SANLAM INVESTMENT HOLDINGS UK LIMITED SOLVENCY AND FINANCIAL CONDITION REPORT

Contents

INTRODUCTION

This is the first Solvency and Financial Condition Report for Sanlam Investment Holdings UK Limited (SIH) (the Group) based on the financial position as at 31 December 2016.

SUMMARY

SIH is the holding company for businesses which provide financial solutions to individuals and institutional clients. SIH is the European Economic Area insurance parent. These solutions include life insurance, investment management (including asset management and wealth management) and administration.

There are now two core business groups operating under SIH, Sanlam UK and Sanlam Asset Management Ireland (SAMI).

The Group is part of Sanlam Limited, an international financial services group headquartered in South Africa. Sanlam Limited has a presence in 17 countries and is rated AA by Standard and Poor's in South Africa. It has a market capitalisation of £5.8bn.

The only regulated insurance entity within the Group is Sanlam Life and Pensions UK Limited (SLP). SLP's main role within the Group is that of life insurance and investment administrative services provider. To deliver this, SLP focuses on the provision of specialist investment wrappers to affluent and high net worth clients through offering open architecture and self-investment choice and the provision of 'vanilla' investment wrappers to affluent clients through Sanlam model portfolios combined with its own investment platform, Sanlam Portal. Ongoing investment continues to be made in enhancing SLP's products, systems and service.

During 2016 the companies that are owned and managed under Sanlam UK Limited (SUK) undertook an integration planning exercise to provide a co-ordinated operational, control and governance structure for the UK group. This was implemented in line with a review performed by an external party, with the key strategic development and governance now taking place at the Sanlam UK level, with a board structure consistent with that of SIH with the exception of the SAMI executives.

Key oversight committees with independent NED governance report directly to the SUK board. They represent Audit and Risk, with an independent NED Chairperson. The Heads of Risk, Compliance and Internal Audit, and an HR committee have direct reporting links to the committees.

The subsidiary boards are now executive boards, charged with the strategic delivery of group objectives and operational oversight. The SLP board has been constituted in a manner that ensures a degree of independence from the SUK board, with both executive and SA group members that are exclusive to this business. It also retains its own Audit, Actuarial and Risk Committee.

Operational structures have also been revised, with the business moving towards a divisional structure for the group supported by central service functions.

At 1 January 2016, the Group smoothly transitioned to the Solvency II regime after many months of planning. SLP currently uses the Standard Formula to calculate its solvency capital requirement.

As at 31 December 2016, the Group's solvency capital requirement is **£56.7m** and own funds stand at **£89.7m**. This gives a capital coverage ratio of **158%.**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations. We are satisfied that:

a) Throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable and;
b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group continues so to comply, and will continue so to comply in future.

Jeremy Gibson
Chief Executive Officer

AUDITOR'S REPORT

Report of the external independent auditor to the Directors of Sanlam Investment Holdings Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion
Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit'**); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22, S.32.01.22 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**');

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of Sanlam Investment Holdings Limited as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA

Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our work, for this report, or for the opinions we have formed.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK & I) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Group Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting
We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information
The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report 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 it is not a guarantee that an audit conducted in accordance with ISAs (UK & I) 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 decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.** The same responsibilities apply to the audit of the Group Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Sanlam Investment Holdings Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP
Bristol
29 June 2017

The maintenance and integrity of the Group's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.23.01.22

  Rows R0410 to R0440 – Own funds of other financial sectors

- The following elements of Group template S.25.01.22

  Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements) (forming part of the sectoral information)

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A BUSINESS AND PERFORMANCE

A.1 Business and External Environment

Sanlam Investment Holdings UK Limited (SIH) acts as the holding company for the Sanlam Group's European operating businesses and exists to satisfy the strategic and governance objectives of the group. SIH is the holding company for businesses which provide financial solutions to individuals and institutional clients. These solutions include life insurance; investment management (including asset management and wealth management) and administration. There are now two core business groups operating under SIH, Sanlam UK and SAMI.

The Sanlam UK group's vision is to be a leader in advice led wealth management within the UK market. SAMI is an authorised UCITS Management Company and Alternative Investment Fund Manager, regulated by the Central Bank of Ireland.

SIH is incorporated in the United Kingdom and is a company limited by shares. The address of the registered office is:

St Bartholomew's House
Lewins Mead
Bristol
BS1 2NH

REGULATOR

The Group supervisor can be contacted as follows:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
0207 601 4878

AUDITORS

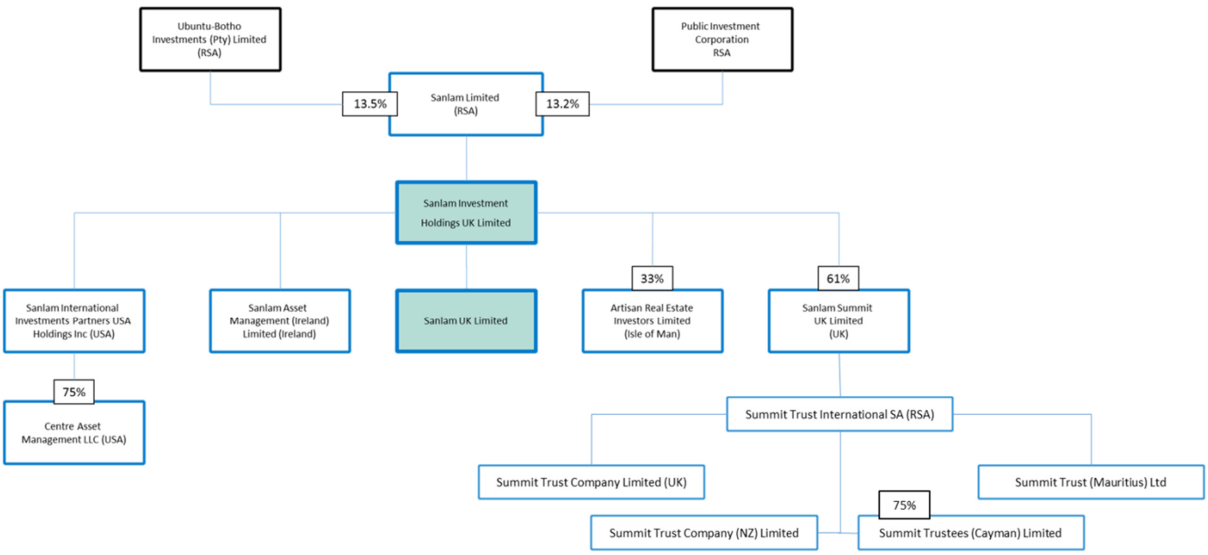
The External Auditor for Sanlam Investment Holdings UK Limited for the reporting period was Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1 6BX, United Kingdom.

GROUP STRUCTURE

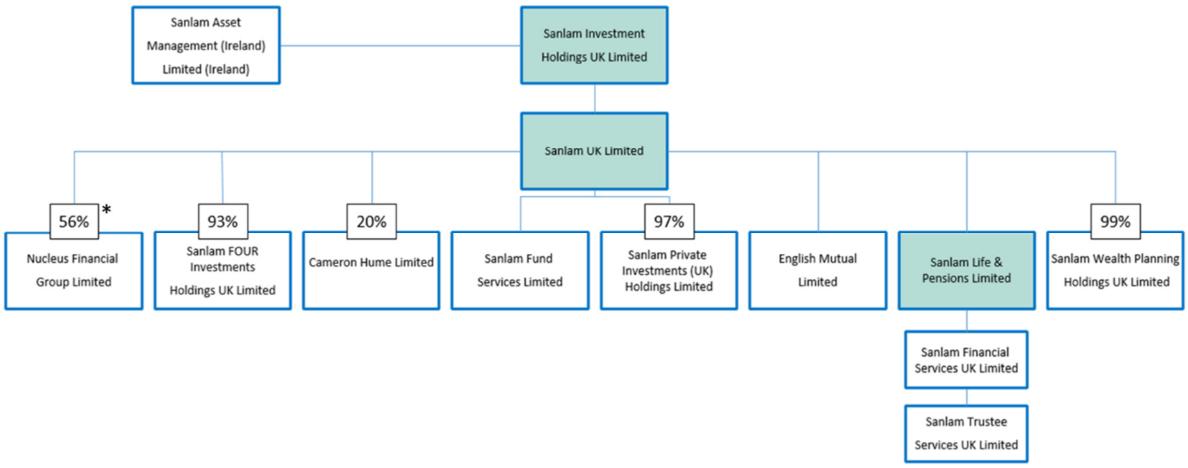
SIH's ultimate controlling party is Sanlam Limited, a company registered in the Republic of South Africa. A simplified organisational structure chart is shown below.

Where there is no information to the contrary, all companies are based in the UK and are 100% owned by the Group.
Full details of the companies within the Group are disclosed in Quantitative Reporting Template S.32.01.22 which is appended to this report.

SIH Subsidiaries



SUK Subsidiaries



*Note that Sanlam UK holds 57% economic rights but 44% voting rights in Nucleus Financial Group Limited

For the purposes of this document, "the Group" is defined as Sanlam Investment Holdings UK Limited and its subsidiaries.
Since the Group operates a vertically integrated business model, there are many areas in which the activities of one entity are impacted by other entities within the Group.

Sanlam UK

The control and governance structure of Sanlam UK has been realigned in 2016 as the business moves towards becoming an integrated UK financial services group. The divisional structure and the historic companies that each division will incorporate is as follows:-

Financial Planning Division (Sanlam Wealth Planning Holdings UK Limited & English Mutual Limited)

Sanlam Wealth Planning is a focused, advice-led, vertically integrated Wealth Management business in retail financial services. It operates a Sanlam restricted proposition in respect of investment and product solutions to retail clients in the United Kingdom subject to client suitability and focussing on positive client outcomes.

Wealth Management Division (Sanlam Private Investments (UK) Holdings Limited & Sanlam Securities UK Limited)

Sanlam Private Wealth offers a comprehensive retail and institutional investment management service comprising discretionary and advisory fund management, and stockbroking. In addition there are pooled funds developed to support investors for the South African Private Wealth business.

Both of these businesses will come under the control of a divisional head in 2017 as the strategy of closer engagement is implemented.

Asset Management Division (Sanlam FOUR Investments Holdings UK Limited)

Sanlam FOUR manages a number of pooled funds and segregated accounts as well as risk rated model portfolio solutions for institutional and retail clients. It is also responsible for the global asset management proposition, including the International Investment Partner strategy.

In addition there is a minority investment in Cameron Hume Limited, a specialist fixed interest investment manager.

Life & Pensions Division (Sanlam Life and Pensions UK Limited & Sanlam Financial Services UK Limited)

Sanlam Life and Pensions UK Limited (SLP) provides life and pension products and a wrap administration service.
SLP plays a key supporting role in delivering the administration centre of excellence for the group.
The core portfolio is complemented by investments from the Nucleus platform (wrap administration services).

Unless otherwise indicated below "Sanlam UK" excludes Cameron Hume and Nucleus. In the case of Cameron Hume this is due to the fact it is a minority holding, has limited impact on the Sanlam UK balance sheet and has its own compliance and control frameworks. Nucleus again is subject to its own separately resourced compliance and control framework.

Sanlam Asset Management (Ireland) Limited

SAMI is an authorised UCITS Management Company and Alternative Investment Fund Manager, regulated by the Central Bank of Ireland, offering the following Irish domiciled fund platforms which host both Sanlam and third party managed/promoted funds:

- Sanlam Universal Funds Plc (UCITS Fund);
- Sanlam Global Funds Plc (Retail Investor Alternative Investment Fund); and
- Sanlam Qualifying Investors Funds Plc (Qualifying Investor Alternative Investment Fund).

SAMI is also the Administrator, providing valuation and fund accounting services to the above fund platforms, including the calculation of the net asset values.

SAMI works closely with Sanlam UK, Sanlam Private Wealth, Sanlam FOUR and other Sanlam businesses to provide regulated fund solutions that support their respective businesses and client needs.

SAMI also provides individual portfolio management services to SLP. In accordance with its authorisation, such individual portfolio management services are provided solely on the basis that SAMI delegates the discretionary management of the portfolios to appropriate entities.

Other Subsidiaries

The Group owns 100% of the shares in Sanlam International Partners USA Holdings Inc.; 61.41% of Sanlam Summit UK Limited; and 33.33% of Artisan Real Estate Investors Limited (Isle of Man).

Sanlam International Investment Partners USA Holdings Inc. [100%]

The primary function of the business is that of a holding company of Centre Asset Management LLC of which it owns 75%. Centre Asset Management is based in America and manages differentiated products in fund advisory and sub-advisory mandates in institutional and investor share classes accessible in multiple jurisdictions and currencies.

Sanlam Summit UK Limited [61.41%]

The primary function of the business is that of a holding company of Sanlam Summit Trust International SA. The subsidiaries of Summit Trust International SA are Summit Trust Company Limited (UK); Summit Trust Company (NZ) Limited; Summit Trustees (Cayman) Limited; and Summit Trust Mauritius Limited.

Artisan Real Estate Investors Limited (Isle of Man) [33.33%]

Artisan Real Estate Investors is a property development and investment company based in the Isle of Man.

Any other information

There has not been any significant business or other events that have occurred over the reporting period that have had a material impact on the Group other than those addressed in the summary.

A.2 Performance from Underwriting Activities

SIH is a financial conglomerate. Sanlam Life and Pensions Ltd (SLP) is the only regulated insurance entity within the Group. The underwriting performance of SLP can be found in its SFCR, and is reproduced below.

SLP's SFCR is available on the Group's website, www.sanlam.co.uk.

Since SLP prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), the underwriting performance information given below recognises premiums and claims only on insurance business as defined under IFRS. The vast majority of the business written by the Company is investment business as defined by IFRS.

	Index linked and unit linked life insurance £m	Other life Insurance £m
Gross written premiums	3.7	0.5
Premiums ceded to reinsurers	(1.0)	(0)
Net premiums earned	**2.7**	**0.5**
Gross benefits and claims paid	6.5	5.8
Claims ceded to reinsurers	(0.4)	(0.1)
Net benefits and claims paid	**6.1**	**5.7**
Surrenders	**8.2**	**0**

As insurance business only makes up a very small amount of the Group's business, underwriting performance does not have a significant impact on the Group's profitability.

A.3 Performance from Investment Activities

Details of the investment performance for SLP are included in the solo SFCR and included below.

	2016 £m
Investment income	53.5
Net gains on assets and liabilities at fair value through profit or loss	263.1
Investment management fees	32.0

Investment income is made up of dividends, interest income, and rental income from investment properties.

The net gains on assets and liabilities at fair value through profit or loss have increased significantly between 2015 and 2016 largely as a result of the increase in global equity markets through 2016. Unit linked assets accounted for the majority of this gain, and this is therefore offset by a movement in unit linked liabilities.

The Group has no holdings in securitisations.

A.4 Performance of other Activities

A number of the entities within the Group have operating leases in place in respect of properties that the entities occupy. None of these arrangements have a material impact on the operating performance of the Group.

There is no further information to be disclosed in relation to performance of other activities.

A.5 Any other information

There is no further information to be disclosed in relation to business and performance.

B SYSTEM OF GOVERNANCE

B.1 General Governance Arrangements

The general governance arrangements of SIH are documented below. The Group believes these arrangements are appropriate in the context of the nature, scale and complexity of the risks inherent in its business.

Organisational overview

SIH was formed through a merger of equals between Sanlam Netherlands Holdings BV and Sanlam Investments Holdings UK Limited effective 1 July 2015. It acts as the holding company for the Sanlam Group's European operating businesses and exists to satisfy the strategic and governance objectives of the group.

During 2016 Sanlam engaged with a consultancy to assist with the creation of a high level plan for the phased restructure of the UK group and the associated governance implications, with particular regard to industry practice and regulatory expectations. This plan was developed with the Independent Non-Executive directors, South African based Group executives and UK executives to provide a change programme over 2016 and through 2017.

SIH Board responsibilities and functioning

The SIH Board meets quarterly to consider governance matters relating to SIH and its subsidiaries, focusing on the following:

- Risk Management
- Capital Management
- Compliance with FCA and PRA requirements in the UK and with the Central Bank of Ireland requirements in the Republic of Ireland
- Group Strategy
- Corporate Governance

Business Divisions and Subsidiary Boards

During 2016 the companies that are owned and managed under Sanlam UK Limited (SUK) undertook an integration planning exercise to provide a co-ordinated operational, control and governance structure for the UK group. This was implemented in line with the consultant's review, with the key strategic development and governance now taking place at the Sanlam UK level, with a board structure consistent with that of SIH with the exception of the SAMI executives.

Key oversight committees with independent NED governance report directly to the SUK board. They represent Audit and Risk, with an independent NED Chairperson. The Heads of Risk, Compliance and Internal Audit, and an HR committee have direct reporting links to the committees.

The subsidiary boards are now executive boards, charged with the strategic delivery of group objectives and operational oversight. The SLP board has been constituted in a manner that ensures a degree of independence from the SUK board, with a Non-Executive Director and both executive and SA group members that are exclusive to this business. It also retains its own Audit, Actuarial and Risk Committee (AARC).

Operational structures have also been revised, with the business moving towards a divisional structure for the group supported by central service functions.

Remuneration Policy

Remuneration principles

The following remuneration principles apply to the managerial body, persons who effectively run the undertaking or have other key functions and to those whose activities have a material impact on the firm’s risk profile (Material Risk Takers - MRT’s).

- There must be a balance between fixed and variable remuneration which allows firms to operate a fully flexible bonus policy;
- The deferral of a substantial portion (40%) of variable remuneration for senior management for at least 3 years is a requirement and will be taken into account for those individuals in scope - whose total remuneration (including short and long term incentives) exceeds £500 000. This is also applicable for those individuals whose variable remuneration is more than 33% of total remuneration. Performance metrics should contain both financial and non-financial performance measures, as well as include a downwards adjustment for exposure to current and future risks; and
- Variable remuneration for control functions (Risk, Compliance, Internal Audit and Actuarial functions) should be independent from the performance of the operational units and areas that are submitted to their control.
- A long term incentive scheme is in place for some senior management.

Sanlam Behaviours

Sanlam’s Performance Management framework is based on ‘what’ employees do (objectives) as well as ’how’ they do it (behaviours). Employees’ performance is measured against the achievement of objectives in line with the expected Sanlam behaviours, these are: Customer Focused, Team Player, Results Driven, Capability, Adapting to Change, Demonstrating Integrity.

Sanlam UK Overall Remuneration Framework

- Due recognition will be given to the different types of businesses and positions across the SUK Group and particular benchmark measures and remuneration trends will be taken into account during reviews.
- Individuals are typically awarded market related pay (basic salary plus add on benefits). An annual remuneration survey will take place in which roles will be benchmarked and other criteria such as individual’s qualifications, years of experience, critical role etc. will be considered in the benchmark of market related pay. Any differentiation to this will be applied by taking into account the total package of the individual. Due regard is taken of an appropriate balance between fixed and variable remuneration.
- Variable pay is open ended with reference to the nature of variable pay that is awarded in the market in specific industries and professions and will be at management’s discretion and S UK HR and Remuneration Committee approval
- Sharp differentiation between individuals’ variable pay within each remuneration category is applied. When an individual has performed poorly and is not seen to be adding significant value, variable pay, could be zero. When the individual has performed exceptionally well then the bonus should be exceptional especially when the business has also performed exceptionally well.

Forms of remuneration:

Fixed

- The company aims to recognise the market value of each position in a competitive market, reward individuals capabilities and experience and recognise the performance of individuals and the person’s potential to contribute. It does not value jobs according to any grading system but rather responds to the question “if this individual was performing the same role in the market at the same level of complexity and performance, what would the market pay the job?”

- Base Salaries plus add-on benefits are reviewed annually, at the start of each year. Any salary increase is effective from 1 April, being determined by factors such as Company performance, rate of inflation, prevailing local marketplace trends, changes in responsibilities and individual performance.
- Under certain circumstances an increase to Base Salary may occur during the year, usually due to promotion, a step change in their role or where the competitiveness of the individual relative to the market has increased. Where possible, the increase will take place effective 1 April in line with the annual review or 1 October in line with the informal interim annual review.
- Benefits are offered in line with prevailing market practice. They include pension, Life Assurance, Income Protection plus private health cover for eligible employee

Variable component

Short term incentives – subject to regulatory requirement

- Each year, a variable short term cash incentive can be earned, based on the achievement of goals, overall individual performance, the financial results of the company.
- Goals, consistent with the shareholder goals, are set at the beginning of the year and performance is measured through the performance management process.
- Bonuses are paid in March based on the previous year's financial results and individual performance outcomes as determined as a result of a formal review of performance at year end. Pro-rata payments apply to new appointments based upon time in the job over the financial year.
- Bonus payments are at the discretion of the company and depending on remuneration category of the individual and company performance Employees must be in the employ of the business and not under notice of resignation as at date of payment, which is annually in March.

Long term incentives – subject to regulatory requirement

- The purpose of the long term incentive scheme is to align the financial interest of the Company's employees to that of its shareholders. These allocations provide market competitive remuneration levels with a focus on sustained improvement of long term performance. Long term incentives also serve to attract, motivate and retain key senior employees.
- Use is made of regular annual allocations, rather than a once off large allocation to encourage a build-up of a personal stake in the company. In doing so the employee is also exposed to company valuation at different time periods.
- Short term and Long term incentives are not pensionable. Should an individual wish to sacrifice a portion of their incentive towards their pension, this will be for their own discretion and management thereof.
- Allocations are made in June and are discretionary based on base salary and modified by the individual's performance assessment.
- The vehicles used to deliver long term incentives are reviewed annually. These make use of a vesting period to dissuade short-term decision making.

Poor Performance

Employees who receive a performance rating of 'Unsatisfactory' at their end of year performance review will not necessarily be eligible for a bonus payment. Under the Solvency II Delegated Act (Remuneration requirements), severance payments must reflect performance over the whole period of activity and will not reward failure. Examples of severance pay include payment for unused employee benefits such as holiday and sick leave or additional payments based on months of service.

Non-Executive Directors (NED's)

NED's are paid an annual fee for fulfilling their obligations of their role, including participating in Sanlam's various Board meetings. The remuneration of NED's shall be a matter for approval by the SI

HR and Remuneration Committee annually in Quarter Two. Fees are paid as an overall total for Board representation, sub-committee membership and being a Chairperson of a Board.

Material Transactions

A dividend of £4.5m was paid from the Group to Sanlam Limited during the year. There were no other material transactions with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body.

B.2 Fit and Proper

The fit and proper requirements for the regulated insurance undertakings are included below as set out in the SLP SFCR. Not all approved persons are employed by SLP.

The Approved Persons Guide was approved in 2015 and is available to all staff on the intranet. The guide covers Senior Insurance Manager Function (SIMF) roles and other Approved Persons. The procedure for appointing a new SIMF or Approved Person includes undertaking a fit and proper person test and seeking approval from the Board and Regulator. No individual can undertake such responsibilities without first obtaining approval and passing this test.

Before appointing an individual, SLP must be satisfied that the person has the personal characteristics (including being of good repute and integrity), possesses the required level of competence, knowledge and experience, has the relevant qualifications, and has undergone, or is undergoing, training required in order for them to perform their key function effectively and in accordance with any relevant regulatory requirements.

The ongoing fitness and propriety of SIMFs and Approved Persons is assessed through SLP's Performance Management structure, with progress reviews being carried out no less than annually. Progress reviews for all executive SIMFs other than the Chief Executive are carried out by the Chief Executive. The Chairman carries out a progress review in respect of the Chief Executive and the Non-Executive Directors. The Senior Independent Director carries out a progress review in respect of the Chairman. The performance of the Board is reviewed annually; this is facilitated by the Company Secretary in conjunction with the Chairman and the Chief Executive.

The SIMFs and Approved Persons are also required to complete an annual self-certification to confirm that they remain fit and proper to carry out their role.

Once an individual is a SIMF or an Approved Person they are made aware that they must abide by strict standards of conduct – and that they become personally accountable to the regulator.

B.3 Risk Management System including the Own Risk and Solvency Assessment

ERM Framework

The Sanlam Investment Holdings (UK) Limited Enterprise Risk Management ("ERM") Framework is a high level over-arching framework aimed at ensuring that:

- All risks which could jeopardise/enhance achievement of the Group's strategic goals are identified;
- Appropriate structures, policies, procedures and practices are in place to manage these risks. ERM also requires the Group to take a portfolio view of risk;
- Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices; and that
- The organisation's risks are indeed being managed in accordance with the foregoing.

The key objective of SIH's Enterprise Risk Management approach is to support the Sanlam Group in achieving its primary objective of optimising the return on Group Equity Value and maximising shareholder value.

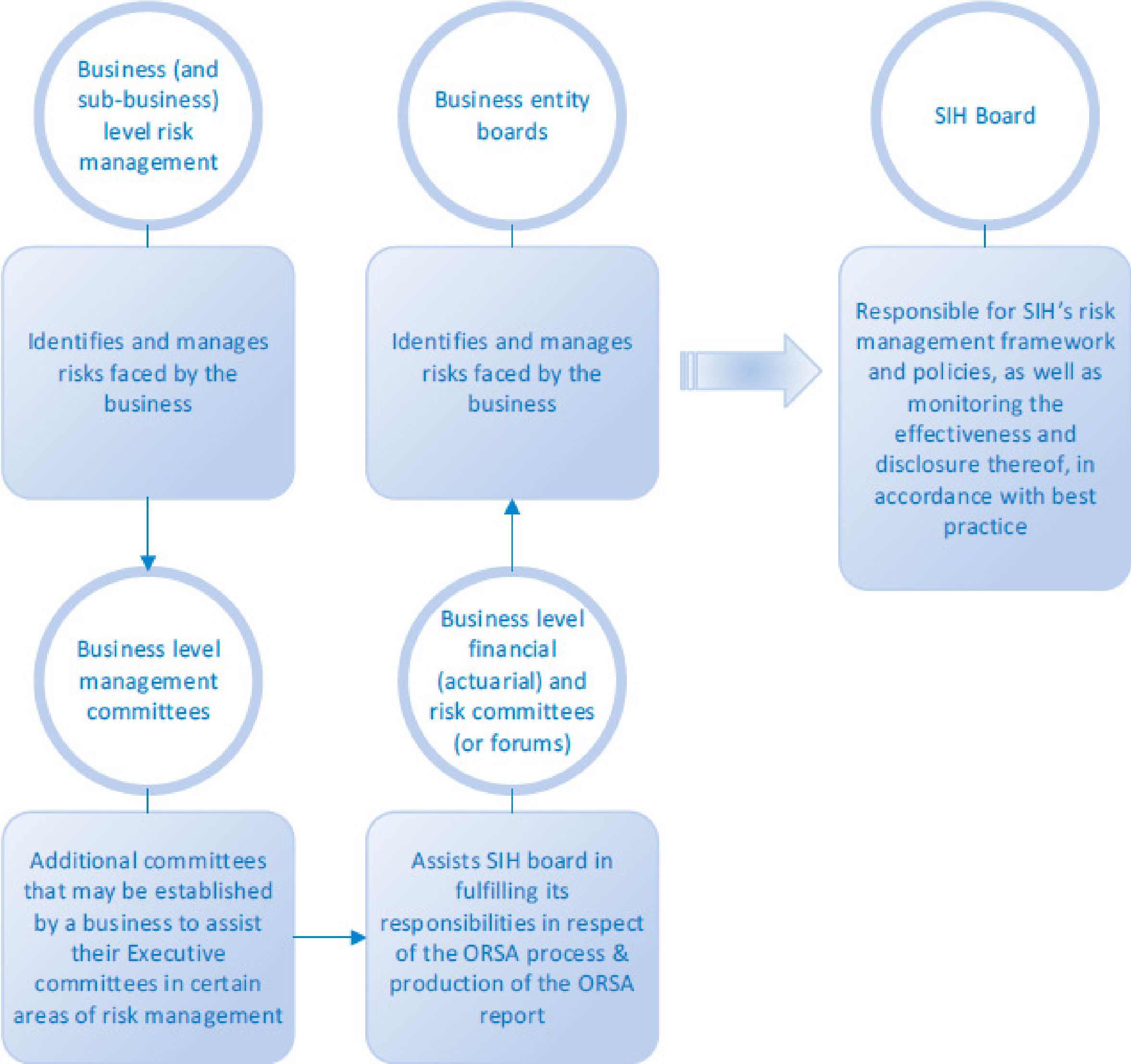
This approach also achieves the following secondary objectives:

- Safeguarding the Group's assets (including information) and investments;
- Supporting strategic business goals;
- Supporting business sustainability under normal and adverse operating conditions;
- Responsible behaviour towards all stakeholders having a legitimate interest in the Group, including conduct risk and the fair treatment of customers and/or delivery of good customer outcomes;
- Reliability of reporting; and
- Escalation of all identified risks in accordance with Sanlam Group Risk Escalation policy.

Risk Governance and oversight

In terms of the SIH Group's overall governance structure, the SIH board includes representation from all business entities. The agenda of the SIH board focuses on Group strategy, capital management, regulatory and compliance matters and corporate governance.

The SIH Group operates within a decentralised business model environment. In terms of this philosophy, the SIH board sets the Group enterprise risk management framework and policy and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the SIH board.



Following integration of the UK businesses, the Group is currently aligning its risk management and internal control systems and reporting procedures to ensure consistency across all of the business entities.

Role of Risk Management

The role of Risk Management (under the leadership of the Chief Risk Officer for SIH) is to develop, implement, monitor and continuously improve SIH's risk management process, in conjunction with the member group businesses, to ensure that it functions adequately, consistently and effectively across the SIH Group. It ultimately is responsible for reporting to the SIH Board.

Risk Management plays an active role with regard to risk management in SIH. The involvement includes, inter alia, the following:

- Permanent invitee of the Board meetings;
- Member of the majority of the respective business entity boards and risk committees as appropriate

Within the SIH Group, the SIH Board and the SIH Chief Risk Officer ("CRO") are responsible for monitoring Group risks on a macro level. Group risks in this regard refer to the following:

- Risks with a significant financial impact on the SIH Group;
- Risks with a negative reputation impact on SIH Group;
- Risks that can, owing to their scope, impact negatively on SIH.
- Risks, which within individual businesses, would not fall into any of the above categories, but do so when aggregated at the SIH Group level.

The escalation of particular risks to the Sanlam Group level (including to the Chief Risk Officer of the Sanlam Group) and the monitoring thereof must be done in accordance with the Sanlam Group Risk Escalation Policy.

The SIH Board and Chief Risk Officer of SIH have the responsibility to consider decisions, actions or intended actions and risks, brought to their attention either by the business heads or other sources, and if they conclude that these are or could be detrimental to Sanlam, it is also their responsibility to veto said actions or, alternatively, to insist on measures to reduce or restrict the detrimental effect.
The Chief Risk Officer for SIH will, on an ongoing basis, give the SIH Board feedback on risk management in the SIH Group to allow it to fulfil its responsibilities through the ORSA processes set out in the SIH ORSA policy.

Own Risk Solvency Assessment (ORSA)

The ORSA process for the Group and its subsidiaries is an assessment which considers and links a number of key risk and capital processes, functions and activities operated throughout the Group. The Group Risk Function produces an ORSA update report for the Board every quarter in line with the Board meeting cycle. This report is designed to provide an update and assessment of the key risks that the business is exposed to within the context of the stated risk appetite, and the current (and likely future) solvency positions given these exposures to risk.

The ORSA is conducted in such a way that it supports and complements the Group and company's risk management and capital allocation activities in an efficient manner, by providing feedback loops between the risk assessment, risk measurement and capital and business planning activities. The ORSA describes how the capital management activities take into account its risk management activities.
The ORSA process is designed so that it reveals potential areas for improvement so as to:

- Support the optimisation of risk and capital management processes in SIH (and business entities); and
- Ensure that the intended level of comfort with regard to ongoing solvency is provided.

The ORSA process is conducted throughout the year and the output captured in the annual ORSA report which is owned by the Board and reviewed by the Audit and Risk Committee. The ORSA is reviewed and approved at least annually by the Board and the latest ORSA report was submitted to the PRA in January 2017.

B.4 Internal Control System

The Group's internal control systems are designed to provide reasonable assurance over the effectiveness and efficiency of operation, the reliability of financial reporting and compliance with laws and regulations. The Boards are ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The overall framework is subject to annual approval by the Boards.

The Company's risk management framework uses the 'three lines of defence' model (Risk management; Risk oversight; Risk assurance).

Data quality policies set out the principles around data quality and the processes to be applied in order to ensure that this is maintained. These processes include regular analysis of the financial results to ensure that these are well understood, reconciliation of data sources with other internal and external data and the investigation of any discrepancies and review of the financial results on a regular basis by the relevant Boards. All of these activities are carried out as part of business as usual processing. There are various policies in place that provide details of the procedures to be followed to ensure that internal controls are sufficient to allow the Group entities to operate within with their defined risk appetites. Such policies are subject to periodic review.

The Sanlam UK Assurance Committee is an executive committee at the Sanlam UK level and is responsible for the overall oversight of the control frameworks that are in place. These include the Group Risk Policy and its sub policies.

The compliance function is teamed by a multidisciplinary unit covering each of the entities and also sits at the Sanlam UK governance level.

Sanlam UK operate a “Combined Assurance Model”. This aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the businesses. External assurance providers may include the external auditor, or any other external assurance providers. The International Financial Reporting Standards (IFRS) financial statements are also subject to rigorous controls in the production and review leading up to publishing. Internal assurance includes the operation of Internal Audit and the Compliance function.

The SLP AARC is responsible for monitoring the appropriateness of its combined assurance model and ensuring that significant risks facing SLP are adequately addressed. By providing an effective counterbalance to the executive management, the AARC upholds the independence of internal and external assurance providers, thus helping to ensure that these functions are carried out effectively. The AARC annually reviews and approves the overall risk assurance coverage of high risk areas of the business by considering the plans of the Risk Management Function, Internal Audit, external audit and Compliance.

The combined assurance model operated at Sanlam UK and its subsidiaries such as SLP helps satisfy the AARC that significant risk areas within that company have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

At SLP the actuarial liabilities are produced using best practice actuarial practices. The statements are also subject to internal review and external audit review. They are presented to that Board for sign-off prior to publishing.

Operation of the Compliance function

The Compliance Function is an independent function within the Group. Due to the scope of regulation and the potential consequences of non-compliance, the Compliance Function provides the second line of defence for the primary compliance and conduct risks that the Group is exposed to.

The Compliance Function’s main roles are:

- to provide guidance to the business on FCA, PRA and EU regulations and regulatory changes so that the businesses can build and operate appropriate controls
- to monitor the design and operational effectiveness of the controls put in place by the business.

The Compliance Function is responsible to the Boards for ensuring compliance risks are identified, assessed, monitored, and reported.

To this end, the Compliance Function assesses the appropriateness of compliance procedures, processes, guidelines systems and controls, follows up identified deficiencies promptly and makes appropriate recommendations for improvement as necessary.

The Compliance Function is responsible for producing and delivering against an annual compliance plan (requiring Board approval). This plan is designed to ensure compliance by the businesses and that conduct aspects of these activities are appropriately assessed in a manner that is proportionate to the risk exposure, the ramifications of non–compliance, and commensurate with the regulatory risk appetite.

The Compliance Function holder is the Group Head of Compliance. Their remit includes being a member of the executive committees, with direct access to the Board. The reporting line of the Compliance Function has been designed to be independent from the first line of the business and can therefore provide an objective view on compliance matters, without the risk of outside influence. The Head of Compliance attends the meetings of the Sanlam UK and SLP Executive Committees, and the SLP and SIH Board and SLP and Sanlam UK AARC meetings.

The Compliance Function provides monthly reports to Sanlam UK Executive Committees on regulatory issues that have arisen (both internally to the relevant firms and externally to the regulatory structure) and progress against the Compliance plan. Similarly the Compliance Function also produces a quarterly report to the SLP AARC covering material issues.

B.5 Internal Audit Function

The Internal Audit function is a Group wide function that operates across the Sanlam UK Group and subsidiaries.

The Internal Audit function is an independent function within the Group which examines and evaluates the functioning of the internal controls and all other elements of the system of governance (including risk management), as it relates to the compliance of activities with internal strategies, policies, processes and reporting procedures. As such, Internal Audit forms a key element of the 'third line of defence' in the risk management framework. The function attends the SUK Audit and Risk Committee which is chaired by a Non-Executive Board member.

Internal Audit prepares an audit plan setting out the audit work to be undertaken in the upcoming business year(s). The audit plan is based on a methodical risk analysis, taking into account all activities and the complete system of governance, as well as expected developments of activities and innovations. On the basis of the result of this risk analysis, a plan, extending for several years depending on the scale and complexity of the activities, is established. In the planning of audit activities Internal Audit ensures that all significant activities are reviewed within a reasonable period of time.

Internal Audit activities are complemented by a follow-up procedure designed to keep track of remedial actions taken by management in areas where shortcomings have been observed. Quarterly summarised reports are issued to the AARC and senior management of Sanlam UK.

In addition, a representative from Internal Audit attends monthly subsidiary executive committee meetings during which they provide real and timely challenge to management decisions.

Internal Audit is independent from the organisational activities that it reviews and carries out its assignments with impartiality.

The findings and recommendations of any internal audits performed are reported to management and to the AARC who then determine what actions are to be taken with respect to each of the findings/recommendations and ensure that those actions are subsequently carried out. Internal Audit has a process of regular follow-up of management actions and the results are reported to the AARC each quarter.

B.6 Actuarial Function

The Actuarial Function is specific to SLP and is addressed in the SLP SFCR and included below.

The Actuarial Function within SLP supports the Chief Actuary in the provision of actuarial advice to key stakeholders in the business. The role performed by SLP's Actuarial Function is set out in the Actuarial Function Terms of Reference document.

The Chief Actuary reports directly through to the CEO and sits on the Executive Committee and attends the AARC. This ensures that the Chief Actuary is independent from the rest of the business and can provide an independent view on actuarial matters, free from outside influence.

The key areas of responsibility of the Actuarial Function are:

- Coordinate the calculation of the technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions
- Express an opinion on the overall underwriting policy and reinsurance arrangements
- Contribute to the effective implementation of the risk management system
- Contribute to the production of the ORSA
- Stress and scenario testing
- Experience investigations (expenses, mortality, morbidity, and persistency)
- Financial projections for business planning
- Asset/liability matching
- Capital management
- Solvency monitoring
- Pricing of new business, including special deals
- Production of daily unit prices
- Variations in charges for benefits and expenses
- Embedded value reporting

The Chief Actuary submits an annual report to the SLP Board that includes:

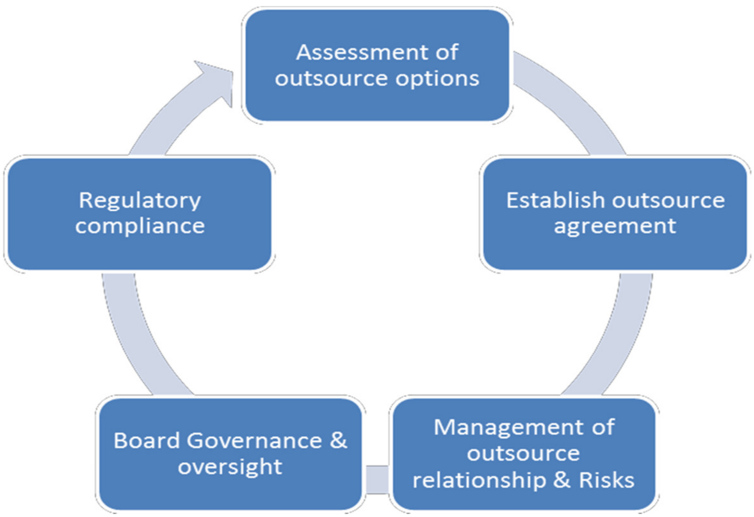
- Documentation of all tasks that have been undertaken by the Actuarial Function and their results
- Details of any deficiencies identified
- Recommendations as to how such deficiencies should be remedied.

B.7 Outsourcing

The Outsourcing Policy is outlined in the SLP SFCR and is included below.

The Group has adopted an Outsourcing Policy which is intended to establish a prudent risk management framework in relation to the management of the outsourcing arrangements and ensure compliance with the relevant regulatory requirements.

Outsourcing arrangements are entered into following an outsourcing control cycle that contains the following steps.



Responsibilities of the individual Business Entity Boards

- Undertaking regular reviews of outsourcing strategies and arrangements and for their continued relevance and safety and soundness.
- Laying down appropriate approval authorities for significant outsourcing depending on risks and materiality.
- Approving an Outsourcing Policy and subsequent annual revisions of the policy.
- Approving an Outsourcing Risk Management framework to evaluate the risks and materiality of all existing and prospective outsourcing and the governance and oversight that applies to such arrangements.
- Receiving reports from Executive Management to evaluate the risks of all significant existing and prospective outsourcing and the contracts that apply to such arrangements.
- Evaluating the annual feedback on the management of material outsource business activities which should include reporting on any outsourced business activities considered significant from a regulatory perspective.

Responsibilities of individual Business Entity Executive Committees

- Deciding on business activities of a material nature to be outsourced and approving such arrangements.
- Evaluating the risks and significance of all material existing and prospective outsourcing, based on the Outsourcing Policy approved by the Board.
- Developing and implementing sound and prudent outsourcing procedures based on the principles contained in the Group Outsourcing Policy commensurate with the nature, scope and complexity of the outsourcing.
- Obtaining the required regulatory approvals and reporting with regards to outsourcing.
- Reviewing annually the effectiveness of policies and procedures related to outsourcing and updating them as necessary.
- Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested.
- Ensuring that there is independent review and audit for compliance with set policies.
- Undertaking periodic reviews of outsourcing arrangements to identify new material outsourcing risks, as they arise. The business must retain the necessary expertise to supervise the outsourced functions effectively and manage the risks associated with the outsourcing.
- Taking appropriate action in terms of the outsourcing agreement if it appears that the service provider may not be carrying out the functions effectively and in compliance with applicable laws and regulatory requirements.
- Ensuring procedures are in place to manage the outsourcing agreement with regards to finances as well as deliverables. This includes reviewing the financial strength and service delivery of the service provider on a continuous basis.
- Communicating information pertaining to significant outsourcing risks to the Board in a timely manner.
- Periodically reviewing the original business rationale for the outsourcing agreement.

Responsibilities of the Business Head or Relationship Manager

The Business Head may choose to appoint a Relationship Manager within their team who is fit and proper and possesses sufficient knowledge and experience regarding the outsourced activities to be able to challenge the performance and results of the service provider and delegate this responsibility to them.

The Business Head or Relationship Manager (if one is appointed), has overall responsibility for the relationship on behalf of the business entity. They are responsible for ensuring the following tasks are undertaken:

- Ensures that a detailed examination is performed to ensure that the potential service provider has the ability, the capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs.
- Ensures that the service provider has adopted all means to ensure that no explicit or potential conflict of interests jeopardize the fulfilment of the needs of the outsourcing undertaking;
- Engages with Legal to ensure that a written agreement is entered into between the SIH individual business entity and the service provider which clearly defines the respective rights and obligations of business entity and the service provider.
- Ensures that the general terms and conditions of the outsourcing agreement are clearly explained to the Board and authorised by them
- Ongoing governance of the service provider in accordance with the service provider management framework.

All outsourcing arrangements must be evidenced by a written agreement. In the case of outsourcing to a separate legal entity within or outside the Sanlam Group, the agreement must be legally binding. Outsourcing within the same legal entity but between different businesses is normally concluded via a board resolution and an appropriate service-level agreement.

An overview of the outsourcing of important operational functions for the Group is provided below.

Name of organisation	Services provided	Location	Group company
Curo	Fund administration and unit pricing of certain insured funds	South Africa	Y
Cofunds	Certain aspects of the services offered under the Sanlam Portal (such as the execution and transmission of orders and the safekeeping and administration of financial instruments) (Quarterly liaison)	United Kingdom	N
JP Morgan	Custody services in respect of equities and bonds held in the main insured funds and certain personal funds. Daily liaison with company. Matters arising dealt with on a day to day ad-hoc basis.	United Kingdom	N
Nucleus	Policy administration related activities for the white labelled Nucleus onshore bond. In turn, Nucleus outsources this to Genpact.	United Kingdom	Y
Sanlam Asset Management Ireland	Investment management of certain insured funds and asset-liability matching advice on the Company's non-linked assets fund	Ireland	Y
Sanlam FOUR	Investment management of certain insured funds	United Kingdom	Y
Cameron Hume	Asset liability matching advice on the Company's non-linked assets fund	United Kingdom	Y
Sanlam Limited (RSA) internal audit	Internal audit function has been outsourced to Sanlam Limited's Group Internal Audit department	South Africa	Y
BNP Paribas	Offshore custodian	United Kingdom	N
Euroclear (CREST)	Custody services	United Kingdom & Ireland	N

B.8 Any other information

There is no further information to be disclosed in respect of the system of governance.

C RISK PROFILE

The Group's Solvency Capital Requirement as at 31 December 2016 is £56.7m [S.25.01.g C0100 R0570]. This is comprised as follows.

Risk Type	£m	
Market Risk (SLP)	28.5	48.1%
Counterparty Default Risk (SLP)	2.9	4.9%
Underwriting Risk (SLP)	24.9	42.1%
Operational Risk (SLP)	2.9	4.9%
Group Undiversified SCR	**59.2**	**100%**
Diversification (SLP)	(13.0)	
Capital requirements of other entities	10.5	
Group SCR	**56.7**	

C.1 Underwriting risk

Sanlam Life and Pensions

The material underwriting risks are described below.

Persistency risk

Persistency risk relates to all SLP's business apart from annuities and represents around 25% of SLP's undiversified basic SCR. Lapse risk relates to the loss of future charges as a result of unfavourable persistency, potentially resulting in a significant reduction in the value of future profits and therefore SLP's own funds. However, in the event of unfavourable persistency, the impact on solvency would be largely offset by a reduction in the capital requirement (as evidenced by the sensitivity test results later in this section).

Adverse persistency will affect the solvency of SLP. Lower than expected persistency on policies with realistic reserves which are lower than their surrender values (i.e. policies which are expected to produce future profits) will negatively impact the solvency of SLP. However, higher than expected persistency on policies with realistic reserves that are higher than their surrender values will also negatively impact the solvency of SLP.
This risk makes up 36% of the total risk to the Group.

Mitigation

Mitigants include proactive monitoring of emerging experience; on-going persistency initiatives; product design and distributor relationship management. That said, persistency risk is by its nature largely outside management's control and therefore comes with a sizeable residual risk.

Longevity risk

Longevity risk represents around 11% of SLP's undiversified basic SCR. If clients holding annuities survive longer than anticipated in the reserving calculations, reserves will need to be strengthened, which could significantly impact SLP's solvency position. The risk from annuitant mortality continues to increase as the size of the annuity portfolio and Staff Pension Scheme liability increases.

This risk makes up 16% of the total risk to the Group.

Mitigation

A proof of existence exercise is carried out on an ongoing basis by monitoring death registrations to ensure only genuine claims are paid. Emerging experience is regularly monitored at SLP Board level.

Mortality risk

Mortality risk is a material risk for some legacy products with a material sum at risk, however it is largely all mitigated by reinsurance arrangement that have been in place for many years. Therefore, mortality risk only represents around 1% of SLP's undiversified basic SCR after allowing for reinsurance.

This risk makes up 1% of the total risk to the Group.

Mitigation

The reinsurance arrangements remain effective for these legacy products and these products are gradually going off the books. The ongoing effectiveness of these reinsurance arrangements is monitored by SLP's Actuarial Function. If SLP decided to take on new mortality exposures by selling new protection business, the possibility of mitigating the new mortality risk using new reinsurance arrangements would be assessed.

Expense risk

Expense risk represents around 5% of SLP's undiversified basic SCR. SLP has a good record of keeping its expenses within budget. However, a number of factors (such as the need to recruit external consultants or increased statutory obligations) could force SLP to incur additional expenses over the next twelve months.
While expenses by themselves are unlikely to cause a threat to solvency, since the expected surplus over the next year is likely to be sufficient to meet any expense demands, they could contribute to the insolvency of SLP if other adverse events occurred at the same time.
If SLP closed to new business, or was unable to continue to expand new business, there is a risk that its solvency would be eroded over time by an expense overrun. An expense overrun occurs when the actual expenses incurred exceed the expenses assumed in the reserving bases, and as a result the surplus that emerges from the business is either reduced or becomes negative.
There is also a risk that expense inflation could be higher than expected in the reserving basis, although such a rise could to some extent be met by an increase in charges, subject to TCF considerations.
This risk makes up 7% of the total risk to the Group.

Mitigation

The key mitigant is proactive expense management through the budget setting and monitoring processes together with the approval framework and authority guide.

There is a concentration of underwriting risk as all of SLP's business is written in the UK and is in respect of two Solvency II lines of business. Further details can be found in the solo SFCR.

Other Subsidiaries

There is no material Underwriting Risk for any of the other subsidiaries within the Group.

C.2 Market risk

Sanlam Life and Pensions

The key market risks for SLP are equity risk, currency risk and interest rate risk. These risks are described below.

Risk concentration was considered but it was determined not to be material.

Equity risk

Equity risk represents around 25% of SLP's undiversified basic SCR. A fall in equity markets would have a detrimental effect both on the Staff Pension Scheme and the value of future annual administration charges.

SLP is not exposed to any material investment guarantees that would be directly affected by a fall in equity values. However, a fall in equity values would damage SLP's solvency because the resulting lower future expected fund administration charges would increase the realistic technical provisions and therefore immediately worsen SLP's solvency position. Following a fall in equity values, there would also be a reduction in the capital requirement due to the symmetric adjustment, helping to smooth the impact on the solvency position in the short term.
As some of the staff pension scheme's assets are invested in equities a fall in equity values would worsen the surplus/deficit position and therefore reduce SLP's capital resources and mean higher pension scheme contributions in the future.

A fall in equity values may also increase the likelihood of other risks occurring such as reduced new business or worse persistency. For example, mis-selling reserves are more likely to be inadequate following a fall in equity values since policy values will be reduced, potentially leading to higher compensation costs.

Mitigation

SLP has a detailed set of processes and procedures in place to manage and mitigate any impact of equity risk. Unit linked assets and liabilities are matched on a daily basis, with some minimal residual exposure permitted within detailed limits for the sake of operational efficiency.

Currency risk

Currency risk represents around 12% of SLP's undiversified basic SCR. Some of SLP's unit linked funds are invested in overseas linked assets and as such an increase in the value of sterling compared to other currencies will lead to a reduction in the value of capital resources through lower future fund administration charges. In addition, a relative increase in sterling will produce a larger staff pension scheme deficit. Note that the assets held to match SLP's other non-linked liabilities are all sterling denominated.

Mitigation

As with equity risk, unit linked assets and liabilities are matched on a daily basis, with some minimal residual exposure permitted within detailed limits for the sake of operational efficiency.

Interest rate risk

Interest rate risk is currently low, representing less than 2% of SLP's undiversified basic SCR. The non-linked liabilities are matched by a portfolio of fixed coupon and index linked securities of relevant outstanding term. All liabilities and assets are denominated in sterling and the matching position is reviewed monthly. Consequently the losses that could arise from mismatching within SLP are unlikely to have a significant impact on the overall solvency position.

A more significant risk arises from the Defined Benefit Pension Scheme because of the mismatching of the Scheme's assets and liabilities.

SLP's solvency position is sensitive to interest rate risk. This is partly due to the level of the risk margin being sensitive to the level of interest rates.

Mitigation

SLP has in place a detailed investment mandate for non-linked matching with another Group company, Cameron Hume, to mitigate any potential impact. The mandate has clear rules over what constitutes an acceptable level of matching and these are reviewed on a regular basis. Performance is reviewed on a monthly basis.

For pension scheme matching, the Scheme's Trustees have in place an investment strategy together with a set of detailed investment limits which are set out in the Scheme's Statement of Investment Principles. Performance against the Scheme's Statement of Investment Principles by the investment manager is reviewed on a regular basis. There is however a sizeable amount of residual risk given the nature of the benefit guarantees that have been granted.

Other Subsidiaries

It is clear that the impact of a declining market will be material to the Group's revenue levels on its existing book. A lot of flows are driven from market levels and there has been some considerable improvement and normalisation which could have a significant effect on the top line as well as bottom line. There is currently a low inflation environment which provides the Group with challenges in terms of product mix.

With the UK having voted to leave Europe there is 'Brexit Risk' which has resulted in the increase in uncertainty and volatility within the markets and an impact on investor confidence. Whilst the timing and method of withdrawal from Europe remains open to negotiation and political influence, there will be different interpretations of potential impact, risks and opportunities. The Group is mindful of the effect it may have on foreign exchange trading, rates and yields including the impact on Defined Benefit pension deficit.

Risk Mitigating Strategy

The Group is re-defining and enhancing the overall distribution and marketing focus to better protect against the impact of a declining market. A new Distribution Director has recently joined the business to provide improved coordination across marketing and distribution. He is responsible for supporting the development of the Group's proposition to clients and advisers. Marketing will focus on more tangible and concrete activities to enable the Group to better engage with clients and provide support that is much more aligned to products. There will be more product focused marketing campaigns as well as dedicated campaigns and events for high performing funds.

There will be additional investment in recruitment and upskilling existing staff to enable the delivery of strategy. The product set within the Group is being aligned to market needs. With sterling being a weak currency at the current time the Group is not securing a lot of sterling inflows into the business, however, returns in terms of the parent company are looking more positive.

With regard to Brexit, what is clear is that as a business it is needed to be able to adapt and to challenge internal thinking. There are potential economic environments not seen before, i.e. negative interest rates, trade limitations etc. that may impact upon the Group's proposition. It is necessary to be mindful, creative and proactive in thinking and planning, as at this stage it is impossible to be definitive about impacts.

Increased uncertainty may provide opportunity for consolidation within the sector and with the breadth of offering the Group is well placed to take advantage of any such opportunities. It is not envisaged that there will be significant changes regarding EU regulation impact in the UK, as in order to conduct business the EU standards are likely to need to be met.

C.3 Credit risk

Sanlam Life and Pensions

Risk concentration was considered but it was determined not to be material.

The key credit risks for SLP are downgrade risk and default risk. These risks are described below:

- Asset default on assets backing non-linked liabilities. The impact would be a straight hit to SLP's solvency position.
- Asset default on assets backing final salary pension scheme. The impact would be a worsening in the scheme's solvency and funding position which would require SLP to increase contributions.
- Reinsurer default. If a default did occur SLP would need to hold gross rather than net reserves for the policies affected, and the previously reinsured mortality and morbidity profits or losses would be retained by SLP.
- The failure of the mis-selling indemnity provider to pay amounts due. The impact would be that SLP could no longer take credit for the expected recovery under the pecuniary loss insurance contract with Allianz Cornhill and this would adversely impact SLP's solvency.

Mitigation

Credit risk is managed in the following ways:

- Asset default (non-linked liabilities). SLP has in place an investment management mandate with Cameron Hume Limited to mitigate any potential impact. The mandate has clear rules over the quality and type of asset that can be used to match non-linked liabilities as well as limits on maximum counterparty exposure. These are reviewed on a regular basis and the investment manager's performance against these guidelines is monitored regularly at Investment Committee meetings. No credit default swaps have been purchased.

  SLP has to date not suffered a default on any of its non-linked assets and the practice is not to seek excessive returns because of the inherent default dangers.
- Asset default (pension scheme). Limits agreed with the Trustees over the maximum percentage of the assets that can be invested in corporate bonds, investing in corporate bonds via a collective scheme which improves diversification and ensures professional management.
- Reinsurers. The risk of reassurer default is kept low by only dealing with good quality reinsurance companies proactive account management and the right to offset. No use has yet been made of deposit backs.
- Indemnity provider. Dealing with a good quality counterparty, Allianz Cornhill, together with account management keeps the risk of the failure of this indemnity low.

Other Subsidiaries

There is no material Credit Risk for any of the other subsidiaries within the Group.

C.4 Liquidity risk

Sanlam Life and Pensions

In addition to considering whether SLP has an adequate amount of capital, we also need to consider whether the assets held by SLP are sufficiently liquid, that is whether there is a cost associated with having to realise the assets at an unfavourable time. SLP has limited liquidity risk.

A large amount of surrenders on a single day could potentially impact SLP's liquid resources. If the amount of surrender was greater than the cash in the unit fund, assets in that fund would need to be sold. However, since SLP operates a next day pricing policy and investment administration receive daily unit movement reports on the day that a surrender is keyed, assets in the fund can be sold before the price is calculated. The cost of selling assets will therefore be incurred by those surrendering rather than SLP itself.

SLP monitors the level of liquid assets held and reports this to the Executive Committee on a monthly basis.

The expected profit included in future premiums (EPIFP) as at 31 December 2016 is £1.9m. Although EPIFP contributes to SLP's own funds, it only represents around 3% of the total own funds. Therefore, the highly illiquid nature of EPIFP isn't an issue given SLP's other highly liquid investments.

Risk concentration was considered but it was determined not to be material.

Other Subsidiaries

There is no material Liquidity Risk for any of the other subsidiaries within the Group. .

C.5 Operational risk

Sanlam Life and Pensions

Based on the standard formula's formulaic approach, operational risk as at 31 December 2016 represents around 4% of SLP's undiversified SCR. For internal risk monitoring purposes SLP has a separate calculation for operational risk which attempts to be more appropriate to SLP specifically. SLP's internal operational risk model aggregates all SLP's operational risk impacts and likelihoods as assessed by the various department heads using correlation matrices.

Operational risk is considered separately for each risk category of SLP's risk universe in terms of the loss caused if a process were to fail or, alternatively, the impact on the business if an adverse external event were to hit SLP.

Risk concentration was considered but it was determined not to be material.

Mitigation

Mitigants include the following:

- Risk reduction – where possible, SLP takes action to reduce the impact of a risk. The required actions vary by risk.
- Risk avoidance – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, SLP may avoid the risk.

- Risk acceptance – in some cases, after assessment it is decided that a risk that is outside tolerance should be accepted. In this case, the risk is monitored closely and included in the monthly risk reporting.
- Transfer – in some cases action is taken to reduce the probability or severity by transferring or sharing a portion of the risk

Other Subsidiaries

Nucleus Financial Group Limited

The Group owns 57% of Nucleus. Nucleus operational risk represents 13% of the Group's total operational risk. .

The Operational risk of Nucleus can be attributed to business continuity (15%), trading (25%), CASS (17.5%), systems (20%), change delivery (7.5%), outsourcing (7.5%) and other (7.5%).

Sanlam Private Investments (UK) Holdings Limited

SPI (UK) operational risk represents 18.6% of the Group's total operational risk.

The Operational risk of SPI (UK) can be attributable to business continuity (10%), key staff (14.6%), regulatory (20%), Client Assets (CASS) (3%), unsuitable advice (36%) and other (15.5%).

Sanlam Wealth Planning Limited

The operational risk of Sanlam Wealth can be attributed to business continuity, regulatory, unsuitable advice and key staff. Sanlam Wealth's risks are managed through the group's risk framework and mitigating risks are in place. A strict administration process is adhered to whereby business is dealt with in accordance with clear processing standards including regulatory standards checking and suitability of advice.

C.6 Other material risks

Conduct risk

The most significant type of conduct risk for Sanlam UK is the unfair treatment of customers and/or delivery of poor customer outcomes. Conduct risks can crystallise due to events occurring that the business was not prepared for or because an area of poor behaviour or control vulnerability was not managed effectively. Many incidents of customer detriment can occur due to simple failures in processes. An event is an incident or occurrence emanating from the behaviour of the company, its employees, associates or representative that result in the unfair treatment of customers and/or poor customer outcomes.

Mitigation

SIH is committed to sound risk management practices and regards an active awareness and the mitigation of conduct risk exposures to be a business imperative. That is, SIH will avoid taking on activities that could give rise to the unfair treatment of customers and/or the delivery of poor customer outcomes and thereby potentially incur financial loss and/or material disadvantage to customers.

The SIH companies work together with the aim of developing a consistent approach to the management of conduct risk. SAMI's conduct risk framework has been approved by the SAMI board and adopted within the business. The approach to conduct risk management is being enhanced across the group in line with the ERM Framework.

The SIH board has approved the Sanlam definition of conduct risk and all of the business entity boards in Sanlam UK and SAMI are in the process of doing the same. Conduct risk responsibilities are explicitly documented in the terms of reference/charters for the SIH and SUK Boards and other key governance bodies.

On an annual basis, Compliance performs a Compliance and Conduct Risk assessment of the business plans for the Sanlam UK businesses for the forthcoming year. The assessments are presented to the business unit boards. The findings are used to inform the Compliance Monitoring Plan and also help ensure risks are considered as and when the business plan initiatives are developed.

The risk rating methodology used across Sanlam UK includes a customer impact score so that the potential effect of risks on customers is explicitly considered. In SLP there is a Conduct Risk policy that forms part of the risk management framework. The approach to embedding conduct risk in the risk management processes for the other Sanlam UK companies is being rolled out as part of the ERM Framework.

Group Specific Risks

Fungibility of capital

Sanlam has been receptive to arranging capital between its operations in Europe in order to support the separate business' capital requirements so we consider this risk to be acceptable at the SIH group level. It's sufficiently transferrable, however, there are some constraints to do with distribution reserves and capital structures but there is reason to believe that Sanlam Limited would provide the Group with capital if it was constrained for a period of time.

Contagion Risk

There is a risk that regulatory matters in one entity could affect the other subsidiaries within SIH. We consider that each individual business has adequately provided for regulatory risks in each of their businesses.

Reputational Risk

Each of the subsidiary businesses under SIH operate in fairly distinct market segments and all operate under the Sanlam brand. We believe that SIH is therefore covered against reputational risk under individual capital provisions although we did consider this in stress and scenario testing.

Sensitivities

SLP carries out stress and scenario testing as part of the ORSA process which includes sensitivity testing for the material risks. Sensitivity tests have been selected to give an indication of how sensitive SLP's solvency position is to these material risks. The results of the sensitivity tests on a Pillar 1 basis for SLP as at 31 December 2016 are shown in the table below.

Pillar 1 December 2016	Own Funds	Capital requirement	Capital adequacy ratio
Base	63.3	47.4	134%
10% reduction in annuitant mortality (inc pension scheme)	57.7	47.5	122%
1% fall in interest rates	59.7	49.1	122%
1% increase in credit spreads	58.3	42.9	136%
30% fall in equity values (Changed Symmetric Adjustment)	48.0	39.1	123%
10% increase in renewal expenses	60.1	46.7	129%
10% mass lapse event	59.7	44.9	133%

The 10% mass lapse event sensitivity shows a big impact on own funds, which is consistent with lapse risk being a key driver of the overall SCR. However, the capital requirement also reduces in this sensitivity due to 10% of the business going off the books. Therefore, there is no impact on the capital adequacy ratio in this sensitivity. Note that a more significant mass lapse event would impact SLP's solvency position because SLP's ability to cover fixed overhead expenses would be put under pressure.

The capital adequacy ratio improves under the credit spread sensitivity, due to offsetting impact of increased spreads on the pension scheme.

No sensitivity testing has been carried out at Group level during 2016, however it is proposed that this will be part of the Group ORSA process in 2017.

Other Subsidiaries

Within Sanlam Wealth there is a material conduct risk of providing unsuitable advice to customers. This is mitigated through a robust operational framework for processing business, which includes the paraplanning and compliance teams reviewing the suitability of the advice prior to the business being written. Advisers are also subject to suitability obligations when recommending services/products.

Within Sanlam FOUR, the wind down costs in the event of cessation of the regulated business could be material, representing 42% of the group's business risk capital.

There have been no material changes to the risk profile over the reporting period.

C.7 ANY OTHER INFORMATION

As part of the Group's ongoing risk management approach we perform a range of stress and scenario tests, reporting on the output as part of the Group ORSA. SIH's stress and scenario testing process is continuing to evolve so that it becomes fully integrated into the ORSA process.

The stress and scenario testing process has involvement from the Board and Senior Management throughout the year. The process will continue to evolve in the coming years in line with emerging market practice. For this year's ORSA process we have made the following improvements:

- Senior management have been involved in deciding which scenarios we should consider for SIH
- Stress and scenarios tests were considered as part of the business planning process, assessing the impact on all key performance indicators for each of the businesses

- The conclusions of the aggregated stresses and scenarios for SIH have been reviewed by senior management and any relevant management actions have been considered
- The results of the SIH stresses and scenarios have been taken into account when reviewing the target solvency levels for Pillar 1 and Pillar 2.

The governance arrangements and mitigation strategies outlined above ensure that the Group is in compliance with the prudent person principle, as outlined in Article 132 of Directive 2009/138/EC.

D. THE REGULATORY BALANCE SHEET

D.1 ASSETS

SIH is classified as a “mixed financial holding company”, under the definition in Article 212 (g) of the Solvency II Directive (Directive 2009/138/EC). This is because the Group is made up of a number of different types of financial undertakings. Further detail is provided below.

The Group balance sheet has been prepared in accordance with Solvency II. This has involved the following approach:

- Valuations for the ‘solo’ insurance entity, SLP, in accordance with the Solvency II valuation requirements and methodology
- Valuations of other regulated Group companies in line with the appropriate sectoral rules for Own Funds and capital requirement.
- Valuations of other related undertakings on the basis of the Group’s proportion of the entity’s net asset value based on the Group’s percentage holding of shares in the entity, as outlined in the structure charts in A.1.

In calculating the overall Solvency II balance sheet of the Group, the entities within the Group are either consolidated on a line by line basis, or included as single line participations within S.02.01.02 C0010 R0090. The treatment is dependent on the type of entity. The following treatment has been applied according to the definitions included in the Solvency II Directive (Directive 2009/138/EC).

Line by line consolidation

Mixed financial holding company

- Sanlam Investment Holdings UK Limited
- Sanlam UK Limited

Life insurance undertaking

- Sanlam Life and Pensions UK Limited

Ancillary services undertaking

- Sanlam Financial Services UK Limited

Single line participation

UCITS management company

- Sanlam Asset Management (Ireland) Limited

Credit institution, investment firm or financial institution

- Sanlam Wealth Planning UK Limited
- Centre Asset Management LLC
- Sanlam FOUR Investments UK Limited
- Sanlam International Investments Limited
- Sanlam Private Investments (UK) Limited
- Cameron Hume Limited
- Sanlam Securities UK Limited
- Sanlam International Investment Partners USA Holdings Inc.

Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Implementing measures

- Sanlam Private Investments Wealth Management (UK) Limited

Other

- Sanlam Funds Services Limited
- English Mutual Limited
- Nucleus Financial Services Limited
- Nucleus IFA Services Limited
- Sanlam Private Investments (UK) Holdings Limited
- Artisan Real Estate Investment Management Limited
- Sanlam FOUR Investment Holdings UK Limited
- Nucleus Financial Group Limited
- Sanlam Professional Partnerships LLP (dormant entity, dissolved in March 2017)
- East Worlidge Holdings Limited (dormant entity, dissolved in March 2017)
- Merchant Securities Holdings UK Limited (dormant entity, dissolved in March 2017)
- Border Asset Management Limited (dormant entity, dissolved in March 2017)
- Iain Nicholson Investment Management Limited (dormant entity, dissolved in March 2017)
- Sanlam Wealth Planning Holdings UK Limited
- Buckles Limited
- Summit Trust International SA
- Summit Trust Company Limited
- Summit Trust Company (NZ) Limited
- Summit Trustees (Cayman) Limited
- Summit Trust (Mauritius) Limited
- Sanlam Summit Limited

The Group does not prepare consolidated financial statements as a matter of course as it is consolidated in South Africa as part of Sanlam Limited. A proxy statutory balance sheet has therefore been calculated, by taking the Solvency II balance sheet and adjusting for any differences in valuation of assets, technical provisions and other liabilities between the SLP solo IFRS financial statement balance sheet and SLP solo Solvency II balance sheet. SLP is the only insurance entity in the Group and therefore is the only entity for which there may be differences in valuation between these two bases.

The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, the fair value is determined by reference to prices for similar assets or transactions in less active markets. In order to confirm that the prices for publicly traded assets are from an active market, prices are monitored to ensure that they fluctuate regularly and are therefore not stale. The Group does not have any holdings in unlisted bonds or equities that are recognised in the Solvency II balance sheet.

There are no differences between the bases, methods and main assumptions used for the valuation for solvency purposes of the Group's assets and other liabilities and those used by any of its subsidiaries.

Property, plant and equipment held for own use

The value of property, plant and equipment held for own use is £0.2m as at 31 December 2016 [S.02.01.02 C0010 R0040].

This is valued at cost less depreciation in both the IFRS financial statements and the Solvency II balance sheet. Given the magnitude of this balance, it is deemed that there is no material difference between this treatment and fair value as required in Solvency II.

Holdings in related undertakings, including participations

The value of holdings in related undertakings is £37.5m as at 31 December 2016 [S.02.01.02 C0010 R0090]. The balance represents the companies within the Group that are included in the Group's result through the method 1, the Accounting Consolidation-based method, as the proportional share of the undertaking's own funds. The treatment of each entity in the Group is outlined above.

Bonds

The total value of bonds in the non-linked funds was £95.2m as at 31 December 2016 [S.02.01.02 C0010 R0130]. This value is made up of corporate bonds and government securities.

All bonds are marked to market for both the IFRS financial statements and the Solvency II balance sheet.

There is a difference between the Solvency II balance sheet value and IFRS financial statement value in respect of listed securities, which is the value of interest accrued on these bonds as at 31 December 2016. This amount is included in the Solvency II value, but excluded from the IFRS financial statement value, where convention dictates that bonds are included at clean market value with accrued interest shown as a separate line within current assets.

Deposits other than cash equivalents

The value of deposits was £14.0m as at 31 December 2016 [S.02.01.02 C0010 R0200]. These are valued at fair value in both the IFRS financial statements and the Solvency II balance sheet.

Assets held for unit linked and index linked contracts

The total value of assets held for unit and index linked contracts was £2,472.6m as at 31 December 2016 [S.02.01.02 C0010 R0220]. This value is comprised of the following types of asset:

- Investment property
- Corporate bonds
- Government securities
- Equity
- Investment funds
- Cash

Investment property

The Company owns two types of investment properties – property fund properties, and properties within the self-invested funds of some clients.

Property fund properties

These properties are valued on a monthly basis by Jones Lang LaSalle (JLL), an independent property valuer, on an open-market basis. Their valuation is prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition).

Market value is measured as the most probable price reasonably obtainable in the market at the date of valuation between a willing buyer and a willing seller in an arm's-length transaction. Therefore it is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer.

Self-invested properties

These properties are valued prior to purchase and then triennially, by an independent professional valuer acceptable to the Company, and with knowledge of the local market, on an open market basis.

It is determined that all investment properties are fair valued for both the IFRS financial statements and the Solvency II balance sheet.

Corporate bonds and government securities

These are marked to market for both the IFRS financial statements and Solvency II balance sheet.

Equities

These are marked to market for both the IFRS financial statements and Solvency II balance sheet.

Investment funds

These are marked to market for both the IFRS financial statements and Solvency II balance sheet.

Cash

This is held at fair value for both the IFRS financial statements and Solvency II balance sheet.

Loans on policies

The value of loans on policies is £0.3m as at 31 December 2016 [S.02.01.02 C0010 R0230]. These are valued at cost in both the IFRS financial statements and the Solvency II balance sheet. Given the magnitude of this balance, it is deemed that there is no material difference between this treatment and fair value as required by Solvency II.

Reinsurance recoverables

The total value of reinsurance recoverables is £(7.3m) as at 31 December 2016 [S.02.01.02 C0010 R0270]. On the realistic basis used under Solvency II, reinsurance liabilities exceed the reinsurance assets and therefore reinsurance increases the technical provisions. This is because for unit linked business, reinsurance premiums are fixed and therefore do not reduce on a realistic basis. Reinsurance recoverables reduce on a realistic basis compared to the more prudent valuation basis. The valuation of reinsurance recoverables in the financial statements is £3.4m.

Reinsurance receivables

The total value of reinsurance receivables is £3.8m at 31 December 2016 [S.02.01.02 C0010 R0370]. This balance is made up of claims due from reinsurers in the normal course of business, and the amount due from Allianz Cornhill in respect of mis-selling claims. These are valued at fair value for both IFRS financial statement and Solvency II purposes.

Receivables (trade, not insurance)

The total value of trade receivables is £3.8m at 31 December 2016 [S.02.01.02 C0010 R0380]. These are valued at fair value for both the IFRS financial statements and Solvency II balance sheet. The difference in the value between IFRS financial statements and Solvency II is due to the different treatment of accrued interest on fixed income securities under the different bases. For the IFRS financial statements, this is included in this balance (i.e. assets are held at the clean market value) whereas under Solvency II accrued interest is part of the overall asset value (i.e. assets are held at dirty market value).

Cash and cash equivalents

The value of cash and cash equivalents is £10.8m as at 31 December 2016 [S.02.01.02 C0010 R0410]. These are fair valued for both the IFRS financial statements and Solvency II balance sheet.

There are no differences between the valuation methods used by the Company as outlined above and those used by other companies in the Group.

D.2 Technical Provisions

As SLP is the only regulated insurance entity within the Group, technical provisions and reinsurance recoverables only arise in relation to SLP. There are no differences in the valuation of SLP's technical provisions for solo compared to group solvency purposes.

The table below shows the technical provisions as at 31 December 2016 split by material line of business.

£m	Index-linked and unit-linked	Life (excluding health and index-linked and unit-linked)	Total
Gross Best Estimate Liabilities (BEL)	**2,388.7**	**86.3**	**2,475.0**
less Reinsurance recoverables	(8.8)	1.5	(7.3)
BEL after recoverables	**2,397.5**	**84.8**	**2,482.3**
Risk Margin	10.5	4.4	14.9
Technical Provisions after recoverables	**2,408.0**	**89.2**	**2,497.2**

Technical provision calculation methodology

The Company uses a deterministic policy-by-policy cash-flow projection approach to the calculation of the technical provisions.

Future cashflows are to be discounted at the risk free rate as specified by regulation.

In certain specific circumstances, the best estimate element of technical provisions may be negative (e.g. for some individual contracts). These profitable contracts can be recognized on the Solvency II balance sheet and so the value of the best estimate with respect to those individual contracts should not be set to zero. No implicit or explicit surrender value floor should be assumed for the amount of the market consistent value of liabilities for a contract. This means that if the sum of a best estimate and a risk margin of a contract are lower than the surrender value of that contract there is no regulatory requirement to increase the value of insurance liabilities to the surrender value of the contract.

The Best Estimate Liabilities are calculated gross, without deduction of the amounts recoverable from reinsurance contracts or the premiums payable to reinsurers.

The Company has existing reinsurance contracts with Munich Re and Swiss Re that cover business written around 1990. The Company has no special purpose vehicles or finite reinsurance.

Recoverables from these reinsurance contracts are valued separately but using consistent assumptions and methodologies to the underlying insurance contracts including applying consistent contract boundaries (see the "Future Premiums" section under "Technical provisions assumptions"). This means separate reinsurance assets and liabilities are shown on the balance sheet.

Technical provisions assumptions

The key assumptions are as follows:

Interest rates

The investment return assumptions and the discount rate are based on the GBP risk-free interest rate term structure as specified in the Solvency II regulations. The Company uses the risk free yield curve supplied by EIOPA:

- No matching adjustment or volatility adjustment is added to the risk-free rate.
- The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.
- The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Mortality

The following mortality assumptions were used as at 31 December 2016.

	Aggregate	Non-Smoker	Smoker
Males	33% A67/70 sel	29% A67/70 sel	43% A67/70 sel
Females	37% FA75/78 sel	32% FA75/78 sel	48%FA75/78 sel

In addition, male mortality is adjusted for 50% of Basis R6A of the Institute of Actuaries Working Party Paper on AIDS.

Mortality assumptions were increased over the reporting period following the mortality investigation. The assumptions have been updated to reflect the latest mortality experience. This has led to an increase in technical provisions.

Annuitant mortality

For annuities, the following mortality assumptions were used as at 31 December 2016:

	Base Table	Age rating	Improvement
Conventional annuities			
Males	116% PCMA00	None	CMI 2014, 1.25% LTI
Females	116% PCFA00	None	CMI 2014, 1.25% LTI
Unit linked annuities			
Males	106% PCMA00	-2	CMI 2014, 1.25% LTI
Females	106% PCFA00	-2	CMI 2014, 1.25% LTI

Expenses

The following expenses per policy were used as at 31 December 2016:

Class	31 Dec 2016	
	Live	Paid up
UL Bond	-	£37.81
UL Savings Endowment	£31.83	£27.99
UL Target Cash Endowment	£31.83	£27.99
UL Regular Premium Pension	£56.57	£35.23
UL Single Premium Pension	-	£38.10
Conventional annuities	-	£30.29
Unit linked annuities	-	£162.78

The assumptions have been increased over the reporting period to reflect the latest expense experience. This has led to an increase in technical provisions.

Inflation

Renewal expenses and monthly expense charges were assumed to increase at 3.75% p.a.

Persistency

Discontinuance rates are based on the company's recent experience.

Risk Margin

The risk margin is an addition to the Best Estimate Liabilities to ensure that the total technical provisions are sufficient to cover the amount that a third party would require to take over and meet the insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof.

The rate used in the determination of the cost of providing that amount of eligible own funds is the Cost-of-Capital rate. The Cost-of-Capital rate is the annual rate to be applied to the capital requirement in each period. The Cost-of-Capital rate is set by EIOPA and currently equals 6%.

Therefore the Cost of Capital at time t equals the SCR at time t (excluding avoidable market risk) multiplied by the Cost-of-Capital rate. The risk margin equals the sum of the present value of the cost of capital for each future year. This calculation is performed within the model.

The SCR used in the calculation of the risk margin is calculated based on the Best Estimate Liabilities only, ignoring the risk margin.

Future Premiums

Where certain requirements are met, the Solvency II specifications allow contract boundaries to be set into the future for protection business. This allows future cashflows relating to future regular premiums to be treated as existing business and therefore included in the best estimate. The impact of this is quantified by calculating the expected profits arising from future premiums (EPIFP). The EPIFP form part of the reconciliation reserve and are included in the own funds.

Simplifications

The Company uses the level 3 simplification to project the capital requirement into the future in the risk margin calculation. As a check, the risk margin has also been calculated using a more detailed approach. The simplified approach gives a higher risk margin than the more detailed approach. This simplification is therefore considered appropriate because it is more prudent than the more detailed approach.

Uncertainty associated with the level of technical provisions

Uncertainty primarily relates to how future actual experience will differ from the best estimate assumptions used in the technical provision calculations. The key assumptions are interest rates, persistency rates, mortality rates and expense assumptions. The Company performs experience investigations on an annual basis to compare actual experience against the best estimate assumptions. The results of these investigations are used in the assumption setting process to help ensure the level of uncertainty is well understood.

The sensitivity test results at the end of Section C show how sensitive the Company's solvency position is to the key assumptions.

Solvency II and IFRS valuation differences

The table below gives a build up from the IFRS valuation to the Solvency II technical provisions as at 31 December 2016.

£m	Index-linked and unit-linked	Life (excluding health and index-linked and unit-linked)	Total
IFRS liabilities	2,441.7	89.5	2,531.2
Adjustments for Solvency II	(53.0)	(3.3)	(56.2)
Best Estimate Liabilities (BEL)	**2,388.7**	**86.2**	**2,475.0**
Add Risk Margin	10.5	4.4	14.9
Technical Provisions	**2,399.2**	**90.6**	**2,489.8**

The main differences between the Solvency II technical provisions and IFRS liabilities arise from:

- In certain specific circumstances, Solvency II allows the best estimate element of technical provisions to be negative. However, under IFRS, for investment business, the liability is determined by the value of the corresponding units allocated to the policyholders; the unit liability is tested to ensure that it is not less than the unit surrender value.
- Solvency II uses best estimate assumptions whereas the IFRS valuation assumptions include margins for adverse future experience. The IFRS expense assumptions contain an 8.5% margin. For persistency, the IFRS assumptions contain a 30% margin. For annuitant mortality, the IFRS assumptions include a margin over the best estimate assumptions. This is achieved by applying a 10% margin to the table percentage and a 0.5% margin to mortality improvements in the IFRS basis compared to the best estimate basis.
- Solvency II uses risk-free discount rates based on the relevant risk-free interest rate curve supplied by EIOPA. IFRS uses discount rates based on the risk adjusted yield of the backing assets.

The risk margin is included in Solvency II technical provisions.

D.3 Other Liabilities

There are no differences between the bases, methods and main assumptions used for the valuation for solvency purposes of the Group's other liabilities and those used by any of its subsidiaries.

Provisions other than technical provisions

The value of other provisions is £3.7m as at 31 December 2016 [S.02.01.02 C0010 R0750]. This is the balance recognised in respect of pensions mis-selling. This is valued at fair value for both the IFRS financial statements and the Solvency II balance sheet.

Pension benefit obligations

The value of pension benefit obligations is £1.4m as at 31 December 2016 [S.02.01.02 C0010 R0760]. This is valued at fair value in both the IFRS financial statements and the Solvency II balance sheet.

Deferred tax liabilities

The deferred tax liability is £7.7m as at 31 December 2016 [S.02.01.02 C0010 R0780].

In the IFRS financial statements, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. However, if the deferred tax 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 accounting nor taxable profit or loss, it is not accounted for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and legislation enacted or substantively enacted at the reporting date.

The Solvency II technical provisions valued in accordance with the Solvency II Directive are calculated to be at a lower level than the present IFRS liabilities which are used to calculate the company's tax position. As a result of this temporary difference a deferred tax liability needs to be recognised on the Solvency II balance sheet. The other differences between the Solvency II and IFRS balance sheets do not result in any deferred tax changes.

In accordance with the life insurance tax regime in the United Kingdom, SLP's long term business is divided into two types – Basic Life Assurance and General Annuity Business (BLAGAB) and non-BLAGAB.

For non-BLAGAB business the recognition of this larger deferred tax liability allows the recognition of a larger deferred tax asset related to the non-BLAGAB brought forward losses.

Debts owed to credit institutions

The total value of debts owed to credit institutions is £13.8m as at 31 December 2016 [S.02.01.02 C0010 R0800]. This value represents mortgages on properties held by a number of the Company's clients within their Self-Invested Personal Pension (SIPP) portfolios. These are valued at amortised cost in the IFRS financial statements. A discounted cash flow approach has been taken to value the liabilities for the Solvency II balance sheet, since this is representative of fair value. .

Financial liabilities other than debts owed to credit institutions

The value of other financial liabilities is £1.2m as at 31 December 2016 [S.02.01.02 C0010 R0810]. This balance represents accruals for expenses. This is valued at fair value for both the IFRS financial statements and the Solvency II balance sheet.

Payables

The value of payables is £23.5m as at 31 December 2016 [S.02.01.02 C0010 R0840]. This balance is made up of trade creditors, the overall tax creditor and claims outstanding. These are fair valued for both the IFRS financial statements and the Solvency II balance sheet.

D.4 Alternative methods for valuation

SLP uses an alternative method for valuation in respect of its holdings of investment properties. Details of the valuation method are disclosed in section D.1.

D.5 Any other information

There have been no material changes to valuation for solvency purposes over the reporting period.

E CAPITAL MANAGEMENT

E.1 Own Funds

The objectives of the own funds management are set out in the Group's capital management policy. The Group aims to maintain, at all times, sufficient own funds to cover the SCR together with an appropriate buffer.

The acceptable target range for the Pillar 1 CAR (ratio of eligible own funds over SCR) is 130% to 170%. The Group regularly monitors the Pillar 1 CAR (ratio of eligible own funds over SCR) and the capital management policy sets out the process to follow to restore the CAR if it falls outside the target range.

The business plan contains a three year projection of the Pillar 1 solvency position and this helps identify any required actions for future own funds management.

In calculating group solvency for the purposes of Solvency II, the Group has used the Accounting Consolidation-based approach (Method 1) to aggregate the own funds and capital requirements of Group undertakings.

The table below shows the composition of the own funds across the Group at 31 December 2016.

£m	Group
Ordinary share capital	6.5
Reconciliation reserve	83.2
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	(20.0)
Total Basic own funds after deductions	**69.7**

The basic own funds of SLP are £58.3m.

The SLP own funds are all Tier 1 funds. The Group own funds are all Tier 1. The total amount of own funds is available to cover the SCR and the MCR.

£m	31 Dec 2016
Ordinary share capital	6.5
Equity - financial reporting basis	**6.5**
Retained earnings in proxy balance sheet	51.4
Valuation differences	31.8
Reconciliation reserve	**83.2**
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**89.7**

There is no restriction on the availability or fungibility of Own Funds to cover the Group's SCR.

The valuation differences of £31.8m are made up of the following items.

	£m
Bonds*	1.3
Receivables (trade, not insurance)*	(1.3)
Removal of reinsurance assets (IFRS)	(3.4)
Reinsurance assets (SII)	(7.3)
Removal of technical provisions (UK GAAP)	2,531.1
Best Estimate Liabilities (SII)	(2,474.9)
Risk Margin (SII)	(14.9)
Term finance – Assets held for index-linked and unit-linked contracts	(0.8)
Term finance – debts owed to credit institutions	0.8
Net deferred tax liability	1.2
Total	**31.8**

*This adjustment relates to accrued interest which is included in the value of bonds within the Solvency II balance sheet, but within the receivables balance in the statutory balance sheet.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCRs and Minimum Capital Requirements (MCRs) for the regulated insurance entity SLP have been determined using the Standard Formula. No undertaking specific parameters have been used in this assessment.

The table below summarises the Group's capital requirements at 31 December 2016.

£m	SLP	Other	Group
Market risk	28.5		
Counterparty risk	2.9		
Life underwriting risk	24.9		
Undiversified Basic SCR	**56.3**		
Diversification	(13.0)		
Basic SCR	**43.3**		
Loss absorbency capacity of deferred taxes	0		
Operational risk	2.9		
Non-Insurance capital requirement	0	10.5	
Total SCR	**46.2**	**10.5**	**56.7**
Total MCR	**18.6**	**0**	**18.6**

The SCR is subject to supervisory assessment.

SLP's only material simplified calculation is applied in the market risk module where it does not have access to adequate data to assess the market risk associated with certain collective investments. For these collective investments, SLP makes the prudent assumption that the assets are the most risky type of equity.

The non-insurance capital requirement is analysed in the table below.

Entity	Capital requirement (£m)	Calculation basis
Sanlam Financial Services UK Limited	0.4	FCA capital requirement for SIPP Operators
Sanlam Asset Management (Ireland) Limited	1.2	Central Bank of Ireland's Minimum Capital Requirements of a management company holding an authorisation as an Alternative Investment Fund Manager (AIFM) and/or as a UCITS Management Company
Sanlam FOUR Investments UK Limited	1.7	Fixed Overhead Requirement
Cameron Hume Limited	0.1	Fixed Overhead Requirement
Nucleus Financial Group Limited	2.5	Fixed Overhead Requirement
Sanlam Private Investments (UK) Holdings Limited	3.8	Fixed Overhead Requirement
Sanlam Wealth Planning UK Holdings Limited	0.8	5% of annual income plus own funds requirement for PII & Other FCA capital requirement

The Group SCR has a floor equal to SLP's MCR of £18.6m.

There are no sources of diversification at Group level.

There are no capital add-ons at the Group level or for any of the subsidiaries.

E.3 Use of the duration-based Equity Risk Sub-Module in the calculation of the Solvency Capital

As SLP is the only regulated insurance entity within the Group, SLP is the only subsidiary to use the standard formula to calculate its SCR.

SLP does not apply the duration-based equity sub-module. In the December 2016 results, SLP applied a 1.4% symmetric adjustment resulting in the equity capital charge being reduced by 1.4%.

E.4 Differences between the standard formula and any internal model

No internal or partial internal model has been used in the calculation of the SCR.

E.5 Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement

There was no breach of the SCR (and therefore the MCR) over the reporting period.

E.6 Any other information

There is no further information to be disclosed in respect of capital management.

Sanlam Investment Holdings UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2016

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Sanlam Investment Holdings UK Limited
Group identification code	213800438E2VJ98CG763
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The group is using IFRS
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	199
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	146,582
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	37,456
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	95,150
R0140	*Government Bonds*	43,493
R0150	*Corporate Bonds*	51,657
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	13,976
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	2,472,578
R0230	Loans and mortgages	297
R0240	*Loans on policies*	297
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	-7,342
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	1,479
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	1,479
R0340	*Life index-linked and unit-linked*	-8,821
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	3,839
R0380	Receivables (trade, not insurance)	3,773
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	10,773
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	2,630,700

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	90,609
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	90,609
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	86,252
R0680	*Risk margin*	4,357
R0690	Technical provisions - index-linked and unit-linked	2,399,154
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	2,388,658
R0720	*Risk margin*	10,496
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	3,665
R0760	Pension benefit obligations	1,417
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	7,742
R0790	Derivatives	0
R0800	Debts owed to credit institutions	13,823
R0810	Financial liabilities other than debts owed to credit institutions	1,157
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	23,463
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	2,541,030
R1000	**Excess of assets over liabilities**	89,669

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross			3,696	479					4,175
R1420	Reinsurers' share			971	3					974
R1500	Net			2,725	476					3,201
	Premiums earned									
R1510	Gross			3,696	479					4,175
R1520	Reinsurers' share			971	3					974
R1600	Net			2,725	476					3,201
	Claims incurred									
R1610	Gross			6,458	5,753					12,211
R1620	Reinsurers' share			391	19					410
R1700	Net			6,067	5,734					11,801
	Changes in other technical provisions									
R1710	Gross			252,347	10,437					262,784
R1720	Reinsurers' share			0	205					205
R1800	Net			252,347	10,233					262,579
R1900	**Expenses incurred**			26,381	602					26,983
R2500	**Other expenses**									0
R2600	**Total expenses**									26,983

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	4,175						4,175
R1420	Reinsurers' share	974						974
R1500	Net	3,201	0	0	0	0	0	3,201
	Premiums earned							
R1510	Gross	4,175						4,175
R1520	Reinsurers' share	974						974
R1600	Net	3,201	0	0	0	0	0	3,201
	Claims incurred							
R1610	Gross	12,211						12,211
R1620	Reinsurers' share	410						410
R1700	Net	11,801	0	0	0	0	0	11,801
	Changes in other technical provisions							
R1710	Gross	262,784						262,784
R1720	Reinsurers' share	205						205
R1800	Net	262,579	0	0	0	0	0	262,579
R1900	**Expenses incurred**	26,983						26,983
R2500	**Other expenses**							0
R2600	**Total expenses**							26,983

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	6,500	6,500		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	83,169	83,169			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	19,949	19,949			
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	19,949	19,949	0	0	0
R0290	**Total basic own funds after deductions**	69,721	69,721	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	19,949	19,949			
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	19,949	19,949	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	69,721	69,721	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	69,721	69,721	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	69,721	69,721	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	69,721	69,721	0	0	
R0610	**Minimum consolidated Group SCR**	18,621				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	374.43%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	89,669	89,669	0	0	0
R0680	**Group SCR**	56,708				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	158.12%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	89,669
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	6,500
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	83,169
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	1,940
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	1,940

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	28,453		
R0020	Counterparty default risk	2,902		
R0030	Life underwriting risk	24,967		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-13,032		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	43,291		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,892
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	46,183
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	46,183
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	18,621
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	3,323
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	3,323
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	7,202
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	56,708

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800438E2VJ98C	LEI	Sanlam Investments Holdings UK Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares	Non-mutual	
2	GB	213800HXV2RCPCM	LEI	Sanlam UK Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares	Non-mutual	
3	GB	2138007P3SRKOKJS	LEI	Sanlam Funds Services Limited	Other	Company limited by shares	Non-mutual	
4	GB	2138008BM81KGY8	LEI	English Mutual Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
5	GB	213800438E2VJ98C	Specific code	Sanlam Wealth Planning UK Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Financial Conduct Authority
6	GB	5493000JTJMXUZY4	LEI	Sanlam Life and Pensions UK Limited	Life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulation Authority
7	IE	213800438E2VJ98C	Specific code	Sanlam Asset Management (Ireland) Limited	UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Central Bank of Ireland
8	US	213800438E2VJ98C	Specific code	Sanlam International Investment Partners USA Hol	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	
9	US	213800438E2VJ98C	Specific code	Centre Asset Management LLC	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Securities and Exchange Commission
10	IM	213800438E2VJ98C	Specific code	Artisan Real Estate Investors Limited	Other	Company limited by shares	Non-mutual	
11	GB	213800438E2VJ98C	Specific code	Sanlam FOUR Investment Holdings UK Limited	Other	Company limited by shares	Non-mutual	
12	GB	213800438E2VJ98C	Specific code	Sanlam FOUR Investments UK Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Financial Conduct Authority
13	GB	213800438E2VJ98C	Specific code	Sanlam International Investments Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	
14	GB	213800438E2VJ98C	Specific code	Nucleus Financial Group Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
15	GB	213800438E2VJ98C	Specific code	Nucleus Financial Services Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
16	GB	213800438E2VJ98C	Specific code	Nucleus IFA Services Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
17	GB	213800438E2VJ98C	Specific code	Cameron Hume Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Financial Conduct Authority
18	GB	213800438E2VJ98C	Specific code	Sanlam Private Investments (UK) Holdings Limited	Other	Company limited by shares	Non-mutual	
19	GB	213800438E2VJ98C	Specific code	Sanlam Private Investments (UK) Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Financial Conduct Authority
20	GB	213800438E2VJ98C	Specific code	Sanlam Private Investments Wealth Management (	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Financial Conduct Authority
21	GB	213800438E2VJ98C	Specific code	Sanlam Professional Partnerships LLP	Other	Company limited by shares	Non-mutual	
22	GB	213800438E2VJ98C	Specific code	Sanlam Securities UK Limited	Credit institution, investment firm and financial institution	Company limited by shares	Non-mutual	Financial Conduct Authority
23	GB	213800438E2VJ98C	Specific code	East Worlidge Holdings Limited	Other	Company limited by shares	Non-mutual	
24	GB	213800438E2VJ98C	Specific code	Merchant Securities Holdings Limited	Other	Company limited by shares	Non-mutual	
25	GB	213800438E2VJ98C	Specific code	Border Asset Management Limited	Other	Company limited by shares	Non-mutual	
26	GB	213800438E2VJ98C	Specific code	Iain Nicholson Investment Management Limited	Other	Company limited by shares	Non-mutual	
27	GB	213800HIWU3CYM1	LEI	Sanlam Wealth Planning Holdings UK Limited	Other	Company limited by shares	Non-mutual	

S.32.01.22

Undertakings in the scope of the grou

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800438E2VJ98C	LEI				2	Dominant		Included in the scope		Method 1: Full consolidation
2	GB	213800HXV2RCPCM	LEI	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	2138007P3SRKOKJ	LEI	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	2138008BM81KGY8	LEI	100.00%	100.00%	100.00%	1	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
5	GB	213800438E2VJ98C	Specific code	100.00%	100.00%	100.00%	1	Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
6	GB	5493000JTJMXUZY	LEI	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	IE	213800438E2VJ98C	Specific code	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
8	US	213800438E2VJ98C	Specific code	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
9	US	213800438E2VJ98C	Specific code	75.00%	75.00%	75.00%	2	Dominant	75.00%	Included in the scope		Method 1: Sectoral rules
10	IM	213800438E2VJ98C	Specific code	33.33%	33.33%	33.33%	2	Significant	33.33%	Included in the scope		Method 1: Adjusted equity method
11	GB	213800438E2VJ98C	Specific code	93.00%	93.00%	93.00%	1	Dominant	93.00%	Included in the scope		Method 1: Adjusted equity method
12	GB	213800438E2VJ98C	Specific code	93.00%	93.00%	93.00%	1	Dominant	93.00%	Included in the scope		Method 1: Sectoral rules
13	GB	213800438E2VJ98C	Specific code	93.00%	93.00%	93.00%	1	Dominant	93.00%	Included in the scope		Method 1: Sectoral rules
14	GB	213800438E2VJ98C	Specific code	56.60%	44.00%	44.00%	1	Significant	56.60%	Included in the scope		Method 1: Adjusted equity method
15	GB	213800438E2VJ98C	Specific code	56.60%	44.00%	44.00%	1	Significant	56.60%	Included in the scope		Method 1: Adjusted equity method
16	GB	213800438E2VJ98C	Specific code	56.60%	44.00%	44.00%	1	Significant	56.60%	Included in the scope		Method 1: Adjusted equity method
17	GB	213800438E2VJ98C	Specific code	20.00%	20.00%	20.00%	2	Significant	20.00%	Included in the scope		Method 1: Sectoral rules
18	GB	213800438E2VJ98C	Specific code	96.59%	96.59%	96.59%	1	Dominant	96.59%	Included in the scope		Method 1: Adjusted equity method
19	GB	213800438E2VJ98C	Specific code	96.59%	96.59%	96.59%	1	Dominant	96.59%	Included in the scope		Method 1: Sectoral rules
20	GB	213800438E2VJ98C	Specific code	96.59%	96.59%	96.59%	1	Dominant	96.59%	Included in the scope		Method 1: Sectoral rules
21	GB	213800438E2VJ98C	Specific code	96.59%	96.59%	96.59%	2	Dominant	96.59%	Included in the scope		Method 1: Adjusted equity method
22	GB	213800438E2VJ98C	Specific code	96.59%	96.59%	96.59%	1	Dominant	96.59%	Included in the scope		Method 1: Sectoral rules
23	GB	213800438E2VJ98C	Specific code	99.39%	99.39%	99.39%	2	Dominant	99.39%	Included in the scope		Method 1: Adjusted equity method
24	GB	213800438E2VJ98C	Specific code	99.39%	99.39%	99.39%	2	Dominant	99.39%	Included in the scope		Method 1: Adjusted equity method
25	GB	213800438E2VJ98C	Specific code	99.39%	99.39%	99.39%	2	Dominant	99.39%	Included in the scope		Method 1: Adjusted equity method
26	GB	213800438E2VJ98C	Specific code	99.39%	99.39%	99.39%	2	Dominant	99.39%	Included in the scope		Method 1: Adjusted equity method
27	GB	213800HIWU3CYM1	LEI	99.30%	99.30%	99.30%	2	Dominant	99.30%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
28	GB	213800438E2VJ98C	Specific code	Buckles Limited	Other	Company limited by shares	Non-mutual	
29	GB	213800438E2VJ98C	Specific code	Sanlam Financial Services UK Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Financial Conduct Authority
30	ZA	213800438E2VJ98C	Specific code	Summit Trust International SA	Other	Company limited by shares	Non-mutual	
31	GB	213800438E2VJ98C	Specific code	Summit Trust Company Limited	Other	Company limited by shares	Non-mutual	
32	NZ	213800438E2VJ98C	Specific code	Summit Trust Company (NZ) Limited	Other	Company limited by shares	Non-mutual	
33	KY	213800438E2VJ98C	Specific code	Summit Trustees (Cayman) Limited	Other	Company limited by shares	Non-mutual	
34	MU	213800438E2VJ98C	Specific code	Summit Trust (Mauritius) Limited	Other	Company limited by shares	Non-mutual	
35	GB	213800438E2VJ98C	Specific code	Sanlam Summit Limited	Other	Company limited by shares	Non-mutual	

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Undertakings in the scope of the grou

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
28	GB	213800438E2VJ98C	Specific code	99.30%	99.30%	99.30%	2	Dominant	99.30%	Included in the scope		Method 1: Adjusted equity method
29	GB	213800438E2VJ98C	Specific code	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
30	ZA	213800438E2VJ98C	Specific code	61.41%	61.41%	61.41%	2	Significant	61.41%	Included in the scope		Method 1: Adjusted equity method
31	GB	213800438E2VJ98C	Specific code	61.41%	61.41%	61.41%	2	Significant	61.41%	Included in the scope		Method 1: Adjusted equity method
32	NZ	213800438E2VJ98C	Specific code	61.41%	61.41%	61.41%	2	Significant	61.41%	Included in the scope		Method 1: Adjusted equity method
33	KY	213800438E2VJ98C	Specific code	46.06%	46.06%	46.06%	2	Significant	46.06%	Included in the scope		Method 1: Adjusted equity method
34	MU	213800438E2VJ98C	Specific code	61.41%	61.41%	61.41%	2	Significant	61.41%	Included in the scope		Method 1: Adjusted equity method
35	GB	213800438E2VJ98C	Specific code	100.00%	100.00%	100.00%	2	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method