in the Shareholders' Fund at NAV. Management tests the recoverability of this loan semi-annually and has, as a result of this recoverability assessment, recognised a further impairment of R1.1 billion for the year ended 31 December 2022 (31 December 2021: R145 million). As this is not necessarily reflective of the longer-term value of the SPV, this impairment can continue to reverse in future periods based on the movement in the Sanlam share price.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, aYo Holdings Group, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in the net result from financial services and net investment return respectively.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

In accordance with the JSE Listings Requirement the Group Annual Financial Statements set out, fairly present in all material respects the financial position, financial performance and cash flows of Sanlam in terms of IFRS.

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the B-BBEE SPV, policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund and B-BBEE SPV. However, the Group calculates normalised diluted earnings per share (a non-IFRS measure) to eliminate fund transfers relating to the investments in Sanlam shares Group subsidiaries held by the policyholders' fund, as well as consolidated vehicles, including B-BBEE SPV. This is in the Group's opinion a better representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN107 (version 8), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2021 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, group stable bonus business, annuity business and other non-participating business written by Sanlam Retail Affluent, Sanlam Retail Mass, Sanlam Corporate, Sanlam Emerging Markets and Sanlam UK.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For South African insurance businesses (and businesses with similar regulatory regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a solvency cover ratio within a specific range, e.g. between 150% and 200% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Annuities purchased by retirement fund members using in-fund options are treated as new business; Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 6 on page 240, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long term gap relative to fixed-interest securities.

Future rates of bonuses for stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience, adjusted for expected future trends where appropriate. The mortality experience since the onset of the coronavirus pandemic has been excluded when considering future expected experience.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2021.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, digital transformation, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

Value of new business

The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

Net earnings from existing covered business

Expected return on value of covered business

The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

Expected investment return on adjusted net worth

The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

Economic assumption changes

The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

Investment variances

Investment variances – value of in-force

The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth

Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

Group Equity Value

at 31 December

R million	Note	Group Equity Value 2022	Group Equity Value 2021	Value of in-force/Fair value adjustment 2022	Value of in-force/Fair value adjustment 2021	*Adjusted net asset value* 2022	*Adjusted net asset value* 2021	Elimination of goodwill and VOBA 2022	Elimination of goodwill and VOBA 2021	Shareholders' fund at net asset value 2022	Shareholders' fund at net asset value 2021
Sanlam Life and Savings		54 415	54 159	46 172	45 942	*8 243*	*8 217*	(1 033)	(1 020)	9 276	9 237
Covered business[1]	7.1.3	49 386	48 937	43 296	42 997	*6 090*	*5 940*	(1 033)	(1 020)	7 123	6 960
SA Retail Affluent		31 863	31 849	29 078	28 998	*2 785*	*2 851*	(628)	(662)	3 413	3 513
SA Retail Mass		11 682	11 761	10 253	10 548	*1 429*	*1 213*	(165)	(189)	1 594	1 402
Sanlam Corporate		5 841	5 327	3 965	3 451	*1 876*	*1 876*	(240)	(169)	2 116	2 045
Non-Covered business		5 029	5 222	2 876	2 945	*2 153*	*2 277*	–	–	2 153	2 277
SA Retail Affluent		4 163	4 319	3 125	3 095	*1 038*	*1 224*	–	–	1 038	1 224
Glacier		2 647	2 736	2 294	2 321	*353*	*415*	–	–	353	415
Other operations		1 516	1 583	831	774	*685*	*809*	–	–	685	809
Sanlam Corporate: Health		866	903	(249)	(150)	*1 115*	*1 053*	–	–	1 115	1 053
Sanlam Emerging Markets[2]		42 302	40 354	7 342	7 493	*34 960*	*32 861*	(2 893)	(3 089)	37 853	35 950
Covered business	7.2.8	9 025	9 026	4 039	3 801	*4 986*	*5 225*	(2 893)	(3 089)	7 879	8 314
SPA Life		6 777	6 923	3 123	2 947	*3 654*	*3 976*	(2 321)	(2 469)	5 975	6 445
India		1 203	1 092	534	491	*669*	*601*	(308)	(322)	977	923
Malaysia		1 045	1 011	382	363	*663*	*648*	(264)	(298)	927	946
Non-Covered business		33 277	31 328	3 303	3 692	*29 974*	*27 636*	–	–	29 974	27 636
SPA GI[3]		18 088	18 875	1 770	3 570	*16 318*	*15 305*	–	–	16 318	15 305
India		14 200	11 749	2 464	826	*11 736*	*10 923*	–	–	11 736	10 923
Other operations[3]		989	704	(931)	(704)	*1 920*	*1 408*	–	–	1 920	1 408
Sanlam Investment Group		13 752	19 583	7 506	10 234	*6 246*	*9 349*	–	–	6 246	9 349
Covered business[4]	7.3.2	1 747	2 614	(957)	(894)	*2 704*	*3 508*	–	–	2 704	3 508
Non-Covered business		12 005	16 969	8 463	11 128	*3 542*	*5 841*	–	–	3 542	5 841
Sanlam Investments		3 137[5]	3 209	1 010	1 844	*2 127*	*1 365*	–	–	2 127	1 365
Wealth Management		3 138	3 273	2 909	3 026	*229*	*247*	–	–	229	247
International[6]		4 201	8 917	3 205	4 896	*996*	*4 021*	–	–	996	4 021
Sanlam Specialised Finance		1 529	1 570	1 339	1 362	*190*	*208*	–	–	190	208
Santam		17 391	18 241	10 436	10 587	*6 955*	*7 654*	–	–	6 955	7 654
Dividend pool		7 315	6 887	–	–	*7 315*	*6 887*	–	–	7 315	6 887
Discretionary capital		5 274	2 936	–	–	*5 274*	*2 936*	–	–	5 274	2 936
Other capital		2 855	2 718	–	–	*2 855*	*2 718*	(1 197)	(1 197)	4 052	3 915
Present value of holding company expenses	15	(2 528)	(2 488)	(2 528)	(2 488)	–	–	–	–	–	–
Group Equity Value		140 776	142 390	68 928	71 768	*71 848*	*70 622*	(5 123)	(5 306)	76 971	75 928
Covered business	2	60 158	60 577	46 378	45 904	*13 780*	*14 673*	(3 926)	(4 109)	17 706	18 782
Non-Covered business	5	67 702	71 760	25 078	28 352	*42 624*	*43 408*	–	–	42 624	43 408
Group operations		127 860	132 337	71 456	74 256	*56 404*	*58 081*	(3 926)	(4 109)	60 330	62 190
Discretionary and other capital		12 916	10 053	(2 528)	(2 488)	*15 444*	*12 541*	(1 197)	(1 197)	16 641	13 738
Group Equity Value		140 776	142 390	68 928	71 768	*71 848*	*70 622*	(5 123)	(5 306)	76 971	75 928
Value per share	14	63,80	64,44							34,88	34,36

[1] Excludes subordinated debt funding of Sanlam Life.
[2] Sanlam Emerging Markets is disclosed on the current structure before taking into account the proposed joint venture transaction with Allianz.
[3] Santam Namibia has been reclassified from other operations to SPA GI.
[4] Sanlam disposed of its interest in Sanlam Life and Pensions in the UK in April 2022 (2021: R804 million).
[5] Includes Sanlam share (66%; 31 December 2021: 75%) of the third party asset management business of R3 466 million (31 December 2021: R3 763 million).
[6] Sanlam disposed of its stake in UK Wealth and Financial Planning businesses in May 2022 (2021: R2 562 million).

Analysis of Group Equity Value by line of business

at 31 December

R million	Total 2022	Total 2021	Life Business 2022	Life Business 2021	General Insurance 2022	General Insurance 2021
Southern Africa	**102 304**	99 005	55 474	54 960	19 053	19 017
South Africa	**92 503**	90 577	51 133	50 747	17 391	18 241
Other	**9 801**	8 428	4 341	4 213	1 662	776
North and West Africa	**15 752**	18 277	1 682	2 197	15 467	17 414
East Africa	**1 701**	1 144	753	519	959	685
Other International	**21 019**	23 964	2 249	2 901	2 914	2 786
Total	**140 776**	142 390	60 158	60 577	38 393	39 902

R million	Investment Management 2022	Investment Management 2021	Credit and Structuring 2022	Credit and Structuring 2021	Administration and Health 2022	Administration and Health 2021
Southern Africa	7 533	7 744	4 491	4 340	3 967	4 134
South Africa	6 777	6 975	2 177	2 196	3 810	3 974
Other	756	769	2 314	2 144	157	160
East Africa	160	183	–	–	–	–
Other International	4 270	9 046	11 586	9 231	–	–
Total	11 963	16 973	16 077	13 571	3 967	4 134

R million	Discretionary capital and Other 2022	Discretionary capital and Other 2021
Southern Africa	11 786	8 810
South Africa	11 215	8 444
Other	571	366
North and West Africa	(1 397)	(1 334)
East Africa	(171)	(243)
Total	10 218	7 233

Change in Group Equity Value

at 31 December 2022

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	54 159	5 932	(115)	(5 561)	54 415
Covered business	48 937	5 676	(44)	(5 183)	49 386
SA Retail Affluent	31 849	3 453	(184)	(3 255)	31 863
SA Retail Mass	11 761	1 080	138	(1 297)	11 682
Sanlam Corporate	5 327	1 143	2	(631)	5 841
Non-Covered business	5 222	256	(71)	(378)	5 029
SA Retail Affluent	4 319	274	(71)	(359)	4 163
Glacier	2 736	120	(30)	(179)	2 647
Other operations	1 583	154	(41)	(180)	1 516
Sanlam Corporate: Health	903	(18)	–	(19)	866
Sanlam Emerging Markets	40 354	1 431	2 272	(1 755)	42 302
Covered business	9 026	1 016	(248)	(769)	9 025
SPA Life	6 923	837	(330)	(653)	6 777
India	1 092	110	68	(67)	1 203
Malaysia	1 011	69	14	(49)	1 045
Non-Covered business	31 328	415	2 520	(986)	33 277
SPA GI[1]	18 875	(2 072)	1 350	(65)	18 088
India	11 749	2 501	217	(267)	14 200
Other operations[1]	704	(14)	953	(654)	989
Sanlam Investment Group	19 583	(1 067)	(3 611)	(1 153)	13 752
Covered business	2 614	256	(916)	(207)	1 747
Non-Covered business	16 969	(1 323)	(2 695)	(946)	12 005
Sanlam Investments	3 209	369	4	(445)	3 137
Wealth Management	3 273	70	–	(205)	3 138
International	8 917	(1 848)	(2 699)	(169)	4 201
Sanlam Specialised Finance	1 570	86	–	(127)	1 529
Santam	18 241	542	–	(1 392)	17 391
Discretionary capital	2 936	237	2 101	–	5 274
Other capital	9 605	(844)	8 783	(7 374)	10 170
Present value of holding company expenses	(2 488)	(40)	–	–	(2 528)
Elimination of intergroup dividends	–	–	(9 861)	9 861	–
Group Equity Value	142 390	6 191	(431)	(7 374)	140 776
Covered business	60 577	6 948	(1 208)	(6 159)	60 158
Non-Covered business	71 760	(110)	(246)	(3 702)	67 702
Group operations	132 337	6 838	(1 454)	(9 861)	127 860
Discretionary and other capital	10 053	(647)	10 884	(7 374)	12 916
Elimination of intergroup dividends	–	–	(9 861)	9 861	–
Group Equity Value	142 390	6 191	(431)	(7 374)	140 776

[1] *Santam Namibia has been reclassified from other operations to SPA GI.*

Change in Group Equity Value

at 31 December 2021

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	52 278	7 913	(1 339)	(4 693)	54 159
Covered business	47 597	6 958	(1 339)	(4 279)	48 937
SA Retail Affluent[1]	32 043	5 434	(1 360)	(4 268)	31 849
SA Retail Mass	10 596	1 637	297	(769)	11 761
Sanlam Corporate	4 958	(113)	(276)	758	5 327
Non-Covered business	4 681	955	–	(414)	5 222
SA Retail Affluent	4 035	623	–	(339)	4 319
Glacier	2 553	362	–	(179)	2 736
Other operations	1 482	261	–	(160)	1 583
Sanlam Corporate: Health	646	332	–	(75)	903
Sanlam Emerging Markets	35 323	5 618	638	(1 225)	40 354
Covered business	8 638	906	(40)	(478)	9 026
SPA Life	6 793	646	(44)	(472)	6 923
India	1 002	156	(97)	31	1 092
Malaysia	843	104	101	(37)	1 011
Non-Covered business	26 685	4 712	678	(747)	31 328
SPA GI[2]	17 182	1 761	224	(292)	18 875
India	8 954	2 856	64	(125)	11 749
Other operations[2]	549	95	390	(330)	704
Sanlam Investment Group	19 003	2 764	(1 034)	(1 150)	19 583
Covered business	3 091	(374)	69	(172)	2 614
Non-Covered business	15 912	3 138	(1 103)	(978)	16 969
Sanlam Investments	2 949	553	–	(293)	3 209
Wealth Management	2 588	847	3	(165)	3 273
International	8 928	1 292	(1 106)	(197)	8 917
Sanlam Specialised Finance	1 447	446	–	(323)	1 570
Santam	17 277	1 257	–	(293)	18 241
Discretionary capital	636	109	2 191	–	2 936
Other capital	9 782	(452)	6 890	(6 615)	9 605
Present value of holding company expenses	(2 487)	(1)	–	–	(2 488)
Elimination of intergroup dividends	–	–	(7 361)	7 361	–
Group Equity Value	131 812	17 208	(15)	(6 615)	142 390
Covered business	59 326	7 490	(1 310)	(4 929)	60 577
Non-Covered business	64 555	10 062	(425)	(2 432)	71 760
Group operations	123 881	17 552	(1 735)	(7 361)	132 337
Discretionary and other capital	7 931	(344)	9 081	(6 615)	10 053
Elimination of intergroup dividends	–	–	(7 361)	7 361	–
Group Equity Value	131 812	17 208	(15)	(6 615)	142 390

(1) The release of discretionary reserves against excess risk claims experience is reported under SA Retail Affluent in Change in Group Equity value, but shown separately in the detailed information as reported in Note 7.1 on page 244.
(2) Santam Namibia has been reclassified from other operations to SPA GI.

Return on Group Equity Value

at 31 December

%	2022	2021
Sanlam Life and Savings	11,0	15,1
Covered business	11,6	14,6
SA Retail Affluent	10,8	17,0
SA Retail Mass	9,2	15,4
Sanlam Corporate	21,5	(2,3)
Non-Covered business	4,9	20,4
SA Retail Affluent	6,3	15,4
Glacier	4,4	14,2
Other operations	9,9	17,6
Sanlam Corporate: Health	(2,0)	51,4
Sanlam Emerging Markets	3,5	15,9
Covered business	11,3	10,4
SPA Life	12,1	9,5
India	10,1	15,6
Malaysia	6,8	12,3
Non-Covered business	1,3	17,6
SPA GI[1]	(10,9)	10,2
India	21,3	31,9
Other operations[1]	(2,0)	17,3
Sanlam Investment Group	(6.0)	14,6
Covered business	12,2	(12,1)
Non-Covered business	(8.4)	19,7
Sanlam Investments	11,5	18,8
Wealth Management	2,1	32,7
International	(24,0)	14,5
Sanlam Specialised Finance	5.5	30,8
Santam	3,0	7,3
Discretionary capital and other	(5.6)	(4,3)
Group Equity Value[2]	4,3	13,1
Covered business	11,6	12,6
Non-Covered business	(0.2)	15,6
Group operations	5,2	14,2
Discretionary and other capital	(5.6)	(4,3)
Group Equity Value	4,3	13,1
RoGEV per share	4,2	13,9
Sanlam Group hurdle rate	14,3	13,6
South African risk-free rate at 1 January (9 year bond yield)	10,3	9,6
Plus margin	4,0	4,0

(1) Santam Namibia has been reclassified from other operations to SPA GI.
(2) Refer to the financial review on page 78 of the Integrated Report for adjusted RoGEV information.

Analysis of Group Equity Value Earnings

for the year ended 31 December

Covered business[1]

R million	Total 2022	Total 2021	Gross value of in-force 2022	Gross value of in-force 2021	Cost of capital 2022	Cost of capital 2021	Adjusted net asset value 2022	Adjusted net asset value 2021
Operational earnings	9 548	7 100	3 283	2 672	(276)	69	6 541	4 359
Value of new life insurance business[2]	2 388	2 764	5 718	5 836	(267)	(282)	(3 063)	(2 790)
Unwinding of discount rate	6 129	5 538	5 935	5 296	194	242	–	–
Expected profit	–	–	(8 268)	(7 677)	–	–	8 268	7 677
Operating experience variances	1 504	(2 742)	(496)	107	(91)	(94)	2 091	(2 755)
Risk experience	1 695	(4 205)	246	(232)	(43)	1	1 492	(3 974)
Persistency	(596)	712	(251)	908	(23)	(68)	(322)	(128)
Maintenance expenses	(13)	150	–	(4)	(2)	(3)	(11)	157
Working capital management	432	365	–	–	–	–	432	365
Credit spread	347	295	–	–	–	–	347	295
Other	(361)	(59)	(491)	(565)	(23)	(24)	153	530
Operating assumption changes	(473)	1 540	394	(890)	(112)	203	(755)	2 227
Risk experience	(178)	(867)	(319)	(2 072)	(7)	8	148	1 197
Persistency	133	1 533	1 255	1 769	(80)	(54)	(1 042)	(182)
Maintenance expenses	(210)	(91)	(171)	77	4	–	(43)	(168)
Modelling changes and other	(218)	965	(371)	(664)	(29)	249	182	1 380
Net investment return	476	925	–	–	–	–	476	925
Expected return on adjusted net asset value	1 007	956	–	–	–	–	1 007	956
Investment variances on adjusted net asset value	(531)	(31)	–	–	–	–	(531)	(31)
Valuation and economic basis	(3 588)	211	(3 389)	(240)	173	(119)	(372)	570
Investment variances on in-force business	(1 910)	1 402	(1 485)	999	69	(85)	(494)	488
Economic assumption changes	(1 615)	(1 310)	(1 820)	(1 399)	83	7	122	82
Investment yields	(1 631)	(1 303)	(1 837)	(1 399)	84	11	122	85
Long-term asset mix assumptions and other	16	(7)	17	–	(1)	(4)	–	(3)
Foreign currency translation differences	(63)	119	(84)	160	21	(41)	–	–
Change in tax basis	551	(80)	545	(78)	16	(2)	(10)	–
Net project expenses	(8)	(10)	–	–	–	–	(8)	(10)
Revaluation of business held for sale	–	(595)	–	(804)	–	209	–	–
Net loss on disposal of subsidiaries	(31)	(61)	–	–	–	–	(31)	(61)
GEV earnings: covered business	6 948	7 490	439	1 550	(87)	157	6 596	5 783
Acquired value of in-force	268	84	175	19	(39)	(5)	132	70
Disposal of businesses	(798)	–	(23)	–	9	–	(784)	–
Transfers to other Group operations	(127)	(920)	–	(29)	–	–	(127)	(891)
Transfers from covered business	(6 710)	(5 403)	–	–	–	–	(6 710)	(5 403)
Embedded value of covered business at the beginning of the period	60 577	59 326	49 427	47 887	(3 523)	(3 675)	14 673	15 114
Embedded value of covered business at the end of the period	60 158	60 577	50 018	49 427	(3 640)	(3 523)	13 780	14 673

[1] *Refer to note 7 for an analysis per cluster.*
[2] *Refer to note 1 for additional information.*

Covered business by cluster

at 31 December

R million	Total 2022	Total 2021	Gross value of in-force 2022	Gross value of in-force 2021	Cost of capital 2022	Cost of capital 2021	Adjusted net asset value 2022	Adjusted net asset value 2021
Sanlam Life and Savings	49 386	48 937	45 135	44 697	(1 839)	(1 700)	6 090	5 940
Sanlam Emerging Markets	9 025	9 026	4 881	4 705	(842)	(904)	4 986	5 225
Sanlam Investment Group	1 747	2 614	2	25	(959)	(919)	2 704	3 508
Sanlam Group	60 158	60 577	50 018	49 427	(3 640)	(3 523)	13 780	14 673

Non-covered business

R million	Total 2022	Total 2021	Sanlam Life and Savings 2022	Sanlam Life and Savings 2021	Sanlam Emerging Markets 2022	Sanlam Emerging Markets 2021	Sanlam Investment Group 2022	Sanlam Investment Group 2021	Santam 2022	Santam 2021
Earnings from operations valued at listed share prices	542	1 260	–	–	–	–	–	3	542	1 257
Earnings from operations valued at net asset value	16	159	45	–	(151)	(53)	122	212	–	–
Earnings from operations valued based on discounted cash flows	(668)	8 643	211	955	566	4 765	(1 445)	2 923	–	–
Unwinding of discount rate	7 071	5 881	980	912	4 090	3 096	2 001	1 873	–	–
Operating experience and investment variances[1]	(1 912)	225	(439)	160	2 230	(127)	(3 703)	192	–	–
General insurance	514	(313)	–	–	514	(313)	–	–	–	–
Investment management	(3 655)	227	–	–	48	35	(3 703)	192	–	–
Credit and banking	1 591	18	(59)	(88)	1 650	106	–	–	–	–
Administration, health and other	(362)	293	(380)	248	18	45	–	–	–	–
Operating assumption changes[2]	(396)	1 917	(71)	130	(784)	1 042	459	745	–	–
General insurance	(826)	53	–	–	(826)	53	–	–	–	–
Investment management	471	760	–	–	12	15	459	745	–	–
Credit and banking	50	1 204	10	210	40	994	–	–	–	–
Administration, health and other	(91)	(100)	(81)	(80)	(10)	(20)	–	–	–	–
Economic assumption changes	(4 757)	(1 562)	(342)	(247)	(3 933)	(938)	(482)	(377)	–	–
Change in tax basis	(122)	–	83	–	(295)	–	90	–	–	–
Foreign currency translation differences	(552)	2 182	–	–	(742)	1 692	190	490	–	–
GEV earnings: non-covered operations	(110)	10 062	256	955	415	4 712	(1 323)	3 138	542	1 257

R million	*Total 2022*	*Total 2021*	*Sanlam Life and Savings 2022*	*Sanlam Life and Savings 2021*	*Sanlam Emerging Markets 2022*	*Sanlam Emerging Markets 2021*	*Sanlam Investment Group 2022*	*Sanlam Investment Group 2021*
[1] Operating experience and investment variances	*(1 912)*	*225*	*(439)*	*160*	*2 230*	*(127)*	*(3 703)*	*192*
General insurance business	*514*	*(313)*	–	–	*514*	*(313)*	–	–
Risk experience	*(181)*	*(111)*	–	–	*(181)*	*(111)*	–	–
Premium income	*1 189*	*(133)*	–	–	*1 189*	*(133)*	–	–
Investment return	*(20)*	*130*	–	–	*(20)*	*130*	–	–
Maintenance expenses	*(206)*	*(380)*	–	–	*(206)*	*(380)*	–	–
Other	*(268)*	*181*	–	–	*(268)*	*181*	–	–
Investment management	*(3 655)*	*227*	–	–	*48*	*35*	*(3 703)*	*192*
Investment return and net fund flows	*(2 567)*	*175*	–	–	*(2)*	*5*	*(2 565)*	*170*
Other	*(1 088)*	*52*	–	–	*50*	*30*	*(1 138)*	*22*
Credit business	*1 591*	*18*	*(59)*	*(88)*	*1 650*	*106*	–	–
Income	*118*	*(264)*	*32*	*(153)*	*86*	*(111)*	–	–
Other	*1 473*	*282*	*(91)*	*65*	*1 564*	*217*	–	–
Administration, health and other	*(362)*	*293*	*(380)*	*248*	*18*	*45*	–	–
Income	*(356)*	*380*	*(349)*	*346*	*(7)*	*34*	–	–
Other	*(6)*	*(87)*	*(31)*	*(98)*	*25*	*11*	–	–
[2] Operating assumption changes	*(396)*	*1 917*	*(71)*	*130*	*(784)*	*1 042*	*459*	*745*
General insurance business	*(826)*	*53*	–	–	*(826)*	*53*	–	–
Risk experience	*(142)*	*(756)*	–	–	*(142)*	*(756)*	–	–
Premium income	*(65)*	*544*	–	–	*(65)*	*544*	–	–
Maintenance expenses	*(463)*	*70*	–	–	*(463)*	*70*	–	–
Modelling and other assumption changes	*(156)*	*195*	–	–	*(156)*	*195*	–	–
Investment management	*471*	*760*	–	–	*12*	*15*	*459*	*745*
Net fund flows	*(786)*	*(66)*	–	–	*1*	*38*	*(787)*	*(104)*
Other	*1 257*	*826*	–	–	*11*	*(23)*	*1 246*	*849*
Credit business	*50*	*1 204*	*10*	*210*	*40*	*994*	–	–
Income	*298*	*321*	*32*	*474*	*266*	*(153)*	–	–
Bad debts	*(497)*	*5*	*23*	*(227)*	*(520)*	*232*	–	–
Other	*249*	*878*	*(45)*	*(37)*	*294*	*915*	–	–
Administration, health and other	*(91)*	*(100)*	*(81)*	*(80)*	*(10)*	*(20)*	–	–
Maintenance expenses	*62*	*(43)*	*64*	*(56)*	*(2)*	*13*	–	–
Other	*(153)*	*(57)*	*(145)*	*(24)*	*(8)*	*(33)*	–	–

Discretionary and other capital

R million	Note	2022	2021
Investment return and other		594	(11)
B-BBEE SPV Impairment		(1 105)	(145)
Corporate expenses		(339)	(241)
Net group office expenses		(299)	(240)
Change in present value of holding company expenses	15	(40)	(1)
Share-based payment transactions		203	53
GEV earnings: discretionary and other capital		(647)	(344)

Reconciliation of Group Equity Value earnings

R million	2022	2021
Earnings (excluding fund transfers)	8 937	11 164
Normalised attributable earnings per shareholders' fund income statement	11 164	9 860
Earnings recognised directly in equity		
Foreign currency translation differences	(1 964)	1 495
Net cost of treasury shares delivered	(282)	(415)
Share-based payments	485	468
Change in ownership of subsidiaries	–	(127)
Other comprehensive income & other	(466)	(117)
Fair value adjustments	(2 922)	5 493
Change in fair value adjustments: non-life	(3 274)	3 786
Earnings from covered business: VIF	352	1 707
Adjustments to net worth	176	551
Present value of holding company expenses	(40)	(1)
Movement in book value of treasury shares: non-life subsidiaries	(89)	(74)
Change in goodwill/VOBA less VIF acquired	305	626
Group Equity Value earnings	6 191	17 208

Analysis of Shareholders' Fund
Net Asset Value

at 31 December

R million	Note	Sanlam Life[1] 2022	Sanlam Life[1] 2021	Sanlam Emerging Markets[2][3] 2022	Sanlam Emerging Markets[2][3] 2021	Sanlam Investment Group 2022	Sanlam Investment Group 2021	Santam 2022	Santam 2021	Group Office 2022	Group Office 2021	Consolidation adjustments[4] 2022	Consolidation adjustments[4] 2021	Shareholders' fund at net asset value 2022	Shareholders' fund at net asset value 2021
Assets															
Equipment		491	454	601	660	82	59	373	363	–	–	–	–	1 547	1 536
Rights-of-use assets		277	366	171	204	161	258	505	569	–	–	–	–	1 114	1 397
Owner-occupied properties		453	453	1 887	1 906	139	125	17	19	–	–	–	–	2 496	2 503
Goodwill		718	718	11 539	12 399	1 976	1 171	1 004	946	–	–	1 197	1 197	16 434	16 431
Value of business acquired		563	533	3 459	3 947	213	238	–	–	–	–	–	–	4 235	4 718
Other intangible assets		229	15	517	444	203	232	82	40	–	–	–	–	1 031	731
Deferred acquisition costs		2 326	2 362	277	249	21	22	–	–	–	–	–	–	2 624	2 633
Investments		19 925	20 330	47 347	48 020	4 825	5 210	33 643	29 377	9 548	6 955	(6 339)	(5 519)	108 949	104 373
Properties		19	19	5 836	6 138	–	–	–	–	–	–	–	–	5 855	6 157
Associated companies	8.1	1 183	1 144	20 242	18 501	364	356	3 537	4 294	–	–	(3 378)	(4 196)	21 948	20 099
Joint ventures	8.2	844	976	–	–	146	47	–	35	–	–	–	–	990	1 058
Equities and similar securities		489	481	6 925	7 888	102	348	2 296	2 702	–	–	1 904	3 115	11 716	14 534
Interest-bearing investments		5 511	5 460	7 474	5 842	588	143	17 817	16 875	6 965	6 955	(4 985)	(4 558)	33 370	30 717
Structured transactions		232	162	5	5	4	–	238	215	–	–	–	–	479	382
Investment funds		7 057	9 059	5 642	7 570	3 310	3 972	7 707	4 923	–	–	120	120	23 836	25 644
Cash, deposits and similar securities		4 590	3 029	1 223	2 076	311	344	2 048	333	2 583	–	–	–	10 755	5 782
Deferred tax		585	1 195	918	761	259	206	84	84	–	–	(40)	(33)	1 806	2 213
Assets of disposal groups classified as held for sale		–	–	878	715	–	2 439	–	–	–	–	–	–	878	3 154
General insurance technical assets		–	–	4 436	3 685	–	–	14 672	15 840	–	–	–	–	19 108	19 525
Working capital assets		7 668	7 289	21 396	18 997	25 160	25 674	19 760	16 783	3 115	2 950	(3 112)	(2 562)	73 987	69 131
Trade and other receivables		60	1 334	14 292	12 417	20 883	21 717	11 170	8 328	2 937	2 760	(3 302)	(2 754)	46 040	43 802
Taxation receivable		13	318	804	822	5	20	96	5	–	–	–	–	918	1 165
Cash, deposits and similar securities		7 595	5 637	6 300	5 758	4 272	3 937	8 494	8 450	178	190	190	192	27 029	24 164
Total assets		33 235	33 715	93 426	91 987	33 039	35 634	70 140	64 021	12 663	9 905	(8 294)	(6 917)	234 209	228 345
Equity and liabilities															
Shareholders' fund		17 310	18 044	39 658	37 410	7 280	10 291	6 955	7 654	7 847	5 241	(2 079)	(2 712)	76 971	75 928
Non-controlling interest		15	49	11 873	12 431	1 139	472	4 504	5 234	–	–	(4 227)	(4 724)	13 304	13 462
Total equity		17 325	18 093	51 531	49 841	8 419	10 763	11 459	12 888	7 847	5 241	(6 306)	(7 436)	90 275	89 390
Term finance		2 031	1 992	2 947	2 925	1 050	560	2 539	2 552	3 350	3 470	–	–	11 917	11 499
Lease liabilities		344	446	188	216	249	298	677	744	–	–	–	–	1 458	1 704
Structured transactions liabilities		187	220	–	–	7	49	35	1	–	–	–	–	229	270
Cell owners' interest		–	–	–	–	–	–	7 123	4 900	–	–	–	–	7 123	4 900
Deferred tax		1 011	107	3 001	3 346	12	117	72	63	–	–	–	–	4 096	3 633
Liabilities of disposal groups classified as held for sale		–	–	266	465	–	558	–	–	–	–	–	–	266	1 023
General insurance technical provisions		–	–	21 727	21 088	–	–	40 383	36 471	–	–	–	–	62 110	57 559
Working capital liabilities		12 337	12 857	13 766	14 106	23 302	23 289	7 852	6 402	1 466	1 194	(1 988)	519	56 735	58 367
Trade and other payables		11 273	11 973	12 285	13 100	22 751	22 789	7 467	5 837	1 254	1 190	(2 005)	502	53 025	55 391
Provisions		41	43	600	332	1	27	138	174	3	4	17	17	800	597
Taxation payable		1 023	841	881	674	550	473	247	391	209	–	–	–	2 910	2 379
Total equity and liabilities		33 235	33 715	93 426	91 987	33 039	35 634	70 140	64 021	12 663	9 905	(8 294)	(6 917)	234 209	228 345
Analysis of shareholders' fund															
Covered business		7 123	6 960	7 879	8 314	2 704	3 508	–	–	–	–	–	–	17 706	18 782
Non-covered business		2 153	2 277	29 974	27 636	3 542	5 841	6 955	7 654	–	–	–	–	42 624	43 408
Discretionary and other capital		8 034	8 807	1 805	1 460	1 034	942	–	–	7 847	5 241	(2 079)	(2 712)	16 641	13 738
Shareholders' fund at net asset value		17 310	18 044	39 658	37 410	7 280	10 291	6 955	7 654	7 847	5 241	(2 079)	(2 712)	76 971	75 928
Consolidation reserve		700	941	62	62	–	–	–	–	–	–	(6 200)	(7 552)	(5 438)	(6 549)
Shareholders' fund per Group statement of financial position on page 64		18 010	18 985	39 720	37 472	7 280	10 291	6 955	7 654	7 847	5 241	(8 279)	(10 264)	71 533	69 379

(1) *Includes the operations of SA Retail Affluent, SA Retail Mass, Sanlam Corporate and discretionary capital held by Sanlam Life.*
(2) *Includes discretionary capital held by Sanlam Emerging Markets.*
(3) *In line with how we manage the business, individual line items include the assets and liabilities held for sale that differs from the statement of financial position on page 64. Upon the successful completion of the Allianz transaction, the investment in the joint venture will be equity accounted.*
(4) *Elimination of intercompany balances, other investments and term finance between companies within the Group.*

Shareholders' Fund Income Statement

for the year ended 31 December

R million	Note	Sanlam Life and Savings: SA Retail Affluent[1] 2022	2021	SA Retail Mass 2022	2021	Sanlam Corporate 2022	2021	Sanlam Emerging Markets[2] 2022	2021	Sanlam Investment Group 2022	2021	Santam 2022	2021	Group office and other 2022	2021	Total 2022	2021
Financial services income	9	16 359	19 635	11 655	10 509	6 938	7 285	27 569	27 370	6 350	7 558	28 789	27 549	(54)	(274)	97 606	99 632
Sales remuneration	10	(2 512)	(2 463)	(1 806)	(1 645)	(103)	(80)	(4 441)	(3 893)	(114)	(327)	(3 678)	(3 473)	–	–	(12 654)	(11 881)
Income after sales remuneration		13 847	17 172	9 849	8 864	6 835	7 205	23 128	23 477	6 236	7 231	25 111	24 076	(54)	(274)	84 952	87 751
Underwriting policy benefits		(3 532)	(4 928)	(6 172)	(6 162)	(3 810)	(7 385)	(12 179)	(11 791)	–	–	(18 034)	(16 405)	–	–	(43 727)	(46 671)
Administration costs	11	(5 433)	(4 786)	(1 878)	(1 663)	(1 991)	(1 767)	(6 473)	(6 519)	(4 376)	(5 383)	(4 679)	(4 481)	(556)	(458)	(25 386)	(25 057)
Result from financial services before tax		4 882	7 458	1 799	1 039	1 034	(1 947)	4 476	5 167	1 860	1 848	2 398	3 190	(610)	(732)	15 839	16 023
Tax on result from financial services		(1 285)	(2 051)	(502)	(276)	(286)	556	(1 161)	(1 839)	(431)	(427)	(670)	(836)	168	229	(4 167)	(4 644)
Result from financial services after tax		3 597	5 407	1 297	763	748	(1 391)	3 315	3 328	1 429	1 421	1 728	2 354	(442)	(503)	11 672	11 379
Non-controlling interest		48	21	–	6	–	–	(780)	(1 101)	(190)	(123)	(702)	(976)	143	263	(1 481)	(1 910)
Net result from financial services		3 645	5 428	1 297	769	748	(1 391)	2 535	2 227	1 239	1 298	1 026	1 378	(299)	(240)	10 191	9 469
Net investment income		249	83	64	46	79	44	120	186	111	76	140	96	436	235	1 199	766
Investment income	12	305	92	72	52	81	45	421	400	119	78	345	230	366	175	1 709	1 072
Tax on investment income		(56)	(9)	(8)	(6)	(2)	(1)	(249)	(153)	(11)	–	(90)	(54)	38	27	(378)	(196)
Non-controlling interest		–	–	–	–	–	–	(52)	(61)	3	(2)	(115)	(80)	32	33	(132)	(110)
Net investment surpluses		51	111	10	54	24	57	(237)	(56)	(98)	280	(69)	180	2	(82)	(317)	544
Investment surpluses		54	149	8	75	17	77	(432)	(159)	(130)	365	(152)	397	155	(31)	(480)	873
Tax on investment surpluses		(3)	(38)	2	(21)	7	(20)	119	45	46	(85)	41	(102)	(36)	(10)	176	(231)
Non-controlling interest		–	–	–	–	–	–	76	58	(14)	–	42	(115)	(117)	(41)	(13)	(98)
Project expenses		(14)	(58)	–	–	(1)	(4)	(255)	(189)	(61)	(100)	(46)	(28)	(164)	(112)	(541)	(491)
Net operational earnings		3 931	5 564	1 371	869	850	(1 294)	2 163	2 168	1 191	1 554	1 051	1 626	(25)	(199)	10 532	10 288
Net amortisation of value of business acquired and other intangibles		(53)	(191)	(6)	(7)	(20)	(11)	(181)	(394)	(55)	(97)	(31)	(38)	–	–	(346)	(738)
Equity participation costs		–	–	–	–	–	–	–	–	–	–	(1)	(1)	–	–	(1)	(1)
Net non-operational equity-accounted earnings		–	–	–	–	(20)	(32)	635	3	–	–	42	45	–	–	657	16
Non-operational equity-accounted earnings		–	–	–	–	(20)	(32)	856	8	–	–	68	73	–	–	904	49
Tax		–	–	–	–	–	–	(218)	(2)	–	–	–	–	–	–	(218)	(2)
Non-controlling interest		–	–	–	–	–	–	(3)	(3)	–	–	(26)	(28)	–	–	(29)	(31)
Net profit on disposal of subsidiaries, associated companies and operations		–	16	–	–	85	–	4	10	1 411	206	–	(3)	–	–	1 500	229
Profit on disposal of subsidiaries, associated companies and operations		–	21	–	–	85	–	4	10	1 411	206	–	(4)	–	–	1 500	233
Tax		–	(5)	–	–	–	–	–	–	–	–	–	–	–	–	–	(5)
Non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	1	–	–	–	1
(Impairment charges)/reversals		(31)	(5)	(18)	–	–	(8)	–	616	(6)	(386)	(18)	(6)	(1 105)	(145)	(1 178)	66
Normalised attributable earnings		3 847	5 384	1 347	862	895	(1 345)	2 621	2 403	2 541	1 277	1 043	1 623	(1 130)	(344)	11 164	9 860
Fund transfers		14	(9)	(240)	120	(5)	(11)	(41)	(13)	(5)	(2)	(12)	1	988	(473)	699	(387)
Attributable earnings per Group statement of comprehensive income		3 861	5 375	1 107	982	890	(1 356)	2 580	2 390	2 536	1 275	1 031	1 624	(142)	(817)	11 863	9 473
Net profit on disposal of subsidiaries and associated companies and operations[3]		–	(16)	–	–	(85)	–	(4)	(10)	(1 924)	(206)	–	3	–	–	(2 013)	(229)
Impairments		31	5	18	–	–	8	–	(616)	6	386	18	6	–	–	73	(211)
Net equity-accounted non-headline earnings		–	–	–	–	(2)	8	(627)	–	–	–	–	–	–	–	(629)	8
Headline earnings		3 892	5 364	1 125	982	803	(1 340)	1 949	1 764	618	1 455	1 049	1 633	(142)	(817)	9 294	9 041
Diluted earnings per share	13																
Weighted average number of shares for operational earnings per share (million)																2 210,4	2 224,0
Net result from financial services (cents)		165	244	59	35	34	(63)	115	100	56	58	46	62	(14)	(11)	461	426

[1] The release of discretionary reserves against excess risk claims experience is reported under SA Retail Affluent in the income statement but shown separately in the detailed information as reported in Note 7.1.
[2] Includes discontinued operations.
[3] For shareholder fund purposes only, wind-down and transaction related costs are set off against the proceeds on disposal which is not taken into account for headline earnings.

Net Result from Financial Services

for the year ended 31 December

Geographical analysis by line of business[1]

R million	Life Business 2022	Life Business 2021	General Insurance 2022	General Insurance 2021	Investment Management 2022	Investment Management 2021	Credit and Structuring 2022	Credit and Structuring 2021	Administration and Health 2022	Administration and Health 2021	Corporate expenses and Other 2022	Corporate expenses and Other 2021	Total 2022	Total 2021
Southern Africa	5 916	4 674	770	1 598	648	503	621	738	337	348	(471)	(695)	7 821	7 166
South Africa	5 390	4 453	883	1 230	585	446	404	497	337	348	(299)	(240)	7 300	6 734
Other	526	221	(113)	368	63	57	217	241	–	–	(172)	(455)	521	432
North and West Africa	45	246	708	619	(2)	(2)	–	–	–	–	(195)	44	556	907
East Africa	85	8	(8)	(3)	11	13	–	–	–	–	(9)	(15)	79	3
Other International	113	1	258	324	212	361	1 039	654	–	–	113	53	1 735	1 393
Emerging Markets	113	3	258	324	(1)	(1)	1 039	654	–	–	113	53	1 522	1 033
Developed Markets	–	(2)	–	–	213	362	–	–	–	–	–	–	213	360
Total	6 159	4 929	1 728	2 538	869	875	1 660	1 392	337	348	(562)	(613)	10 191	9 469

[1] *Refer to Note 7 for an analysis per cluster.*

Notes to the Shareholders' Fund Information

for the year ended 31 December

1 Value of new covered business

R million	Note	Total 2022	Total 2021	Sanlam Life and Savings: SA Retail Affluent 2022	SA Retail Affluent 2021	SA Retail Mass 2022	SA Retail Mass 2021	Corporate 2022	Corporate 2021	Sanlam Emerging Markets 2022	Sanlam Emerging Markets 2021	Sanlam Investment Group 2022[1]	Sanlam Investment Group 2021
Value of new covered business (at point of sale)													
Gross value of new covered business		3 046	3 416	995	1 312	798	863	135	272	1 118	961	–	8
Cost of capital		(317)	(339)	(71)	(90)	(43)	(39)	(46)	(50)	(157)	(152)	–	(8)
Value of new covered business		2 729	3 077	924	1 222	755	824	89	222	961	809	–	–
Value of new business attributable to													
Shareholders' fund	3	2 388	2 764	923	1 192	755	821	89	222	621	529	–	–
Non-controlling interest		341	313	1	30	–	3	–	–	340	280	–	–
Value of new covered business		2 729	3 077	924	1 222	755	824	89	222	961	809	–	–
Analysis of new business profitability													
Before non-controlling interest													
Present value of new business premiums		93 726	102 285	50 041	55 437	12 764	11 705	11 971	12 965	18 950	18 502	–	3 676
New business margin		2,91%	3,01%	1,85%	2,20%	5,92%	7,04%	0,74%	1,71%	5,07%	4,37%	–	–
After non-controlling interest:													
Present value of new business premiums		87 814	96 182	49 538	54 675	12 764	11 668	11 971	12 965	13 541	13 198	–	3 676
New business margin		2,72%	2,87%	1,86%	2,18%	5,92%	7,04%	0,74%	1,71%	4,59%	4,01%	–	–
Capitalisation factor – recurring premiums		3,7	3,8	5,7	5,9	3,2	3,1	6,4	6,4	2,9	2,8	–	4,3

[1] *Sanlam Life and Pensions was disposed of in April 2022*

1 Value of new covered business *continued*

Geographical analysis

R million	Value of new covered business 2022	2021	Present value of new business premiums 2022	2021	New business margin 2022	2021
Before non-controlling interest						
Southern Africa	2 292	2 733	82 350	87 604	2,78%	3,12%
South Africa	1 768	2 268	74 776	80 107	2,36%	2,83%
SA Retail Affluent	924	1 222	50 041	55 437	1,85%	2,20%
SA Retail Mass	755	824	12 764	11 705	5,92%	7,04%
Sanlam Corporate	89	222	11 971	12 965	0,74%	1,71%
Other Southern Africa	524	465	7 574	7 497	6,92%	6,20%
North and West Africa	90	155	4 135	4 527	2,18%	3,42%
East Africa	87	3	2 235	1 680	3,89%	0,18%
Other International	260	186	5 006	8 474	5,19%	2,19%
Total	2 729	3 077	93 726	102 285	2,91%	3,01%
After non-controlling interest						
Southern Africa	2 091	2 524	79 366	84 410	2,63%	2,99%
South Africa	1 767	2 235	74 273	79 308	2,38%	2,82%
SA Retail Affluent	923	1 192	49 538	54 675	1,86%	2,18%
SA Retail Mass	755	821	12 764	11 668	5,92%	7,04%
Sanlam Corporate	89	222	11 971	12 965	0,74%	1,71%
Other Southern Africa	324	289	5 093	5 102	6,36%	5,66%
North and West Africa	65	124	3 360	3 660	1,93%	3,39%
East Africa	47	(6)	1 475	1 088	3,19%	(0,55%)
Other International	185	122	3 613	7 024	5,12%	1,74%
Total	2 388	2 764	87 814	96 182	2,72%	2,87%

2 Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business 2022	2021	Cost of capital 2022	2021	Net value of in-force business 2022	2021	Change from base value % 2022	2021
Base value	50 018	49 427	(3 640)	(3 523)	46 378	45 904	–	–
Risk discount rate increase by 1%	47 510	47 000	(4 078)	(3 951)	43 432	43 049	(6)	(6)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	51 215	50 647	(3 735)	(3 613)	47 480	47 034	2	2
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	48 522	48 150	(3 599)	(3 492)	44 923	44 658	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	50 568	50 078	(3 266)	(3 162)	47 302	46 916	2	2
Rand exchange rate depreciates by 10%	50 333	49 733	(3 716)	(3 605)	46 617	46 128	1	–
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	52 122	51 450	(3 648)	(3 531)	48 474	47 919	5	4
Discontinuance rates decrease by 10%	51 685	51 170	(3 739)	(3 603)	47 946	47 567	3	4
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	52 693	52 230	(3 640)	(3 516)	49 053	48 714	6	6
Mortality and morbidity decrease by 5% for annuity business	49 773	49 232	(3 652)	(3 535)	46 121	45 697	(1)	–

	2022	2021
Gross value of in-force business profile		
Year 1-5	59%	58%
Year 1	17%	18%
Year 2	14%	13%
Year 3	11%	11%
Year 4	9%	9%
Year 5	8%	7%
Year 6 - 10	23%	23%
Year 11 - 20	15%	16%
Year 20+	3%	3%

3 Value of new covered business sensitivity analysis

	Gross value of new business		Cost of capital		Net value of new business		Change from base value %	
R million	2022	2021	2022	2021	2022	2021	2022	2021
Base value	2 655	3 046	(267)	(282)	2 388	2 764		
Risk discount rate increase by 1%	2 382	2 751	(300)	(319)	2 082	2 432	(13)	(12)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	2 770	3 230	(270)	(293)	2 500	2 937	5	6
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	2 900	3 297	(273)	(291)	2 627	3 006	10	9
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	2 942	3 285	(273)	(292)	2 669	2 993	12	8
Discontinuance rates decrease by 10%	2 984	3 361	(281)	(302)	2 703	3 059	13	11
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	2 952	3 408	(271)	(290)	2 681	3 118	12	13
Mortality and morbidity decrease by 5% for annuity business	2 626	3 005	(273)	(291)	2 353	2 714	(1)	(2)

4 Economic assumptions – covered business

4.1 Gross investment return, risk discount rate and inflation

%	2022	2021
Sanlam Life[1]		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	11,5%	10,3%
Equities	15,0%	13,8%
Offshore investments	14,0%	12,8%
Hedged equity	10,5%	9,3%
Property	12,5%	11,3%
Cash	10,5%	9,3%
Inflation rate[1]	9,5%	8,3%
Risk discount rate	14,0%	12,8%
Sanlam Developing Markets[2]		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	9,7%	8,1%
Equities and offshore investments	13,2%	11,6%
Hedged equities	8,7%	7,1%
Property	10,7%	9,1%
Cash	8,7%	7,1%
Inflation rate	7,7%	6,1%
Risk discount rate	12,2%	10,6%
Botswana Life Insurance		
Fixed-interest securities	8,2%	6,8%
Equities and offshore investments	11,7%	10,3%
Hedged equities	n/a	n/a
Property	9,2%	7,8%
Cash	7,2%	5,8%
Inflation rate	5,2%	3,8%
Risk discount rate	11,7%	10,3%

[1] *Expense inflation of 13,5% (2021: 11,8%) assumed for retail business administered on old platforms.*
[2] *Excludes the Sanlam Life products written on the SDM licence.*

Illiquidity premiums

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

Assumed illiquidity premiums for 2022 and 2021 generally amount to between 25bps and 70bps for non-participating annuities, between 0bps and 70bps (2021: zero bps) for individual risk business, between 25bps and 75bps (2021: 25bps and 75bps) for inflation-linked annuities and capped at 120bps (2021: 120bps), reflecting both illiquidity premiums and credit risk premium for guarantee plans.

4 Economic assumptions – covered business *continued*

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

	R million		Fixed-interest securities %		Equities %		Hedged Equities %		Property %		Cash %		Total %	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Required capital														
South Africa[1]	8 812	8 660	–	–	3	3	90	91	–	–	7	6	100	100
Namibia	496	522	7	6	35	36	–	–	–	–	58	58	100	100
Botswana Life	351	387	–	–	–	–	–	–	50	50	50	50	100	100
Morocco	898	1 111	93	95	7	5	–	–	–	–	–	–	100	100
Sanlam Life insurance (Kenya)	101	100	85	85	–	–	–	–	–	–	15	15	100	100
Other African operations	873	1 131	72	74	3	3	–	–	3	3	22	20	100	100
Shriram Life Insurance (India)	459	416	100	90	–	10	–	–	–	–	–	–	100	100
MCIS (Malaysia)	632	619	67	68	18	17	–	–	–	–	15	15	100	100
Sanlam Investments and Pensions (UK)	–	620	–	80	–	–	–	–	–	–	–	20	–	100
Total required capital	12 622	13 566												
Free Surplus	1 158	1 107												
Adjusted net asset value	13 780	14 673												

[1] *The 31 December 2022 asset mix backing the Sanlam Life required capital is 96% hedged (31 December 2021: 98%).*

4.3 Assumed long-term expected return on required capital

	Gross %		Net %	
	2022	2021	2022	2021
Sanlam Life	10,5	9,3	8,8	7,8
Sanlam Developing Markets	9,6	8,0	7,5	6,7
Sanlam Namibia	12,5	11,3	11,3	10,2
Sanlam Namibia Holdings	10,5	9,4	9,2	8,2
Botswana Life Insurance	8,2	6,8	6,3	5,1
Saham Assurance Maroc	4,1	2,3	4,1	2,3
Sanlam Life insurance (Kenya)	14,2	11,9	9,9	8,3
Shriram Life Insurance (India)	7,7	7,3	6,6	6,2
MCIS (Malaysia)	4,8	4,4	4,5	4,1
Sanlam Investments and Pensions (UK)	1,6	1,6	1,2	1,2

5 Value of non-covered operations sensitivity analysis

5.1 Valuation methodology

R million	Total 2022	Total 2021
Listed share price – Santam	17 391	18 241
Discounted cash flows	49 041	53 091
Sanlam Life and Savings	4 984	5 222
Glacier	2 647	2 736
Sanlam Personal Loans	1 219	1 248
Sanlam Corporate: Health	821	903
Other operations	297	335
Sanlam Emerging Markets	32 622	32 325
SPA GI	18 088	18 875
SPA Life	3 387	3 256
India	12 699	11 749
Other operations	(1 552)	(1 555)
Sanlam Investment Group	11 435	15 544
Sanlam Investments	3 064	3 114
Wealth Management	3 138	3 273
International	4 094	7 977
Sanlam Specialised Finance	1 139	1 180
Net asset value	1 270	428
Sanlam Investment Group	570	1 425
Sanlam Investments	73	95
International	107	940
Sanlam Specialised Finance	390	390
Sanlam Emerging Markets	655	(997)
Sanlam Life and Savings	45	–
Total	67 702	71 760

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value 2022	Base value 2021	Risk discount rate +1% 2022	Risk discount rate +1% 2021	Perpetuity growth rate +1% 2022	Perpetuity growth rate +1% 2021
Sanlam Life and Savings	4 984	5 222	4 605	4 800	5 132	5 397
Glacier	2 647	2 736	2 425	2 496	2 740	2 844
Sanlam Personal Loans	1 219	1 248	1 143	1 165	1 243	1 275
Sanlam Corporate: Health	821	903	760	828	845	934
Other operations	297	335	277	311	304	344
Sanlam Emerging Markets	32 622	32 325	28 611	27 867	35 815	36 479
SPA GI	18 088	18 875	16 410	16 555	19 187	20 967
SPA Life	3 387	3 256	3 099	2 945	3 545	3 447
India	12 699	11 749	10 654	9 922	14 635	13 620
Other operations	(1 552)	(1 555)	(1 552)	(1 555)	(1 552)	(1 555)
Sanlam Investment Group	11 435	15 544	10 208	14 038	11 666	16 507
Sanlam Investments[1]	3 064	3 114	2 827	2 802	3 165	3 258
Wealth Management	3 138	3 273	2 876	3 005	3 249	3 400
International	4 094	7 977	3 446	7 139	4 081	8 630
Sanlam Specialised Finance	1 139	1 180	1 059	1 092	1 171	1 219
	49 041	53 091	43 424	46 705	52 613	58 383
Weighted average assumption			16,0%	14,5%	2–7%	2-7%

R million	Equities and properties -10% 2022	Equities and properties -10% 2021	Risk discount rate -1% 2022	Risk discount rate -1% 2021	Rand exchange rate depreciation +10% 2022	Rand exchange rate depreciation +10% 2021
Sanlam Life and Savings	4 725	4 977	5 421	5 712	4 984	5 222
Glacier	2 388	2 491	2 905	3 017	2 647	2 736
Sanlam Personal Loans	1 219	1 248	1 305	1 342	1 219	1 248
Sanlam Corporate: Health	821	903	891	990	821	903
Other operations	297	335	320	363	297	335
Sanlam Emerging Markets	32 622	32 325	38 177	38 873	35 765	35 446
SPA GI	18 088	18 875	20 371	22 306	19 897	20 762
SPA Life	3 387	3 256	3 739	3 645	3 606	3 471
India	12 699	11 749	15 619	14 477	13 969	12 924
Other operations	(1 552)	(1 555)	(1 552)	(1 555)	(1 707)	(1 711)
Sanlam Investment Group	9 739	13 825	12 355	17 482	11 510	16 078
Sanlam Investments[1]	2 690	2 711	3 344	3 487	3 094	3 137
Wealth Management	2 779	2 911	3 443	3 591	3 066	3 286
International	3 212	7 109	4 335	9 119	4 211	8 475
Sanlam Specialised Finance	1 058	1 094	1 233	1 285	1 139	1 180
	47 086	51 127	55 953	62 067	52 259	56 746

[1] *Includes third party asset management business based on the following main assumptions:*
- *Weighted average discount rate: 18,7% (2021: 17,8%)*
- *Weighted average perpetuity growth rate: 5% (December 2021: 5,0%)*

6 Business volumes

6.1 Analysis of new business and total funds received

R million	Life business[(1)] 2022	Life business[(1)] 2021	General insurance 2022	General insurance 2021	Investment business[(2)] 2022	Investment business[(2)] 2021	Total 2022	Total 2021
Sanlam Life and Savings	53 640	57 337	–	–	56 300	51 415	109 940	108 752
SA Retail Affluent	40 269	45 252	–	–	43 912	45 725	84 181	90 977
Recurring	2 080	2 069	–	–	13	14	2 093	2 083
Single	38 189	43 183	–	–	43 899	45 711	82 088	88 894
SA Retail Mass – Recurring	3 983	3 850	–	–	–	–	3 983	3 850
Sanlam Corporate	9 388	8 235	–	–	12 388	5 690	21 776	13 925
Recurring	480	883	–	–	165	7	645	890
Single	8 908	7 352	–	–	12 223	5 683	21 131	13 035
Sanlam Emerging Markets	11 172	10 871	17 174	15 639	15 762	22 289	44 108	48 799
Southern Africa	4 686	4 978	981	1 769	10 328	15 137	15 995	21 884
Recurring	984	1 083	981	1 769	–	–	1 965	2 852
Single	3 702	3 895	–	–	10 328	15 137	14 030	19 032
North and West Africa	2 809	2 771	13 536	11 055	–	–	16 345	13 826
Recurring	1 667	1 664	13 536	11 055	–	–	15 203	12 719
Single	1 142	1 107	–	–	–	–	1 142	1 107
East Africa	1 763	1 293	903	875	5 434	7 152	8 100	9 320
Recurring	256	380	903	875	–	–	1 159	1 255
Single	1 507	913	–	–	5 434	7 152	6 941	8 065
Other International	1 914	1 829	1 754	1 940	–	–	3 668	3 769
Recurring	1 274	1 169	1 754	1 940	–	–	3 028	3 109
Single	640	660	–	–	–	–	640	660
Sanlam Investment Group	–	3 539	–	–	153 077	168 213	153 077	171 752
Investment Management SA	–	–	–	–	125 846	120 156	125 846	120 156
Wealth Management	–	–	–	–	9 558	9 795	9 558	9 795
International	–	3 539	–	–	17 673	38 262	17 673	41 801
Recurring	–	43	–	–	–	2	–	45
Single	–	3 496	–	–	17 673	38 260	17 673	41 756
Santam	–	–	28 076	26 583	–	–	28 076	26 583
Total new business	64 812	71 747	45 250	42 222	225 139	241 917	335 201	355 886

(1) *Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk excluded from the calculation of embedded value of covered business.*

6.1 Analysis of new business and total funds received *continued*

R million	Life business 2022	Life business 2021	General insurance 2022	General insurance 2021	Investment business[(2)] 2022	Investment business[(2)] 2021	Total 2022	Total 2021
Recurring premiums on existing business:								
Sanlam Life and Savings	35 047	31 418	–	–	4 242	4 415	39 289	35 833
SA Retail Affluent	16 140	15 490	–	–	145	142	16 285	15 632
SA Retail Mass	9 080	7 809	–	–	–	–	9 080	7 809
Sanlam Corporate	9 827	8 119	–	–	4 097	4 273	13 924	12 392
Sanlam Emerging Markets	9 036	8 313	–	–	–	597	9 036	8 910
Southern Africa	3 897	3 551	–	–	–	–	3 897	3 551
North and West Africa	1 802	1 578	–	–	–	–	1 802	1 578
East Africa	643	652	–	–	–	597	643	1 249
Other International	2 694	2 532	–	–	–	–	2 694	2 532
Sanlam Investment Group	–	375	–	–	–	27	–	402
Total funds received	108 895	111 853	45 250	42 222	229 381	246 956	383 526	401 031

6 Business volumes *continued*

6.2 Analysis of payments to clients

R million	Life business[1] 2022	Life business[1] 2021	General insurance 2022	General insurance 2021	Investment business[2] 2022	Investment business[2] 2021	Total 2022	Total 2021
Sanlam Life and Savings	73 354	79 680	–	–	48 401	49 648	121 755	129 328
SA Retail Affluent	50 595	53 828	–	–	38 491	37 351	89 086	91 179
Surrenders	8 939	8 952	–	–	–	–	8 939	8 952
Other	41 656	44 876	–	–	38 491	37 351	80 147	82 227
SA Retail Mass	7 492	7 562	–	–	–	–	7 492	7 562
Surrenders	516	467	–	–	–	–	516	467
Other	6 976	7 095	–	–	–	–	6 976	7 095
Sanlam Corporate	15 267	18 290	–	–	9 910	12 297	25 177	30 587
Surrenders	3 305	2 945	–	–	1 724	1 149	5 029	4 094
Other	11 962	15 345	–	–	8 186	11 148	20 148	26 493
Sanlam Emerging Markets	13 926	13 752	10 832	9 862	16 568	14 255	41 326	37 869
Southern Africa	6 579	7 240	600	741	11 698	11 571	18 877	19 552
Surrenders	1 188	800	–	–	–	–	1 188	800
Other	5 391	6 440	600	741	11 698	11 571	17 689	18 752
North and West Africa	3 137	2 745	8 419	7 115	–	–	11 556	9 860
Surrenders	2 103	1 593	–	–	–	–	2 103	1 593
Other	1 034	1 152	8 419	7 115	–	–	9 453	8 267
East Africa	1 158	1 101	597	531	4 870	2 684	6 625	4 316
Surrenders	130	162	–	–	–	–	130	162
Other	1 028	939	597	531	4 870	2 684	6 495	4 154
Other International	3 052	2 666	1 216	1 475	–	–	4 268	4 141
Surrenders	735	569	–	–	–	–	735	569
Other	2 317	2 097	1 216	1 475	–	–	3 533	3 572
Sanlam Investment Group	–	5 725	–	–	142 436	133 382	142 436	139 107
Investment Management SA	–	–	–	–	111 993	93 804	111 993	93 804
Wealth Management	–	–	–	–	7 226	7 933	7 226	7 933
International	–	5 725	–	–	23 217	31 645	23 217	37 370
Santam	–	–	18 034	16 405	–	–	18 034	16 405
Total payments to clients	87 280	99 157	28 866	26 267	207 405	197 285	323 551	322 709

[1] *Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
[2] *Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk excluded from the calculation of embedded value of covered business.*

6.3 Analysis of net inflow/(outflow) of funds

R million	Life business 2022	Life business 2021	General insurance 2022	General insurance 2021	Investment business 2022	Investment business 2021	Total 2022	Total 2021
Sanlam Life and Savings	15 333	9 075	–	–	12 141	6 182	27 474	15 257
SA Retail Affluent	5 814	6 914	–	–	5 566	8 516	11 380	15 430
SA Retail Mass	5 571	4 097	–	–	–	–	5 571	4 097
Sanlam Corporate	3 948	(1 936)	–	–	6 575	(2 334)	10 523	(4 270)
Sanlam Emerging Markets	6 282	5 432	6 342	5 777	(806)	8 631	11 818	19 840
Southern Africa	2 004	1 289	381	1 028	(1 370)	3 566	1 015	5 883
North and West Africa	1 474	1 604	5 117	3 940	–	–	6 591	5 544
East Africa	1 248	844	306	344	564	5 065	2 118	6 253
Other International	1 556	1 695	538	465	–	–	2 094	2 160
Sanlam Investment Group	–	(1 811)	–	–	10 641	34 858	10 641	33 047
Investment Management SA	–	–	–	–	13 853	26 352	13 853	26 352
Wealth Management	–	–	–	–	2 332	1 862	2 332	1 862
International	–	(1 811)	–	–	(5 544)	6 644	(5 544)	4 833
Santam	–	–	10 042	10 178	–	–	10 042	10 178
Total net fund inflows	21 615	12 696	16 384	15 955	21 976	49 671	59 975	78 322

7 Cluster Information

7.1 Sanlam Life and Savings

7.1.1 Analysis of earnings

	Life business		Credit and Structuring		Administration and Health		Total	
R million	2022	2021	2022	2021	2022	2021	2022	2021
Net result from financial services	5 183	4 279	170	179	337	348	5 690	4 806
SA Retail Affluent	3 255	2 011	170	179	220	191	3 645	2 381
Recurring premium business	2 308	950	–	–	18	(2)	2 326	948
Glacier	916	1 029	–	–	171	169	1 087	1 198
Other	31	32	170	179	31	24	232	235
SA Retail Mass	1 297	769	–	–	–	–	1 297	769
Sanlam Corporate	631	(1 548)	–	–	117	157	748	(1 391)
Reserve release	–	3 047	–	–	–	–	–	3 047
Net investment return	323	385	–	–	154	10	477	395
Net other earnings	(12)	(277)	–	–	(66)	(23)	(78)	(300)
Normalised attributable earnings	5 494	4 387	170	179	425	335	6 089	4 901

7.1.2 Assets under management

	SA Retail Affluent									
	Recurring premium business		Glacier		SA Retail Mass		Sanlam Corporate		Total	
R million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Life business	168 074	176 529	257 512	253 490	5 518	5 630	139 225	127 385	570 329	563 034
Investment operations	1 697	1 859	201 485	194 189	–	–	–	–	203 182	196 048
Total assets under management	169 771	178 388	458 997	447 679	5 518	5 630	139 225	127 385	773 511	759 082

Credit business

	Gross size of loan book (R million)		Interest margin		Bad debt ratio		Administration cost as % of net interest	
R million	2022	2021	2022	2021	2022	2021	2022	2021
Sanlam Personal Loans	5 198	5 173	15,3%	15,5%	3,6%	4,3%	39,1%	35,5%

7.1.3 Analysis of change in GEV – covered business

	Total		Value of in-force		Cost of capital		Net asset value	
R million	2022	2021	2022	2021	2022	2021	2022	2021
Operational earnings	8 237	6 737	2 827	2 577	(198)	246	5 608	3 914
Value of new life insurance business	1 767	2 235	4 673	4 833	(158)	(169)	(2 748)	(2 429)
Unwinding of discount rate	5 385	4 818	5 330	4 726	55	92	–	–
Expected profit	–	–	(7 325)	(6 579)	–	–	7 325	6 579
Operating experience variances	1 212	(2 269)	(495)	130	(39)	(21)	1 746	(2 378)
Risk experience	1 551	(3 560)	251	(200)	(41)	5	1 341	(3 365)
Persistency	(557)	742	(257)	890	17	(22)	(317)	(126)
Maintenance expenses	44	131	–	–	–	–	44	131
Working capital management	396	318	–	–	–	–	396	318
Credit spread	97	113	–	–	–	–	97	113
Other	(319)	(13)	(489)	(560)	(15)	(4)	185	551
Operating assumption changes	(127)	1 953	644	(533)	(56)	344	(715)	2 142
Risk experience	(153)	(764)	(305)	(2 019)	(7)	18	159	1 237
Persistency	211	1 626	1 316	1 796	(77)	(47)	(1 028)	(123)
Maintenance expenses	(80)	35	(59)	111	–	(1)	(21)	(75)
Modelling changes and other	(105)	1 056	(308)	(421)	28	374	175	1 103
Net investment return	323	385	–	–	–	–	323	385
Expected return on adjusted net asset value	441	480	–	–	–	–	441	480
Investment variances on adjusted net asset value	(118)	(95)	–	–	–	–	(118)	(95)
Valuation and economic basis	(3 456)	(103)	(3 105)	(385)	74	(83)	(425)	365
Investment variances on in-force business	(1 897)	1 159	(1 422)	946	54	(70)	(529)	283
Economic assumption changes	(1 559)	(1 262)	(1 683)	(1 331)	20	(13)	104	82
Investment yields	(1 562)	(1 261)	(1 687)	(1 331)	21	(12)	104	82
Long-term asset mix assumptions and other	3	(1)	4	–	(1)	(1)	–	–
Change in tax basis	572	–	556	–	16	–	–	–
Goodwill and VOBA from business combinations	–	(61)	–	–	–	–	–	(61)
GEV earnings: covered business	5 676	6 958	278	2 192	(108)	163	5 506	4 603
Acquired value of in-force	268	96	175	29	(39)	(6)	132	73
Disposal of businesses	(7)	–	(15)	–	8	–	–	–
Transfers to other Group operations	–	(1 200)	–	–	–	–	–	(1 200)
Transfers from covered business	(5 488)	(4 514)	–	–	–	–	(5 488)	(4 514)
Embedded value of covered business at the beginning of the period	48 937	47 597	44 697	42 476	(1 700)	(1 857)	5 940	6 978
Embedded value of covered business at the end of the period	49 386	48 937	45 135	44 697	(1 839)	(1 700)	6 090	5 940

7 Cluster Information *continued*

7.2 Sanlam Emerging Markets

7.2.1 Analysis of net result from financial services

R million	Life business 2022	Life business 2021	General Insurance 2022	General Insurance 2021	Investment Management 2022	Investment Management 2021	Credit and Structuring 2022	Credit and Structuring 2021	Corporate and other 2022	Corporate and other 2021	Total 2022	Total 2021
SPA Life	1 155	875	–	–	202	183	492	591	135	116	1 984	1 765
SPA GI	–	–	764	2 287	–	–	–	–	(169)	(253)	595	2 034
Other International	211	64	365	480	(1)	(1)	1 382	875	168	153	2 125	1 571
Corporate costs	–	–	–	–	–	–	–	–	(228)	(203)	(228)	(203)
Gross result from financial services	1 366	939	1 129	2 767	201	182	1 874	1 466	(94)	(187)	4 476	5 167
Tax on result from financial services	(311)	(257)	(120)	(902)	(62)	(52)	(521)	(445)	(147)	(183)	(1 161)	(1 839)
Non-controlling interests	(286)	(204)	(307)	(705)	(68)	(63)	(97)	(126)	(22)	(3)	(780)	(1 101)
Net result from financial services	769	478	702	1 160	71	67	1 256	895	(263)	(373)	2 535	2 227
SPA Life	656	475	–	–	72	68	217	241	19	11	964	795
SPA GI	–	–	525	918	–	–	–	–	(179)	(236)	346	682
Other International[1]	113	3	177	242	(1)	(1)	1 039	654	113	53	1 441	951
Corporate costs	–	–	–	–	–	–	–	–	(216)	(201)	(216)	(201)

[1] *Earnings exclude cost allocation.*

7.2.2 Analysis of General insurance and reinsurance gross result from financial services

R million	Gross written premiums 2022	Gross written premiums 2021	Net earned premiums[1] 2022	Net earned premiums[1] 2021	Claims ratio (%) 2022	Claims ratio (%) 2021	Underwriting margin (%) 2022	Underwriting margin (%) 2021	Investment return on insurance funds (%) 2022	Investment return on insurance funds (%) 2021	Net insurance result (%) 2022	Net insurance result (%) 2021
SPA GI	23 900	21 123	15 442	13 699	61,6	61,1	5,6	4,4	(2,0)	11,9	3,6	16,3
Southern Africa	4 461	3 905	2 040	1 794	40,8	43,3	19,7	17,9	1,6	2,6	21,3	20,5
North and West Africa	17 970	15 775	12 479	11 055	65,1	63,9	4,0	3,8	(3,5)	14,5	0,5	18,3
East Africa	1 469	1 443	923	850	60,3	61,8	(4,6)	(14,3)	10,1	(1,5)	5,5	(15,8)
Other International	2 180	2 149	1 754	1 945	69,4	76,1	(9,9)	(5,1)	30,8	29,9	20,9	24,8
Total General insurance and reinsurance	26 080	23 272	17 196	15 644	62,4	63,0	4,0	3,2	1,3	14,2	5,3	17,4

[1] *Net earned premiums consists of General insurance, Reinsurance and Health business before consolidation.*

7 Cluster Information *continued*

7.2 Sanlam Emerging Markets *continued*

7.2.3 Analysis of insurance funds

	R million		Asset allocation (%) Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
SPA GI	13 663	13 785	43	44	31	36	20	15	6	5
Other International	8 141	9 120	4	6	–	–	95	92	1	2
Total insurance funds	21 804	22 905	28	29	20	22	48	46	4	3
Total Subsidiaries	13 375	13 545	44	45	32	37	20	15	4	3
Associated companies[1]	8 429	9 360	4	6	–	–	92	90	4	4
Total insurance funds	21 804	22 905	28	29	20	22	48	46	4	3

[1] *Sanlam's effective share.*

7.2.4 Analysis of net investment return

R million	Life business 2022	Life business 2021	General Insurance 2022	General Insurance 2021	Investment Management 2022	Investment Management 2021	Credit and Structuring 2022	Credit and Structuring 2021	Corporate and other 2022	Corporate and other 2021	Total 2022	Total 2021
SPA Life	258	180	–	–	85	5	(5)	14	(110)	(72)	228	127
SPA GI	–	–	210	(54)	–	–	–	–	(122)	(147)	88	(201)
Other International	40	63	(333)	10	–	–	(70)	21	4	(12)	(359)	82
Corporate	–	–	–	–	–	–	–	–	32	233	32	233
Gross investment return	298	243	(123)	(44)	85	5	(75)	35	(196)	2	(11)	241
Tax on investment return	(58)	(38)	(25)	9	(3)	(4)	19	6	(63)	(81)	(130)	(108)
Non-controlling interests	(33)	(24)	54	(9)	(35)	–	–	–	38	30	24	(3)
Net investment return	207	181	(94)	(44)	47	1	(56)	41	(221)	(49)	(117)	130

7 Cluster Information *continued*

7.2 Sanlam Emerging Markets *continued*

7.2.5 Analysis of capital portfolio

	R million		Asset allocation (%) Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
SPA Life	4 392	4 714	13	14	18	18	50	51	19	17
SPA GI	16 068	16 038	41	45	32	33	25	19	2	3
Other International	12 321	13 691	8	8	–	–	88	81	4	11
Total capital portfolio[1]	32 781	34 443	24	26	18	18	52	48	6	8
Total subsidiaries	21 450	21 733	32	36	27	28	35	27	6	9
Associated companies[2]	11 331	12 710	10	8	–	–	85	85	5	7
Total capital portfolio[1]	32 781	34 443	24	26	18	18	52	48	6	8

[1] *Includes float assets*
[2] *Sanlam's effective share.*

7.2.6 Assets under management

R million	Southern Africa 2022	2021	North and West Africa 2022	2021	East Africa 2022	2021	Other International 2022	2021	Total 2022	2021
Life business	34 446	34 588	21 600	21 053	5 161	4 611	13 946	14 818	75 153	75 070
Investment operations	48 328	49 977	–	–	53 534	54 740	–	–	101 862	104 717
Total assets under management	82 774	84 565	21 600	21 053	58 695	59 351	13 946	14 818	177 015	179 787

7.2.7 Credit and structuring

R million	Size of loan books (Sanlam share) 2022	2021	Net interest margin 2022	2021	Bad debt ratio 2022	2021	Administration cost as % of net interest margin 2022	2021
Shriram Transport Finance Company[1]	28 873	24 599	7,3%	6,9%	2,4%	2,9%	23,6%	25,3%
Shriram City Union Finance[1]	6 984	5 729	12,0%	12,3%	2,4%	2,7%	45,0%	39,5%
Capricorn Investment Holdings	10 099	9 807	6,1%	5,7%	0,7%	1,0%	89,4%	84,6%
Letshego	2 762	2 683	13,3%	17,6%	0,4%	0,2%	80,5%	54,7%

[1] *During December 2022, Shriram Transport Finance Company, Shriram City Union Finance Limited and Shriram Capital Limited were merged into one entity, Shriram Finance Limited. Due to lag reporting, the new structure will be reflected in the 2023 results.*

7 Cluster Information *continued*

7.2 Sanlam Emerging Markets *continued*

7.2.8 Analysis of change in GEV – covered business

R million	Total 2022	Total 2021	Value of in-force 2022	Value of in-force 2021	Cost of capital 2022	Cost of capital 2021	Net asset value 2022	Net asset value 2021
Operational earnings	1 162	365	458	139	(7)	(53)	711	279
Value of new life insurance business	621	529	1 045	944	(109)	(105)	(315)	(310)
Unwinding of discount rate	732	648	602	532	130	116	–	–
Expected profit	–	–	(938)	(982)	–	–	938	982
Operating experience variances	84	(571)	(1)	(16)	(43)	(51)	128	(504)
Risk experience	144	(656)	(5)	(32)	(2)	(4)	151	(620)
Persistency	(39)	(26)	6	21	(40)	(45)	(5)	(2)
Maintenance expenses	(57)	22	–	(4)	(2)	(3)	(55)	29
Working capital management	36	47	–	–	–	–	36	47
Credit spread	32	8	–	–	–	–	32	8
Other	(32)	34	(2)	(1)	1	1	(31)	34
Operating assumption changes	(275)	(241)	(250)	(339)	15	(13)	(40)	111
Risk experience	(25)	(103)	(14)	(53)	–	(10)	(11)	(40)
Persistency	(78)	(109)	(61)	(48)	(3)	(2)	(14)	(59)
Maintenance expenses	(130)	(91)	(112)	(13)	4	1	(22)	(79)
Modelling changes and other	(42)	62	(63)	(225)	14	(2)	7	289
Net investment return	11	374	–	–	–	–	11	374
Expected return on adjusted net asset value	372	299	–	–	–	–	372	299
Investment variances on adjusted net asset value	(361)	75	–	–	–	–	(361)	75
Valuation and economic basis	(127)	203	(263)	18	68	(14)	68	199
Investment variances on in-force business	23	152	(42)	(31)	15	(15)	50	198
Economic assumption changes	(87)	(25)	(137)	(53)	32	27	18	1
Investment yields	(100)	(22)	(150)	(53)	32	30	18	1
Long-term asset mix assumptions and other	13	(3)	13	–	–	(3)	–	–
Foreign currency translation differences	(63)	76	(84)	102	21	(26)	–	–
Change in tax basis	(21)	(26)	(11)	(26)	–	–	(10)	–
Net loss on disposal of subsidiaries	(1)	–	–	–	–	–	(1)	–
Net project expenses	(8)	(10)	–	–	–	–	(8)	(10)
GEV earnings: covered business	1 016	906	184	131	61	(67)	771	842
Acquired value of in-force	–	(12)	–	(10)	–	1	–	(3)
Disposal of businesses	(17)	–	(8)	–	1	–	(10)	–
Transfers (to)/from non-covered Group business	(127)	95	–	(29)	–	–	(127)	124
Transfers from covered business	(873)	(601)	–	–	–	–	(873)	(601)
Embedded value of covered business at the beginning of the period	9 026	8 638	4 705	4 613	(904)	(838)	5 225	4 863
Embedded value of covered business at the end of the period	9 025	9 026	4 881	4 705	(842)	(904)	4 986	5 225

7 Cluster Information *continued*

7.3 Sanlam Investment Group

7.3.1 Analysis of net result from financial services

R million	Sanlam Investments 2022	Sanlam Investments 2021	Wealth Management 2022	Wealth Management 2021	International 2022	International 2021	SanFin 2022	SanFin 2021	Corporate Services 2022	Corporate Services 2021	Consolidation 2022	Consolidation 2021	Total 2022	Total 2021
Financial services income[1]	2 557	2 135	1 197	1 050	1 306	2 920	1 186	1 289	–	–	(140)	(42)	6 106	7 352
Sales remuneration	–	–	–	–	(114)	(327)	–	–	–	–	–	–	(114)	(327)
Income after sales remuneration	2 557	2 135	1 197	1 050	1 192	2 593	1 186	1 289	–	–	(140)	(42)	5 992	7 025
Administration cost[1]	(1 893)	(1 618)	(907)	(820)	(957)	(2 166)	(602)	(660)	(51)	(51)	140	42	(4 270)	(5 273)
Gross result from financial services before performance fees	664	517	290	230	235	427	584	629	(51)	(51)	–	–	1 722	1 752
Net performance fees[1]	128	91	12	17	–	(14)	(2)	2	–	–	–	–	138	96
Gross result from financial services	792	608	302	247	235	413	582	631	(51)	(51)	–	–	1 860	1 848
Tax on result from financial services	(196)	(186)	(92)	(67)	(20)	(50)	(141)	(139)	18	15	–	–	(431)	(427)
Non-controlling interest	(188)	(120)	–	–	(2)	(3)	–	–	–	–	–	–	(190)	(123)
Net result from financial services	408	302	210	180	213	360	441	492	(33)	(36)	–	–	1 239	1 298
Life	–	–	–	–	–	(2)	207	174	–	–	–	–	207	172
Investment management	408	302	210	180	213	362	–	–	(33)	(36)	–	–	798	808
Credit and structuring	–	–	–	–	–	–	234	318	–	–	–	–	234	318
Net investment return	9	(21)	3	3	(161)	262	142	112	20	–	–	–	13	356
Life	–	–	–	–	–	(3)	142	112	–	–	–	–	142	109
Investment management	9	(21)	3	3	(161)	265	–	–	20	–	–	–	(129)	247
Project expenses	(39)	(28)	–	–	(18)	(72)	–	–	(4)	–	–	–	(61)	(100)
Net operational earnings	378	253	213	183	34	550	583	604	(17)	(36)	–	–	1 191	1 554
Amortisation of intangible assets	–	(19)	(19)	(19)	(11)	(54)	–	–	(25)	(5)	–	–	(55)	(97)
Profit on disposal of subsidiaries and associate companies	–	–	–	–	1 411	206	–	–	–	–	–	–	1 411	206
Impairments and other	–	–	–	–	(6)	(386)	–	–	–	–	–	–	(6)	(386)
Normalised attributable earnings	378	234	194	164	1 428	316	583	604	(42)	(41)	–	–	2 541	1 277

[1] *Financial services income and administration costs on page 226 includes performance fees and the related administration costs.*

7 Cluster Information *continued*

7.3 Sanlam Investment Group *continued*

7.3.2 Analysis of change in GEV – covered business

R million	Total 2022	Total 2021	Value of in-force 2022	Value of in-force 2021	Cost of capital 2022	Cost of capital 2021	Net asset value 2022	Net asset value 2021
Operational earnings	149	(2)	(2)	(44)	(71)	(124)	222	166
Value of new life insurance business	–	–	–	59	–	(8)	–	(51)
Unwinding of discount rate	12	72	3	38	9	34	–	–
Expected profit	–	–	(5)	(116)	–	–	5	116
Operating experience variances	208	98	–	(7)	(9)	(22)	217	127
Risk experience	–	11	–	–	–	–	–	11
Persistency	–	(4)	–	(3)	–	(1)	–	–
Maintenance expenses	–	(3)	–	–	–	–	–	(3)
Credit spread	218	174	–	–	–	–	218	174
Other	(10)	(80)	–	(4)	(9)	(21)	(1)	(55)
Operating assumption changes	(71)	(172)	–	(18)	(71)	(128)	–	(26)
Persistency	–	16	–	21	–	(5)	–	–
Maintenance expenses	–	(35)	–	(21)	–	–	–	(14)
Modelling changes and other	(71)	(153)	–	(18)	(71)	(123)	–	(12)
Net investment return	142	166	–	–	–	–	142	166
Expected return on adjusted net asset value	194	177	–	–	–	–	194	177
Investment variances on adjusted net asset value	(52)	(11)	–	–	–	–	(52)	(11)
Valuation and economic basis	(5)	111	(21)	127	31	(22)	(15)	6
Investment variances on in-force business	(36)	91	(21)	84	–	–	(15)	7
Economic assumption changes	31	(23)	–	(15)	31	(7)	–	(1)
Investment yields	31	(20)	–	(15)	31	(7)	–	2
Long-term asset mix assumptions and other	–	(3)	–	–	–	–	–	(3)
Foreign currency translation differences	–	43	–	58	–	(15)	–	–
Change in tax basis	–	(54)	–	(52)	–	(2)	–	–
Net loss on disposal of subsidiaries	(30)	–	–	–	–	–	(30)	–
Revaluation of business held for sale	–	(595)	–	(804)	–	209	–	–
GEV earnings: covered business	256	(374)	(23)	(773)	(40)	61	319	338
Disposal value of in-force	(774)	–	–	–	–	–	(774)	–
Transfers from non-covered Group business	–	185	–	–	–	–	–	185
Transfers from covered business	(349)	(288)	–	–	–	–	(349)	(288)
Embedded value of covered business at the beginning of the period	2 614	3 091	25	798	(919)	(980)	3 508	3 273
Embedded value of covered business at the end of the period	1 747	2 614	2	25	(959)	(919)	2 704	3 508

7.3.3 Assets under management

	Assets under management 2022 R million	Assets under management 2021 R million	Fee Income 2022 %	Fee Income 2021 %	Administration cost 2022 %	Administration cost 2021 %
Sanlam Investments[1][2]	763 481	748 968	0,31	0,30	0,21	0,21
Wealth Management	109 830	109 253	1,09	1,05	0,83	0,82
International[3]	160 006	282 002	0,49	0,91	0,39	0,73
Intra-cluster eliminations	(30 887)	(33 938)				
Asset management operations	1 002 430	1 106 285				
Covered business	60 809	117 575				
Sanlam UK	–	62 418				
SanFin	60 809	55 157				
Assets under management	1 063 239	1 223 860				

[1] Includes Sanlam assets of R187 billion (2021: R183 billion).
[2] Excludes the Absa investment management businesses acquired on 1 December 2022 of R131bn on 31 December 2022.
[3] Includes Sanlam assets of R70 billion (2021: R75 billion).

7.3.4 Asset mix of assets under management

R million	Fixed Interest	Equities	Offshore	Properties	Cash	Total
2022						
Sanlam Investments	141 031	327 355	159 461	27 712	107 922	763 481
Wealth Management	–	55 512	50 578	–	3 740	109 830
International	–	–	160 006	–	–	160 006
Intra-cluster consolidation						(30 887)
Assets under management – Asset management operations	141 031	382 867	370 045	27 712	111 662	1 002 430
2021						
Sanlam Investments	149 215	326 844	149 594	31 232	92 083	748 968
Wealth Management	–	53 230	54 011	–	2 012	109 253
International	–	–	282 002	–	–	282 002
Intra-cluster consolidation						(33 938)
Assets under management – Asset management operations	149 215	380 074	485 607	31 232	94 095	1 106 285

7 Cluster Information *continued*

7.4 Santam

7.4.1 Business volumes

R million	2022	2021
Gross written premiums	49 627	42 129
Net earned premiums	28 076	26 583
Net fund flows	10 042	10 178

7.4.2 Insurance activities

	Gross written premiums		Underwriting Result	
R million	2022	2021	2022	2021
Conventional insurance	35 418	32 745	1 549	2 129
Motor	15 124	14 412	452	1 216
Property	13 194	12 177	(232)	259
Engineering	1 759	1 730	526	316
Liability	1 743	1 550	383	255
Transportation	1 174	994	23	96
Accident and health	719	572	90	61
Guarantee	50	127	25	(5)
Crop	1 556	1 130	301	(89)
Other	99	53	(19)	20
Alternative risk transfer (ART)	14 209	9 384	136	95
Total	49 627	42 129	1 685	2 224

Ratios[1]	2022	2021
Administration cost ratio	16,8%	16,6%
Claims ratio	64,6%	62,0%
Underwriting margin	5,1%	8,0%
Investment return on insurance funds margin	1,3%	1,5%

R million	2022	2021
Conventional Insurance		
Net earned premiums	27 221	25 858
Net claims incurred	(17 588)	(16 023)
Net commission	(3 661)	(3 458)
Management expenses (excluding BEE costs)	(4 423)	(4 248)
Underwriting result: Conventional insurance	1 549	2 129
Investment return on insurance funds	341	400
Net insurance result	1 890	2 529
Net Other Income	354	307
Alternative Risk[2]	355	306
Other	(1)	1
Strategic participations	154	356
Saham	28	204
SEM target shares	126	152
Santam BEE cost	–	(2)
Gross result from financial services	2 398	3 190
Tax and Non-controlling interest	(1 372)	(1 812)
Net result from financial services	1 026	1 378

[1] *Ratios are calculated as a percentage of net earned premiums for the conventional business.*
[2] *Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.*

7.5 Group Office analysis of earnings

	Corporate expenses and Other		Consolidation[1]		Total	
R million	2022	2021	2022	2021	2022	2021
Financial services income	132	115	(186)	(389)	(54)	(274)
Administration cost	(556)	(458)	–	–	(556)	(458)
Results from financial services	(424)	(343)	(186)	(389)	(610)	(732)
Tax on result from financial services	125	103	43	126	168	229
Non-controlling interest	–	–	143	263	143	263
Net result from financial services	(299)	(240)	–	–	(299)	(240)
Net investment income	436	235	–	–	436	235
Net investment surpluses	2	(82)	–	–	2	(82)
Project expenses	(164)	(112)	–	–	(164)	(112)
Net operational earnings	(25)	(199)	–	–	(25)	(199)
Impairment[2]	(1 105)	(145)	–	–	(1 105)	(145)
Normalised attributable earnings	(1 130)	(344)	–	–	(1 130)	(344)

[1] *Includes the consolidation entries relating to SEM target shares and Saham included within the Santam results.*
[2] *An impairment charge of R1 105 million in respect of the Broad-Based Black Economic Empowerment Special Purpose Vehicle (B-BBEE SPV) has been recognised in 2022 (2021: R145 million). The impairment charge in 2022 is mainly due to the impact of the decrease in the Sanlam share price from 31 December 2021, higher interest rates and inflation assumptions applied in the recoverability assessment.*

8 Investments

8.1 Investment in associated companies

R million	2022	2021
Shriram Capital[1]	10 496	9 571
Shriram Transport Finance Company[1]	2 075	1 955
Shriram General Insurance	1 210	1 442
Shriram Life Insurance	571	542
Pacific & Orient	437	439
Capricorn Investment Holdings	1 162	1 079
Letshego	1 898	1 806
Afrocentric	1 185	1 210
aYo Holdings	750	–
Other associated companies	2 164	2 055
Total investment in associated companies	21 948	20 099

[1] *During December 2022, Shriram Transport Finance Company, Shriram City Union Finance Limited and Shriram Capital Limited were merged into one entity, Shriram Finance Limited. Due to lag reporting, the new structure will be reflected in the 2023 results.*

Details of the investments in the material associated companies are reflected in note 9.2.3 on page 83.

8.2 Investment in joint ventures

R million	2022	2021
Sanlam Personal Loans	754	815
Other joint ventures	236	243
Total investment in joint ventures	990	1 058

Details of the investments in the material joint ventures are reflected in note 9.2.4 on page 86.

8.3 Investments include the following offshore investments

R million	2022	2021
Investment properties	5 830	6 166
Equities	9 139	10 277
Structured transactions	55	49
Interest-bearing investments	10 199	8 544
Investment funds	6 329	10 318
Cash, deposits and similar securities	2 228	2 978
Total offshore investments	33 780	38 332

9 Equity-accounted earnings included in financial services income

R million	2022	2021
Equity-accounted earnings included in financial services income		
Sanlam Life and Savings	432	482
SA Retail Affluent	240	255
Sanlam Corporate	192	227
Sanlam Emerging Markets	2 932	2 475
Santam	154	356
Sanlam Investment Group	181	126
	3 699	3 439

10 Sales remuneration

	2022	2021
Life business	6 802	6 398
Non-life operations	5 852	5 483
	12 654	11 881

11 Administration costs

	2022	2021
Life business	11 072	10 289
Non-life operations	14 314	14 768
	25 386	25 057
Depreciation included in administration costs:		
Sanlam Life and Savings	81	167
SA Retail Affluent[1]	36	124
SA Retail Mass	41	43
Sanlam Corporate	4	–
Sanlam Emerging Markets	225	221
Santam	108	99
Sanlam Investment Group	18	48
Group Office[1]	91	2
	523	537

[1] *Sanlam Group Technology was moved from SA Retail Affluent to Group Office during the year. The comparative information has not been adjusted.*

12 Investment Income

	2022	2021
Equities and similar securities	1 409	1 018
Interest-bearing, preference shares and similar securities	270	22
Properties	30	32
Rental income	41	42
Rental-related expenses	(11)	(10)
Total investment income	1 709	1 072
Interest expense netted off against investment income	771	622

13 Normalised diluted earnings per share

Cents	2022	2021
Normalised diluted earnings per share:		
Net result from financial services	461,0	425,8
Operational earnings	476,5	462,6
Profit attributable to shareholders' fund	505,1	443,3
R million		
Analysis of operational earnings (refer to shareholders' fund income statement on page 226):		
Net result from financial services	10 191	9 469
Operational earnings	10 532	10 288
Normalised Profit attributable to shareholders' fund	11 164	9 860
Reconciliation of operational earnings:		
Headline earnings per note 23 on page 124	9 294	9 041
Add:	1 238	1 247
Fund transfers	(699)	387
B-BBEE SPV Impairment	1 105	145
Net equity-accounted earnings	(28)	(24)
Net amortisation of value of business acquired and other intangibles	346	738
Cost included in profit on disposal of subsidiaries(1)	513	–
Equity participation costs	1	1
Operational earnings	10 532	10 288
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer to note 23 on page 124)	2 077,9	2 087,8
Add: Weighted average Sanlam shares held by policyholders and B-BBEE SPV	132,5	136,2
Adjusted weighted average number of shares for normalised diluted earnings per share	2 210,4	2 224,0

(1) *For shareholder fund purposes only, wind-down and transaction related costs are set off against the proceeds on disposal, as indicated in the strategic and financial review on page 77 of the Integrated Report.*

14 Value per share

	2022	2021
	R million	R million
Net asset value per share is calculated on the Group shareholders' fund at net asset value	76 971	75 928
Equity value per share is calculated based on the Group Equity Value	140 776	142 390
Number of shares for value per share	Million	Million
Number of ordinary shares in issue	2 226,9	2 226,9
Shares held by subsidiaries in shareholders' fund	(49,1)	(43,0)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	28,8	25,7
Adjusted number of shares for value per share	2 206,6	2 209,6

15 Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 7,7 (2021: 8,2) to the after tax recurring corporate expenses.

16 Share transactions

16.1 Forfeited shares

Seventeen (17) million Sanlam shares were forfeited because the holders of the demutualised shares of 1998 were unknown and untraceable. These shares were transferred to the Sanlam Share Account nominee company (SSA) and were sold during November and December 2022.

16.2 Share repurchase

Sanlam shareholders granted general authorities to the Group at the 2022 and 2021 annual general meetings to repurchase Sanlam shares in the market.

Twenty (20) million shares were repurchased in the market during December 2022.

17 Geographical analysis

R million	Per analysis of shareholders' fund on page 226	Policyholders' fund	Total
Non-current assets(1)			
2022	30 359	100 999	131 358
South Africa	21 708	262	21 970
Other African operations	7 572	100 425	107 997
Other international(2)	1 079	312	1 391
2021	33 103	79 195	112 298
South Africa	18 663	397	19 060
Other African operations	10 282	318	10 600
Other international(2)	4 158	78 480	82 638

R million	2022	2021
Attributable earnings (per shareholders' fund income statement on page 226)	11 863	9 473
South Africa	8 904	7 545
Other African operations	1 525	1 432
Other international(2)	1 434	496

(1) *Non-current assets include property and equipment, right-of-use assets, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.*
(2) *Other international comprises of business in Europe, the United Kingdom, Australia, India, Malaysia and Lebanon.*

Glossary: Sanlam Annual Financial Statements

Abbreviations

ACT (healthcare assets)	AfroCentric Investment Corporation Limited
ALCO	Asset Liability committee
ALM	Asset liability mismatching
AM Best	Alfred M. Best
APN	Advisory practice note
ARC	African Rainbow Capital Pty Ltd
ARC FS	African Rainbow Capital Financial Services Holding (Pty) Ltd
ARR	Alternative Reference Rates
ART	Alternative risk transfer
B-BBEE	Broad-based Black Economic Empowerment
BEE	Black Economic Empowerment
BIFM	Botswana Insurance Fund Management
CBI	Contingent Business Interruption
CCM	Central Credit Manager
CGU	Cash-generating unit
CHF	Swiss franc
CIO	Group Chief Information Officer
COE	Committees of excellence
CPI	Consumer Price Index
CSA	Credit Support Agreements
DAC	Deferred acquisition cost
DCF	Discounted cash flow model
DPF	Discretionary participation features
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit loss
ERCM	Enterprise, Risk and Compliance Management
ERM	Enterprise Risk Management
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EV	Embedded value
FBN	First Bank of Nigeria
FBNH	First Bank of Nigeria Holdings Plc
FBNI	First Bank of Nigeria Insurance Limited
FCA	Financial Conduct Authority
FCTR	Foreign Currency Translation Reserve
FSCA	Financial Sector Conduct Authority
FSV	Financial Soundness Valuation
FTSE	Financial Times and Stock Exchange
GBP	British Pound Sterling
GDP	Gross Domestic Product
GEV	Group Equity Value
GMSLA	Global Master Securities Lending Agreement
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not yet reported
IBOR	Interbank Offered Rate
IFC	Internal Financial Reporting Control
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPF	Individual policyholders' tax fund
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
IT	Technology, cyber and information security
JIBAR	Johannesburg Interbank Average Rate
JPY	Japanese yen
JSE	Johannesburg Stock Exchange
LBP	Lebanese pound
LGD	Loss given default
LIA	Lebanon Insurance Africa
LIBOR	London Interbank Offered Rate
LTI	Long Term Incentives
MCIS	Malaysian Cooperative Insurance Society
NAV	Net asset value
New Re	New Reinsurance Company Limited Switzerland
ORSA	Sanlam Group Own Risk and Solvency Assessment
PD	Probabilities of default
Plc	Public limited company
Pty	Proprietary Limited
RDR	Risk discount rate
Re	Reinsurance Company
RFR	Risk-free rate
RoGEV	Return on Group Equity Value
RSA	Republic of South Africa
S&P	Standard & Poor's

Glossary: Sanlam Annual Financial Statements *continued*

SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAN JV	Sanlam Emerging Markets Proprietary Limited and Santam Joint Venture
SanFin	Sanlam Specialised Finance
SAP	Standard of Actuarial Practice
SCM	Sanlam Capital Markets
SCR	Solvency Capital Requirement
SCUF	Shriram City Union Finance
SEM	Sanlam Emerging Markets
SENS	Stock Exchange News Service
SGT	Sanlam Group Technology
SIEA	Sanlam Investments East Africa
SIG	Sanlam Investments Group
SLS	Sanlam Life and Savings
SPA GI	Sanlam Pan-Africa General Insurance
SPL	Sanlam Personal Loans
SPM	Sanlam Portfolio Management
SPV	Special purpose vehicle
SPW	Sanlam Private Wealth
SSA	Sanlam Share Account Nominee (Pty) Ltd
SSS	Sanlam Structured Solutions
STFC	Shriram Transport Finance Company
TCF	Treating Clients Fairly
UB	Ubuntu-Botho Investments
UK	United Kingdom
UMA	Underwriting Management Agencies
US	United States
USD	United States Dollar
VaR	Value at Risk
VAT	Value Added Tax
VNB	Value of new business
VOBA	Value of business acquired
WEO	World Economic Outlook

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