Alexander Forbes
Group Holdings Limited

Governance report

for the year ended 31 March 2021

FY2021

ALEXANDERFORBES
Securing your financial well-being

Contents

Indicates where further information can be found in this report.

Indicates where further information can be found online.

About this report

The Alexander Forbes Group Holdings Limited governance report is intended to expand on the governance-related disclosures in the 2021 integrated annual report and annual financial statements. To be concise, we simply use Alexander Forbes or the company or the group in this report. This report provides supplementary information, including board committee reports, risk reporting, King IV™ application as well as the group's remuneration policy and its implementation.

The governance report should be read in conjunction with the 2021 integrated annual report and annual financial statements.

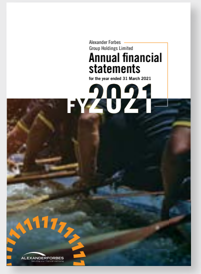
Both are available on the company's website at **https://www.alexanderforbes.co.za/investorrelations/financial-results/annual-report**

Our governance report provides assurance to our stakeholders that we are committed to good corporate governance and that we comply with applicable laws and regulations. We do not disclose tax reporting country by country, nor do we have a separate tax report, as it is not currently material to our business.

Our reporting suite

This report forms part of our reporting suite. Our reporting suite includes the following reports:

Integrated annual report



Annual financial statements

Governance report

Our reports are prepared in accordance with global reporting standards, including King IV™ and the International Integrated Reporting Council's (IIRC) International <IR> Framework. Financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The board and executive management are comfortable, based on materiality, that external assurance on the accuracy of non-financial information is not necessary at present. This position is reconsidered regularly. Our broad-based black economic empowerment (B-BBEE) rating has been independently verified by Aerated Proprietary Limited. Any disclosures on broad-based black economic empowerment information apply to our South African operations only.

The board is committed to communicating openly and transparently through its integrated reporting suite, as well as its other communication channels, including its publications, articles, website and social media platforms, and presence in the media. The board is confident that the integrated reporting suite articulates all material items relevant to stakeholders.

The audit and risk committee assists the board with oversight of all external reporting, ensuring its integrity, and the board as a whole approves the integrated reporting suite.

How good governance supports value creation

Our governance approach is supported by two of our core values (trust and integrity), to enable the achievement of our strategy, the long-term sustainability of the company, and value creation for our stakeholders. Our governance efforts do not merely achieve regulatory and legislative conformance, but they also ensure the board performs and adds value to the group and its stakeholders through its oversight, leadership and strategic guidance.

The board provides strategic guidance and direction, approves material policies and business planning principles, provides implementation oversight, and holds executive management and the organisation accountable for performance against agreed annual scorecards. The board reviewed and approved the company's short- and long-term strategic priorities, against the previously approved strategy, in March 2021.

The strategy and strategic priorities inform the approval of management budgets and execution plans. In the context of continuing global uncertainty and economic volatility, the board and management maintain a more agile approach to approved plans and budgets, continuously reassessing to ensure responsiveness and to compensate for potential negative and unanticipated impacts.

The group's own risk and solvency assessment (ORSA) process and its enterprise risk management principles serve as considered inputs into the business planning and strategy cycle, enabling the board to take appropriate risks and seize business opportunities in the company's best interests. The board acknowledges that each of its decisions impacts the capitals available to the company to create and sustain value.

The board is comfortable that the King IV™ principles are all applied, bespoke application is explained in detail, and their application leads to the intended outcomes. As expected, there are a few practices where improvements continue to receive focus.

01 How we are governed

Our leadership

The board charter and all board committee terms of reference and annual plans fully align with the King IV™ principles, practices and outcomes. The board charter describes the role, responsibilities, membership requirements and procedures, including details concerning access to independent advice.

The group's board of directors is the highest governing body. It has the responsibility to ensure that the group is led in an ethical and responsible manner. The board is also responsible for setting the direction of the group, approving policy and strategy, and overseeing their implementation.

The board governs the group in a manner that enables and supports the achievement of our strategy and the long-term sustainability of the group. The board's actions set the tone by demonstrating a commitment to the organisation's integrity and reputation.

The group governance framework, supported by the detailed delegation of authority, defines and governs the relationship between the board's strategic group-wide decision-making and oversight and that of subsidiary boards. Processes, principles and policies are standardised as much as possible group wide, but without derogating from the legal accountability of subsidiary board directors and bespoke local jurisdictional requirements.

The board collectively, and each director individually, subscribes to the ethical characteristics of integrity, competence, responsibility, accountability, fairness and transparency. Board members are acutely aware that their behaviours and actions set the tone for the culture within the group. With this in mind, the board sets the standards for ethical practices and the expected ethical culture by approving group-wide ethics-related policies and codes of practice. Responsibility to implement the ethics policies and processes have been delegated to the executive, with oversight from the social, ethics and transformation committee (setco).

Our ethical culture

All directors, in their consent to act as a director, commit to acting in good faith and in the best interests of the group. The directors live and abide by the highest ethical standards in word and deed, keeping each other accountable through honest, transparent and robust debate as well as through formal and informal board evaluation processes.

The board is driven by more than legal compliance but rather by the ethical spirit of regulations and legislative requirements. Directors fully comply with the Companies Act requirements in relation to the disclosure of personal financial interests. They ensure that all conflicts and potential conflicts of interest are proactively managed at each meeting, including those of directors nominated by large shareholders. Independent sub-committees are established to consider transactions where shareholders or shareholder associates are involved, and the sharing of information is carefully and strictly managed.

The group's ethics policies detail standards of engagement with internal and external stakeholders.

Our existing code of ethics and ethics policy are available online at **www.alexanderforbes.co.za/investorrelations/company-overview/governance/standards-and-policies.**

The group's code of ethics is incorporated into supplier and employee contracts. All our people receive access to the policy passport platform, which includes our code of ethics and other related ethics policies (including whistleblowing).

Our independently managed whistleblowing programme enables concerned individuals to anonymously report conflicts of interest, fraud and corruption and other ethics-related issues. We ensure that, where appropriate, line management or independent investigators conduct investigations and take appropriate follow-up action on such reports, including disciplinary action in accordance with the group's disciplinary policy and report matters to the South African Police Service if warranted. Any whistleblowing complaints or allegations against executive management and directors are also fully investigated and do not receive any distinct treatment.

During the year our whistleblowing line received one allegation of external fraud or corruption (FY2020: six). The matter related to an allegation that an employer (one of our clients) failed to pay over employee benefits to a retirement fund. The matter was successfully resolved through subsequent payment by the client of the requisite contribution. A further 11 (FY2020: 13) reports were made regarding ethical matters, such as general areas of unacceptable behaviour, discrimination, favouritism and other employee-related matters. In each case, the complaint was reviewed, and appropriate corrective action taken where evidence indicated unacceptable behaviour.

Whistleblowing items are managed by the management ethics committee, that reports to the setco.

Refer to the **Setco report on page 30** for further information on its ethics oversight focus and activities during the year under review.

Professional corporate governance support

Ms Carina Wessels provides professional governance, general legal counsel, and compliance advice and support to the board and its committees. She was appointed by the board as group secretary on 1 October 2017 and was appointed as general counsel for the group on 1 April 2018 and the executive: governance, legal and compliance on 1 March 2019. Ms Wessels holds an LLB; two LLM degrees, one in Labour Law and one in Extractive Industry Law in Africa (cum laude); a certificate in Advanced Labour Law (cum laude), a PMD (cum laude) and an FCIS. She is also an admitted advocate of the High Court of South Africa and past president of both the Chartered Governance Institute of Southern Africa and the Corporate Secretaries International Association. She has met the professional development requirements to maintain her chartered governance membership. During the annual evaluation the board once again expressed a very high level of comfort and satisfaction with her skills, competence, performance, values and experience. The board also confirmed her objectivity, gravitas and arm's length relationship with the board.

Delegation of authority

The board delegates authority for management of the group's activities to the executive and is comfortable that the delegation of authority framework ensures a clear division of responsibilities between management and the board, and that no executive has unfettered authority. However, despite the delegation, the board retains full accountability for all oversight, other than for the audit and risk committee's statutory responsibilities.

The board is comfortable that the delegation of authority policy and processes ensure role clarity, as well as the efficient and effective execution of responsibilities.

Our role as a responsible corporate citizen

The setco oversees the group's approach to corporate citizenship. As a responsible corporate citizen, the group is committed to adherence with all legislation and regulations and aspires to apply and comply with codes of good practice. The board ensures that the group's purpose and values, strategy, and conduct are aligned to being a responsible corporate citizen. Further, the board monitors how the group's activities, outputs and outcomes affect its status as a responsible corporate citizen.

As a business highly dependent on our human capital, the welfare of our employees is paramount.

We are committed to treating all our customers fairly. We continually drive improvements to business processes and client experiences by placing our clients at the centre of everything we do and ensuring we comply with legislation to:

- know our clients (Financial Crime Control)
- protect our clients' data (Protection of Personal Information Act or POPIA, Promotion of Access to Information Act, treating our clients fairly (TCF) and market conduct legislation

The purpose of the group complaints management framework is to demonstrate fair treatment of our customers by ensuring that we provide simple and easy mechanisms for them to complain. This includes refraining from creating any barriers post-sale or in the complaints process. This framework is created in line with the market conduct legislation, and in particular, the revised Policyholder Protection Rules. It ensures that the company acts with due skill, care and diligence when dealing with its policyholders, members and corporates as well as individual clients.

The company's actions have a limited impact on public health and safety. However, our offices are visited by our clients and members of the public, and steps are taken to ensure their safety and security during such engagements. The number of in-person engagements decreased materially in response to Covid-19 lockdown restrictions, but our vigilance and focus increased to protect any visitors against any potential Covid-19 exposures.

As a service-based business, our direct environmental impact is limited, coming predominantly from our network of offices. Despite our environmental impact not being a material issue for the company, we strive to make the most efficient use of our natural resources and remain focused on reducing our negative impact as much as possible. Our greatest impacts lie in electricity, water and paper consumed in our buildings as well as general office waste generated.

Our community investment is an important demonstration of our company values and our commitment as a group to building a better South Africa for all. We are proud of the contributions we can make as a group and as Alexander Forbes employees through the Alexander Forbes Community Trust.

Tax risk management

Recognising that taxes contribute to governments' efforts to build a prosperous society and stimulate socio-economic development, we are committed to being a transparent and responsible taxpayer.

The chief financial officer, supported by the head of taxation and tax compliance manager, is responsible for ensuring compliance with the group tax policy and the management of tax risks. Our group tax policy, which is approved by the audit and risk committee annually, outlines our approach to tax. Our tax risk status, together with updates on changes to the tax landscape that may have a bearing on the group, is reported quarterly to the audit and risk committee, which is responsible for monitoring all significant tax matters.

We manage tax risk as part of our enterprise-wide risk management (ERM) framework, which describes the key processes and controls, roles, and responsibilities, relating to tax risk and compliance.

Our tax risk management strategy is designed to ensure:

01 Compliance with all applicable laws, rules, regulations and disclosure requirements in the countries where the group operates, without exception.

02 Transactions between group entities are undertaken on a commercial basis and are not used to achieve a tax advantage.

03 We behave in a manner that maintains trust in the group by regulators, revenue authorities, clients and the public.

In addition to our corporate tax policies and approach, assisting and advising clients on relevant tax matters form an integral part of our overall tax focus. We provide information to retirement fund clients on the tax changes applicable to retirement funds and their members, as well as ensure our internal administrative systems and processes are in line with the regulatory requirements. A recent example of this has been the annuitisation requirements for provident funds that came into effect on 1 March 2021. For individual clients, tax advice is built into financial products that requires advice from our financial advisers.

Any suspected unethical or unlawful tax-related behaviour is also reported through the whistleblowing mechanism, senior management, the audit and risk committee chair or board chair.

Refer to the **Setco report** on page 30 for more information on whistleblowing generally.

Internal and external audits provide independent and objective assurance on the effectiveness of the management of tax risk across the group. External audit provides assurance on the appropriate compliance and financial frameworks within the group and provides assurance by recomputing tax calculations and confirming that adequate tax risk provisions are carried against uncertain tax positions.

As part of our tax strategy we take a proactive approach and constructively engage with tax authorities to protect and enhance our reputation and good standing.

Risk management

Arrangements for governing and managing risk

Sound risk management is an essential enabler of the group's strategic intent, enhancing its ability to perform against stated objectives. Risk governance receives oversight at several levels within the group. The board provides ultimate oversight to ensure alignment across strategy, risk and sustainability, while aspects of risk governance have been delegated to the audit and risk committee.

While Covid-19 did not necessitate changes to the risk governance model itself, it did trigger an out-of-cycle ORSA process for the group. This process compelled maturing of collective risk evaluation among the board, senior management, technical specialists and assurance providers. It also supported informed and quicker decision-making and deepened communication and collaboration within the governance model.

Refer to the **ORSA** section on page 15 for further information on the process.

The group risk strategy establishes its philosophies, attitudes and approach in terms of risk management. It also informs the risk management architecture of the group, updated risk appetite measures and the methodologies employed to protect and generate stakeholder value for the group. As part of the board's review of the group strategy, significant risks associated with each strategic objective have been evaluated through a risk lens. The risk strategy is supported by risk management policies, the risk management framework, and other tools to assist in embedding risk-adjusted decision-making throughout the group. The audit and risk committee regularly review the group's principal risks, the extent of risk mitigation and risk-based priorities.

The risk management function is routinely subject to independent review. The findings from the last independent review have been resolved (with some improvements pending the upgrade of the risk management software and ongoing implementation of policies, including the internal control policy).

Risk reporting

Risk management reports are formally updated at least quarterly with risks, issues and associated actions tabled and discussed at dedicated platform and group-level risk forums. Material risks and issues are escalated to appropriate executive management, and then to relevant board oversight committees. Apart from providing independent assurance, the group risk management function also provides guidance on risk-related matters and is involved in specialist risk management issues at a business level. The function also provides transactional approval, where appropriate, such as validation processes within the client services and solutions development process.

Enterprise-wide risk management (ERM)

We manage our risks and the achievement of our business strategy and objectives through our ERM strategy and supporting framework. The principles outlined in these documents are incorporated into risk management-related policies and procedures to ensure that risk management is embedded into day-to-day management activities. During the past year we continued to review and update our key risk management policies to ensure their relevancy and comprehensiveness, and this process is supported by ongoing risk training initiatives across the group.

Our second-line risk function has been centralised to improve the consistency of risk management operations and to achieve coordinated risk responses to major changes in the group.

We have also enhanced the robustness of risk ownership by bolstering the number of first-line risk analysts and managers to assist with risk assessments, consideration of risk treatment, maintenance of risk information and monitoring of actions towards risk mitigation. Ensuring a viable and effective risk governance model remains a priority as we entrench the operating model. We will ensure that the risk governance model evolves to accommodate changing best-practice principles and organisational fit.

Accountability for risk management

Accountability for oversight and control

Internal audit or alternative independent assurance

External audit

Management holds responsibility and accountability for managing risks from day to day. Through operational committees, management provides oversight on strategy implementation, performance measurement, risk management, company controls and governance processes (first line of defence).

In addition to second-, third- and other fourth-line assurance, independent audit and risk committees provide objective oversight. Risks are rigorously evaluated to ensure appropriate mitigation through frequent risk assessment and report-back, continuing engagement and monitoring of the environment.

Provides oversight and assurance through internal and bespoke alternative independent assurance concerning the adequacy and effectiveness of risk management governance and internal control (third and fourth lines of defence).

Risk appetite

Our risk appetite, which is the amount of risk we are willing to accept in pursuit of our objectives, defines the parameters within which we operate and serves as a valuable reference point for important business decisions. The risk appetite is also defined by measures for each of the major categories of risk. We are clear on the risks that the group actively seeks, avoids or accepts, as well as on the balance between risk and reward.

Each risk category has a set of key metrics that are monitored quarterly against set thresholds. Additionally, qualitative principles regarding our appetite and expected risk behaviour have been set for each of the categories. In the regulatory risk space, we have made some progress on implementing a risk appetite framework for market conduct and financial crime. The board spent a considerable amount of time discussing and debating the risk appetite and this will continue to be refined in the new financial year.

Refer to the **Risk appetite** table on page 09.

Key business risks

Alexander Forbes identifies and classifies its key risks according to a three-level system. The three-level taxonomy is based on the Basel classification of operational risk, and further enhancements for risk classification that take into consideration the Financial Sector Conduct Authority's Quantitative Impact Studies over the build-up to the Solvency Assessment and Management (SAM) regime.

Our risk appetite statements have been expressed quantitatively and qualitatively, and they seek to ensure that our group is responsibly managed in its pursuit of value. The risk appetite statements are used to drive our strategic decisions, facilitate the setting of boundaries for decision-making based on the group strategy and ensure that the level of risk is being monitored.

Risk categorisation assists in grouping risks in a structured risk management process that then allows the group to address different risk categories more intelligently. This includes the building of strategies to avoid or minimise impact. Key risks are identified and ranked by our group risk function in terms of our risk management strategy and in consultation with management.

Refer to the **Material risks** on pages 10 to 14.

Covid-19

The group saw good application of ERM principles and practices through the pandemic this year, especially in business continuity responses and the triggering of an out-of-cycle ORSA process as discussed earlier. This boosted the integration of strategy, risk management and capital management as various levels of management, in co-ordination with the board, deployed risk-adjusted thinking and solutions into the business.

Business continuity management processes proved healthy as operations quickly adapted to lockdown conditions and the remote working environment.

While business resilience was strong, we increased interventions to protect the group against the heightened threat of cyber risk events which remains a high priority. Strategically, the value delivered through the advice-led business model placed us in good stead as the group's consultants and advisers led the market to meaningfully support clients' businesses during an uncertain and distressing period.

Simultaneously, some business plans needed to be accelerated, such as improved client experiences. Strategic and tactical discussions and decisions were coordinated and well aligned in response to the changes in the environment, with much stakeholder engagement, lobbying of the regulators and leading with advice.

The medium- and long-term impacts of the pandemic still remain uncertain. Vaccine availability and roll-out programmes will influence the short-term direction that governments, societies and businesses take. For Alexander Forbes, the Covid-19 pandemic highlighted the importance of culture, scenario planning and flexibility in dealing with a black swan event.

We will continue to build flexibility into strategies, the business model and general operations to ensure we maintain our ability to shift gears from merely being resilient and withstanding shocks, to growing and improving because of disruption.

Strong skill sets and diverse experience will be needed to analyse and manage how the group's strategic choices, product sets and more may shift and evolve for changing environmental outcomes. It is acknowledged that this is likely to remain challenging given competing management priorities. Senior management will remain alert to the need to remain agile to effectively respond (and pre-empt) business circumstances.

Looking forward

To further support the progress made during the year towards risk maturity, risk efforts during financial year 2022 will focus on:

- Revision of the group risk strategy to ensure ongoing relevance and improvements in risk appetite methodologies and management
- Review and refine risk policies subject to good policy governance and control requirements
- Continued embedding of the ERM processes at business unit level
- Focus on operational resilience framework
- Automation of risk management processes where viable
- Continued building of the model inventory log
- Continuing the internal control programme

Risk appetite

Risk category	Risk appetite and how we monitor risks	Key risk indicators
Business risk	We seek strategic risk and are willing to balance the risk of potential losses in pursuit of higher returns. We do not seek strategic risk in excess of our risk-bearing capacity.	▪ Normalised return on equity over five-year period ▪ Growth in revenue ▪ Earnings at risk (deviation from budget) ▪ Cost-to-income ratio
Regulatory risk	We will avoid situations arising from non-compliance with laws, regulatory requirements, and codes of conduct applicable to the industries in which we operate that will result in a compromise of our business model, objectives, reputation, and financial soundness. We will specifically focus on minimising market conduct, financial crime, and privacy risks.	▪ Group and solo entities' solvency capital requirement ▪ The following key performance indicators (KPIs) are still being refined: • market conduct • financial crime • privacy
Operational risk	We have a limited appetite for the failure of people, processes and systems and for the impact of external events on our operations. The impact of operational risk spans across the business and will be managed by the implementation of the appropriate controls. We have zero appetite for reputational risk.	▪ Employee turnover ▪ System downtime (occurrences on key systems) ▪ Errors and omissions ▪ Process failures (number of erroneous transactions) ▪ Internal fraud ▪ External fraud ▪ Customer complaints
Credit risk	We have limited appetite for credit risk and hence limit our exposure to non-investment grade counterparties and actively manage our credit concentrations.	▪ Exposure to non-investment grade counterparties ▪ Counterparty concentration
Market risk	We have limited appetite for market risk on our own funds and aim to invest in short-dated fixed interest instruments. We accept limited levels of mismatching risk on insurance liabilities. Our revenue stream from the investment business is exposed to market risk; the downside protection of its own revenue stream is aligned with the protection of client assets as far as possible. Protection of client assets occurs through our multi-management investment philosophy which is underpinned by superior manager research and high levels of manager and asset diversification. We have limited appetite for currency translation risk on emerging markets' businesses.	▪ Nature and duration of assets ▪ Insurance liabilities matched in line with our asset liability management policy
Liquidity risk	We avoid liquidity risk and seek to maintain liquid assets to meet both planned and unexpected cash outflows. We avoid redemption risk, which is forced exits or withdrawals from investment positions. We will avoid mass withdrawals from our funds during market stress events, as it creates systemic risk in the financial services industry.	▪ Own funds allocated to liquid assets, short duration assets ▪ Current and quick ratios
Insurance risk	With the Alexander Forbes Life Limited transaction, our exposure to underwriting risk as a major component of insurance risk will no longer be considered material to the group going forward. However, whilst transaction conditions are being met, we will continue to monitor the operations in the interim. In terms of this, we seek insurance risk through our underwriting activities in the insurance licence of Alexander Forbes Life. Alexander Forbes Investments Limited remains designated as an insurer in terms of the Insurance Act, notwithstanding the fact that this business holds no underwriting risk given the multi-manager linked policy model. The material portion of the Alexander Forbes Investments business is written on a life insurance licence; however, it is not exposed to life underwriting risk. We seek to manage insurance risk by appropriate and disciplined risk pricing, underwriting practices and the monitoring of lapses and expenses. We will also seek to diversify insurance claims risk and mitigate catastrophe risk as far as possible.	▪ Loss ratios ▪ Lapse ratios ▪ Annual premium growth or gross written premium ▪ Change in reserves ▪ Expenses or cost-to-income ratio

Material risks

The following section explains our risk categories and provides some examples of risks in each. Some of the risk information is competitively sensitive and therefore not included. While the Covid-19 pandemic shifted the risk environment, it created opportunities to both test and enhance our responses:

BUSINESS RISKS

Our business risks comprise risks arising from the group's business decisions, the environment in which it operates and its ability to provide suitable products and services to its customers.

Risk description and rating	Management mitigation	Stakeholders impacted
01 **Macroeconomic headwinds** may suppress fee income due to increased retrenchments. This includes decreasing inflows and increasing outflows due to business liquidations and retrenchments, as well as the impact of volatile financial markets.	▪ Integrated advice-led consulting approach ensures holistic advice for better client outcomes and drives improved client consultation and reporting. ▪ Ongoing client communication. ▪ Increased interventions and engagement activities. ▪ Skilled employees and market-leading thought leadership. ▪ Stress-testing of earnings for susceptibility to volatility. ▪ Member engagement strategy and programme respond to securing our clients' financial well-being. ▪ Regular fee reviews.	
02 **Government policy responses and actions** may negatively impact on the company's value proposition, operations and earnings streams.	▪ Promotion of private-public sector partnerships. Proactive engagement and consultation with regulatory bodies to foster progressive policy reforms. ▪ Ongoing involvement in industry bodies. ▪ Ongoing review and evaluation of our advice-led framework, solutions and integrated service offering to ensure relevance and delivery of best outcomes for clients.	
03 **Transformation of data as a strategic asset to the firm is still in relative infancy.**	▪ Approved data strategy which covers, among other things, a maturity assessment, programme roadmap, resourcing requirements, future-state data architecture framework and investment requirements. ▪ Data governance committee supported by data management policies and standards. ▪ Data quality and remediation programme under way. ▪ Highly skilled and experienced data and management team.	
04 **General failure in strategic execution of the integrated company model.**	▪ Active and visible leadership and support for change. ▪ Executive management processes focus on strategic priorities, resource allocation and business performance management. ▪ Group scorecard directly aligned to our strategic outcomes. ▪ Accountability framework comprehensively established, considering organisational design, spans of control, clear lines of reporting and links to the rewards framework. ▪ Approved remuneration and reward frameworks, policies and models align to the high-performance criteria.	

Our people | Clients and members | Investors | Regulators | Society

High risk
Medium risk

BUSINESS RISKS *continued*

Risk description and rating	Management mitigation	Stakeholders impacted
05 **Internally or externally triggered damage to the corporate reputation.**	▪ A member of the group executive is assigned responsibility for managing the brand and developing reputation management plans for the group. ▪ Formal and informal reputation management processes are in place. ▪ Ethics policy and programme are under review. ▪ Business interruption cover is in place.	
06 **The company fails to proactively respond and adapt to changing policy, regulatory or industry standards.**	▪ Regulatory strategy and programme execution, including beyond South Africa. ▪ Regulatory and business specialists involved in industry bodies and regulatory forums. ▪ Business development opportunities and strategies assessed and put in place to respond to regulatory opportunities.	
07 **Inferior client experience.**	▪ Re-engineering projects across operations and administration includes enhancing our digital touchpoints to enable self-service and to drive further automation. ▪ Projects specifically targeting process efficiencies. ▪ Future ways of working programme under way ('Accelerate'). Operating model implementation to ensure client centrality and centricity. ▪ Operating model implementation to ensure client centrality and centricity.	
08 **Slow to respond to market trends.**	▪ Integrated, advice-led value proposition. ▪ Ongoing review and evaluation of our advice-led framework, solutions and integrated service offering to ensure relevance and delivery of best outcomes for clients. ▪ Strategic partnerships and collaborations to ensure best advice for clients. ▪ Future ways of working programme under way ('Accelerate').	
09 Failure to respond to increasing **threats of disruptive innovation.**	▪ Projects aimed at improved client experience and service delivery under way. ▪ Dedicated innovation and product development centres within the Investments, Products & Enablement. ▪ Future ways of working programme under way ('Accelerate').	

REGULATORY RISKS

Regulatory risk refers to the risk of non-compliance with legislative or regulatory obligations. Intensifying regulatory requirements and enhanced regulatory reporting continue to consume an increasing share of organisational investment, effort and prioritisation. While current and emerging regulations present potential opportunities for the company, regulatory complexity and capability management also presents challenges that need to be effectively managed.

Risk description and rating	Management mitigation	Stakeholders impacted
01 **Accidental or intentional but unauthorised modification, destruction or disclosure of data and information, which may be exacerbated by changes in the group's technology and communications infrastructure.**	▪ Group data management policy as well as data privacy policy and programme are in place along with employee training. ▪ Enhanced cyber security controls on endpoints. ▪ Data loss prevention software solutions allow IT administrators to set business rules that classify confidential and sensitive information so that it cannot be disclosed maliciously or accidentally by unauthorised end users. This includes the use of secure file transfer protocol for transfer of sensitive data outside the organisation. ▪ Service level agreements stipulate group data protection requirements for third-party service providers and include clauses to provide for legal protection in the event of a breach (review in progress).	
02 **Material loss in empowerment status and/or perceptions of reluctance to transform.**	▪ Formal, board-approved transformation strategy. ▪ Associated performance measures are included in senior management long-term incentive plan (LTIP) performance measurements. ▪ Skilled and experienced legal or regulatory experts (internal and external) maintain regulatory relationships and conduct environmental scanning. ▪ Reporting and monitoring framework.	
03 **Non-compliance to regulations could lead to reputational damage or subject the company to additional legal risk, including enforcement actions, fines and penalties.**	▪ Established, well-managed regulatory change management processes. ▪ Experts (internal and external) maintain regulatory relationships and conduct environmental scanning. ▪ Approved, business-relevant anti-money laundering and fraud policies, standard operating procedures, and processes. ▪ Intelligent, forward-looking software is used to manage regulatory scanning and projects.	
04 **Accusations of undisclosed conflicts of interest and/or failure to actively manage conflicts.**	▪ Approved conflicts of interest policy, including communication and training. ▪ Remuneration and reward frameworks, policies and models (including related processes) directly consider the impact of conflicts. ▪ Forms and disclosures outline details around intragroup transactions and relationships.	

Our people | Clients and members | Investors | Regulators | Society

High risk
Medium risk

OPERATIONAL RISKS

Operational risk is defined as the risk of an incident occurring which leads or could lead to the actual outcome of a business process (excluding strategic or discretionary) differing from the expected outcome due to inadequate or failed processes, people, systems or external factors. The impacts of operational risk span across our business and are managed by implementing appropriate controls and assuming necessary insurance cover. Our response to the Covid-19 pandemic demonstrated the strength of our business continuity processes as operations quickly adapted to lockdown conditions and transitioned to a remote working environment. While business resilience was strong, interventions increased to protect the company against the heightened threat of cyber risk events which remains a priority. Ongoing automation programmes remain necessary to address end-of-life systems, protect against human error and build efficiencies over the medium term.

Risk description and rating	Management mitigation	Stakeholders impacted
01 Destabilisation of corporate standing and financial losses due to failure to actively and properly manage **cyber risks.**	▪ Group information security policy and programme. ▪ Dedicated team and resources allocated (including specialist third parties and bespoke advisors). ▪ Regular external cyber threat penetration testing and vulnerability management. ▪ Deployment of advanced anti-malware protection due to the move to remote working, encrypting devices and constant review of firewall and other server logs. ▪ Scenario testing under ORSA processes include the likelihood and impact of cyber threats.	
02 **Material breakdowns within operations and administration leading to significant errors and omissions, possible regulatory censure and widespread complaints.**	▪ Regular operational due diligence processes over administration platforms. ▪ Service level agreements (including KPIs) and legal clauses set up with third-party providers and regular monitoring of reports received for performance and errors. ▪ Succession planning for critical roles. ▪ Business continuity planning. ▪ Automation programmes under way over significant processes, such as claims and contributions.	
03 **Large-scale transformation programme failure**.	▪ A well-defined programme architecture provides an outline of how the projects within the programme will deliver the capabilities that result in the required benefits. It clearly defines the projects within the programme, ensures projects deliver benefits and defines high-level dependencies. ▪ Programme monitoring and reporting (including supporting software capabilities) to key stakeholders. ▪ Project risk management integrated with ERM requirements. ▪ Regular reporting to relevant governance structures.	
04 **Inability to attract and manage critical talent and skills.**	▪ Recruitment and retention strategies and plans include workforce planning, succession planning and capability planning. ▪ Formal approved and documented communication strategies address areas that may result in loss of employee morale, with associated programmes and actions. ▪ An approved leadership pipeline development strategy is in place and is regularly assessed with corrective actions taken where needed. ▪ Future ways of working programme ('Accelerate').	

CREDIT RISK

Our main counterparties are the South African banks who remain financially sound and, according to both the South African Reserve Bank and management at the respective financial institutions, are expected to continue to do so over the medium term. Current government actions to support National Treasury's growth trajectory appear positive, but we remain cautious about any detractions from the growth path. In the case of our life insurer, our reinsurance agreements are predominantly with global players with AAA credit ratings. We expect reinsurer capitalisation to remain robust but note the hardening of the reinsurance market. Our debtors experience remains favourable and well managed.

Risk description and rating	Management mitigation	Stakeholders impacted
01 **Counterparty default:** potential failure of reinsurer(s) resulting in business not being able to recoup claims payments and a loss of financial soundness.	▪ Reinsurance strategy, policy and programme in place. ▪ Policy requires that the company only use AAA-rated reinsurers (well-capitalised, diverse business lines, parental guarantees in place). ▪ Regular monitoring and review of credit ratings.	Investors, Regulators

MARKET RISK

The majority of our currency exposure relates to certain USD-denominated contracts, such as Microsoft, and we anticipate ongoing currency depreciation to create risks. Management is considering the costs and benefits of hedging against these risks. The group does not currently have material market risk exposure. That said, extreme market events, such as material market crashes, impact our fee expectations (business risk) and are assessed through the ORSA processes.

LIQUIDITY RISK

Our liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of cash resources and credit facilities. Monitoring of budgeted and projected cash flows supports the fact that the group will generate sufficient cash flows from operations to limit the impact of liquidity risk. The group is highly cash generative and has a short collection period. The group is well positioned to engage in shorter-term funding matched to the cash flows in order to ensure maximum efficiency in its funding rates. In terms of our multi-manager operations, liquidity risk arises from unexpected lapses and withdrawals by policyholders. The group is able, in such cases, to transfer ownership of the underlying assets within the policy to the policyholder to extinguish its liability. There has not been any material deterioration in liquidity to date. Liquidity continues to be closely monitored as the group tracks the impact of client distress which translates into more severe cash implications. As such, the group does not currently have material liquidity risk exposure.

INSURANCE RISK

The group's insurance risk during the year was well managed using reserving, reinsurance arrangements, capital management, pricing strategies, and other key controls. As referenced earlier, with the Alexander Forbes Life Limited transaction, the group will no longer consider underwriting risk to be material, meaning that this portion of insurance risk will not feature in our risk appetite going forward. Insurance risks that remain are largely immaterial. These are mainly expense risks in Alexander Forbes Investments Limited, our linked insurance business.

Our people | Clients and members | Investors | Regulators | Society

High risk
Medium risk

Own risk and solvency assessment (ORSA)

The Solvency Assessment and Management (SAM) regime commenced on 1 July 2018. As part of this regime, the Prudential Authority requires all insurance companies to complete an ORSA annually. The ORSA aims to investigate the adequacy of insurers, and risk management by insurance groups and assess current and future solvency under base projections as well as stressed scenarios.

We define our strategy over the business planning period through a rigorous budgeting process. The results form the basis of the ORSA analysis of future projected solvency. These solvency results then undergo stress testing to determine the robustness of the business and its various contributing entities, and to determine the maturity of its risk management practices. The ORSA process and risk management responsibilities are then monitored and embedded through the ongoing and recurring ERM processes.

Our ORSA process is designed to determine and highlight the following:

- The overall solvency needs of the group and solo insurance entities by considering the specific risk profile, approved risk appetite and business strategy.
- The significance with which the risk profiles of the group and solo insurance entities deviate from the implied risk profile underlying the financial soundness requirements.
- Compliance, on a continuous basis, with financial soundness requirements.
- The resilience of the solvency position of the group and insurance entities across several sensitivities and scenarios.

Key results

We conducted our most recent group level ORSA and submitted results to the Prudential Authority in December 2020, which included the results of the out-of-cycle ORSA conducted in the first half of the financial year at the outset of the Covid-19 pandemic.

The key findings are summarised below:

- The group and solo entities were assessed and found to be sufficiently capitalised. The group and each solo insurance licence continue to hold eligible own funds in excess of their solvency capital requirements (SCR).
- Risk within the group was concentrated in a few entities with the insurance entities being the main contributors. The results of the March 2019 strategic review (and the consequent reorientation of the group's business model), as well as the inherently onerous regulatory demands within the insurance operations, led to our decision to move to a capital-light model and limiting underwriting risk. Previously planned transactions in this regard (including the disposal of the AF Insurance business) were assessed in terms of their rationale, risk impact and financial impact (including impact to solvency). When the assessments occurred, all related transactions were found to be viable and met the objectives of the group. Subject to Alexander Forbes Life Limited transaction conditions being met, and in the interests of our statutory and fiduciary obligations, we continue to monitor its operations. It is highlighted that Alexander Forbes Investments Limited, our linked insurance business, remains designated an insurer in terms of the Insurance Act, notwithstanding the fact that this business holds no underwriting risk given the multi-manager linked policy model.
- The group and its insurance entities are expected to remain solvent over the business planning period and above its target risk appetite levels for SCR cover. The group expects to continue to pay dividends in line with the dividend policy.
- The capital targets discussed in the ORSA were assessed to be adequate given the size, business mix and complexity of the insurance operations.
- Alexander Forbes Life Limited completed an out-of-cycle ORSA assessment during 2020.
- The resilience of the group's projected solvency position was assessed using scenario testing techniques and found to be sound under various scenarios, including significant market deterioration.

The 2020 ORSA independent review revealed the following focus areas to be targeted in the foreseeable future:

- Continued embedment of the ORSA process into the decision-making process.
- Enhancements to the risk management practices, including assessment of contagion risk, environmental, social and governance (ESG) factors, and implementing early warning triggers to risk appetite measures.
- Enhancement of the group and insurance entities' economic capital assessments, particularly in terms of operational risk.
- Broadening the scope of stress and scenario testing to consider a wider range of scenarios.

Compliance management

Compliance in our highly regulated environment is governed at multiple levels. The board retains ultimate oversight, supported by the audit and risk committee.

A robust process is in place to ensure all potentially relevant emerging legislation and regulations are extensively analysed, with house views developed and communicated internally and to clients as appropriate. We play a leading role in commenting on and lobbying for or against required change through the industry bodies in which we participate. We continue to review, strengthen and consider fit-for-purpose compliance structures across the business in both the first and second lines of defence. As management holds the responsibility and accountability of managing day-to-day compliance risks, and having adopted a fit-for-purpose approach, we continue to work towards embedding our first-line compliance teams within the business, with group compliance providing an oversight and assurance role. We believe that this structure enables a holistic approach to compliance management and sustainable execution and contributes to our maturing combined assurance model.

We remain focused on transparent and proactive engagement with regulators and all stakeholders on compliance management matters.

Looking forward

Key areas of focus within the group in terms of compliance management in the 2022 financial year include:

- Continuously maturing our processes, policies and maintaining oversight over:
  - Financial Crime Control
  - Privacy (POPIA)
  - Market Conduct (including TCF)
  - Pension Funds Act
  - Governance and Operational Standards for Insurers (GOI)
- Focus on oversight of outsourcing and third-party agreements

Information and technology governance

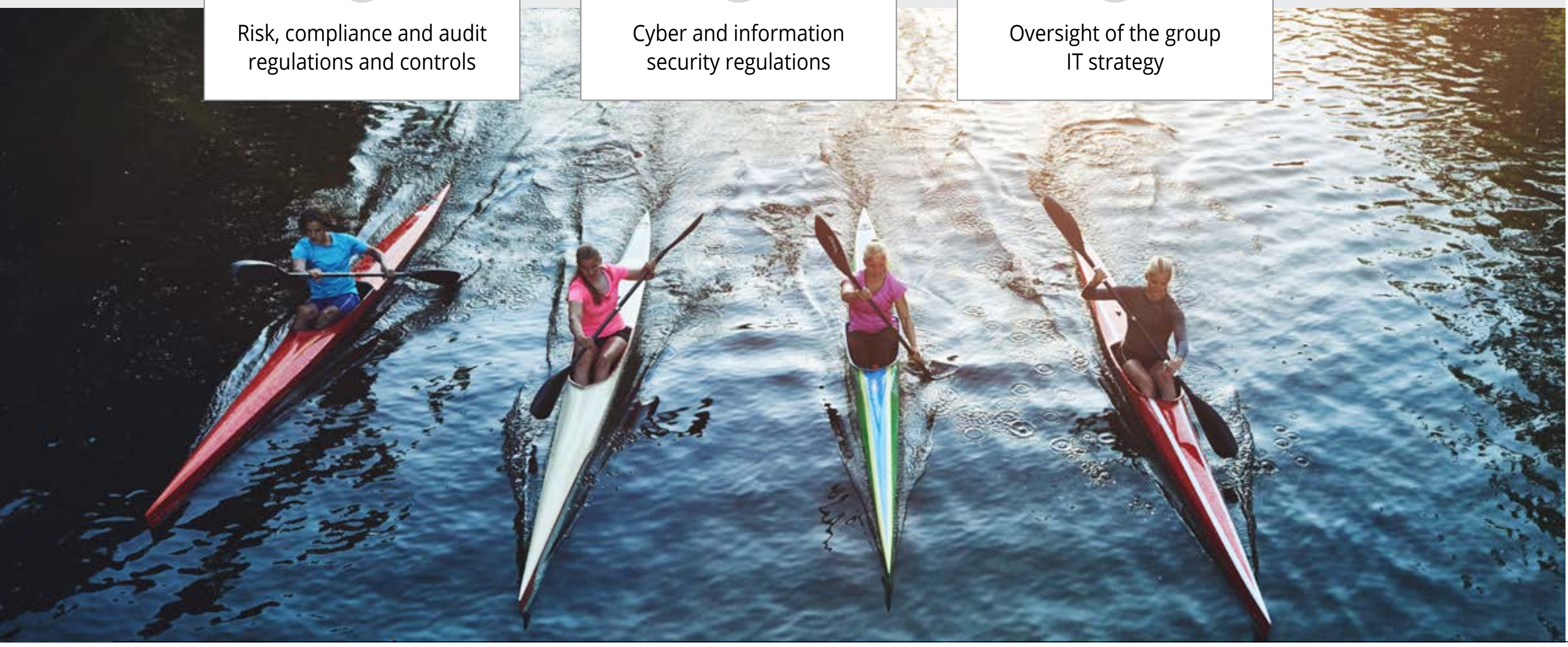
Arrangements for governing and managing information and technology (IT)

The board, through delegation to the audit and risk committee, assumes ultimate responsibility for the governance of IT. This is a standing item on the committee agenda, focusing on:

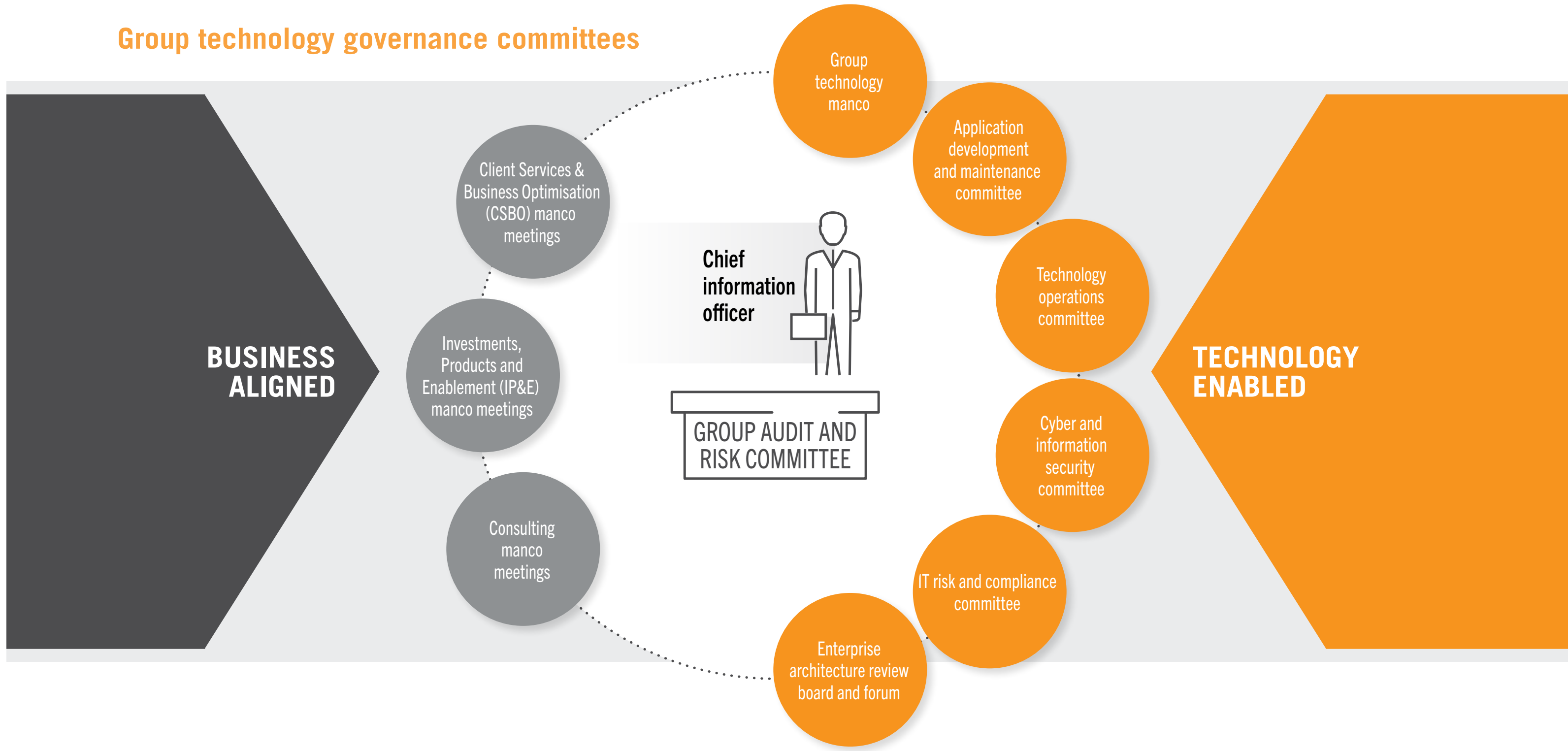
A Risk, compliance and audit regulations and controls

B Cyber and information security regulations

C Oversight of the group IT strategy



Group technology governance committees



The audit and risk committee is supported by the relevant IT and business managers. The committee spends considerable time interrogating IT matters broadly and cyber security and business continuity specifically. During the year the committee reviewed an IT business continuity deep-dive presentation and made fundamental recommendations towards the improvement of the group's planned actions and maturity. The IT management team is responsible for establishing and maintaining all measures to remediate risk, compliance and audit findings with the necessary controls and actions. IT risk management has become a more continuous effort to ensure that risks are recorded, tracked and remediated with visibility on exposures and trends. Beyond IT business continuity, holistic business continuity and disaster recovery management are critical aspects for the group. Systems and procedures all conform to the highest international standards and protocols and are regularly tested.

Cyber and information security has become a key driver for managing information risk and we scaled up the internal IT security team and made investments in defensive technologies. Our information management technology (IMT) framework governs and steers the IT and information security response protocols. The IT project management office focuses on programmes and projects with associated business cases to enforce, inter alia, the spirit of IT-related capital governance and reporting.

The group IT strategy encompasses all functions within IT, enforcing policies and procedures, and robust governance through mandated steering committees and assurance across key performance indicators. Focus areas of the IT strategy include applying general hygiene and maintenance across IT by ensuring that processes, key roles and responsibilities are defined for continuous delivery. Technology and information risk is integrated in the group's risk management and executed through the various management level IT committees. For IT governance, the group subscribes to the King IV™ guidelines and we map these guidelines and principles through to our IT control objectives for information and related technologies (COBIT) control framework. We have established policies, processes and procedures for crisis and incident management. Our information and cyber security framework is aligned to the National Institute of Standards and Technology (NIST) and ISO2700/1/2 control framework using COBIT as the guiding controls. In addition, we are making progress with defining our assurance programmes for all critical IT suppliers, including alignment with POPIA and our privacy principles.

Effectiveness of information and technology management

In October 2020 we experienced a three-week outage on our AF Online application. This outage impacted all clients' transactional functionality, prohibiting online processing of all related business transactions.

The incident was managed through our IMT and business continuity management process, which assisted in the management of client interactions, communications, and overall business continuity by implementing manual processes to assist our clients to process transactions and to ensure customer services were maintained at the highest possible level while the technical task teams resolved the matters at hand. This was the only operational incident that had a material impact on our business during the period. Root causes were identified and addressed to mitigate any risk of recurrence. Although we regret such incidents, we value the lessons learned to ensure improved technology optimisation and delivery to our clients.

Looking forward

The following are our key focus areas for the 2022 financial year:

- Improving our discovery readiness and maturity
- Creating a single digital engagement platform for our clients to increase customer experience and reducing the risk of business impact
- Increasing our information and cyber security posture by focusing on upgrading aged infrastructure with the implementation of more robust technology to improve our perimeter and internal security capabilities

Stakeholder management

How we manage our stakeholder relationships

The setco approved a stakeholder engagement framework during the year to formalise the previously established but fragmented practices. The framework is still in the process of being embedded and will take some time to entrench and mature fully.

In the context of sustained value creation for all stakeholders, our engagement with stakeholders is based on the following principles:

INCLUSIVITY
The group follows an inclusive approach to stakeholder engagement. This approach includes consultation with our material stakeholders to develop and achieve an accountable and strategic response to sustainability.

EQUALITY
The group treats all shareholders equitably and ensures that minority shareholders are adequately protected.

MATERIALITY
The group determines the relevance and significance of issues affecting its business and stakeholders. The materiality of stakeholder concerns is assessed by considering their legitimate interests and expectations in the context of the legal and strategic considerations of the business. The materiality of the stakeholder or stakeholder grouping also impacts the extent and frequency of engagement.

AMICABLE OR CONSENSUS DRIVEN
The group believes in seeking win-win situations and will give precedence to alternative dispute resolution mechanisms in situations of stakeholder conflict, including in contractual relationships.

GROUP OF COMPANY RELATIONSHIPS
The group considers the interrelationship of subsidiaries (and their directors), and this is dealt with in the group governance framework.

RESPONSIVENESS
The group aims to respond appropriately to stakeholder issues through its decisions, actions, performance and communication.

The board is committed to a stakeholder-inclusive approach as detailed in the framework. It gives equal consideration to all sources of value creation, including social and relationship capital embodied by stakeholders, emphasising a view of the organisation as an integral part of society and placing importance on being a good corporate citizen. The board requires its directors and executives to proactively engage with shareholders at the group's annual general meeting (AGM). All the group's directors should be available at the AGM to respond to shareholders' queries on how the board executed its governance duties. The board should also ensure that the designated external audit partner attends the AGM.

The board has delegated oversight over stakeholder relationships and management to the setco. Setco has delegated the execution of this framework to the executive committee, supported broadly by all management.

Looking forward

The following are our key focus areas:

- Implementing a structured engagement plan with all stakeholder groups
- Increasing adoption of our multi-channel approach to engage members, including digital platforms, to reach more individuals
- Applying research-based insights to enhance our engagement with employers
- Introducing a series of deep-dive sessions into aspects of our business to better inform investors and analysts
- Drive advocacy of ESG and selected UN Sustainable Development Goals among stakeholders, including service providers such as asset managers
- Socialise our research and insights more broadly within the industry to enable informed decision-making

Assurance

Overview of assurance functions

The group's combined assurance model continues to be an area of focus, to better entrench assurance principles in the organisation. This process is regarded as a medium-term journey, and we believe this is an area with tremendous opportunity for improvement over the next two to three financial years. Currently, assurance over the annual financial statements is provided by our external auditor, the audit and risk committee and the board. Focused assurance work concerning internal and external reporting forms part of the overall combined assurance approach.

The chief audit executive and the internal audit function are appropriately empowered and have the requisite access to the audit and risk committee chair and other key forums. The audit function performs ongoing self-assessments, and the results are reported to the audit and risk committee. An independent assurance review will be undertaken in financial year 2022.

Planned areas of future focus

- Review and update the combined assurance framework
- Ongoing focus on embedding the combined assurance framework
- Focus on analytics programme

02 Board composition

The directors of the board have significant experience in and knowledge of the financial services industry and of the group's business and value creation model. The board consists of ten members, of which six are independent non-executives, two are non-executive directors and two are executive directors.

Our board of directors

Marilyn Ramplin (47)

Independent non-executive chair

- Disruptive Innovation
- Design Thinking and Strategy
- Fintech and Digital Disruption
- Financial Markets and Instruments (Fintech and Digitisation)
- Board Leadership
- Derivatives and Regulations (UK Securities Institute)
- Financial Institution Failure Management

Appointed: 8 March 2018

Meeting attendance

8/8 3/3 9/9

Dawie de Villiers (51)

Chief executive officer

- BSc (Actuarial Science)
- Advanced Management Programme
- Fellow of the Actuarial Society of South Africa

Appointed: 1 November 2018

Meeting attendance

8/8 3/3 3/3

Bruce Bydawell (53)

Chief financial officer

- BCompt (Hons)
- CA(SA)
- CFA

Appointed: 1 April 2019

Meeting attendance

8/8 3/3

Meeting attendance key

- Board
- Nominations
- Remuneration
- Mergers and acquisitions
- Social, ethics and transformation
- Audit and risk

Independent non-executive directors

Thabo Dloti (52)

- BBusSc (Actuarial)
- Advanced Management Programme

Appointed: 1 August 2018

Meeting attendance

8/8 3/3 9/9 2/3 3/3

Nigel Payne (61)

- BCom (Hons)
- CA(SA)
- MBL

Appointed: 1 May 2018

Meeting attendance

8/8 3/3 7/9 3/3 6/6

Bob Head (63)

- MA (Politics, philosophy, economics)
- CA, Associate of the Chartered Insurance Institute
- Fellow of the Chartered Institute of Bankers

Appointed: 1 January 2018

Meeting attendance

8/8 2/3 6/6

Totsie Memela-Khambula (62)

- BA (Social Science)
- Master's in Public Administration

Appointed: 1 July 2015

Meeting attendance

8/8 7/9 3/3

Andile Mazwai (49)

- BCom (Hons)

Appointed: 9 November 2020

Meeting attendance

3/3 3/3

Non-executive directors

Refiloe Nkadimeng (40)

- CA(SA)
- SEPA

Appointed: 3 June 2020

Meeting attendance

6/8 1/1

Simon O'Regan (62)

- BusSci (Hons)
- Fellow of the Institute and Faculty of Actuaries

Appointed: 31 July 2014

Meeting attendance

8/8 3/3 9/9 3/3

Skills and experience

The board recognises the importance of diversity as one of the key considerations to enable it to discharge its governance role and responsibilities objectively and effectively. As detailed in the nominations committee (nomco) report, the nomco undertook a robust and detailed review of individual director and the collective board skills, experience and expertise in the context of the skills and diversity required to enable and support the group's long-term sustainability and strategic delivery.

Refer to the **Nomco report** on page 29 for more information.

The following are some of the additional skills that were specifically included in the board skills and experience matrix as short- and long-term requirements:

- ESG investment strategies
- Financial planning and retail consulting
- Digital member engagement
- Marketing and brand

The following skills areas were identified as areas with insufficient depth or coverage and have been focus areas for the identification of additional and succession candidates:

- Cyber security
- Fourth industrial revolution, innovation or disruption
- Automation
- ESG investment strategies
- Linked investment service provider understanding and capabilities

Admittedly not all deficiencies require resolution at a board level and the skills can be supplemented through executive capacity and experience, training interventions or appropriate external advisors.

The process for nomination and appointment of board members is well established, formal and transparent. Nomination for re-election is informed by the individual director's performance, contribution and attendance. Information on directors standing for election and re-election is included in the AGM notice.

Where new directors are appointed, the terms of their appointment are detailed in a formal letter of appointment and they are required to complete detailed induction sessions enabling them to rapidly contribute optimally to the group. New directors are subject to a robust review of their performance, contribution and commitment after their first year and may be removed or not recommended for election at the first AGM following their appointment if their performance is found unacceptable.

Detailed economic updates are provided to the board at least bi-annually and general governance, industry, best practice, research, and regulatory information shared with the board during each board cycle and during bespoke bi-annual governance sessions. In addition, policy and other training and development sessions are incorporated into the board cycle to ensure continued development of and information sharing with directors. Relevant and appropriate external information and governance sessions are also shared with directors as appropriate.

Mr Nigel Payne serves as lead independent director and his role, as well as that of the board chair and chief executive officer, is clearly articulated in the board charter, as well as in the detailed division of responsibility policy, which also ensures that no individual has unfettered powers.

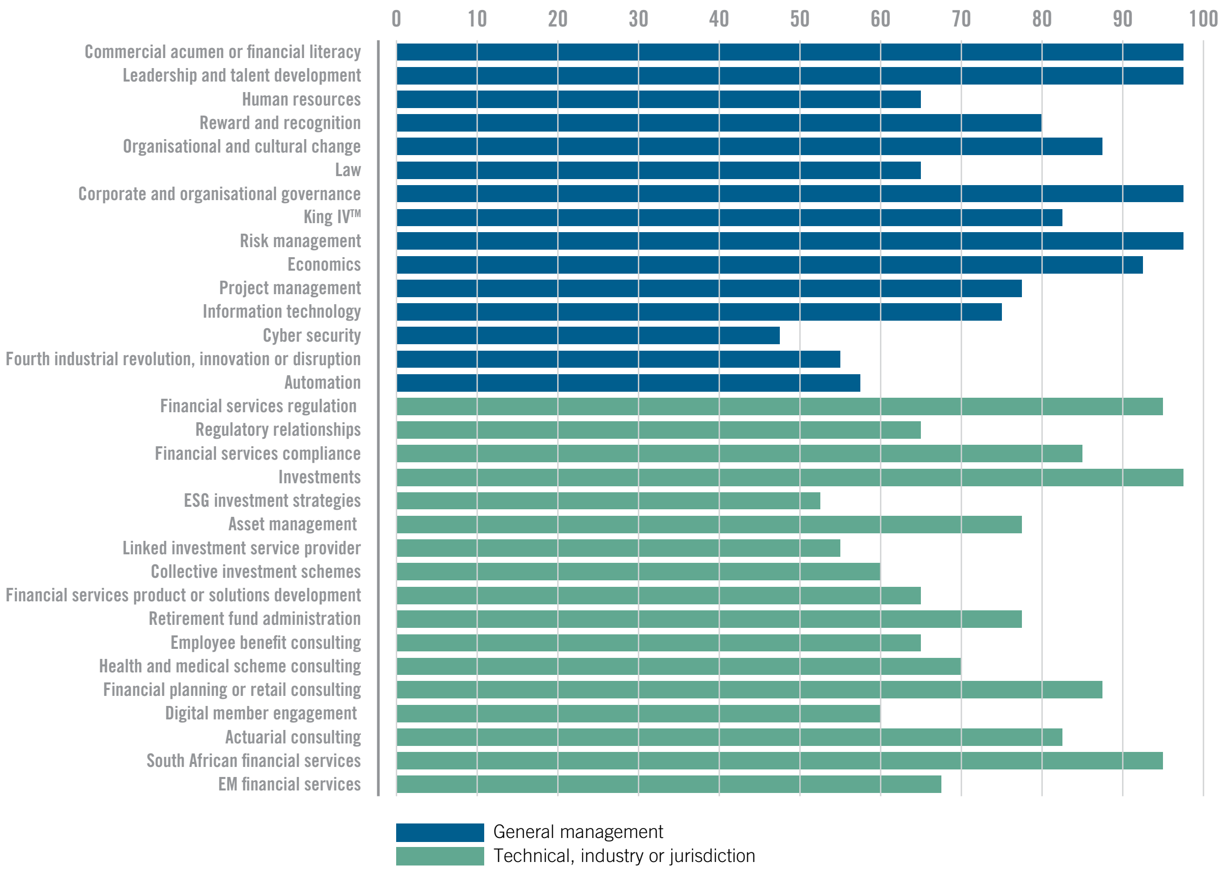
Ms Refiloe Nkadimeng and Mr Andile Mazwai were appointed during the reporting period. Ms Totsie Memela-Khambula will be retiring at the AGM scheduled to be held on 3 September 2021.

Refer to the **Board composition section** on page 20 for details regarding board and board committee attendance.

Refer to the **Governance value created section** on page 28 of the FY2021 annual integrated report for details regarding board performance.

Board member skills

Cumulative years of director experience per key area[1]



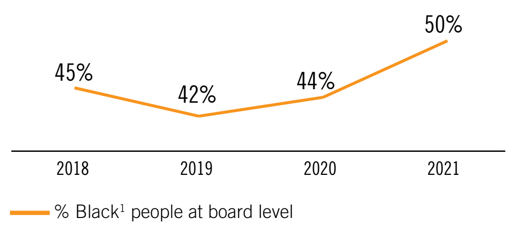
1 Years of experience are assessed in four different categories out of a maximum of 100:
– No skills and experience
– Limited skills and experience (depicted as 5 years)
– Average skills and experience (depicted as 7 years)
– Significant skills and experience (depicted as 10 years)
Thus the total actual years of experience would be much higher.

Targets set and progress in gender and race representation

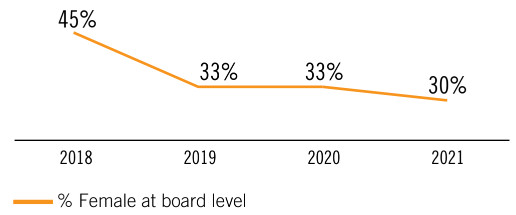
The company has an approved board diversity policy.

For certain diversity indicators, the board has determined specific targets. Our performance in terms of gender representation at 30% is above the JSE average of 20.7%, and in compliance with the target of 30% set out in reports such as Women on South African Boards Report[1], the 30% Club[2] and our own voluntary target. Following the appointment of Mr Andile Mazwai, we achieved our overall race diversity target of 50%. Our performance will unfortunately deteriorate once Ms Totsie Memela-Khambula retires. Achievement of the targets will, however, be a key consideration in the appointment of additional independent non-executive directors.

Diversity performance (race)

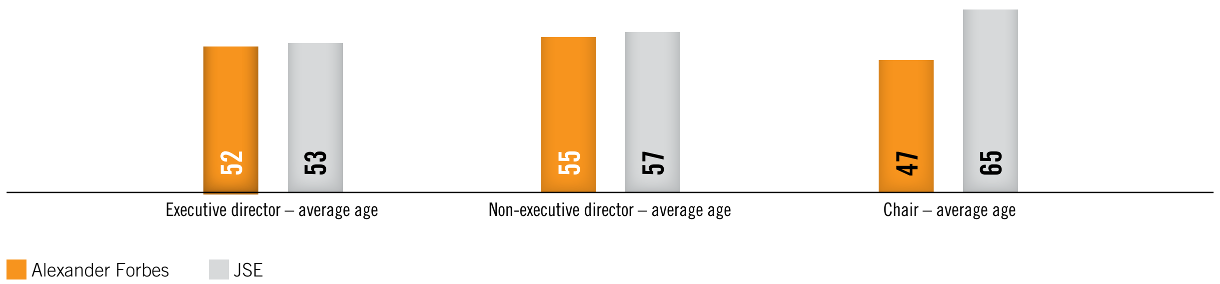


Diversity performance (gender)



1 Black people as defined in the BEE Act

Board of director ages



Based on the latest PwC Executive Director and Non-executive Director reports[3], our board is younger than the JSE average.

Although the company has not set specific age-related targets, the board is comfortable that the age representation provides varied perspectives and experiences contributing to its overall balance and diversity of thought.

1 https://www.usb.ac.za/wp-content/uploads/2018/02/Women_on_SA_Boards_March2020.pdf
2 https://30percentclub.org/
3 https://www.pwc.co.za/en/assets/pdf/ned-report-2020.pdf

Board evaluation

Following an extensive and detailed board evaluation process during the year, as explained in the nominations committee report on page 29, the following general areas were identified as requiring improvement:

- **The length and excessive detail of board submissions:** as discussed in the committee reports, significant time and effort was spent on the development of detailed reporting guidelines, focusing on materiality and strategic oversight, whilst ensuring legislative and regulatory compliance (a key consideration in the group's highly-regulated environment). While this intervention resulted in a marked improvement, it remains a continued area of focus to ensure the board receives the right information, at the right time, enabling them to ask the right questions to perform appropriate oversight.
- **A lack of certain board level skills and experience:** As detailed in the reporting suite, the board skills and experience matrix was reviewed and renewed, and served as key input into succession planning and nomination deliberations.
- **More subsidiary business information sharing and deep dives:** The bi-annual governance sessions were reinstituted and rotational deep dives entrenched in the reporting guidelines. Several deep dives were held during the reporting period, as detailed in the Governance value created section on page 28 of the integrated report.
- **Process and engagement suggestions for the chair.**

The board is very comfortable with the resolution of these items following the intervention and is pleased with the resultant overall improvement in board processes and efficacy.

03 Committee reports

The board acknowledges the need to delegate certain matters to board committees to ensure more comprehensive oversight of all governance matters. However, the board retains full accountability for all oversight, except for the audit and risk committee's statutory responsibilities.

Formal terms of reference have been established for all board committees. These include detailed annual planners to ensure the committees meet all their objectives and requirements, which also include the prudential requirements applicable to insurance businesses. During the year the standard planners were transformed into extensive and detailed reporting guidelines to not only ensure committees receive all legislative and best-practice information required to fulfil their mandates, but also improve the quality and focus of submissions on material items.

During any quarterly board cycle, committee meetings are held shortly before the board meeting. Where possible, draft committee minutes are included in the board meeting packs that immediately follow. Notwithstanding inclusion of the minutes, all committee chairs report back on matters dealt with at the committees and in particular on any matters recommended to the board for approval.

All committees consist of at least three directors. Non-committee directors, as well as appropriate management representatives, are standing invitees.

Delegation to board committees is well established and effectively functioning.

There is significant overlap between committee memberships, and directors remain aware of and involved in the areas of responsibility of the different committees. The board is confident that the existing standard and ad hoc committees assist in ensuring good performance and effective control over legislated and material issues.

The chair attends all committee meetings where she is not a formal member as a standing invitee and other directors are also often in attendance as standing invitees. All directors have access to all meeting documents, whether as a member or invitee, to ensure full knowledge and collective accountability of all board and committee oversight areas.

Audit and risk committee report

Nigel Payne (chair)

The committee is pleased to present its report for the financial year ended 31 March 2021.

PURPOSE AND STRUCTURE

The group audit and risk committee is an independent statutory committee in terms of section 94(2) of the *Companies Act 71* of 2008, as amended *(Companies Act).* Its primary responsibility is as audit and risk committee for Alexander Forbes Group Holdings Limited, but it also fulfils the role of a group committee as permitted by section 94(2)(a) of the *Companies Act* for all South African subsidiaries as well as the offshore and emerging markets subsidiaries and controlled trusts (where bespoke committees have not been established).

In line with the ongoing process to simplify and integrate the governance structures within the company and as contemplated in the FY2020 governance report, approval was obtained from the Prudential Authority for this committee to also perform the functions and oversight of the previous combined insurance audit and risk committee, for Alexander Forbes Investments Limited (AFIL) and Alexander Forbes Life Limited (AF Life). Consequently, the combined insurance audit and risk committee was terminated, and the responsibilities absorbed into this committee in the second quarter of financial year 2021.

Composition and attendance

Current	
NG Payne (Chair)	6/6
RM Head	6/6
AM Mazwai[1]	3/3
Previous	
T Dloti[2]	3/3

1 Appointed with effect from 4 December 2020.
2 Resigned with effect from 4 December 2020.

The board chair and all non-committee member directors, chief executive officer, chief financial officer, head of internal audit, head of compliance, head of enterprise risk management, executive: governance, legal and compliance, cluster chief financial officers, head of tax, information technology representative, head of capital and independent external auditor are standing invitees. The independent head of actuarial function is an invitee for reporting purposes bi-annually.

The committee, however, debates matters without the permanent invitees present, when required.

The committee meets between six times annually, with two of those meetings arranged as bespoke risk-focused sessions. Two closed meetings (aligned with the approval of the interim and annual financial results) are held with both the independent external auditor and chief audit executive, respectively, where management is not present.

Terms of reference

The committee has adopted formal terms of reference, which underwent a detailed review and update during the year. As with the other committees' terms of reference reviews, detailed reporting guidelines were added to the annual plans to ensure the committee receives precise information, at the most appropriate time in the year and in an appropriate format to better enable their efficacy. This review also ensured incorporation of the items and focus areas necessary to maintain detailed oversight over the AFIL and AF Life audit and risk matters. The committee is satisfied that it complied with its responsibilities during the financial year ended 31 March 2021.

The committee's primary objective is to assist the board with its responsibilities for the management of risk, safeguarding of assets, solvency and liquidity, including the ORSA, information technology governance, oversight over financial control and reporting, internal controls and corporate governance, particularly relating to legislative and regulatory compliance. The committee's roles and responsibilities include statutory and regulatory duties as per the Companies Act, the Prudential Standards, the Insurance Act 18 of 2017, JSE Limited Listings Requirements (JSE Listings Requirements) and King IV™.

Financial statements and accounting practices

The committee reviewed the audited consolidated and separate annual financial statements of the company and group for the year ended 31 March 2021, particularly to ensure that disclosure is adequate and that fair presentation has been achieved. The committee recommended the approval of the audited consolidated and separate annual financial statements to the board of directors. The committee believes that these financial statements present a balanced view of the group's performance for the year under review and that they comply with International Financial Reporting Standards. The committee followed similar approaches for all of the significant subsidiaries of the group.

Evaluation of the expertise and experience of the chief financial officer and appropriateness of financial reporting procedures

The committee deliberated on the expertise and experience of the chief financial officer Mr BP Bydawell and is satisfied that he has the requisite expertise and experience to execute his designated functions. The committee has also considered and satisfied itself of the appropriateness of the expertise, experience and adequacy of the resources of the finance function and the adequacy of financial reporting procedures in the preparation of financial statements.

Delivery against FY2021 objectives

In addition to delivery against the standard annual plans, the board and committees also set specific objectives for each year as reported on below.

- Significant progress was made towards fully entrenching the responsibilities of the information technology governance and capital oversight committees to ensure enhanced efficacy. As noted earlier, the entrenchment of effective oversight over the Alexander Forbes Investments Limited and AF Life audit and risk matters was also achieved. This committee's scope and accountabilities are vast and, more so than in any other committee, the enhancement of the terms of reference through the detailed reporting guidelines was critical to ensure adequately detailed and legally compliant information being shared on all reporting items without overburdening members and thereby risking committee efficacy.
- Through continued increased oversight over financial soundness, capital adequacy and overall business sustainability, the committee effectively assisted the board to navigate the company through challenging and volatile economic conditions and heightened uncertainty. The out of cycle ORSA prepared and approved in response to Covid-19 and its global economic impact played a critical role in informing and guiding the committee and management's decisions. The distribution of a special dividend to further implement the company's capital light approach amidst heightened focus on expense management and revenue enhancement.
- The material oversight items included the continuing enhanced transfer value (ETV) insurance liability and the provisioning required for the outstanding liability. The decisions and recommendations included the group's approach to the limitation of liability and the legal approach to the insurance providers who have not confirmed cover.
- In our response to the unprecedented events arising from the Covid-19 pandemic, the uncertain economic environment and financial market volatility, the committee and board of directors paid specific attention to the judgements, estimates and assumptions which included the following matters, amongst others and which also align with several of the key audit matters discussed below:
  - Solvency assessment and going concern
  - Provision for client settlements – ETV as discussed above
  - Errors and omissions in the ordinary course of business
  - Developed computer software impairments
  - Deferred tax assets arising from assessed losses
  - Fair value measurement of financial assets and liabilities
  - Assets and liabilities of disposal groups classified as held for sale
- Continued focus on maturing the group's enterprise risk management, information technology governance (including information technology business continuity), compliance, combined assurance frameworks and processes. The committee approved the following policies and frameworks: revised group tax policy, group information technology governance policy, group information technology cyber security policy and group information technology disaster recovery policy.
- The committee provided oversight and approval of the internal control review project. This included the structural plan, the documentation of controls and testing of their efficacy as well as the calculation and approval of the materiality framework. The project implementation spans the current year and year ahead. The oversight of internal controls supports the chief executive officer and finance director financial controls attestation in compliance with the new JSE Limited (JSE) Listings Requirements requirement effective for companies with a year-end on or after 31 December 2020.
- Focus on the regulatory programme execution established to effectively implement financial crime control, market conduct and privacy related legislation and regulation. Significant progress has been made with delivery based on the milestones set. The application of all requirements remains a key priority, especially considering the extent of regulatory changes and new legislative requirements. The programme will continue into the FY22 financial year.

Other key items of focus

- As part of the revised terms of reference and reporting guidelines, the committee entrenched the practice of considering rotational deep dives to intensely interrogate specific areas of oversight. During the year deep dives on the following items were considered: Namibia, Botswana, Jersey, AFIL and AF Life audit and risk matters, first-line compliance, information technology business continuity management and fraud risk management. Deep dive regularity is determined based on risk, with higher risk items being reviewed more frequently.
- Consideration of the JSE proactive monitoring of financial statements, general reports and reports specifically pertaining to the group.
- Consideration of the sentiment, risks and opportunities pertaining to the highly publicised debates on the prescription of assets.

External audit

The group's independent external auditor is PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditor are disclosed in note 3 of the group annual financial statements for the year ended 31 March 2021. During the year under review fees paid to PwC amounted to R28 million (FY2020: R29 million), which included R26 million (FY2020: R25 million) for statutory audit and related activities as well as R1.7 million (FY2020: R4 million) for pre-approved non-audit services.

The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that this did not impact on their independence.

The committee annually assesses the independence of PwC and again completed this assessment at its meeting on 1 June 2021. PwC was required to confirm that:

- they are not precluded from reappointment due to any impediment in section 90(b) of the *Companies Act*
- in compliance with section 91(5) of the *Companies Act,* by comparison with the membership of the firm at the time of its reappointment in 2018, more than one-half of the members remain in 2019
- they remain independent, as required by section 94(7) (a) of the *Companies Act* and the JSE Listings Requirements

At this meeting, the committee also specifically considered the information presented by PwC as required in terms of paragraph 22.15(h) of the JSE Listings Requirements, in relation to registration, inspections, firm internal control and investigations in respect of PwC as a firm and the designated auditor, Ms A du Preez. Based on these assessments and the information considered, the committee again nominated PwC as independent external auditor for financial year 2022. Shareholders will therefore be requested to re-elect PwC as independent external auditor, with Ms A du Preez as designated auditor, for the financial year 2021 at the annual general meeting on 3 September 2021.

The committee has, however, determined that this will be PwC's final year of reappointment. The company will embark on a process to appoint a new independent external auditor for the 2023 financial year.

Key audit matters relevant to the consolidated financial statements

The key audit matters are those items of most significance as determined by PwC during the audit of the financial statements. The key audit matters consist of:

- provision for ETV claims and related expenses
- provision for errors and omissions claims
- goodwill impairment assessment
- recoverability of deferred tax assets on assessed losses

The committee considered the evidence presented and the disclosure in the financial statements and concluded that the treatment of these matters was appropriate. For further details, refer to the independent auditor's report in the FY2021 annual financial statements on pages 10 to 18.

Internal audit

The committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to perform its duties. Furthermore, the committee oversees co-operation between the internal and external auditors and serves as a link between the board of directors and these functions. Internal audit continued to operate under the charter approved in the previous financial year.

In addition to reporting to this committee, the internal audit function also reports to the relevant subsidiary audit and risk committees (where applicable) with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the group's operations.

Financial reporting procedures

The audit committee has executed its responsibilities in terms of section 3.84(g) of the JSE listings requirements. The committee has considered the financial reporting procedures in place, the assurance reports provided by both internal and external audit and the matters raised and discussed as part of the internal management reporting. The committee is satisfied that internal financial controls have been put in place to ensure that material information relating to Alexander Forbes Group Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements.

Internal financial controls

The committee has had oversight over the internal control environment. Internal financial controls include all aspects of the business and the controls to ensure an effective operating environment. The areas of subjective assessment and risks associated with these operations include the key assumptions and judgements which are reported on pages 19 to 22 and the detailed disclosure on risks which are reported on pages 95 to 114 in the FY2021 annual financial statements. During the year higher priority internal control matters considered included, amongst others:

- The reconciliations of insurance premiums, reinsurance receivables and claims payable within the AF Life Group Risk and Retail Life businesses. Theses reconciliations include long outstanding items which have received management attention and are being remediated.
- The financial reporting from the disposed entity, Alexander Forbes Insurance Namibia which has significant manual processes resulting in delayed reporting. Additional consulting resources were deployed in order to complete the appropriate balance sheet reconciliations and financial reporting.

Based on its oversight and monitoring of the of the group's system of internal financial controls throughout the year under review, and reports made by the combined assurance providers including internal and external audit, the head of actuarial function, compliance and risk management on the results of their procedures, the committee is satisfied that the company's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

Going concern

Despite reporting during times of heightened economic uncertainty, the committee, with concurrence from PwC, has reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the company and group and has made a recommendation to the board in accordance with the assessment. The board's statement on the going concern status of the group, as supported by the committee, appears in the directors' responsibility for financial reporting section of the annual financial statements.

OBJECTIVES FOR FY2022

The following will be areas of focus, in addition to continuing items from the year under review:

Continued in-depth oversight of the ETV liability and especially the company's legal action against the insurance companies who are challenging the claim.

In collaboration with and following approval by the Setco of the group's ESG framework, consideration of enhanced ESG reporting and the need for external assurance on this reporting.

As part of the broader ORSA activities, input into and approval of the group's sovereign default recovery plan.

Mergers and acquisitions committee report

Bob Head (chair)

The committee is pleased to present its report for the financial year ended 31 March 2021.

PURPOSE AND ROLE OF THE COMMITTEE

The committee has been established as a sub-committee of the board to review acquisitions, mergers, disposals and joint ventures, and only meets when required.

Composition and attendance

Bob Head (chair)	3/3
Bruce Bydawell	3/3
Dawie de Villiers	3/3
Thabo Dloti	2/3
Simon O'Regan	3/3
Nigel Payne	3/3

Ad hoc invitees include professional advisers and employees whose input may be required.

Terms of reference

The committee has adopted formal terms of reference, which are reviewed and updated as necessary. The committee is satisfied that it complied with its responsibilities during the financial year ended 31 March 2021.

Delivery against FY2021 objectives

- Effective oversight of the finalisation of the disposal of the Namibian short-term insurance business, in the most efficient and value-accretive manner whilst optimising the risks from signing to completion.
- In support of the group's bolt-on strategy, oversight over the execution of several smaller transactions (for example GF Wealth Proprietary Limited).
- Consideration of various employee benefit businesses as potential targets for acquisition.
- Oversight of and approval of the transfer of the insurance policies held by Alexander Forbes Life Limited (including the group risk and retail life businesses) to Sanlam Life Limited (Sanlam Life) under section 50 of the Insurance Act 18 of 2017. The transaction is subject to certain conditions precedent and regulatory approval. The committee is pleased with the conclusion of this disposal despite challenging economic conditions and in particular negative impacts on life insurers following increased Covid-19 mortality claims.

OBJECTIVES FOR FY2022

- Oversight of the effective and efficient completion of the section 50 transfer to Sanlam Life within the context of regulatory approvals
- Benefit realisation review of the FY2021 acquisitions
- Continuing to evaluate further potential meaningful employee benefit targets that will enable and align with our overall strategic intent

Nominations committee report

Marilyn Ramplin (chair)

The committee is pleased to present its report for the financial year ended 31 March 2021.

PURPOSE AND ROLE OF THE COMMITTEE

The committee has been established as a sub-committee of the board to assist the board by providing independent oversight of the process for nominating, electing and appointing members to the board, its committees, non-executive directors to subsidiary boards; classification of directors; board and committee induction; and ongoing development processes and interventions, succession planning and board performance evaluation processes.

Composition and attendance

Current	
Marilyn Ramplin (chair)	3/3
Thabo Dloti	3/3
Simon O'Regan	3/3
Nigel Payne	3/3
Previous	
Totsie Memela-Khambula (resigned from the committee with effect from 31 December 2020)	2/3

The chief executive officer and chief financial officer are standing invitees and ad hoc invitees include professional advisers and employees whose input may be required.

Terms of reference

The committee has adopted formal terms of reference, which underwent a detailed review and update during the year. As with the other committees' terms of reference reviews, detailed reporting guidelines were added to the annual plans to ensure that the committee receives precise information, at the most appropriate time in the year and in an appropriate format to better enable their efficacy. The committee is satisfied that it complied with its responsibilities during the financial year ended 31 March 2021.

In addition to delivery against the standard annual plans, the board and committees also set specific objectives for each year. The report below focuses primarily on those objectives as the most material items.

Delivery against FY2021 objectives

- The committee undertook a detailed succession planning process, including the development of emergency succession plans and a robust review of the board skills and experience matrix, ensuring it reflects the future skills requirements. This is especially important following the disposal of the group's insurance businesses, and enabling the medium- and long-term strategy: that ensuring the board and committees are future fit and poised to deliver on the revised strategic direction. The review led to the appointment of an additional non-executive director to supplement board and committee skills and experience. Details of additional skills requirements identified to ensure the composition remains future fit for a transforming group, and remaining deficiencies requiring attention are discussed in the board composition section on page 23. According to the FY2022 objectives below, the analysis completed will inform further succession planning and the appointment of additional non-executive directors to address remaining skills and experience deficiencies.
- The board embarked on an extensive and detailed externally facilitated board evaluation process during the year, which also included input into the efficacy of the group-wide committees (overseeing all entities within the group) and the combined insurance board. It comprised independently facilitated one-on-one interviews with all directors and the executive: governance, legal and compliance, and a bespoke session to discuss the outcomes and agree next steps. The key objectives were to build rapport and entrench effective working relationships within the newly constituted board, and to highlight areas requiring improvement. A summary of the key areas identified as requiring attention is included in the Board evaluation section on page 23.
- The committee reviewed executive succession and management bench strength. Areas requiring attention included equity and ready-now successors, and specialist local skills in Botswana and Namibia. These deficiencies will continue to receive management attention and the committee will consider including delivery on this objective as a key performance metric for the executive or company scorecard in future.
- As anticipated in the FY2020 governance report, some progress was made towards the integrated governance model which led to the termination of the combined insurance audit and risk committee and absorption of those responsibilities into the group audit and risk committee. Although this does not yet fully achieve the intended integrated governance model, it was a significant milestone on the journey. Progressing towards the eventual desired end state was deferred due to ongoing interaction on the application of the Insurance Act, and specifically the Prudential Authority's (PA) intended oversight of the group as a linked insurer as opposed to an insurance group. Early in FY2022, the PA approved the supervision of linked insurers on a solo plus basis, but the detail of licensing requirements and conditions remain pending, which will be taken into consideration in reviewing the group's desired integrated governance end state and next steps.

In addition to the planned objectives, the committee also completed the individual first-year assessment of Mr Andile Mazwai and was comfortable to recommend him for election by shareholders at the AGM to be held on 3 September 2021.

OBJECTIVES FOR FY2022

- Continued board and board committee succession planning, ensuring composition remains future fit for a transforming group
- Continued focus on executive succession
- Evaluation of the impact of a solo plus PA supervisory approach on the group's integrated governance aspirations and review of next steps as appropriate

Committee reports *continued*

Social, ethics and transformation committee report

Totsie Memela-Khambula (chair)

The committee is pleased to present its report for the financial year ended 31 March 2021.

PURPOSE AND ROLE OF THE COMMITTEE

The committee has been established as a statutory committee for those statutory duties assigned to it in terms of section 72(4) of the Companies Act (read in conjunction with regulation 43 of the Companies Regulations, 2011) and as a committee of the board for all other duties assigned by the board. The role and objective of this committee is to oversee and monitor the group's activities in relation to social and economic development, good corporate citizenship, corporate social responsibility, ethical conduct and business practices, environmental impact, consumer relations (including market conduct broadly and treating customers fairly (TCF) specifically), fair labour practices and transformation.

Composition and attendance

Current	
Totsie Memela-Khambula (chair)	3/3
Dawie de Villiers	3/3
Thabo Dloti	3/3
Refiloe Nkadimeng (appointed effective 1 February 2021)	1/1
Previous	
David Anderson (resigned with effect from 6 May 2020)	0/0

Standing invitees include the chief financial officer, executive: human capital and transformation, executive: brand, marketing and communications, ethics officer, head: investor relations and transformation, head: customer experience and insight and ad hoc invitees include professional advisers and employees, whose input may be required.

Terms of reference

The committee has adopted formal terms of reference, which underwent a detailed review and update during the year. As with the other committees' terms of reference reviews, detailed reporting guidelines were added to the annual plans to ensure that the committee receives precise information, at the most appropriate time in the year and in an appropriate format to better enable their efficacy. The committee is satisfied that it complied with its responsibilities during the financial year ended 31 March 2021.

In addition to delivery against the standard annual plans, the board and committees also set specific objectives for each year and this report focuses primarily on those objectives as the most material items.

Delivery against FY2021 objectives

- Continued oversight of the management ethics committee mandate, including management of the whistleblowing mechanism, and investigation and resolution of reports submitted. The committee is comfortable with the entrenchment and increased efficacy of the management ethics committee in executing on the ethics strategy, interventions and management of whistleblowing reports, with the ultimate outcome of a continuously improving ethical culture. A revised ethics management strategy was approved, which included a bespoke ethics awareness campaign and comprehensive ethics training programme. This addressed some of the improvement opportunities identified by the Ethics Institute during their ethics opportunity and risk assessment in FY2020.
- The committee robustly challenged processes and principles to assess the risk associated with the establishment or continuation of relationships with potentially compromised stakeholders, especially suppliers, and where public trust had been or was at risk of being lost in such stakeholders. The committee approved criteria and processes to apply which included, regulatory engagement, enhanced due diligence, and control function oversight. These criteria would only apply where such stakeholders had not yet been assigned responsibility or been found guilty for their malfeasance. Where stakeholders had been found guilty by a court of law, the company's anti-bribery and corruption policy and group ethics policy would apply, enabling termination of such relationships. The committee also approved amendments to the following ethics-related policies:
  - Economic crime and fraud risk management policy
  - Gift and entertainment policy
- The committee's planned renewed and in-depth focus on market conduct broadly and TCF specifically aligned well with the material issue of maintaining good corporate governance and accountability. In assessing the market conduct deep dive, oversight focused on ensuring business-as-usual practices and reporting would be re-energised and optimised. In response to the Covid-19 economic impact and the number of clients at risk, the committee was pleased with the interventions aimed at achieving enhanced TCF outcomes through clear, regular and transparent communication, effective and efficient handling of claims, complaints and changes and, most importantly, suitable, relevant and timely advice. Although there are some improvements required from a market conduct process and internal reporting perspective, the committee is pleased with the positive impacts the group's interventions and actions had on the TCF outcomes holistically, especially those enabling clients at risk to suitably navigate severe economic challenges. Despite the efforts and positive outcomes, the number of complaints had increased significantly over the period. Although it was a key concern and area of focus for the committee, it was not unexpected considering the material increase in the number of claims due to client retrenchments.

Please refer to the **Our clients and members** section in the FY2021 integrated annual report on page 58 for further reading.

- As predicted in the FY2020 Governance report, business continuity remained a key area of oversight for the committee. As discussed throughout the FY2021 integrated annual report, the committee and board are pleased with the interventions taken to support employees emotionally and financially, as well as the step changes introduced in adapting to a new world of work. The successful business continuity interventions greatly assisted in the minimal impact on the company's employees overall.

Please refer to the **Our people** section in the FY2021 integrated annual report on page 64 for further reading.

- The achievement of the transformation objectives (material issue oversight) also falls within the committee's mandate and received significant attention. A revised and detailed transformation strategy and action plans were approved. These were aligned with the group's overall governance philosophy and approach to articulate a B-BBEE vision extending beyond compliance, whilst improving our Level 2 B-BBEE rating and achieving a Level 1 rating ahead of projections. The committee is pleased with the operationalisation of the strategy through executive accountability. A bespoke social, ethics and transformation risk profile, prepared within the broader ERM framework, was considered by the committee for the first time. It highlighted the top risk as a material loss in empowerment status (and/or perceptions of reluctance to transform), reinforcing the achievement of transformation objectives as a material item for both the committee and group.

Please refer to the **Making an impact – Transformation** section in the FY2021 integrated annual report on page 69 for further reading.

- Continued consideration and oversight of the group's corporate social responsibility activities through the Alexander Forbes Community Trust (the Trust). A total amount of R5.7 million (FY2020: R6.5 million) was contributed to the Trust in the form of a donation and dividends, which was directed at supporting orphaned and vulnerable children, people with disabilities and students. The Trust is involved in community development across three provinces supporting five CoHubs in FY2021 with a total of 2 074 beneficiaries (FY2020: 481).

Please refer to the **Making an impact – Transformation** section in the FY2021 integrated annual report on page 69 for further reading.

- As highlighted in previous King IV™ application reports, the formulation of a comprehensive stakeholder relationship framework to fully institutionalise and integrate the group's current fragmented approach to stakeholder relationships was required. This framework was approved by the committee during the year. As reflected under the objectives for FY2022, entrenching this framework will be critical in FY2022 and the committee will receive regular feedback on progress to effectively oversee the process.

Other material highlights:

- The committee is exceptionally pleased with the unprecedented improvement in employee engagement reported for FY2021. This improvement is testimony not only to the material transition in the organisational culture since the appointment of the new executive team, but especially the company's resilience and ability to navigate through extraordinary times with more than 80% of employees positively responding to the group's management of remote working practices.

Please refer to the **Our people** section in the FY2021 integrated annual report on page 64 for further reading.

- The company committing to and becoming a signatory to the United Nations Global Compact and Women's Empowerment Principles.
- The company agreed to administer the Private Sector Gender Based Violence and Femicide Response Fund 1, launched by President Cyril Ramaphosa, pro bono for a 12-month period, and to provide investment management and actuarial services where required.

Please refer to the **Making and impact – Responsible investment** section in the FY2021 integrated annual report on page 74 for further reading.

OBJECTIVES FOR FY2022

Oversight of the implementation and entrenchment of the stakeholder relationship framework, in particular gaining better insights into the relationship with other material stakeholders in addition to the well-entrenched oversight of employee, client and shareholder relationships.

Please refer to the **Approach to materiality and stakeholders** section in the FY2021 integrated annual report on page 33 for further reading.
Please refer to the **Stakeholder management** section on page 18.

Oversight of the group sustainability committee mandate and specifically approval of a group-wide ESG framework, incorporating the corporate objectives but also our ESG advice framework and the bespoke Alexander Forbes Investments ESG principles (a key objective on the FY2022 strategic scorecard). As an associated objective, consideration and possible approval of a revised and more efficient mechanism to facilitate the company's corporate social responsibility interventions.

Please refer to the **Making and impact – Responsible investment** section in the FY2021 integrated annual report on page 74 for further reading.

As part of the ESG and transformation oversight objectives, overseeing the planned gap analysis against the United Nations Women's Empowerment Principles and the consequential action plans to address identified deficiencies (a key objective on the FY2022 strategic scorecard as part of our licence to operate focus).

Holistic review of the group's advice framework, with a focus on the adequacy, appropriateness and regulatory compliance of individual advice.

Remuneration committee report


Thabo Dloti (chair)

The committee is pleased to present its report for the financial year ended 31 March 2021.

PURPOSE AND ROLE OF THE COMMITTEE

The remuneration committee (remco) has been established as a sub-committee of the board to assist the board by providing independent and objective oversight of key remuneration matters for the group, including remuneration strategies, philosophies and their implementation, as well as the remuneration policy and implementation reports as disclosed to shareholders. The committee also approves the appointment and remuneration of specific key positions, including executive committee members and heads of control functions.

Composition and attendance

Current	
Thabo Dloti (chair)	10/10
Simon O'Regan	10/10
Nigel Payne	7/10
Marilyn Ramplin	10/10
Previous	
Totsie Memela-Khambula (resigned with effect from 31 December 2020)	7/9

The chief executive officer, chief financial officer and executive: human resources and transformation are standing invitees, and ad hoc invitees include the remuneration specialist and other professional advisers and employees whose input may be required. The committee has access to independent remuneration consultants for advice on best practice, trends and regulatory changes and considers the advice in reviewing and formulating the remuneration policy.

The committee held eight special meetings during the financial year, focusing on the remuneration process, detailed consideration in response to Covid-19 and the out-of-cycle ORSA completed early in the financial year. The committee reviewed and considered the outcomes of an industry benchmarking exercise in determining the appropriateness of the implementation of the remuneration policy in the current financial year relating to the short- and long-term awards and payment, as well as increases to total guaranteed pay.

In the second half of the financial year, the committee engaged 21st Century, a remuneration, human resources, organisation development and change consultancy, to conduct an independent review of the group remuneration policy and practices against market best practice and to make recommendations for any changes that might be deemed necessary. This resulted in a number of special meetings to consider the 21st Century review results and recommendations.

Refer to the **remuneration report** on page 34 for more information on the review.

Terms of reference

The committee has adopted formal terms of reference, which underwent a detailed review and update during the year. As with the other committees' terms of reference reviews, detailed reporting guidelines were added to the annual plans to ensure that the committee receives precise information, at the most appropriate time in the year and in an appropriate format to better enable their efficacy. The committee is satisfied that it complied with its responsibilities during the financial year ended 31 March 2021 and it is satisfied that the remuneration policy and framework achieved its stated objectives.

In addition to delivery against the standard annual plans, the board and committees also set specific objectives for each year and the report below focuses primarily on those objectives as the most material items.

Delivery against FY2021 objectives

- In line with the commitment and decision made in FY2020, the committee engaged 21st Century to conduct a robust review of the group's remuneration policy, reward practices, and supporting governance documentation as well as determining an appropriate comparator group for remuneration benchmarking purposes. The committee is satisfied that 21st Century was independent and provided objective perspectives.

  While areas of improvement have been identified with some remuneration practices and processes refined, the committee is pleased with the independent confirmation that there are no material deficiencies in the group's remuneration policy, principles and practices. Consequently, there were no major changes made to the remuneration policy, although some aspects were clarified and refined, and this included: the application of short- and long-term incentive award discretion for top performers and rainmakers as well as a revised and bespoke comparator group.

  The review also included benchmarking of the non-executive director fees against the same comparator group and no material deficiencies were highlighted. As detailed in the 2021 annual general meeting (AGM) notice, no increase in fees is being proposed for consideration at the AGM, similar to the zero increase to total guaranteed pay across all employee levels. However, an evaluation of fees will take place in FY2022 to specifically address fees below the benchmarked target.

  In the FY2020 Governance report, we indicated that the remuneration policy review would also consider potential amendments to metrics to align with the capital-light strategic objective, and consider the impact of new ways of work following Covid-19 and related permanent changes to work practices. Equally, none of these emerged as areas requiring immediate adjustment.
- The committee also considered the appointment and remuneration of new executive members and the group's chief compliance officer.

OBJECTIVES FOR FY2022

Oversight of several new and improved strategic human capital processes, including embedment of the employee value proposition, central to employee retention and motivation
Within the holistic remuneration framework and policy, consideration of specific rainmaker incentives aimed at driving and achieving revenue growth
Within holistic oversight of the application of the remuneration policy, specific review and confirmation of remuneration fairness, the absence of unfair discrimination and compliance with the requirements of equal pay for work of equal value, as well as a deeper understanding of the group's pay gaps and lowest earners

04 Remuneration report

Background statement

The company has developed an integrated approach to performance management and remuneration to give effect to the company's 'pay for performance' remuneration philosophy. The company is committed to the concept of total reward, which recognises that reward is multi-faceted and does not only have direct financial components. Consequently, our employee value proposition includes offering competitive market remuneration and rewards that contribute towards the financial well-being of our employees now and into the future. In this way the company aims to attract and fully engage the right employees, retain key and core skills, promote internal equity and fairness, reward and encourage behaviour consistent with the company's values and align the interests of all stakeholders.

The remco ensures that directors, senior management, and employees are remunerated fairly and responsibly. They also ensure that the remuneration policy is aligned with the company's overall reward philosophy, long-term business objectives and risk appetite. In determining the remuneration policy, the committee has embraced the King IV™ principles and remuneration best practices generally.

Shareholder engagement

The committee undertakes to continue to actively engage with shareholders, evaluate and consider their feedback on the remuneration policy and its implementation before considering or making any significant policy changes. This is in line with our commitment to enhance our reporting, meet shareholder expectations where feasible, and maintain accurate, transparent, and relevant disclosure on the performance measures used to determine the award of short- and long-term incentives.

The remco is satisfied that it has successfully responded to shareholder concerns and expectations – evidenced by their positive feedback in voting outcomes since the 2019 AGM. Of the shareholders that voted against the remuneration policy, none requested further engagements with the company and none highlighted specific areas of concern or any items requiring resolution.

% vote in favour	2020	2018	2019
Remuneration policy	93.97%	59.3%	99.1%
Implementation report	99.99%	60.6%	99.7%

The committee strives for continual improvement of remuneration reporting in line with shareholder expectations and an inclusive stakeholder engagement approach.

Non-binding advisory votes

The remuneration policy and implementation report will be presented for separate non-binding advisory votes from shareholders at the company's AGM to be held on 3 September 2021. These resolutions are set out in the FY2021 Notice of annual general meeting and summarised annual financial statements for the year ended 31 March 2021.

Should the policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2021 AGM, the committee will actively engage with shareholders to understand reasons for dissenting votes, address reasonable objections and report on the outcomes and any corrective measures taken or required.

Factors that influenced remuneration

The key theme of FY2021 has been execution on promises made in the prior year, against a backdrop of a persistently challenging macroeconomic environment that has been exacerbated by the uncertainty and volatility brought about by the Covid-19 pandemic.

Factors that informed the review of remuneration in financial year 2021 included:

External factors

- Persistently challenging macroeconomic environment that has been exacerbated by the uncertainty and volatility brought about by the Covid-19 pandemic.
- Competitive labour market competing for scarce skills.

Internal factors

- Delivering on strategic initiatives.
- Focus on expense management initiatives.
- Delivering on our service-level agreements for our clients and improved client engagement reflected in the net promoter score (NPS), which was significantly higher than the target.
- Continuing to improve on employee culture and morale, indicated by the significant and commendable improvement in the employee engagement score.
- During the Covid-19 pandemic, our people have been able to continue working remotely effectively and efficiently.
- The company and committee had the task of once again balancing a year of lower than anticipated financial performance impacting the overall STI pool calculation, with the need to retain key employees in the challenging operating environment.

Our response to Covid-19

- In the prior year, inflationary increases for the executive and senior management effective 1 July 2020 were adjusted to 0%. During the current year, no increases were awarded to employees for the reward cycle commencing 1 July 2021.
- Amendment of the Special Rules of the AFRF in order to provide participating staff members with a one-off option to reduce their contribution rate to increase net take-home pay, effective 1 July 2020. To assist members further, a 5% contribution rate option was made available or a period of six months following which it defaulted to the 13% contribution rate option (1 January 2021).

Use of independent remuneration consultants

As promised in FY2020 and referenced earlier, the committee engaged 21st Century to conduct an independent and objective review of the following key items:

- Review and recommend an appropriate and bespoke market comparator group.
- Conduct a market benchmark for executive and non-executive director fees against the recommended comparator group.
- Test our policies and practices against the market practices with a specific objective of ensuring that we have competitive policies that will result in better attraction and retention of high-performing talent.
- Help formulate reward practices that drive high performance and the recognition of rainmakers.
- Confirm compliance of our remuneration policies with appropriate best practice.

Remuneration philosophy and policy

The total rewards philosophy strives to create a reward environment conducive to performance while enabling growth and development. Alexander Forbes's philosophy in relation to remuneration aims to:

- offer total remuneration that meets the remuneration principles of the company
- align with the Alexander Forbes employee value proposition and the performance management system
- complement and support the delivery of financial and non-financial key objectives which underpin the company's strategy and its focus on being a responsible corporate citizen
- align the remuneration especially of executives with the creation of long-term shareholder value
- attract, motivate, and retain talented, high-performing people
- offer employees competitive guaranteed packages that are relevant to market benchmarks
- encourage performance to drive the achievement of short-term results and long-term sustainability
- ensure there is not unacceptable risk taking in the pursuit of financial gain

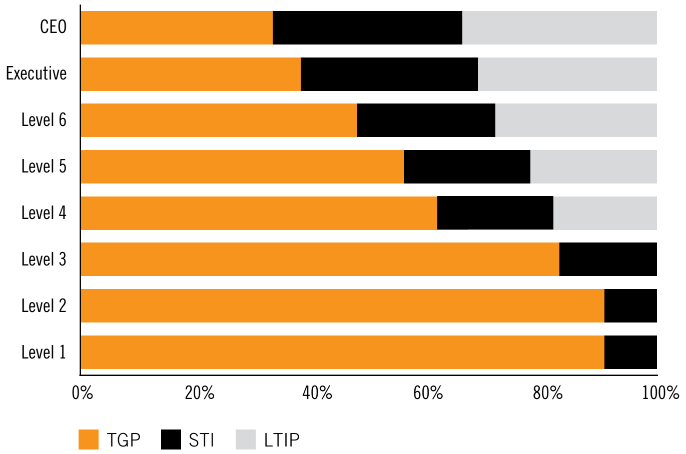
Components of remuneration

The remuneration structure comprises three components:

- Total guaranteed pay (TGP)
- Short-term incentives (STI)
- Long-term incentive plan (LTIP)

Total remuneration consists of fixed and variable components, with emphasis on variable pay at executive and senior levels to encourage performance and alignment with shareholder value creation and long-term sustainability.

Make-up of targeted remuneration by employment level (%)



Level	Occupational level	TGP	STI	LTIP	ESOP
6	Executive or top management	✓	✓	✓	
5	Senior management	✓	✓	✓	
4	Middle management or senior specialist	✓	✓	✓	
3	Junior management or specialist	✓	✓		✓
2	Skilled technical or analyst	✓	✓		✓
1	Administrator or clerk	✓	✓		✓

Total guaranteed pay

TGP is a core element of remuneration reflecting the individual's role and position, and is payable for undertaking expected day-to-day responsibilities. TGP is a fixed component that consists of salary, benefits (medical cover, life cover, disability cover and personal accident insurance) and retirement fund contributions.

Compulsory benefits	Summary
Alexander Forbes Retirement Fund	Contribution rate options available are 13%, 15%, 17%, 19%, 22.5%, 25% and 27.5% of pensionable salary. Elected contribution rate also allows for additional voluntary contribution. There are three investment portfolio strategy options employees can choose from: (1) the default investment strategy chosen by the management committee of the sub-fund; (2) the Alexander Forbes Goals-based LifeStage Model; or (3) employees can select their own choice of portfolios.
Life assurance cover	Group life assurance is provided for employees who are members of the Alexander Forbes Retirement Fund. This benefit is payable should the employee pass away while in the employ of Alexander Forbes. The employee's beneficiaries receive a lump-sum benefit made up of 4.25 times annual pensionable salary plus tax replacement cover. Employees have the option to buy up an additional death benefit of 0.75 times their annual pensionable salary, on a voluntary basis, outside the fund.
Permanent health insurance	Disability income benefit will become payable if an employee becomes disabled to such an extent that they are unable to perform their occupation for the first 24 months and any other occupation thereafter. A flat 75% of pensionable salary is payable monthly, with a maximum monthly benefit of R185 000. This benefit will be payable until the earlier of the employee's recovery, retirement or death.
Dread disease cover	Makes provision for a lump-sum payment on a diagnosis of any dread diseases specified in the policy. The cover is as follows: ▪ Members under age 40 with dependants: 1.5 times annual pensionable salary at date of diagnosis ▪ Members from age 40 with dependants: 1.25 times annual pensionable salary at date of diagnosis ▪ Single members with no dependants: 0.5 times annual pensionable salary at date of diagnosis. The benefit is subject to a maximum of R500 000
Spouse's cover	Employees who are married participate in the spouse's cover policy that pays a lump-sum death benefit in the event of the death of the spouse. The cover is 2 times annual pensionable salary subject to a maximum of R300 000.
Funeral benefit	A funeral benefit is provided up to a maximum of R20 000, payable on the death of an employee or that of the spouse. A lower amount will be payable on the death of a child, depending on the child's age at date of death.
Medical aid	In line with company policy and subject to the conditions of the scheme, it is compulsory to be a member of the company's medical scheme, unless the employee is covered on their spouse's medical scheme. The scheme offers various benefit options that individuals can change in January of each year. The company has partnered with Discovery Health and Bonitas Health, providing a variety of options to cater for different needs.

Alexander Forbes strategically positions itself to ensure competitive total reward within the parameters of affordability. This implies a weighted average benchmarking against the market's 50th percentile (or median) of TGP and through leveraging of non-guaranteed incentive pay with a spread from minimum to 75th percentile.

'Total reward' in certain instances (consistent high performance, scarce skills, critical roles) can be benchmarked at the market's upper quartile. The company's relative market position strives to ensure that it attracts and retains the core competencies required to meet the strategic objectives of the company.

Alexander Forbes reviews individual TGP once a year, with effect from 1 July. This annual review includes merit adjustments. The average increase in employment cost is approved by the remco and is a factor of the increase in cost of living, market remuneration rates, affordability, and general employment market trends. Overall annual reviews will primarily be informed by:

- projected inflation
- the external market
- affordability

Once the overall increase has been determined, individual employee performance ratings are the primary driving factor in the annual reward cycle review of respective individuals, but the following variables will also be considered:

- the individual's assessed long-term value to the organisation
- the individual's remuneration positioning within a pay scale and remuneration of others in similar positions internally (internal equity)
- market alignment (external benchmarks)

Short-term incentives

The STI ('bonus') component forms a fundamental part of the total reward philosophy that drives financial and non-financial aspects of organisational and individual performance. One of the key features of the remuneration policy is the 'pay-for-performance' principle. All permanent, active employees are eligible for the STI, except those who receive sales incentives or commissions.

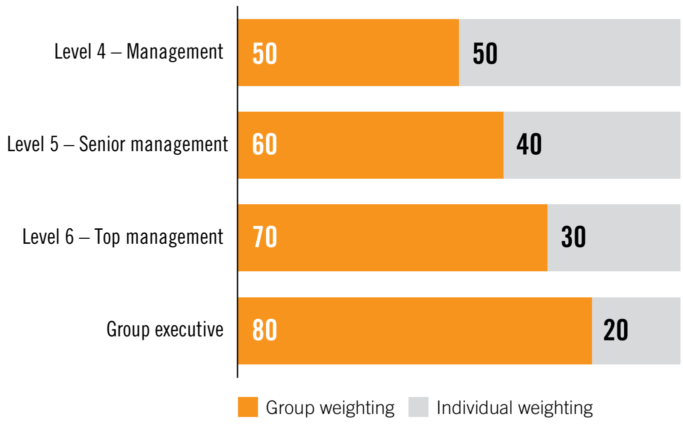
Alexander Forbes's STI scheme rewards performance for meeting specific predetermined short-term organisational targets. The guiding principles are as follows:

- A direct link between performance management and rewards.
- Objectives and measures used in the incentive scheme are derived from the overall annual strategic objectives, which are cascaded down to determine relevant objectives and targets at all levels.
- The weighting on the group scorecard for financial and non-financial measurements is generally a 70:30 split; however, remco can amend this split, informed by specific objectives for any particular year, to drive the outcomes for achieving financial and non-financial objectives linked to the long-term company strategy.
- The incentive programme seeks to enable participants to have a clear understanding of value-adding remuneration opportunities and what they can do to maximise their value-add and ultimately their variable remuneration.

Qualifier for STI

The qualifier for the award of the STI is based on an individual achieving a minimum performance rating of meeting expectations. The cumulative rating is determined by calculating the weighted score of the group scorecard and individual performance (thus an individual's overall score). For executives and senior management, greater weighting is placed on overall company performance.

Qualifier for STI
(%)



FY22 group scorecard

The group scorecard rating is based on a 5-point scale, with a 3-point rating being on-target.

Due to the uncertainty of the market impact on the revenue of the group, the remco proposed that more definitive and controllable measures should be used for the group that could include:

- financial measures (60% to 70%) comprising new business and lost business targets and an absolute cost target (instead of cost-to-income ratio)
- non-financial measures (40% to 30%) comprising measures of client satisfaction as well as employee engagement.

STI pool methodology

A company-wide STI pool is determined by applying a formula-based calculation, which incorporates the following inputs, approved by the remco:

- A percentage of adjusted normalised profit from operations before non-trading and capital items ('adjusted operating profit').
- A performance-related modifier for performance above and below a predetermined threshold (measured by the required hurdle growth rate). The remco reviews these thresholds annually. Thresholds are set to ensure that the STI pool reduces at a proportionally higher rate for below-target performance and increases at a higher proportional rate for above-target performance.

Adjusted operating profit

- Profit from operations before non-trading and capital items
- IFRS lease adjustment (with the intention of reflecting the cash expense for leased property)
- Exclusion of the STI pool expense
- Adjusted for any quality of earnings adjustments identified through the year-end audit process
- Adjusted for emerging markets' minority interest
- Including reported profits from associate investments

x (15% – 20%)

modifier against hurdle growth rate

STI pool amount

The mechanism for quantifying the pool is subject to annual review and refinement by the remco and can be modified where necessary.

The STI pool size will determine the final amounts paid to eligible employees. The individual award is calculated in line with the employee level, employee performance and group performance which is then calibrated to the size of the pool.

The remco has discretion to withdraw or change the STI scheme. In addition, the remco holds overriding discretion on incentive payments, including zero STI awards and/or in the event of exceptional individual performance being achieved (within the context of poor company performance) ex gratia payments may be approved.

Long-term incentive plan

The Alexander Forbes LTIP applies to executive and middle to senior management (Level 4 and above). The share-based LTIPs are governed by rules as approved by shareholders. LTIP award levels, expressed as a percentage of guaranteed pay, will be made based primarily on an employee's TGP, job grade, performance, retention and attraction requirements and market benchmarks.

The LTIP is designed to:

- Reward individual performance for the achievement of long-term Alexander Forbes objectives.
- Act as a retention mechanism.
- Align the objectives and focus of those who can most influence the company's strategy, long-term sustainability and value-add with shareholder value creation.
- Incentivise executives and senior management to drive growth and achieve sustainable above-market growth and returns.

To align shareholders', executives' and senior management interests, the vesting of the LTIP awards is conditional on achieving performance and service conditions measured over a period appropriate to the achievement of the strategic objectives of the company and continued employment over the vesting period. Such performance measures are linked to factors enhancing stakeholder value and require strong levels of overall corporate performance, measured against predetermined objectives and targets.

Awarding of LTIPs is made on a sliding scale to avoid an 'all or nothing' profile that may encourage undesirable risk-taking and starts at a level that is appropriate in comparison with guaranteed pay. Awards with high potential value may only be linked to commensurately high levels of performance. Full awards require significant value creation.

The remco currently makes two types of awards under the LTIP as follows:

- Forfeitable share plan awards (FSP) – Forfeitable shares are awarded subject to continued employment, with no performance conditions, other than the original individual entry performance condition to qualify for an allocation. These awards are aimed at retention. Vesting is staggered in equal tranches in year three and year four.
- Conditional share plan (CSP) – Conditional shares are awarded subject to continued employment and achievement of certain company performance conditions. Performance is measured over a three- and four-year period with staggered vesting in equal tranches in years three and four. In total, 30% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at stretch target performance.

The current LTIP awards comprise 60% CSP and 40% FSP. The rationale for the 40% FSP award remains the need to retain and motivate critical employees to ensure delivery of the company's strategy during challenging economic circumstances (even more so since the adverse market impact of the Covid-19 pandemic).

The remco previously reported that it would continue to monitor the appropriateness of the percentage allocation and may progress to a reduction in the split between CSP and FSP awards, if deemed appropriate, over time. Remco believes that at present the allocation remains necessary, appropriate and in the best interests of all stakeholders.

Settlement of shares

The company generally settles the LTIP awards by way of on-market purchases, which does not have a dilutionary effect for shareholders. The rules of the plan do, however, also allow for settlement of shares using treasury shares or the issue of new shares. The company has, however, not included the requisite resolution to use an issue of shares for settlement in the AGM notice and hence will settle all awards through on-market purchases.

CSP performance measures

The 2018 award has three-year cliff vesting, with only normalised headline earnings per share (HEPS) as the performance measure. The metrics and weighting of the performance measures for the 2020 and 2021 awards tranche are set out in the table below.

Metric and weighting	Rationale and measurement	Metric and weighting
NORMALISED HEPS GROWTH 35%	▪ Basis on which management manages the company and normalised results reflect the economic substance of the company's performance ▪ Normalised HEPS growth over time should be the foundation upon which the share price should appreciate and shareholder wealth creation rests ▪ Sustainable growth in normalised HEPS is important to achieving long-term performance and therefore this measure is based on a three- and four-year compound annual growth rate (CAGR) basis to align with the vesting periods	30% vests for threshold performance and 100% vests for target performance, where: ▪ Threshold performance = nominal GDP growth ▪ Target performance ≥ nominal GDP growth + 6% ▪ Linear vesting applied between these points
NORMALISED RETURN ON EQUITY (ROE) 35%	▪ Measurement incorporates the annual delivery of results against the capital held within the business ▪ Normalised RoE is measured over the performance period and is calculated based on the simple average of the reported RoE over the vesting periods	30% vests for threshold performance and 100% vests for target performance, where: ▪ Threshold performance = risk-free rate + 2% ▪ Target performance ≥ risk-free rate + 6% ▪ Linear vesting applied between these points
STRATEGIC INITIATIVES 30%	▪ Inclusion of strategic initiatives provides the board with a further tool to drive specific objectives which contribute to long-term sustainability. ▪ The initiatives will be clearly defined and measurable, scored by the board every year	The scores for all initiatives will be added at the end of the vesting period and applied to the vesting shares as a percentage of the total possible score for the entire vesting periods

The independent review carried out by 21st Century also extended assessing the appropriateness of the performance measures, metrics for the CSP awards as well as the split between CSP and FSP.

21st Century concluded the following:

- The performance measures and weightings are appropriate to drive Alexander Forbes' strategic objectives and are aligned with market practice.
- The split between CSP (60%) and FSP (40%) provides an appropriate balance between performance and retention focus, especially in the current COVID-19-induced environment, and this also aligns with market practice.

Discretion of the committee

The remco has discretion to withdraw or change the STI scheme. In addition, the remco holds overriding discretion on incentive payments, including zero STI awards and/or in the event of exceptional individual performance being achieved (within the context of poor company performance) ex gratia payments may be approved. The remco may also reserve a percentage of the STI pool for discretionary allocations.

In addition to the discretion that the remco may apply to the STI scheme, based on the outcomes from the 21st Century review, the discretion of the committee was extended to include changes to the LTIP allocation. The committee may exercise discretion for up to a maximum of a third of the STI and LTI allocation based on the following principles:

- The scope for discretion is used primarily for rewarding top performers, rainmakers and key talent subject to meeting performance criteria.
- The need to apply discretion will generally, but not always, arise from one or two, or both, of the following:
  - The formulaic result does not produce sufficient incentive to appropriately reward top performers, rainmakers and retention of the skills of the individual.
  - The formulaic result does not reflect the performance of the individual.

When considering the application of discretion, consideration will be given to which of the above reasons give rise to the need for such discretion to be applied. Discretionary allocations will only be considered if supported by objective justification for such discretionary allocations, and will be follow the discretion approval and governance process..

Executive remuneration

Remuneration mix at minimum, target and maximum

The main difference in the remuneration structure of executives and other employees is a greater emphasis on variable performance-linked pay in senior roles. As an overarching principle, executive remuneration is structured to ensure alignment with the creation of shareholder value and the strategic objectives of the company, and to encourage achievement of stretched targets within appropriate risk parameters.

Variable pay includes the STI to drive and incentivise annual performance over the financial year and the LTIP to drive longer-term performance over a four-year period. All executive incentive awards are subject to malus and clawback provisions and the design of the scheme requires a minimum shareholding requirement for awards to vest.

The pay mix is the potential earnings per year that can be achieved linked to performance. It includes the minimum earnings (poor performance), 'on-target' earnings (achievement of targets), and the maximum potential earnings (stretch). These are total potential earnings 'on award'. The assumptions made in arriving at these outcomes are the following:

- Minimum remuneration is calculated by assuming zero performance outcome on variable pay (targets not met – poor performance below a 3 rating). The average TGP for the 2020 financial year has been used for the illustrations.
- Target remuneration is calculated by assuming that the performance outcome for the company and individual resulted in an 'on target' outcome (targets met – solid performance or a 3 rating).
- Maximum remuneration is calculated by assuming that the performance outcome for the company and individual resulted in a 'stretch outcome' (exceeded targets – up to the maximum of a 5 rating).

Benchmarking

During the financial year the committee reviewed and updated the comparator group used for the annual benchmarking exercise that is used as a measure to assess the competitiveness of executive and senior management reward. The comparator group is used for benchmarking remuneration packages and as a reference point to ensure performance targets are appropriate when reviewing relative performance. This comparator group is the same group used to benchmark remuneration for non-executive directors.

For more detail on the **independent benchmarking exercise** completed by 21st Century, please refer to page 35 of this report.

Minimum shareholding requirements

An additional requirement for the awards to vest for members of the executive committee is that they must meet the minimum shareholding requirement (MSR) as set out below. The company wishes to encourage members of the executive to hold shares in the company, reinforcing the alignment between the executive and shareholder interests. Executives must build up and hold a specified number of shares (the target minimum shareholding) over predetermined holding periods, whereafter there is an expectation that executives, subject to the MSR, will continue to maintain their shareholding in good faith while in the employment of the company or such period as determined by the remco from time to time.

The target minimum shareholding may be satisfied by:

- Transfer of vested shares to an individual's personal account (prior to the MSR measurement periods) instead of disposing of such shares on vesting, and/or
- Personal investment shares purchased in the company using after-tax income, which are unencumbered and automatically count towards the MSR.

The target dates are dependent on when the particular individual was appointed as a member of the executive committee.

The remco will review the MSR policy before the first measurement period ending 31 March 2022.

The MSR to be met by each of individual member of the executive committee is shown in the table below:

MSR to be met by	2022	2023	2024	2025	2026
Dawie de Villiers	150%	200%	250%	–	–
Bruce Bydawell	100%	125%	150%	–	–
Carina Wessels	100%	125%	150%	–	–
Butsi Tladi	100%	125%	150%	–	–
John Anderson	–	100%	125%	150%	–
Laura Kukard	–	100%	125%	150%	–
Jonathan Muthige	–	–	100%	125%	150%
Viresh Maharaj	–	–	100%	125%	150%

The remco will review the MSR policy before the first measurement period ending 31 March 2022.

Malus and clawback on STI and LTIP

In 2019 malus and clawback provisions were introduced for awards allocated to executive directors and executive members.

Malus provisions provide the ability to reduce, in part of in full, the value of an incentive that may be paid or vest in the future prior to vesting or payment. The clawback provision provides the ability to recover the value of payments or vested shares, in part or in full after vesting. In terms of these provisions, the remco may reduce the quantum of incentive remuneration awards or payments in whole or in part (including to nil) under the following circumstances:

- Should the participant act fraudulently or dishonestly or be in material breach of obligations to the company, and/or
- Should the company become aware of a material misstatement or omission in the annual financial statements.

Service contracts

Executive directors and other executives have permanent employment agreements with the company. The notice period for all executive committee members is three months. None of the executive directors or executive committee members have special contractual obligations in employment contracts which could give rise to payments on termination of employment or office.

Determining the comparator group

As part of the independent review, the remuneration committee requested 21st Century to design and research an appropriate comparator group for the company. The comparator group will be used primarily for benchmarking remuneration packages with a specific focus on executive remuneration mix and non-executive director fees.

Historically the company has used PwC RemChannel Financial Services Circle survey data as its benchmark.

In selecting the comparator group, consideration was paid to the following:

The national market comparison – matched based on size and complexity, across industries

Selected 'comparator group'

A select target niche of the 'comparator group'

Three elements were used to determine the select group of comparators and have also been used as the categories in the weighting calculations:

- Executive pay in the overall market typically has a positive correlation with the size of the organisation, and turnover is the strongest sizing factor; therefore this element has the highest weighting of 50%.
- The type of business, in terms of the industry sector and core business functions, is used to determine the relevance of the comparators (nature and complexities associated with comparable executive roles) with an overall weighting of 30%.
- Organisations identified from which key individuals are attracted and/or lost to have a 20% weighting.

Total guaranteed package (TGP) was benchmarked against the comparator group; however, on-target variable pay; short-term incentives (STI) and long-term incentives (LTI) were benchmarked against the national market survey data due to the sample size of on-target variable pay data available on the comparator group. It is, however, the company's intention to obtain more information on the comparator group when possible to use the bespoke comparator group for STI and LTI benchmark purposes in future.

Company name	Weighted score	Weighted score as % of maximum
African Equity Empowerment Investments Ltd	1.30	43%
Conduit Capital Ltd	1.30	43%
Sasria SOC Ltd	1.30	43%
Zeder Investments Ltd	1.30	43%
Sygnia	1.40	47%
Outsurance	1.40	47%
JSE Ltd	1.45	48%
Peregrine Holdings Ltd	1.45	48%
Development Bank of South Africa	1.55	52%
Towers Watson	1.55	52%
UBank	1.55	52%
Clientele Ltd	1.60	53%
Sasfin Holdings Ltd	1.60	53%
ABSA Group Ltd	1.70	57%
Allan Gray	1.70	57%
Aon	1.70	57%
Capitec Bank Holdings Ltd	1.70	57%
FirstRand Ltd	1.70	57%
Nedbank Group Ltd	1.70	57%
NMG	1.70	57%
Standard Bank Group Ltd	1.70	57%
PSG Konsult Ltd	1.75	58%
Afrocentric Investments Corporation Ltd	1.80	60%
Brimstone Investment Corporation Ltd	1.80	60%
Tiso Blackstar Group	1.80	60%
Transaction Capital Ltd	1.80	60%
Discovery	1.85	62%
Momentum Metropolitan Holdings	1.85	62%
PSG Group	1.85	62%
Sanlam	1.85	62%
Coronation Fund Managers Ltd	3.00	100%

Remuneration of non-executive directors

The factors that determine non-executive directors remuneration proposals are:

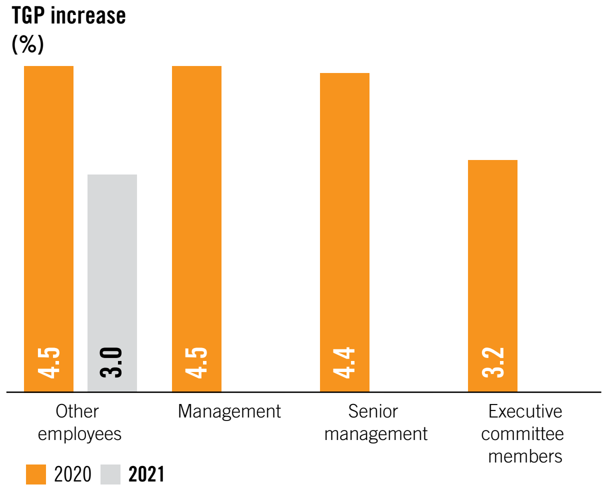
- The company's market capitalisation and sector.
- The level of complexity and responsibility, especially in relation to regulated companies.
- The time commitment (both for meetings and on a continuous basis).
- Level of individual competence does not influence individual remuneration per se, other than certain committees that may require a different level of competence.
- Residency does not influence remuneration, although travel and accommodation are covered by the company in addition to the normal fees payable.
- The chair's fee is based on an all-inclusive fee, considering the number of applicable boards and regardless of board committee attendance (which the chair is expected to attend as far as possible as a standing invitee).
- The same comparator group applicable to executives and general employees apply to NED remuneration to ensure parity and fairness.
- The company targets NED remuneration at the median, although certain instances may warrant the upper quartile.
- NEDs are not eligible to receive any performance incentives or LTIPs.

Implementation report

The detail relating to the remuneration paid to executive directors, non-executive directors and other executive committee members (prescribed officers) for the financial year ended 31 March 2021 is provided in this part of the report. The remco considers that these payments are in line with the company's remuneration policy and where discretion (within permitted parameters) has been applied, such instances are specifically indicated.

2021 TGP outcome

For financial year 2021, an average increase of 1.4% was made as part of the annual review cycle with effect from 1 July 2020. A 3% increase was applied to employees on levels 1, 2 and 3 and no increases were applied to senior employees on levels 4, 5 and 6.



Rm	2021	2020
DJ de Villiers	**5 304**	5 472
BP Bydawell	**3 627**	3 891
CH Wessels	**3 151**	3 223
B Mokoena	**3 536**	3 517
L Stevens	**2 460**	2 429
B Tladi	**2 825**	2 780
M Sokkie[1]	**555**	2 504
JG Anderson	**3 241**	3 214
LJ Kukard	**2 129**	1 773
J Muthige[2]	**1 514**	–
Total	**28 342**	28 803

1 Resigned 31 May 2020.
2 Joined 1 October 2020.

The summary TGP outcome for executive directors and prescribed officers is shown in the table above. The decrease in TGP in financial year 2021 for some of the executive directors and prescribed officers is attributable to the four months' skills payment holiday for the skills development levy contributions that came into effect on 1 May 2020, as well as lower allowances and /or benefits paid due to Covid-19 travel restrictions.

Details of the **TGP (basic salary plus benefits)** paid during the 2021 financial year are set out in the table containing the single-figure remuneration on page 55 of this report.

For financial year 2022, given the impact of the Covid-19 pandemic on global and South African economies and the company's continuing cost containment requirements, remco approved a zero increase for all employees.

The remco regarded this as an appropriate decision considering:

- The group has maintained a full workforce at full salaries during the prior year despite significant headwinds.
- In addition, a bonus pool had been defined and most employees received a bonus payment dependent on performance.
- The overall economic outlook remains uncertain and the potential for revenue to remain under significant pressure remains.
- The consideration of an increase in these difficult times would place the company under more financial strain and it was considered prudent to not give increases in this environment.
- In the event that the group performs to expectation or above, the FY2022 bonus pool will provide sufficient upside – again focused on performers.
- The continued focus on cost management will provide resilience for a continued sluggish economy and will continue to protect the group's employees.

2021 STI outcome

2021 group scorecard outcome

The performance against the group scorecard for the financial year was pleasing despite the absolute cost budget not being met. The implementation and execution of initiatives through the year have improved the results when compared to the prior year. At 30% the weighting for non-financial metrics is at the top-end of the scale for a JSE-listed company[1]. The outcome of the group scorecard for financial year 2021 on which the STI incentive is calculated and awarded is shown below:

FY2021 group scorecard	Measurement unit	Weighting	Target	Actual	Score	Weighted score
Financial (70%)						
Net new business	R000s	40%	60 542	103 819	5.0	2.00
Internal process efficiencies (cost management)	Rm	30%	2 552	2 639	1.3	0.39
Non-financial (30%)						
Customer – client satisfaction	**Score**	**15%**	**19**	**35.8**	**5.0**	**0.75**
Employees – employee engagement	**Score**	**15%**	**62**	**66.5**	**4.5**	**0.68**
Total						**3.82**

Based on the financial and non-financial performance results, the overall group scorecard resulted in a rating of 3.8. The comparable group STI outcome for 2020 was 3.5. The group scorecard rating is based on a 5-point scale, with a 3-point rating being on-target.

STI pool outcome

Rm	2021	2020	Growth
Operating profit before non-trading and capital items – per published results	**685**	757	(9.5)%
Adjustments[2]	**34**	196	
Remco performance measurement	**719**	**953**	(2.3)%
STI pool calculated on formula	**145**	167	
Approved remco bonus pool	**126**	**147**	

1 2020 Non-Executive Directors Report, PwC.
2 Refer to page 38 under the remuneration policy section of this report for detail on the STI bonus methodology.

STI payment

Annual STI bonus payments are paid in cash following finalisation of the company's audited financial results for the year in question and are not deferred.

Key considerations in the 2021 financial year reward cycle included:

- The key priority of job security for employees and protection of salaries
- The personal and working lives of our people, their efforts over the past year and the efforts that the company will be requiring of them in the continuing volatile and uncertain time
- Sensitivity towards the overall circumstances of our people, including livelihoods of employees' spouses being negatively affected due to Covid-19
- South African business response, including the establishment of various social and economic support initiatives
- Ensuring and enabling the long-term sustainability of the business through engaged employees and superior client service
- Company sustainability and affordability in the context of the ORSA process
- The outcome of the group performance scorecard for the 2021 financial year and the STI pool outcome
- The decision not to increase salaries in July 2021

Based on a combination of group and individual performance (as detailed in the remuneration policy) the resultant STI awards for executive directors, prescribed officers and all other employees are shown in the table below:

STI outcome (R000)	2021	2020
Executive committee members	**15 146**	21 529
Senior management	**50 268**	57 933
Management	**30 749**	36 073
Other employees	**30 273**	31 749
Total operations	**126 436**	147 284

Details of the STI paid to each of the executive directors and prescribed officers are set out in table below (and in the table containing the single-figure remuneration on page 55 of this report).

R000	2021	2020
DJ de Villiers	**4 010**	6 318
BP Bydawell	**2 536**	3 600
CH Wessels[1]	**2 200**	3 323
B Mokoena	–	927
L Stevens	–	1 770
B Tladi	**1 800**	2 240
JG Anderson	**1 700**	2 348
LJ Kukard[2]	**1 800**	1 915
J Muthige	**1 100**	–
Total	**15 146**	22 441

1 For 2020, the cash bonus amount awarded to Ms CH Wessels includes an amount of R583 000 paid in lieu of a retainer payment given up from her previous employer.
2 For 2020, the cash bonus amount awarded to Ms LJ Kukard includes an amount of R328 585 paid as final compensation in respect shares from her previous employer.

Long-term incentive plan (LTIP) outcome

Summary comparison – historic and current LTIP awards

	2018 award	2019 award	2020 award	2021 award
Instruments used	CSP 60% FSP 40%	CSP 60% FSP 40%	CSP 60% FSP 40%	CSP 60% FSP 40%
Performance metrics and weighting (CSP)	Normalised HEPS (100%)	Normalised HEPS (35%) Normalised RoE (35%) Strategic initiatives (30%)		

Performance metrics and conditions (CSP)

	Threshold (30% vesting)	
Normalised HEPS (CAGR)	Nominal GDP	Nominal GDP
Normalised RoE	–	Risk-free rate[1] + 2%
Strategic	–	Not applicable
	Target (100% vesting)	
Normalised HEPS (CAGR)	Nominal GDP + 8%	Nominal GDP + 6%
Normalised RoE	Risk-free rate[1] + 2%	Risk-free rate[1] + 6%
Strategic	–	See performance of the strategic initiatives relating to the 2020 award on the next page. The scores for all initiatives will be added at the end of the vesting period and applied to the vesting shares as a percentage of the total possible score for the entire vesting period
Measurement (CSP)	Condition not met	Not yet applicable
Performance conditions (FSP)	Employment on vesting	Employment on vesting
Vesting period	Three-year, cliff vesting	Four-year vesting: staggered in equal tranches in year three and year four
Other conditions (For executives and prescribed officers)	–	Minimum shareholding requirement Malus and clawback

1 Risk-free rate is the R186 SA government bond.

CSP additional allocation

In line with the share scheme rules, the remuneration committee has approved an additional allocation of shares to participating employees in the 2019 and 2020 awards to compensate for the capital distribution by way of special dividends declared in the 2020 and 2021 financial years.

The adjustment to the number of unvested award shares will ensure that participants are in no worse position than they were prior to the capital distribution. The additional shares will be allocated and disclosed in the 2022 financial year.

LTIP shares outstanding

The total position of shares outstanding in relation to historic awards made under both the CSP and FSP is detailed in note 22 of the annual financial statements (pages 69 to 74).

Awards with a performance period ending during the 2021 financial year

The vesting profile for the 2018 award with a performance period ending 31 March 2021:

CSP performance condition for the 2018 award	Achievement of performance condition
Growth in normalised headline earnings per share (CAGR)	(9.9%) < Nominal GDP (CAGR) threshold of 8.8% Target not met
Resultant vesting	–

Performance of the strategic initiatives, relating to the 2019 and 2020 award

The current score used for the measurement of the 2019 and 2020 strategic initiatives is an average of 4.5 (of 5) which equates to a participation percentage of 90%. Details of the strategic initiatives that were approved for the performance conditions relating to both the 2019 and 2020 awards are highlighted in the table below.

	Applicable to	Strategic initiative	Performance measurement
01	2019 award	Implementing the capital-light strategic deliverable with the successful completion of the disposal of the short-term insurance business and the transition of the umbrella fund to being privately administered by financial year-end	The sale of the short-term insurance business was well managed through an open market process and resulted in the sale price exceeding expectation. Executives from both parties, board members, shareholders and the bidders that lost the bid commended the professionalism with which the process was run, speed of execution and commented on the success of the deal. The umbrella fund was successfully converted during the second half of the year with a corresponding release of capital of R400 million.
02	2019 award	Implementation of the target operating model with all three platforms in place and fully integrated by financial year-end and implementation clearly defined reporting structures	The operating model has been fully implemented with new reporting structures being defined. The changes were made with no disruption to clients and through on-going employee engagement initiatives to help our people make the necessary transition.
03	2019 and 2020 award	Transformation objectives aligned to the Financial Sector Codes and B-BBEE Act requirements with the aim to obtain a Level 1 rating by FY2023	Implementation of transformation initiatives underway. Achieved Level 1 rating in FY2022. Focus efforts to retain and improve performance.
04	2020, 2021 and 2022 awards	Transformation of operations and administration. Improved client service through standard interface protocols and automation with clients, including workflow and service level management targeted at reducing errors.	The target transformation of the operations and administration environment will be an ultimate state where 60% of all services to clients are through self-service platforms, automation and straight-through processing capability, which means only 40% of all transactions or queries that come into our environment require manual intervention.

LTIP awards made during the year

2021 CSP awards

CSP awards were granted on 1 July 2020 with staggered vesting in equal tranches in years three and four. The performance conditions for the 2021 CSP awards remain unchanged. The performance targets, weighting and performance periods are applicable to the number of shares awarded and are tested over a three-year and four-year period.

The strategic initiatives relating to the 2021 CSP awards will include continuation of the transformation objective from the 2020 award as well as measures to ensure sustainable delivery of the strategic deliverables that incorporates efficiency improvements and member engagement.

Due to the price-sensitive nature of the targets set under the strategic initiatives, the company will report and disclose retrospectively on the performance against these objectives in its remuneration report.

2021 FSP awards

FSP awards were granted on 1 July 2020 with staggered vesting in equal tranches in years three and four. There are no performance conditions applicable to the number of shares awarded except for the initial performance required to qualify (FY2021 performance) and the individual remaining employed at the time of vesting.

Performance outcomes – executive directors and prescribed officers

We have set out the performance outcomes and single-figure remuneration for the executive directors and prescribed officers. This summary includes:

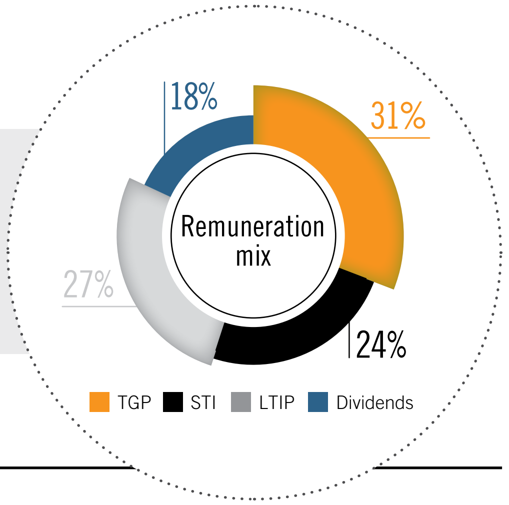
- For executive directors and executive: governance, legal and compliance (company secretary): on an individual basis, commentary regarding each individual's achievement against personal KPIs and their remuneration mix.
- For other prescribed officers: on an individual basis, each individual's key focus area, their overall performance and their remuneration mix.

Individual performance contracts for the group are based on a 5-point rating system. The rating scale legend is shown below:

1 poor performance
2 below average performance
3 solid performance
4 strong performance
5 exceptional performance

Dawie de Villiers
Chief executive officer

FINAL PERFORMANCE SCORE
3.9

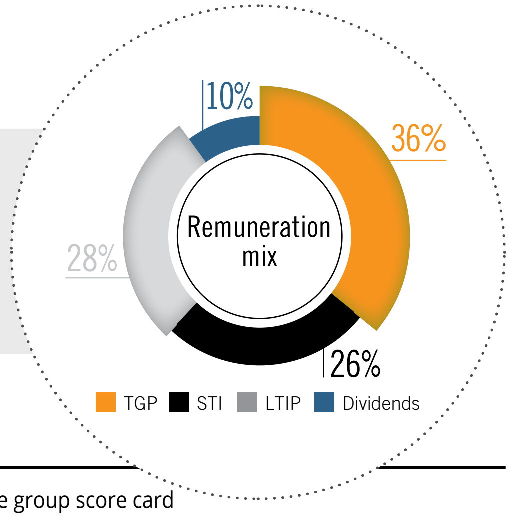


Focus area	Weighting	Deliverables included
Coherent, functioning executive and management team	20%	▪ High-performing agile executive team ▪ Strong leadership structure for the investment business ▪ Tone from the top – culture owned and displayed by Exco
Stakeholder engagement	20%	▪ Continuously build a strong working relationship with the board ▪ Quality, informative and accurate financial reporting to all stakeholders ▪ Improved diversified investor base through appropriate exposure and managed informative investor relations processes ▪ Strong regulatory relationships ▪ Proper and effective client engagements
Reimagine the client journey and experience	20%	▪ Increased digital client engagement ▪ Member engagement strategy and implementation
Strategic initiatives and corporate transactions	20%	▪ Execution of the strategic initiatives identified to deliver on the strategy ▪ Finalising of existing transactions ▪ Explore and progress acquisitive transactions in line with the strategic intent to grow and leverage scale synergies
People, transformation and culture	20%	▪ Managing the transformation objectives for the group ▪ Build the bench strength, including succession planning, development, and mentoring ▪ Creating a positive, productive working environment ▪ Encourage a culture of innovation

Remuneration report *continued*

Bruce Bydawell
Chief financial officer

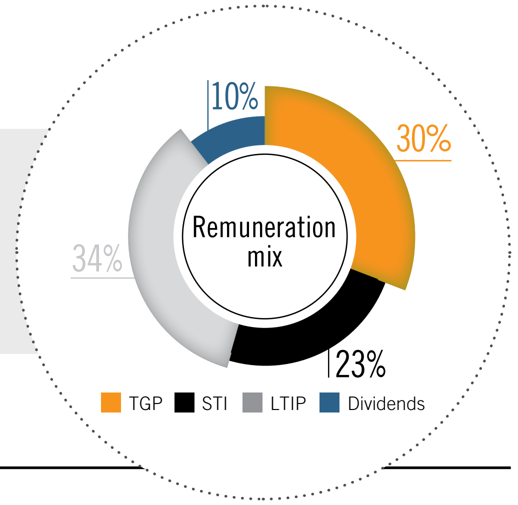
FINAL PERFORMANCE SCORE
4.0



Focus area	Weighting	Deliverables included
Business finance and capital management	30%	▪ Measurement of new business in line with the group score card ▪ Appropriate management of expenses in line with target cost measures ▪ Improvement on the group's treasury management ▪ Improvement in the group capital management ▪ Management of the group ORSA process ▪ Targeted improvement in return on equity
Financial reporting and stakeholder engagement	20%	▪ Transparent and accurate financial reporting to all stakeholders of the group ▪ Maintain diversified investor base ▪ Aligning key performance measures to the strategic deliverables ▪ Appropriate cost measurement and informed reporting ▪ Driving efficiency, automation and operational excellence ▪ Ensuring adequate internal controls are in place to deliver full and fair disclosure in line with JSE Listings Requirements and international standards
Risk management & internal audit	10%	▪ In collaboration with the board and management, ensuring that the business: • achieves its targeted level of risk maturity for the financial period • achieves its targeted level of internal control maturity for the financial period ▪ Improvement in internal audit efficiencies aimed at achieving greater audit coverage ▪ Implementation of the fraud risk management policy and related plan ▪ Improvement towards integrated assurance framework
Strategy and corporate transactions	20%	▪ Delivery of corporate transactions ▪ Control, management and commercial acumen applied to the strategic roadmap and the underlying reporting and effectiveness of strategic initiatives ▪ Driving further improvements to the operating model
People management and transformation	20%	▪ Team cohesion and delivery ▪ Build the bench strength, including succession planning, development, and mentoring ▪ Creating a positive, productive working environment ▪ Managing the transformation objectives for the finance area including succession ▪ Encourage a culture of innovation ▪ Living AF values

Carina Wessels
Executive: Governance, Legal and Compliance

FINAL PERFORMANCE SCORE
4.2



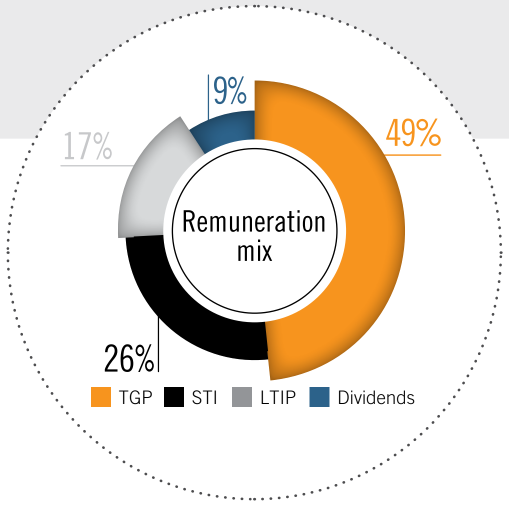
Focus area	Weighting	Deliverables included
Budget management, savings, optimisation and efficiency	10%	▪ Expense budget ▪ Value earned: efficiency improvement, savings, optimisation achieved
Governance, legal and compliance delivery	10%	▪ GLC strategy execution ▪ Second-line compliance resourcing and improved compliance maturity ▪ Internal and external client satisfaction ▪ External recognition for exemplary service, contribution and value add by Governance, Legal and Compliance
Governance excellence, board efficacy and processes	30%	▪ Board guidance, advice and enablement ▪ Full Companies Act and JSE Listings requirements compliance ▪ Implementation of integrated governance, including associated regulatory approvals and enabling documentation
Strategic projects	30%	▪ Final ARC flip-up implementation, ARC internal restructure coordination and enablement ▪ Ongoing merger and acquisition legal and strategic guidance, support and transaction implementation ▪ Explore and progress acquisitive transactions in line with the strategic intent to grow and leverage scale synergies ▪ Effective management of material litigation
People, transformation and culture	20%	▪ Team cohesion and delivery ▪ Build the bench strength, including succession planning, development, and mentoring ▪ Creating a positive, productive working environment ▪ Encourage a culture of innovation ▪ Living AF values

John Anderson

Executive: Investments, Products and Enablement

FINAL PERFORMANCE SCORE **3.3**

Focus area	Weighting
Business and operational management	35%
Financial management of IP&E	10%
Strategic enablers and projects	35%
People management and transformation	20%

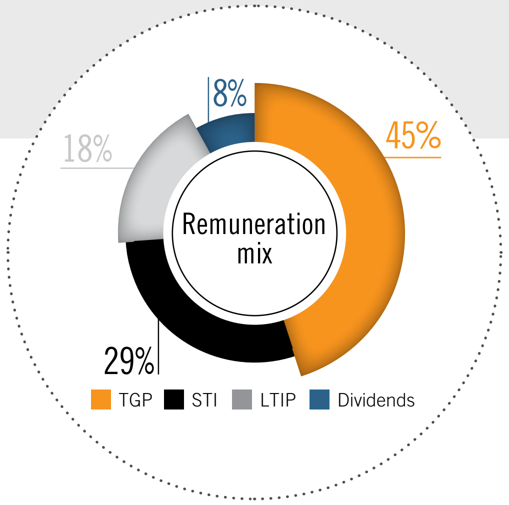


Butsi Tladi

Executive: Consulting

FINAL PERFORMANCE SCORE **3.3**

Focus area	Weighting
Customer satisfaction	15%
Financial management of Consulting	20%
Internal process and efficiencies	10%
Strategic enablers and projects	25%
People management and transformation	30%

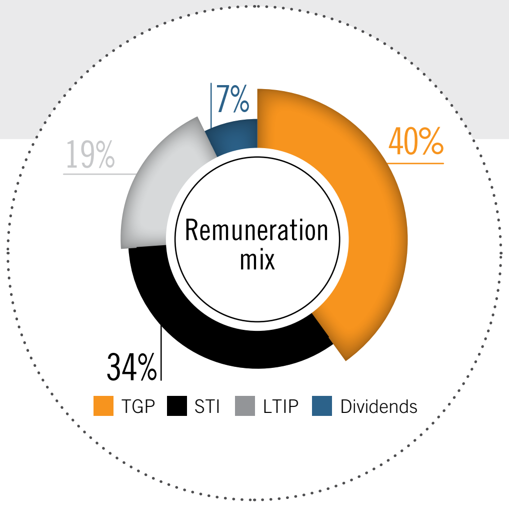


Laura Kukard

Executive: Client Services & Business Optimisation

FINAL PERFORMANCE SCORE **3.5**

Focus area	Weighting
Stabilise operations & admin structure for efficiency and reduction in errors	15%
Enabling digital engagement with clients	10%
Strategic enablers and projects	40%
People management and transformation	25%



Single-figure remuneration for the year ended 31 March 2021 (audited)

The intention of single-figure remuneration is to disclose the remuneration earned and/or accrued by executive directors and prescribed officers based on the performance of the current year, the vesting of shares with non-financial performance conditions and including any income attributable to unvested long-term share schemes.

The composition of remuneration outcomes in 2021 for executive directors and prescribed officers is represented below.

Executive directors and prescribed officers (R000)	Year	Salary	Benefits and allowances	Retirement fund contributions	Bonus	STI converted to FSP award[1]	LTIPs received	Dividends received	Total
DJ de Villiers (chief executive officer)	2021	**4 675**	**129**	**500**	**4 010**	**–**	**4 478**	**3 128**	**16 920**
	2020	4 616	363	493	3 159	3 159	3 200	1 458	16 448
BP Bydawell (chief financial officer)	2021	**3 037**	**91**	**499**	**2 536**	**–**	**2 801**	**1 030**	**9 994**
	2020	3 036	356	499	1 800	1 800	1 760	197	9 448
CH Wessels (executive: governance, legal and compliance)	2021	**2 640**	**78**	**433**	**2 200**	**–**	**3 202**	**945**	**9 498**
	2020	2 675	109	439	1 370	1 370	1 000	212	7 175
JG Anderson (executive: investments, products and enablement)	2021	**2 853**	**84**	**304**	**1 700**	**–**	**1 109**	**572**	**6 622**
	2020	2 814	100	300	1 174	1 174	976	481	7 019
B Tladi (executive: consulting)	2021	**2 364**	**73**	**388**	**1 800**	**–**	**1 095**	**518**	**6 238**
	2020	2 219	196	365	1 120	1 120	680	139	5 839
B Mokoena (executive: market development)	2021	**2 818**	**232**	**486**	**–**	**–**	**1 123**	**407**	**5 066**
	2020	2 780	257	480	464	463	800	147	5 391
L Stevens (executive: marketing and customers)	2021	**2 061**	**63**	**336**	**–**	**–**	**979**	**394**	**3 833**
	2020	2 023	74	332	885	885	553	70	4 822
LJ Kukard (interim executive: services)[4]	2021	**1 875**	**54**	**200**	**1 800**	**–**	**993**	**371**	**5 293**
	2020	1 550	58	165	793	793	256	57	3 672
M Sokkie (executive: human resources and transformation)[2]	2021	**363**	**146**	**46**	**–**	**–**	**–**	**–**	**555**
	2020	2 072	172	260	–	–	480	109	3 093
J Muthige (executive: human capital and transformation)[3]	2021	**1 307**	**43**	**164**	**1 100**	**–**	**3 000**	**116**	**5 730**
	2020	–	–	–	–	–	–	–	–
Total for the year	2021	**23 993**	**993**	**3 356**	**15 146**	**–**	**18 780**	**7 481**	**69 749**
	2020	**23 785**	**1 685**	**3 333**	**10 765**	**10 764**	**9 705**	**2 870**	**62 907**

[1] *For the prior year, in light of the adverse economic impact of Covid-19, the executive management in agreement with the remuneration committee have commuted 50% of the executive cash bonuses to shares. Vesting will be deferred as follows: 50% in 12 months from date of issue and the remaining 50% in 24 months from date of issue. The remuneration committee approved a 15% enhancement to the share portion of the bonus; the enhancement was reflected in the shares allocated in July 2020.*

[2] *Ms M Sokkie resigned from the role of Executive: human resources and transformation with effect from 31 May 2020.*

[3] *Mr J Muthige was appointed in the role of Executive: Human Capital and Transformation with effect from 1 October 2020. The LTIPs received of R3 million were in relation to a sign-on award and comprise 890 000 shares at a grant date fair value of R3.37 per share. This award vests on 31 October 2022.*

4 *Ms LJ Kukard was appointed in the capacity of acting group executive member in the prior year. On 6 August 2020, Ms LJ Kukard was appointed in the capacity of Executive: Client Services & Business Optimisation.*

Single-figure remuneration and participation in share schemes

Dawie de Villiers

Total single figure remuneration	Total guaranteed pay: Salary	Total guaranteed pay: Benefits and allowances	Total guaranteed pay: Retirement fund contributions	Short-term incentives: Bonus	Short-term incentives: Bonus shares	Long-term incentives: LTIPs received	Long-term incentives: Dividends received	Total
31 March 2021	**4 675**	**129**	**500**	**4 010**	**–**	**4 478**	**3 128**	**16 920**
31 March 2020	4 616	363	493	3 159	3 159	3 200	1 458	16 448

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
FSP – 2018 tranche	01/11/2018	01/11/2021	**1 868**	**–**	**–**	**–**	**1 868**	**–**	**7 659**
CSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	**1 951**	**–**	**–**	**–**	**1 951**	**–**	**–**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**844**	**–**	**–**	**–**	**844**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**562**	**–**	**–**	**–**	**562**	**–**	**2 304**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**1 442**	**–**	**–**	**1 442**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**961**	**–**	**–**	**961**	**4 478**	**3 940**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**780**	**–**	**–**	**780**	**–**	**3 198**
Total			**5 225**	**3 183**	**–**	**–**	**8 408**	**4 478**	**17 101**
31 March 2020									
FSP – 2018 tranche	01/11/2018	01/11/2021	1 868	–	–	–	1 868	–	7 995
CSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	1 951	–	–	–	1 951	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	844	–	–	844	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	562	–	–	562	3 198	2 405
Total			**3 819**	**1 406**	**–**	**–**	**5 225**	**3 198**	**10 400**

Bruce Bydawell

Total single figure remuneration	Total guaranteed pay: Salary	Total guaranteed pay: Benefits and allowances	Total guaranteed pay: Retirement fund contributions	Short-term incentives: Bonus	Short-term incentives: Bonus shares	Long-term incentives: LTIPs received	Long-term incentives: Dividends received	Total
31 March 2021	**3 037**	**91**	**499**	**2 536**	**–**	**2 801**	**1 030**	**9 994**
31 March 2020	3 036	356	499	1 800	1 800	1 760	197	9 448

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	**186**	**–**	**–**	**–**	**186**	**–**	**–**
FSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	**124**	**–**	**–**	**–**	**124**	**–**	**508**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**306**	**–**	**–**	**–**	**306**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**204**	**–**	**–**	**–**	**204**	**–**	**836**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**901**	**–**	**–**	**901**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**601**	**–**	**–**	**601**	**2 801**	**2 464**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**444**	**–**	**–**	**444**	**–**	**1 820**
Total			**820**	**1 946**	**–**	**–**	**2 766**	**2 801**	**5 628**
31 March 2020									
CSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	–	186	–	–	186	–	–
FSP – 2018 tranche	01/04/2019	31/03/2022 (50%) 31/03/2023 (50%)	–	124	–	–	124	601	531
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	306	–	–	306	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	204	–	–	204	1 161	873
Total			**–**	**820**	**–**	**–**	**820**	**1 762**	**1 404**

Carina Wessels

	Total guaranteed pay			Short-term incentives		Long term-incentives		
Total single figure remuneration	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**2 640**	**78**	**433**	**2 200**	**–**	**3 202**	**945**	**9 498**
31 March 2020	2 675	109	439	1 370	1 370	1 000	212	7 175

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**165**	**–**	**(165)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**41**	**–**	**–**	**(41)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2021	**89**	**–**	**–**	**–**	**89**	**–**	**–**
FSP – 2018 tranche	02/07/2018	01/07/2021	**59**	**–**	**–**	**–**	**59**	**–**	**242**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**264**	**–**	**–**	**–**	**264**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**176**	**–**	**–**	**–**	**176**	**–**	**722**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**386**	**–**	**–**	**386**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**258**	**–**	**–**	**258**	**1 202**	**1 058**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**338**	**–**	**–**	**338**	**–**	**1 386**
FSP – 2020 tranche – additional	01/07/2020	30/06/2023	**–**	**429**			**429**	**2 000**	**1 760**
Total			**794**	**1 411**	**(165)**	**(41)**	**1 999**	**3 202**	**5 168**
31 March 2020									
CSP – 2017 tranche	23/06/2017	24/07/2020	165	–	–	–	165	–	–
FSP – 2017 tranche	23/06/2017	26/03/2020	78	–	–	(78)	–	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	41	–	–	–	41	–	175
CSP – 2018 tranche	02/07/2018	01/07/2021	89	–	–	–	89	–	–
FSP – 2018 tranche	02/07/2018	01/07/2021	59	–	–	–	59	–	253
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	37	–	–	(37)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	264	–	–	264	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	176	–	–	176	1 001	753
Total			**469**	**440**	**–**	**(115)**	**794**	**1 001**	**1 181**

John Anderson

	Total guaranteed pay			Short-term incentives		Long-term incentives		
Total single figure remuneration	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**2 853**	**84**	**304**	**1 700**	**–**	**1 109**	**572**	**6 622**
31 March 2020	2 814	100	300	1 174	1 174	976	481	7 019

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000))	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**368**	**–**	**(368)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**568**	**–**	**–**	**(568)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2021	**93**	**–**	**–**	**–**	**93**	**–**	**–**
FSP – 2018 tranche	02/07/2018	01/07/2021	**62**	**–**	**–**	**–**	**62**	**–**	**254**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**257**	**–**	**–**	**–**	**257**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**172**	**–**	**–**	**–**	**172**	**–**	**705**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**357**	**–**	**–**	**357**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**238**	**–**	**–**	**238**	**1 109**	**976**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**290**	**–**	**–**	**290**	**–**	**1 189**
Total			**1 520**	**885**	**(368)**	**(568)**	**1 469**	**1 109**	**3 124**
31 March 2020									
CSP – 2017 tranche	23/06/2017	24/07/2020	368	–	–	–	368	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	568	–	–	–	568	–	2 431
CSP – 2018 tranche	02/07/2018	01/07/2021	93	–	–	–	93	–	–
FSP – 2018 tranche	02/07/2018	01/07/2021	62	–	–	–	62	–	265
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	30	–	–	(30)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	257	–	–	257	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	172	–	–	172	979	736
Total			**1 121**	**429**	**–**	**(30)**	**1 520**	**979**	**3 432**

Butsi Tladi

	Total guaranteed pay			Short-term incentives		Long-term incentives		
Total single figure remuneration	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**2 364**	**73**	**388**	**1 800**	**–**	**1 095**	**518**	**6 238**
31 March 2020	2 219	196	365	1 120	1 120	680	139	5 839

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**206**	**–**	**(206)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**51**	**–**	**–**	**(51)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2021	**90**	**–**	**–**	**–**	**90**	**–**	**–**
FSP – 2018 tranche	02/07/2018	01/07/2021	**60**	**–**	**–**	**–**	**60**	**–**	**246**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**179**	**–**	**–**	**–**	**179**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**119**	**–**	**–**	**–**	**119**	**–**	**488**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**353**	**–**	**–**	**353**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**235**	**–**	**–**	**235**	**1 095**	**964**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**276**	**–**	**–**	**276**	**–**	**1 132**
Total			**705**	**864**	**(206)**	**(51)**	**1 312**	**1 095**	**2 830**
31 March 2020									
CSP – 2016 tranche	23/07/2016	24/07/2019	150	–	(150)	–	–	–	–
CSP – 2017 tranche	23/06/2017	24/07/2020	206	–	–	–	206	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	51	–	–	–	51	–	218
CSP – 2018 tranche	02/07/2018	01/07/2021	90	–	–	–	90	–	–
FSP – 2018 tranche	02/07/2018	01/07/2021	60	–	–	–	60	–	257
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	75	–	–	(75)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	179	–	–	179	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	119	–	–	119	677	509
Total			**632**	**298**	**(150)**	**(75)**	**705**	**677**	**984**

L Mokoena

	Total guaranteed pay			Short-term incentives		Long-term incentives		
Total single figure remuneration	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**2 818**	**232**	**486**	**–**	**–**	**1 123**	**407**	**5 066**
31 March 2020	2 780	257	480	464	463	800	147	5 391

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**226**	**–**	**(226)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**57**	**–**	**–**	**(57)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2021	**71**	**–**	**–**	**–**	**71**	**–**	**–**
FSP – 2018 tranche	02/07/2018	01/07/2021	**47**	**–**	**–**	**–**	**47**	**–**	**193**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**211**	**–**	**–**	**–**	**211**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**141**	**–**	**–**	**–**	**141**	**–**	**578**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**362**	**–**	**–**	**362**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**241**	**–**	**–**	**241**	**1 123**	**988**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**114**	**–**	**–**	**114**	**–**	**467**
Total			**753**	**717**	**(226)**	**(57)**	**1 187**	**1 123**	**2 226**
31 March 2020									
CSP – 2016 tranche	23/07/2016	24/07/2019	250	–	(250)	–	–	–	–
CSP – 2017 tranche	23/06/2017	24/07/2020	226	–	–	–	226	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	57	–	–	–	57	–	244
CSP – 2018 tranche	02/07/2018	01/07/2021	71	–	–	–	71	–	–
FSP – 2018 tranche	02/07/2018	01/07/2021	47	–	–	–	47	–	201
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	24	–	–	(24)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	211	–	–	211	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	141	–	–	141	802	603
Total			**675**	**352**	**(250)**	**(24)**	**753**	**802**	**1 048**

Lynn Stevens

Total single figure remuneration	Total guaranteed pay			Short-term incentives		Long-term incentives		
	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**2 061**	**63**	**336**	**–**	**–**	**979**	**394**	**3 833**
31 March 2020	2 023	74	332	885	885	553	70	4 822

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**79**	**–**	**(79)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**20**	**–**	**–**	**(20)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2022	**511**	**–**	**–**	**–**	**511**	**–**	**–**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**146**	**–**	**–**	**–**	**146**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**97**	**–**	**–**	**–**	**97**	**–**	**398**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**315**	**–**	**–**	**315**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**210**	**–**	**–**	**210**	**979**	**861**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**218**	**–**	**–**	**218**	**–**	**894**
Total			**853**	**743**	**(79)**	**(20)**	**1 497**	**979**	**2 153**
31 March 2020									
CSP – 2016 tranche	23/07/2016	24/07/2019	160	–	(160)	–	–	–	–
CSP – 2017 tranche	23/06/2017	24/07/2020	79	–	–	–	79	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	20	–	–	–	20	–	86
CSP – 2018 tranche	02/07/2018	01/07/2022	511	–	–	–	511	–	–
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	51	–	–	(51)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	146	–	–	146	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	97	–	–	97	552	415
Total			**821**	**243**	**(160)**	**(51)**	**853**	**552**	**501**

Laura Kukard

Total single figure remuneration	Total guaranteed pay			Short-term incentives		Long-term incentives		
	Salary	Benefits and allowances	Retirement fund contributions	Bonus	Bonus shares	LTIPs received	Dividends received	Total
31 March 2021	**1 875**	**54**	**200**	**1 800**	**–**	**993**	**371**	**5 293**
31 March 2020	1 550	58	165	793	793	256	57	3 672

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
CSP – 2017 tranche	23/06/2017	24/07/2020	**32**	**–**	**(32)**	**–**	**–**	**–**	**–**
FSP – 2017 tranche	23/06/2017	24/07/2020	**8**	**–**	**–**	**(8)**	**–**	**–**	**–**
CSP – 2018 tranche	02/07/2018	01/07/2021	**62**	**–**	**–**	**–**	**62**	**–**	**–**
FSP – 2018 tranche	02/07/2018	01/07/2021	**41**	**–**	**–**	**–**	**41**	**–**	**168**
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**67**	**–**	**–**	**–**	**67**	**–**	**–**
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	**45**	**–**	**–**	**–**	**45**	**–**	**185**
CSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**319**	**–**	**–**	**319**	**–**	**–**
FSP – 2020 tranche	01/07/2020	30/06/2023 (50%) 30/06/2024 (50%)	**–**	**213**	**–**	**–**	**213**	**993**	**873**
FSP – 2020 tranche – STI deferral	01/07/2020	30/06/2021 (50%) 30/06/2022 (50%)	**–**	**196**	**–**	**–**	**196**	**–**	**804**
Total			**255**	**728**	**(32)**	**(8)**	**943**	**993**	**2 030**
31 March 2020									
CSP – 2017 tranche	23/06/2017	24/07/2020	32	–	–	–	32	–	–
FSP – 2017 tranche	23/06/2017	24/07/2020	8	–	–	–	8	–	34
CSP – 2018 tranche	02/07/2018	01/07/2021	62	–	–	–	62	–	–
FSP – 2018 tranche	02/07/2018	01/07/2021	41	–	–	–	41	–	175
RSP – 2018 tranche	02/07/2018	01/07/2019 (50%)	43	–	–	(43)	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	67	–	–	67	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	45	–	–	45	256	193
Total			**186**	**112**	**–**	**(43)**	**255**	**256**	**402**

Muriel Sokkie

Total single figure remuneration	Total guaranteed pay: Salary	Benefits and allowances	Retirement fund contributions	Short-term incentives: Bonus	Bonus shares	Long-term incentives: LTIPs received	Dividends received	Total
31 March 2021	**363**	**146**	**46**	**–**	**–**	**–**	**–**	**555**
31 March 2020	2 072	172	260	–	–	480	109	3 093

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
FSP – 2018 tranche	01/10/2018	30/09/2022	98	–	(98)	–	–	–	–
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	127	–	(127)	–	–	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	84	–	(84)	–	–	–	–
Total			**309**	**–**	**(309)**	**–**	**–**	**–**	**–**
31 March 2020									
FSP – 2018 tranche	01/10/2018	30/09/2022	98	–	–	–	98	–	419
CSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	127	–	–	127	–	–
FSP – 2019 tranche	01/07/2019	30/06/2022 (50%) 30/06/2023 (50%)	–	84	–	–	84	478	360
Total			**98**	**211**	**–**	**–**	**309**	**478**	**779**

Resigned – 31 May 2020

Jonathan Muthige

Total single figure remuneration	Total guaranteed pay: Salary	Benefits and allowances	Retirement fund contributions	Short-term incentives: Bonus	Bonus shares	Long-term incentives: LTIPs received	Dividends received	Total
31 March 2021	**1 307**	**43**	**164**	**1 100**	**–**	**3 000**	**116**	**5 730**

Joined – 1 October 2020

Share reconciliation

Scheme	Award date	Vesting date	Opening balance (R000)	Granted during the year (R000)	Forfeited during the year	Vested during the year	Closing balance (R000)	Value of LTIP received (R000)	Estimated closing fair value (R000)
31 March 2021									
FSP – 2020 tranche	1/11/2020	31/10/2022	–	**890**	–	–	**890**	**3 000**	**3 650**
Total			–	**890**	–	–	**890**	**3 000**	**3 650**

Joined – 1 October 2020

Non-executive directors' fees for 2021

Non-executive directors' fees, consist of a combination of standard fees plus additional fees for committee or sub-committee membership.

Fees paid to non-executive directors during the year ended 31 March 2021, on authority granted by shareholders at the AGM held on 5 September 2020, are set out below. This includes total fees, whether paid by the company or subsidiary companies within the group.

Independent non-executive directors (R'000)		2021	2020
M Ramplin (chair)		**1 888**	1 650
MD Collier	Resigned 31/12/2019	**–**	1 367
RM Head		**1 118**	1 154
T Dloti		**1 179**	879
N Nyembezi (chair)	Resigned 31/12/2019	**–**	1 441
BJ Memela-Khambula		**863**	913
NG Payne[1]		**1 726**	1 722
AM Mazwai	Appointed 9/11/2020	**282**	–
		7 056	9 126

1 *In addition to his independent non-executive director fees, Mr NG Payne received R1.5 million (excluding VAT) for services performed on a special consulting assignment during the 2020 financial year which is not deemed a non-executive director fee and therefore excluded from the amount disclosed in the table above.*

Non-executive director fees were paid to Mercer Africa Limited of R1.9 million (2020: R2.9 million) and African Rainbow Capital of R0.4 million (2020: R0.4 million), respectively.

Proposed non-executive directors' fees for 2022

As explained in the AGM notice, in line with cost containment initiatives in response to Covid-19, no increase to the non-executive directors' fees have been proposed for financial year 2022. This aligns with the decision of no increases for all employees for the financial year ending 31 March 2022.

05 King IV™ matrix

King IV™ principle		Section of Governance report*	
1	The governing body should lead ethically and effectively.	Our leadership Our ethical culture Social, ethics and transformation committee report	Page 4 Page 4 Page 30
2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Our ethical culture Social, ethics and transformation committee report	Page 4 Page 30
3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Our role as a responsible corporate citizen Tax risk management Stakeholder management Social, ethics and transformation committee report	Page 5 Page 10 Page 18 Page 30
4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.	How good governance supports value creation Our leadership Our role as responsible corporate citizen Tax risk management Stakeholder management	Page 3 Page 4 Page 5 Page 10 Page 18
5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium, and long-term prospects.	About this report Our reporting suite (and all of the reports referenced)	Page 2 Page 2
6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	How good governance supports value creation Our leadership	Page 3 Page 4
7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	Board composition Nominations committee report	Page 20 page 29
8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Delegation of authority Board committee reports	Page 5 page 24
9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual members, support continued improvement in its performance and effectiveness.	Board evaluation Committee reports Nominations committee report Integrated annual report – Governance value created	page 23 Page 24 page 29 Page 28
10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Professional corporate governance support	Page 5
11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Risk management Material risks Own risk and solvency assessment (ORSA)	Page 6 Page 10 Page 15
12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Information and Technology governance	Page 16
13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Tax risk management (and this matrix holistically) Compliance management	Page 10 Page 16
14	The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Remuneration committee report Remuneration report	Page 32 Page 34
15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Assurance Audit and risk committee report	Page 19 page 25
16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Stakeholder management	Page 18

** Several areas in the FY2021 annual integrated report also touch on our King IV application.*

Corporate information

Alexander Forbes Group Holdings Limited

Registration number: 2006/025226/06
Tax reference number: 9404/921/15/8
JSE share code: AFH
ISIN: ZAE000191516
(Incorporated in the Republic of South Africa)

Independent directors

M Ramplin (Chair), RM Head, NG Payne,
BJ Memela-Khambula, T Dloti, AM Mazwai

Non-executive directors

WS O'Regan, MR Nkadimeng

Executive directors

DJ de Villiers (Chief executive officer)
BP Bydawell (Chief financial officer)

Executive: Governance, legal and compliance (Company secretary)

CH Wessels

Investor relations

Z Amra

Registered office

Alexander Forbes, 115 West Street, Sandown, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

www.alexanderforbes.co.za

Date of issue: 30 July 2021