Sanlam Investment Holdings (UK) Limited
Pillar III Disclosure

31st December 2020

CONTENTS

1. Overview

1.1 Regulatory Framework

On 27th June 2013, the European Union established revised framework governing the amount and nature of capital that credit institutions and investment firms must maintain[1]. The directive is commonly known as the Capital Requirements Directive IV ("CRD IV") and is directly binding on firms in the UK. The applicable regulations are:

- The Capital Requirement Regulation – ("CRR")
- Prudential sourcebook for Investment Firms – ("IFPRU")

The framework consists of three pillars:

- Pillar I sets out the minimum capital requirements for credit, market and operational risk;
- Pillar II is a capital adequacy assessment and complements the existing Pillar I requirements by assessing the need to hold additional capital under a more risk-based assessment;
- Pillar III focuses upon disclosure requirements which enables the market to assess information on a firm's risks, capital and management procedures.

1.2 Scope

This disclosure document meets the obligation of Sanlam Investment Holdings (UK) Limited ("SIH") with respect to Pillar III. The Pillar III disclosure requirements are contained in Articles 431 – 455 of the CRR. The purpose of these articles is to provide information on the basis of calculating capital requirements, on the management of risks faced by SIH and its subsidiaries (together "the Group").

The CRR rules, governing Pillar III disclosures, provide that SIH may choose not to disclose any information which is not material (Article 342) (1). SIH may also choose not to disclose information if it proprietary or confidential, though it must state if any such items have been omitted (Article 432) (2) with the exception of Risk Management Objectives and Policy (Article 435), Own Funds (Article 437) and Remuneration Policy (Article 450).

1.3 Group structure & composition

The Sanlam UK Group forms part of Sanlam Limited, an international financial services group headquartered in South Africa. Sanlam Limited has a global presence and is rated zaAAA by Standard and Poor's in South Africa.

SIH is the ultimate holding company for the Sanlam UK Group businesses which provide financial solutions to individuals, wholesale clients and institutional clients. These solutions include life assurance, financial planning, investment management (including asset management and wealth management) and administration.

The core business group operating under SIH is Sanlam UK Limited and its subsidiaries.

SIH acts as the holding company for the Sanlam UK operating businesses (the "Group") and is responsible for providing entrepreneurial leadership of the companies across the Group within a framework of prudent and effective controls which enable risk to be assessed and managed.

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[1] CRD IV was put before the UK parliament on 10th of December 2013 and came into force in the UK on 1st January 2014.

The core support functions of HR, Finance, IT and Operations are centralised in order to provide centres of excellence and consistency throughout the SIH Group.

The assurance functions of Compliance, Risk and Internal Audit operate on a consistent basis through the SIH Group with clear implementation of the 3 lines of defence principles.

This consolidated view is in line with the production of the ICAAP. The prudential consolidation includes all subsidiaries as outlined in table 1.

Table 1: Entities included within the prudential consolidation group.

Company Name Prudential Consolidation Group:	Principle Activity	Regulation: CRD IV
Sanlam UK ("SUK")	Activities of head office. Non-regulated holding company – UK Group.	UK CRD
Sanlam Investment Holdings (UK) Limited ("SIH")	Other business support service activities. Non-regulated holding company.	UK CRD
Sanlam Private Investments (UK) Holdings Limited ("SPIH")	Activities of head office. Non-regulated holding company – Wealth Division.	UK CRD
Sanlam Private Investments (UK) Limited ("SPW")	Portfolio Management Services - Fund Management Activities.	Limited licence 125K IFPRU firm
Sanlam Private Wealth South Limited ("SPWS")	Formerly Thesis Private office – Fund management activities. The entity no longer holds regulatory permissions and is due for final closure in 2021. Regulated activities have been handed to SPW.	UK CRD
Sanlam Securities UK Limited ("SSUK")	Stock Broking Services – Financial intermediation.	Limited licence 50K IFPRU firm
Sanlam Wealth Planning (UK) Holdings Limited ("SWPH")	Activities of head office. Non-regulated holding company – Wealth Division	UK CRD
Sanlam Wealth Planning (UK) Limited ("SWP")	Advisory services – Financial intermediation and activities auxiliary to financial intermediation.	Personal Investment Firm (PIF) IPRU & MIPRU
Sanlam Investments UK Limited ("SI")	Asset Management – Financial intermediation.	Limited Licence 50K BIPRU Firm
Sanlam Fund Services Limited ("SFSL")	Unit Trust Management – Financial intermediation.	Collective Portfolio Manager (CPM)
Sanlam Financial Services UK Limited ("SFS")	Retail investment services - Financial intermediation	IPRU
Sanlam Partnerships Limited ("SPL")	Advisory network – Financial intermediation.	IPRU & MIPRU
Nucleus Financial Group PLC ("Nucleus")	Advisor Platform – Financial intermediation. Controlled entity with 52% share under SIH.	Limited licence 125k IFPRU Firm
Avidus Scott Lang ("ASL")	Appointed representative of SWP	UK CRD

Table 2: Entities partially consolidated into the prudential consolidation group.

Company Name Prudential Consolidation Group:	Principle Activity	Regulation CRD IV
Cameron Hume Limited ("Cameron Hume")	Fixed income asset management – Fund management services. SI hold a 20% non-controlling share.	Limited Licence 50K BIPRU Firm

Table 3: Entities excluded from the prudential consolidation group.

Company Name Prudential Consolidation Group:	Principle Activity	Regulation CRD IV
Sanlam Life & Pensions UK Limited	Life Insurance & Pension Funding	PRA, Solvency II

There are no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertakings and its subsidiaries.

1.4 Frequency

Pillar III disclosures will be made on an annual basis following the completion of audited year-end annual statements.

1.5 Location

The Pillar III disclosure will be published in the legal and regulatory section of the Sanlam UK website (www.sanlam.co.uk/legal-and-regulatory).

1.6 Verification

Disclosures will only be subject to external verification to the extent that they are equivalent to those taken from audited financial statements. These disclosures explain how Sanlam Private Investments (UK) Holdings Limited Board (the "SWI Board") has calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about the Group.

2. Governance

2.1 Group Governance structure

The control and governance structure of the SIH Group is that of an integrated UK financial services group. Sanlam UK Limited ("SUK") is the intermediate holding company in the SIH Group and is wholly owned by SIH. SIH is responsible for oversight of the SIH Group and in particular for corporate governance.

The Group believes a strong system of governance, is essential in ensuring the business runs smoothly, supporting effective decision making and delivering the Group's strategic objectives.

The Group has established a structured approach to governance, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for board and control committees, control functions and the accountable executives. The risk-based roles and responsibilities are organised in adherence to the 'three lines' principles to ensure appropriate levels of segregation.

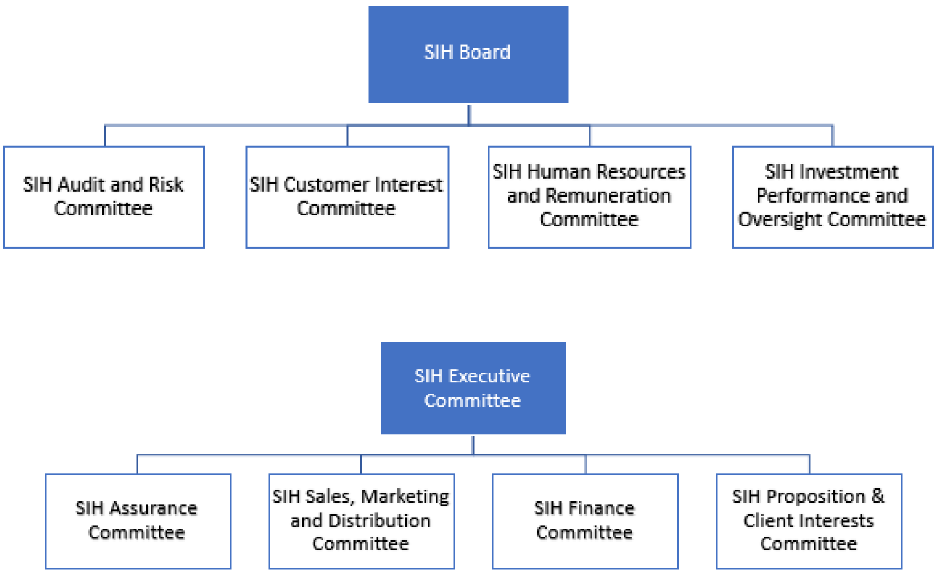
The SIH board ("the Board") is responsible for setting the overall corporate governance standards and framework which the Group is expected to comply with. The Board is responsible for monitoring the management and performance of the Group.

SIH's governance is supported by delegating responsibility for management of the Group to Group Exco, divisional level boards, management committees and senior managers who are responsible for implementing the SIH Group's corporate governance standards, framework and associated policies.

In order to simplify the SIH Group governance structure the Sanlam Wealth Planning, Sanlam Private Wealth, Sanlam Partnerships and Sanlam Investments board meetings were merged in 2019 and form the SWI Board.

The subsidiary boards are executive boards, charged with the strategic delivery of group objectives and operational oversight.

Figure 1: Key Board and Executive Committees with delegated responsibility for SPW



The roles of various committees are set out in the SIH Corporate Governance Manual and respective terms of reference. Key elements include:

SIH Board of Directors ("the SIH Board")

The SIH board is responsible for setting the SIH Group's strategic aims and risk appetite, monitoring performance and for ensuring the SIH Group is appropriately resourced and that effective controls are in place. The SIH Board also sets the values and supports the culture of the SIH Group.

Oversight committees with independent non-executive directors ("NED") governance report directly to the SIH board. They include the Audit and Risk Committee, with an independent NED Chairperson.

effective governance and adhere to the SIH Group policies and standards through appropriate committees and Excos.

The SIH board retains authority except where delegated to relevant sub-committees. The role of the board sub-committees is to support the SIH board. While the committees are accountable to the board the committees do not relieve the board of its responsibilities.

The current SIH sub-committees:

- Audit & Risk Committee (ARC);
- SIH Customer Interest Committee (CIC);
- SIH Human Resources & Remuneration Committee (HRC);
- Investment Performance Oversight Committee (IPOC).

Except for the SIH Human Resources & Remuneration Committee, the above committees are chaired by Hugh Ward (NED).

SIH Executive Committee ("Group ExCo")

The Group ExCo is appointed by the SIH Board to provide organisational direction on behalf of the Board and to advise on the Board on decisions and business matters to support the Boards' decision making. Group ExCo has the authority to act on behalf of the Board to make decisions that impact the sub entities of the Group, within the remit described in the Group ExCo Terms of Reference.

The key core responsibilities of Group ExCo are to:

- Discuss, prepare and agree Strategic Business Plans for subsequent approval by the Board;
- Approve (and where required prioritise) projects and plans to implement the business plans and consider and approve new products and services prior to Board approval;
- Discuss and make recommendations in relation to HR policy, recruitment, reward and retention matters for subsequent approval by the HRC;
- Consider and decide matters of policy within the framework of the approved Business Plan and 'corporate philosophy' set out by the Board;
- Fulfil the responsibilities allocated to it by the Risk Management Policy and the Approval framework, including ensuring appropriate actions are taken to manage risks and issues arising in a controlled and timely manner; and
- Fulfil the responsibilities allocated to them by the Conduct Risk Policy.

SIH Audit and Risk Committee ("ARC")

The ARC is responsible for assisting the Board in fulfilling its oversight responsibilities across the Sanlam UK Group. It does so by:

- Setting and overseeing the overall standard for financial reporting, risk management and internal controls;
- Monitoring the effectiveness of risk management processes;
- Reviewing and assessing the quality of financial reporting and internal controls;
- Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures;
- Agreeing the appointment of CASS auditor(s), receiving copies of auditors' CASS reports and reviewing actions and disseminating instructions thereon where necessary;
- Considering matters of significance in relation to CASS referred to it from the CF10a and consider any recommendations / actions; and
- Receiving copies of the SFS and SPW CASS Board reports from the CF10a and consider any recommendations / actions.

SIH Customer Interests Committee(“CIC”)

The SIH CIC is responsible for reviewing and monitoring how effectively SIH meets its obligations to its customers, customer-related outcomes and other related matters in SIH at a strategic level. The SIH Board delegates authority to the CIC for matters relating to the fair treatment of customers, the delivery of fair outcomes for customer, product governance and other customer-related matters. The Committee provides advice to the SIH Board who may broaden the remit of the committee as considered appropriate to changing conditions.

The committee endeavours to ensure the actions of SIH are consistent with the six fairness outcomes as defined by the FCA.

SIH Human Resources and Remuneration Committee (“HRC”)

The HRC is responsible for SIH and its subsidiaries intellectual human capital. It is involved in establishing and maintaining an effective management team, the remuneration strategy of SIH and the determination of annual remuneration packages for SIH Group ExCo.

The HRC is responsible for the following actions:

- Provide independent oversight, challenge, review and make recommendations to the Board regarding the Group’s broad policy, governance and practices relating to the total remuneration (and its individual components, including any pension rights and compensation payments) paid to the Group CEO Sanlam UK, Executive Directors and Group Executive members, and relevant members of senior management as the Committee may consider appropriate from time to time.
- Ensure the SIH Group’s incentive schemes are in line with good practice, meet regulatory obligations and that SIH adequately rewards high performance;
- Ensure effective management succession process and plans exist and regularly evaluate the short term effectiveness and long term availability of management expertise.
- Ensure that risk is properly considered in setting the overall remuneration policy for the Group and the remuneration of the executive directors and relevant staff, to ensure conflicts are not generated, risk adjustments are applied in line with the company’s risk adjustment policy and that remuneration arrangements are commensurate with promoting the ethical behaviour of all employees of the Group and do not encourage risk taking that exceeds the Group’s risk appetite
- Ensure all current remuneration market trends and benchmarking are considered in line with setting of remuneration strategy and,

Investment Performance Oversight Committee (“IPOC”)

The SIH Board delegates the responsibility for investment oversight to the IPOC. The IPOC provides oversight of investment performance, investment risk and investment allocation by monitoring and assessing the performance of fund managers and evaluating conflicts of interests. The committee escalates issues to the SIH Board and subsidiaries as applicable, ensuring the Group conducts its activities in a way that demonstrates due regard for the fair treatment of customers and customer outcomes.

The IPOC provides scrutiny and challenge in respect of the following investment propositions offered by the Asset Management and Wealth Divisions:

- Retail funds, including multi-asset designation funds;
- Risk Targeted Portfolios (“RTP”);
- Bespoke DFM (excluding individual PM portfolios); and
- Segregated Mandates.

Assurance Committee (“Assurance Committee”)

The Assurance Committee is focused on the consideration of risks managed by the business in relation to agreed risk appetite limits and the capital impacts on the Groups risk profile.

The Assurance committee is a sub-committee of the Sanlam UK Executive committee (Exco). One of its main responsibilities is to assist Exco and in turn the Board in fulfilling its oversight responsibilities with regard to the design and implementation of the Group’s enterprise risk management framework and responsibilities, this includes but is not limited to:

- Providing the Board with assurance and details on way assurance is conducted.
- Ensuring that accepted risk management strategies, including internal controls, are embedded in organisational operations and processes.
- Clearly communicating the risk management strategy to all employees to ensure the risk strategy is incorporated into the language and culture of the business.

2.2 SIH Management Body

Table 4: The number of directorships held by members of the Sanlam Private Wealth management body as at 31st December 2020

	Name	Position	Directorships held*	Principal group Board (s)
Executive Directors	Jonathan Polin	Chief Executive Officer of Sanlam UK	25	SIH Board SWI Board Sanlam Life & Pensions Board (“SLP”)
	Nicola Fraser	Chief Financial Officer	18	SIH Board SWI Board SLP Board
Sanlam Group Executive Directors	Robert Roux	Chief Executive Officer of Sanlam Investments South Africa	17	SIH Board
	Thomas van Heerden	Chief Executive Officer of Sanlam Investments South Africa	9	SIH Board
Non-Executive Directors	Hugh Ward	NED	12	SIH Board
	Angus Samuels	NED	22	SIH Board
	Ian Plenderleith	NED – Chair of the Sanlam UK Board	3	SIH Board
	Veronica Oaks	NED	3	SIH Board

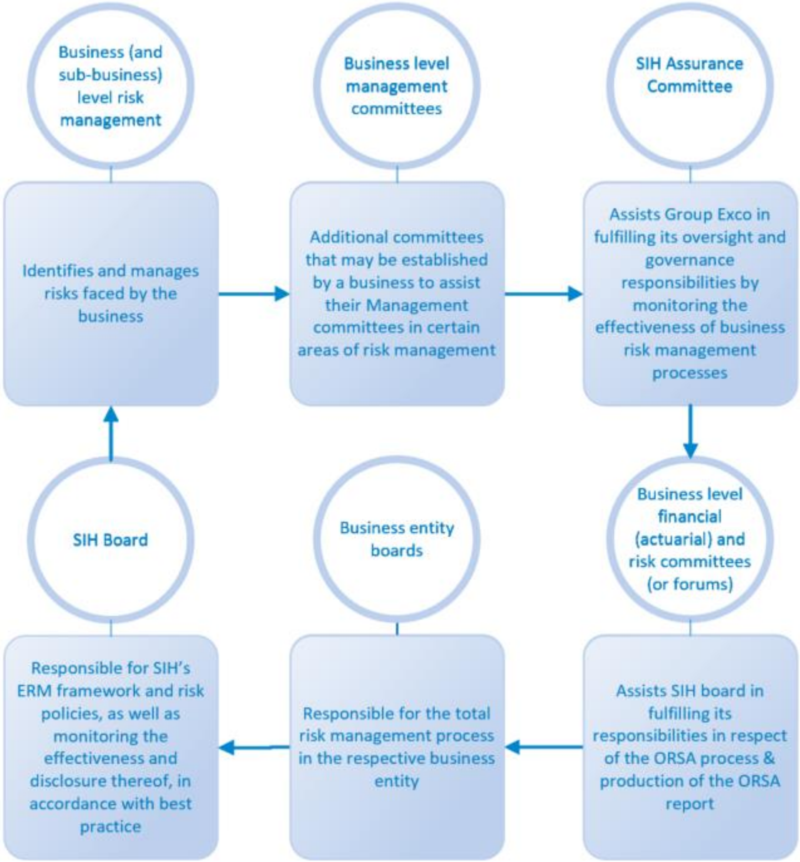
2.3 Governance of the ICAAP

SIH has robust governance in place to provide enough review and challenge of the ICAAP. Executive ownership of the Consolidated ICAAP is owned by the SIH CEO with day-to-day activity owned by the Group Head of Risk.

3. Risk Management

The 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.

Figure 2: The flow of risk management information



3.1 Group Enterprise Risk Management Framework

SPIHUK operates within the SIH Group's Enterprise Risk Management ("ERM") Framework. The framework is a high level over-arching framework aimed at ensuring that:

- All risks which could jeopardise/enhance achievement of the SIH Group's strategic goals will be identified;
- Appropriate structures, policies, procedures and practices are in place to manage these risks. ERM also requires the SIH 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 the Group's ERM approach is to support the Group in achieving its primary objective of optimising the return on Group Equity Value and maximising shareholder value.

Successful implementation of the approach will also achieve 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 the fair treatment of customers and
- Reliability of reporting.

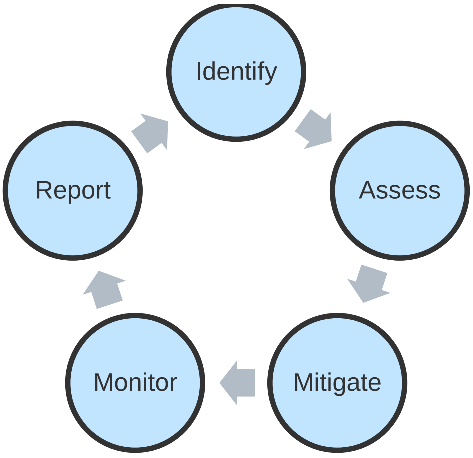
3.2 SIH Risk Management Process

Risk management is integral to SPW's operational processes and procedures. The risk management framework is a fundamental part of its business planning and decision-making processes.

Integrating the Group's risk management framework into day to day processes supports the achievement of core business objectives in a controlled environment and the continued delivery of outstanding client service.

Risks are identified using top-down and bottom-up approaches and each risk is assigned to agreed owners. This ensures completeness and consistency in the Groups identification, assessment, mitigation and monitoring of risk.

Figure 3: The risk management process



The key risk register process is the foundation of the Group's risk management framework. The business regularly performs risk and controls self-assessments ("RCSA"). Risks are reviewed alongside key control performance assessments and Key Risk Indicators ("KRIs") to ensure risks are monitored and managed within an effective control environment. Risk owners give consideration to the relevant operational losses, process changes or system amendments that are required to appropriately manage risk. Where controls are insufficient management defines actions to bring risk exposures down to agreed tolerance levels.

Identified risks that have a sufficiently high likelihood of impact on SPIH or the Group are escalated to senior management and the SIH Board via monthly and quarterly risk management reporting. This ensures they receive a suitably high level of executive and Board member attention. The Board takes action where the risks are outside acceptable tolerance levels or may become so.

3.3 Categories of risk

The Group has a comprehensive risk framework capturing risks across an agreed risk universe. The Group has an agreed and documented risk universe, which sets out the high-level risk categories to which the Group is exposed to and all risks are linked. These categories are defined in table 5.

Table 5: Categories of risk

Risk Category	**Description**
Operational risk	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events.
Brand & Reputational risk	Brand and reputational risk is the risk that adverse publicity regarding the Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, inter alia, potential and existing customers, investors, suppliers and supervisors.
Strategic risk	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
Conduct risk	The risk that the behaviour, acts or omissions of Sanlam and its employees results in: • the unfair treatment of customers and/or delivery or poor customer outcomes; • damage to the integrity of the UK financial system; or • Unfair market competition.
Market risk	Market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation.
Credit risk	Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has exposure.
Liquidity risk	Funding Liquidity risk is the risk relating to the difficulty / inability to accessing / raising funds to meet commitments associated with financial instruments or policy contracts.
Insurance risk (Life business)	Insurance risk (Life business) - relates to operations regulated under the Long-Term Insurance Act: risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business.
Insurance risk (ST business)	Insurance risk (Short-term insurance business) - relates to operations regulated under the Short-Term Insurance Act: risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business.

3.4 Risk Appetite

The SIH Board has agreed risk appetite statements and risk tolerance levels which cover all risk categories. The risk appetite statements, and tolerance levels are reassessed and agreed at least annually.

Risk appetite and risk tolerances feed directly into the Group's risk management processes with target risk scores defined, by respective Boards and management committees, for every key risk. Where risks sit outside the SIH or SPIH risk appetites, actions are defined and monitored with the goal of reduce risk exposure to acceptable levels.

The Groups investment in change and development reflect its risk profile, attitude to risk and strategic aims.

4. Own Funds

4.1 Capital Management

Capital is defined as the total of permanent share capital, retained earnings and other reserves. Total capital as at 31st December 2020 was £28.44m and is managed via the net assets to which it relates.

Regulatory capital is determined in accordance with the requirements of the CRR regulation and is divided into two tiers:

Tier 1 Capital — The total of issued share capital, retained earnings and other reserves created by apportions of retained earnings, adjusted for the net of book value of goodwill, intangible assets and deferred tax assets that rely on future profitability if they represent greater than 10% of own funds; and

Tier 2 Capital — Is designed on supplementary capital and is composed of items such as revaluation reserves, hybrid instruments and subordinated debt.

The base of the Group's resources can be regarded as Tier 1 Capital in their entirety.

The SIH Board's objectives when managing capital are to:

i) Comply with the regulatory capital requirements as set out by the FCA,
ii) Safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and deliver benefits for its stakeholders; and
iii) Maintain a strong capital base to support the development of its business.

4.2 Own funds capital calculation

The Group has complied with the regulatory capital requirements set out by the FCA. Table 6 shows the breakdown of the total available regulatory capital held within the Group and reconciled to the audited financial statements.

Table 6: Reconciliation of own funds as per audited financial statements as at (31st December 2020)

Consolidated Position	**YE 2020**
	£'000
Total Equity	189,170
Adjustments:	
Intangibles (net of associated deferred tax)	(137,846)
Employee Benefits Trust	(2,292)
Deferred Tax Liability and Value of Business Acquired	13,520

Investments	(34,107)
Total Own Funds	**28,444**

5. Capital Adequacy

5.1 Minimum regulatory capital requirement

The pillar 1 capital requirement under UK CRD is set out in Article 92 of the UK CRR. It is the higher of i) the fixed overhead requirement and ii) the sum of the credit, market and settlement risk capital requirements.

Sanlam Private Wealth qualifies for this for the CRD IV regulation and is required to meet a minimum regulatory capital requirement as set out by Pillar I of the CRR in article 92.
Sanlam Private Wealth is also required to meet further conditions of the directive under the Pillar II assessment and assess the cost of following a plan that allows an orderly run-off following the decision to wind up the business.

Pillar II capital requirements are outside of scope of this disclosure document.

5.2 Capital adequacy ratios

SIH is required to meet the general own funds requirement under Pillar I in accordance with Article 92 of the CRR. The institution shall always adhere to the following own funds requirements:

a) A Common Equity Tier 1 capital ratio of 4.5%,
b) A Tier 1 capital ratio of 6%
c) A total capital ratio of 8%

UK CRD requires the capital ratios to be calculated using the capital resources divided by the total exposure values, which are the Pillar I requirements multiplied by 12.5. As at 31 December 2020 the Tier 1 ratio was 9.42%.

5.3 Pillar I minimum capital requirement calculation

Table 7: Pillar I minimum capital requirement calculation

	Minimum Own Funds Requirement 8%	**Risk Weighted Assets**
	£'000	**£'000**
Fixed Overheads Requirement	24,163	302,038
Credit Risk	2,543	31,785
Market Risk	767	9,593
Pillar I Own Funds Requirement	**24,163**	**302,038**
Regulatory Own Funds	**28,444**	
Excess Over Pillar I Requirement	4,281	
Cover relative to Resources	118%	

6. Credit Risk

6.1 Credit risk overview

Credit risk is the risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion.

Within the Group's stockbroking operations, the Group is exposed to credit risk from counterparties to securities transactions during the period between trade and settlement date. This period is generally three or four business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails to make payment or deliver securities. These transactions are between financial institutions and clients.

Client money is managed in accordance with the FCA rules and are maintained within the Group's CASS framework. External auditors review the CASS framework on an annual basis.

Client and Firm cash is held with banks or building societies who have been authorised to accept deposits in the UK and are authorised by the Prudential Regulation Authority ("PRA"), therefore recognised under the Financial Services Compensation Scheme ("FSCS"). The Group considers the credit risk on liquid funds to be limited.

Credit risk is calculated under the standardised approach outlined in Article 107 of the CRR. The exposure value of an asset is its accounting value after its credit risk adjustment.

6.2 Analysis of the credit risk capital requirement and risk weighted assets

The Group has adopted the standardised approach to credit risk applying an 8% factor to the risk weighting of each asset class.

Table 8: Credit risk capital requirement and risk weighted assets by exposure class

Exposure Classes:	**Minimum Own Funds Requirement 8%**	**Risk Weighted Assets**
	£'000	**£'000**
Equities	117	1,460
Rated Institutions	566	7,076
Retail	-	-
Corporates	1,860	23,249
Total Credit Risk Requirement	**2,543**	**31,785**

6.3 Capital requirements for settlement/delivery risk

There is a risk that unexpected losses may arise as a result of clients and market counterparties used by the group failing to meet their obligations as they fall due. The Group carries out initial and ongoing due diligence on the market counterparties that it uses and regularly monitors the level of exposure.

This forms part of the Groups outsourcing frameworks with review frequency and completeness monitored by the Assurance committee.

6.4 Concentration risk

Concentration risk is the risk that activities or exposures in a single area may lead to an unexpected loss. The Group holds cash balances across a selection of approved banks and the risk of bank concentration risk is low.

7. Market Risk

7.1 Market risk overview

Market risk is the risk of loss arising from fluctuations in the values of, or income from, assets and liabilities as a result of movements in market prices. The effects of changes in interest rates are considered as interest rate risk in the non-trading book.

Market risk does affect the performance of the Group's investment products and assets under management; however, the Group does not operate its own trading book. Market risk impacts the Group through lower than anticipated assets under management and subsequent reduction in management charges and revenue.

The effects of market risk form a core part of the Pillar II (b) Stress testing analysis and supports the determination of appropriate levels of capital resources and the assessment of future business levels.

7.2 Interest rate risk in the non-trading book

The Group is exposed to interest rate risk in relation to loss of revenue from adverse movements in its interest-bearing assets. Cash at the bank earns interest, at floating rates on daily bank deposit rates.

The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings.

As interest revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients. These balances are not on the Group balance sheet.

Changes in interest rates can have direct impact on client's propensity to invest in non-cash products. As a large portion of the Groups revenue is linked to the value of Assets Under Administration, there is a risk that changes in the interest rate may adversely impact AUM.

Interest rate risk in the non-trading book is not considered material.

7.3 Foreign exchange risk

The Group is not exposed to any material foreign exchange risk.

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses currently operating within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities.

Under Article 351 of the UK CRR, SPW holds a net foreign-exchange position of less than 0.5% of own funds and is therefore not required to hold a Pillar I market risk position.

7.4 Trading book position risk

The Group acts as an agent and does not trade as a principle, therefore does not seek to make a return on trading-book positions.

The Group carries immaterial short-term positions where it is correcting dealing errors linked to ongoing client activities.

8. Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes, people and systems, or from external events. It includes legal and financial crime risks, but does not include strategic, reputation and business risks. Group seeks to mitigate operational risks in line with the processes outlined in Section 3.

As a Limited Licence business, under the FCA's standardised approach to operational risk (IFPRU 5.1.1), SPW is not required to hold capital for operational risk at Pillar I and SPW has not chosen to do so.

When assessing the Group's risk universe there are risks that can have and operational impact, particularly in relation to technology, IT and other areas that can give rise to regulatory issues. The operational impacts of these risks have been captured, assessed and stressed as part of SPW's Pillar II analysis to determine an appropriate level of capital resources.

9. Reputational Risk

Reputational risk is the risk of adverse impact to SWP's reputation following any given event or circumstance. The effects may lead to a loss of confidence by key stakeholders resulting in a turbulent or even perilous business environment for SPW.

SPW's reputation is a cornerstone to its business model and takes many years to build. It is a contributing factor to attracting and retaining clients. Reputational risk covers brand damage, negative media coverage or PR and is often closely tied to the materialisation of other categories of risks.

Reputational risk forms a core part of the Pillar II (b) Stress testing analysis and supports the determination of appropriate levels of capital resources and the assessment of future business levels.

10. Business Risk

Business risk is the risk of exposure to uncertainty in the macroeconomic environment. Business risk is managed with a long term focus, assisted by appropriate management oversight and a strong corporate governance framework.

The most significant business risk exposure for the Group is a fall in AUM, driven by external factors, resulting in the business becoming unprofitable. Business risk forms a part of the Group's Pillar II (b) stress testing analysis, reverse stress testing and wind down planning to support the determination of appropriate levels of capital resources and management actions should the occasion arise.

11. Liquidity Risk

Liquidity risk is the risk that the Group or entities within the Group, although solvent, do not have sufficient resources available to meet its obligations as they fall due, or can only secure them at an excessive cost. The Group maintains adequate liquidity to cover its needs on a day-to-day basis and is self-sufficient in terms of its liquidity requirements.

The Groups senior management are committed to the control and management of daily liquidity to ensure all obligations can be met in a timely manner. In order to do this and comply with the wider requirements under Article 412 of the CRR, the Group has set a conservative liquidity appetite and introduced appropriate governance and controls. SPW's approach to liquidity management is to:

- Determine the level of available cash resources by forecasting the month end cash position;
- Ensure that cash balances together with other funding sources are maintained above the Group's liquidity risk appetite;
- Perform stress tests by forecasting severe but plausible liquidity risks and assessing the strength of the Group's appetite positions.

12. Remuneration Code Disclosure

The Group is authorised and regulated by the Financial Conduct Authority as an IFPRU Firm and, so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's primary business is to provide portfolio management services to its clients and funds. Our policy is designed to ensure that we comply with the Remuneration Code and our compensation arrangements:

1. Are consistent with and promote prudent risk management;
2. Do not encourage excessive risk-taking;
3. Include measures to avoid conflicts of interest; and
4. Are in line with the Firm's business strategy, objectives, values and long-term interests of the various stakeholders

12.1 Proportionality

Sanlam is a relatively small asset and wealth manager that also deals in a number of insurance products. The wealth and asset management business is an agency business and does not trade on its own account, reducing the level of risk. Sanlam operates a robust risk and control framework and has a positive track record in this area. Consequently, management have determined that it is appropriate to apply proportionality to disapply the pay-out process rules. The IFPRU entities are level 3 and the Solvency II entities are category 4 which support this assessment.

12.2 Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organization and the nature, scope and complexity of our activities.

12.3 Decision-making process used for determining remuneration policy (including use of external benchmarking consultants).

The Firm's policy has been agreed by the Board in line with the Remuneration principles laid down by the FCA.

The Firm has appointed an independent Remuneration Committee.

The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

The Firm's ability to pay variable remuneration is based on the Firm's audited profits as well as the meeting of other business metrics, unless otherwise agreed by the Board.

The Human Resource and Remuneration Committee ("HRC") provides independent oversight, challenge and review of all remuneration policies and decisions for Sanlam in the UK. The Committee has a formal terms of reference to define its duties. The Committee consists of 3 independent non executives, 2 Group non executives and the CEO of Sanlam UK. The Group Head of HR and CFO are regular attendees and the Heads of Risk and Compliance attend by invitation for relevant topics. All of the independent non executives also sit on the Risk and Audit Committee.
The HRC do not have a formal advisor, however PwC provide occasional input into remuneration regulatory matters.

The HRC review and approve the remuneration policy annually.

Internal audit conduct an annual review of compliance with the remuneration regulatory regime, the key findings of which are reported back to the HRC.

Sanlam's remuneration policy outlines the key standards and principles to which all remuneration arrangements within the group must adhere, including alignment with the Group's strategy and sound and effective risk management.

The main bonus schemes incorporate balanced scorecards that ensure remuneration outcomes are based on a combination of financial and non-financial performance. Non- financial performance can override financial performance where appropriate.

Risk and Compliance monitor risk performance and any material events and will flag this to line managers/HR in advance of any awards being finalised.

Risk and Compliance input into the design of any new incentive plans or development of remuneration policies as well as the business scorecards used in the various incentive plans.

The Sanlam UK Head of Risk reports annually to the Human Resource Committee (HRC) on the overall risk performance of the business and whether any adjustments are required to pools or individual outcomes as a result.

Several members of the HRC also sit on the Audit and Risk Committee.

12.4 Summary of how the firm links between pay and performance (SEE REM CODE).

Individuals are rewarded based on their contribution to the overall strategy of the business.

a. Investment Generation
b. Investment Trading
c. Sales & Marketing
d. Operations

Factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

Individuals are also measured on behavioural metrics and living the firm's values.

Annual variable remuneration is linked to an agreed set of weighted KPI Metrics which include Group PBT, business volumes into Group Solutions, delivery on corporate projects and investment performance . The awarding of bonuses and LTIPs will be limited in circumstances where a baseline profit level is not achieved. In these circumstances, bonuses will be reduced significantly, and in extreme cases, not paid at all.

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

We have made no omissions on the grounds of data protection.