2021 ANNUAL FINANCIAL STATEMENTS

CONTENTS

HOW TO NAVIGATE THE ANNUAL FINANCIAL STATEMENTS

The format of the annual financial statements for 2021 is consistent with that of 2020. All key information relating to a financial line item is grouped in one note.

PRIMARY STATEMENTS

The primary statements are included in the beginning of the annual financial statements and include note references to specific underlying detailed notes.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements consist of insurance-specific, financial instrument-specific and risk management notes first followed by less significant notes thereafter.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate and are indicated with a grey background.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements, are included in the specific notes to which they relate and are indicated with a yellow border.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Responsibility for and approval of the group and company annual financial statements

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. 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 financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on its behalf by:

NT Moholi
Chairperson

L Lambrechts

L Lambrechts
Chief executive officer
2 March 2022

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The preparation of the annual financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel (CA (SA)).

STATEMENT ON INTERNAL FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 18 to 144, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS.
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
- Internal financial controls have been put in place to ensure that material information relating to the group and its consolidated subsidiaries have been provided to effectively prepare the financial statements.
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code.
- Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

HD Nel
Chief financial officer

L Lambrechts
Chief executive officer
2 March 2022

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008 as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

T Moshakga
Company secretary
2 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LIMITED

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Santam Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Santam Limited's consolidated and separate financial statements set out on pages 18 to 144 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

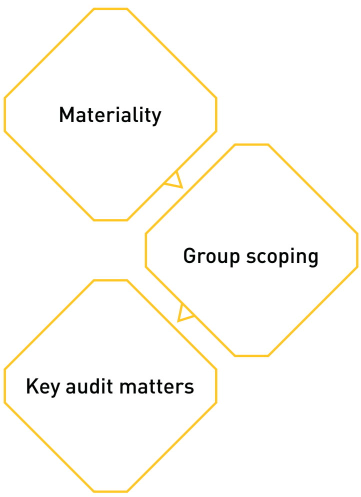
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group 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 Professionla Accountants (including International Independence Standards)*.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R231.7 million which represents 0.55% of the consolidated gross written premium.

Group audit scope

- Full scope audits have been performed in respect of the Company and certain subsidiaries based on their financial significance and/or the risks associated with these subsidiaries. Analytical procedures were performed over the remaining subsidiaries as they were deemed to be financially insignificant.

Key audit matters

- Valuation of the Contingent Business Interruption (CBI) claims provision;
- Valuation of the Incurred But Not Reported (IBNR) liability;
- Fair value of the unquoted equity investment in Shriram General Insurance Company Limited; and
- Recoverable amount of the Investment in SAN JV (RF) Proprietary Limited, and its significant investment (the formerly known Saham Finances Group).

INDEPENDENT AUDITOR'S REPORT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R231.7 million
How we determined it	0.55% of the consolidated gross written premium
Rationale for the materiality benchmark applied	We chose consolidated gross written premium as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is the benchmark that provided the most representative reflection of the activities of the Group. We chose 0.55% to allow for the sensitivity in the results due to the impact of COVID-19 and the economic strain placed on the business.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Based on the relative contribution of the Company and each of the subsidiaries to the Group's gross written premium, we scoped in the Company and three subsidiaries with active insurance licences. Full scope audits were performed on these entities. Furthermore, additional entities were scoped in as there are balances in these entities that contribute to the significant risks of material misstatement of the consolidated financial statements. Full scope audits were performed on these entities. Analytical procedures were performed over the remaining subsidiaries as they were deemed to be financially insignificant.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms or component auditors from other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of the Contingent Business Interruption (CBI) claims provision</td></tr>
<tr><td>This key audit matter relates to both the consolidated and separate financial statements.

Refer to note 4 to the consolidated and separate financial statements.

For the year ended 31 December 2021, the Group has re-estimated the projected ultimate net insurance exposure relating to CBI to R2.55 billion, taking into account the outcome of its court case and appeal, as well as other findings locally and internationally in relation to CBI cover.

The calculation of this reserve is subject to inherent uncertainty and significant estimation is required.

We considered the valuation of the CBI claims provision to be a matter of most significance to the current year audit due to the following key judgements:

– The level of judgement applied in the determination of aggregation for the purposes of the reinsurance recoveries; and

– The magnitude of the CBI provision and sensitivity to the key assumptions (including assumptions relating to recoveries from applicable reinsurance contracts).</td><td>In order to assess the reasonableness of judgements applied by management in the determination of the net technical provision, using our actuarial and legal expertise, we:

– Held discussions with management to understand the process, rationale and justifications for key judgements applied in determining the gross provision as well as the reinsurance share of the CBI claims provision;

– Inspected correspondence with the reinsurers relating to whether or not the reinsurers agree to pay the claims;

– Held various walkthrough sessions with management to assess and discuss updated inputs into the model, as well as to gain an understanding of the data used to derive these inputs;

– On a sample basis, we tested the policy exposure and risk location data used to determine the inputs above for accuracy and completeness by comparing the data used to policy information and underwriting systems. No material differences were noted;

– Observed the process, controls and governance procedures implemented with respect to the key judgements applied;

– Using our actuarial expertise, we tested the mathematical accuracy of the model used to determine the gross provision as well as the reinsurance share of the CBI claims provision based on the above. No material differences were noted; and

– Reperformed the sensitivity analysis on the key areas of judgement affecting both the gross and reinsurance share of the CBI provision so as to assess whether the estimates are within an acceptable range.

We assessed the disclosure in the financial statements against the requirements of IFRS.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of the Incurred But Not Reported (IBNR) liability	
This key audit matter relates to both the consolidated and separate financial statements. Refer to note 4.1 to the consolidated and separate financial statements. The total value of the Group's gross IBNR liability at 31 December 2021 was R4 007 million (Company – R3 336 million) as disclosed in note 4.1 – Insurance liabilities and reinsurance assets. The calculation of the 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 due to the following: – Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date; – The stochastic approach applied by management to determine the IBNR liability; – The significance of estimation uncertainty as a result of actuarial assumptions and the assumption that the historical claims development pattern will occur again in the future; and – The magnitude of the IBNR liability and sensitivity to the key assumptions.	We assessed the reasonability of management's estimate of claims reserves by comparing previous claim estimates to the runoff actually experienced between initial recognition of the claims and the ultimate settlement of the claims. Based on the work we performed, we accepted management's claim reserve estimates. On a sample basis, we tested the data used in calculating actuarial reserves by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid and claim number. No material differences were noted. On a sample basis, we tested the claims information recorded on the system (such as loss event, claim estimate, and item being claimed) by tracing the claims to the relevant documentation which detailed the loss event. We compared the claim values used by management to assessor reports. 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). No material differences were noted. We made use of our actuarial expertise to test the model used by management to calculate the IBNR by performing the following procedures: – We compared the methodology applied by management to the methodology applied by other companies in the industry. We found the methodology to be consistent with industry practice; – We recalculated the estimated claims development factors used in the model based on historical data. No material differences were noted; and – We performed independent stochastic simulations, taking into account the standard industry practice. We compared the results of our independent simulations to management's proposed estimates (i.e. best estimate plus margin). We noted that the methods used by management were in line with standard industry practice and no material differences were noted. We assessed the disclosure in the financial statements against the requirements of IFRS.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Fair value of the unquoted equity investment in Shriram General Insurance Company Limited	
This key audit matter relates to both the consolidated and separate financial statements. Refer to note 5 to the consolidated and separate financial statements. The Company subscribes from time to time in separate classes of target shares issued by Sanlam Emerging Markets (SEM) in terms of a Participation Transaction, with each separate class linked to a participatory interest in target companies. The target companies with the unquoted SEM target shares are disclosed in note 5 to the consolidated and separate financial statements. The fair value of the SEM target shares (R1 691 million at 31 December 2021 for both the Group and the Company) as disclosed in note 5 — Financial assets is predominantly determined using a discounted cash flow model. As per note 5.3 - Financial instruments measured at fair value on a recurring basis, the most significant investment relates to the target share which provides a participatory interest in Shriram General Insurance Company Limited (SGI) to the value of R1 419 million (2020: R1 293 million). The fair value of the SGI target share is determined using a discounted cash flow model. The most significant assumptions used by management in this model is the discount rate and net insurance margin expectations. We considered the fair value of the unquoted equity investment in SGI to be a matter of most significance to the current year audit due to the following: – The significant judgement and estimation uncertainties in the assumptions used by management; and – The magnitude of the unlisted investment.	We assessed management's discounted cash flow model (the model) used for appropriateness, taking into account the nature of the investments and comparing the model to industry norms and acceptable methodology. We found the model to be consistent with industry norms. We made use of our valuation expertise to test the assumptions used by management in the SGI fair value model by performing the following procedures: – We compared the discount rate used by management in the model to a range of discount rates which we independently calculated based on the market in which SGI operates, taking into account the nature of SGI. We found the discount rate used to be within an acceptable range of our independently calculated discount rates; – In order to assess the reasonability of the cash flow forecasts used by management in the model, we compared previous budgets to the actual experience of SGI. Based on the work we performed, we accepted management's cash flow forecasts; – We tested the key drivers of the net insurance margin expectations by comparing them to our independent expectations, which were based on the historical experience, the actual insurance results of SGI and the market in which it operates. No material differences were noted; and – We compared the fair value of SGI as determined by management to our independently recalculated range of fair values. No material differences were noted. We assessed the disclosure in the financial statements against the requirements of IFRS.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of the Investment in SAN JV (RF) Proprietary Limited, and its significant investment (the formerly known Saham Finances Group)	
This key audit matter relates to both the consolidated and separate financial statements. Refer to note 12 to the consolidated and separate financial statements. The Group accounts for its investment in SAN JV (RF) Proprietary Limited (SAN JV) as an investment in an associate. SAN JV holds an investment in the formerly known Saham Finances Group. The recoverable amount for SAN JV is based on the value in use. Management performed an impairment assessment comparing the value in use with the carrying value. The calculation of the recoverable amount of SAN JV is subject to inherent uncertainty and significant estimation is required. The key assumptions used in the impairment assessment are the discount rate, perpetuity growth rate, value of new business (VNB) multiples and the net insurance result margin. We considered the determination of the recoverable amount for the investment in SAN JV to be a matter of most significance to the current year audit due to the following: – The significant judgement and estimation uncertainty in the assumptions used by management; and – The magnitude of the carrying value of the investment.	We instructed the component auditors of SAN JV to perform a full scope audit, which included an assessment of the recoverable amount of the investment in SAN JV. Using our valuation and actuarial expertise, we inspected and assessed the work performed by the component auditors, which we accepted for audit purposes. In addition to the above, we made use of our valuation expertise to test discount rates used by management in the model. On a sample basis, we compared the discount rates to a range of discount rates which we independently calculated based on the markets in which the entities included in the SAN JV group operate. We found the discount rates used to be within an acceptable range of our independently calculated discount rates. We compared the recoverable amount determined by management to our independently calculated range of fair values using our discount rates. No material differences were noted. We assessed the disclosure in the financial statements against the requirements of IFRS.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Santam 2021 Annual Financial Statements", which includes the Directors' Report, the Report of the Audit Committee and the Secretarial Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Santam 2021 Integrated Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITOR'S REPORT

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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Santam Limited for 93 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C van den Heever
Registered Auditor
Cape Town, South Africa
2 March 2022

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION AND CHARTER

The Santam group audit committee appointed to hold office until the conclusion of the annual general meeting (AGM) on 1 June 2022 comprises five independent non-executive directors of the company. Messrs PE Speckmann, MP Fandeso and MJ Reyneke were elected to the committee by the company's shareholders at the AGM on 2 June 2021. The board appointed Ms DEH Loxton and Ms M Chauke to the audit committee on 3 June 2021. The qualifications of the members of the committee are listed on page 51 of the integrated report. The members possess the necessary experience and expertise to direct the committee in the execution of its duties.

The audit committee of the Santam group acts as such for the following companies of the group where an audit committee is required in terms of the Companies Act, 71 of 2008, as amended: Santam Ltd, MiWay Insurance Ltd, Centriq Insurance Company Ltd, Centriq Life Insurance Company Ltd, Santam Structured Insurance Ltd and Santam Structured Life Ltd. The committee has a charter, approved by the board, dealing, inter alia, with its membership, frequency of meetings and responsibilities. The charter is reviewed annually and was updated during November 2021. The committee has a formal work plan to structure the execution of its responsibilities. The committee reviews reports from the external and internal auditors and the chairperson of the committee reports on the findings at board meetings.

FUNCTIONS

The responsibility and functions of the audit committee includes the review of financial reporting (and their recommendation for approval to the board), regulatory compliance matters and monitoring litigation. The audit committee also has the responsibility of reviewing the basis on which the company has been determined a going concern and is responsible for considering changes to the dividend policy and recommending dividend declarations to the board. The committee's charter allows it to consult with external consultants to assist it with the performance of its functions, subject to a board approval process.

INTERNAL AND EXTERNAL AUDIT

The committee nominates the independent external auditor to Santam group and its subsidiaries for appointment by the shareholders and tabled the appointment of the external auditor at the annual general meeting held on 2 June 2021 and approves the terms of engagement and remuneration for the external audit engagement. Furthermore, a review of the non-audit services by external auditors and an assessment of the external auditor's ability to accept the audit had been conducted by the committee. It was confirmed that the non-audit services did not compromise the external auditor's independence and that there were no regulations that prevented the external auditor's reappointment. The committee has considered the latest IRBA inspection findings report and the information provided in accordance with paragraph 22.15(h) of the JSE Listings Requirements in respect of the external auditor when assessing the suitability of the appointment of the audit firm and the designated audit partner.

The head of internal audit functionally reports to the chairperson of the audit committee and the audit committee is responsible for reviewing and approving the internal audit charter, the internal audit coverage, as well as resource and financial plans of the internal audit department. The committee also evaluates and promotes the independence of internal audit. The committee ensures a combined assurance model is applied to provide a coordinated approach to all assurance activities of the Santam group. This continues to mature.

MEETINGS

The committee held four scheduled meetings during the year under review. The required quorum was present at all meetings held.

CHIEF FINANCIAL OFFICER

As required by the JSE Listings Requirement 3.84 and JSE Debt Listings Requirement 7.3(e)(i), the audit committee has considered the expertise and experience of the chief financial officer and financial director, Mr HD Nel, and concluded that the appropriate requirements had been met. The committee is satisfied that the expertise, resources and experience of the company's finance function are appropriate and that the financial reporting procedures are operating satisfactorily.

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS

The audit committee reviewed the 2021 Santam Ltd integrated report and considered factors and risks that may impact the integrity of the report. The audit committee also reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The committee has recommended the integrated report and annual financial statements to the board for approval.

EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS

The audit committee has confirmed that effective systems of internal financial 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 Santam group annual financial statements. The board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows for the group in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and other responsibilities for the year.

PE Speckmann
Chairperson of the audit committee
2 March 2022

DIRECTORS' REPORT

ACTIVITIES

Santam Ltd (a public company incorporated in South Africa) and its subsidiaries transact all classes of general insurance. Certain licenced subsidiaries conduct individual life and investment linked business.

FINANCIAL REVIEW

The Santam group reported strong operating results, despite the impact of several significant claim events, particularly the adverse weather conditions during the fourth quarter of 2021.

The group's conventional insurance business achieved gross written premium growth of 5%. A net underwriting margin of 8.0% (2020: 2.5%) of net earned premiums was achieved, which is at the top end of the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported excellent operating results net of non-controlling interests of R276 million (2020: R165 million), following strong growth in fee income, positive investment results and improved underwriting results. The net insurance result from Santam's share of Sanlam Emerging Markets (SEM) general insurance businesses decreased marginally to R377 million (2020: R381 million).

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 493 million (2020: R1 027 million). Foreign currency gains and fair value gains on listed equities were the key contributors to the stronger investment performance.

Equity-accounted income from associates and joint ventures amounted to R78 million (2020: loss of R810 million). The 31 December 2020 equity-accounted losses included an impairment of SAN JV intangible assets of R656 million.

Cash generated from operations decreased to R3 billion (2020: R5.9 billion), mainly due to higher claim settlements during this period.

Headline earnings increased to 2 495 cps compared to 905 cps for the year ended 31 December 2020. The key drivers were improved operating results, together with increased investment income attributable to shareholders.

A return on capital (ROC) of 28.5% was achieved, well above the 2021 ROC target of 20% and the medium-term target of 24%. The economic capital coverage ratio at 31 December 2021 was 169% (2020: 161%) – at the top end of the target range of 150% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business demonstrated its resilience in a year characterised by the continued negative impact of COVID-19 on the economy, several large fire claims, the civil unrest in July and excessive rains across large parts of South Africa during the fourth quarter. A net underwriting margin of 8.0% was achieved (2020: 2.5%). The 2020 financial results were negatively impacted by the net contingent business interruption (CBI) claims provisions.

The judgment by the Supreme Court of Appeal on the length of the indemnity period to be applied to the Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd policies with CBI extensions, provided the legal clarity Santam sought. Santam continues to make steady progress in finalising the open CBI claims. Gross CBI claim payments of R3.2 billion have been made to the end of December 2021, inclusive of the relief payments of R1 billion made in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts. Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. However, there is still uncertainty about the ultimate exposure which will only be eliminated once the process has been finalised. The release of the R450 million net CBI provision contributed approximately 1.7% to the net underwriting margin.

DIRECTORS' REPORT

Gross written premium growth

Conventional insurance reported growth of 5% despite the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported low growth for the year. However, various growth initiatives are showing positive results, which should assist future growth.

The Santam Specialist business achieved improved growth during the second half of the year and gross written premiums in 2021 were in line with the year ended 31 December 2020. Strong growth was achieved in the liability business, while a number of the specialist classes reported improved growth, benefitting from reduced and less stringent lockdown measures. The corporate property business reported much improved gross written premiums for the second half of 2021, despite the decision to cease underwriting business outside of Africa.

MiWay achieved impressive growth of 9% (7% when excluding premium relief support to policyholders in 2020) in the current operating environment.

Santam Re continued to report strong growth in its third-party business, positively impacted by new business written during the reporting period.

Gross written premiums from outside South Africa written on the Santam Limited and Santam Namibia licences grew by 6% to R5 284 million (2020: R4 963 million). Strong growth was achieved by Santam Re in Africa, Southeast Asia and the Middle East. It was offset to some extent by the corporate property business no longer underwriting business outside of Africa. The specialist Pan-African insurance business with Sanlam Pan-Africa (SPA) contributed gross written premium of R383 million (2020: R200 million), following solid growth achieved during the second half of 2021. Weak economic conditions resulted in only marginal growth for Santam Namibia.

Gross written premiums in the property class grew by 3% due to strong growth by Santam Re and an improved contribution from the corporate property business in the second half of 2021.

The motor class reported growth of 7%. The strong growth achieved by MiWay and Santam Re was offset by more muted growth of the motor business written by the Santam Commercial and Personal business.

The liability and transportation classes achieved strong growth, supported by both the Santam Specialist businesses and Santam Re. Gross written premiums in the accident and health class contracted by 11%, due to the continued impact of COVID-19 travel restrictions on the travel insurance business. The crop insurance class also reported lower gross written premiums in 2021, mainly due to the timing of premiums being raised for the 2020/2021 crop season.

Underwriting result

Santam experienced a much more normalised claims environment in 2021. Several large fire claims impacted the Santam Specialist business during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December. The very wet summer season also had a negative impact on the Commercial and Personal business and MiWay's loss ratios. Santam Re's performance was affected by its participation on the SASRIA reinsurance programme, following the civil unrest in July 2021. Santam Re provided for net reinsurance claims of R237 million at 31 December 2021, based on claims notified to date. The maximum net exposure to the SASRIA programme is limited to R315 million.

The motor class achieved satisfactory underwriting performance in the intermediated and direct distribution channels. The motor loss ratio returned to more normalised levels as the claims frequency and severity increased following reduced lockdown restrictions. MiWay's loss ratio was significantly impacted by the adverse weather conditions in the fourth quarter but still reported reasonable underwriting results under these conditions, with a loss ratio of 60.9% (2020: 50.6%) and an underwriting profit of R285 million (2020: R486 million).

The underwriting performance of the property class also normalised after the impact of the CBI claims incurred in 2020, although it was negatively impacted by several large fire claims as well as the SASRIA reinsurance claims during 2021. The release of the CBI claims provision of R450 million contributed to an underwriting profit of R235 million (2020: loss of R2.4 billion) for the property class.

The crop business experienced significant claims due to hail and excessive rains across widespread regions in the summer rainfall areas during November and December. Frost claims in certain regions also contributed to the overall gross claims paid and reserved for the year exceeding R1.1 billion, resulting in a net underwriting loss of R92 million for the crop business in 2021. The crop business is significantly reinsured via a panel of reinsurers who in partnership with Santam, ensure that a sustainable long-term approach is taken to manage the negative impact of high claims incidence years.

The engineering class was impacted by several large claims, resulting in weaker underwriting results compared to 2020. The liability class delivered excellent underwriting results with limited adverse claim developments.

The net acquisition cost ratio increased to 30.0% (2020: 29.3%) mainly due to the net commission ratio increasing to 13.4% (2020: 12.7%). The key drivers of the increased net commission ratio were the lower reinsurance commissions received following the hardening of the reinsurance market in 2021 as well as the higher commission rates paid by Santam Re.

The management expense ratio was 16.6% (2020: 16.6%) on the back of continued cost containment efforts and increased strategic project spend compared to 2020.

Strategic project costs, included as part of management expenses, amounted to 1.6% (2020: 1.4%) of net earned premium. These costs relate mainly to the completion of a new claims platform, the IFRS 17 implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 1.5% (2020: 2.1%) of net earned premium was negatively impacted by the lower interest rate environment and a higher US dollar component backing the insurance reserves.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results net of non-controlling interests of R276 million (2020: R165 million). Income from clients increased by 22% to R470 million (2020: R385 million), supported by excellent growth in fee income and positive investment results. The underwriting results benefited from prior period reserve releases, following more certainty on COVID-19-related claims exposures and recoveries from reinsurers.

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAN JV (SAHAM)

Gross written premium growth

The Sanlam Pan-Africa General Insurance (SPA GI) business (including SAN JV) achieved gross written premium growth of 13% in constant currency terms (5.5% in actual currency). The growth was driven by higher volumes in the motor and health business lines in Morocco and an improved performance from Continental Re. Weaker sales in the assistance business and the cancellation of loss-making health business in Cote d'Ivoire had a negative impact on premium growth. SAN JV (excluding Lebanon) achieved gross written premium growth of 5% (approximately 12% in constant currency terms).

Shriram General Insurance Ltd (SGI) gross written premiums declined due to the lack of premium increases on third-party business as regulated by government and lower volumes from the credit businesses during the COVID-19-related lockdown periods.

Net insurance result

Santam's share of the general insurance net insurance result from the SEM businesses of R377 million was marginally lower compared to R381 million in 2020.

SPA GI (including SAN JV) recorded a net underwriting margin of 4.4% (2020: 6.1%), below the 5% to 9% target range. The portfolio recorded adverse claims experience in Cote d'Ivoire, Continental Re and some of the smaller Eastern and Southern regional countries, as well as a weaker performance from the health business. SAN JV recorded a 5.6% net underwriting margin relative to 6.9% (excluding Lebanon) in 2020.

SPA GI achieved an excellent return on insurance funds of 11.9% (as a percentage of net earned premiums), up from 2.9% in 2020. The Moroccan business reported a float margin of 20.9% on the back of strong equity markets. Further progress was achieved in transitioning the float investment portfolio to a lower level of equity and property exposure and increased bond exposure. Good value was realised in reducing the equity weighting although it lowered the exposure to the strong equity market performance over the year. An investment return on insurance funds of 12.8% (2020: 2.8% excluding Lebanon) was achieved by SAN JV.

In India, Shriram General Insurance's (SGI) earnings were impacted by the lack of regulated premium increases on third-party business for the past two years and limited ability to finalise claims. Courts in India continue to operate at limited capacity, which limited the ability to finalise claims. SGI's net insurance result however remained satisfactory at 25.2% of net earned premiums. Pacific and Orient Insurance in Malaysia recorded higher earnings largely driven by improved growth from direct channels, reserve releases, good float returns, and a lower claims ratio.

DIRECTORS' REPORT

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 27.4% for the year ended 31 December 2021, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 23.5%.

On 3 February 2021 the group renewed its derivative collar structure over listed equities to the value of R1 billion, based on the SWIX 40, to provide continued capital protection, realising a loss of R142 million (R77 million of the loss was recognised for the year ended 31 December 2020). The structure expired on 3 May 2021 and realised a further loss of R31 million. It was rolled over for another three-month period that expired on 3 August 2021, realising a gain of R15 million, bringing the total loss accounted for in the 2021 financial year to R81 million, which reduced the listed equity portfolio's return of 27.4% by 7%.

The Santam group's interest-earning investments are managed in enhanced cash, active income and global fixed income portfolios. The interest-earning portfolios delivered good results and exceeded their benchmarks.

Foreign currency gains of R373 million (2020: R60 million) were recorded. This included unrealised foreign currency gains of R100 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2020: R17 million).

Net gains on financial assets and liabilities of R171 million (2020: net losses of R113 million) include fair value gains on listed equities and local and foreign bonds partly offset by realised losses on derivatives. Positive fair value movements (excluding the impact of currency movements) of R52 million (2020: R17 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, contributed to the investment performance.

Net income from associated companies of R78 million (2020: loss of R810 million) included SAN JV net income of R8 million (2020: income of R32 million). The 2020 loss from associated companies included an impairment of SAN JV intangible assets of R656 million. The carrying value of SAN JV at 31 December 2021 was R1 848 million (2020: R1 823 million).

CORPORATE TRANSACTIONS

During April 2021, the group increased its stake in Mirabilis Engineering Underwriting Managers by acquiring the remaining 45% shareholding for R176 million, making it a wholly owned subsidiary of the group.

CAPITAL

On 12 April 2021, the group redeemed the R500 million floating rate subordinated debt which became callable during that month.

Following good progress made with the CBI claims process the capital protection provided by the derivative collar structure over listed equities was no longer required and the structure was therefore not renewed when it expired on 3 August 2021. The group economic capital requirement at 31 December 2021, based on the internal model, amounted to R8.3 billion (2020: R7.4 billion) compared to the actual capital of R13.9 billion (2020: R11.9 billion). This equates to an economic capital coverage ratio of 169% (2020: 161%), at the top end of the capital target range of 150% to 170%. The economic capital coverage ratio at 31 December 2020 already included the anticipated redemption of R500 million subordinated debt in April 2021.

Following the reduction in the regulatory capital add-on to the approved regulatory internal model from 20% to 10% by the Prudential Authority in November 2021, the Santam board has reduced the target economic capital coverage ratio band from between 150% and 170% to between 145% and 165% and remains comfortable operating at the lower end of this range. In addition to the economic capital coverage ratio band, the regulatory capital coverage ratio must exceed predefined threshold levels which have remained unchanged. The group remains committed to efficient capital management.

The legal clarity on the CBI indemnity period and progress made to settle the open CBI claims provided more certainty on the group's capital position. Taking this into account and the capital position at 31 December 2021, the board approved an ordinary final dividend of 790 cents per share and a special dividend of 800 cents per share, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the group since the statement of financial position date.

MANAGEMENT CHANGES

Tavaziva ("Tava") Madzinga will join Santam as an Executive Director with effect from 1 April 2022 and will succeed Lizé Lambrechts as the Santam Group Chief Executive with effect from 1 July 2022. Lize Lambrechts will formally retire during the course of 2022.

DIRECTORS' REPORT

ORDINARY SHARES ISSUED

The shares in issue remained at 115 131 417 (2020: 115 131 417) shares of no par value (including 4 971 245 (2020: 4 814 034) treasury shares). In terms of the deferred share plan (DSP) implemented in 2007 and the performance deferred share plan (PDSP), 403 666 (2020: 403 098) shares were granted to employees on a deferred delivery basis during the year, 45 493 (2020: 51 835) shares lapsed as a result of resignations and 282 353 (2020: 315 556) treasury shares were issued in terms of the DSP and PDSP. Full details are set out in note 17 to the annual financial statements.

A subsidiary in the group holds a total of 4 731 598 (2020: 4 561 028) Santam shares. The shares are held as "Treasury shares". Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in 239 647 (2020: 253 006) shares being recognised as treasury shares as at 31 December 2021 (refer note 16 and 17.1 for further details).

CAPITAL STRUCTURE

Debt securities

During April 2021, the company redeemed the R500 million floating rate subordinated debt which became callable during the month.

For details on debt securities, refer to note 6.1 to the financial statements.

Share capital

For details on ordinary shares issued, refer to note 16 to the financial statements.

ORDINARY DIVIDENDS

	Group	
	2021 R million	2020 R million
The following dividends were paid and are proposed		
Interim dividend of 432 cents per share (2020: Nil cents)	**497**	–
Final dividend of 790 cents per share (2020: Nil cents)	**910**	–
	1 407	–

SPECIAL DIVIDEND

A special dividend of 800 cents per share was declared in March 2022. No special dividend was declared or paid during 2021.

SUBSIDIARIES

Details of the company's direct and indirect interests in subsidiaries are set out in note 10.1 to the financial statements. The following changes in shareholding took place during the year:

During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

ASSOCIATED COMPANIES AND JOINT VENTURES

Details of the holding company's interest in associated companies and joint ventures are set out in note 12.1 to the financial statements. No significant changes in shareholding took place during the year.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, Sanlam group, company directors and key management. All material intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to notes 10.2 (transactions with subsidiaries in the Santam group), 12.2 (transactions with associated companies and joint ventures in the Santam group), 20.3.1 and 20.3.2 (transactions with key management, directors and prescribed officers) and 27 (transactions with Sanlam group entities) to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear in notes 16.1 (interest in the shares of the company), 17.1 (deferred share plan), 20.3.1 (remuneration received from the company) and 27 (remuneration received from other companies in the group) to the annual financial statements.

DIRECTORS' REPORT

HOLDING COMPANY

Sanlam Ltd, the company's holding company, holds 62.1% (2020: 61.9%) of the total issued ordinary share capital, net of treasury shares.

SEGMENT INFORMATION

Refer to note 2 in the notes to the annual financial statements for the segmental report.

DIRECTORATE AND COMPANY SECRETARY

The following changes took place on the company's board of directors during the year, due to the directors listed below reaching the specified retirement age, and to add diversity to the board:

B Campbell	–	Retired from the board (risk, audit and social, ethics and sustainability committees) on 2 June 2021
M Chauke	–	Appointed to the board (risk, audit and social, ethics and sustainability committees) on 3 June 2021
CD da Silva	–	Appointed to the board (risk and social, ethics and sustainability committees) on 3 June 2021
VP Khanyile	–	Retired from the board (human resources and remuneration and nominations committees) on 2 June 2021
DEH Loxton	–	Appointed to the board (risk, audit and investment committees) on 3 June 2021
NT Moholi	–	Appointed to the board (human resources and remuneration and nominations committees) on 3 June 2021

The board committees are therefore now as follows:

Committee memberships	Risk committee	Audit committee	Human resources and remuneration committee	Nominations committee	Social, ethics and sustainability committee	Investment committee
Non-executive directors						
M Chauke	✔	✔			✔	
CD da Silva	✔				✔	
MP Fandeso	✔	✔				
PB Hanratty			✔	✔		
DEH Loxton	✔	✔				✔
MLD Marole			✔	✔	✔	
NT Moholi (chairperson)			✔	✔		
AM Mukhuba	✔					✔
JJ Ngulube					✔	
MJ Reyneke	✔	✔				✔
PE Speckmann	✔	✔				
Executive directors						
L Lambrechts (chief executive officer)	✔					✔
HD Nel (chief financial officer)	✔					✔

COMPANY SECRETARY

T Moshakga has taken over, effective 1 August 2021, from M Allie who resigned, effective 8 June 2021, to pursue another career opportunity.

Registered office for company secretary
PO Box 3881, Tyger Valley 7536
Santam Ltd, 1 Sportica Crescent, Bellville 7530

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers Inc will continue in office in accordance with section 90(1) of the Companies Act, 71 of 2008, as amended (Companies Act), until the next AGM where they will be considered for reappointment.

SPECIAL RESOLUTIONS PASSED

The following special resolutions were passed by Santam Ltd at the annual general meeting on 2 June 2021:

- Approval of non-executive directors' remuneration.
- General authority to the directors, in accordance with the JSE Listings Requirements and Companies Act, to repurchase the company's shares.
- General authority to grant financial assistance to any related party established for the benefit of employees of the group in connection with the purchase of securities.
- General authority to provide direct or indirect financial assistance to related companies or persons (or inter-related companies or corporations). Such financial assistance provided during the year exceeded the threshold of 0.1% of the Santam group's net asset value.

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 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 Santam board, in line with existing practice, approved that the company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the company's annual general meeting in 2021, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Santam board and may in total exceed 0.1% of the Santam group's net asset value.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2021 R million	Group Restated[1] 2020 R million	Company 2021 R million	Company 2020 R million
ASSETS					
Intangible assets	13	**989**	968	**306**	260
Property and equipment	15	**702**	760	**517**	534
Investment in subsidiaries	10	**–**	–	**1 029**	1 109
Investment in associates and joint ventures	12	**2 284**	2 205	**2 034**	2 034
Strategic investment – unquoted SEM target shares	5.1	**1 691**	1 538	**1 691**	1 538
Deferred income tax	22	**78**	102	**19**	–
Deposit with cell owner	9.3	**90**	161	**–**	–
Cell owners' and policyholders' interest	9.1	**11**	14	**–**	–
Financial assets at fair value through income	5.1	**31 047**	29 394	**13 673**	13 865
Reinsurance assets	4.1	**14 892**	8 946	**13 836**	7 978
Deferred acquisition costs	4.1.2	**961**	839	**804**	732
Loans and receivables including insurance receivables	4.2, 5.6	**8 312**	6 855	**6 131**	4 978
Current income tax		**5**	15	**–**	–
Cash and cash equivalents	5.7	**4 496**	4 383	**1 842**	2 036
Total assets		**65 558**	56 180	**41 882**	35 064
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	16	**103**	103	**103**	103
Treasury shares	16	**(570)**	(527)	**–**	–
Other reserves	18.1	**37**	19	**–**	–
Distributable reserves	18.2	**11 862**	9 761	**9 567**	7 779
		11 432	9 356	**9 670**	7 882
Non-controlling interest	11	**630**	736	**–**	–
Total equity		**12 062**	10 092	**9 670**	7 882
LIABILITIES					
Deferred income tax	22	**85**	104	**–**	19
Cell owners' and policyholders' interest	9.1, 9.2	**4 908**	4 238	**–**	–
Reinsurance liability relating to cell owner	9.4	**90**	161	**–**	–
Financial liabilities at fair value through income					
Debt securities	6.1	**2 552**	3 089	**2 552**	3 089
Investment contracts	6.3	**1 970**	1 838	**–**	–
Derivatives	6.4	**1**	80	**1**	80
Lease liabilities	6.9	**764**	782	**575**	585
Financial liabilities at amortised cost					
Repo liability	6.5	**926**	867	**–**	–
Collateral guarantee contracts	6.6	**155**	128	**155**	128
Insurance liabilities	4.1	**36 040**	28 871	**24 698**	19 070
Deferred reinsurance acquisition revenue	4.1.2	**561**	517	**475**	442
Provisions for other liabilities and charges	19	**188**	153	**136**	104
Trade and other payables including insurance payables	4.3, 6.7	**4 851**	5 089	**3 284**	3 577
Current income tax		**405**	171	**336**	88
Total liabilities		**53 496**	46 088	**32 212**	27 182
Total shareholders' equity and liabilities		**65 558**	56 180	**41 882**	35 064

[1] *Refer to note 33 for the detail regarding the restatement.*

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2021 R million	Group Restated[1] 2020 R million	Company 2021 R million	Company 2020 R million
Gross written premium		**42 129**	38 273	**31 502**	29 976
Less: reinsurance written premium		**14 766**	12 756	**6 793**	6 572
Net written premium		**27 363**	25 517	**24 709**	23 404
Less: change in unearned premium					
Gross amount	4.1.1	**1 573**	1 549	**166**	477
Reinsurers' share	4.1.1	**(794)**	(693)	**(120)**	(241)
Net insurance premium revenue		**26 584**	24 661	**24 663**	23 168
Interest income on amortised cost instruments	5.9	**206**	185	**19**	40
Interest income on fair value through income instruments	5.9	**1 346**	1 435	**685**	687
Other investment income	5.9	**552**	398	**552**	436
Income from reinsurance contracts ceded		**2 067**	2 089	**1 491**	1 576
Net gains/(losses) on financial assets and liabilities at fair value through income	5.10	**732**	(273)	**314**	(80)
Other income	20.1	**352**	347	**89**	79
Net income		**31 839**	28 842	**27 813**	25 906
Insurance claims and loss adjustment expenses:					
Gross amount	4.4	**29 734**	25 205	**24 773**	21 726
Recovered from reinsurers	4.4	**(13 329)**	(8 435)	**(9 491)**	(5 773)
Net insurance benefits and claims		**16 405**	16 770	**15 282**	15 953
Expenses for the acquisition of insurance contracts	20.2	**5 539**	5 124	**5 758**	5 622
Expenses for marketing and administration	20.2	**4 794**	4 449	**3 417**	3 193
Expenses for investment-related activities	20.2	**93**	66	**66**	46
Amortisation and impairment of intangible assets	13, 20.2	**68**	70	**25**	22
Investment return allocated to cell owners and structured insurance products		**982**	418	**–**	–
Total expenses		**27 881**	26 897	**24 548**	24 836
Results of operating activities		**3 958**	1 945	**3 265**	1 070
Finance costs	6.8	**(313)**	(318)	**(230)**	(241)
Net income/(loss) from associates and joint ventures	12	**78**	(810)	**–**	–
Impairment of net investments and loans of subsidiaries	10	**–**	–	**(19)**	–
Impairment of associates and joint ventures	12	**–**	(15)	**–**	(480)
Income tax recovered from cell owners and structured insurance products	21	**592**	429	**–**	–
Profit before tax		**4 315**	1 231	**3 016**	349
Tax expense allocated to shareholders		**(879)**	(371)	**(739)**	(110)
Tax expense allocated to cell owners and structured insurance products		**(592)**	(429)	**–**	–
Total tax expense	21	**(1 471)**	(800)	**(739)**	(110)
Profit for the year		**2 844**	431	**2 277**	239
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income					
Share of associates' currency translation differences	18.1	**18**	424	**–**	–
Total comprehensive income for the year		**2 862**	855	**2 277**	239
Profit attributable to:					
– equity holders of the company		**2 745**	327	**2 277**	239
– non-controlling interest		**99**	104	**–**	–
		2 844	431	**2 277**	239
Total comprehensive income attributable to:					
– equity holders of the company		**2 763**	751	**2 277**	239
– non-controlling interest		**99**	104	**–**	–
		2 862	855	**2 277**	239
Earnings attributable to equity holders	23				
Earnings per share (cents)					
Basic earnings per share		**2 491**	296		
Diluted earnings per share		**2 478**	295		

[1] *Refer to note 33 for the detail regarding the restatement.*

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
GROUP							
Balance as at 1 January 2020	103	(482)	(405)	10 326	**9 542**	521	**10 063**
Profit for the year	–	–	–	327	**327**	104	**431**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	424	–	**424**	–	**424**
Total comprehensive income for the year ended 31 December 2020 restated[1]	–	–	424	327	**751**	104	**855**
Issue of treasury shares in terms of share option schemes	–	110	–	(110)	**–**	–	**–**
Purchase of treasury shares	–	(155)	–	–	**(155)**	–	**(155)**
Share-based payment costs	–	–	–	80	**80**	–	**80**
Share of associates' other movements in retained earnings	–	–	–	(5)	**(5)**	–	**(5)**
Equity interest issued in cell captive	–	–	–	–	**–**	166	**166**
Dividends paid	–	–	–	(793)	**(793)**	(50)	**(843)**
Non-controlling interest acquired	–	–	–	(64)	**(64)**	(5)	**(69)**
Balance as at 31 December 2020 restated[1]	103	(527)	19	9 761	**9 356**	736	**10 092**
Profit for the year	–	–	–	2 745	**2 745**	99	**2 844**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	18	–	**18**	–	**18**
Total comprehensive income for the year ended 31 December 2021	**–**	**–**	**18**	**2 745**	**2 763**	**99**	**2 862**
Issue of treasury shares in terms of share option schemes	**–**	**77**	**–**	**(77)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(120)**	**–**	**–**	**(120)**	**–**	**(120)**
Share-based payment costs	**–**	**–**	**–**	**86**	**86**	**–**	**86**
Equity interest issued in cell captive	**–**	**–**	**–**	**–**	**–**	**22**	**22**
Dividends paid	**–**	**–**	**–**	**(477)**	**(477)**	**(227)**	**(704)**
Non-controlling interest acquired	**–**	**–**	**–**	**(176)**	**(176)**	**–**	**(176)**
Balance as at 31 December 2021	**103**	**(570)**	**37**	**11 862**	**11 432**	**630**	**12 062**

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
COMPANY							
Balance as at 1 January 2020	103	–	–	8 398	**8 501**	–	**8 501**
Profit for the year	–	–	–	239	**239**	–	**239**
Total comprehensive income for the year ended 31 December 2020	–	–	–	239	**239**	–	**239**
Share-based payment costs	–	–	–	70	**70**	–	**70**
Loss on delivery of shares in terms of share scheme	–	–	–	(101)	**(101)**	–	**(101)**
Dividends paid	–	–	–	(827)	**(827)**	–	**(827)**
Balance as at 31 December 2020	103	–	–	7 779	**7 882**	–	**7 882**
Profit for the year	–	–	–	2 277	**2 277**	–	**2 277**
Total comprehensive income for the year ended 31 December 2021	**–**	**–**	**–**	**2 277**	**2 277**	**–**	**2 277**
Share-based payment costs	**–**	**–**	**–**	**82**	**82**	**–**	**82**
Loss on delivery of shares in terms of share scheme	**–**	**–**	**–**	**(74)**	**(74)**	**–**	**(74)**
Dividends paid	**–**	**–**	**–**	**(497)**	**(497)**	**–**	**(497)**
Balance as at 31 December 2021	**103**	**–**	**–**	**9 567**	**9 670**	**–**	**9 670**

[1] *Refer to note 33 for the detail regarding the restatement.*

STATEMENTS OF CASH FLOWS

	Notes	Group 2021 R million	Group Restated[1] 2020 R million	Company 2021 R million	Company Restated[1] 2020 R million
Cash flows from operating activities					
Cash generated from operations	25	**3 279**	5 948	**1 333**	3 132
Interest paid		**(295)**	(326)	**(226)**	(244)
Income tax paid	26	**(626)**	(437)	**(527)**	(191)
Acquisition of financial assets		**(30 712)**	(31 205)	**(19 381)**	(19 587)
Proceeds from sale of financial assets		**30 238**	26 005	**19 854**	16 752
Net cash from/(used in) operating activities		**1 884**	(15)	**1 053**	(138)
Cash flows from investing activities					
Acquisition of financial assets		**(1)**	(30)	**(1)**	(30)
Acquisition of subsidiaries, net of cash acquired	14	**–**	(4)	**–**	–
Purchases of equipment	15.1	**(19)**	(65)	**(42)**	(32)
Purchases of intangible assets	13	**(89)**	(81)	**(71)**	(42)
Net cash used in investing activities		**(109)**	(180)	**(114)**	(104)
Cash flows from financing activities					
Purchase of treasury shares		**(120)**	(155)	**–**	–
Purchase of non-controlling interest in subsidiary		**(176)**	(69)	**–**	–
Proceeds from issue of unsecured subordinated callable notes		**–**	1 000	**–**	1 000
Redemption of unsecured subordinated callable notes	6.1	**(500)**	–	**(500)**	–
Dividends paid to company's shareholders		**(477)**	(793)	**(497)**	(827)
Dividends paid to non-controlling interest		**(227)**	(50)	**–**	–
Equity interest issued to cell captive	9.1, 9.2	**22**	–	**–**	–
Payment of principal element of lease liabilities	6.9	**(156)**	(141)	**(107)**	(96)
Net cash (used in)/from financing activities		**(1 634)**	(208)	**(1 104)**	77
Net increase/(decrease) in cash and cash equivalents		**141**	(403)	**(165)**	(165)
Cash and cash equivalents at beginning of year		**4 383**	4 642	**2 036**	2 057
Exchange (losses)/gains on cash and cash equivalents		**(28)**	144	**(29)**	144
Cash and cash equivalents at end of year		**4 496**	4 383	**1 842**	2 036

[1] *Refer to note 33 for the detail regarding the restatement.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

1.1 Statement of compliance

The financial statements are prepared in accordance with the JSE Ltd Listings Requirements and Debt Listings Requirements, the requirements of the Companies Act and the company's memorandum of incorporation. The JSE Ltd Listings Requirements and Debt Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements, as issued by the Financial Reporting Standards Council.

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income and the application of the equity method of accounting for investments in associate and joint ventures.

The consolidated annual financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19 related claims
- Ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition, a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review, no material uncertainties, that would require disclosure, have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the consolidated annual financial statements.

All amounts in the consolidated financial statements are presented in South African rand, rounded to the nearest million, unless otherwise stated.

Refer to note 31 for new standards, amendments and interpretations effective and not yet effective in 2021, as well as a detailed analysis of the expected impact of the standards that are not yet effective.

Refer to note 33 for the detail regarding the change in presentation of comparative results.

STANDARDS EFFECTIVE IN 2021

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2021:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)
- IFRS 16, *Leases* COVID-19-Related Rent Concessions Amendment

No material impact on the annual financial statements was identified resulting from the adoption of these amendments made to IFRS.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Basis of preparation (continued)

STANDARDS NOT YET EFFECTIVE IN 2021

- Annual improvements cycle 2018 – 2020
- Amendment to IAS 1 *Presentation of financial statements* on classification of liabilities as current or non-current
- Amendments to IAS 37 *Provisions, contingent liabilities and contingent assets* on onerous contracts – cost of fulfilling a contract
- Amendments to IAS 16 *Property, plant and equipment* on proceeds before intended use
- Amendment to IAS 12 *Deferred tax* related to assets and liabilities arising from a single transaction
- Amendment to IFRS 3 *Business combinations*
- IFRS 17 *Insurance contracts*
- IFRS 17 *Insurance contracts* amendments

The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective, management expects IFRS 17 to have a future impact on the group and company.

IFRS 17 INSURANCE CONTRACTS

The IASB issued IFRS 17 insurance contracts in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach (PAA) applicable mainly for short-duration contracts.

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- Be measured at the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows)
- A contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period)

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements are met to measure a group of insurance contracts using the premium allocation approach, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the majority of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also recognises losses earlier on contracts that are expected to be onerous. Based on the group's analysis to date we do not expect a significant impact on the financial results due to onerous contracts.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting but has a significant impact across the group's operating model. Due to the fundamental changes required, and to ensure successful implementation, an IFRS 17 project team was established.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Basis of preparation (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including finance, risk, information technology, operations, and group internal audit.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be implemented throughout the group. There is continuous engagement with the auditors on the policy and methodology papers as they review the Group's transition to IFRS 17. Auditing of the principles in these policy papers will continue in 2022. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly. The tax implications regarding the adoption of IFRS 17 are also being considered and representatives from the group actively take part in industry discussions in this regard.

The transition to IFRS 17 and the financial impact assessment will remain a key focus during 2022. It is expected that due to the short contract boundaries for most of the insurance book a fully retrospective approach will be applied with limited application of the modified retrospective approach and fair value approaches. A roadmap for transition and the dual reporting run has been prepared and has been shared with business stakeholders.

The IFRS 17 project team will focus on the following key areas during 2022:

- Complete the system development and key controls required to implement IFRS 17.
- Produce and request business sign-off, as well as external audit sign-off of transition balances.
- Commence with an IFRS 4 and IFRS 17 dual reporting run.
- Update the budgeting process to ensure alignment to IFRS 17.
- Finalise the layout and disclosure of the IFRS 17 compliant annual financial statements.
- Finalise the management reporting and key performance measures.
- Continue engaging with the executive committee and business through various training initiatives.
- Finalise and implement future financial and data governance processes and accountabilities.

A combined assurance approach is being followed whereby group internal audit and external audit are incrementally testing the new IFRS 17 landscape. Opportunities for control improvements have already been identified for implementation.

Although the financial impact of IFRS 17 has not yet been fully assessed, given the nature of the Santam book, the expectation is that the vast majority of the book will be measured using the PAA measurement methodology. This implies that the most notable impact on the net asset value of the group will be due to the introduction of discounting on the group's claim provisions.

1.3 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

- Claims incurred but not reported (IBNR) – note 4.1
- Fair value of financial instruments that are not listed or quoted – note 5.3
- Impairment assessment of investment in associates and joint ventures – note 12

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Critical accounting estimates and judgements (continued)

In 2021, the COVID-19 global pandemic has continued to have a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the CBI claims that have occurred and were notified during 2020, that remain unsettled at the end of the reporting period, have been updated based on actual claims development experience. An endorsement was added to all Santam commercial policies to make it clear that no CBI cover relating to infectious diseases is provided for any new claim events or lockdowns from 1 June 2020 onwards.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19.

1.4 Contingent business interruption (CBI) claims reserves

Santam was party to legal proceedings in 2021. The outcome of the proceedings provided Santam with legal certainty in respect of its liability for Infectious and Contagious Disease cover as well as the length of the indemnity period that applied to certain policies written by Santam's Hospitality and Leisure division.

Santam accepted the judgment of the courts and commenced paying claims during 2021. These claims payments were in addition to the R1 billion in interim relief paid to policyholders in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate exposure which will only be eliminated once the process has been finalised.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

2 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

Insurance activities

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), Santam Re and MiWay
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq and SSI
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Growth is measured for SEM general insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and SAN JV insurance businesses, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. Results from these businesses are also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV.

Insurance business denominated in foreign currencies is covered by foreign-denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Investment activities

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income. Revenue is earned from the various investment portfolios managed in the form of interest, dividends and fair value gains or losses, as well as income from associates and joint ventures that are not considered to be strategic investments.

All activities

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

The Santam BEE transaction costs are unrelated to the core underwriting and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures and SEM target shares.

Since the group reported its segmental results for the year ended 31 December 2020, the segmental disclosure has been adjusted to condense the additional information for SAN JV (100%) to focus on the results from SAN JV's general insurance, in the general insurance format, reconciled to attributable earnings from the SAN JV group. Management believes that the information relating to SAN JV's life and other underlying operating segments is no longer of significance, as a result of their limited contribution to profits, to the chief operating decision-maker and management determined that it is no longer useful for the users of the consolidated financial statements.

2 SEGMENT INFORMATION (continued)

2.1 Segment report

For the year ended 31 December 2021 Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	TOTAL R million
Revenue	**32 745**	**9 384**	**2 846**	**44 975**
External	**32 296**	**9 384**	**2 846**	**44 526**
Intersegment[5]	**449**	**–**	**–**	**449**
Operating result before non-controlling interest and tax[1]	**2 465**	**306**	**377**	**3 148**
Reallocation of operating result	**–**	**–**	**(377)**	**(377)**
Investment income net of investment-related fees	**–**	**1 025**	**152**	**1 177**
Investment return allocated to cell owners and structured insurance products	**–**	**(982)**	**–**	**(982)**
Finance costs[2]	**–**	**(43)**	**–**	**(43)**
Income from associates and joint ventures	**–**	**–**	**8**	**8**
Santam BEE costs	**–**	**–**	**–**	**–**
Amortisation and impairment of intangible assets[3]	**(21)**	**(1)**	**–**	**(22)**
Income tax recovered from cell owners and structured insurance products	**–**	**592**	**–**	**592**
Profit before tax	**2 444**	**897**	**160**	**3 501**

[1] *Includes depreciation of R203 million for Conventional and R12 million for ART.*
[2] *Finance costs relating to lease liabilities has been included in management expenses.*
[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R8 million has been included in operating results.*
[4] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*
[5] *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*

For the year ended 31 December 2020 restated[6] Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	TOTAL R million
Revenue	31 098	7 175	2 968	41 241
External	30 821	7 175	2 968	40 964
Intersegment[5]	277	–	–	277
Operating result before non-controlling interest and tax[1]	1 118	165	381	1 664
Reallocation of operating result	–	–	(381)	(381)
Investment income net of investment-related fees	–	462	32	494
Investment return allocated to cell owners and structured insurance products	–	(418)	–	(418)
Finance costs[2]	–	(44)	–	(44)
(Loss)/income from associates and joint ventures including impairment[6]	–	–	(873)	(873)
Santam BEE costs	–	–	–	–
Amortisation and impairment of intangible assets[3]	(18)	(1)	–	(19)
Income tax recovered from cell owners and structured insurance products	–	429	–	429
Profit before tax	1 100	593	(841)	852

[1] *Includes depreciation of R213 million for Conventional and R11 million for ART.*
[2] *Finance costs relating to lease liabilities has been included in management expenses.*
[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 million has been included in operating results.*
[4] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*
[5] *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*
[6] *(Loss)/Income from associates and joint ventures including impairment disclosed in the Santam's share of SAN JV and other SEM businesses segment was restated by R215 million from R658 million to R873 million. Refer to note 33 for further detail regarding the restatement.*

Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
1 119	**46 094**	**(3 965)**	**42 129**
1 119	**45 645**	**(3 965)**	**41 680**
–	**449**	**–**	**449**
–	**3 148**	**(377)**	**2 771**
–	**(377)**	**377**	**–**
956	**2 133**	**–**	**2 133**
–	**(982)**	**–**	**(982)**
(210)	**(253)**	**–**	**(253)**
70	**78**	**–**	**78**
–	**–**	**(2)**	**(2)**
–	**(22)**	**–**	**(22)**
–	**592**	**–**	**592**
816	**4 317**	**(2)**	**4 315**

Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
637	41 878	(3 605)	38 273
637	41 601	(3 605)	37 996
–	277	–	277
–	1 664	(381)	1 283
–	(381)	381	–
523	1 017	–	1 017
–	(418)	–	(418)
(190)	(234)	–	(234)
48	(825)	–	(825)
–	–	(2)	(2)
–	(19)	–	(19)
–	429	–	429
381	1 233	(2)	1 231

2 SEGMENT INFORMATION (continued)

2.1 Segment report (continued)

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	2021 R million	2020 R million
Revenue	**32 745**	31 098
Net earned premium	**25 858**	24 320
Net claims incurred	**16 023**	16 593
Net commission	**3 458**	3 083
Management expenses (excluding BEE costs)[1, 2]	**4 313**	4 029
Net underwriting result	**2 064**	615
Investment return on insurance funds	**400**	501
Net insurance result	**2 464**	1 116
Other income	**118**	106
Other expenses	**(117)**	(104)
Operating result before non-controlling interest and tax	**2 465**	1 118

[1] *Amortisation of computer software has been included in management expenses.*
[2] *Finance costs relating to lease liabilities has been included in management expenses.*

The group's conventional insurance activities are spread over various classes of general insurance.

	2021		2020	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**572**	**60**	641	94
Crop	**1 130**	**(92)**	1 262	147
Engineering	**1 730**	**313**	1 651	433
Guarantee	**127**	**(5)**	117	(14)
Liability	**1 550**	**252**	1 362	149
Miscellaneous	**53**	**14**	38	(10)
Motor	**14 412**	**1 188**	13 430	2 100
Property	**12 177**	**236**	11 798	(2 410)
Transportation	**994**	**98**	799	126
Total	**32 745**	**2 064**	31 098	615
Comprising				
Commercial insurance	**19 206**	**1 126**	18 215	(1 176)
Personal insurance	**13 539**	**938**	12 883	1 791
Total	**32 745**	**2 064**	31 098	615

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	2021 R million	2020 R million
Income from clients	**470**	385
Participation in underwriting results[1]	**101**	34
	571	419
Administration expenses	**(265)**	(254)
Operating result before non-controlling interest and tax	**306**	165

[1] *This relates to Centriq Insurance and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*

2 SEGMENT INFORMATION (continued)

2.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV AND OTHER SEM BUSINESSES

	2021			2020		
	SEM R million	**SAN JV R million**	**Total R million**	**SEM R million**	**SAN JV R million**	**Total R million**
Revenue	**1 026**	**1 820**	**2 846**	1 183	1 785	2 968
Operating result before non-controlling interest and tax	**156**	**221**	**377**	258	123	381

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	2021 R million	2020 R million
Revenue	**1 026**	1 183
Net earned premium	**822**	994
Net claims incurred	**593**	644
Net acquisition cost	**274**	301
Net underwriting result	**(45)**	49
Investment return on insurance funds	**201**	207
Other income	**–**	2
Operating result before non-controlling interest and tax	**156**	258

ADDITIONAL INFORMATION FOR SANTAM'S SHARE OF SAN JV'S GENERAL AND REINSURANCE BUSINESS

	2021 R million	Restated[1] 2020 R million
General insurance		
Revenue	**1 820**	1 785
Net earned premium	**1 221**	1 258
Net claims incurred	**763**	757
Net acquisition cost	**389**	409
Net underwriting result	**69**	92
Investment return on insurance funds	**156**	37
Other expenses[1]	**(4)**	(6)
Operating result before non-controlling interest and tax	**221**	123
Life business: Operating result before non-controlling interest and tax	**18**	–
Consolidation and other adjustments	**(35)**	(5)
Operating result before non-controlling interest and tax	**204**	118
Tax	**(81)**	(28)
Profit after tax	**123**	90
Non-controlling interest	**(57)**	(29)
Net results from financial services	**66**	61
Net investment return on shareholders' funds[2]	**(15)**	(138)
Net other expenses[1]	**(8)**	(88)
Attributable earnings	**43**	(165)

[1] *Net other expenses includes the net profit/loss for the following lines of business: health, property and Elite. It includes a restatement of R215 million, refer to note 33 for detail.*
[2] *Investment return on shareholders' funds include impairments and foreign currency translation differences.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 SEGMENT INFORMATION (continued)

2.1 Segment report (continued)

SANTAM'S SHARE OF SAN JV ATTRIBUTABLE EARNINGS RECONCILIATION TO EQUITY ACCOUNTING PROFIT AND LOSS EARNINGS

	2021 R million	Restated[1] 2020 R million
Attributable earnings[1]	**43**	(165)
Amortisation of other intangible assets on a SAN JV level	**(31)**	(28)
Impairment of goodwill on a SAN JV level	**–**	(656)
Other – consolidation adjustments on a SAN JV level	**(4)**	(24)
Net income/(loss) from associate	**8**	(873)

[1] *Attributable earnings was restated by R215 million from an income of R50 million to a loss of R165 million.*

Additional information on Investment activities

The group's return on investment-related activities can be analysed as follows:

	2021 R million	2020 R million
Investment income	**869**	717
Net gains/(losses) on financial assets and liabilities at fair value through income	**180**	(128)
Income from associates and joint ventures	**70**	48
Investment-related revenue	**1 119**	637
Expenses for investment-related activities	**(93)**	(66)
Finance costs	**(210)**	(190)
Net total investment-related transactions	**816**	381

For a detailed analysis of investment activities, refer to notes 5.1 and 5.10.

2.2 Geographical analysis

	Gross written premium		Non-current assets	
	2021 R million	2020 R million	2021 R million	2020 R million
South Africa	**36 845**	33 310	**2 117**	2 111
Rest of Africa[1]	**2 599**	4 169	**1 980**	1 934
Southeast Asia, India and Middle East	**5 065**	3 362	**1 346**	1 321
Other	**466**	400	**–**	–
	44 975	41 241	**5 443**	5 366
Reconciling items[2]	**(2 846)**	(2 968)	**–**	–
Group total	**42 129**	38 273	**5 443**	5 366

[1] *Includes gross written premium relating to Santam Namibia Ltd of R982 million (2020: R971 million).*
[2] *Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).*

3 RISK AND CAPITAL MANAGEMENT

3.1 Objective and framework

As an insurance group, Santam Ltd 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 enterprise risk management (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 the group and company's business and risks. The Santam approach is aligned with the principles of King Report on Corporate Governance™ for South Africa, 2016 (King IV), ISO 31000, Solvency and Assessment Management (SAM) requirements as well as the requirements of our 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.

3.2 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 the company and group'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 the company and group 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
- 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 company and group 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.

The group issues contracts that transfer insurance risk or financial risk or both (refer to note 4 for the general terms of insurance contracts). Insurance risk (i.e. underwriting and reinsurance risk) and investment risk (i.e. market and credit risk) impacts the balances and transactions reported in a financial period. The discussions that will follow provide more detail on how Santam and its subsidiaries manage insurance and investment risk from a financial reporting perspective. The table below is a summary of all the financial balances that are affected by insurance and/or investment risk. It provides a summary of all balances that management considers to be either directly or indirectly exposed to foreign currency risk. For this reason, the investment in SAN JV is also included in the table although it is not a financial or insurance instrument.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

	Notes	Group total 2021 R million	Group total 2020 R million	Group foreign 2021 R million	Group foreign 2020 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**3 061**	2 577	**321**	324
Unlisted equities and similar securities	5.1, 5.3	**1 765**	1 614	**1 708**	1 555
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**5 666**	4 496	**1 229**	1 084
Corporate interest-bearing investments	5.1, 5.3	**14 802**	14 418	**1 987**	1 224
Mortgages and loans	5.1, 5.3	**84**	146	**10**	10
Structured transactions					
Structured notes	5.1, 5.3	**216**	264	**–**	–
Investment funds	5.1, 5.3	**6 113**	5 191	**297**	204
Cash, deposits and similar securities	5.1, 5.3	**1 031**	2 226	**47**	664
Total investment assets		**32 738**	30 932	**5 599**	5 065
Receivables due from contract holders/intermediaries (net of provisions)	4.2, 4.5, 4.7	**6 035**	4 933	**2 168**	2 026
Receivables due from reinsurers (net of provisions)	4.2, 4.5, 4.7	**386**	459	**48**	–
Loans and receivables excluding insurance receivables	5.6, 5.8	**1 891**	1 463	**67**	–
Cell owners' and policyholders' interest	9.1, 9.2	**11**	14	**–**	–
Reinsurance assets	4.1, 4.6	**14 892**	8 946	**1 535**	1 925
Deposit with cell owner	9.3	**90**	161	**–**	–
Deferred acquisition costs	4.1.2, 4.5	**961**	839	**–**	–
Cash and cash equivalents	5.7, 5.8	**4 496**	4 383	**1 249**	1 120
Total financial and insurance assets		**61 500**	52 130	**10 666**	10 136
Investment in associates and joint ventures		**2 284**	2 205	**1 848**	1 823
Total assets with direct or indirect foreign currency exposure		**63 784**	54 335	**12 514**	11 959
Financial and insurance liabilities					
Debt securities	6.1	**2 552**	3 089	**–**	–
Investment contracts	6.3	**1 970**	1 838	**–**	–
Derivatives	6.4	**1**	80	**1**	3
Cell owners' and policyholders' interest	9.1, 9.2	**4 908**	4 238	**–**	–
Repo liability	6.5	**926**	867	**–**	–
Collateral guarantee contracts	6.6	**155**	128	**–**	–
Insurance liabilities	4.1, 4.5	**36 040**	28 871	**6 499**	5 242
Deferred reinsurance acquisition revenue	4.1.2, 4.6	**561**	517	**–**	–
Reinsurance liability relating to cell owner	9.4	**90**	161	**–**	–
Total trade and other payables including insurance payables					
Amounts due to contract holders/intermediaries	4.3	**2 290**	2 874	**568**	789
Trade and other payables excluding insurance payables	6.7	**2 561**	2 215	**164**	–
Total financial and insurance liabilities		**52 054**	44 878	**7 232**	6 034

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

	Notes	Company total 2021 R million	Company total 2020 R million	Company foreign 2021 R million	Company foreign 2020 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**1 528**	1 235	**–**	–
Unlisted equities and similar securities	5.1, 5.3	**1 765**	1 611	**1 708**	1 555
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**3 166**	2 772	**1 038**	883
Corporate interest-bearing investments	5.1, 5.3	**7 859**	7 636	**1 886**	1 122
Mortgages and loans	5.1, 5.3	**61**	117	**–**	–
Structured transactions					
Structured notes	5.1, 5.3	**137**	196	**–**	–
Investment funds	5.1, 5.3	**437**	289	**174**	78
Cash, deposits and similar securities	5.1, 5.3	**411**	1 547	**47**	664
Total investment assets		**15 364**	15 403	**4 853**	4 302
Receivables due from contract holders/intermediaries (net of provisions)	4.2, 4.5, 4.7	**5 142**	4 203	**2 146**	1 899
Receivables due from reinsurers (net of provisions)	4.2, 4.5, 4.7	**238**	302	**–**	–
Loans and receivables excluding insurance receivables	5.6, 5.8	**751**	473	**–**	–
Reinsurance assets	4.1, 4.5, 4.6	**13 836**	7 978	**1 308**	1 624
Deferred acquisition costs	4.1.2, 4.5	**804**	732	**–**	–
Cash and cash equivalents	5.5, 5.7, 5.8	**1 842**	2 036	**820**	770
Total financial and insurance assets		**37 977**	31 127	**9 127**	8 595
Investment in associates and joint ventures		**2 034**	2 034	**2 034**	2 034
Total assets		**40 011**	33 161	**11 161**	10 629
Financial and insurance liabilities					
Debt securities	6.1, 6.2	**2 552**	3 089	**–**	–
Derivatives	6.4	**1**	80	**1**	3
Collateral guarantee contracts	6.6	**155**	128	**–**	–
Insurance liabilities	4.1, 4.5	**24 698**	19 070	**6 194**	4 844
Deferred reinsurance acquisition revenue	4.1.2, 4.6	**475**	442	**–**	–
Total trade and other payables including insurance payables					
Amounts due to contract holders/intermediaries	4.3	**1 486**	2 198	**407**	486
Trade and other payables excluding insurance payables	6.7	**1 798**	1 379	**–**	–
Total financial and insurance liabilities		**31 165**	26 386	**6 602**	5 333

3.2.1 INSURANCE RISK

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

- Underwriting risk
- Reinsurance risk

Santam's group 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 unit boards) that set out the specific requirements and parameters within which insurance risks are managed. Through the group 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.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.1 INSURANCE RISK (continued)

3.2.1.1 Underwriting risk

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions turn out to be insufficient to compensate expected future claims, that the claims provisions raised for both reported and unreported claims are inadequate, as well as the risk resulting from the volatility of expense payments.

The group 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 order to determine the underwriting risk faced by Santam and its subsidiaries, a stochastic simulation of Santam's claims is performed at a line of business level. Assumptions for each line of business are determined based on more than 18 years' worth of historic data. The results of this analysis are then used to identify where underwriting action is required. These actions can include, but is not limited to, changes to the pricing of insurance policies or adjustments to the reinsurance programme.

Refer to note 4.5 for detail on these risks and the way the group manages it.

3.2.1.2 Reinsurance risk

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the group and company's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. The group and company obtain 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 the company's capital.

Refer to note 4.6 for detail on these risks and the way the group manages it.

3.2.2 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 their financial obligations (note 5.8)
- Reinsurer default on presentation of a large claim (note 4.7)
- Reinsurers default on their share of Santam's insurance liabilities (note 4.7)
- Default on amounts due from insurance contract intermediaries and premium collection agencies (note 4.7)

Santam determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (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 credit risk analysis is used by management to determine the level of risk capital that should be held for the following types of exposures:

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

Refer to notes 4.7 and 5.8 as indicated above for detail on credit risk.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.3 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 and cash equivalents
- Cash, deposits and similar securities
- Cell owners' and policyholders' interest
- Structured transactions

The group makes use of 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 the group's and company'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.

3.2.3.1 Price risk

The group and company are 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 the net asset value of the group and company.

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 Sanlam Investment Management (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.

Refer to note 5.4 for detail on price risk.

3.2.3.2 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.

Refer to notes 5.5 and 6.2 for detail on interest rate risk.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.3 MARKET RISK (continued)

3.2.3.3 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 Southeast 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.

Refer to note 7 for detail on foreign currency risk.

3.2.4 LIQUIDITY RISK

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

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

Shareholder funds are invested in a combination of financial instruments (i.e. interest-bearing instruments, preference shares, listed and unlisted shares).

Refer to note 8 for more detail on liquidity risk.

3.2.5 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 the group's and company'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.

The group and company manage operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of defence approach are 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 the group'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, the group and company have developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to the group and company 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.

3.2.6 IMPACT OF COVID-19 ON RISK MANAGEMENT

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group.

The group has implemented a robust governance framework in response to the increased risks arising as a result of COVID-19. Monitoring, management and mitigation of these risks is an ongoing process:

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.6 IMPACT OF COVID-19 ON RISK MANAGEMENT (continued)

Key risks and exposures	Key mitigants and controls
Reserving risk	
There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging.	• Experienced actuaries responsible for the actuarial valuation of the liabilities have determined the reserves. • Following the submission and payment of a significant portion of CBI claims, the reserving assumptions have been refined and there is more certainty with regards to the ultimate exposure. • Margins are held to be at least sufficient at the 75th percentile in accordance with group policy.
Underwriting and claims risk	
There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.	• Additional monitoring procedures have been implemented to track COVID-19-related claims including frequency and changes in payment patterns. • A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts, and take necessary actions. • Well-defined risk appetite statements exist, which are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary. • Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risk	
There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations.	• The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia.
Operational risk	
This risk relates to customer relationship and/or reputational damage arising from operational failure such as information technology (IT) system failure.	• Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing the group's customers during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met.
The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the customer.	• IT services have been maintained across the group with infrastructure continuing to support the remote working environment. • Operational risk and resilience processes and procedures are in place, including incident management. • IT and data risks remain under close monitoring, especially cyber threat.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.3 Solvency and capital management

Capital adequacy risk is the risk that the group and company are holding insufficient funds to cover material negative variations in actual future experience.

The group and company must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations, such as a 1-in-200-year event, from the main risk assumptions affecting the group's and company's business.

The overall capital management objectives of the group and company are:

- To comply with the requirements set by the regulators of the insurance markets where the group and company operates
- To protect policyholders against adverse results that may affect the solvency of the group and company and therefore its ability to meet its financial obligations
- To retain sufficient capital to fund the strategic objectives of the group and company
- To provide an adequate return for shareholders and benefits for other various stakeholders

The material components to the capital management process are described in more detail below.

3.3.1 CAPITAL APPETITE

The group's and company'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, the group and company has set an internal coverage ratio band for its economic capital requirement, while at all times achieving specific threshold levels for its regulatory capital requirement.

The internal economic capital model is the preferred measure of capital sufficiency used to support, inform and improve decision-making across the group. It is used to determine the group's optimum capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio. The economic capital analysis compares available capital with the economic capital assessment.

When determining capital requirements, Santam uses a risk measure of value-at-risk at the 99.5th percentile confidence level over a one-year time period. This means that the threshold economic and regulatory coverage ratios use a 1-in-200 year worst case event as their base.

The group economic capital requirement at 31 December 2021, based on the internal economic capital model, amounted to R8.3 billion (2020: R7.4 billion) resulting in an economic capital coverage ratio of 169% (2020: 161%), at the top end of the capital target range of 150% to 170%.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.4 Regulatory and compliance risk management

Regulatory and compliance risks are risks that the group and company will be negatively affected by changes in regulations or non-compliance with regulations or internal policies that are already in place, resulting in regulatory sanctions and significantly impacting Santam's reputation.

The Financial Sector Regulation Act, 2017 commenced on 1 April 2018 and established two regulatory authorities, the Financial Sector Conduct Authority (the FSCA), to regulate and supervise financial services providers and improve market conduct to ensure fair outcomes to financial clients, and the Prudential Authority (the PA) who is focussed on the financial soundness of the financial system and insurers.

Santam's conduct of business committee is aligned with the FSCA's focus to improve market conduct to protect financial clients. As a result of the well-entrenched treating customers fairly culture in the organisation, Santam is well positioned to ensure fair treatment and protection of financial clients through its commitment to doing ***Insurance good and proper***.

National Treasury published the second draft Conduct of Financial Institutions (COFI) Bill for public comment in September 2020. One of the purposes of the COFI Bill is to build a consistent, strong and effective market conduct legislative framework for all institutions rendering financial services. The industry awaits the third version of the Bill which is to be presented to Parliament. The Santam board of directors and management are actively monitoring the changes. The possible implications in the business plans and governance structures going forward are analysed on a continuous basis and the necessary changes are implemented where deemed reasonable.

The group and its subsidiaries engage actively with their various regulatory authorities and policymakers. This is done through appropriate participation in industry forums.

In each country in which the group issues insurance contracts, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries, in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

The group has complied with the local solvency regulations for regulated entities.

Santam has a COVID-19 task team in place to manage all regulatory compliance, as well as track operational concerns to ensure continuity in the various scenarios. There are dashboards/tracking documents in place to ensure that Santam is always on track.

The task team convenes regularly, and the sessions are monitored, and actions tracked. Updates are reported quarterly in the ERM report to the risk committee.

3.5 Conduct risk

Conduct risk is the risk that an entity's behaviour may result in unfair treatment of its clients. These risks can manifest through insurance product design, sales process, various distributional channels adopted by the entity, conflicts of interest between distribution channels that may arise in the distribution of insurance products, remuneration strategies, handling of claims and/or complaints management.

Santam constituted a conduct of business committee (previously TCF committee), consisting of key stakeholders, to monitor the conduct risks and manner in which treating customers fairly outcomes are evidenced within Santam and across the Santam group. This committee meets on a quarterly basis. Quarterly reports are also submitted to the Santam social, ethics and sustainability (SES) committee, the risk committee and a summary to the board containing relevant information, progress and risk profile pertaining to market conduct outcomes. The Conduct Framework was formalised and presented to the SES committee.

The South African market conduct regulator aligned its market conduct legislation with the principles of fair treatment of clients. Santam, by complying with the South African market conduct legislation, implicitly adopts the principles of fair treatment as a fundamental cornerstone of its business.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Notes	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Insurance liabilities	4.1	**36 040**	28 871	**24 698**	19 070
Reinsurance assets	4.1	**(14 892)**	(8 946)	**(13 836)**	(7 978)
Receivables arising from insurance and reinsurance contracts	4.2	**(6 421)**	(5 392)	**(5 380)**	(4 505)
Payables arising from insurance and reinsurance contracts	4.3	**2 290**	2 874	**1 486**	2 198
		17 017	17 407	**6 968**	8 785

Risk management

Refer to note 4.5 for detail on risks relating to insurance liabilities and reinsurance assets, and the management thereof.

4.1 Insurance liabilities and reinsurance assets

	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Gross				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**163**	73	**–**	–
– claims incurred but not reported	**123**	48	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**17 779**	12 286	**16 827**	11 523
– claims incurred but not reported	**3 884**	4 004	**3 336**	3 238
– unearned premiums	**14 091**	12 460	**4 535**	4 309
Total insurance liabilities – gross	**36 040**	28 871	**24 698**	19 070
Expected to be settled after 12 months	**2 328**	1 974	**2 033**	1 714
Expected to be settled within 12 months	**33 712**	26 897	**22 665**	17 356
Recoverable from reinsurers				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**6**	12	**–**	–
– claims incurred but not reported	**11**	14	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**11 926**	5 663	**11 433**	5 406
– claims incurred but not reported	**704**	1 197	**493**	789
– unearned premiums	**2 245**	2 060	**1 910**	1 783
Total reinsurers' share of insurance liabilities	**14 892**	8 946	**13 836**	7 978
Expected to be recovered after 12 months	**489**	381	**494**	349
Expected to be recovered within 12 months	**14 403**	8 565	**13 342**	7 629
Net				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**157**	61	**–**	–
– claims incurred but not reported	**112**	34	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**5 853**	6 623	**5 394**	6 117
– claims incurred but not reported	**3 180**	2 807	**2 843**	2 449
– unearned premiums	**11 846**	10 400	**2 625**	2 526
Total insurance liabilities – net	**21 148**	19 925	**10 862**	11 092

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included in note 4.2.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

ACCOUNTING POLICY – INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk (refer note 6.3).

Insurance contracts

Insurance contracts are classified into three main categories, depending on the type of insurance risk exposure, namely general, long-term and cell insurance (refer to note 9 for detail on cell insurance).

(a) General insurance

General insurance provides benefits under general insurance policies, which include engineering, guarantee, liability, miscellaneous, motor, accident and health, property, transportation and crop policies, or a contract comprising a combination of any of those policies. General insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property
- Commercial insurance, providing cover on the assets and liabilities of business enterprises

Recognition and measurement

(i) Gross written premium

Gross premiums exclude value added tax and any other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts, and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

(ii) Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. Unearned premium is calculated using a method which approximates the 365th method, except for insurance classes where allowance is made for uneven exposure which consists of crop and alternative risk business. Unearned premium for crop business is modelled using a method that more accurately matches the incidence of claims experienced by these businesses, using more than 10 years of data. For policies written within the alternative risk business whose risk is not spread evenly over the period of insurance, unearned premium is provided for using discounted cash flow projections, adjusted for a risk margin to recognise uncertainty inherent in the cash flow projection.

(iii) Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of general insurance liabilities.

(iv) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. The company's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

(v) Provision for claims incurred but not reported (IBNR)

Provision is made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company at that date. This provision is calculated using actuarial modelling (refer note 4.5).

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

(vi) Deferred acquisition costs (DAC)

Commissions that vary with, and are related to securing new contracts and renewing existing contracts, are deferred over the period in which the related premiums are earned, and recognised as an asset. All other costs are recognised as expenses when incurred.

(vii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group, and that meet the classification requirements for insurance contracts as detailed above, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers (refer to note 4.2 for more detail) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred. Amounts that the group is required to pay under financial reinsurance contracts held are recognised as reinsurance liabilities ("reinsurance liability relating to cell owners").

The reinsurers' share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method, except in the case of non-proportional treaties where unearned premiums on minimum and deposit premiums are calculated using the 12th method. For uneven risk business the reinsurers' share of unearned premium follow the same basis used for calculating gross unearned premium.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a liability.

The group assesses its reinsurance assets for impairment on a six-monthly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. A provision for impairment of reinsurance assets is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

(viii) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (ie salvage). The group may also have the right to pursue third parties for payment of some or all costs (ie subrogation). The impact of salvage recoveries on claims development is factored into the determination of total insurance liabilities. 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 determining the insurance liability for claims and are recognised in loans and receivables 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.

(b) Long-term insurance

These contracts provide long-term benefits usually associated with insured events such as death or retirement. Long-term insurance contracts underwritten mainly consist of funeral policies with limited exposure to group life risks. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

The liabilities under life insurance contracts are valued in terms of the financial soundness valuation basis containing a discounted cash flow valuation based on best estimates of future cash flows plus margins for adverse deviation as prescribed by SAP 104 issued by the Actuarial Society of South Africa, and are reflected as "Insurance liabilities" in the statement of financial position. The operating surpluses or losses arising from life insurance contracts are determined by the annual valuation. These surpluses or losses are arrived at after taking into account the movement within the policyholder liabilities.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

4.1.1 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Year ended 31 December	2021 Gross R million	2021 Reinsurance R million	2021 Net R million	2020 Gross R million	2020 Reinsurance R million	2020 Net R million
a) Claims and loss adjustment expenses						
GROUP						
Notified claims	12 359	(5 675)	6 684	9 208	(4 307)	4 901
Incurred but not reported	4 052	(1 211)	2 841	3 109	(712)	2 397
Total at the beginning of the year	16 411	(6 886)	9 525	12 317	(5 019)	7 298
Cash paid for claims settled in the year	(24 460)	7 537	(16 923)	(21 077)	6 055	(15 022)
Increase in liabilities						
– arising from current year claims	29 734	(13 329)	16 405	25 205	(8 435)	16 770
– arising from portfolio transfer	–	–	–	(50)	9	(41)
– arising from foreign currency adjustments	264	(74)	190	16	18	34
Transfer to cell owners' and policyholders' interest	–	105	105	–	486	486
Total at the end of the year	21 949	(12 647)	9 302	16 411	(6 886)	9 525
Notified claims	17 942	(11 932)	6 010	12 359	(5 675)	6 684
Incurred but not reported	4 007	(715)	3 292	4 052	(1 211)	2 841
Total at the end of the year	21 949	(12 647)	9 302	16 411	(6 886)	9 525
COMPANY						
Notified claims	11 523	(5 406)	6 117	7 960	(3 659)	4 301
Incurred but not reported	3 238	(789)	2 449	2 524	(553)	1 971
Total at the beginning of the year	14 761	(6 195)	8 566	10 484	(4 212)	6 272
Cash paid for claims settled in the year	(19 633)	3 836	(15 797)	(17 466)	3 772	(13 694)
Increase in liabilities						
– arising from current year claims	24 773	(9 491)	15 282	21 726	(5 773)	15 953
– arising from foreign currency adjustments	262	(76)	186	17	18	35
Total at the end of the year	20 163	(11 926)	8 237	14 761	(6 195)	8 566
Notified claims	16 827	(11 433)	5 394	11 523	(5 406)	6 117
Incurred but not reported	3 336	(493)	2 843	3 238	(789)	2 449
Total at the end of the year	20 163	(11 926)	8 237	14 761	(6 195)	8 566

Year ended 31 December	2021 Gross R million	2021 Reinsurance R million	2021 Net R million	2020 Gross R million	2020 Reinsurance R million	2020 Net R million
b) Provision for unearned premiums						
GROUP						
At the beginning of the year	12 460	(2 060)	10 400	10 890	(1 802)	9 088
Charged to the statement of comprehensive income	1 573	(794)	779	1 549	(693)	856
Foreign currency movement	59	(5)	54	32	10	42
Other	(1)	–	(1)	33	(2)	31
Portfolio transfer	–	–	–	(44)	–	(44)
Transfer to cell owners' and policyholders' interest	–	614	614	–	427	427
Total at the end of the year	14 091	(2 245)	11 846	12 460	(2 060)	10 400
COMPANY						
At the beginning of the year	4 309	(1 783)	2 526	3 801	(1 551)	2 250
Charged to the statement of comprehensive income	166	(120)	46	477	(241)	236
Foreign currency movement	60	(7)	53	31	9	40
Total at the end of the year	4 535	(1 910)	2 625	4 309	(1 783)	2 526

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

4.1.2 MOVEMENTS IN DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
a) Deferred acquisition costs				
At the beginning of the year	**839**	727	**732**	639
Movement for the period (included in "Expenses for the acquisition of insurance contracts")	**122**	112	**72**	93
Total at the end of the year	**961**	839	**804**	732
b) Deferred reinsurance acquisition revenue				
At the beginning of the year	**517**	489	**442**	408
Movement for the period (included in "Income from reinsurance contracts ceded")	**44**	28	**33**	34
Total at the end of the year	**561**	517	**475**	442

Deferred acquisition costs and deferred reinsurance acquisition revenue are expected to be realised and settled within 12 months.

Insurance liabilities calculations

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of that company.

Insurance liabilities include the provisions for unearned premiums (including an evaluation of the necessity for an unexpired risk provision), outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) Unearned premium provision

Unearned premiums represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportioned basis. For the remainder of the insurance portfolio, which consists of crop and alternative risk business, the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts involved. This risk profile is determined based on a historic time-based analysis of the incurred claims.

The provision for unearned premiums is first determined on a gross level and thereafter the reinsurance impact is separately recognised based on the relevant reinsurance contract. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provision for unearned premiums.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate. A separate provision can be made, based on information available at the reporting date, for any estimated future underwriting losses relating to unexpired risks (unexpired risk provision).

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision.

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

4.1.2 MOVEMENTS IN DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE (continued)

ii) Unexpired risk provision (continued)

Management will base the assessment on the expected outcome of those contracts on a portfolio basis, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the group's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster, past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is performed to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred, under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) Claims incurred but not reported (IBNR)

There is considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer 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.

Stochastic chain-ladder methodology

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.

The claims provisions are subject to close scrutiny both within the group's business units and at a company level. In addition, for major insurance classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

The IBNR reserve is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution.

IBNR is considered to be the most sensitive to changes in assumptions; therefore a sensitivity analysis is performed. In the Southern African operations, excluding alternative risk business, a 5% upward adjustment in the level of sufficiency of the IBNR reserve would result in an additional charge of approximately R91 million (2020: R60 million) (before taxation), while a 5% downward adjustment in the level of sufficiency would result in a release of reserves in the statement of comprehensive income of approximately R78 million (2020: R50 million) (before taxation).

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- Change in processes that affect the development/recording of claims paid and incurred
- Economic, legal, political and social trends
- Changes in mix of business
- Random fluctuations, including the impact of large losses

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

4.1.2 MOVEMENTS IN DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE (continued)

iv) Claims incurred but not reported (IBNR) (continued)

Stochastic chain-ladder methodology (continued)

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account. It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

COVID-19-related claim estimates

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2021. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible.

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

Insurance liabilities:

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

Reinsurance assets:

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

The group and company's projected ultimate net insurance exposure at 31 December 2020 was R3 billion comprising gross claims payments of R1 billion, a gross liability provision of R5.3 billion for open claims and a reinsurance asset of R3.3 billion.

Following the payment of a significant number of claims and a review of CBI provisions, the group's projected ultimate net insurance exposure at 31 December 2021 was R2.55 billion. This comprised gross claims payments of R3.2 billion, a gross liability provision of R3.2 billion for open claims, a reinsurance recovery net of reinstatement premiums of R0.6 billion and a reinsurance asset of R3.2 billion.

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

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

A sensitivity analysis on the unsettled claims within the net CBI provision of R2.55 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 6% (2020: 30%). A 10% negative movement in the assumptions used would result in an increase in the net provision of 6% (2020: 31%).

v) Unexpired risk reserve

An unexpired risk reserve (URR) is required if a company believes that its unearned premium provision will prove insufficient to cover the unexpired risk on its books at the valuation date. An actuarial review indicated that there is no need for a URR.

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4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.2 Receivables arising from insurance and reinsurance contracts

	Group		Company	
	2021 R million	**2020 R million**	**2021 R million**	**2020 R million**
Due from contract holders/intermediaries	**6 362**	5 243	**5 355**	4 416
Less provision for impairment of receivables from intermediaries	**(327)**	(310)	**(213)**	(213)
Due from reinsurers	**435**	520	**285**	360
Less provision for impairment of receivables from reinsurers	**(49)**	(61)	**(47)**	(58)
Total	**6 421**	5 392	**5 380**	4 505
Receivables arising from insurance and reinsurance contracts are expected to be received within 12 months.				
Reconciliation of provisions for impairment of receivables from intermediaries and reinsurers				
At the beginning of the year	**371**	317	**271**	222
Charge to the statement of comprehensive income:				
– Increase in provisions	**17**	99	**–**	54
– Provisions reversed	**(12)**	(45)	**(11)**	(5)
Total at the end of the year	**376**	371	**260**	271

The estimated fair values of receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of receivables approximates fair value. Provisions for impairment are based on the recoverability of individual loans and receivables. Included is a provision for impairment of R222 million (2020: R222 million) for group and R213 million (2020: R213 million) for company relating to a third-party premium-collection agency that went into voluntary curatorship in September 2018.

ACCOUNTING POLICY – RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

Receivables are recognised when due. These include amounts due from agents, reinsurers, intermediaries and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. A provision for impairment of insurance receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

4.3 Payables arising from insurance and reinsurance contracts

	Group		Company	
	2021 R million	**2020 R million**	**2021 R million**	**2020 R million**
Amounts due to intermediaries	**1 273**	1 465	**1 210**	1 461
Amounts due to reinsurers	**876**	1 251	**276**	737
Amounts due to policyholders	**141**	158	**–**	–
Total	**2 290**	2 874	**1 486**	2 198

Payables arising from insurance and reinsurance contracts are expected to be settled within 12 months.

The carrying value of payables approximates fair value.

ACCOUNTING POLICY – PAYABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

Payables are recognised when due. These include amounts due to agents, reinsurers, intermediaries and insurance contract holders.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims

	Gross R million	Reinsurance R million	Net R million
2021			
GROUP			
Claims paid	**24 460**	**(7 537)**	**16 923**
Movement in the expected cost of outstanding claims	**5 274**	**(5 792)**	**(518)**
Total claims and loss adjustment expenses	**29 734**	**(13 329)**	**16 405**
COMPANY			
Claims paid	**19 633**	**(3 836)**	**15 797**
Movement in the expected cost of outstanding claims	**5 140**	**(5 655)**	**(515)**
Total claims and loss adjustment expenses	**24 773**	**(9 491)**	**15 282**
2020			
GROUP			
Claims paid	21 077	(6 055)	15 022
Movement in the expected cost of outstanding claims	4 128	(2 380)	1 748
Total claims and loss adjustment expenses	25 205	(8 435)	16 770
COMPANY			
Claims paid	17 466	(3 772)	13 694
Movement in the expected cost of outstanding claims	4 260	(2 001)	2 259
Total claims and loss adjustment expenses	21 726	(5 773)	15 953

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims (continued)

4.4.1 CLAIMS DEVELOPMENT TABLES

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

Payment development

		Claims paid in respect of								
	Total R million	**2021 R million**	**2020 R million**	**2019 R million**	**2018 R million**	**2017 R million**	**2016 R million**	**2015 R million**	**2014 R million**	**2013 and prior R million**
GROUP										
– General insurance claims – gross										
Reporting year										
Actual claims costs:										
– 2021	**24 460**	**18 596**	4 932	508	206	150	62	2	4	–
– 2020	**21 077**	**–**	14 165	3 951	1 804	176	445	49	465	22
– 2019	**18 898**	**–**	–	14 055	3 667	606	244	101	204	21
– 2018	**17 997**	**–**	–	–	12 231	4 627	503	371	165	100
– 2017	**18 823**	**–**	–	–	–	13 623	4 032	534	438	196
– 2016	**16 112**	**–**	–	–	–	–	11 087	3 909	506	610
– 2015	**14 019**	**–**	–	–	–	–	–	9 786	3 388	845
– 2014	**13 556**	**–**	–	–	–	–	–	–	9 031	4 525
– 2013	**13 148**	**–**	–	–	–	–	–	–	–	13 148
Cumulative payments to date		**18 596**	19 097	18 514	17 908	19 182	16 373	14 752	14 201	19 467
– General insurance claims – net										
Reporting year										
Actual claims costs:										
– 2021	**16 923**	**12 847**	3 447	326	152	103	48	–	–	–
– 2020	**15 022**	**–**	11 293	2 868	342	62	337	37	77	6
– 2019	**14 805**	**–**	–	11 746	2 574	177	129	89	77	13
– 2018	**14 107**	**–**	–	–	10 955	2 563	246	191	80	72
– 2017	**13 819**	**–**	–	–	–	10 852	2 359	242	196	170
– 2016	**12 808**	**–**	–	–	–	–	9 865	2 386	212	345
– 2015	**11 476**	**–**	–	–	–	–	–	8 734	2 239	503
– 2014	**11 040**	**–**	–	–	–	–	–	–	7 927	3 113
– 2013	**11 335**	**–**	–	–	–	–	–	–	–	11 335
Cumulative payments to date		**12 847**	14 740	14 940	14 023	13 757	12 984	11 679	10 808	15 557

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims (continued)

4.4.1 CLAIMS DEVELOPMENT TABLES (continued)

		Claims paid in respect of								
	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 and prior R million
COMPANY										
– General insurance claims – gross										
Reporting year										
Actual claims costs:										
– 2021	**19 633**	**14 356**	4 439	431	193	152	62	–	–	–
– 2020	**17 467**	**–**	11 138	3 403	1 791	146	459	47	483	–
– 2019	**15 891**	**–**	–	11 680	3 098	559	236	97	213	8
– 2018	**15 377**	**–**	–	–	10 804	3 671	367	300	153	82
– 2017	**16 136**	**–**	–	–	–	12 114	3 056	412	402	152
– 2016	**14 338**	**–**	–	–	–	–	10 414	2 996	400	528
– 2015	**12 335**	**–**	–	–	–	–	–	9 009	2 708	618
– 2014	**11 901**	**–**	–	–	–	–	–	–	8 539	3 362
– 2013	**11 525**	**–**	–	–	–	–	–	–	–	11 525
Cumulative payments to date		**14 356**	15 577	15 514	15 886	16 642	14 594	12 861	12 898	16 275
– General insurance claims – net										
Reporting year										
Actual claims costs:										
– 2021	**15 797**	**12 015**	3 196	292	134	113	47	–	–	–
– 2020	**13 694**	**–**	10 375	2 499	320	67	325	34	74	–
– 2019	**13 153**	**–**	–	10 429	2 207	241	117	80	72	7
– 2018	**12 560**	**–**	–	–	9 716	2 341	204	153	74	72
– 2017	**12 501**	**–**	–	–	–	9 935	2 049	194	176	147
– 2016	**11 714**	**–**	–	–	–	–	9 208	2 032	165	309
– 2015	**10 399**	**–**	–	–	–	–	–	8 053	1 894	452
– 2014	**10 021**	**–**	–	–	–	–	–	–	7 354	2 667
– 2013	**10 446**	**–**	–	–	–	–	–	–	–	10 446
Cumulative payments to date		**12 015**	13 571	13 220	12 377	12 697	11 950	10 546	9 809	14 100

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims (continued)

4.4.2 REPORTING DEVELOPMENT

		Financial year in which claim occurred								
	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 and prior R million
GROUP										
– General insurance claims provision – gross										
Reporting year										
Provision raised:										
– 2021	**17 942**	**12 071**	2 765	663	713	421	655	100	192	362
– 2020	**12 358**	**–**	7 887	1 335	1 031	579	743	164	219	400
– 2019	**9 208**	**–**	–	4 353	2 646	772	675	170	187	405
– 2018	**8 497**	**–**	–	–	5 033	1 405	1 082	221	312	444
– 2017	**8 348**	**–**	–	–	–	5 240	1 541	493	506	568
– 2016	**6 814**	**–**	–	–	–	–	3 870	1 143	895	906
– 2015	**6 279**	**–**	–	–	–	–	–	3 100	1 577	1 602
– 2014	**6 240**	**–**	–	–	–	–	–	–	4 069	2 171
– 2013	**5 523**	**–**	–	–	–	–	–	–	–	5 523
– General insurance claims provision – net										
Reporting year										
Provision raised:										
– 2021	**6 010**	**3 488**	912	307	384	191	215	75	91	347
– 2020	**6 684**	**–**	4 128	796	565	301	252	108	106	428
– 2019	**4 900**	**–**	–	2 813	767	363	298	133	116	410
– 2018	**4 345**	**–**	–	–	2 679	602	321	175	135	433
– 2017	**4 442**	**–**	–	–	–	3 031	451	252	170	538
– 2016	**3 973**	**–**	–	–	–	–	2 334	512	312	815
– 2015	**4 056**	**–**	–	–	–	–	–	2 291	581	1 184
– 2014	**3 968**	**–**	–	–	–	–	–	–	2 337	1 631
– 2013	**4 207**	**–**	–	–	–	–	–	–	–	4 207

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims (continued)

4.4.2 REPORTING DEVELOPMENT (continued)

		Financial year in which claim occurred								
	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 and prior R million
COMPANY										
– General insurance claims provision – gross										
Reporting year										
Provision raised:										
– 2021	**16 827**	**11 485**	2 552	519	646	400	643	79	142	361
– 2020	**11 523**	**–**	7 729	1 081	874	517	665	136	185	336
– 2019	**7 959**	**–**	–	3 570	2 379	698	659	144	163	346
– 2018	**7 469**	**–**	–	–	4 171	1 290	1 067	222	307	412
– 2017	**7 462**	**–**	–	–	–	4 396	1 523	503	516	524
– 2016	**6 191**	**–**	–	–	–	–	3 431	1 068	890	802
– 2015	**5 675**	**–**	–	–	–	–	–	2 782	1 442	1 451
– 2014	**5 711**	**–**	–	–	–	–	–	–	3 768	1 943
– 2013	**5 038**	**–**	–	–	–	–	–	–	–	5 038
– General insurance claims provision – net										
Reporting year										
Provision raised:										
– 2021	**5 394**	**3 027**	855	281	362	182	206	65	73	343
– 2020	**6 117**	**–**	3 771	708	527	283	238	94	95	401
– 2019	**4 300**	**–**	–	2 436	659	325	282	114	103	381
– 2018	**3 729**	**–**	–	–	2 125	567	313	171	133	420
– 2017	**3 829**	**–**	–	–	–	2 495	435	241	158	500
– 2016	**3 570**	**–**	–	–	–	–	2 208	405	250	707
– 2015	**3 656**	**–**	–	–	–	–	–	2 104	487	1 065
– 2014	**3 556**	**–**	–	–	–	–	–	–	2 122	1 434
– 2013	**3 865**	**–**	–	–	–	–	–	–	–	3 865

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.5 Insurance risk

As mentioned in note 3.2., Santam manages insurance risk in two main components which are discussed in more detail below:

- Underwriting risk
- Reinsurance risk (refer to note 4.6)

UNDERWRITING RISK

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

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

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

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

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

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

– 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, 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 15 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 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.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.5 Insurance risk (continued)

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
- Economic downturn

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

Loss history	2021	2020	2019	2018	2017	2016	2015
Net claims paid and provided %[1]	**61.7**	68.0	62.3	60.6	65.9	65.1	62.1

[1] *Expressed as a percentage of net earned premiums.*

Pricing for the group'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 the group's principal cost, the group 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 the group'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. The group 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. The Santam group has a sufficiently diversified portfolio based on insurance classes as demonstrated in the segmental report. The group is currently focusing on obtaining international geographical diversification through the business written by the Santam Re (which underwrites inward reinsurance contracts only) and the Santam Specialist business. The current geographical allocation of premium income is provided in the segmental report.

Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk (discussed in note 4.6) is adequately managed.

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. For more detail on the reserving techniques used in this approach, refer to critical accounting estimates and judgements in note 4.1.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.5 Insurance risk (continued)

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.

Refer to section 3.3 for more detail on the capital management process.

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

4.6 Reinsurance risk

Santam has an extensive reinsurance programme that has developed over many years to suit the risk management needs of the business units in the group.

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 per risk and catastrophe and stop loss arrangements.

The core components of the reinsurance programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R17 million to R80 million per risk, excluding reinstatement premiums and inclusive of Santam Re's participations, following a claim or claims against the covers. Santam protects its Property per Risk loss exposure down to a maximum amount of R85 million on any one risk.
- Santam buys catastrophe cover exceeding the 1 in 250 year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1.06% of the total exposure of the significant geographical areas, amounting to protection of R10 billion per event, with an attachment point of R150 million. For 2021 Santam group purchased catastrophe cover up to R10.5 billion with a R150 million retention. This presents 1.11% of the total exposure of the significant geographical areas.
- In 2018 Santam purchased a multi-year aggregate excess of loss treaty, which protects the Santam group against the accumulation of multiple catastrophe losses over a financial year, which losses are below the catastrophe excess of loss retention of R150 million. The 2021 financial year is the third year of the multi-year cover.
- Our 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 Ltd Switzerland (New Re), which is a wholly owned Munich Re company. In terms of the agreement, selected Santam business units are able to write inwards international reinsurance business on New Re's AA- credit rating licence. The 5-year agreement between Santam and New Re became effective 1 January 2020.

Santam Re has a reinsurance quota share programme, with a number of key international reinsurers with reinsurance quota share premium of R1.8 billion (2020: R1.17 billion). The agreement reduces Santam's net catastrophe exposure.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.7 Insurance-related credit risk

Key insurance-related areas where Santam is exposed to credit default risk are:

- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of Santam's insurance liabilities
- Default on amounts due from insurance contract intermediaries and premium collection agencies

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

Credit risk capital is held for the following type of exposure:

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

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. The group's largest reinsurance counterparty is Munich Re. The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

The prior year included an additional provision of R63 million for group and R54 million for company (included in receivables due from contract holders/intermediaries) that was raised for liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship in September 2018.

The following table provides information regarding the aggregated credit risk exposure for insurance assets:

31 December 2021	AA+ R million	AA R million	AA- R million	A+ R million
GROUP				
Receivables due from contract holders/intermediaries	**–**	**149**	**10**	**–**
Reinsurance receivables	**6**	**35**	**37**	**37**
Total	**6**	**184**	**47**	**37**
COMPANY				
Receivables due from contract holders/intermediaries	**–**	**149**	**10**	**–**
Reinsurance receivables	**–**	**35**	**–**	**27**
Total	**–**	**184**	**10**	**27**

31 December 2020	AA- R million	A+ R million	A R million	A- R million
GROUP				
Receivables due from contract holders/intermediaries	403	115	83	71
Reinsurance receivables	–	25	48	43
Total	403	140	131	114
COMPANY				
Receivables due from contract holders/intermediaries	386	100	81	61
Reinsurance receivables	–	22	47	27
Total	386	122	128	88

A R million	A- R million	BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	Not rated R million	Carrying value R million
32	165	–	5	25	13	85	5 551	6 035
13	32	7	–	–	–	24	195	386
45	197	7	5	25	13	109	5 746	6 421
32	165	–	5	25	13	–	4 743	5 142
11	21	7	–	–	–	–	137	238
43	186	7	5	25	13	–	4 880	5 380

BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	Below BB- R million	Not rated R million	Carrying value R million
19	7	–	5	58	–	4 172	4 933
38	–	12	3	–	2	288	459
57	7	12	8	58	2	4 460	5 392
19	7	–	5	29	–	3 515	4 203
33	–	11	–	–	2	160	302
52	7	11	5	29	2	3 675	4 505

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.7 Insurance-related credit risk (continued)

AGEING OF INSURANCE-RELATED RECEIVABLES

The following table provides information regarding the carrying value of insurance assets that have been impaired and the ageing of these assets that are past due but not impaired.

The due date for receivables due from contract holders or intermediaries, where premiums are collected via intermediaries, is based on the agreement with the contract holders or intermediaries. In terms of the agreement, payment is due 15 days after the month in which it is collected in accordance with the Insurance Act.

31 December 2021	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year[1] R million	Greater than 1 year R million	Amounts that have been impaired R million	Impair-ment R million	Carrying value R million
GROUP								
Receivables due from contract holders/intermediaries	4 199	986	240	297	313	327	(327)	6 035
Reinsurance receivables	199	104	72	(28)	39	49	(49)	386
Total	4 398	1 090	312	269	352	376	(376)	6 421
COMPANY								
Receivables due from contract holders/intermediaries	3 672	704	163	296	307	213	(213)	5 142
Reinsurance receivables	69	103	70	(36)	32	47	(47)	238
Total	3 741	807	233	260	339	260	(260)	5 380

31 December 2020	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Amounts that have been impaired R million	Impair-ment R million	Carrying value R million
GROUP								
Receivables due from contract holders/intermediaries	3 318	704	307	177	427	310	(310)	4 933
Reinsurance receivables	248	103	17	6	85	61	(61)	459
Total	3 566	807	324	183	512	371	(371)	5 392
COMPANY								
Receivables due from contract holders/intermediaries	2 785	609	220	177	412	213	(213)	4 203
Reinsurance receivables	142	81	–	2	77	58	(58)	302
Total	2 927	690	220	179	489	271	(271)	4 505

[1] *The group has master netting agreements in place with reinsurers which allow the set off of amounts due to and from reinsurers. In some instances, the group may have an amount due to, and an amount due from, the same reinsurer with difference due dates.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5 FINANCIAL ASSETS

		Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Financial assets mandatorily measured at fair value through income					
Strategic investment – unquoted SEM target shares	5.2	**1 691**	1 538	**1 691**	1 538
Financial assets at fair value through income	5.1	**31 047**	29 394	**13 673**	13 865
Financial assets measured at amortised cost					
Loans and receivables excluding insurance receivables	5.6	**1 891**	1 463	**751**	473
Cash and cash equivalents	5.7	**4 496**	4 383	**1 842**	2 036
Financial assets		**39 125**	36 778	**17 957**	17 912

Risk management

Refer to the following notes for detail on risks relating to financial assets and the management thereof:

- Fair value of financial assets - note 5.3
- Price risk - note 5.4
- Interest rate risk - note 5.5
- Credit risk - note 5.8
- Liquidity risk - note 8

5.1 Financial assets at fair value through income (excluding derivatives)

The group's financial assets at fair value through income are summarised below by investment type:

	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Equity securities				
Listed equities and similar securities	**3 061**	2 577	**1 528**	1 235
Unlisted equities and similar securities	**1 765**	1 614	**1 765**	1 611
Interest-bearing investments				
Government interest-bearing investments	**5 666**	4 496	**3 166**	2 772
Corporate interest-bearing investments	**14 802**	14 418	**7 859**	7 636
Mortgages and loans	**84**	146	**61**	117
Structured transactions				
Structured notes	**216**	264	**137**	196
Investment funds	**6 113**	5 191	**437**	289
Cash, deposits and similar securities	**1 031**	2 226	**411**	1 547
Financial assets at fair value through income	**32 738**	30 932	**15 364**	15 403
Financial assets at fair value through income (excluding SEM target shares)				
Expected to be realised after 12 months	**24 287**	20 435	**10 304**	8 829
Expected to be realised within 12 months	**6 760**	8 959	**3 369**	5 036
Strategic investments – unquoted SEM target shares				
Expected to be realised after 12 months	**1 691**	1 538	**1 691**	1 538
Expected to be realised within 12 months	**–**	–	**–**	–

5 FINANCIAL ASSETS (continued)

5.1 Financial assets at fair value through income (excluding derivatives) (continued)

ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME

(a) Classification

The group classifies the following financial assets at fair value through income:

- equity instruments that are held for trading
- equity instruments for which the group has not elected to recognise fair value gains and losses through other comprehensive income (OCI), and
- debt instruments that do not qualify for measurement at either amortised cost or fair value through OCI. A key input in the assessment of the classification of debt instruments held was the business model applied to manage the financial assets. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis will be measured at fair value through income because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and sell.

Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are classified upon initial recognition at fair value through income.

(b) Recognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset.

5.1.1 SEM TARGET SHARES

Santam subscribes from time to time in separate classes of target shares issued by SEM in terms of a Participation Transaction, with each separate class linked to a participatory interest in the target companies listed below. The fair value of these instruments at year-end was R1 691 million (2020: R1 538 million). The shares were classified as unlisted equity securities.

	Incorporated in	Type of business	Santam effective holding 2021 %	Santam effective holding 2020 %
Pacific & Orient Insurance Co. Berhad (P&O)	Malaysia	P&O is a niche general insurer based in Kuala Lumpur, Malaysia.	**15.4**	15.4
Shriram General Insurance Company Ltd (SGI)[1]	India	SGI is the general insurance business of the Shriram group, a financial conglomerate based in India.	**15.0**	15.0
NICO Holdings general insurance subsidiaries	Malawi, Zambia	The NICO subsidiaries offer predominantly personal and commercial insurance products.	**5.6**	5.6
Sanlam General Insurance (Uganda) Ltd	Uganda	The company offers predominantly personal and commercial insurance products.	**9.5**	9.5
Sanlam General Insurance (Tanzania) Ltd	Tanzania	The company offers predominantly personal and commercial insurance products.	**5.0**	5.0
Soras Assurance Generales Ltd	Rwanda	The company offers motor, medical, fire, goods in transit, weather index and other miscellaneous insurance products.	**9.0**	9.0
Socar s.a. Burundi	Burundi	Forms part of the Soras group and offers general insurance products.	**3.1**	3.1
FBN General Insurance Ltd	Nigeria	FBN General Insurance Ltd offers a wide range of general insurance products.	**10.0**	10.0
Sanlam General Insurance (Kenya) Ltd	Kenya	Sanlam General Insurance Ltd offers a wide range of general insurance products.	**3.9**	3.9
Zimnat Lion Insurance Company Ltd	Zimbabwe	Zimnat Lion Insurance Company Ltd offers a wide range of general insurance products.	**4.0**	4.0
Grand Reinsurance Company (Private) Ltd (Grand Re)	Zimbabwe	Grand Re provides reinsurance solutions to cover all general insurance business.	**4.0**	4.0
Botswana Insurance Company Ltd	Botswana	Botswana Insurance Company Ltd offers a wide range of general insurance products.	**2.9**	2.9

[1] *This is currently the most material investment due to its relative size to the entire SEM target share investment portfolio.*

5 FINANCIAL ASSETS (continued)

5.2 Structured entities

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The group considers collective investment schemes and other unit-linked investments to be structured entities. The following note provides information on significant unconsolidated structured entities in which the group holds an interest. Collective investment schemes are categorised into equity, property or money market instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event no one category meeting this threshold, it is classified as a mixed class. Money market collective investment schemes are categorised as such.

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Collective investment schemes				
Local and foreign				
Property	**245**	180	**89**	65
Money market	**3 656**	3 120	**140**	125
Equity	**656**	523	**174**	78
Mixed	**1 556**	1 368	**34**	21
Total investment in unconsolidated structured entities	**6 113**	5 191	**437**	289

5.3 Financial Instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2020. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments are determined as follows:
  - Listed equity and similar securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unlisted equity and similar securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Interest-bearing investments:
    - Quoted interest-bearing investments are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.[1]
    - Unquoted interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Investment funds:
    - Quoted investment funds with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
    - Quoted investment funds with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.[1]
  - Structured transactions are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
  - Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior year. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

[1] *These investments are classified as level 2 as the markets that they trade on are not considered to be active.*

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

31 December 2021	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equity securities				
Listed equities and similar securities	3 061	–	–	3 061
Unlisted equities and similar securities	–	–	1 765	1 765
Interest-bearing investments				
Government interest-bearing investments	–	5 666	–	5 666
Corporate interest-bearing investments	–	14 742	60	14 802
Mortgages and loans	–	84	–	84
Structured transactions				
Structured notes	–	216	–	216
Investment funds	–	6 113	–	6 113
Cash, deposits and similar securities	–	1 031	–	1 031
Financial assets at fair value through income	3 061	27 852	1 825	32 738

31 December 2021	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equity securities				
Listed equities and similar securities	1 528	–	–	1 528
Unlisted equities and similar securities	–	–	1 765	1 765
Interest-bearing investments				
Government interest-bearing investments	–	3 166	–	3 166
Corporate interest-bearing investments	–	7 859	–	7 859
Mortgages and loans	–	61	–	61
Structured transactions				
Structured notes	–	137	–	137
Investment funds	–	437	–	437
Cash, deposits and similar securities	–	411	–	411
Financial assets at fair value through income	1 528	12 071	1 765	15 364

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equity securities				
Listed equities and similar securities	2 577	–	–	2 577
Unlisted equities and similar securities	–	5	1 609	1 614
Interest-bearing investments				
Government interest-bearing investments	–	4 496	–	4 496
Corporate interest-bearing investments	–	14 358	60	14 418
Mortgages and loans	–	146	–	146
Structured transactions				
Structured notes	–	264	–	264
Investment funds	–	5 191	–	5 191
Cash, deposits and similar securities	–	2 226	–	2 226
Financial assets at fair value through income	2 577	26 686	1 669	30 932

31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equity securities				
Listed equities and similar securities	1 235	–	–	1 235
Unlisted equities and similar securities	–	–	1 611	1 611
Interest-bearing investments				
Government interest-bearing investments	–	2 772	–	2 772
Corporate interest-bearing investments	–	7 636	–	7 636
Mortgages and loans	–	117	–	117
Structured transactions				
Structured notes	–	196	–	196
Investment funds	–	289	–	289
Cash, deposits and similar securities	–	1 547	–	1 547
Financial assets at fair value through income	1 235	12 557	1 611	15 403

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

LEVEL 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

LEVEL 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2. Level 2 instruments comprise the following:

- Investment funds
- Derivatives
- Interest-bearing investments
- Structured transactions
- Cash, deposits and similar securities

where the value is determined by using market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

LEVEL 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instruments include:

- Unlisted equity instruments
  - Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.
  - The fair value of the SEM target shares is determined using predominantly discounted cash flow (DCF) models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant investment relates to the target share which provides a participatory interest in Shriram General Insurance Company Ltd (SGI) to the value of R1 419 million (2020: R1 293 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (2020: 14.3%). A rand/Indian rupee exchange rate of 0.214 (2020: 0.201) was used to translate the DCF valuation result in Indian rupee to rand. An average net insurance margin over a 10 year period of 24.0% (2020: 23.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R265 million (2020: R234 million) or increase by R436 million (2020: R398 million), respectively. If the relative foreign exchange rate increase or decrease by 10%, the fair value will increase or decrease by R142 million (2020: R129 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R110 million (2020: R109 million). The remaining target shares are mostly impacted by changes in exchange rates.

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

ACCOUNTING POLICY – DETERMINATION OF FAIR VALUE

Fair value is 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 in the principal, or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The fair values of unit-linked investment contracts are measured with reference to their respective underlying assets. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE NOT LISTED OR QUOTED

The fair value of financial assets and liabilities that are not listed or quoted in an active market are determined using valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in this note.

The following table presents the changes in level 3 instruments for the year ended 31 December 2021:

31 December 2021	Equity securities R million	Interest-bearing investments R million	Total R million
GROUP			
Opening balance	1 609	60	1 669
Acquisitions	1	–	1
Gains recognised in profit or loss	155	–	155
Closing balance	1 765	60	1 825

31 December 2021	Equity securities R million	Interest-bearing investments R million	Total R million
COMPANY			
Opening balance	1 611	–	1 611
Acquisitions	1	–	1
Gains recognised in profit or loss	153	–	153
Closing balance	1 765	–	1 765

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R155 million gain (2020: R26 million gain) recognised on equity securities, a R152 million gain (2020: R34 million gain) relates to the SEM target shares, of which R100 million (2020: R17 million gain) relates to foreign exchange gains, and R52 million to an increase (2020: R17 million increase) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of SGI of R38 million (excluding the impact of exchange rate movements) was negatively impacted by lower premium growth in the current financial year due to the continuing impact of the COVID-19 pandemic on sales volumes.
- On 4 June 2021, Santam subscribed for a further target share in NICO Holdings General Insurance (Malawi) at a cost of R1 million. Santam's participation interest did not change. On 30 June 2020, Santam subscribed for a further target share in FBNGI at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

31 December 2020	Equity securities R million	Interest-bearing investments R million	Total R million
GROUP			
Opening balance	1 553	60	1 613
Acquisitions	30	–	30
Gains recognised in profit or loss	26	–	26
Closing balance	1 609	60	1 669
COMPANY			
Opening balance	1 553	–	1 553
Acquisitions	30	–	30
Gains recognised in profit or loss	28	–	28
Closing balance	1 611	–	1 611

5 FINANCIAL ASSETS (continued)

5.4 Price risk

The group is subject to price risk due to daily changes in the market values of its equity portfolios. The group is not directly exposed to commodity price risk, but does have indirect commodity price exposure via various equity share holdings. Any change in valuation of these companies due to change in commodity prices will reflect in the change in share price of these companies.

Each of the following investments has an individual value of more than 1.5% of the total quoted equity investment portfolio. The values below excludes the impact of cross-holdings. Details of the investments below 1.5%, summarised as "Other", are open to inspection at the registered office of the company.

	Group				Company			
	2021		2020		2021		2020	
	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million
Direct listed equity exposure								
Listed								
Prosus	**186 038**	**244**	42 961	69	**96 608**	**127**	40 364	65
Blue Label Telecoms Ltd	**21 550 045**	**110**	15 046 052	58	**488 713**	**2**	–	–
Naspers Ltd	**42 240**	**104**	84 166	254	**37 129**	**92**	68 001	205
Anglo Plc	**148 149**	**97**	154 251	75	**131 908**	**86**	131 908	64
Redefine Properties Ltd	**21 031 843**	**93**	21 433 017	71	**770 813**	**3**	1 185 899	4
MTN Group Ltd	**501 216**	**86**	1 146 829	69	**461 919**	**79**	461 919	28
Firstrand Group Ltd	**1 250 512**	**76**	1 360 605	69	**1 091 967**	**66**	1 091 967	56
Growthpoint Properties Ltd	**4 845 634**	**74**	9 423 196	118	**2 137 640**	**33**	1 840 508	23
British American Tobacco Plc	**104 326**	**61**	107 202	59	**76 022**	**45**	76 022	41
Impala Platinum Holdings Ltd	**234 432**	**53**	233 913	47	**208 557**	**47**	198 989	40
Standard Bank Group Ltd	**374 451**	**52**	372 624	47	**338 152**	**47**	313 717	40
Investec Plc [1]	**543 375**	**47**	264 998	10	**524 883**	**46**	228 460	9
Anglo American Platinum Ltd [2]	**24 689**	**45**	25 407	37	**23 816**	**43**	23 816	34
Shoprite Holdings Ltd [1,2]	**188 488**	**39**	196 343	27	**175 591**	**37**	175 591	25
Sasol Ltd [1,2]	**149 774**	**39**	172 280	23	**129 256**	**33**	129 256	17
BHP Group Plc [2]	**78 769**	**37**	101 735	40	**73 421**	**35**	90 020	35
Aspen Pharmacare Holdings Ltd [1,2]	**158 149**	**35**	170 763	21	**136 646**	**31**	136 646	17
Bid Corporation Ltd [1,2]	**95 137**	**31**	98 595	26	**82 690**	**27**	82 690	22
Nedbank Group Ltd [1,2]	**166 814**	**29**	92 717	12	**140 226**	**25**	62 028	8
Absa Group Ltd [1,2]	**183 719**	**28**	198 417	24	**172 291**	**26**	172 291	21
Royal Bafokeng Platinum Ltd [1,2]	**174 132**	**27**	9 579	1	**174 132**	**27**	–	–
Mr Price Group Ltd [1,2]	**131 981**	**26**	82 582	14	**128 944**	**26**	79 591	14
Investec Bank Ltd – SXEIIP [1,2]	**1 900**	**25**	1 900	24	**1 900**	**25**	1 900	24
Other	**–**	**1 602**	–	1 381	**–**	**519**	–	442
		3 060		2 576		**1 527**		1 234
Irredeemable preference shares		**1**		1		**1**		1
		3 061		2 577		**1 528**		1 235
Indirect listed equity exposure								
Investment funds		**901**		703		**263**		143

[1] *In the prior year these investments did not exceed 1.5% of the total quoted equity investment portfolio.*
[2] *These investments do not exceed 1.5% on a group level.*

5 FINANCIAL ASSETS (continued)

5.4 Price risk (continued)

The group 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. The group'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. The group sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. The group's largest investment in any one company comprises 8% (2020: 9.9%) of the total quoted equities and 0.4% (2020: 0.5%) of the total assets. The company's largest investment in any one company comprises 8.3% (2020: 16.6%) of the total quoted equities and 0.3% (2020: 0.6%) of the total assets.

SENSITIVITY ANALYSIS ON LISTED EQUITIES AND SIMILAR SECURITIES

At 31 December 2021, the group's listed equities and similar securities were recorded at their fair value of R3 962 million (2020: R3 280 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R396 million (2020: R328 million).

The company's listed equities and simliar securities were recorded at their fair value of R1 791 million (2020: R1 378 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R179 million (2020: R138 million).

5 FINANCIAL ASSETS (continued)

5.5 Interest rate risk – financial assets

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

SENSITIVITY ANALYSIS ON INTEREST – BEARING INSTRUMENTS

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.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2021		2020	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	**(150)**	**152**	(114)	118
Corporate interest-bearing investments	**(56)**	**55**	(46)	48
Structured transactions				
Structured notes	**(1)**	**1**	(1)	1
Cash, deposits and similar securities	**(16)**	**16**	(13)	13
Total	**(223)**	**224**	(174)	180
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	**13**	**(13)**	4	(4)
Corporate interest-bearing investments	**72**	**(72)**	71	(71)
Mortgages and loans	**1**	**(1)**	1	(1)
Cash, deposits and similar securities	**12**	**(12)**	6	(6)
Cash and cash equivalents	**42**	**(42)**	39	(39)
Total	**140**	**(140)**	121	(121)

	2021		2020	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	**(113)**	**113**	(101)	105
Corporate interest-bearing investments	**(48)**	**48**	(38)	41
Structured transactions				
Structured notes	**–**	**–**	(1)	1
Cash, deposits and similar securities	**(6)**	**6**	(11)	12
Total	**(167)**	**167**	(151)	159
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	**–**	**–**	1	(1)
Corporate interest-bearing investments	**64**	**(64)**	63	(63)
Mortgages and loans	**1**	**(1)**	1	(1)
Cash and cash equivalents	**3**	**(3)**	16	(16)
Total	**68**	**(68)**	81	(81)

5 FINANCIAL ASSETS (continued)

5.6 Loans and receivables excluding insurance receivables

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Loans and receivables	**1 513**	1 287	**540**	407
Premium financing receivables	**492**	303	**–**	–
Less provision for impairment	**(114)**	(127)	**(97)**	(102)
Loans to subsidiaries (refer note 10.1)	**–**	–	**308**	168
Total	**1 891**	1 463	**751**	473
Expected to be realised within 12 months	**1 891**	1 463	**443**	305
Expected to be realised after 12 months	**–**	–	**308**	168
Reconciliation of provisions for impairment of other receivables				
At the beginning of the year	**127**	124	**102**	108
Charge to the statement of comprehensive income:				
– movement in provisions	**(13)**	3	**(5)**	(6)
Total at the end of the year	**114**	127	**97**	102

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provisions for impairment are based on the recoverability of individual loans and receivables.

ACCOUNTING POLICY – LOANS AND RECEIVABLES

Classification

The group classifies its loans and receivables as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flow
- The contractual terms give rise to cash flows that are solely payments of principle and interest

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for expected credit losses.

Impairment

The group applies the general approach to providing 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.

5 FINANCIAL ASSETS (continued)

5.6 Loans and receivables excluding insurance receivables (continued)

EXPECTED CREDIT LOSS SUMMARY

Group							
2021		ECL rate	ECL method	Gross R million	Provision opening balance R million	(Released)/ raised in the period R million	Provision closing balance R million
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	0.24%	12 month	1 674	20	(16)	4
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	11.95%	Lifetime	92	19	(8)	11
Not performing	Interest and/or principal repayments are 30 days past due	41.40%	Lifetime	239	88	11	99
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				**2 005**	**127**	**(13)**	**114**

Company							
2021		ECL rate	ECL method	Gross R million	Provision opening balance R million	(Released)/ raised in the period R million	Provision closing balance R million
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	0.67%	12 month	598	11	(7)	4
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	11.96%	Lifetime	92	19	(8)	11
Not performing	Interest and/or principal repayments are 30 days past due	51.90%	Lifetime	158	72	10	82
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				**848**	**102**	**(5)**	**97**

[1] *Included in performing loans are amounts due from other group companies. Given that the companies that funding has been provided to have no history of default and sufficient net asset values, it is unlikely that the company will experience credit losses in respect of these loans and as such no amounts have been provided for.*

5 FINANCIAL ASSETS (continued)

5.6 Loans and receivables excluding insurance receivables (continued)

The forward-looking information considered was deemed to have an immaterial impact on expected credit loss.

Group							
2020		**ECL rate**	**ECL method**	**Gross R million**	**Provision opening balance R million**	**(Released)/ raised in the period R million**	**Provision closing balance R million**
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	1.51%	12 month	1 286	10	10	20
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	20.90%	Lifetime	91	28	(9)	19
Not performing	Interest and/or principal repayments are 30 days past due	41.30%	Lifetime	213	86	2	88
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				1 590	124	3	127

Company							
2020		**ECL rate**	**ECL method**	**Gross R million**	**Provision opening balance R million**	**(Released)/ raised in the period R million**	**Provision closing balance R million**
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	3.20%	12 month	347	11	–	11
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	20.90%	Lifetime	91	28	(9)	19
Not performing	Interest and/or principal repayments are 30 days past due	52.26%	Lifetime	137	69	3	72
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				575	108	(6)	102

[1] *Included in performing loans are amounts due from other group companies. Given that the companies that funding has been provided to have no history of default and sufficient net asset values, it is unlikely that the company will experience credit losses in respect of these loans and as such no amounts have been provided for.*

These loans and receivables are mostly unrated. Refer to note 5.8 for credit ratings.

The forward looking information considered was deemed to have an immaterial impact on expected credit loss.

5 FINANCIAL ASSETS (continued)

5.7 Cash and cash equivalents

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Cash at bank and in hand	**4 496**	4 383	**1 842**	2 036
	4 496	4 383	**1 842**	2 036

The carrying value of cash and cash equivalents approximates fair value. The full value is expected to be realised within 12 months. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

ACCOUNTING POLICY – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held on call with banks. Cash and cash equivalents are carried at amortised cost.

5.8 Credit risk

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.

The credit quality of Santam's counterparties are determined using rating agencies' assessments of the probability of default over a one-year time horizon. The underlying default probabilities are based on the credit migration models developed by S&P, Moody's, Fitch and GCR, which incorporate up to 90 years' worth of credit default information. The probability of default assigned are based on the highest credit rating assigned by the various rating agencies.

Credit risk capital is held for exposure to risk-based assets such as bonds and bank deposits.

For concentration risk Santam uses the SAM methodology. The calculation is performed in four steps:

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

Santam seeks to avoid concentration of credit risk to groups of counterparties, business sectors, product types and geographical segments. The group's 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. The group assesses concentration risk for debt securities, money market instruments and cash collectively. The group does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash.

The following table provides information regarding the aggregated credit risk exposure for financial assets without taking into account collateral. The credit ratings provided in this table were determined as follows: SIM 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. SIM 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 SIM, a process is agreed with the subsidiaries to align the credit rating analysis with group requirements.

As can be seen from the table below, the majority of financial asset investments have remained in BB following the credit rating of BB for the South African government's issuer ratings by major credit rating agencies. Most issuers in South Africa will have their credit ratings capped at the sovereign credit rating, and therefore the rating BB represents the best available ratings within the South African investable universe. This still falls within Santam's documented risk appetite and does not pose a significant risk for the group. It has had no significant impact on expected credit losses provided for.

5 FINANCIAL ASSETS (continued)

5.8 Credit risk (continued)

31 December 2021	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
GROUP						
Financial assets:						
Government interest-bearing investments	–	–	–	–	–	–
Corporate interest-bearing investments	68	40	72	277	169	158
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	68	40	72	277	169	158
Structured notes	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–
Investment funds	–	–	–	–	–	–
Cash, deposits and similar securities	–	–	–	48	–	–
Other loans and receivables	–	–	–	–	–	–
Cash and cash equivalents	–	117	749	102	–	–
Total financial assets	68	157	821	427	169	158

31 December 2021	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
COMPANY						
Financial assets:						
Government interest-bearing investments	–	–	–	–	–	–
Corporate interest-bearing investments	68	40	72	277	169	158
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	68	40	72	277	169	158
Structured notes	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–
Investment funds	–	–	–	–	–	–
Cash, deposits and similar securities	–	–	–	48	–	–
Other loans and receivables	–	–	1	1	1	1
Cash and cash equivalents	–	117	575	102	–	–
Total financial assets	68	157	648	428	170	159

Credit rating									
BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	5 284	326	–	–	–	12	44	5 666
3	58	12 178	831	388	36	–	5	519	14 802
–	–	24	12	27	2	5	14	–	84
3	58	17 486	1 169	415	38	5	31	563	20 552
–	–	206	–	10	–	–	–	–	216
–	–	206	–	10	–	–	–	–	216
–	–	975	–	–	–	–	–	4 237	5 212
–	–	947	–	–	–	–	–	36	1 031
–	–	326	63	1	–	–	–	1 501	1 891
–	–	3 343	167	18	–	–	–	–	4 496
3	58	23 283	1 399	444	38	5	31	6 337	33 398

Credit rating									
BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	3 113	41	–	–	–	12	–	3 166
3	58	5 912	521	130	24	–	4	423	7 859
–	–	20	12	8	2	5	14	–	61
3	58	9 045	574	138	26	5	30	423	11 086
–	–	127	–	10	–	–	–	–	137
–	–	127	–	10	–	–	–	–	137
–	–	27	–	–	–	–	–	147	174
–	–	363	–	–	–	–	–	–	411
–	1	80	5	1	–	–	–	660	751
–	–	1 042	6	–	–	–	–	–	1 842
3	59	10 684	585	149	26	5	30	1 230	14 401

5 FINANCIAL ASSETS (continued)

5.8 Credit risk (continued)

31 December 2020	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
GROUP						
Financial assets:						
Government interest-bearing investments	17	–	–	–	–	–
Corporate interest-bearing investments	91	34	44	51	105	75
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	108	34	44	51	105	75
Structured notes	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–
Investment funds	–	–	–	–	–	–
Cash, deposits and similar securities	–	–	29	191	–	–
Other loans and receivables	–	–	–		–	–
Cash and cash equivalents	–	28	496	11	–	–
Total financial assets	108	62	569	253	105	75

31 December 2020	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
COMPANY						
Financial assets:						
Government interest-bearing investments	17	–	–	–	–	–
Corporate interest-bearing investments	91	34	44	51	105	75
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	108	34	44	51	105	75
Structured notes	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–
Investment funds	–	–	–	–	–	–
Cash, deposits and similar securities	–	–	29	191	–	–
Other loans and receivables	–	–	–	–	–	–
Cash and cash equivalents	–	28	320	11	–	–
Total financial assets	108	62	393	253	105	75

Credit rating										
BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	–	4 295	18	15	–	–	20	131	4 496
12	56	212	11 552	610	217	7	38	15	1 299	14 418
–	–	–	24	78	–	–	–	44	–	146
12	56	212	15 871	706	232	7	38	79	1 430	19 060
–	–	–	263	–	–	–	–	1	–	264
–	–	–	263	–	–	–	–	1	–	264
–	–	–	944	–	–	–	–	–	3 544	4 488
–	–	–	1 812	–	–	–	–	–	194	2 226
–	–	–	404	63	1	–	–	1	994	1 463
–	–	108	3 726	–	14	–	–	–	–	4 383
12	56	320	23 020	769	247	7	38	81	6 162	31 884

Credit rating										
BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	–	2 719	1	15	–	–	20	–	2 772
12	56	212	6 213	388	98	7	1	15	234	7 636
–	–	–	24	50	–	–	–	43	–	117
12	56	212	8 956	439	113	7	1	78	234	10 525
–	–	–	195	–	–	–	–	1	–	196
–	–	–	195	–	–	–	–	1	–	196
–	–	–	1	–	–	–	–	–	145	146
–	–	–	1 327	–	–	–	–	–	–	1 547
–	–	–	97	5	1	–	–	1	369	473
–	–	108	1 569	–	–	–	–	–	–	2 036
12	56	320	12 145	444	114	7	1	80	748	14 923

5 FINANCIAL ASSETS (continued)

5.9 Investment income

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Interest income derived from	**1 552**	1 620	**704**	727
Financial assets measured at amortised cost	**206**	185	**19**	40
Financial assets mandatorily measured at fair value through income	**1 346**	1 435	**685**	687
Other investment income	**552**	398	**552**	436
Dividend income[1]	**250**	316	**302**	401
Foreign exchange differences	**302**	82	**250**	35
	2 104	2 018	**1 256**	1 163

[1] *Dividend income for the company includes dividends received from subsidiaries and SEM target shares.*

5.10 Net gains/(losses) on financial assets and liabilities at fair value through income

	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**989**	(209)	**284**	(72)
Net realised gains/(losses) on financial assets excluding derivative instruments	**157**	(66)	**80**	(36)
Net fair value gains/(losses) on financial assets excluding derivative instruments	**885**	(27)	**258**	79
Net realised/fair value losses on derivative instruments	**(53)**	(116)	**(54)**	(115)
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(257)**	(64)	**30**	(8)
Net fair value gains/(losses) on debt securities	**30**	(8)	**30**	(8)
Net fair value losses on investment contracts	**(287)**	(56)	**–**	–
	732	(273)	**314**	(80)

ACCOUNTING POLICY – INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH INCOME

Gains and losses arising from changes in the fair value of the 'financial assets mandatorily at fair value through income' category are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets mandatorily at fair value through income is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established. Realised gains on instruments mandatorily at fair value through income are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets mandatorily at fair value through income and liabilities designated at fair value through income. Interest is accrued on financial assets mandatorily at fair value through income on the effective yield basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6 FINANCIAL LIABILITIES

	Notes	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
The group's financial liabilities are summarised below.					
Financial liabilities designated at fair value through income					
Debt securities	6.1	**2 552**	3 089	**2 552**	3 089
Investment contracts	6.3	**1 970**	1 838	**–**	–
Derivative liabilities	6.4	**1**	80	**1**	80
Financial liabilities at amortised cost					
Repo liability	6.5	**926**	867	**–**	–
Collateral guarantee contracts	6.6	**155**	128	**155**	128
Trade and other payables excluding insurance payables	6.7	**2 561**	2 215	**1 798**	1 379
Financial liabilities		**8 165**	8 217	**4 506**	4 676

Risk management

Refer to the following notes for detail on risks relating to financial assets and the management thereof:

- Interest rate risk – note 6.2
- Currency risk – note 7
- Liquidity risk – note 8

6.1 Debt securities

	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
At the beginning of the year	**3 063**	2 055	**3 063**	2 055
Cash movements				
New debt securities issued	**–**	1 000	**–**	1 000
Debt securities redeemed	**(500)**		**(500)**	
Non-cash movements				
Net fair value (gains)/losses on debt securities	**(30)**	8	**(30)**	8
	2 533	3 063	**2 533**	3 063
Accrued interest	**19**	26	**19**	26
	2 552	3 089	**2 552**	3 089
Expected to be settled after 12 months	**1 533**	2 563	**1 533**	2 563
Expected to be settled within 12 months	**1 019**	526	**1 019**	526
Estimated redemption value on maturity date	**2 500**	3 000	**2 500**	3 000

During April 2016, the company issued unsecured subordinated callable notes to the value of R1 billion 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 of R500 million have all been redeemed on the optional redemption date on 12 April 2021, and the fixed rate notes have an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company 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 and redeemed in September 2017. 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 company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R500 million floating rate subordinated debt issued in April 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%. 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.

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until their maturity. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest. They are all classified as level 2 (2020: level 2) in the fair value hierarchy.

Santam's international credit rating was downgraded by one notch from BB+ to BB in May 2020. The rating was reaffirmed in December 2020. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

ACCOUNTING POLICY – DEBT SECURITIES

Debt securities issued by the group comprise subordinated debt instruments fair valued against similar quoted debt instruments. Debt securities are designated as at fair value through income as these instruments are managed at fair value in terms of the related business model.

Fair value movements are recognised in the statement of comprehensive income. Interest accruals are recognised as finance costs in the statement of comprehensive income. Financial liabilities are derecognised when all obligations have been met.

6 FINANCIAL LIABILITIES (continued)

6.2 Interest rate risk – financial liabilities

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

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.

SENSITIVITY ANALYSIS ON INTEREST-BEARING INSTRUMENTS

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.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2021		2020	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial liabilities – fixed rate				
Debt securities – quoted	**6**	**(6)**	10	(11)
Derivative instruments	**48**	**(52)**	43	(47)
Financial liabilities – variable rate				
Debt securities – quoted	**(20)**	**20**	(25)	25
Total change in finance cost and net fair value movement before tax	**34**	**(38)**	28	(33)

	2021		2020	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial liabilities – fixed rate				
Debt securities – quoted	**6**	**(6)**	10	(11))
Derivative instruments	**48**	**(52)**	43	(47)
Financial liabilities – variable rate				
Debt securities – quoted	**(20)**	**20**	(25)	25
Total change in finance cost and net fair value movement before tax	**34**	**(38)**	28	(33)

6.3 Investment contracts

	Group	
	2021 R million	2020 R million
At the beginning of the year	**1 838**	1 618
Cash movements		
Investment contracts issued	**378**	333
Investment contracts sold/matured	**(533)**	(169)
Non-cash movements		
Net fair value losses	**287**	56
	1 970	1 838
Expected to be settled after 12 months	**1 683**	1 480
Expected to be settled within 12 months	**287**	358

The net fair value losses on investment contracts are equal to the net fair value losses on the linked financial assets at fair value through income. The movement in the net fair value of the linked assets and liabilities are included in net losses on financial assets and liabilities at fair value through income in the statement of comprehensive income. The movement in the fair value of the investment contracts mainly represents the market movement. The maturity values of these financial liabilities are determined by the fair values of the linked assets. They are classified as level 2 per the fair value hierarchy.

6 FINANCIAL LIABILITIES (continued)

6.3 Investment contracts (continued)

ACCOUNTING POLICY – INVESTMENT CONTRACTS

The group recognises the following investment contracts:

(a) First-party cells

First-party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are considered a single contract there is no significant risk transfer and as such cell captive facilities are accounted for as investment contract liabilities.

(b) Policies with no significant risk transfer

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract-by-contract basis except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk. Should an insurance contract not result in significant risk transfer, the contract will be accounted for as an investment contract.

Investment contract liabilities are recognised when the group becomes party to the contractual provisions of the instrument. It is initially recognised at fair value. The fair value is determined using the fair value of the underlying financial assets linked to the financial liability. Based on the principle of eliminating an accounting mismatch in the financial statements, investment contracts are designated to be measured at fair value through income.

6.4 Derivative liabilities

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Exchange-traded futures	1	77	1	77
Over the counter				
Interest rate swaps	–	3	–	3
	1	80	1	80

At 31 December 2021, the group had exchange traded futures with an exposure value of R1 233 million (2020: R1 080 million). The exchange trades futures relate to interest rate derivates used to manage interest rate risk in Santam's fixed income portfolios.

On 6 August 2020, the company entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level of 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The new structure entered into on 3 November 2020 provided full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expired on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020).

On 3 February 2021, the company rolled the collar structure. The structure offered almost full downside protection from the implementation level 11 857 and expired on 3 May 2021 and realised a loss of R31 million. On 3 May 2021, the company rolled the collar again until expiry on 3 August 2021, at an implementation level of 12 223. The structure was not renewed on 3 August 2021 and a final gain of R15 million was realised (inclusive of the fair value gain of R19 million at 30 June 2021).

At 31 December 2021, the group also had interest rate swaps as part of the international bond portfolio. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability amounted to R11 million (2020: R46 million) and R11 million (2020: R46 million) respectively.

ACCOUNTING POLICY – DERIVATIVES

Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

6 FINANCIAL LIABILITIES (continued)

6.5 Repo liability

	Group	
	2021 R million	**2020 R million**
At the beginning of the year	**867**	785
Cash movements		
New repurchase agreements entered into	**1 278**	640
Repurchase agreements settled	**(1 234)**	(564)
	911	861
Accrued interest	**15**	6
	926	867
Expected to be settled after 12 months	**806**	419
Expected to be settled within 12 months	**120**	448

The repo liability relates to a sale and repurchase agreement within SSI's portfolio. This liability is secured by debt securities with a value of R854 million (2020: R936 million). The liability is classified as level 2 per the fair value hierarchy. The group continues to receive income derived from the underlying assets over the term of the agreement. The group cannot realise profit or losses on disposing of the underlying assets for the duration of the agreements, as the group does not have custody of the assets during this time.

ACCOUNTING POLICY – REPO LIABILITY

Repo repurchase liabilities consist of sale and repurchase of assets agreements. These agreements contain financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at amortised cost.

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 and is valued according to the group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability (repo liability) carried at amortised cost.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the effective interest rate method.

6.6 Collateral guarantee contracts

	Group		Company	
	2021 R million	**2020 R million**	**2021 R million**	**2020 R million**
At the beginning of the year	**128**	120	**128**	120
Cash movements				
New contracts entered into	**71**	33	**71**	33
Contracts ended	**(46)**	(29)	**(46)**	(29)
Non-cash movements				
Interest	**2**	4	**2**	4
	155	128	**155**	128
Expected to be settled after 12 months	**–**	–	**–**	–
Expected to be settled within 12 months	**155**	128	**155**	128

Liabilities arising out of collateral guarantee contracts are payable on demand should a claim be made against the policy, and is therefore treated as current.

Santam issues guarantees on behalf of its corporate clients covering various risks such as mining rehabilitation. The guarantees are issued on the back of full collateral guarantees in the form of moneys deposited with Santam. These assets are included in financial assets, debt securities, at fair value through income and cash, and amounted to R155 million (2020: R128 million) as at 31 December 2021. These assets are managed in a separate investment portfolio and are sold when required to settle obligations arising from the collateral guarantee contracts. As a result, the transaction is not recorded as an insurance transaction in terms of IFRS 4, but as a financial instrument in terms of IFRS 9.

The carrying value of collateral guarantee contracts approximates fair value.

ACCOUNTING POLICY – COLLATERAL GUARANTEE CONTRACTS

Collateral guarantee contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method. Interest accruals are recognised as finance costs in the statement of comprehensive income.

6 FINANCIAL LIABILITIES (continued)

6.7 Trade and other payables excluding insurance payables

	Group		Company	
	2021 R million	2020 R million	**2021 R million**	2020 R million
Amounts due to subsidiaries (refer to note 10.1)	**–**	–	**472**	560
Trade payables and accrued expenses	**2 353**	2 029	**1 181**	697
Employee benefits	**208**	186	**145**	122
Total	**2 561**	2 215	**1 798**	1 379

The carrying value of trade and other payables approximates fair value. All trade payables are expected to be settled within 12 months.

ACCOUNTING POLICY – TRADE AND OTHER PAYABLES

Trade and other payables, including accruals, are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are carried at amortised cost.

6.8 Finance costs

	Group		Company	
	2021 R million	2020 R million	**2021 R million**	2020 R million
Interest expense				
– collateral guarantee contracts	**2**	4	**2**	4
– lease liabilities	**60**	84	**46**	65
– subordinated callable note	**182**	170	**182**	170
– repo liability	**36**	41	**–**	–
– other	**33**	19	**–**	2
	313	318	**230**	241

ACCOUNTING POLICY – FINANCE COSTS

Finance costs are recognised using the effective-interest method.

6.9 Lease liabilities

	Group		Company	
	2021 R million	2020 R million	**2021 R million**	2020 R million
Opening balance	**782**	978	**585**	731
Cash movements				
Payment of principle element of lease liabilities	**(156)**	(141)	**(107)**	(96)
Payment of interest	**(60)**	(84)	**(46)**	(65)
Non-cash movements				
New leases entered into and lease extensions during the year	**139**	54	**98**	43
Termination of lease agreements	**(1)**	(109)	**(1)**	(93)
Interest	**60**	84	**46**	65
	764	782	**575**	585

6 FINANCIAL LIABILITIES (continued)

6.9 Lease liabilities (continued)

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is presented on an undiscounted contractual cash flow basis.

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	189	520	225	**934**

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	144	399	198	**741**

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	206	587	320	**1 113**

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	145	465	282	**892**

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6 FINANCIAL LIABILITIES (continued)

6.9 Lease liabilities (continued)

ACCOUNTING POLICY – LEASES

Agreements where the counterparty retains control of the underlying asset are classified as leases. The group leases various offices, motor vehicles and office equipment.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Offiices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing techology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

The incremental borrowing rate for Santam Limited uses the Santam bonds' borrowing rate as starting point, while all subsidiaries use a rate at which borrowings can be obtained by them commercially. The rate is then adjusted based on factors relating to the specific lease and underlying asset, including but not limited to, the term of the borrowing, the property yield (for property) and the ability to provide security for the purchase of the specific asset.

The group does not account for short term leases, with a term shorter than 12 months as lease liabilities or right-of-use assets. These are accounted for as operating leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

After initial recognition, lease liabilities are remeasured where there is a change in the future lease payments or if there is a change in the group's assessment of whether it will exercise an extension or termination option. When the lease is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or recognised in the income statement if the carrying amount of the right-of-use assets has been reduced to zero.

7 CURRENCY RISK

The group 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)
- Structured currency risk – investing in SEM target shares and SAN JV

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

In order to mitigate the foreign currency mismatch risk, Santam monitors the level of foreign currency assets relative to foreign currency liabilities and foreign currency capital requirements.

The tables presented on pages 89 and 90 provide a summary of the foreign exposures (including structured currency risk) relating to assets and liabilities included in the statement of financial position at the reporting date. Only the material currencies held at the reporting date are disclosed in the table. The exposure disclosed in rand value does, however, represent the group and the company's total exposure to all currencies held at the reporting date irrespective of whether it was separately disclosed in the table. The foreign currency exposure for reinsurance assets disclosed in the table only includes reinsurance contracts denominated in foreign currencies.

Structured currency risk relating to the investments in SAN JV and SEM expose the group and company to multiple underlying currencies, which are not separately disclosed, as it is not direct currency exposure. The group has structured currency exposure of R1 848 million (2020: R1 823 million) relating to its investment in SAN JV, and the company has exposure of R2 034 million (2020: R2 034 million). The group and company has structured currency exposure of R1 691 million (2020: R1 538 million) relating to its investment in SEM target shares. Refer to note 5.3 for additional disclosure on the group's sensitivity in its exposure to structured currency risk arising from the investment in SEM target shares.

Any exposure to Namibian dollar was not included in the tables as there is currently no impact on profit or loss and/or the net asset value of the group.

7 CURRENCY RISK (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position

31 December 2021	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
GROUP								
Debentures, insurance policies, public sector stocks and other loans	0.52	175.71	–	–	–	–	–	3 144.88
Cash, deposits and similar securities	0.43	44.04	–	–	–	–	–	820.65
Reinsurance assets	0.10	107.67	32.00	–	0.47	–	–	1 308.04
Trade and other receivables	3.83	53.05	38.24	43.39	322.00	994.83	136.57	2 145.93
Insurance liabilities	(23.32)	(208.11)	(35.95)	(82.34)	(928.60)	(18 478.81)	(228.14)	(6 193.88)
Trade and other payables	(0.07)	(18.21)	(7.36)	(18.41)	(21.47)	(2 080.56)	–	(407.33)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	(18.51)	154.15	26.93	(57.36)	(627.60)	(19 564.54)	(91.57)	818.29
Cash, deposits and similar securities:								
- relating to alternative risk business	0.27	20.64	–	–	–	–	–	333.79
Trade and other payables:								
- relating to alternative risk business	(0.23)	(3.22)	–	–	–	–	–	(63.42)
Reinsurance assets								
- relating to alternative risk business	–	6.00	–	–	–	–	–	95.81
Quoted equity securities	3.29	10.61	–	–	–	–	–	227.70
Derivative instruments	–	(0.05)	–	–	–	–	–	(0.77)
Foreign currency exposure	(15.18)	188.13	26.93	(57.36)	(627.60)	(19 564.54)	(91.57)	1 411.40

31 December 2021	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
COMPANY								
Debentures, insurance policies, public sector stocks and other loans	0.52	175.71	–	–	–	–	–	3 144.88
Cash, deposits and similar securities	0.43	44.04	–	–	–	–	–	820.65
Reinsurance assets	0.10	107.67	32.00	–	0.47	–	–	1 308.04
Trade and other receivables	3.83	53.05	38.24	43.39	322.00	994.83	136.57	2 145.93
Insurance liabilities	(23.32)	(208.11)	(35.95)	(82.34)	(928.60)	(18 478.81)	(228.14)	(6 193.88)
Trade and other payables	(0.07)	(18.21)	(7.36)	(18.41)	(21.47)	(2 080.56)	–	(407.33)
Total foreign currency exposure relating to insurance business	(18.51)	154.15	26.93	(57.36)	(627.60)	(19 564.54)	(91.57)	818.29
Derivative instruments	–	(0.05)	–	–	–	–	–	(0.77)
Foreign currency exposure	(18.51)	154.10	26.93	(57.36)	(627.60)	(19 564.54)	(91.57)	817.52
Exchange rates:								
Closing rate	18.15	15.96	1.72	2.50	0.21	0.01	5.12	
Average rate	17.47	14.76	1.64	2.29	0.20	0.01	4.58	

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7 CURRENCY RISK (continued)

31 December 2020	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
GROUP								
Debentures, insurance policies, public sector stocks and other loans	0.52	165.97	–	–	–	–	–	2 310.51
Cash and cash equivalents and similar instruments	4.10	76.49	–	–	–	–	–	1 202.64
Reinsurance assets	0.09	108.18	14.18	–	0.14	–	–	1 624.01
Trade and other receivables	–	59.18	27.80	36.92	349.90	4 273.51	112.79	1 899.42
Insurance liabilities	(21.43)	(181.73)	(17.26)	(81.67)	(961.17)	(16 559.04)	(152.97)	(4 844.45)
Trade and other payables	(0.53)	(26.11)	–	(18.17)	(17.91)	(1 828.19)	–	(486.02)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	(17.25)	201.98	24.72	(62.92)	(629.04)	(14 113.72)	(40.18)	1 706.11
Cash and cash equivalents and similar instruments:								
– relating to alternative risk business	0.28	17.37	–	–	–	–	–	259.86
Trade and other payables:								
– relating to alternative risk business	(0.11)	(2.85)	–	–	–	–	–	(47.38)
Reinsurance assets	–	–	–	–	–	–	–	–
– relating to alternative risk business	–	6.67	–	–	–	–	–	97.93
Quoted equity securities	2.61	10.05	–	–	–	–	–	193.82
Foreign currency exposure	(14.47)	233.22	24.72	(62.92)	(629.04)	(14 113.72)	(40.18)	2 210.34

31 December 2020	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
COMPANY								
Debentures, insurance policies, public sector stocks and other loans	0.52	165.97	–	–	–	–	–	2 310.51
Cash and cash equivalents and similar instruments	4.10	76.49	–	–	–	–	–	1 202.64
Reinsurance assets	0.09	108.18	14.18	–	0.14	–	–	1 624.01
Trade and other receivables	–	59.18	27.80	36.92	349.90	4 273.51	112.79	1 899.42
Insurance liabilities	(21.43)	(181.73)	(17.26)	(81.67)	(961.17)	(16 559.04)	(152.97)	(4 844.45)
Trade and other payables	(0.53)	(26.11)	–	(18.17)	(17.91)	(1 828.19)	–	(486.02)
Total foreign currency exposure relating to insurance business	(17.25)	201.98	24.72	(62.92)	(629.04)	(14 113.72)	(40.18)	1 706.11
Exchange rates:								
Closing rate	17.97	14.69	1.65	2.24	0.20	0.01	4.54	
Average rate	18.64	16.34	1.73	2.38	0.22	0.01	4.79	

7 CURRENCY RISK (continued)

ACCOUNTING POLICY – FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the closing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all group entities (none of which uses a currency linked to a hyperinflationary economy) that use a functional currency other than the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) Income and expenses for each statement of comprehensive income presented are translated at average exchange rates during each period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as the foreign entity's assets or liabilities and are translated at the closing rate.

A 10% change in the rand exchange rate against the US dollar and Israeli shekel (ILS) would have the following impact on income before taxation:

31 December 2021	10% strengthening in rand/ILS R million	10% weakening in rand/ILS R million	10% strengthening in rand/US$ R million	10% weakening in rand/US$ R million
GROUP				
Impact on profit or loss	**46.88**	**(46.88)**	**(300.27)**	**300.27**
COMPANY				
Impact on profit or loss	**46.88**	**(46.88)**	**(245.94)**	**245.94**

31 December 2020	10% strengthening in rand/ILS R million	10% weakening in rand/ILS R million	10% strengthening in rand/US$ R million	10% weakening in rand/US$ R million
GROUP				
Impact on profit or loss	18.26	(18.26)	(342.34)	342.34
COMPANY				
Impact on profit or loss	18.26	(18.26)	(296.39)	296.39

The impact of a 10% change in the rand exchange rate against the euro, Chinese yuan, Moroccan dirham, Indian rupee and South Korean won is not disclosed as it is not material for the group or the company for the current year.

The foreign exchange profits or losses arising from the translation of international business unit statements of financial position from their functional currencies into rand are recognised in the foreign currency translation reserve. These movements in exchange rates therefore have no impact on profit. On disposal of the foreign companies, the reserve is realised and released to profit or loss.

Exchange rate profits or losses relating to the SEM target shares are included in the fair value movements of the instruments.

7 CURRENCY RISK (continued)

Derivative risk

The group uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. The group 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 use of derivatives is approved by the investment committee and the board. Refer to note 5.2 and 6.4 for more detail on the derivatives held by the group.

Over-the-counter derivative contracts and exchange-traded futures are entered into only with approved counterparties, in accordance with group policies, effectively reducing the risk of credit loss. The group 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.

8 LIQUIDITY RISK

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 Santam'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.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial assets and liabilities that are subject to fixed and variable interest rates.Insurance and financial assets are presented using discounted values. Insurance contract liabilities are also presented and are analysed by remaining estimated duration until settlement. Insurance and financial liabilities are presented on an undiscounted contractual cash flow basis, except for Investment contracts, reinsurance liability relating to cell owners and cell owners interest which are presented using discounted values. The open ended instruments are available to use within one year.

8 LIQUIDITY RISK (continued)

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	3 061	3 061
Unlisted equities and similar securities	–	–	–	1 765	1 765
Interest-bearing investments					
Government interest-bearing investments	2 521	2 041	1 104	–	5 666
Corporate interest-bearing investments	5 158	7 881	1 703	60	14 802
Mortgages and loans	22	52	10	–	84
Structured transactions					
Structured notes	122	87	7	–	216
Investment funds	–	–	–	6 113	6 113
Cash, deposits and similar securities	246	765	20	–	1 031
Total investment assets	8 069	10 826	2 844	10 999	32 738
Receivables due from contract holders/ intermediaries	6 035	–	–	–	6 035
Reinsurance receivables	386	–	–	–	386
Cell owners' and policyholders' interest	11	–	–	–	11
Other loans and receivables	1 750	122	19	–	1 891
Reinsurance assets (including DAC)	13 257	2 380	208	8	15 853
Deposit with cell owner	37	51	2	–	90
Total	21 476	2 553	229	8	24 266
Cash and cash equivalents	4 496	–	–	–	4 496
Total financial and insurance assets	34 041	13 379	3 073	11 007	61 500

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	1 147	1 705	–	2 852
Investment contracts	287	–	1 683	1 970
Cell owners' and policyholders' interest	–	4 908	–	4 908
Repo liability	120	806	–	926
Collateral guarantee contracts	155	–	–	155
Derivative liabilities	1	–	–	1
Insurance liabilities (including reinsurance deferred acquisition revenue)	31 764	4 459	378	36 601
Reinsurance liability relating to cell owners	37	51	2	90
Trade and other payables including insurance payables	4 843	6	2	4 851
Total financial and insurance liabilities	38 354	11 935	2 065	52 354

8 LIQUIDITY RISK (continued)

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 528	1 528
Unlisted equities and similar securities	–	–	–	1 765	1 765
Interest-bearing investments					
Government interest-bearing investments	585	1 838	743	–	3 166
Corporate interest-bearing investments	1 680	4 916	1 263	–	7 859
Mortgages and loans	22	39	–	–	61
Structured transactions					
Structured notes	89	48	–	–	137
Investment funds	–	–	–	437	437
Cash, deposits and similar securities	135	276	–	–	411
Total investment assets	2 511	7 117	2 006	3 730	15 364
Receivables due from contract holders/ intermediaries	5 095	–	–	–	5 095
Reinsurance receivables	285	–	–	–	285
Other loans and receivables	751	–	–	–	751
Reinsurance assets (including DAC)	11 982	2 444	214	–	14 640
Total	18 113	2 444	214	–	20 771
Cash and cash equivalents	1 842	–	–	–	1 842
Total financial and insurance assets	22 466	9 561	2 220	3 730	37 977

31 December 2021	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	1 147	1 705	–	2 852
Collateral guarantee contracts	155	–	–	155
Insurance liabilities (including reinsurance deferred acquisition revenue)	20 629	4 179	365	25 173
Derivative liabilities	1	–	–	1
Trade and other payables including insurance payables	3 284	–	–	3 284
Total financial and insurance liabilities	25 216	5 884	365	31 465

8 LIQUIDITY RISK (continued)

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	2 577	2 577
Unlisted equities and similar securities	–	–	–	1 614	1 614
Interest-bearing investments					
Government interest-bearing investments	1 955	948	1 593	–	4 496
Corporate interest-bearing investments	3 936	8 856	1 546	80	14 418
Mortgages and loans	66	69	11	–	146
Structured transactions					
Structured notes	55	201	8	–	264
Investment funds	–	–	–	5 191	5 191
Cash, deposits and similar securities	1 743	483	–	–	2 226
Total investment assets	7 755	10 557	3 158	9 462	30 932
Receivables due from contract holders/ intermediaries	4 933	–	–	–	4 933
Reinsurance receivables	459	–	–	–	459
Cell owners' and policyholders' interest	14	–	–	–	14
Other loans and receivables	1 429	18	16	–	1 463
Reinsurance assets (including DAC)	8 763	905	107	10	9 785
Deposit with cell owner	53	100	8	–	161
Total	15 651	1 023	131	10	16 815
Cash and cash equivalents	4 383	–	–	–	4 383
Total financial and insurance assets	27 789	11 580	3 289	9 472	52 130

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	688	2 812	–	3 500
Investment contracts	358	–	1 480	1 838
Cell owners' and policyholders' interest	–	4 238	–	4 238
Repo liability	448	419	–	867
Collateral guarantee contracts	128	–	–	128
Derivative liabilities	80	–	–	80
Insurance liabilities (including reinsurance deferred acquisition revenue)	26 255	2 812	321	29 388
Reinsurance liability relating to cell owners	53	100	8	161
Trade and other payables including insurance payables	5 073	–	16	5 089
Total financial and insurance liabilities	33 083	10 381	1 825	45 289

8 LIQUIDITY RISK (continued)

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 235	1 235
Unlisted equities and similar securities	–	–	–	1 611	1 611
Interest-bearing investments					
Government interest-bearing investments	685	860	1 227	–	2 772
Corporate interest-bearing investments	2 824	3 548	1 244	20	7 636
Mortgages and loans	48	69	–	–	117
Structured transactions					
Structured notes	48	140	8	–	196
Investment funds	–	–	–	289	289
Cash, deposits and similar securities	1 236	311	–	–	1 547
Total investment assets	4 841	4 928	2 479	3 155	15 403
Receivables due from contract holders/ intermediaries	4 205	–	–	–	4 205
Reinsurance receivables	302	–	–	–	302
Other loans and receivables	471	–	–	–	471
Reinsurance assets (including DAC)	7 660	938	112	–	8 710
Total	12 638	938	112	–	13 688
Cash and cash equivalents	2 036	–	–	–	2 036
Total financial and insurance assets	19 515	5 866	2 591	3 155	31 127

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	688	2 812	–	3 500
Collateral guarantee contracts	128	–	–	128
Derivative liabilities	80	–	–	80
Insurance liabilities (including reinsurance deferred acquisition revenue)	16 628	2 578	306	19 512
Trade and other payables including insurance payables	3 577	–	–	3 577
Total financial and insurance liabilities	21 101	5 390	306	26 797

9 CELL OWNERS' AND POLICYHOLDERS' INTEREST AND OTHER ASSETS AND LIABILITIES RELATING TO CELLS

9.1 Reconciliation of cell owners' interest

	Group	
	2021 R million	**2020 R million**
At the beginning of the year	**2 822**	2 300
Cash movements		
Preference shares issued by subsidiary	**77**	127
Redemption of preference shares	**(27)**	(16)
Dividends paid to preference shareholders	**(1 172)**	(585)
Transfer to non-controlling interest	**–**	(166)
Non-cash movements		
Net increase in cell owners' interest	**1 450**	1 162
	3 150	2 822
Insolvent cells	**11**	14
	3 161	2 836
Expected to be settled after 12 months	**3 161**	2 836
Expected to be settled within 12 months	**–**	–

Amounts owed by cell owners are unrated and neither past due nor impaired. The increase in the current year's net increase in cell owners' interest is due to profitability of new cell agreements. The transfer to non-controlling interest relates to amended cell share agreements entered into with cell shareholders from November 2020. The amendment resulted in the initial contracts being derecognised and the new contracts being classified as equity. According to the amended contracts, the group has sole discretion on payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the shares issued are now classified as equity compared to being classified as a liability before. Refer to note 11 for disclosure in this regard.

In the event that claims incurred by the cell captive exceed the related assets, the group will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

ACCOUNTING POLICY – LIABILITIES TO CELL SHAREHOLDERS

The group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell shareholder, 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 which 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: a) first party and b) third party.

a) First-party cell captive arrangements: refer to note 6.3

b) 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, in respect of the insurance business conducted in the cell structures, 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, measured in accordance with accounting policies set out in note 4, less repayment to cells.

The premiums and claims relating to first-party cells have been excluded from the statement of comprehensive income and are accounted for directly in the liability. The premiums and claims payments relating to contracts in third-party cells have been included in the statement of comprehensive income, but as the third-party cell shareholder, in substance, is the reinsurer, the net result is accounted for as part of the cell owners' interest.

9 CELL OWNERS' AND POLICYHOLDERS' INTEREST AND OTHER ASSETS AND LIABILITIES RELATING TO CELLS (continued)

9.2 Reconciliation of policyholders' interest

	Group	
	2021 R million	**2020 R million**
At the beginning of the year	**1 402**	1 638
Cash movements		
Dividends paid to preference shareholders	**(113)**	(147)
Non-cash movements		
Net increase/(decrease) in policyholders' interest	**458**	(89)
	1 747	1 402
Expected to be settled after 12 months	**1 747**	1 402
Expected to be settled within 12 months	**–**	–

ACCOUNTING POLICY – LIABILITIES TO POLICYHOLDERS

Policyholder liabilities that originated from unit-linked contracts are measured with reference to the respective underlying assets of these contracts.

Policyholders' entitlement to participation in operating results remains contingent until the termination of the agreement with the client or until contractually determined. During the duration of the profit sharing agreement, the estimated entitlement to profit or losses by clients is determined annually and transferred to the policyholders' interest liability. Increases and decreases in the estimated entitlement to operating result that may become apparent in future periods are transferred from or to the operating result of that period.

9.3 Reconciliation of deposit with cell owner

	Group	
	2021 R million	**2020 R million**
At the beginning of the year	**161**	180
Movement for the year (refer to note 9.4)	**(71)**	(19)
	90	161
Expected to be realised after 12 months	**53**	108
Expected to be realised within 12 months	**37**	53

9.4 Reconciliation of reinsurance liability relating to cell owners

	Group	
	2021 R million	**2020 R million**
At the beginning of the year	**161**	180
Impact of discounting (unwinding)	**6**	7
Repayments	**(52)**	(58)
Impact of change in basis	**(1)**	26
Other	**(24)**	6
	90	161
Expected to be settled after 12 months	**53**	108
Expected to be settled within 12 months	**37**	53

During 2015, Centriq Life Insurance Company Ltd (Centriq Life) entered into a financial reinsurance agreement whereby the profit in respect of a book of business reinsured, was paid up front by the reinsurer to the cell owner. Centriq Life's reinsurance liability due to the reinsurer was recognised as a reinsurance liability relating to the cell owner. The payment made to the cell owner is regarded by Centriq Life as the upfront payment of profits to the cell owner in terms of the cell shareholder agreement and is therefore recognised as a deposit with cell owner. This liability unwind through policy lapses and claims payment. The deposit is classified as unrated and is neither past due nor impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10 INVESTMENT IN SUBSIDIARIES

	Company	
	2021 R million	2020 R million
At the beginning of the year	1 109	1 109
Impairment	(19)	–
Settlement	(61)	–
Unlisted shares at cost price less impairment	1 029	1 109
Expected to be realised after 12 months	1 029	1 109
Expected to be realised within 12 months	–	–

During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

As part of the unwinding of dormant entities, a non-cash distribution of R61 million was made by Thebe Risk Services Holdings (Pty) Ltd and Main Street 409 (Pty) Ltd during the current year, resulting in the recognition of an impairment of R19 million.

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash.

The Santam group purchased the remaining 40% non-controlling interest in Echelon Underwriting Managers (Pty) Ltd in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

Refer to note 14 for more detail on these acquisitions.

Management performed an impairment review on all investments in subsidiaries. No impairment other than specified above was required.

ACCOUNTING POLICY – CONSOLIDATION

(a) Subsidiaries and business combinations

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The company accounts for its investments in subsidiaries at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

10 INVESTMENT IN SUBSIDIARIES (continued)

10.1 Analysis of investments in subsidiaries

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2021	Proportion held by the company 2020	Book value R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Aegis Insurance Company Ltd[2]	Insurance	RSA	–	0.0%	100.0%	–	–	–
Centriq Insurance Holdings (Pty) Ltd[3]	Holding company	RSA	102 330 000	100.0%	100.0%	150	–	–
Guardian National Insurance Company Ltd	Investments	RSA	178 603 840	100.0%	100.0%	626	237	–
Insurance Broker Resource Centre (Pty) Ltd[2]	Underwriting	RSA	–	0.0%	100.0%	–	–	–
Main Street 409 (Pty) Ltd	Holding company	RSA	850	100.0%	100.0%	–	–	–
Mirabilis Engineering Underwriting Managers (Pty) Ltd[1]	Underwriting	RSA	84 000 850	100.0%	55.0%	84	–	–
Riscor Underwriting Managers (Pty) Ltd	Underwriting	RSA	37 500 100	100.0%	100.0%	–	5	–
Santam Namibia Holdings (Pty) Ltd	Holding company	RSA	445 000 001	100.0%	100.0%	168	–	–
Sentinel Insurance Corporation Ltd	Investments	RSA	1 000 000	100.0%	100.0%	1	1	–
Swanvest 120 (Pty) Ltd	Holding company	RSA	100	100.0%	100.0%	–	183	–
Thebe Risk Services Holdings (Pty) Ltd	Holding company	RSA	1 000	100.0%	100.0%	–	–	–
Travest Investments (Pty) Ltd	Investments	RSA	860	100.0%	100.0%	–	–	–
						1 029	**426**	**–**
Indirect								
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	2 270 403	100.0%	100.0%	12	–	–
Africa Group Financial Services (Pty) Ltd	Holding company	RSA	100	100.0%	100.0%	–	–	–
Beyonda Group (Pty) Ltd	Insurance	RSA	200	87.5%	87.5%	14	–	–
Broker Funding Solutions (Pty) Ltd[5]	Underwriting	RSA	1 000	75.0%	75.0%	–	–	–
Brolink (Pty) Ltd[7]	Administration company	RSA	146 325 847	100.0%	100.0%	26	–	–
Centriq Insurance Company Ltd	Insurance	RSA	55 000 084	100.0%	100.0%	102	–	–
Centriq Life Insurance Company Ltd	Insurance	RSA	15 000 000	100.0%	100.0%	16	–	–
Cenviro Solutions (Pty) Ltd	Underwriting	RSA	100	51.0%	51.0%	–	–	–
Credit Innovation (Pty) Ltd	Insurance	RSA	6 428 571	80.3%	80.3%	6	–	–
C-Sure Underwriting Managers (Pty) Ltd	Underwriting	RSA	1 000	100.0%	100.0%	2	–	1
Echelon Private Client Solutions (Pty) Ltd[6]	Underwriting	RSA	1 000	100.0%	100.0%	–	–	–
Emerald Risk Transfer (Pty) Ltd	Underwriting	RSA	2 000 174	100.0%	100.0%	94	–	–
Ground up Risk Partners (Pty) Ltd	IT Services	RSA	100	100.0%	100.0%	–	–	–
H & L Underwriting Managers (Pty) Ltd	Underwriting	RSA	100	100.0%	100.0%	–	–	–
JaSure Financial Services (Pty) Ltd[4]	Underwriting	RSA	1	51.0%	51.0%	6	–	–
Just I-Insure Consultants (Pty) Ltd	Underwriting	RSA	120	100.0%	100.0%	–	–	–
Misty Sea Trading 267 (Pty) Ltd	Investments	RSA	11 200 952	100.0%	100.0%	–	22	–
MiAdmin (Pty) Ltd	Administration company	RSA	–	100.0%	100.0%	–	–	–
Mirabilis Holdings (Pty) Ltd[1]	Holding company	RSA	100	100.0%	0.0%	176	–	–
MiWay Group Holdings (Pty) Ltd[8]	Holding company	RSA	1 101 111	100.0%	100.0%	59	–	–
MiWay Insurance Ltd	Insurance	RSA	2 434 600	100.0%	100.0%	2	–	–
Multiplex Investment Holding Company (Pty) Ltd	Holding company	RSA	–	100.0%	100.0%	–	–	–
Premium Finance Partners (Pty) Ltd	Lending specialist	RSA	500	75.0%	75.0%	–	–	307
Santam Namibia Ltd	Insurance	Namibia	8 307 147	60.0%	60.0%	5	24	–
Santam Financial Services Ltd DAC	Insurance	Ireland	14 991 989	100.0%	100.0%	15	–	–
Santam SI Investments Mauritius Ltd (Mauritius)	Insurance	Mauritius	12	100.0%	100.0%	5	–	–
Santam SI Investments (Pty) Ltd	Insurance	RSA	78 551 582	100.0%	100.0%	193	–	–
Santam Specialist Business Ltd	Administration company	UK	19	100.0%	100.0%	–	–	–
Santam Structured Insurance Ltd	Insurance	RSA	215 476 226	100.0%	100.0%	215	–	–
Santam Structured Life Ltd	Insurance	RSA	40 000 000	100.0%	100.0%	40	–	–
Santam Structured Insurance Ltd PCC	Insurance	Mauritius	70 467 005	100.0%	100.0%	63	–	–
Santam Structured Reinsurance Ltd PCC	Insurance	Mauritius	797 707 193	100.0%	100.0%	798	–	–
Snyman en Van der Vyver Finansiele Dienste (Pty) Ltd	Broker	RSA	58 389 804	100.0%	100.0%	90	–	–
Stalker Hutchison Admiral (Pty) Ltd	Underwriting	RSA	7 914 393	100.0%	100.0%	–	–	–
Travel Insurance Consultants (Pty) Ltd	Underwriting	RSA	–	100.0%	100.0%	–	–	–
Vantage Insurance Acceptances (Pty) Ltd	Underwriting	RSA	100	100.0%	100.0%	31	–	–
Wheatfields Investments no 136 (Pty) Ltd[2]	Underwriting	RSA	–	0.0%	100.0%	–	–	–
X'S Sure (Pty) Ltd	Insurance	RSA	100	100.0%	100.0%	36	–	–
						2 006	**46**	**308**
Total investments in subsidiaries						**3 035**	**472**	**308**

[1] During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

[2] On 28 May 2021, these companies were deregistered and as a result the shareholding of the group was reduced to 0%.

[3] During 2021, Centriq Insurance Holdings (Pty) Ltd was converted to a private company.

[4] On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure (Pty) Ltd for R6 million in cash.

[5] On 1 January 2020, the Santam group acquired a shareholding of 75% in Insure Group Managers Finance (Pty) Ltd for R250 000 in cash. The company name changed on 8 September 2021 to Broker Funding Solutions (Pty) Ltd.

[6] The Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

[7] During 2020, the Santam group converted a loan to Brolink (Pty) Ltd to the value of R40 million to investment in subsidiary. This resulted in Brolink (Pty) Ltd issuing additional share capital to the Santam group in lieu of the loan.

[8] During 2020, MiWay Group Holdings (Pty) Ltd repaid R99.5 million of share premium to the Santam group. The repayment of share premium did not affect the Santam group's assessment of control over MiWay Group Holdings (Pty) Ltd.

Expected credit losses on amounts owing to Santam are considered immaterial. These amounts have been included in the assessment in note 5.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10 INVESTMENT IN SUBSIDIARIES (continued)

10.2 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.

The company has several intercompany balances owed by and to subsidiaries in the group as at the end of the year. Loans to subsidiaries with outside shareholders are interest bearing and are repayable on demand. Loans to wholly-owned subsidiaries are interest free and repayable on demand. These inter-Santam group balances have been eliminated on consolidation (for detail on balances, refer to table in note 10.1.

During the year Santam entered into a contingent capital facility with Centriq Insurance Company Ltd of R50 million, at an annual facility fee of 0.5% (excluding value added tax) of the contingent capital facility. The capital facility ensured appropriate economic capital levels for the prudential management of the entity. The agreement will be in place until 18 December 2023.

The following is a summary of transactions and balances with subsidiaries:

	Company	
	2021 R million	**2020 R million**
a) Insurance contracts and other services		
– Centriq Insurance Holdings (Pty) Ltd		
Insurance premiums	**136**	164
Insurance claims paid	**(72)**	(94)
– MiWay Group Holdings Ltd		
Insurance premiums	**2 695**	2 473
Insurance claims paid	**(1 629)**	(1 196)
– Santam Namibia Ltd		
Insurance premiums	**77**	81
Reinsurance claims recovered	**25**	2
Reinsurance commission	**15**	5
Insurance claims paid	**(44)**	(9)
Reinsurance services	**(32)**	(20)
– Subsidiaries		
Administration services rendered	**45**	33
Administration services received	**(197)**	(409)
Brokerage commission	**(973)**	(1 174)
b) Year-end balances with related parties		
Emthunzini Black Economic Empowerment staff trust	**1**	2

For loans with subsidiaries, refer to table in note 10.1.

11 NON-CONTROLLING INTEREST IN SUBSIDIARIES

The following table summarises the information relating to the group's subsidiaries that have material non-controlling interests (NCIs), before any intragroup eliminations.

	Group	
	2021 R million	**2020 R million**
Mirabilis Engineering Underwriting Managers (Pty) Ltd	**–**	37
Santam Namibia Ltd	**440**	521
Santam Structured Reinsurance Ltd PCC	**183**	166
Other	**7**	12
Total	**630**	736

11 NON-CONTROLLING INTEREST IN SUBSIDIARIES (continued)

	Mirabilis Engineering Underwriting Managers (Pty) Ltd[1]	Santam Namibia Ltd	
	2020 R million	2021 R million	2020 R million
Ownership and voting right	45.0%	**40.0%**	40.0%
Target share interest		**37.4%**	37.4%
Current assets	99	**388**	525
Non-current assets	13	**545**	589
Current liabilities	23	**586**	660
Non-current liabilities	6	**12**	13
Net assets	83	**335**	441
Carrying amount of NCI	37	**440**	521
SEM target shares	–	**305**	344
Ordinary shareholders	37	**135**	177
Revenue	165	**982**	971
Profit after tax	78	**84**	75
Total comprehensive income	78	**84**	75
Profit allocated to NCI	35	**65**	58
Cash flows from operating activities	76	**64**	18
Cash flows from investing activities	–	**131**	–
Cash flows from financing activities, before dividends to NCI	(35)	**(44)**	(12)
Cash flows from financing activities – cash dividends to NCI	(26)	**(147)**	(17)
Net increase/(decrease) in cash and cash equivalents	15	**4**	(11)

[1] *During 2021 the Santam group purchased the remaining 45% non-controlling interest in Mirabilis Engineering Underwriting Managers (Pty) Ltd. Refer to note 10 for information on the purchase.*

	Santam Structured Reinsurance Ltd PCC			
	Attributable to NCI		Attributable to shareholders of the group	
	2021 R million	2020 R million	2021 R million	2020 R million
Current assets	**323**	310	**3 431**	3 067
Non-current assets	**6**	3	**–**	–
Current liabilities	**146**	147	**934**	1 332
Non-current liabilities	**–**	–	**1 531**	930
Net assets	**183**	166	**966**	805
Carrying amount	**183**	166	**966**	805
Revenue	**215**		**433**	
Profit after tax	**25**		**481**	
Total comprehensive income	**25**		**481**	
Profit allocated to NCI	**25**		**481**	
Cash flows from operating activities	**10**		**62**	
Cash flows from investing activities	**5**		**165**	
Cash flows from financing activities, before dividends to NCI	**17**		**(148)**	
Cash flows from financing activities – cash dividends to NCI	**(30)**		**–**	
Net increase in cash and cash equivalents	**2**		**79**	

As the cell contracts were amended close to 31 December 2020 (refer to note 9), no information relating to profit or cash flows was provided for 2020.

11 NON-CONTROLLING INTEREST IN SUBSIDIARIES (continued)

Santam set up a wholly-owned subsidiary, Santam Namibia Holdings (Pty) Ltd (Namibian HoldCo), in December 2013. Namibian HoldCo purchased the 60% of the issued ordinary shares of Santam Namibia Ltd (Santam Namibia) that was held by Santam Ltd. SEM subscribed for target shares to the value of R277 million in Santam Namibia HoldCo linked to a 37.4% participatory interest in Santam Namibia. The target shares issued to SEM are also disclosed as part of non-controlling interest. Santam Ltd's effective participation in Santam Namibia is therefore 22.6%. However, Santam Ltd retains control over Santam Namibia by way of a service level agreement and representation on board committees, the duration of which is under the control of Santam Ltd. Santam ultimately directs the relevant activities of Santam Namibia through a technical services level agreement. The agreement provides Santam with the ability to make key operational and financial decisions relating to the relevant activities of Santam Namibia.

ACCOUNTING POLICY – NON-CONTROLLING INTEREST

The group recognises any NCI in an acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

ACCOUNTING POLICY – CELL EQUITY

The group offers cell captive facilities to clients which are similar to the cell captive disclosed in note 9.1, except that the group has sole discretion on the payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the cell owners interest is classified as equity as non-controlling interest. Unlike other third-party cell captives, the insurance company does not reinsure business to the cell shareholder, and the cell shareholder participates in the operating results of the cell as an attribution of profit.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group	
	2021 R million	Restated[1] 2020 R million
At the beginning of the year	**2 205**	2 661
Share of results after tax	**78**	(810)
Share of results before tax	**164**	(827)
Share of tax	**(86)**	17
Dividends received from associates and joint ventures	**(7)**	(50)
Impairment	**–**	(15)
Disposals	**(10)**	–
Share of associates other reserves	**18**	419
Foreign currency translation	**18**	424
Share of associates' other movements in retained earnings	**–**	(5)
At the end of the year	**2 284**	2 205

[1] *Refer to note 33 for the detail regarding the restatement.*

Management performed an impairment review on all investments in associates and joint ventures. In the prior year, the carrying value of Indwe Broker Holdings Group (Pty) Ltd was adjusted by R15 million to align with the valuation performed.

The group's share of results of SAN JV in the prior year included an impairment of the underlying investments. The details relating to the impairment test performed is included below (similar methodology applied to group and company).

ASSOCIATES – IMPAIRMENT OF GOODWILL, OTHER INTANGIBLE ASSETS AND OTHER ASSETS

The recoverable amount of goodwill and other intangible assets (non-insurance related) for impairment testing purposes has been determined based on the value in use of the businesses. Impairment testing in respect of insurance-related other intangible assets forms part of the liability adequacy test of insurance liabilities. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance 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.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

SAN JV (100%)

The consolidated carrying value of SAN JV comprise of net asset value (NAV), other intangible assets and goodwill. SAN JV holds 100% of the formerly known Saham Finances Group. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value. Santam holds 10% of SAN JV, as an investment in associate.

Changes to SAN JV's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, as well as impairment tests performed as part of the liability adequacy test, affect the carrying value through other intangible assets.

SAN JV's value in use increased from R20.3 billion at 31 December 2020 to R22.6 billion at 31 December 2021. The carrying value of SAN JV is R20.4 billion at 31 December 2021 (2020: R20.1 billion after an impairment of R6.6 billion). The valuation at 31 December 2021 supported the carrying value and did not result in additional impairments for the current reporting period.

The rand weakened against most currencies in the portfolio, most notably against the Morocco dirham by some 4.4%. The recoverable amount increased in Morocco dirham terms by 6.3%.

The valuation of the general insurance and life operations in Lebanon are maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

Premium growth has outperformed the valuation assumptions since 2020, but at a lower than expected margin. Although the environment remains uncertain and the emergence of new COVID-19 variants can still impact the recovery significantly, the outlook is more positive than a year ago. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on the investments backing the policyholder liabilities. On aggregate, the general insurance portfolio's risk discount rates increased in line with the US risk free yield. This rate is used as a starting point in the determination of local country risk adjusted risk free rates. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the SAN JV footprint as a result of COVID-19.

As reflected in the table below, there were no significant adjustments made to the key assumptions in determining the value in use for cash-generating units (excluding Lebanon).

	General Insurance		Life	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Weighted average local discount rate[1]	**11.4%**	11.0%	**14.2%**	11.6%
Weighted average perpetuity growth rate	**5.4%**	5.7%	**6.1%**	4.9%
VNB multiples	**n/a**	n/a	**10.0 – 16.9**	10.0 – 16.3
Revenue: compounded annual growth rate (range of values over the 10 years)	**6.6% – 10.9%**	6.3% – 8.9%	**n/a**	n/a
Net insurance result margin[2]	**9.6% – 17.3%**	11.0% – 17.0%	**n/a**	n/a

[1] *It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the rand is expected to increase this return over time.*
[2] *Expressed as a percentage of net earned premiums.*

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

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

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

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (GDP) growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the prior year amounted to R6 560 million.

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2021				
Value in use	19 697	2 955	–	22 652
Carrying value	17 918	2 452	–	20 370
Excess over carrying value	1 779	503	–	2 282
Gross impairment previously reported	(4 327)	(502)	(1 731)	(6 560)

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

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change
Base value[1]	1 956	
Risk discount rate +1%	1 785	(8.7%)
Risk discount rate -1%	2 212	13.1%
Perpetuity growth rate +1%	2 116	8.2%
Rand exchange rate depreciation +10%	2 152	10.0%

[1] *This value includes notional dividends.*

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

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R170 million and the value of new business of R137 million of which the sensitivities are provided below:

1. Embedded value sensitivity analysis

	Embedded value R million	Change R million
Base value	170	
Risk discount rate increase by 1%	165	(3.1%)

2. Value of new business sensitivity analysis

	Present value of future new business R million	Change R million
Base value	137	
Risk discount rate increase by 1%	125	(8.8%)

Refer to note 2.1 for the impact of the 2020 impairment on the segmental report. The impairment was included under the Santam's share of SAN JV and other SEM businesses operating segment.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

	Company	
	2021 R million	**2020 R million**
At the beginning of the year	**2 034**	2 514
Impairment	**–**	(480)
At the end of the year	**2 034**	2 034
Dividend income received from associates	**–**	46
Total income from associates	**–**	46

ACCOUNTING POLICY – EQUITY-ACCOUNTED INVESTEES

The group's interest in equity-accounted investees comprises interests in associates and joint ventures. Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the group has joint control with other investors. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates and joint ventures includes goodwill identified on acquisition (see note 13).

If the ownership interest in an equity-accounted investee is reduced, but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of its equity-accounted investees' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The group's share of other post-acquisition movements in equity reserves (other than those related to dividends) is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an equity-accounted investee equals or exceeds its interest in the equity-accounted investee, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the equity-accounted investee.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

The group determines at each reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and recognises the amount adjacent to share of profit or loss of associates and joint ventures in the statement of comprehensive income.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Profits and losses resulting from upstream and downstream transactions between the group and its associates and joint ventures are recognised in the group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the statement of comprehensive income.

Equity accounting is discontinued when the group no longer has significant influence or joint control over the investment.

The company accounts for its investment in associates and joint ventures at cost less provision for impairment.

The aggregate assets, liabilities, revenues and profits/(losses) of the principal associates and joint ventures, all of which are unlisted, were as follows:

	Indwe Broker Holdings Group (Pty) Ltd (joint venture) R million	SAN JV (RF) (Pty) Ltd (associate) R million	Western National Insurance Ltd[1] (associate) R million	Other (associates) R million	Total R million
2021					
Revenue	**327**	**18 768**	**1 524**	**43**	**20 662**
Depreciation and amortisation	**7**	**885**	**–**	**–**	**892**
Interest income	**6**	**2 023**	**79**	**1**	**2 109**
Interest expense	**–**	**41**	**–**	**1**	**42**
Income tax expense	**(6)**	**(579)**	**(64)**	**(1)**	**(650)**
Profit/(loss) from continuing operations	**11**	**523**	**175**	**(8)**	**701**
Total comprehensive income/(loss)	**11**	**1 304**	**175**	**(8)**	**1 482**
Current assets	**208**	**17 458**	**404**	**36**	**18 106**
Non-current assets	**86**	**59 231**	**811**	**21**	**60 149**
Current liabilities	**(177)**	**(9 989)**	**(330)**	**(15)**	**(10 511)**
Non-current liabilities	**(15)**	**(40 539)**	**–**	**(22)**	**(40 576)**
Non-controlling interest	**–**	**(5 791)**	**–**	**–**	**(5 791)**
Net asset value (after NCI)	**102**	**20 370**	**885**	**20**	**21 377**
Calculated carrying value	**35**	**1 848**	**395**	**6**	**2 284**
Intangible assets recognised in the carrying value of associates	**–**	**–**	**–**	**–**	**–**
Carrying value	**35**	**1 848**	**395**	**6**	**2 284**

	Indwe Broker Holdings Group (Pty) Ltd (joint venture) R million	SAN JV (RF) (Pty) Ltd (associate) R million	Western National Insurance Ltd[1] (associate) R million	Other (associates) R million	Total R million
2020					
Revenue	338	20 272	1 408	44	22 062
Depreciation and amortisation	1	946	–	–	947
Interest income	9	427	46	–	482
Interest expense	–	52	–	–	52
Income tax (expense)/credit	(8)	415	(54)	(1)	352
Profit/(loss) from continuing operations	21	(6 515)	145	(7)	(6 356)
Total comprehensive income/(loss)	21	(2 835)	145	(7)	(2 676)
Current assets	184	17 408	477	14	18 083
Non-current assets	93	58 066	590	22	58 771
Current liabilities	(169)	(9 677)	(357)	(14)	(10 217)
Non-current liabilities	(14)	(40 886)	–	(16)	(40 916)
Non-controlling interest	–	(4 768)	–	–	(4 768)
Net asset value (after NCI)	94	20 143	710	6	20 953
Calculated carrying value	35	1 823	323	16	2 197
Intangible assets recognised in the carrying value of associates	–	–	–	8	8
Carrying value	35	1 823	323	24	2 205

[1] *Western National Insurance has a financial year-end of 28 February. The information included in the summary is based on the management accounts for the 12 months ended 31 August 2021 (2020: 12 months ended 31 August 2020).*

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Additional information regarding joint ventures is as follows:

	Indwe Broker Holdings Group (Pty) Ltd R million
2021	
Cash and cash equivalents	**180**
Current liabilities (excluding trade and other payables and provisions)	**153**
Non-current liabilities (excluding trade and other payables and provisions)	**15**
2020	
Cash and cash equivalents	168
Current liabilities (excluding trade and other payables and provisions)	143
Non-current liabilities (excluding trade and other payables and provisions)	14

12.1 Analysis of investments in associates and joint ventures

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2021	Proportion held by the company 2020	Carrying value including equity-accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
SAN JV (RF) (Pty) Ltd	Insurance	RSA	28 021 414 171	**10.0%**	10.0%	1 848	15	236
South African Nuclear Pool Administrators (Pty) Ltd	Insurance	RSA	120	**33.3%**	33.3%	–	–	–
						1 848	**15**	**236**
Indirect								
HCV Underwriting Managers (Pty) Ltd[1]	Insurance	RSA	300	**0.0%**	30.0%	–	–	–
Indwe Broker Holdings Group (Pty) Ltd	Intermediary	RSA	28 552 225	**24.0%**	24.0%	35	–	–
RTS Construction & Engineering (Pty) Ltd[1]	Industrial technologies	RSA	100	**0.0%**	30.0%	–	–	–
STRIDE South Africa (RF) (Pty) Ltd	IT company	RSA	25 140 000	**33.3%**	33.3%	–	–	–
Ctrl Investment Holdings (Pty) Ltd[2]	IT company	RSA	15 172 451	**20.4%**	25.0%	5	–	19
Vulindlela Underwriting Managers (Pty) Ltd	Underwriting	RSA	800	**47.0%**	47.0%	1	–	–
Western National Insurance Ltd	Insurance	RSA	165 000 000	**40.0%**	40.0%	395	30	–
						436	**30**	**19**
Total investments in associates and joint ventures						**2 284**	**45**	**255**

[1] *These investments were disposed of during 2021, resulting in a loss on disposal of R4 million.*

[2] *During 2021, the group's shareholding was diluted due to additional shares being issued to other shareholders.*

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

12.2 Transactions with entities in the group

During the year the company in the ordinary course of business entered into various transactions with associates and joint ventures.

The following is a summary of transactions and balances with associates and joint ventures:

	Company	
	2021 R million	**2020 R million**
a) Insurance contracts and other services		
– SAN JV (RF) (Pty) Ltd group		
Inward reinsurance contracts	**410**	277
Inward reinsurance claims	**(210)**	(2)
Inward reinsurance commissions	**(47)**	(38)
Outward reinsurance contracts	**(66)**	(46)
Outward reinsurance claims	**16**	192
Outward reinsurance commissions	**17**	12
– other associates and joint ventures		
Inward reinsurance contracts	**235**	204
Inward reinsurance claims	**(177)**	(100)
Inward reinsurance commissions	**(65)**	(58)
Outward reinsurance contracts	**(288)**	(282)
Outward reinsurance claims	**167**	157
Outward reinsurance commissions	**32**	32
Administration services	**(63)**	(66)
Brokerage commission	**(79)**	(83)
b) Year-end balances with related parties		
Western National Insurance Ltd	**(30)**	14
SAN JV (RF) (Pty) Ltd group	**221**	135
Ctrl Investment Holdings (Pty) Ltd	**19**	16

For loans with associates, refer to table in note 12.1.

13 INTANGIBLE ASSETS

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
GROUP					
At 1 January 2020					
Cost	780	537	7	100	1 424
Accumulated impairment/amortisation	(104)	(324)	(3)	(45)	(476)
Net book amount	676	213	4	55	948
Movement for the year ended 31 December 2020					
Acquisitions	–	81	–	–	81
Amortisation	–	(54)	(2)	(14)	(70)
Business combinations	9	–	–	–	9
At 31 December 2020					
Cost	789	618	7	100	1 514
Accumulated impairment/amortisation	(104)	(378)	(5)	(59)	(546)
Net book amount	685	240	2	41	968
Movement for the year ended 31 December 2021					
Acquisitions	**–**	**89**	**–**	**–**	**89**
Amortisation	**–**	**(51)**	**(2)**	**(15)**	**(68)**
At 31 December 2021					
Cost	**789**	**707**	**7**	**100**	**1 603**
Accumulated impairment/amortisation	**(104)**	**(429)**	**(7)**	**(74)**	**(614)**
Net book amount	**685**	**278**	**–**	**26**	**989**

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
COMPANY					
At 1 January 2020					
Cost	76	276	1	30	383
Accumulated impairment/amortisation	–	(112)	(1)	(30)	(143)
Net book amount	76	164	–	–	240
Movement for the year ended 31 December 2020					
Acquisitions	–	42	–	–	42
Amortisation	–	(22)	–	–	(22)
At 31 December 2020					
Cost	76	318	1	30	425
Accumulated impairment/amortisation	–	(134)	(1)	(30)	(165)
Net book amount	76	184	–	–	260
Movement for the year ended 31 December 2021					
Acquisitions	**–**	**71**	**–**	**–**	**71**
Amortisation	**–**	**(25)**	**–**	**–**	**(25)**
At 31 December 2021					
Cost	**76**	**389**	**1**	**30**	**496**
Accumulated impairment/amortisation	**–**	**(159)**	**(1)**	**(30)**	**(190)**
Net book amount	**76**	**230**	**–**	**–**	**306**

13 INTANGIBLE ASSETS (continued)

Computer software

Additional software acquired by the group during the year consists of external software of R18 million (2020: R8 million) and internally developed software of R71 million (2020: R73 million). The internally developed software acquired in the prior year forms part of a strategic project to develop a new claims management system. Implementation of phase 1 of the project commenced in 2020 and phase 2 in 2021. It is expected that the useful life of the technology will be 10 years from the date the software is ready for use. The internally developed software in the current year includes software acquired as part of the IFRS 17 implementation process.

Key business relationships

Key business relationships 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. Discount rates between 22% and 24% (2020: 22% and 24%) are used as significant input.

ACCOUNTING POLICY – GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures; it represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Impairment tests of goodwill

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

	Group	
	2021 R million	**2020 R million**
Crop	**19**	19
Alternative risk	**16**	16
Brokerage	**79**	79
Policy administration	**49**	49
Engineering	**28**	28
MiWay group	**331**	331
Liability	**87**	87
Accident and health	**76**	76
	685	685

13 INTANGIBLE ASSETS (continued)

Impairment tests of goodwill (continued)

All CGUs were tested for impairment. When testing for impairment, the recoverable amount of a CGU, based on the fair value less cost of disposal, is determined using discounted cash flow projections for significant balances. The remaining are tested using Net Asset Values and simplified PE ratios. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment tests are applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary.
- Current changes in operations are assessed to determine whether it will have an impact on the valuation.
- The discount rates applied in the cash flow projections are reassessed.

The nature of goodwill mainly relates to employee skill and industry knowledge. In 2021, no goodwill was raised (2020: R9 million was raised on acquisition of JaSure (Pty) Ltd (Policy administration)).

In accordance with the accounting policy stated above, the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of the most significant CGU have been determined by estimating the future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value. Cash flows projected for 10 years and a terminal growth rate of 5% is applied.

Discount rates between 14.5% and 24% (2020: 14.6% and 24%) were applied in the recoverable amount valuation. As discount rates are considered a significant input in the valuation of these entities, a sensitivity analysis was performed on the valuation outcome of the most significant CGU. If discount rates increase by 10% the valuations would decrease on average by 13.4% (2020: 13.3%). Should the discount rates decrease by 10% the valuations would increase on average by 17.9% (2020: 17.8%). These sensitivities and other relevant factors were considered in the overall impairment testing and it was concluded that no impairment would be required.

ACCOUNTING POLICY – OTHER INTANGIBLE ASSETS

Computer software

Computer software is recognised at cost less amortisation and impairment charges. Computer software packages acquired are initially recognised at fair value. Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which do not exceed 10 years.

Brands, trademarks and trade names

Separately acquired brands, trademarks and trade names are shown at historical cost. Brands, trademarks and trade names acquired in a business combination are recognised at fair value at the acquisition date. Brands, trademarks and trade names have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of brands, trademarks and trade names over their estimated useful lives of three to five years.

Key business relationships

Key business relationships acquired in a business combination are recognised at fair value at the acquisition date. The key business relationships 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 of three to six years of the key business relationship.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14 CORPORATE TRANSACTIONS

For the year ended 31 December 2021

Acquisitions

MIRABILIS HOLDING COMPANY (PTY) LTD

During April 2021, the Santam Group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

For the year ended 31 December 2020

Acquisitions

JASURE FINANCIAL SERVICES (PTY) LTD

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	(1)
Trade and other payables	(5)
Net asset value acquired	(6)
Non-controlling interest	3
Goodwill	9
Purchase consideration paid	6

ECHELON UNDERWRITING MANAGERS (PTY) LTD

The Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

INSURE GROUP MANAGERS FINANCE (PTY) LTD

On 1 July 2020, the Santam group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250 000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred tax	1
Loans and receivables	42
Cash and cash equivalents	2
Trade and other payables	(45)
Net asset value acquired/purchase consideration paid	–

15 PROPERTY AND EQUIPMENT

Property and equipment consists of owned and leased assets that do not meet the definition of investment property.

	Note	Group 2021 R million	Group 2020 R million	Company 2021 R million	Company 2020 R million
Property and equipment owned		**108**	139	**65**	61
Property and equipment leased (right-of-use asset)	15.1	**594**	621	**452**	473
Total		**702**	760	**517**	534

15.1 Types of property and equipment

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
GROUP				
At 1 January 2020				
Cost or valuation	1 017	313	181	1 511
Accumulated depreciation	(149)	(258)	(120)	(527)
Net book amount	868	55	61	984
Movement for the year ended 31 December 2020				
Additions	52	46	19	117
Owned assets	–	46	19	65
Leased assets	52	–	–	52
Disposals	(117)	–	–	(117)
Leased assets	(117)	–	–	(117)
Depreciation charge	(164)	(39)	(21)	(224)
Owned assets	–	(39)	(11)	(50)
Leased assets	(164)	–	(10)	(174)
At 31 December 2020				
Cost or valuation	952	347	200	1 499
Accumulated depreciation	(313)	(285)	(141)	(739)
Net book amount	639	62	59	760
Movement for the year ended 31 December 2021				
Additions	**118**	**12**	**28**	**158**
Owned assets	**–**	**12**	**7**	**19**
Leased assets	**118**	**–**	**21**	**139**
Disposals	**(1)**	**–**	**–**	**(1)**
Leased assets	**(1)**	**–**	**–**	**(1)**
Depreciation charge	**(152)**	**(37)**	**(26)**	**(215)**
Owned assets	**–**	**(37)**	**(13)**	**(50)**
Leased assets	**(152)**	**–**	**(13)**	**(165)**
At 31 December 2021				
Cost or valuation	**1 064**	**339**	**228**	**1 631**
Accumulated depreciation	**(460)**	**(302)**	**(167)**	**(929)**
Net book amount	**604**	**37**	**61**	**702**

15 PROPERTY AND EQUIPMENT (continued)

15.1 Types of property and equipment (continued)

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
COMPANY				
At 1 January 2020				
Cost or valuation	717	170	100	987
Accumulated depreciation	(99)	(134)	(59)	(292)
Net book amount	618	36	41	695
Movement for the year ended 31 December 2020				
Opening net book amount				
Additions	44	30	2	76
Owned assets	–	30	2	32
Leased assets	44	–	–	44
Disposals	(82)	–	–	(82)
Leased assets	(82)	–	–	(82)
Depreciation charge	(118)	(24)	(13)	(155)
Owned assets	–	(24)	(4)	(28)
Leased assets	(118)	–	(9)	(127)
At 31 December 2020				
Cost or valuation	679	200	102	981
Accumulated depreciation	(217)	(158)	(72)	(447)
Net book amount	462	42	30	534
Movement for the year ended 31 December 2021				
Additions	**78**	**36**	**26**	**140**
Owned assets	**–**	**36**	**6**	**42**
Leased assets	**78**	**–**	**20**	**98**
Disposals	**(1)**	**–**	**–**	**(1)**
Leased assets	**(1)**	**–**	**–**	**(1)**
Depreciation charge	**(106)**	**(31)**	**(19)**	**(156)**
Owned assets	**–**	**(31)**	**(7)**	**(38)**
Leased assets	**(106)**	**–**	**(12)**	**(118)**
At 31 December 2021				
Cost or valuation	**756**	**236**	**128**	**1 120**
Accumulated depreciation	**(323)**	**(189)**	**(91)**	**(603)**
Net book amount	**433**	**47**	**37**	**517**

The Santam Group concluded an eight year lease agreement in Parktown Johannesburg. Lease commencement is planned for April 2023, after construction completion. It will optimise and consolidate 2 current leases of the Santam Group in the approximate vicinity.

Depreciation expense has been included in expenses for marketing and administration in the statement of comprehensive income (refer to note 20.2).

15 PROPERTY AND EQUIPMENT (continued)

15.1 Types of property and equipment (continued)

ACCOUNTING POLICY – PROPERTY AND EQUIPMENT

(a) Property

All owner-occupied buildings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the building. Land is not depreciated. Buildings are depreciated on a straight-line basis to allocate the cost over the estimated useful life (50 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly.

(b) Equipment

Equipment is stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the statement of comprehensive income over the estimated useful life of each significant part of an item of equipment, using the straight-line basis.

Estimated useful lives are as follows:

Computer equipment	3 years
Furniture and equipment	3 – 6 years
Motor vehicles	Up to 5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the existing asset will flow to the group.

ACCOUNTING POLICY – LEASES

Agreements where the counterparty retains control of the underlying asset are classified as leases. The group leases various offices, motor vehicles and office equipment.

Leases other than short term leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated using the straight-line method over the earlier of the useful life of the underlying asset or the period of the lease term. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Short term leases with a term shorter than 12 months are accounted for as operating leases.

Offiices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing techology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

Assets and liabilities arising from a lease are initially measured on a discounted value basis. Right-of-use asset comprise of:

- the amount of the initial measurement of the lease liability, as described in note 6.9;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the lessee

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment.

16 SHARE CAPITAL

	Group and company ordinary shares		Group treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
At 1 January 2020	115 131	103	4 656	482
Purchase of treasury shares	–	–	570	155
Reissue of treasury shares	–	–	(412)	(110)
At 31 December 2020	115 131	103	4 814	527
Purchase of treasury shares	**–**	**–**	**469**	**120**
Reissue of treasury shares	**–**	**–**	**(312)**	**(77)**
At 31 December 2021	**115 131**	**103**	**4 971**	**570**

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007 a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2021 the subsidiary acquired an additional 469 000 (2020: 570 000) shares to utilise as part of the deferred share plan (DSP), while 298 430 (2020: 390 922) shares were reissued in terms of the DSP. The net amount of these transactions has been deducted from shareholders' equity. The shares are held as 'Treasury shares'.

Since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd. During 2021, the staff trust distributed 14 084 (2020: 21 164) shares.

ACCOUNTING POLICY – SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders net of any directly attributable incremental transaction costs and the related income tax effects.

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

16 SHARE CAPITAL (continued)

16.1 Directors' and prescribed officers' interest in the shares of the company

At 31 December 2021 the directors of the company held direct and indirect interests, including family interests, in 80 171 of the company's issued ordinary shares (2020: 74 030). Details of shares held per individual director are listed below. A total of 77 753 (2020: 86 931) deferred shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

	Direct		Indirect		
2021	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Total**
Executive directors and prescribed officers					
L Lambrechts	**48 558**	**–**	**–**	**–**	**48 558**
HD Nel[1]	**24 042**	**–**	**–**	**–**	**24 042**
Non-executive directors					
MP Fandeso	**1 196**	**–**	**–**	**–**	**1 196**
JJ Ngulube	**5 104**	**–**	**–**	**–**	**5 104**
MJ Reyneke	**–**	**–**	**271**	**–**	**271**
PE Speckmann	**1 000**	**–**	**–**	**–**	**1 000**
	79 900	**–**	**271**	**–**	**80 171**
2020					
Executive directors and prescribed officers					
L Lambrechts	37 764	–	–	–	37 764
HD Nel[1]	20 125	–	–	–	20 125
Non-executive directors					
B Campbell	8 370	–	–	–	8 370
MP Fandeso	1 196	–	–	–	1 196
VP Khanyile	–	–	200	–	200
JJ Ngulube	5 104	–	–	–	5 104
MJ Reyneke	–	–	271	–	271
PE Speckmann	1 000	–	–	–	1 000
	73 559	–	471	–	74 030

[1] *At 31 December 2021, 10 905 (2020: 10 905) Santam shares with a market value of R2.9 million (2020: R2.8 million) were pledged as security for a loan of R1 million with Sanlam Private Wealth.*

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17 SHARE INCENTIVE SCHEMES

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP)

DEFERRED SHARE PLAN (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the group throughout the vesting period and maintains agreed individual performance hurdles.

All share awards are subject to the following measurement of performance conditions:

- 40% of the award to be measured after three years since the date of grant, and to the extent that the performance hurdle is not achieved the entitlement to the DSP shares will lapse
- 30% of the award to be measured after four years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after five years since the date of grant, and to the extent that the performance hurdle is not achieved the entitlement to the DSP shares will lapse.

The award granted under the DSP is not subject to the satisfaction of the group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of total guaranteed package (TGP). To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

EXECUTIVE COMMITTEE DSP PERFORMANCE CONDITIONS

The short-term Individual financial and strategic performance conditions are aligned to the long-term strategic focus areas of the Group. Individual key performance indicators (KPI's) scores, which include both strategic and financial indicators, measured over a rolling five year period will be used as basis to assess performance achievement by an Exco member.

PERFORMANCE DEFERRED SHARE PLAN (PDSP)

To the extent that the face value of awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive (LTI) awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire Santam shares for no consideration, subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of a Santam PDSP awards before 2020 is also subject to the condition that the Santam group's return on capital (ROC) exceeds its cost of capital for the relevant measurement period, as finally determined by the directors.

PDSP awards from 2020 onwards will be subject to a return on capital (ROC) hurdle with a sliding scale applied between 16% (threshold) and 24% (stretched).

The use of relevant performance conditions is considered appropriate as these are the key drivers of the Santam group's strategy. The use of these measures creates a direct link between the LTI reward, group strategy and shareholders' interests.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed performance measurement period. To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

Prior to 2019, Santam granted executive committee members awards under the Sanlam DSP and Sanlam PDSP. As a result executive committee members have unvested awards under the Sanlam DSP and PDSP. For Sanlam PDSP awards (awarded up to 2018), in addition to continued employment by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the PDSP is also subject to the condition that the Sanlam Group's return on group embedded value (RoGEV) exceeds the cost of capital for the measurement period by an agreed margin.

17 SHARE INCENTIVE SCHEMES (continued)

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP) (continued)

Allocations were made as follows during the year:

	Number of participants		Number of shares	
	2021	**2020**	**2021**	**2020**
Allocations in respect of:				
Santam DSP	**329**	304	**394 017**	365 626
Santam PDSP	**6**	10	**9 649**	37 472
			403 666	403 098

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R98 million (2020: R97 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Santam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

2020	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2016	31 May 2021	R206.57	87 065
	21 September 2016	31 May 2021	R183.88	7 696
	1 June 2017	31 May 2022	R223.30	164 172
	1 June 2018	31 May 2023	R309.84	263 749
	1 June 2019	31 May 2024	R286.92	333 170
	1 June 2020	31 May 2025	R241.07	399 076
				1 254 928

Movements during the period	Average price	Number of shares
As at 1 January 2020	R256.43	1 219 221
Shares awarded in 2020	R241.07	403 098
Awarded shares lapsed due to resignations	R250.65	(51 835)
Shares issued	R210.64	(315 556)
As at 31 December 2020	R263.75	1 254 928

2021	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2017	31 May 2022	R223.30	**75 642**
	1 June 2018	31 May 2023	R309.84	**154 530**
	1 June 2019	31 May 2024	R286.92	**320 750**
	1 June 2020	31 May 2025	R241.07	**380 618**
	1 June 2021	31 May 2026	R242.98	**399 208**
				1 330 748

Movements during the period	Average price	Number of shares
As at 1 January 2021	R263.75	**1 254 928**
Shares awarded in 2021	R242.98	**403 666**
Awarded shares lapsed due to resignations	R244.04	**(45 493)**
Shares issued	R237.10	**(282 353)**
As at 31 December 2021	R256.89	**1 330 748**

17 SHARE INCENTIVE SCHEMES (continued)

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP) (continued)

ACCOUNTING POLICY – DEFERRED SHARE PLANS

In terms of the DSP and PDSP, Santam undertakes to deliver a fixed number of shares to selected employees on predetermined dates in the future, in accordance with the terms and conditions of the plans detailed above.

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 well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

(ii) The Emthunzini Black Economic Empowerment staff trust (the staff trust)

The staff trust is one of three components of a structured entity which hosted the Santam BBBEE scheme that unwound during 2015. Refer to note 16 for further information on the structured entity. Units were allocated to new black employees that joined the Santam group and to black employees that were promoted since the previous allocation. These units were allocated on a deferred delivery basis over a seven-year period. The fair value used in determining the allocation was based on the unit price on grant date, adjusted for expected employee attrition over the vesting period. The unit price reflected the number of Santam shares held in the staff trust. During 2018, units were converted into shares using an equivalent fair value rate. Any new awards are made in shares. The total share allocation costs for the staff trust amounting to R2 million (2020: R2 million) has been included in the statement of comprehensive income.

2020	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 September 2014	31 August 2021	R218.90	6 631
	1 December 2014	30 November 2021	R212.68	853
	1 July 2015	30 June 2022	R217.00	472
	1 September 2015	31 August 2022	R214.50	394
	1 September 2016	31 August 2023	R220.00	5 646
	1 September 2017	31 August 2024	R259.00	3 940
	1 September 2018	31 August 2025	R303.17	7 093
	1 September 2019	31 August 2026	R285.00	7 019
	1 September 2020	31 August 2027	R248.00	1 634
				33 682

Movements during the period	Average price	Number of shares
As at 1 January 2020	R286.45	57 107
Shares awarded in 2020	R248.00	1 634
Awarded options lapsed due to resignations	R283.97	(4 009)
Shares issued	R209.64	(21 050)
As at 31 December 2020	R256.13	33 682

17 SHARE INCENTIVE SCHEMES (continued)

(ii) The Emthunzini Black Economic Empowerment staff trust (the staff trust) (continued)

2021	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 July 2015	30 June 2022	R217.00	**236**
	1 September 2015	31 August 2022	R214.50	**197**
	1 September 2016	31 August 2023	R220.00	**3 764**
	1 September 2017	31 August 2024	R259.00	**2 955**
	1 September 2018	31 August 2025	R303.17	**4 256**
	1 September 2019	31 August 2026	R285.00	**7 019**
	1 September 2020	31 August 2027	R248.00	**1 634**
				20 061

Movements during the period	Average price	Number of shares
As at 1 January 2020	R256.13	**33 682**
Awarded options lapsed due to resignations	R218.90	**(262)**
Shares issued	R239.41	**(13 359)**
As at 31 December 2021	R267.76	**20 061**

ACCOUNTING POLICY – THE EMTHUNZINI BLACK ECONOMIC EMPOWERMENT (BEE) SCHEME

In terms of the BEE scheme, Central Plaza (a structured entity within the Sanlam Group), undertook to deliver a specified number of units to selected black Santam employees or strategic business partners on predetermined dates in the future. Employees still need to be in the employment of Santam on or by those dates. Vesting occurs based on the contracts with employees or the strategic business partners, but does not exceed a period of seven years.

The Central Plaza structure unwound on 28 February 2015. Unvested and unallocated units relating to black Santam employees were transferred to the staff trust that is controlled by Santam Ltd. The staff trust is consolidated. All units relating to strategic business partners were settled as part of the unwinding process. 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 cost of funding, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

17 SHARE INCENTIVE SCHEMES (continued)

17.1 Santam shares granted under the deferred share plan and performance deferred share plan to executive directors and prescribed officers

The DSP has been implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period. In addition to the DSP, a PDSP is also in place. Refer to note 17 for details on these plans.

DSP AND PDSP – DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION

2021	As at 31 December 2020	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2021
Santam shares						
L Lambrechts	4 023	–	(4 023)	R274.47	01/06/16	–
	175	–	(175)	R274.47	21/09/16	–
	4 644	–	(2 322)	R274.47	01/06/17	2 322
	10 686	–	(4 274)	R274.47	01/06/18	6 412
	15 547	–	–	–	01/06/19	15 547
	17 724	–	–	–	01/06/20	17 724
	52 799	–	(10 794)			42 005
HD Nel	1 408	–	(1 408)	R274.47	01/06/16	–
	62	–	(62)	R274.47	21/09/16	–
	2 614	–	(1 307)	R274.47	01/06/17	1 307
	2 850	–	(1 140)	R274.47	01/06/18	1 710
	5 194	–	–	–	01/06/19	5 194
	22 004	–	–	–	01/06/20	22 004
	–	5 533	–	–	01/06/21	5 533
	34 132	5 533	(3 917)			35 748
Total	86 931	5 533	(14 711)			77 753

2020	As at 31 December 2019	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2020
Santam shares						
L Lambrechts	8 751	–	(8 751)	R266.94	01/06/15	–
	366	–	(366)	R266.94	21/09/16	–
	8 046	–	(4 023)	R266.94	01/06/16	4 023
	350	–	(175)	R266.94	21/09/16	175
	7 740	–	(3 096)	R266.94	01/06/17	4 644
	10 686	–	–	–	01/06/18	10 686
	15 547	–	–	–	01/06/19	15 547
	–	17 724	–	–	01/06/20	17 724
	51 486	17 724	(16 411)			52 799
HD Nel	1 802	–	(1 802)	R266.94	01/06/15	–
	76	–	(76)	R266.94	21/09/16	–
	2 816	–	(1 408)	R266.94	01/06/16	1 408
	124	–	(62)	R266.94	21/09/16	62
	4 356	–	(1 742)	R266.94	01/06/17	2 614
	2 850	–	–	–	01/06/18	2 850
	5 194	–	–	–	01/06/19	5 194
	–	22 004	–	–	01/06/20	22 004
	17 218	22 004	(5 090)			34 132
Total	68 704	39 728	(21 501)			86 931

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17 SHARE INCENTIVE SCHEMES (continued)

17.2 Sanlam shares granted under the deferred share plans to executive directors and prescribed officers

2021	As at 31 December 2020	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2021
Sanlam shares						
L Lambrechts	**7 386**	**–**	**(2 320)**	**R61.20**	**01/06/17**	**5 066**
	18 982	**–**	**(2 887)**	**R61.20**	**01/06/18**	**16 095**
	26 368	**–**	**(5 207)**			**21 161**
HD Nel	**3 694**	**–**	**(3 050)**	**R61.20**	**01/06/16**	**644**
	4 158	**–**	**(1 571)**	**R61.20**	**01/06/17**	**2 587**
	5 062	**–**	**(1 397)**	**R61.20**	**01/06/18**	**3 665**
	12 914	**–**	**(6 018)**			**6 896**
Total	**39 282**	**–**	**(11 225)**			**28 057**

2020	As at 31 December 2019	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2020
Sanlam shares						
L Lambrechts	12 310	–	(4 924)	R56.67	01/06/17	7 386
	18 982	–	–	–	01/06/18	18 982
	31 292	–	(4 924)			26 368
HD Nel	2 468	–	(2 468)	R56.67	01/06/15	–
	5 241	–	(1 547)	R56.67	01/06/16	3 694
	6 929	–	(2 771)	R56.67	01/06/17	4 158
	5 062	–	–	–	01/06/18	5 062
	19 700	–	(6 786)			12 914
Total	50 992	–	(11 710)			39 282

18 RESERVES

18.1 Other reserves

	Translation reserve R million	Capital contribution reserve R million	Total R million
GROUP			
Balance as at 1 January 2020	(414)	9	(405)
Share of associates' currency translation differences	424	–	424
Balance as at 31 December 2020 (restated[1])	10	9	19
Share of associates' currency translation differences	**18**	**–**	**18**
Balance as at 31 December 2021	**28**	**9**	**37**

Exchange differences, resulting from the translation of the financial statements of foreign operations with a presentation currency different to that of the group, are taken to the translation reserve on consolidation to form part of equity. On disposal of such a foreign operation the translation differences are recognised in the statement of comprehensive income as part of the profit or loss on disposal.

The capital contribution reserve reflects the reserves of the Emthunzini BBBEE staff trust that came under control of Santam Ltd as a result of the unwinding of the Central Plaza structure in 2015.

[1] *Refer to note 33 for the detail regarding the restatement.*

18 RESERVES (continued)

18.2 Distributable reserves

	Group		Company	
	2021 R million	Restated[1] 2020 R million	2021 R million	2020 R million
Share-based payment reserve				
At the beginning of the year	**881**	801	**41**	72
Transfer from retained earnings	**86**	80	**82**	70
Loss on delivery of shares in terms of share scheme	**–**	–	**(74)**	(101)
At the end of the year	**967**	881	**49**	41
Retained earnings	**10 895**	8 880	**9 518**	7 738
Total distributable reserves	**11 862**	9 761	**9 567**	7 779

[1] *Refer to note 33 for the detail regarding the restatement*

The obligation that flows from an agreement between the entity and another party to enter into a share-based payment transaction, which entitles the other party to receive benefits in terms of the agreement, is recognised as a share-based payment expense in the statement of comprehensive income. A release of this reserve will not be recognised in profit or loss.

ACCOUNTING POLICY – HEDGING

The group has elected to apply IFRS 9 for hedge accounting.

When such hedging opportunities are identified, the group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction at the inception of the hedging transaction. The group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that will be used in the hedging transaction is and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the foreign currency value of the hedging instrument that will be designated and qualifies as a cash flow hedge, is recognised in other comprehensive income and accumulates in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within investment income (if applicable). The tax charge on the accumulated foreign currency movements is also recognised in equity.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, the acquisition of an associate) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss when the relating asset is impaired or sold.

When the highly probable forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

19 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
At the beginning of the year	**153**	123	**104**	72
Charged to statement of comprehensive income:				
– additional provisions	**63**	56	**46**	40
– reversal of provisions	**(11)**	(6)	**(11)**	(5)
Used during the year	**(17)**	(20)	**(3)**	(3)
Year ended 31 December	**188**	153	**136**	104

The balance consists mainly of the cash-settled share-based payment liability in Santam Ltd, the provision for the MiWay deferred bonus plan, key SSI management's 10% economic participation interest in SSI and IT infrastructure commitments. Participants to the MiWay deferred bonus scheme can redeem their units at any time following their respective vesting dates. In addition, there is a compulsory redemption upon the completion of the fifth year of issue of the units.

ACCOUNTING POLICY – PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, 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.

20 OTHER INCOME AND EXPENSES BY NATURE

20.1 Other income

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Fee income from policy administration	**257**	262	**–**	–
Commission	**95**	85	**89**	79
	352	347	**89**	79

ACCOUNTING POLICY – OTHER INCOME

Fee income is earned by intermediaries within the group for administration services performed on behalf of insurance companies, in terms of binder agreements. The group also earns administration fees for administration of cell captives on behalf of cell owners. These arrangements contain no significant financing components, revenue is earned at a point in time. The group does not recognise any assets in relation to costs required to fulfil its performance obligations in respect of these arrangements.

Commission is earned by the group in its capacity as an intermediary, and is accounted for in the same manner as fee income.

20 OTHER INCOME AND EXPENSES BY NATURE (continued)

20.2 Expenses by nature

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Auditor's remuneration	**34**	38	**16**	17
Audit fees				
– Current year	**28**	33	**13**	16
– Prior year	**3**	4	**–**	–
– Non-audit services	**3**	1	**3**	1
Depreciation	**215**	224	**156**	155
Amortisation of intangible assets	**68**	70	**25**	22
Employee benefit expense (refer to note 20.3)	**3 693**	3 356	**2 706**	2 232
Operating lease rentals	**13**	9	**7**	–
– low value leases	**13**	9	**7**	–
Service level agreement related to computer equipment	**236**	239	**236**	239
Research and development costs	**231**	130	**231**	130
Expenses for the acquisition of insurance contracts	**5 539**	5 124	**5 758**	5 622
Investment-related activities	**93**	66	**66**	46
Provision for impairment of intermediaries (refer to note 4.2)	**17**	63	**–**	54
Other expenses[1]	**355**	390	**65**	366
Total expenses	**10 494**	9 709	**9 266**	8 883

[1] *Includes allocation of claims handling costs to claims costs.*

ACCOUNTING POLICY – LOW VALUE LEASES

Leases relating to low value assets, which consist of office furniture and equipment, are expensed on a straight-line basis.

20.3 Employee benefit expense

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Wages, salaries and bonus	**3 030**	2 759	**2 098**	1 703
Social security costs	**190**	170	**184**	164
Long-term incentive scheme costs	**138**	121	**109**	76
Pension costs – defined contribution plans	**333**	304	**313**	287
BBBEE cost	**2**	2	**2**	2
	3 693	3 356	**2 706**	2 232

20 OTHER INCOME AND EXPENSES BY NATURE (continued)

20.3 Employee benefit expense (continued)

ACCOUNTING POLICY – EMPLOYEE BENEFITS

(a) Pension obligations

The group only has defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays a fixed contribution into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans the group pays contributions to publicly and privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Long-term incentive and retention bonus plan

Certain employees were paid retention bonuses in terms of the long-term incentive and retention bonus plan. These beneficiaries - including executive directors, executive management, senior and middle management – are subject to retention periods. Should the beneficiary be in breach of the retention period, a certain amount is subject for repayment. The costs associated with the long-term incentive and retention bonus plan are recognised in the statement of comprehensive income over the retention period.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Performance bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the net insurance result after certain adjustments as well as growth targets. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

20.3.1 TRANSACTIONS WITH KEY MANAGEMENT

Remuneration is paid to key management (executive committee members) of the group.

Key management also have general insurance contracts with the company in their private capacity. Premiums on these contracts are not material.

	Company	
	2021 R million	**2020 R million**
Key management compensation paid		
Salaries and other short-term employee benefits paid	**51**	77
Retention payments paid	**–**	9
Share-based payments and long-term deferred bonus schemes	**16**	19

20 OTHER INCOME AND EXPENSES BY NATURE (continued)

20.3 Employee benefit expense (continued)

20.3.2 TRANSACTION WITH DIRECTORS AND PRESCRIBED OFFICERS

Remuneration is paid to directors and prescribed officers in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Santam Ltd 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.

Certain directors have general insurance contracts with the company in their private capacity. These contracts are not material.

Directors' and prescribed officers' emoluments

The group human resources committee considers the remuneration of all executive directors as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval. This note reflects the total of executive and non-executive directors' earnings, other benefits and costs incurred by the company, in accordance with the requirement of the Companies Act and Listing Requirements introduced by the JSE Ltd.

	Salary R000	Performance bonus[1] R000	Other benefits and costs[2, 3] R000	Total R000
Executive directors and prescribed officers				
2021				
Paid by the company				
L Lambrechts	**5 956**	**8 100**	**210**	**14 266**
HD Nel	**3 520**	**3 675**	**211**	**7 406**
	9 476	**11 775**	**421**	**21 672**
2020				
Paid by the company				
L Lambrechts	5 889	–	210	6 099
HD Nel	3 446	–	209	3 655
	9 335	–	419	9 754

[1] *Bonus in respect of 2021 paid in 2022. No bonus was awarded in respect of 2020.*
[2] *Includes retirement funding benefits. During 2021, R175 000 (2020: R210 000) was paid in respect of L Lambrechts and R175 000 (2020: R208 636) was paid in respect of HD Nel.*
[3] *Adjusted to exclude company costs.*

	Directors' fees 2021 R000	Directors' fees 2020 R000
Non-executive directors		
Paid by the company		
B Campbell	**492**	905
S Chauke	**535**	–
C Da Silva	**397**	–
MP Fandeso[2]	**1 337**	1 051
PB Hanratty[1]	**859**	325
VP Khanyile	**467**	1 078
IM Kirk[1]	**–**	317
D Loxton	**502**	–
MLD Marole	**941**	828
P Moholi	**700**	–
AM Mukhuba[1]	**839**	155
JJ Ngulube[1]	**675**	519
MJ Reyneke	**1 205**	1 085
PE Speckmann[2]	**1 704**	1 520
	10 653	7 783
Total directors' remuneration	**32 325**	17 537

[1] *Fees were paid to the holding company, Sanlam Ltd.*
[2] *Fees include amounts paid by subsidiaries of the group.*

21 INCOME TAX EXPENSE

	Group		Company	
	2021 R million	Restated[2] 2020 R million	2021 R million	2020 R million
South African normal taxation				
Current year	**1 478**	760	**790**	106
- charge for the year	**1 472**	759	**786**	106
- other taxes	**6**	1	**4**	–
Prior year underprovision	**(72)**	(8)	**(14)**	(6)
Foreign taxation – current year	**60**	17	**–**	–
Income taxation for the year	**1 466**	769	**776**	100
Deferred taxation				
Current year	**5**	31	**(37)**	10
Deferred taxation for the year	**5**	31	**(37)**	10
Total taxation as per the statement of comprehensive income	**1 471**	800	**739**	110
Income tax recovered from cell owners and structured insurance products	**(592)**	(429)	**–**	–
Total tax expense attributable to shareholders	**879**	371	**739**	110
Profit before taxation per statement of comprehensive income	**4 315**	1 231	**3 016**	349
Adjustment for income tax recovered from cell owners and structured insurance products	**(592)**	(429)	**–**	–
Total profit before tax atttributable to shareholders	**3 723**	802	**3 016**	349

	Group		Company	
	2021	Restated[2] 2020	2021	2020
Reconciliation of taxation rate (%)				
Normal South African taxation rate	**28.0**	28.0	**28.0**	28.0
Adjusted for				
– Disallowable expenses	**0.1**	0.8	**–**	1.1
– Foreign tax differential	**0.1**	0.6	**–**	–
– Exempt income[1]	**(1.5)**	(10.0)	**(2.8)**	(32.6)
– Investment results	**(0.5)**	(0.9)	**(0.7)**	(2.1)
– (Income)/loss from associates and joint ventures	**(0.6)**	29.0	**–**	38.5
– Previous year's overprovision	**(1.9)**	(0.8)	**(0.5)**	(1.8)
– Other permanent differences	**(0.3)**	(0.5)	**0.3**	0.2
– Other taxes	**0.2**	0.1	**0.2**	0.2
Net (reduction)/increase	**(4.4)**	18.3	**(3.5)**	3.5
Effective rate (%)	**23.6**	46.3	**24.5**	31.5

[1] *Exempt income on a company level consists mainly of dividends received from subsidiaries.*
[2] *Refer to note 33 for the detail regarding the restatement. The percentage adjustment for Income from associates and joint ventures was restated from 16.9% to 29.0%, and all other percentage adjustments were recalculated using the restated profit before tax.*

ACCOUNTING POLICY – INCOME TAX

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

(b) Withholding tax on dividends

Withholding taxes are measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

22 DEFERRED TAX

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
The amounts are as follows:				
Deferred tax assets	**78**	102	**19**	–
Deferred tax liabilities	**(85)**	(104)	**–**	(19)
Total net deferred income tax (liability)/asset	**(7)**	(2)	**19**	(19)
Deferred tax is made up as follows:				
Lease liabilities	**208**	220	**173**	164
Unrealised appreciation of investments	**(315)**	(238)	**(293)**	(226)
Provisions and accruals	**284**	223	**203**	114
Right-of-use assets	**(158)**	(175)	**(136)**	(132)
Tax losses carried forward	**8**	6	**–**	–
Other differences	**(34)**	(38)	**72**	61
	(7)	(2)	**19**	(19)
Movement of deferred tax				
Balance as at 1 January	**(2)**	29	**(19)**	–
Charge to the statement of comprehensive income	**(5)**	(31)	**37**	(10)
Lease liabilities	**(12)**	(54)	**9**	(41)
Unrealised appreciation of investments	**(77)**	5	**(67)**	30
Provisions and accruals	**61**	(46)	**89**	(57)
Right-of-use assets	**17**	66	**(4)**	47
Tax losses carried forward	**2**	2	**–**	–
Other differences	**4**	(4)	**10**	11
Tax credited directly to equity	**–**	–	**1**	(9)
Balance as at 31 December	**(7)**	(2)	**19**	(19)

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2020: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group has unrecognised tax losses of R17.9 million (2020: R14.9 million).

ACCOUNTING POLICY – DEFERRED TAX

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle the balances on a net basis.

23 EARNINGS PER SHARE

23.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2021 R million	Restated[1] 2020 R million
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (millions)	**110.20**	110.30
Earnings per share (cents)	**2 491**	296

23.2 Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. In the diluted earnings per share calculation for the shares granted to employees under the deferred share plan, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. This calculation serves to determine the unpurchased shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit.

	Group	
	2021 R million	Restated[1] 2020 R million
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (millions)	**110.20**	110.30
Adjusted for share options	**0.58**	0.61
Weighted average number of ordinary shares for diluted earnings per share	**110.78**	110.91
Diluted basic earnings per share (cents)	**2 478**	295

23.3 Headline earnings per share

For the calculation of headline earnings per share, the profit attributable to equity holders of the company is adjusted with items excluded from headline earnings per share as listed below, divided by the normal weighted average number of ordinary shares in issue.

	Group	
	2021 R million	Restated[1] 2020 R million
Headline earnings per share		
Profit attributable to the company's equity holders	**2 745**	327
Impairment of associates and joint ventures	**–**	15
Loss on sale of associates	**4**	–
Share of associates' impairment of assets	**–**	692
Tax charge on share of associates' impairment of assets	**–**	(36)
Headline earnings	**2 749**	998
Weighted average number of ordinary shares in issue (millions)	**110.20**	110.30
Headline earnings per share (cents)	**2 495**	905
23.4 Diluted headline earnings per share		
Headline earnings (R million)	**2 749**	998
Weighted average number of ordinary shares for diluted earnings per share (millions)	**110.78**	110.91
Diluted headline earnings per share (cents)	**2 481**	900
24 DIVIDENDS PER SHARE		
Ordinary dividend per share		
Interim of 432 cents per share (2020: nil cps)	**497**	–
Proposed final 790 cents per share (2020: nil cps)	**910**	–
	1 407	–

A special dividend of 800 cents per share was also declared in March 2022. No special dividend was declared or paid during 2021.

ACCOUNTING POLICY – DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the board of directors approves the dividend.

25 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2021 R million	Restated[1] 2020 R million	2021 R million	2020 R million
Profit before tax	**4 315**	1 231	**3 016**	349
Adjustments for:				
Non-cash items	**604**	1 883	**301**	701
– share-based payment costs	**86**	80	**82**	70
– amortisation of intangible assets	**68**	70	**25**	22
– depreciation	**215**	224	**156**	155
– impairment of net investments and loans in associated companies	**–**	15	**–**	480
– impairment of subsidiaries	**–**	–	**19**	–
– (income)/loss from associates and joint ventures	**(78)**	810	**–**	–
– loss/(profit) on sale of property, plant and equipment	**–**	8	**–**	(12)
– movement in expected credit losses	**(13)**	3	**(5)**	(6)
– cell owners' and policyholders' interest, investment contracts and collateral guarantees	**326**	673	**24**	(8)
Repo liability cash movement	**44**	76	**–**	–
Investment income, realised and fair value gains	**(2 836)**	(1 745)	**(1 570)**	(1 083)
Finance costs	**313**	318	**230**	241
Income tax recovered from cell owners and structured insurance products	**(592)**	(429)	**–**	–
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)	**(392)**	2 617	**(1 609)**	1 789
Reinsurance assets	**(5 848)**	(2 152)	**(5 761)**	(2 242)
Deferred acquisition costs	**(111)**	(106)	**(60)**	(86)
Loans and receivables including insurance receivables	**(1 167)**	(634)	**(829)**	(221)
Insurance liabilities	**6 830**	5 614	**5 291**	4 737
Deferred reinsurance acquisition revenue	**(28)**	11	**29**	36
Provisions for other liabilities and charges	**35**	30	**32**	32
Trade and other payables including insurance payables	**(103)**	(146)	**(311)**	(467)
Investment income received in cash	**1 823**	1 997	**965**	1 135
Dividends received	**249**	316	**285**	355
Dividends received from associates	**6**	50	**–**	46
Interest received	**1 555**	1 620	**705**	727
Foreign exchange differences	**(20)**	2	**(36)**	(2)
Movement in provision for investment income	**33**	9	**11**	9
Cash generated from operations	**3 279**	5 948	**1 333**	3 132

[1] *Refer to note 33 for the detail regarding the restatement.*

ACCOUNTING POLICY – CASH FLOW RELATING TO INVESTMENT PORTFOLIOS

Cash flows relating to investment portfolios are classified as operating activities on the statement of cash flows, other than the acquisition of and proceeds from sales relating to strategic investments, equity portfolios and portfolios backing subordinated debt which are classified as investing activities.

26 INCOME TAX PAID

	Group		Company	
	2021 R million	2020 R million	2021 R million	2020 R million
Amounts charged to profit or loss	**(879)**	(371)	**(739)**	(110)
Income tax credited directly to equity	**(2)**	6	**2**	6
Movement in deferred taxation	**11**	26	**(38)**	20
Movement in taxation liability	**244**	(98)	**248**	(107)
	(626)	(437)	**(527)**	(191)

27 RELATED-PARTY TRANSACTIONS – SANLAM GROUP

Major shareholders

Sanlam Ltd (incorporated in South Africa) is the ultimate holding company with a 62.1% (2020: 61.9%) shareholding in Santam Ltd. The balance of the shareholders (37.9% (2020: 38.1%)) do not have significant influence and thus no other shareholder is treated as a related party. The shares are widely held by public, non-public, individual and corporate shareholders.

Transactions with the Sanlam Group

The group transacts with the Sanlam Group on various levels, predominantly insurance-related cover, provided to Sanlam Group companies. SIM acts as the largest investment fund manager for the group with its fees negotiated on a regular basis. Santam also subscribed to target shares in SEM as described in note 5.1.

The following is a summary of transactions and balances with Sanlam-related parties:

		2021 R million	2020 R million
a)	**Insurance contracts and other services**		
	– Sanlam Ltd and related parties (for insurance premiums)	**20**	17
	– Sanlam Ltd and related parties (for investment management services)	**(49)**	(48)
	– Sanlam Ltd and related parties (for IT infrastructure costs)	**(323)**	(306)
	– Sanlam Ltd and related parties (for administration services)	**(22)**	(20)
	– Sanlam Ltd (for insurance services)	**(5)**	(6)
b)	**Investment income and net realised/unrealised gains received from:**		
	– Sanlam Ltd and related parties	**257**	274
c)	**Dividends paid**		
	– to Sanlam Group	**(293)**	(487)
d)	**Year-end balances with related parties**		
	Sanlam Group: Sanlam Emerging Markets		
	– target shares acquired (refer to note 5.1)	**1 691**	1 538
	– target shares issued (refer to note 11)	**(305)**	(344)
	Sanlam Alternative Income Fund		
	– investment	**27**	1
	Sanlam Global Convertible Securities Fund		
	– investment	**40**	–
	Sanlam Investment Management SA Active Income Fund		
	– investment	**89**	–
	Sanlam Property Fund		
	– investment	**148**	102
	Sanlam Capital Markets		
	– cash and money market instruments	**71**	74
	Sanlam Real Assets Fund		
	– investment	**133**	–
	Sanlam Ltd		
	– shares	**16**	17
	Sanlam Life Insurance Ltd		
	– trade payable	**(10)**	(5)

27 RELATED-PARTY TRANSACTIONS – SANLAM GROUP (continued)

Emoluments for the year ended 31 December

Remuneration received by Santam directors from other Sanlam Group companies for services provided to these companies (disclosed in accordance with section 30(5)(b) of the Companies Act).

	Salary R000	Performance bonus[1] R000	Other benefits R000	Fees R000	Total[2] R000
2021					
PB Hanratty	**6 130**	**–**	**–**	**–**	**6 130**
AM Mukhuba	**5 125**	**1 000**	**390**	**–**	**6 515**
PE Speckmann	**–**	**–**	**–**	**1 986**	**1 986**
	11 255	**1 000**	**390**	**1 986**	**14 631**
2020					
PB Hanratty	3 065	–	–	–	3 065
IM Kirk[3]	4 848	10 000	105	–	14 953
AM Mukhuba[4]	1 296	–	5 983	–	7 279
PE Speckmann	–	–	–	1 399	1 399
	9 209	10 000	6 088	1 399	26 696

[1] *Performance bonus in respect of 2020 paid in 2021 (2019 paid in 2020).*
[2] *Total TGP includes amounts recharged by Sanlam Ltd to Santam Ltd for services provided*
[3] *Other payments of R1.8 million in lieu of accrued leave. Emoluments up until 30 June 2020, date of resignation.*
[4] *Appointed as Financial Director on 1 October 2020. A retention cash bonus of R5.9 million was granted on appointment.*

DEFERRED SHARE PLAN

Sanlam shares

	Balance 31 December 2020	Awarded in 2021	Shares vested	Balance 31 December 2021
AM Mukhuba	106 789	**–**	**–**	**106 789**
Total	106 789	**–**	**–**	**106 789**

	Balance 31 December 2019	Awarded in 2020	Shares vested	Balance 31 December 2020
IM Kirk	158 178	–	(42 597)	115 581
AM Mukhuba	–	106 789	–	106 789
Total	158 178	106 789	(42 597)	222 370

PERFORMANCE DEFERRED SHARE PLAN

	Balance 31 December 2020	Awarded in 2021	Balance 31 December 2021
AM Mukhuba	32 037	**86 208**	**118 245**
Total	32 037	**86 208**	**118 245**

	Balance 31 December 2019	Awarded in 2020	Shares vested	Shares forfeited	Balance 31 December 2020
IM Kirk	271 940	–	(56 610)	(1 915)	213 415
AM Mukhuba	–	32 037	–	–	32 037
Total	271 940	32 037	(56 610)	(1 915)	245 452

RESTRICTED SHARE PLAN

	Balance 31 December 2020	Awarded in 2021	Shares vested	Balance 31 December 2021
PB Hanratty	3 000 000	**2 000 000**	**–**	**5 000 000**
AM Mukhuba	121 075	**14 595**	**–**	**135 670**
Total	3 121 075	**2 014 595**	**–**	**5 135 670**

	Balance 31 December 2019	Awarded in 2020	Balance 31 December 2020
PB Hanratty	–	3 000 000	3 000 000
IM Kirk	37 861	–	37 861
AM Mukhuba	–	121 075	121 075
Total	37 861	3 121 075	3 158 936

28 CONTINGENCIES AND UNCERTAINTIES

Contracts with third parties

The group enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the group's financial position. Refer to note 4.1 for detail relating to CBI claims.

29 COMMITMENTS

The group does not have any other obligations not disclosed in other parts of these financial statements.

30 EVENTS AFTER THE REPORTING PERIOD

There have been no material changes in the affairs or financial position of the group since the statement of financial position date.

31 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(a) Standards, amendments and interpretations effective in 2021

The following amendments to published standards are mandatory for the group's accounting periods beginning on or after 1 January 2021:

Standard	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

There was no material impact on the annual financial statements identified.

31 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

(b) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the group

Number	Effective date	Executive summary
Annual improvements cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	• IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendment to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023 (Published May 2021)	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Amendment to IFRS 3, 'Business combinations'	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The IASB has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the IASB added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

31 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, 'Insurance contracts' Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the IASB developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

Please refer to note 1.2 for detailed information regarding IFRS 17.

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relate mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

32.1 Analysis of policyholder/shareholder statement of financial position

2021	Group R million	Shareholder R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	989	989	–
Property and equipment	702	702	–
Investment in associates and joint ventures	2 284	2 284	–
Strategic investment – unquoted SEM target shares	1 691	1 691	–
Deferred income tax	78	78	–
Deposit with cell owner	90	–	90
Cell owners' and policyholders' interest	11	–	11
Financial assets at fair value through income	31 047	16 590	14 457
Reinsurance assets	14 892	13 793	1 099
Deferred acquisition costs	961	805	156
Loans and receivables including insurance receivables	8 312	5 117	3 195
Current income tax assets	5	5	–
Cash and cash equivalents	4 496	3 144	1 352
Total assets	**65 558**	**45 198**	**20 360**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(570)	(570)	–
Other reserves	37	37	–
Distributable reserves	11 862	11 862	–
	11 432	11 432	–
Non-controlling interest	630	447	183
Total equity	**12 062**	**11 879**	**183**
LIABILITIES			
Deferred income tax	85	61	24
Cell owners' and policyholders' interest	4 908	–	4 908
Reinsurance liability relating to cell owners	90	–	90
Financial liabilities at fair value through income			
Debt securities	2 552	2 552	–
Investment contracts	1 970	–	1 970
Derivatives	1	1	–
Lease liabilities	764	764	–
Financial liabilities at amortised cost			
Repo liability	926	–	926
Collateral guarantee contracts	155	–	155
Insurance liabilities	36 040	25 116	10 924
Deferred reinsurance acquisition revenue	561	478	83
Provisions for other liabilities and charges	188	188	–
Trade and other payables including insurance payables	4 851	3 732	1 119
Current income tax liabilities	405	427	(22)
Total liabilities	**53 496**	**33 319**	**20 177**
Total shareholders' equity and liabilities	**65 558**	**45 198**	**20 360**

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

32.1 Analysis of policyholder/shareholder statement of financial position

2020	Group Restated[1] R million	Shareholder Restated[1] R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	968	968	–
Property and equipment	760	760	–
Investment in associates and joint ventures	2 205	2 205	–
Strategic investment – unquoted SEM target shares	1 538	1 538	–
Deferred income tax	102	117	(15)
Deposit with cell owner	161	–	161
Cell owners' and policyholders' interest	14	–	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	–
Cash and cash equivalents	4 383	3 309	1 074
Total assets	56 180	38 382	17 798
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(527)	(527)	–
Other reserves	19	19	–
Distributable reserves	9 761	9 761	–
	9 356	9 356	–
Non-controlling interest	736	570	166
Total equity	10 092	9 926	166
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	–	4 238
Reinsurance liability relating to cell owners	161	–	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	–
Investment contracts	1 838	–	1 838
Derivatives	80	80	–
Lease liabilities	782	782	–
Financial liabilities at amortised cost			
Repo liability	867	–	867
Collateral guarantee contracts	128	–	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	–
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	46 088	28 456	17 632
Total shareholders' equity and liabilities	56 180	38 382	17 798

[1] *Refer to note 33 for the detail regarding the restatement.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income

2021	Group R million	Shareholder R million	Policyholder/ cellholder R million
Gross written premium	42 129	33 163	8 966
Less: reinsurance written premium	14 766	6 959	7 807
Net written premium	27 363	26 204	1 159
Less: change in unearned premium			
Gross amount	1 573	169	1 404
Reinsurers' share	(794)	(128)	(666)
Net insurance premium revenue	26 584	26 163	421
Interest income on amortised cost instruments	206	206	–
Interest income on fair value through income instruments	1 346	818	528
Other investment income	552	448	104
Income from reinsurance contracts ceded	2 067	1 625	442
Net gains on financial assets and liabilities at fair value through income	732	324	408
Other income	352	352	–
Net income	31 839	29 936	1 903
Insurance claims and loss adjustment expenses			
Gross amount	29 734	25 509	4 225
Recovered from reinsurers	(13 329)	(9 407)	(3 922)
Net insurance benefits and claims	16 405	16 102	303
Expenses for the acquisition of insurance contracts	5 539	5 014	525
Expenses for marketing and administration	4 794	4 773	21
Expenses for investment-related activities	93	93	–
Amortisation and impairment of intangible assets	68	68	–
Investment return allocated to cell owners and structured insurance products	982	–	982
Expenses	27 881	26 050	1 831
Results of operating activities	3 958	3 886	72
Finance costs	(313)	(270)	(43)
Net income from associates and joint ventures	78	78	–
Income tax recovered from cell owners and structured insurance products	592	–	592
Profit before tax	4 315	3 694	621
Income tax expense	(1 471)	(875)	(596)
Profit for the year	2 844	2 819	25

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

2020	Group Restated[1] R million	Shareholder Restated[1] R million	Policyholder/ cellholder R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses:			
Gross amount	25 205	22 308	2 897
Recovered from reinsurers	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net loss from associates and joint ventures	(810)	(810)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 231	802	429
Income tax expense	(800)	(371)	(429)
Profit for the year	431	431	–

[1] *Refer to note 33 for the detail regarding the restatement.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33 CHANGES IN PRESENTATION

33.1 Restatement of the statement of cash flows

In light of the current economic environment and the impact of CBI claims, the group decided to change its presentation policy relating to non-strategic investment portfolios. All cash flows from the acquisition and sale of these investments are now included as part of operating activities, as these portfolios provide liquidity in case of significant claims events. This also aligns to industry practice and the presentation policy of the group's holding company, Sanlam Ltd. Comparative numbers have been restated, as a result of the change in presentation policy, as follows:

	Previously reported 31 December 2020 R million	Restatement 31 December 2020 R million	Restated 31 December 2020 R million
GROUP			
Net cash (used in)/from operating activities			
– Acquisition of financial assets	(29 373)	(1 832)	(31 205)
– Proceeds from sale of financial assets	25 315	690	26 005
Net cash (used in)/from investing activities			
– Acquisition of financial assets	(1 862)	1 832	(30)
– Proceeds from sale of financial assets	690	(690)	–
Net impact	(5 230)	–	(5 230)
COMPANY			
Net cash (used in)/from operating activities			
– Acquisition of financial assets	(17 755)	(1 832)	(19 587)
– Proceeds from sale of financial assets	16 062	690	16 752
Net cash (used in)/from investing activities			
– Acquisition of financial assets	(1 862)	1 832	(30)
– Proceeds from sale of financial assets	690	(690)	–
Net impact	(2 865)	–	(2 865)

33.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. With initial application in 2020, the opening balances of monetary assets and liabilities were restated by applying the consumer price index (CPI) differential between 1 January 2020 and 31 December 2020. The 2020 opening balances of non-monetary assets were restated by applying the CPI differential between the date these items were acquired or incurred and 31 December 2020. The group elected to recognise the impact in the foreign currency translation reserve (FCTR). An impairment loss was recognised in FCTR on initial adoption of IAS 29 when the remeasured amount of the non-monetary items exceeded the estimated recoverable amount on 1 January 2020. The 2019 comparative amounts in the annual financial statements for the year ended 31 December 2020 ("2020 annual financial statements") were not restated, and the initial impact of negative R123 million attributable to the group was recognised in FCTR in the share of associates' currency translation differences line of the statement of changes in equity (SOCE). It comprised the rebase of the underlying statement of financial position of SAN JV as at 31 December 2019 relating to equity of R1 388 million and the reduction of the indexed non-monetary items to the recoverable negative amount of R2 622 million which included both goodwill as well as other intangible assets.

Given the various complexities involved in consolidating LIA Insurance S.A.L. (LIA) (in Lebanon) in a hyperinflationary environment, including recognising additional expected credit losses in respect of financial assets (in terms of the group's policy), and impairments on other intangible assets and goodwill, the monetary assets on which the opening balance restatement at 1 January 2020 was based, were understated. As a result, the initial application of the IAS 29 opening balance adjustment of negative R123 million reported in the 2020 annual financial statements' SOCE should have been positive R92 million attributable to the shareholders. This resulted in an increase in FCTR of R215 million and a corresponding decrease in profit for the year ended 31 December 2020 from R646 million to R431 million, with a consequential impact on earnings per share and headline earnings per share.

33 CHANGES IN PRESENTATION (continued)

33.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings (continued)

The error had no impact on net asset value or any of the group's other key performance indicators as hyperinflation accounting is regarded as a technical accounting requirement. Please see below impact on the 2020 annual financial statements:

Statement of financial position	Previously reported 31 December 2020 R million	Restatement 31 December 2020 R million	Restated 31 December 2020 R million
Capital and reserves attributable to the company's equity holders			
Other reserves	(196)	215	19
Distributable reserves	9 976	(215)	9 761
Net impact	9 780	–	9 780

Statement of comprehensive income	Previously reported 31 December 2020 R million	Restatement 31 December 2020 R million	Restated 31 December 2020 R million
Results of operating activities	1 945	–	1 945
Finance costs	(318)	–	(318)
Net loss from associates and joint ventures	(595)	(215)	(810)
Impairment of associates and joint ventures	(15)	–	(15)
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 446	(215)	1 231
Total tax expense	(800)	–	(800)
Profit for the year	646	(215)	431
Other comprehensive income, net of tax			
Share of associates' currency translation differences	209	215	424
Total comprehensive income for the year	855	–	855
Profit attributable to:			
– equity holders of the company	542	(215)	327
– non-controlling interest	104	–	104
	646	(215)	431

Earnings attributable to equity holders	Previously reported 31 December 2020 Cents	Restatement 31 December 2020 Cents	Restated 31 December 2020 Cents
Basic earnings per share	491	(195)	296
Diluted earnings per share	489	(194)	295
Headline earnings per share	1 100	(195)	905
Diluted headline earnings per share	1 094	(194)	900

Statement of changes in equity

	Attributable to equity holders of the company								
	As previously reported 31 December 2020			Restatement 31 December 2020			Restated 31 December 2020		
GROUP	Other reserves R million	Distributable reserves R million	Total R million	Other reserves R million	Distributable reserves R million	Total R million	Other reserves R million	Distributable reserves R million	Total R million
Profit for the year	–	542	542	–	(215)	(215)	–	327	327
Other comprehensive income									
Share of associates' currency translation differences	209	–	209	215	–	215	424	–	424
Net impact	209	542	751	215	(215)	–	424	327	751

The restatement has no impact on the statement of financial position at 1 January 2020.

ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	1 575	24.02	80 590	0.07
101 – 1 000 shares	3 119	47.56	1 305 392	1.13
1 001 – 50 000 shares	1 755	26.77	11 726 908	10.19
50 001 – 100 000 shares	57	0.87	4 054 777	3.52
100 001 – 10 000 000 shares	50	0.76	29 841 533	25.92
More than 10 000 000 shares	1	0.02	68 122 217	59.17
Total	**6 557**	**100.00**	**115 131 417**	**100.00**
Type of shareholder				
Individuals	4 387	66.90	3 594 759	3.12
Companies	547	8.34	83 854 727	72.84
Growth funds/unit trusts	291	4.44	13 815 554	12.00
Nominee companies or trusts	1 024	15.62	2 718 999	2.36
Pension and retirement funds	308	4.70	11 147 378	9.68
Total	**6 557**	**100.00**	**115 131 417**	**100.00**

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
Shareholder spread	**Nominal number**	**% Interest**	**Nominal number**	**% Interest**	**Nominal number**	**% Interest**
Public shareholders	6 351	24.80	189	100.00	6 540	29.89
Directors	5	0.07	–	–	5	0.07
Guardian National Insurance Ltd[1]	1	4.41	–	–	1	4.11
Trustees of employees' share scheme[1]	3	1.27	–	–	3	1.18
Holdings of 5% or more	8	69.45	–	–	8	64.75
Sanlam Ltd	7	63.49	–	–	7	59.20
Government Employees Pension Fund	1	5.96	–	–	1	5.55
Total	**6 368**	**100.00**	**189**	**100.00**	**6 557**	**100.00**

[1] *Owners of treasury shares.*

The analysis includes the shares held as treasury shares.

ANALYSIS OF BONDHOLDERS

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	8	2.76	247 086	0.01
50 001 – 100 000 units	14	4.83	1 330 613	0.05
100 001 – 1 000 000 units	90	31.03	45 943 119	1.84
1 000 001 – 10 000 000 units	130	44.83	550 721 946	22.03
More than 10 000 000 units	48	16.55	1 901 757 236	76.07
Total	**290**	**100.00**	**2 500 000 000**	**100.00**
Type of debt security holder				
Banks	1	0.34	860 000	0.03
Intermediaries	1	0.34	1 107 108	0.04
Endowment funds	7	2.41	14 854 000	0.59
Insurance companies	25	8.62	173 626 371	6.95
Investment companies	3	1.03	23 407 000	0.94
Medical aid schemes	19	6.55	93 629 000	3.75
Mutual funds	167	57.61	1 855 022 875	74.20
Pension funds	61	21.03	305 302 879	12.21
Private companies	4	1.38	18 776 070	0.75
Public companies	2	0.69	13 414 697	0.54
Total	**290**	**100.00**	**2 500 000 000**	**100.00**

Debt security holder spread	Nominal number	% Interest
Stanlib Income Fund	330 542 560	13.22
Government Employees Pension Fund	185 000 000	7.40
Nedgroup Investments Flexible Income Fund	149 000 000	5.96
Ashburton Stable Income Fund	140 800 000	5.63
Others	1 694 657 440	67.79
Total	**2 500 000 000**	**100.00**

ADMINISTRATION

NON-EXECUTIVE DIRECTORS
M Chauke, CD da Silva, MP Fandeso, PB Hanratty, DEH Loxton, MLD Marole, NT Moholi (Chairperson), AM Mukhuba, JJ Ngulube, MJ Reyneke, PE Speckmann

EXECUTIVE DIRECTORS
L Lambrechts (chief executive officer), HD Nel (chief financial officer)

SPONSORS
Equity sponsor: Investec Bank Ltd
Debt sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132
Tel: 011 370 5000
Fax: 011 688 5216
www.computershare.com

COMPANY SECRETARY
T Moshakga

SANTAM HEAD OFFICE AND REGISTERED ADDRESS
1 Sportica Crescent
Tyger Valley
Bellville 7530
PO Box 3881, Tyger Valley 7536
Tel: 021 915 7000
Fax: 021 914 0700
www.santam.co.za

Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM
A2X share code: SNT
Debt company code: BISAN

Santam is an authorised financial services provider (licence number 3416).

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