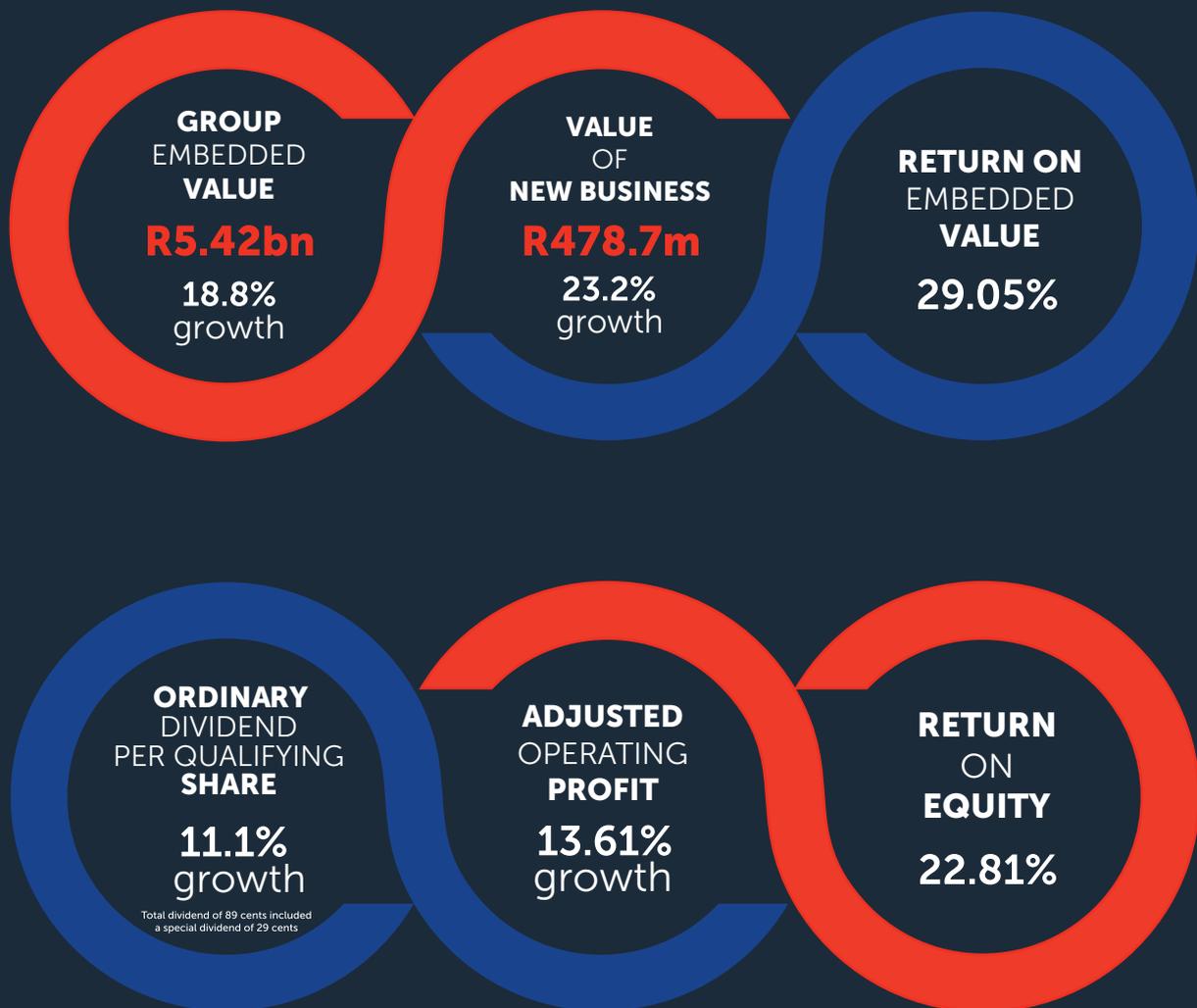


INTEGRATED REPORT 2019

ASSUPOL



FINANCIAL HIGHLIGHTS AT A GLANCE





THIS REPORT

The aim of this integrated report is to enable stakeholders to better understand and make an informed assessment of the business and performance of our Group; Assupol Holdings Ltd (Assupol), and its subsidiaries; Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.

In this report we review the financial, economic and social performance of our Group during our financial year that ended on 30 June 2019. Aspects that affect our ability to create and sustain value for our stakeholders are also discussed.

Our Group's financial results have been condensed in this report to provide a concise overview of our financial performance. Our full audited financial statements, which have been prepared in accordance with the International Financial Reporting Standards and the Companies Act 71 of 2008, are available on our website.

Our board, assisted by our Audit Committee, ensures the integrity of our annual integrated reports. Our board has collectively reviewed the output of the reporting process and this 2019 integrated report, and believes that it addresses all material issues and is a fair representation of the performance of our Group. Our board, therefore, has approved the release of this report.

The electronic version of this report can be accessed at www.assupol.co.za

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(Assupol Life CEO)
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PERFORMANCE HIGHLIGHTS



THOSE WHO SERVE

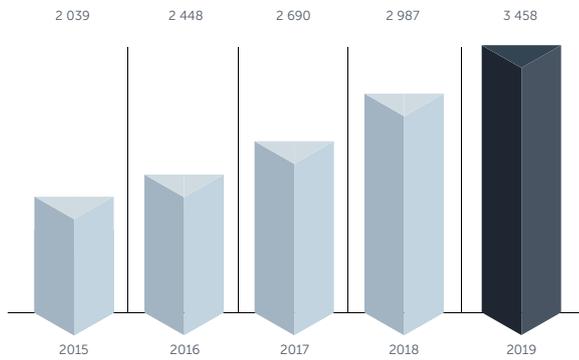




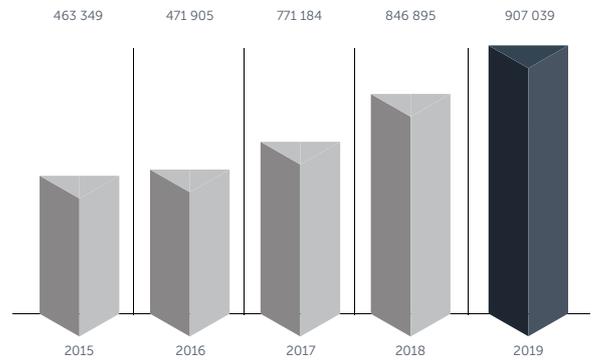
PERFORMANCE HIGHLIGHTS

Financial	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000	%change 2018/19
Net premium revenue	1 856 303	2 242 609	2 451 801	2 753 116	3 356 749	21.9%
Net profit after tax	463 349	471 905	771 184	846 895	907 039	7.1%
Group embedded value	2 562 848	2 908 485	3 571 968	4 563 204	5 422 029	18.8%
Net value of new business (Assupol Life)	180 922	220 879	350 046	388 450	478 704	23.2%
Capital adequacy cover (Assupol Life)	258%	192%	189%	190%		
SCR cover (Assupol Life)				179%	173%	
Economic value added	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000	%change 2018/19
Employee cost	249 406	270 149	333 048	366 310	442 979	20.9%
Commission paid to service providers	393 075	479 591	536 552	631 277	824 359	30.6%
B-BBEE score	Level 4	Level 3	Level 3	Level 3	Level 3	
Distributed to ordinary shareholders:						
Ordinary dividend (cents)	38	43	48	54	60	11.1%
Special dividend (cents)	61	13	8	42	29	-31.0%
Employees	2015	2016	2017	2018	2019	%change 2018/19
Number of employees	555	593	638	720	906	18.2%
Number of representatives	1 108	1 553	2 001	2 720	2 668	-1.9%
Employee turnover	12%	12%	12%	10%	10%	0%
Total training spend (R'000)	6 940	9 761	8 566	11 452	15 690	37.0%
Community	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000	%change 2018/19
Total sponsorships and donations	3 986	5 359	6 811	10 118	18 623	84.1%

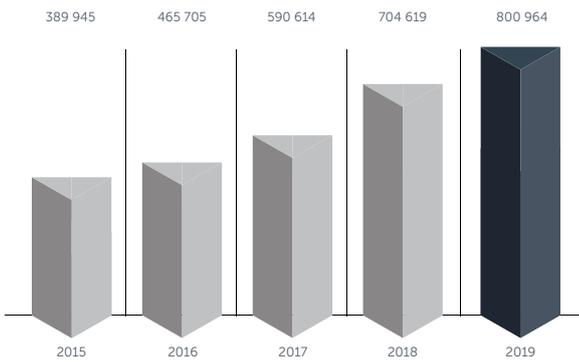
Gross premium income (Rm)



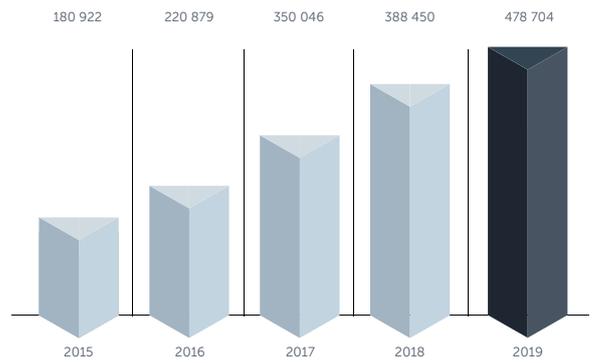
Net profit after tax (R'000)



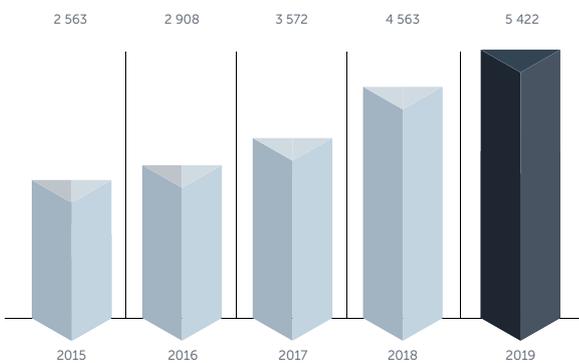
Adjusted operating profit (R'000)



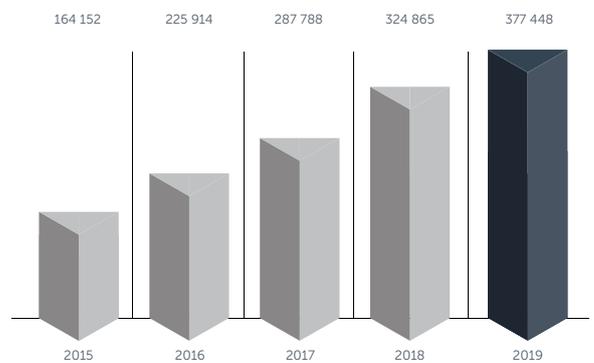
Value of new business (R'000)



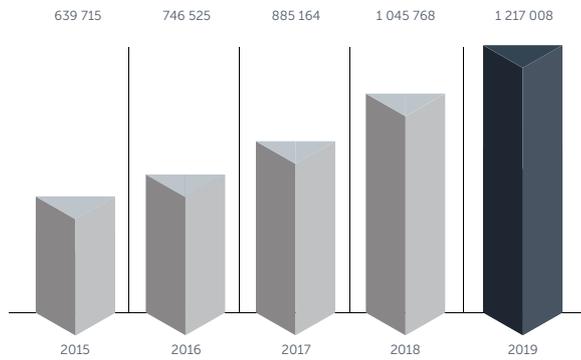
Group embedded value (Rm)



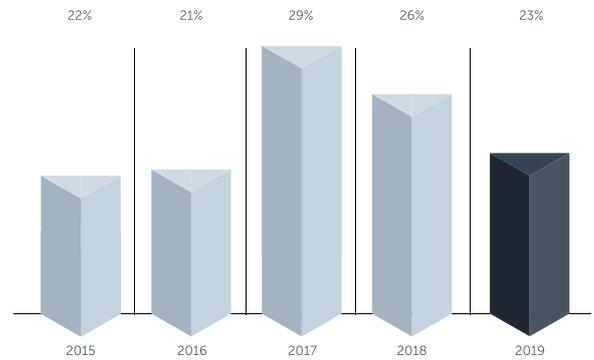
Total new individual business policies written



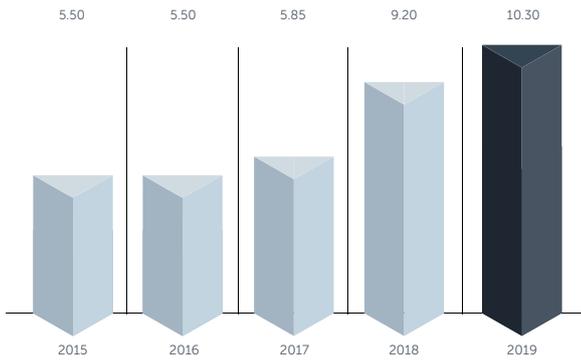
Individual policies in force



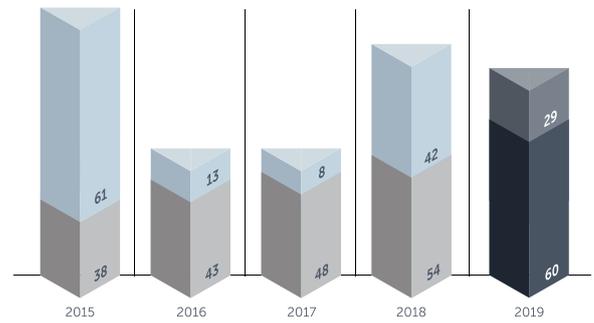
Return on equity



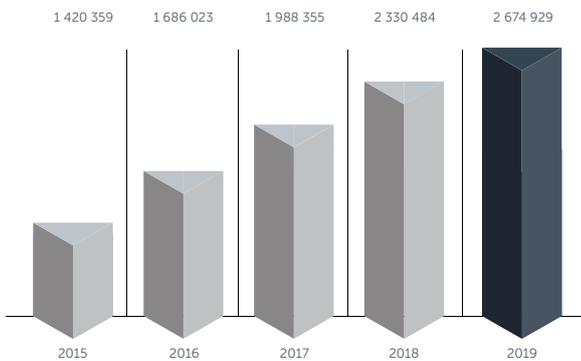
Share price (R)



Group dividend (cents)



Total lives insured (Individual life)



A WORD FROM OUR CHAIRPERSON



“May you live in interesting times”

While seemingly a blessing, this Chinese expression ironically wishes no peace upon those to whom it is directed, but rather, a myriad of challenges to induce disorder.

At Assupol, we believe these challenges to be a blessing in themselves. For it is in rising to meet these challenges, that we push ourselves forward, and deliver solutions that ensure stability for our clients when they are living in their own interesting times.

This past year has indeed presented its challenges to our industry. But, while we endeavour to overcome them, we cannot ignore what a year of challenges means in the lives of our clients.

For one family, they've gone from hearing the first cries of a newborn, to wondering how they will afford to put him through school.

For another family, a young woman is focused on studying for her university examinations, even though her mind keeps conjuring up memories of her late father, no longer with her, a year to the day.

For people like her, life must go on, and it is our duty to ensure that it can.

A purpose to serve

We are a company that is here to serve people, in their greatest time of need. It is our purpose to serve, and that purpose drives us to make a difference in not only the lives of our clients, but in the lives of our country's vulnerable children, aspiring women, and our social communities at large.

We are focused on navigating the challenges of our industry, be they economic, regulatory or on a broader social level. As a dynamic, people-centered organisation, we are capable of taking these challenges head-on, transforming not only this industry, but the lives of every person we touch.

Before my involvement in Assupol, I had been an observer from the outside, and already admired the commitment shown to effect greater change beyond just business growth and industry innovation.

Now that I am intimately involved in the Assupol family, my daily experiences here have reaffirmed what I've always known to be true: that we are deeply committed to the principles of service for all South Africans, and that this exists in the depth and breadth of the entire organisation.

In the midst of social and economic challenges in our world, we continuously work to create shared value for our people; meaningful impact on our clients and their communities; engagement of our stakeholders; and returns for our investors. We operate on the fundamental notion that we can do good business, by remaining mindful of the good that business can do. The ancient Greek poet, Sophocles said, "To be doing good deeds is man's most glorious task."

These interesting times

Our continual focus on cost-effectively and efficiently delivering needs-based insurance solutions and superior client experiences to the South African market, shows that we are a company that understands our market, and our clients.

In fact, the exceptional way in which Assupol serves its clients has once again been recognised by Capital Finance International, as we won the CFI award for the best insurer in Southern Africa for the fifth consecutive year, from 2015 through to 2019.

But we do not take this accolade for granted, because like many South African businesses, we face a strained economic climate, and the concomitant impact this has on our society, along with depressed employment numbers, impacts our operating environment and places some pressure on short-term performances.

Beyond economic challenges, we also cannot ignore our fractious social climate. The worrying homicide and femicide figures, afrophobia and general crime levels are a concerning social cocktail. It makes life incredibly challenging for all South Africans, and it discourages domestic and foreign investment. In a real sense, our social upheaval negatively affects the very industries that should be driving the economy and society forward.

Outside of South Africa, tensions between the likes of the United States of America and China, as well as the unpredictable impact of Brexit, mean we can expect market uncertainty amongst some of South Africa's most important trading partners.

But, while we are cognisant of the realities of the world around us, we do not waiver from our purpose. For it is this purpose that drives our resolve to deliver on mutual upliftment, inclusive growth and social progress.

We have been able to deliver a positive financial performance, and as our expansion path continues, we remain bullish about the growth prospects for Assupol because doing good needn't come at the expense of growth and positive social returns. Here, the trend is still upward. And while there remains room for further growth in particular regions, we look forward to achieving that growth by expanding our offerings through new partnerships, new networks and new innovations.

Corporate citizenship

Leaders are not just born, they are made and sometimes unmade by their own actions. Leadership does not rest squarely on the shoulders of one person, but is enacted through a group of people, who are tied together by their common humanity and common purpose. As such, each individual member of an organisation must lead consistently through their thoughts and actions, heeding commonality of purpose.

"Umntu ngumuntu ngabantu" – this is the belief that a person is a person because of other people. This means, to lead, we must have a connectedness to others; compassion for those who deserve to have their stories heard; and empathy for those whose stories touch our hearts. To lead, one must always act with integrity, and humbleness, but also with a strong enough determination to be effective.

We work with that determination to open up opportunities where there were none, to restore dignity where neglect had stripped it bare, and to support families in their greatest time of need.

There is a responsibility for corporate South Africa to play their part in helping build a peaceful, cohesive and prosperous country. This is a

duty that Assupol takes to heart. Here, we don't await instruction, we do what we've always done, and follow our purpose to serve others. As such, we have been working closely with various stakeholders from national and provincial government, local municipalities and schools to ensure we enact real change.

We continue to support early childhood development (ECD), and to date, the Assupol Community Trust has built 40 ECD centres in the KwaZulu-Natal region. Meanwhile our partnership with the Department of Basic Education sees us well on our way to building proper sanitation facilities for 100 primary schools with 10 schools completed during the reporting period, for President Cyril Ramaphosa's Sanitation Appropriate for Education (SAFE) initiative.

Under the President's Youth Employment Service (YES) initiative, which aims to put 1 million youth between the ages of 18 and 35 into formal employment, we have hired 196 bright young stars so far. We continue to hire more youth under our Woman Distribution Channel – an initiative conducted by Omama Besizwe Investments, where we hire graduate youth, with no working experience.

In government, amongst NGOs and in the private sector, we have leaders keenly aware of the importance of investment to drive growth for all of us, and we look forward to continue working together for a more equitable, more humane and more prosperous South Africa.

Regulation

Trust is not something that can simply be requested from our clients, it is earned by consistently delivering on our promises. We do this every day, without question. In the financial services sector especially, our governance and compliance are fundamental to how we responsibly deliver that promise.

With the implementation of Twin Peaks regulations last year and the establishment of two new regulators in the form of the Prudential Authority and the Financial Sector Conduct Authority, insurance firms now also fall under the oversight of National Treasury. While this makes for more thorough reporting responsibilities, we fundamentally support this change.

Another driver of regulation over the past few years has been the principle of Treating Customers Fairly (TCF). Fortunately, for us, this has always been one of our guiding principles. Our clients have always enjoyed priority in all that we do, and in a sense, we have been living the TCF principles for more than a hundred years. But this does not mean we cannot improve, because we will. We are not a company that rests on its laurels.

Solvency and Assessment Management (SAM) regulations, similarly,

have client interests at their heart. These rules are about protecting clients through solvency capital requirements, principles of risk management and assessment, and disclosure requirements. We are committed to adhering to these regulations, mindful of the flow-through benefits they will have in terms of minimising risk for insurance organisations and our clients.

At Assupol, we welcome regulation in our sector, and we remain especially enthusiastic about regulation that does not limit initiative and innovation, but encourages and facilitates it.

Our stakeholders

Assupol doesn't exist to simply generate financial returns, but also to realise benefits for all of our stakeholders.

We are able to do this through the attendant compassion and authenticity of our service philosophy which puts service at the core of our mission and rallying call.

That mission manifests itself within the very heart of this company, in the way that Assupol always puts its staff first, then its clients, and then its shareholders.

The staff are our ambassadors, who make Assupol work. They are the cornerstone that represents a true connection to our clients and compassionate understanding that our clients need beyond just financial assistance.

Our investors are also indispensable to the success of our organisation. With our structure of employee shareholders, we are fortunate that many of our investors are internal participants. As such, they enjoy equivalent primacy.

We conscientiously strive to operate in the interests of our internal and external investors through ongoing, open communications with our investor community, and by ensuring we remain profitable and continue to generate the kind of returns that support prosperity for all stakeholders.

Our clients are equally important, they are the ones we are mindful of in every decision we make; without them, we simply don't have a business.

Likewise, our service providers are integral to delivering the products and the service that have kept Assupol growing for 106 years. This is how partnerships underpin everything we do.

When I joined Assupol, I was astounded to learn that the average turnaround time for the processing of 74% of our claims is a mere four

hours. But, then it was the staff's turn to be astounded when I said, "Let's make it even quicker!". Now that's what we are working to do.

This level of service has been in our DNA from when police members began collecting money for their own bereaved families at the start of the previous century. It's our ethos: to care, and to serve those who serve. Doing that wins us the goodwill of the communities we serve and becomes our greatest marketing success.

Transformation

Assupol remains committed to the national transformation project. We also live to empower our clients and our staff. The fact that our company is co-owned with our staff, is one of our great empowerment success stories.

The authenticity of our approach to empowerment is self-explanatory. The board composition of the Assupol Group also reflects South Africa in practice – in terms of our racial and gender make-up. When it comes to deliberating about where we're going as an organisation, we do so as South Africa in microcosm. This is not just optics, it is substance.

This year, three new directors joined the board; myself, Glynn Burger and Steven Braudo, replacing departing board members, Andrew Birrell (my predecessor as chairperson), Karabo Radebe and Rojje Kisten. We thank them all for their contribution.

Strategic commitments

Strategically, our priority remains to shield our Group from market volatility. To do so as effectively as we have done over the past few years, we must continue to run a robust organisation, resistant to undue changes. Assupol remains geared for continued growth ahead of the growth of the industry. Growth for those who need our services; and growth for all of us in society.

The level of co-operation and shared vision I have encountered at Assupol is remarkable. For this, I would like to thank everyone, from the executives to all staff.

I would like to thank the board for welcoming me in the way that they have and for the sense of purpose that has been evident in all our deliberations. It is a great privilege to serve at this truly South African company, which I believe authentically expresses the values of our country and the belief its citizens have in its potential.

Finally, I would like to thank our clients. Thank you for trusting us to serve you. You make us who we are and we will continue to serve your best interests.

As we look back on the year that "was", we remind ourselves that we are now in the reality of that year that "is". It is the year we will continue growing. It is the year we will continue being there for our clients. And it is the year we will continue serving all those who serve.

Dr. Reuel Khoza
Chairperson

A WORD FROM OUR GROUP CEO AND LIFE CEO



OUR STRATEGIC INTENT

Play a meaningful role in transforming South Africa for the benefit of all of her citizens.

HOW DO WE DO THIS?

By serving those who serve through cost-effectively and efficiently providing access to relevant

1

Advice solutions

2

Product solutions

3

Service solutions

Our drivers of value are premium growth (a combination of new business unit sales as well as good persistency) and expense and capital efficiencies.

We measure success first and foremost in terms of our performance against the Treating Customers Fairly ("TCF") principles; we readily acknowledge that we exist because our clients appreciate and trust us. In addition, we actively pursue strategies that optimise return on equity, return on embedded value as well as the growth in our value of new business.

OUR STRATEGIC PILLARS



Consumer education

Through consumer education, empowering our clients to make the best financial decisions for their future.



Ease of access

Broaden and deepen access for and to our clients through a combination of footprint growth as well as increased client engagement.



Serving those who serve

Serve our clients in the way that we would like to be served, especially at claims stage, when it matters most.



Diversification

Expanding our target market and product mix so as to ensure that Assupol is robust enough to withstand disruptive events.



Efficiencies

Focus on cost and capital efficiencies in order to provide the business with decision-making space and flexibility.



Sustainability

Ensure sustainability by investing some of the value we create back into the communities that we serve.

It is our privilege and pleasure to report on yet another very successful year in Assupol's 106-year journey. Assupol was founded on a tradition of serving those who serve and this noble duty has once again underpinned our good results over the past year.

Alleviating the hardship that our clients continue to face

Sadly, the deteriorating socio-economic environment continued to put further pressure on an already burdened consumer. Moreover, during the year under review, consumers were again barraged with a greater variety of options in respect of their financial choices, but not always in a manner that facilitated easy and straightforward decision making. In tough and uncertain times like these, the value of the guidance provided by our core face-to-face distribution channel consisting of more than 3 000 advisors has again stood our clients in good stead. The performance of the face-to-face distribution channel coupled with the good persistency experience of the business written once again confirmed the relevance of face-to-face engagement in the emerging market.

The principles of the TCF regulation, which Assupol unequivocally adheres to, are essentially aimed at providing clients with fair and certain outcomes. In this regard, we are very proud of the fact that, amongst other things, we pay 74% of all our funeral claims within 4 hours. We believe that this is a benchmark that is unrivalled in the market and an achievement that is testimony to our commitment to serving our clients when it matters most.

In difficult times, clients, more so than ever, favour the businesses and brands they trust. During the year under review, our brand has again grown from strength to strength, on the back of, amongst other things, continual delivery of our service promise, an award winning* new corporate advertising campaign ("There will be no monuments here"), continued growth from our Direct Marketing division (primarily driven by very successful call-to-action TV advertisement campaigns) as well as our ever-growing physical footprint across South Africa. The Assupol brand, which has always been trusted in our traditional core markets, has grown into a recognisable, trusted and well-respected brand in the broader South African marketplace.

Regulatory affairs

The year under review was Assupol's first under the auspices of the Twin Peaks Regulatory environment and its dual regulators, the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA). Assupol regards its relationship with the regulators as sacrosanct, and one which needs to be underpinned by regular and proactive engagements as well as transparent sharing of information with the regulators. Our experience in this regard is that the level of

intensity of all regulatory engagements have undoubtedly increased, which we regard as a positive development. Equally noteworthy is that the resultant cost of doing business in the new regulatory environment has also definitely increased.

The process in respect of the conversion of Assupol Life's life license, a direct consequence of the implementation of the new Insurance Act, commenced earlier during the 2019 calendar year. We expect to finalise the conversion process towards the end of the new financial year.

Partly related, but largely independently concurrent, the PA notified us that it intends designating Assupol Holdings Limited as an insurance group in terms of section 10(1) (a) of the Act and that the PA furthermore intends designating Assupol Holdings Limited in terms of section 10(2) of the Act, as the controlling company of the Assupol insurance group. The new designation will have some implications for the Assupol Group on a number of fronts, none of which we expect to be overly problematic.

Overall, we consider our relationship with the various regulators to be in good standing.

Our staff are empowered to make a difference

Our brand promise is serving those who serve. It's not just a mere catchphrase to us. Serving those who serve is a promise that is taken quite literally at Assupol. It is the reason why our business exists. It is an ethos that informs the decisions we make, the opportunities we explore and how we interact with each other and our stakeholders. We enable this through creating a work environment where people who want to make a difference, can do so. Our staff all want to make a difference and we allow them the freedom to do so by empowering them but then also holding them to account.

Assupol is deeply committed to developing and growing a fully empowered and transformed workforce. The following table clearly illustrates the success that we have achieved in this regard to date (staff profile as at 30 June 2019):

Description	Permanent staff	Assupol representatives
Female	64%	58.6%
African	51%	57.0%
Coloured	5%	0.9%
Indian	1%	0.0%
White	7%	0.7%
Male	36%	41.4%
African	28%	39.1%
Coloured	1%	0.5%
Indian	1%	0.0%
White	6%	1.8%

*In 2019, Assupol was nominated in 7 Loeries Awards categories and chosen as a finalist in 3. Out of the 3 short listings, Assupol won a Campaign Craft Certificate (equivalent to the historic Silver awards) for its "There will be no monuments here" campaign.

On the back of the meaningful growth in our business over the past 10 years, our staff compliment has also grown significantly, more so over the past year. More than 60% of our staff base as at the end of the year under review have been with Assupol for less than 5 years. Such a high growth rate in our staff numbers has placed a renewed focus on ensuring that the culture that sits behind our historic successes is appropriately entrenched into the newer generations of Assupol people. Our efforts in this regard are hugely supported by the fact that our voluntary staff turnover is a relatively low and a pleasing 8% (in line with our experience over the past 10 years). We believe that this statistic speaks volumes of the culture and work environment of Assupol.

We are therefore very proud of the fact that during the year under review Assupol again received the Gold Seal of Achievement for 2019 in the Deloitte Best Company Survey. Since we started participating in the Deloitte Best Employer Survey, we have consistently achieved a Gold or Platinum seal of achievement.

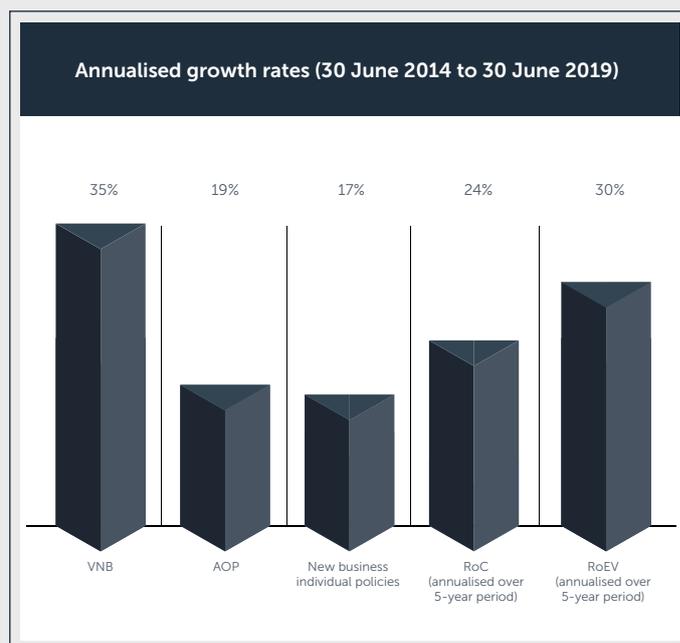
Assupol also remains a trendsetter in the transformation of the insurance industry. On demutualisation, we put 78% of our shareholding into black hands, more than 90% of our more than 4 000 staff members and agents are black and almost 95% of our 2 million plus clients are black.

Continuing to perform strongly in tough trading conditions

In a difficult trading environment, Assupol has delivered sterling results. Some of the highlights in this regard include:

- Gross premium income grew by 16% to R3,5 billion, with total new business premium income growing by 29,5% (a 15% growth in recurring premiums as well as a 97% growth in new single premium business);
- The growth in premium income was a result of a growth in average new business premiums as well as a growth of 18,3% in the number of gross new individual policies written during the year (excluding our Cornerstone business).
- The combination of the good new business results as well as our continued focus on the quality of our business (and therefore the resultant good persistency experience) has allowed us to grow our in-force book by 16%;
- Our 1-year survival rate on the biggest part of our new business was in excess of 80%, a performance that we believe is unrivalled in the market and which is testament to our singular focus on writing good quality business;
- We have likewise managed to generate profitable new business, with a value of new business margin of 10,2%;
- Net profit after tax (NPAT) grew to R907m, with Adjusted Operating Profit (AOP) – our measure of normalised earnings – growing by 14% to R801 million;

- The Value of New Business (VNB) generated during the period was R479m (23% up on the previous year);
- In this regard, we would like to especially highlight the growth of 27% (on an economically equivalent basis) in the VNB generated by our core face-to-face team of representatives and brokers. This team has always been the backbone of Assupol and has once again shown what is possible to achieve in a difficult environment;
- Our Direct Marketing division, which has grown into an important part of our arsenal over the past 7 or so years, once again generated growth in excess of 30%. However, being a business that is largely a price-taker insofar as its new business costs are concerned, we are starting to witness initial expense dynamics that are slightly concerning;
- Despite this dynamic, and considering the business as a whole, our strong focus on expense and operational efficiencies has once again allowed us to generate value through expense releases;
- The combination of all of the above allowed us to grow our Group Embedded Value (EV) to more than R5,4 billion, generating a return on EV (RoEV) of 29% in the process;
- We are also pleased to report that we have once again exceeded our targeted return on capital (RoC) by delivering a RoC of 23%;
- The most pleasing aspect of the performance is that the year under review was not unusual, but rather a continuation of the consistently good results that we have been generating over the period since our demutualisation. We believe that the consistency of the market outperforming results speaks to a solid and sustainable business. The following graph clearly illustrates this point (the graph shows the 5-year annualised compound growth numbers for some of the key metrics of the Assupol business):



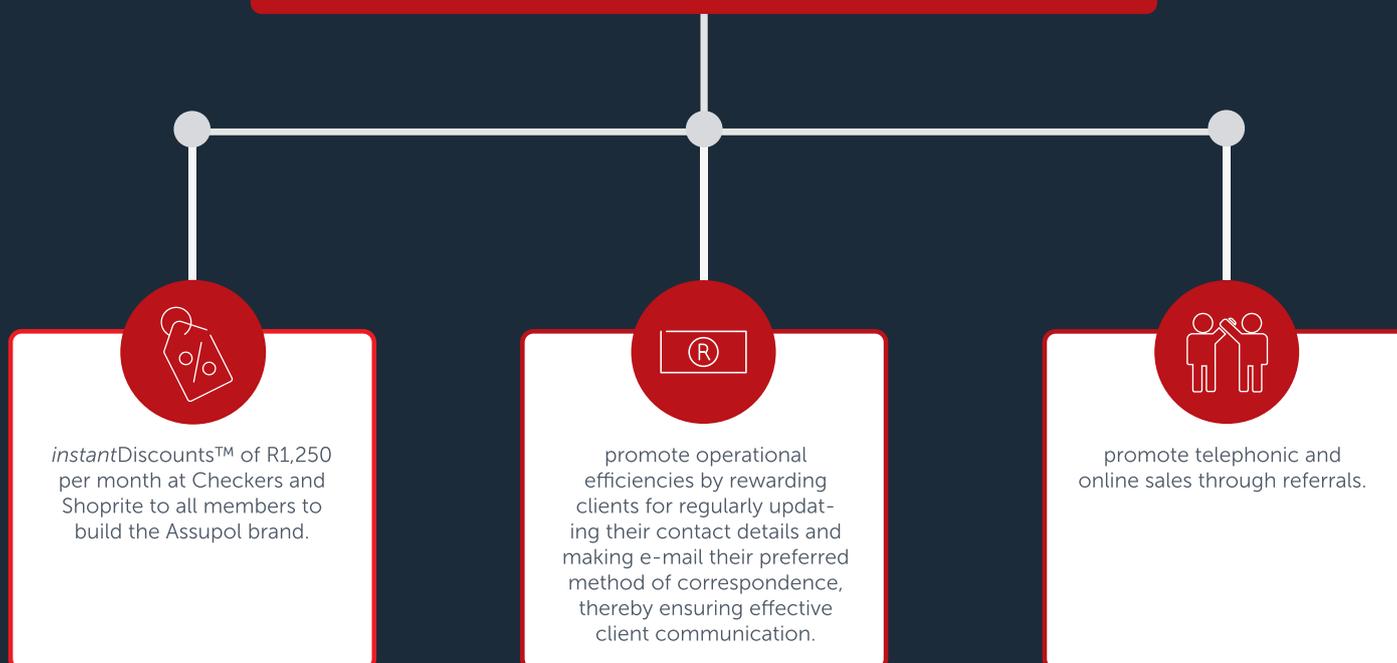
Several other highlights also warrant a special mention, namely:

- We have again invested in growing our distribution footprint (including through some exciting partnerships). As part of this growth we have also strengthened our sales leadership structure through the establishment of 4 new regions to ensure greater focus on each region.
- The ubiquitous digitalisation of the world around us, the demand for building and entrenching sustainable and scalable operational and data capacity and capabilities as well as the need to cater for seamless partnering in the future, resulted during the year in the establishment of a dedicated project to oversee our IT and operational developments over the next 3 to 5 years, led by our newly appointed Chief Information Officer;
- Delivering outstanding client services remained a key focus for Assupol during the year under review, as witnessed by the great claims service achievements mentioned earlier. Nonetheless, we are acutely aware of the fact that maintaining our track record in this regard will become increasingly more difficult as the service demands of our ever-increasing client base grows and as a result we have renewed our focus on doing even better going forward;
- During the year we developed (and launched post year-end) an exciting rewards programme (Assupol Rewards) built on the age-old Assupol principles of simplicity and clarity and adding an important aspect to our product and service offering. The following diagram summarises, at a high level, the rationale and features of the Assupol Reward programme:

Assupol Rewards is free and open to all South Africans - for the purpose of attracting new clients to Assupol, in addition to rewarding existing clients.

Assupol Rewards is accessed from the Client Portal on myassupol.datafree.co.za - thereby promoting the Assupol Client Portal where policyholders can view their policy information, make certain changes and submit claims.

Assupol Rewards aims to achieve three main objectives:



Future Assupol Rewards elements considered include rewards for meeting with a face-to-face advisor to promote financial advice to our clients, as well as other exciting rewards.

The one disappointing area worth noting is our Cornerstone business (which provides insurance solutions to old-age grantees in the country). We however remain optimistic that we will soon return to business as usual in a market that we have been serving for a long time.

Finally, in terms of performance during the year under review, we are proud to report that Assupol has, for the fifth year in a row, been recognised by CFI as the Best Insurer in Southern Africa. Given that the award not only considers financial and operational results, but also focuses on client satisfaction, it once again underlines the importance of client as well as TCF principles.

Robust solvency

Assupol remains comfortably solvent with a Solvency Capital Requirement (SCR) ratio of 173% as at 30 June 2019. Assupol is a strongly capitalised business with readily available access to capital (should the need arise) from its 3 largest shareholders. In addition, and flowing from our Own Risk Solvency Assessment (ORSA) analysis over the past couple of years, Assupol has a robust solvency balance sheet that provides the Regulator (as well as all of our clients) with more than the necessary comfort and assurance.

Partnering for growth

Partnerships are strategically important for Assupol. In this regard, good progress was made over the past year in terms of laying the foundations for a few partnerships that we believe have the potential to not only support our growth ambitions, but also to lead us into areas previously unexplored.

As an example in this regard, over the past year we rolled out a pilot project in partnership with Ackermans (a like-minded 106-year old business with a strong brand and large physical presence across South Africa), whereunder Assupol representatives are placed in Ackermans stores to provide face-to-face advice and service to the customers of Ackermans (most of whom are not Assupol clients). The pilot study was restricted to 22 of the more than 600 Ackermans stores in South Africa, and to date we have met most of the targets that we have jointly agreed to. We hope to soon progress from the pilot study to a sustainable long-term relationship with Ackermans, which we believe has the potential to grow into a meaningful jointly owned business in its own right.

Looking forward, we are also exploring a number of other opportunities/pilot studies. We are particularly excited about the potential to establish partnerships that will enable the further transformation of the insurance industry, in line with the strategic intent set out in the Microinsurance regulations.

Ploughing back into the communities that we serve

Assupol strongly believes that it has an obligation to serve the nation in addressing the socio-economic challenges our communities are faced with. Over the past couple of years, Assupol has committed almost R150 million to try and make a difference to the wellbeing of our nation's next generation, including:

- Building/repairing 50 early childhood development centres and supporting 95 centres in rural Gauteng and KwaZulu-Natal;
- Through our partnership with the Department of Basic Education, building ablution facilities for 100 primary schools in rural South Africa; and
- Providing experiential employment, over the next 5 years, to potentially more than 1 000 unemployed youth, as a participant in the Yes4Youth campaign.

Looking forward

We remain confident that our strategy is appropriate and relevant. We do however acknowledge that looking forward it is not necessarily business as usual. The rate of change in the marketplace is faster than it has ever been. We are also witnessing technology-driven disruptions in many industries. Assupol needs to be prepared for these changes, and where possible position itself to be the disruptor, on its own or in partnership. Many of the changes are furthermore pointing to the need to engage with our clients differently than in the past.

In general, the cost of doing business is also set to continue to increase as a result of, amongst other things, the evolving regulatory landscape. Assupol remains a proudly South African business with no ambitions to grow outside of the borders of South Africa. We believe that we have ample growth opportunities to serve the South African consumer further. Within this context, we will continue to selectively grow our physical

footprint from the 84 branches that we currently have countrywide. In addition, and without in any way disrupting our distribution model, we are also shifting our focus to greater client engagement.

For Assupol, the bottom-line is undoubtedly that the trading environment is not expected to ease up dramatically over the short to medium-term, given the very competitive landscape we are operating in as well as the relentless pressure on the disposable income of our client base.

It is critical that we do not lose this edge that we have, so in conclusion, at least insofar as the outlook for the trading environment is concerned, it is essentially business as usual for us (i.e. keep our heads down, stick to our strategy, ensure we never disappoint our clients, focus on what we do best and make sure we do not miss any opportunities that arise in times like this).

Board changes

As reported elsewhere in the report, there has been a few changes to the Assupol board during the past year.

We would firstly like to thank Andrew Birrell, who resigned as chairperson and director during February 2019, for the very consequential role that he played since 2013 in growing Assupol into the leading business that it is today.

We are however very excited about the appointment of Dr Reuel Khoza, as director and Assupol's new chairperson, as from May 2019. Dr Khoza has built up an enviable track record as a leader on many fronts in South Africa, including in the field of business, governance, arts and many more. It is however through his unwavering and courageous leadership in the area of governance, ethics and accountability that Dr Khoza has set himself apart from others.

Ha mi amukela Dr Khoza.

Ha Khensa

We would like to express our sincere appreciation for the ongoing support that we receive from our clients and many business partners, the guidance that we receive from our board as well as for the selfless dedication and hard work from our fellow executive team members.

But most importantly, and in the spirit of *Ubuntu*, we are because our staff are. We are eternally indebted to all of our staff for their hard work, dedication and steadfast desire to serve, without whom Assupol would never be able to reach the heights that it consistently does.

Riaan van Dyk
Group CEO

Bridget Mokwena-Halala
Assupol Life CEO

A WORD FROM OUR GROUP CFO



Another remarkable financial year

During the 2019 financial year, we have seen a continuation of a tough economic and operating environment. Low GDP growth rates continued to put pressure on unemployment levels, which were evident through economic pressures experienced by our target market. We have also seen significant changes in the regulatory environment during the year under review, adding to the challenging trading environment.

Notwithstanding these challenges, the Assupol Group delivered exceptional financial results once again.

Highlights:

- Record net profit after tax increased to R907 million from R846 million in 2018.
- Value of new business increased by 23% to R479 million.
- Embedded value increased from R4 563 million to R5 422 million.

This is testament to the successful execution of the broader strategy of our Group.

Annual financial statements

Our financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). As with previous financial years, we applied all accounting policies consistently. We would like to point out the following changes:

- IFRS 9 - Assupol Life elected to defer the implementation of IFRS 9 to coincide with the implementation of IFRS 17. All other companies in the Group implemented IFRS 9 with effect from 1 July 2018. There was no impact on the reported values of the affected financial assets.
- On the face of the income statement, interest income on financial assets at amortised cost (using the effective interest method) was separately disclosed due to an amendment to International Accounting Standards (IAS 1) following the release of IFRS 9.
- A classification restatement between insurance premium revenue and fair value adjustments on investment contract liabilities was made on the income statement. The adjustment had no effect on the net profit or retained earnings and no material impact on the consolidated set of financial statements. The total amount of the restatement was R53,8 million.

Financial performance analysis

Our performance against strategic financial targets

Our financial performance is managed and measured against specific and defined strategic financial targets. As these are strategic financial targets with a longer-term outlook, one would expect adjustments to these targets depending on economic and other business cycles.

Value of new business growth (VNB) – Target 17% growth

This metric speaks to our aspiration to be a high growth company, while fulfilling a critical financial need to our customers and increasing our relevance as a brand through gaining market share.

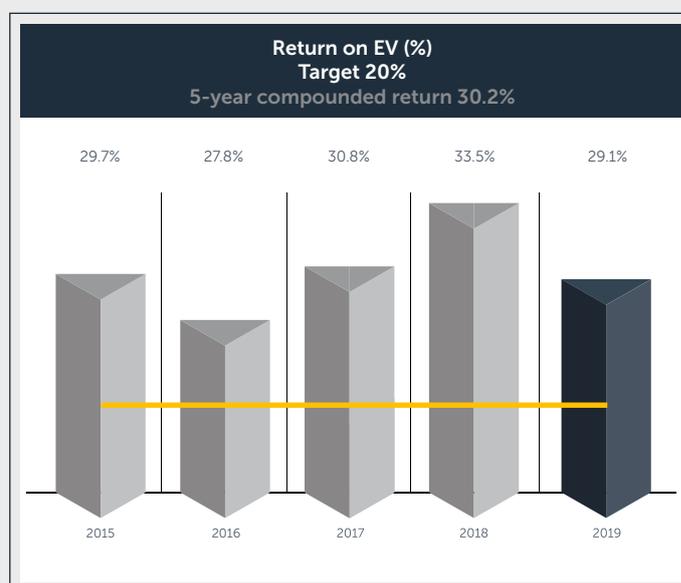
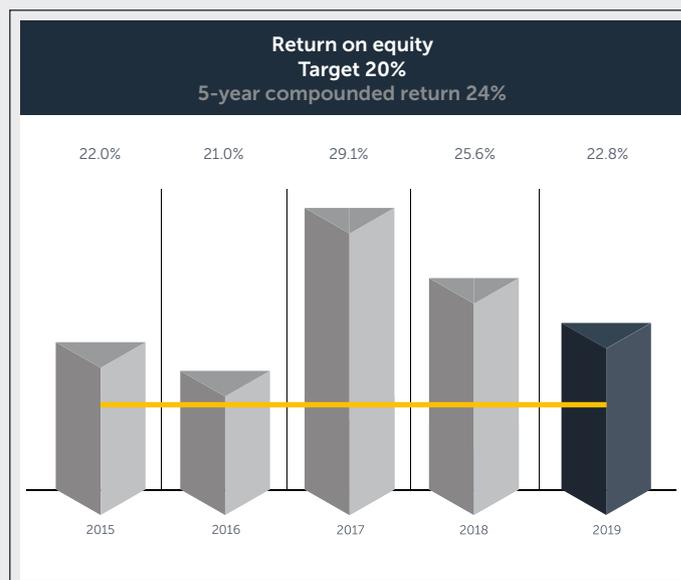
Return on equity – Target 20%

Our Group aspires to be profitable, while being capital efficient with appropriate margins for expansion and within a defined risk appetite, ensuring long-term sustainability.

Return on embedded value – Target 20%

Shareholders provide our capital and take on financial risk. As a Group, we aspire to provide our shareholders with top tier sustainable financial returns.

The graphs show our performance against these targets over the past 5 years. [On these graphs VNB means value of new business, and EV means embedded value].



For the year under review, we managed to outperform all our strategic financial targets. Key drivers for this outperformance were:

- New business growth

Our VNB growth was 23% for the 2019 financial year and on an economic equivalent basis, the growth was 15.3%.

Recurring new business premiums increased by 15.1% (12.6% in 2018) on an annual premium income basis and our single premiums increased by 96.7% (63.3% in 2018).

Our face-to-face offering did exceptionally well during the year under review and achieved VNB growth of 36.4% (economic equivalent 27.6%).

- Efficient management of expenses

Critical to a life insurance company is the management of policy administration costs. This strategic drive ensures that cost efficiencies are key in the performance measurement of the business. After tax profits have in aggregate increased by more than R500 million as the direct result of lowering the administration cost per policy over the last 5 years.

	Net profit	Embedded value
2015	R137,8 m	R110,8 m
2016	R124,2 m	R100,3 m
2017	R113,2 m	R93,7 m
2018	R115,5 m	R88,0 m
2019	R 96,6 m	R39,7 m
Total	R587,3 m	R432,5 m

- Persistency rates maintained

Over a two-year period, persistency rates have been maintained and as a result withdrawal assumptions were aligned.

- Mortality experience

The mortality experience has been in line with actuarial assumptions.

- Investment performance of shareholders' funds

The after-tax investment returns on excess assets exceeded the long-term investment return assumption by R32 million (R27 million in 2018). The return on excess assets was at 10.73% (12.97% in 2018).

- Increase in deferred tax asset

An additional deferred tax asset to an amount of R75 million has been raised in respect of assessed tax losses relating to Assupol Life's individual policyholder tax fund (IPF). The tax losses are expected to be utilised in the foreseeable future as a result of increased guaranteed single premium business. To date R1,07 billion of guaranteed single premium business have been sold.

- Integration of Top Top Business Consultants into Assupol Life

During the 2019 financial year, the business operations of Top Top Business Consultants was incorporated into Assupol Life. This decision was driven by operational and administrative efficiencies. In the current financial year, there was no material financial impact but it is expected that operational efficiencies will be realised in the future.

- Section 29A of the Income Tax Act, 58 of 1962

Section 29A of the Income Tax Act, which provides the legislative framework for the taxation of life insurers, was amended with effect from 1 July 2018. The amendments relate largely to the change in the tax valuation base of policyholder liabilities from the statutory valuation method to adjusted International Financial Reporting Standards (IFRS).

Due to the profit recognition accounting policy the Group is applying, the changes to section 29A resulted in a significant acceleration of tax payable compared to the previous tax base. It is expected that the cash generation and taxable income will gradually align over a five-year period. Tax payable increased by R72.75 million for the 2019 financial year.

- Information technology investment

With the appointment of the Chief Information Officer during the financial year, specific actions were undertaken to enhance the information technology systems of the Group, among others to optimise the operational and service abilities of the business. The benefits of certain projects will be realised over an extended period and as at the end of the 2019 financial year, expenses of R9,5 million were capitalised, after the technical and commercial feasibility of the expenditure was established. Further investment is expected over the next few years.

- Corporate social investment (CSI)

During the year under review, Assupol continued its collaboration with government; and envisages spending another R40 million over the next few years to improve sanitation facilities at government schools.

The Group has also become involved in the Youth Employment Services (Yes4Youth) project; a programme that places youth in a working environment for a period of 12 months. The Group plans to continue to contribute to this initiative.

Adjusted operating profit

The Group's net profit after tax increased to R907 million from R847 million at June 2018. To give a more realistic view of the underlying long-term Group profitability, management adjusts the net profit after tax to exclude the impact of short-term market fluctuations on the investment returns of excess assets, non-recurring transactions or events, non-recurring actuarial adjustments and non-core transactions. The table below reflects the adjustments made. It can be analysed as follows:

	2019 R'm	2018 R'm
Reported net profit after tax	907	847
Adjustment of investment returns on excess assets ⁽¹⁾	(32)	(27)
Non-recurring transactions	41	1
Adjustment of non-recurring economic assumption ⁽²⁾	(37)	15
Operational assumption changes ⁽³⁾	(72)	(65)
Other assumption changes	(6)	(66)
Adjusted operating profit	801	705

1. Our shareholder funds' returns exceeded our assumption for long-term investment returns during the 2019 financial year. The investment return on shareholders' funds outperformed the market benchmark by 1.61%. The asset allocation in the fund and the related investment returns are shown in the asset allocation section.

2. Changes in our actuarial economic assumptions were driven by a decrease in the bond yields from 8.5% in 2018 to 7.7% in 2019.

3. Changes in our actuarial operational assumptions were driven mainly by a favourable renewal expense experience which resulted in a release of actuarial reserves of R137.8 million after tax. The withdrawal and not-taken-up assumptions were updated in accordance to the most recent experience investigation and increased policyholder liabilities by R24.4 million after tax.

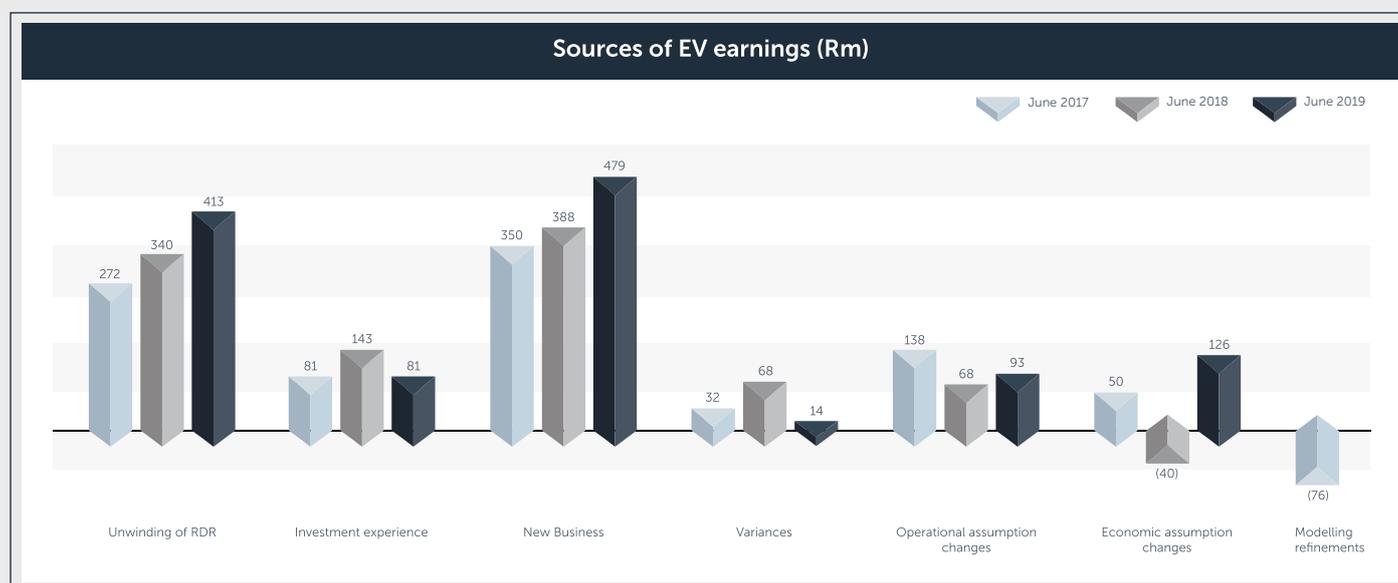
Group embedded value

The Group continued to perform exceptionally with a return on embedded value of 29.1% (33.5% in 2018).

The key drivers of this return were:

- Growth in value of new business
- Renewal expense efficiency releases
- Investment returns

The graph below gives an analysis of our earnings on our Group embedded value. [In this graph EV means embedded value, RDR means Risk Discount Rate, and VNB means value on new business.]



Investment performance

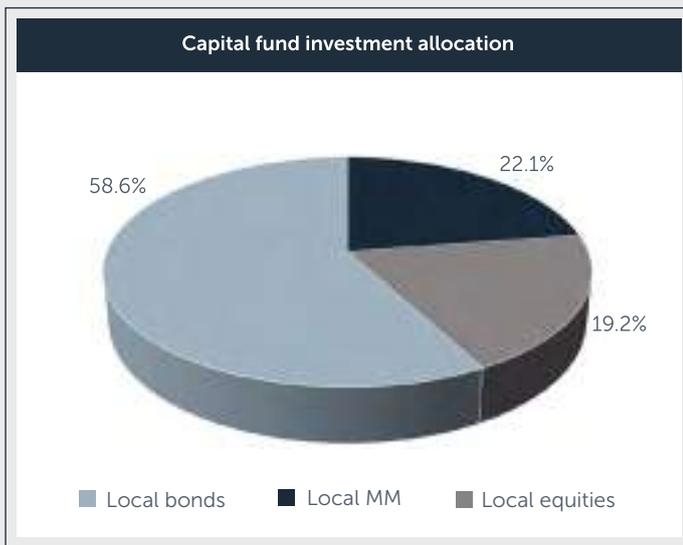
Our Group believes that strategic asset allocation is key in delivering long-term returns and will avoid decisions, where the time-frame of the decision, differs significantly from the investment horizon of the funds (tactical or short-term market timing decisions).

The selected asset allocation must reflect each investment category's risk profile, and provide a reasonable level of return in most investment conditions. The investment return volatility of different asset classes is acknowledged and appropriate diversification between asset classes must be applied to minimise volatility of the returns.

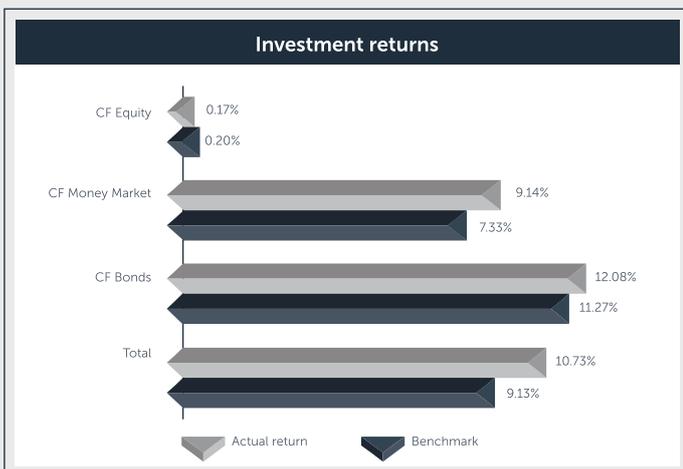
The Group continues to adopt a passive investment management approach which is aligned with its aim to deliver long-term returns.

Asset allocation and investment returns in our shareholder fund

This graph shows the asset allocation at 30 June 2019.



This graph shows the investment return at 30 June 2019.



Share capital

The company has submitted an application to the Prudential Authority of South Africa for the issue of 4 324 000 'B2' no par value shares. The cost has been recognised during the financial year relating to the 'B2' no par value shares. The 'B2' shares were issued for the purpose of Assupol's deferred compensation scheme.

No shares were repurchased or cancelled during the financial year.

Subordinated debt

On 29 January 2019, Assupol Life entered into a subordinated debt agreement with Investec Bank Limited. In terms of the agreement, the company has access to a draw down facility of R250 million. At the end of the financial year, R125.9 million of this facility was utilised for the funding of new business. It is the intention of the company to utilise the balance of the debt facility during the 2020 financial year for the same purpose.

How we manage our capital

Our capital-management philosophy is to optimise the return on capital, but not at the cost of business sustainability. We therefore seek to optimise returns within acceptable risk-appetite ranges and in accordance with regulatory requirements.

We ensure alignment of capital to risks and that the reward is commensurate with the risks taken. Reward in this sense relates to return on reported capital.

Our aim is to provide our shareholders with appropriate returns at an acceptable level of risk and to successfully execute our Group's long-term strategy.

We apply the following principles:

- We determine capital on a statutory base, and in compliance with the Companies Act
- Determine risk-tolerance ranges
- Allocate efficient funding for capital requirements
- Allocate appropriately for projects yielding returns higher than the average return-on-equity targets
- Optimise capital components:
 - Frequent monitoring of risk-driven components in the required capital structure
 - Through asset-liability matching
 - Reinsurance retention limits
 - Sources of capital
- Applying a sustainable dividend policy, explained in the section on dividends on the next page.

Our Group's dividends

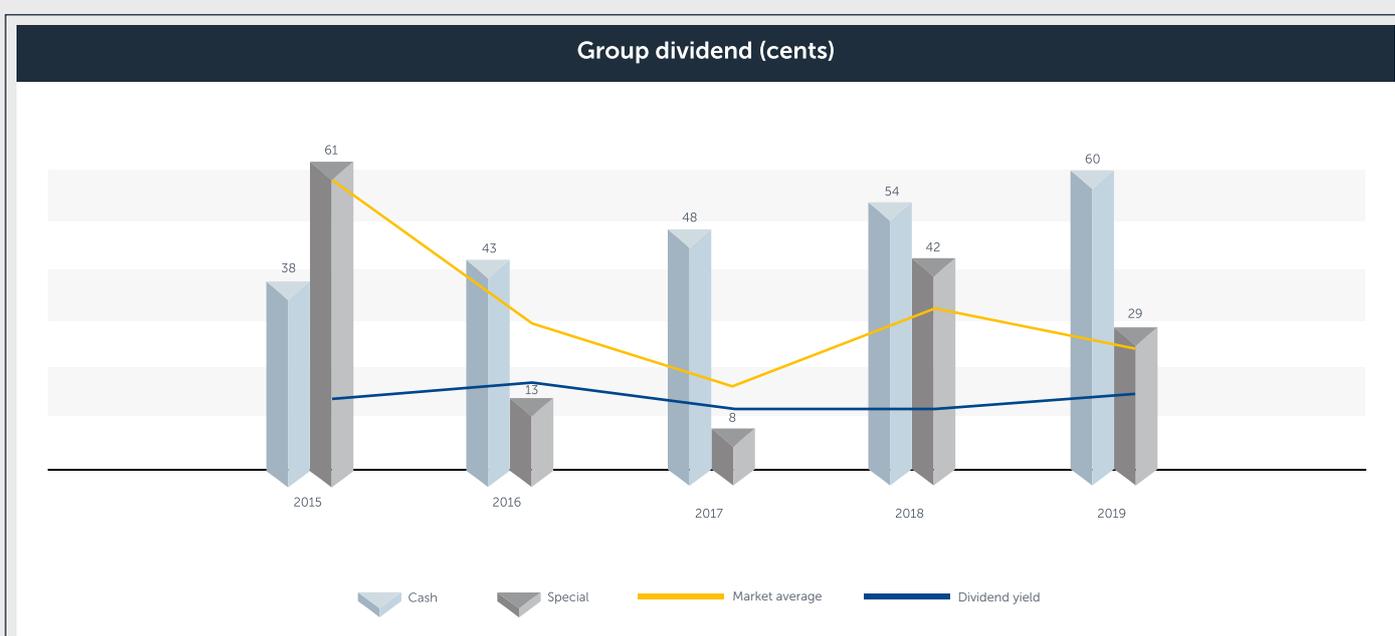
Our dividend policy is based on the following principles:

- To create a sustainable dividend flow for shareholders;
- Align our policy with company performance, where cash generation will be used as guidance;
- Hold sufficient liquid assets for working capital to finance strategic initiatives;
- Maintain a target capital adequacy ratio, as determined by our board from time-to-time;
- Comply with all regulatory requirements; and
- Declare a special dividend, if surplus cash is available.

The normalised cash generation of our Group supports our normalised dividend-growth target. The special dividend for the 2019 financial year was possible due to the following:

- Investment return outperformance;
- Expense efficiency savings;
- Actuarial assumptions changes.

This graph compares our dividends from 2014 to 2019.



Investment in new initiatives

One of our key strategic focus areas is to explore new initiatives that will amplify our current offering to clients. During the 2019 financial year, three of these new projects were initiated. A key focus area for next year will be for these new projects to contribute to the value offering of the Group.

For this purpose, we have allocated R66.25 million over the next 5 years, to ensure the availability of financial resources.

Solvency

The Solvency Assessment Management (SAM) basis, under the "Twin Peaks" regulatory dispensation, was successfully implemented with effect 1 July 2018.

Our Group's life-insurer, Assupol Life, is well above the required capital adequacy requirement under the current statutory valuation method, and above the solvency capital requirement under SAM.

This graph shows our solvency position according to the SAM framework from 2015 to 2019.



Interest rate sensitivity

It is important to take note of the Group's sensitivity to economic assumptions. The reason for this is the initial recognition of new business profits on the IFRS basis. The value of the probable future economic benefits is captured under the insurance asset balance sheet item, which is discounted at a rate based on economic assumptions. Although the value of this item is dependent on economic assumptions, the normalised cash generation profile of the business is not affected by this. The following table illustrates the impact of economic assumption changes on the different metrics:

Metric	Base	2019		2018	
		Interest and inflation assumption -1%	1%	Interest and inflation assumption -1%	1%
Net profit after tax - Δ		44 666	-65 607	74 772	-118 912
Embedded value - Δ		143 040	-137 197	211 907	-191 145
Cash generation - Δ		-2 320	-3 020	-20 616	6 853
SCR ratio		1.75	1.72	1.79	1.77

This sensitivity arises due to the quantum of high volume profitable new business relative to the size of the current in-force book and is amplified by the current profit recognition profile. The profit recognition profile of insurance policies will substantially change with the introduction of IFRS 17 in 2022. Business decisions are made based on several relevant financial metrics including cash generation and solvency.

As the solvency position and cash generation profit of the business is not sensitive to interest rate movements, the Group does not believe that an interest rate hedging strategy is appropriate at this stage.

Future considerations

IFRS 17

The first set of financial results for our Group, that will incorporate IFRS 17 in full, will be the annual financial statements for the year ending 30 June 2023.

The Group's IFRS 17 steering committee is managing the transition to the new accounting standard and meets on a monthly basis. The steering committee is supported by various work groups. During the financial year developments have been focused on product classification, direct attributable expense allocation, and enhancing the actuarial system to support the data requirements of the IFRS 17. Assupol is participating in various industry forums to ensure that its interpretation and application of the standard is appropriate.

Conclusion

Our Group's success in the past was based on building a strong base for all stakeholders, ranging from policyholders, shareholders, the regulator, business partners and employees alike, while ensuring that cost and risk is managed appropriately. We intend to continue with this approach, and to balance future challenges, which currently are unknown, on this foundation.

I thank all stakeholders who contributed to the success of our Group. Our splendid financial performance in recent financial years couldn't have been achieved without the continuous dedication and loyalty of all the role-players.

Niël de Klerk
Group CFO

A BRAND THAT SERVES

A new corporate brand positioning strategy was launched during the year under review, to define a clear and consistent brand message in a way that not only expands the brand and attracts new clients, but also retains and grows our existing client-base. While our industry is becoming more competitive and cluttered, it was crucial for Assupol to reinforce its leadership, expertise and focus, while owning a credible positioning territory in the minds of clients. As most brands are competing head-on, we have taken a stand not to lose our authenticity.

A TV commercial was developed to speak to the fact that those who serve the hardest are hardly ever honoured or appreciated. Assupol's commercial celebrates those who serve in the most iconic way – through the raising of a monument.

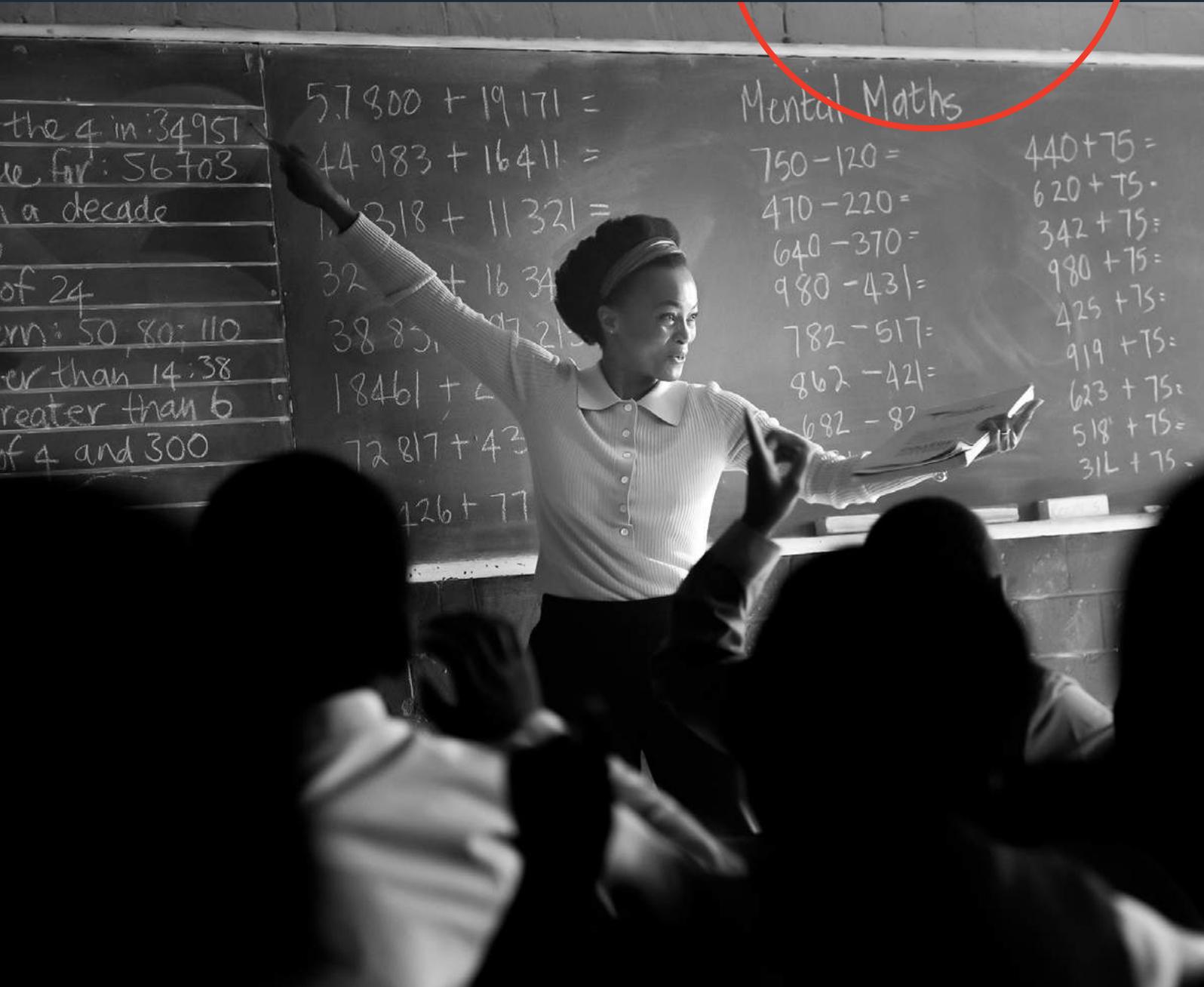
The objective of our brand positioning was to defend and capitalise as well as deepen our brand meaning, however, at the heart of our brand positioning was to venerate “those who serve” – the hard-working people of South Africa. Serving, to us, is a matter of life and death. Service has been Assupol's guiding light and an ethos the brand has upheld since 1913. Assupol is widely recognised as an industry leader, having won the Capital Finance International (CFI) awards, for the best life assurer in Southern Africa, for five consecutive years (2015-2019).

The cast members represented in this 360-degree integrated campaign are real life heroes who share their life and professional stories of how they serve their communities and loved ones in various ways. Although we focused on only a handful of characters, the campaign's overall sentiment resonates with all of those who fully understand the sacrifice that comes with service.

ASSUPOL, SERVING THOSE WHO SERVE, SINCE, 1913



ASSUPOL CARES



ASSUPOL CARES

Our approach to citizenship is to focus our strategy and concentrate our resources to make a meaningful and substantial difference in our communities.

Assupol Cares is comprised of the Assupol Cares Employee Initiative (ACEI), our Corporate Social Investment (CSI) initiatives, and the Assupol Community Trust (ACT).

ACEI is a charitable initiative that is funded and managed by employees in the Assupol Group. It is aimed at providing financial or other assistance to charitable causes as nominated by employees. ACEI is managed by the ACEI Committee (the Committee) and consists of members who are elected by employees and representatives appointed by the Assupol Group. The Committee is responsible for the consideration of applications in accordance with its criteria and procedures.

Our CSI policy is focused on initiatives that impact education, health, and vulnerable children, as well as flagship projects. We have supported numerous regional and national initiatives as well as individual requests for funding, supplies, books and non-perishable food for ad-hoc community needs.

Our flagship project was initiated during the period under review. On 14 August 2018, President Cyril Ramaphosa called on South

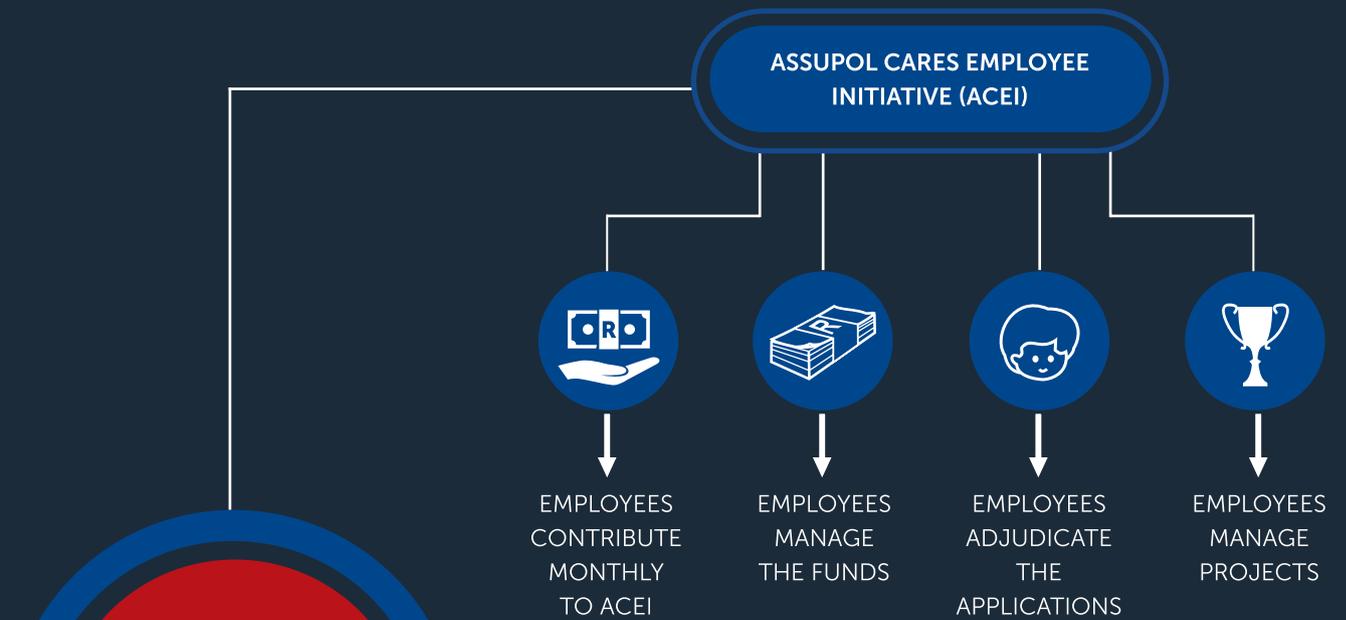
Africans, corporates, NGOs and international partners to join forces in eradicating pit latrines and other inappropriate sanitation facilities, in nearly 4,000 schools across the country, to make schools a safer and more dignified environment for their learners. Assupol heeded this call.

Assupol entered into a partnership with the Department of Basic Education, to build proper sanitation facilities for 100 primary schools in South Africa, who currently cannot offer dignified ablution facilities to their learners. This project will be implemented in a staggered approach for the next 5 years and will benefit rural primary schools in Limpopo, KwaZulu-Natal and the Eastern Cape. Ten schools were completed during the period under review.

Through the Assupol Community Trust (ACT), a total of 3 539 children in Gauteng and KwaZulu-Natal accessed ECD services in Nellmapius, Nquthu and Msinga centres. As part of the Youth Employment Service (YES) initiative, the Trust recruited 196 young people from Nellmapius (43), Nquthu (77) and Msinga (76) who were trained as early childhood development (ECD) practitioners.

These initiatives are well-aligned with Assupol's citizenship strategy. We believe that these projects will significantly improve the quality of education and safety of our school children, and their chance of receiving a good education.

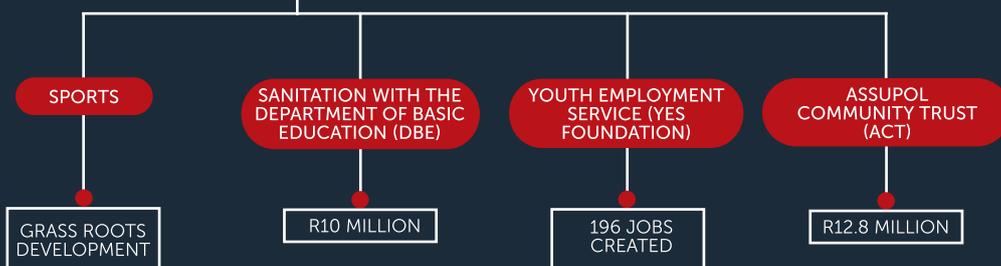




EMPLOYEES CONTRIBUTING TO ACEI

Description	30-Jun-19
Contributing members	603
Contributing members %	66%
Average contribution per member	R24
Split between contributions:	
Head office	363
Branches	240
Total contributions received	R233 956
Total projects supported	R228 812

ASSUPOL HOLDINGS



THE ASSUPOL COMMUNITY TRUST

The Assupol Community Trust (ACT) supports government's commitment to universal access to early childhood development (ECD) for children 0-5 years old, and continues to invest its limited resources to make a meaningful difference in the lives of children. We are inspired by the reaffirmation and directive from President Cyril Ramaphosa, of universal access to ECD by 2030, and his articulation that children must have at least 2 years of ECD pre-Grade 1.

While we have made great progress towards reaching our strategic objectives, there is still a tremendous amount of work to be done. We continue to work diligently in line with our strategy to address the findings of the extensive audit conducted, which sought to illustrate the extent to which children were accessing ECD within our designated focus areas, and the quality of ECD services available in these areas.

Achievements

Our approach to meeting our strategic objectives has always been collaborative, working with our partners at various levels of government and non-profit organisations, to ensure that parents, communities and municipalities are involved in the solutions we implement. In the year under review, we strengthened relationships with the Umzinyathi District Municipality, whose cooperation was instrumental to our achievements in KwaZulu-Natal. While progress in the City of Tshwane has started slowly, we hope to have similar successes in Gauteng.

We conducted awareness campaigns to educate parents on the importance of ECD in the development of children, and we saw significant improvement in the stimulation of children after having trained 335 ECD practitioners and day-mothers in various programmes to improve their teaching skills. Our nutrition programme continues to yield positive results; 1 265 children were fed nutritious porridge provided by JAMSA, we saw reduced stunting and wasting in children and fewer underweight children were also recorded during the year.

Where infrastructure and compliance are concerned, we are extremely proud of the facilities that were repaired and built: 40 ECD centres in KwaZulu-Natal and 10 ECD centres in Gauteng. Water and sanitation were improved in each of these centres by building toilets suitable for children and practitioners, including those with disabilities. In delivering this infrastructure, we are particularly proud to have been able to benefit local businesses and contribute towards skills transfers and the creation of jobs for local artisans.

In June 2019, Assupol Life partnered with government's Youth Employment Service (YES) initiative to contribute towards addressing the decline in youth unemployment that challenges our country. The YES initiative aims to contribute towards building and strengthening our economy by creating one million jobs and job opportunities within the next three years for young black South Africans from urban, peri-urban and rural areas. Through this partnership, 196 unemployed youth were recruited by ACT and placed in learnerships in various

ECD programmes and should contribute to our strategic objective of accelerating access to ECD in the disadvantaged communities. Given that youth employment is an indicator of future economic growth, we deemed it pertinent to contribute to the success of the next generation of our nation.

Our vision

Every child ready for the future

Our mission

Play a leading role in impacting the delivery of ECD in designated areas

Our focus areas

KwaZulu-Natal: Umzinyathi District Municipality

- Msinga: 40 ECD centres
- Nquthu: 40 ECD centres

Gauteng: City of Tshwane

- Nellmapius: 65 ECD centres and 16 day-mothers

Our strategic objectives

- To improve access to ECD to children between 0-5 years in Nellmapius, Msinga and Nquthu
- To improve the quality of ECD services in Nellmapius, Msinga and Nquthu
- To facilitate compliance with basic standards of registration, health and safety in line with the Children's Act and municipal by-laws in ECD facilities in Nellmapius, Msinga and Nquthu
- To promote good governance, partnerships and stakeholder relations in the City of Tshwane and Umzinyathi District Municipality

OUR BUSINESS

THOSE WHO SERVE



OUR GROUP AT A GLANCE

Assupol Holdings Ltd is the holding company of the Assupol Group of companies. The Group operates through two wholly-owned subsidiaries: Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.

Assupol Life Ltd is a registered life-insurer and authorised financial services provider. It provides affordable funeral, life, savings, investments and retirement products to the South African market.

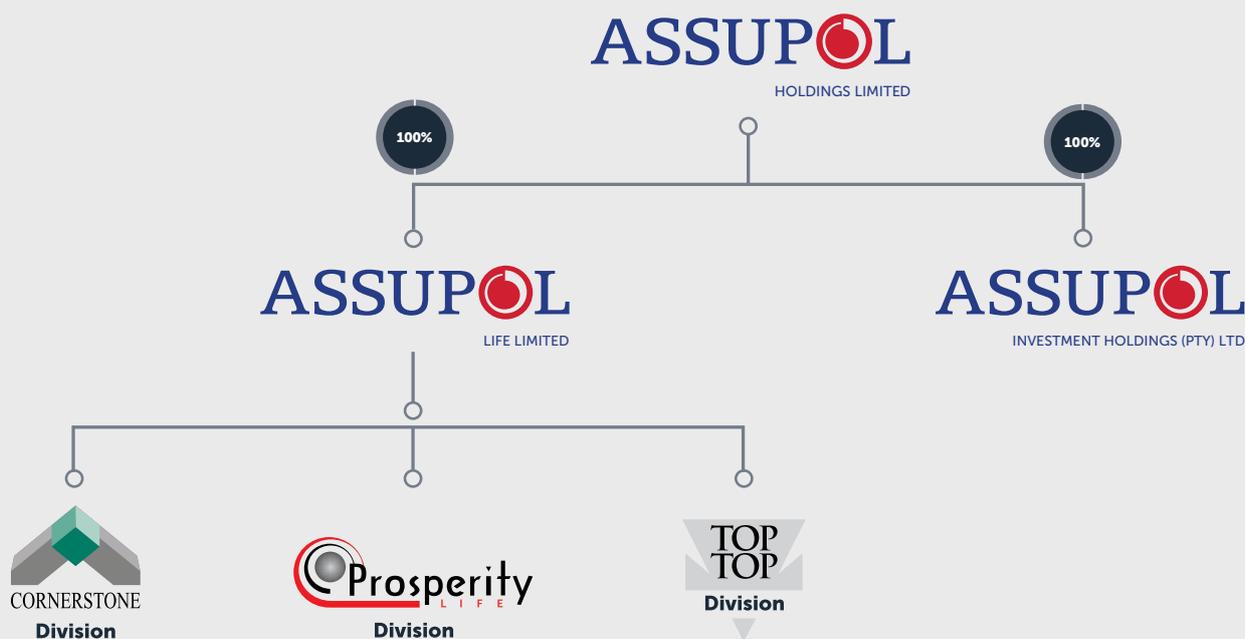
Assupol Investment Holdings (Pty) Ltd is our investment-holding company. It holds our Group's strategic investments.

Prosperity Insurance Company Ltd was the first black-owned

insurance company in South Africa. Assupol Life acquired Prosperity's business. We own the Prosperity trademark. Prosperity is a division of Assupol Life.

Cornerstone Brokers Corporate (Pty) Ltd markets funeral insurance for Assupol Life primarily to pensioners who receive a social grant from government. Assupol Life acquired the Cornerstone business in 2017. Cornerstone is a division of Assupol Life.

Top Top Business Consultants (Pty) Ltd provides administration services to their financial services intermediaries. Assupol Life acquired the Top Top business in 2018. Top Top is a division of Assupol Life.

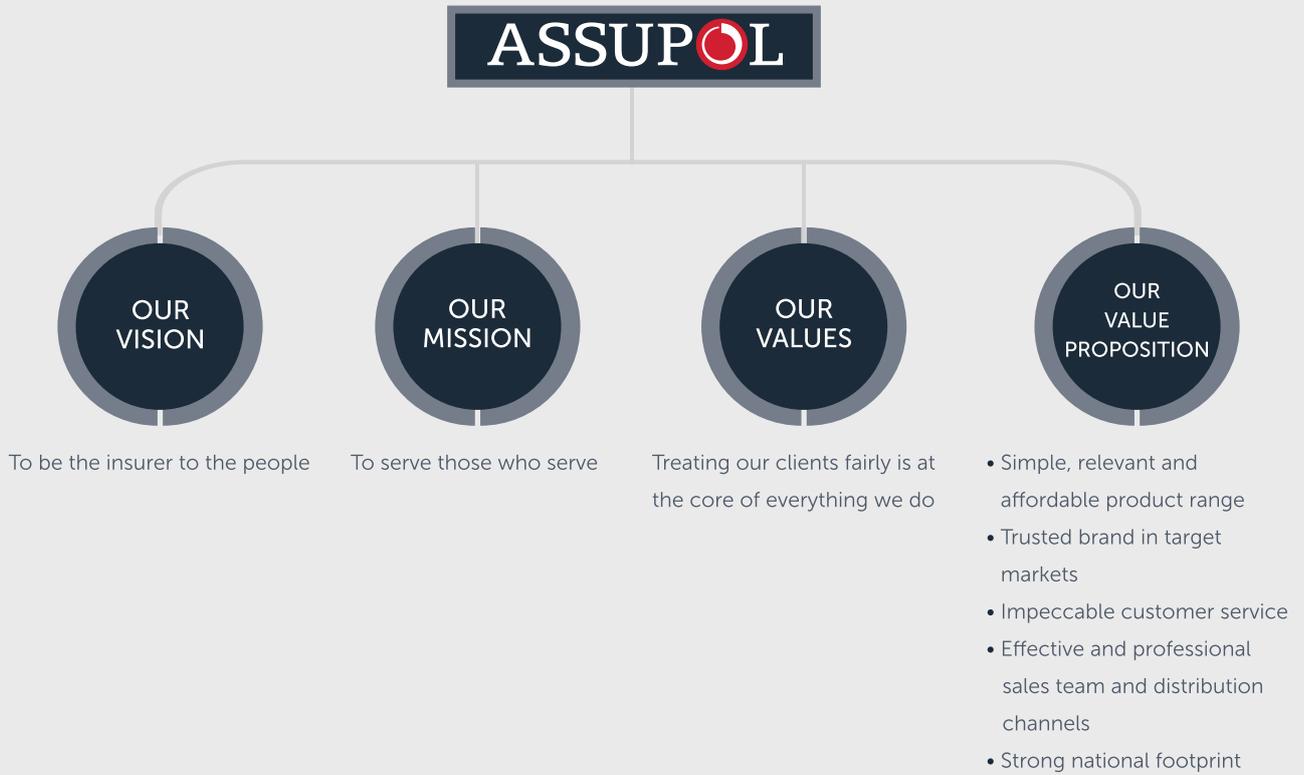


ASSUPOL, AFTER 106 YEARS

Assupol Life began in 1913 as a burial society for members of the South African Police Service. From that modest and caring beginning it has grown into a fully-fledged life-insurer, serving those who serve and often leading with innovative products and services.

Assupol has become a household name, synonymous with high-quality service and affordable products tailored for our focused markets. But more importantly, after more than a century, Assupol has remained the caring company it was at its inception.

OUR PHILOSOPHY



BUSINESS PARTNERS AND PROFESSIONAL SERVICE PROVIDERS

External auditors	PricewaterhouseCoopers
Internal auditors	Ernst & Young
Head of actuarial function	Deloitte
Reinsurers	Hannover Re, Munich RE, GenRe and RGA

SALES DISTRIBUTION CHANNELS



EXPANDED ACCESSIBILITY

Our online client portal (my.assupol.co.za) offers clients easy access to policy documents and client communication.

More than 90,000 policyholders have now registered on the portal.

SUMMARY OF OUR PRODUCT OFFERING

Life products	Excellence Family Funeral Plan	Absolute Advantage Funeral Plan (direct marketing)	instantFuneral Plan (online marketing)	Progress Legacy Plan	Progress 4Life Plan	Progress 4Sure Plan	Progress Accident Plan	Ultimate Retirement Income 4Life	Cornerstone Pensioner Plan	Cornerstone Solution Plan
Funeral	●	●	●	●	●	●			●	●
Death and/or Disability				●	●	●	●	●		
Critical Illness/ Dread disease				●	●	●				
Family Income	●	●	●							
Premium waiver	●	●	●	●	●	●				
Cashback	●	●	●		●	●				
Assupol On-Call	●	●	●	●	●	●	●			
On-Call Plus	●	●	●	●	●	●				
Rewards	●			●	●	●				
Health+	●	●								

Savings and investment products	Assupol One Savings Policy	Assupol One Tax-free Savings Policy	Guaranteed-return Single-premium Policy	Guaranteed-income Single-premium Plan	Carefree Life Retirement Annuity	Assupol Preservation Funds
Regular withdrawals	●	●				
Premium waiver	●				●	
Rewards	●	●			●	
Savings	●	●	●	●	●	●

- New products introduced during the period under review: Health+ benefit, Guaranteed-income Single-premium Plan, Preservation Funds, Ultimate Retirement Income 4Life.
- Assupol Rewards was introduced in August 2019.

OUR LEADERSHIP



EXECUTIVE COMMITTEE



RIAAN VAN DYK (53)

Group CEO

BSc (Actuarial Science), FASSA, FFA

Riaan was appointed Group CEO in July 2017 after serving as non-executive director of Assupol from 2013. Before joining Assupol, he was managing director of Natsure, a position he held for eight years. Riaan brought a wealth of experience, gained over a number of years. He started his career at Metropolitan Life in 1988, and qualified as an actuary in 1990, whereafter he held senior positions at Momentum, before joining Natsure.



BRIDGET MOKWENA-HALALA (54)

Assupol Life CEO

MBL

Bridget joined Assupol in 1999. Before then she was employed by the South African Police Service as senior manager of human resource management. She has held various positions in our Group, including being Prosperity Life CEO, and was appointed as Assupol Life CEO and an executive director of Assupol Holdings in 2011. She is a director and Exco member of the Association of Savings and Investment South Africa (ASISA) and the chairperson of the ASISA Transformation Board Committee. She is currently a council member of the Financial Sector Transformation Council and trustee of the Assupol Community Trust.



NIËL DE KLERK (48)

Group CFO

CA(SA)

Niël joined Assupol in 1998. Before then he did his three-year chartered accountancy training at PwC. He became an executive director (finance) of Assupol Life in 2000, and an executive director of Assupol Holdings in 2011. In his important role as head of our finance function, Niël has developed our finance department into an efficient asset, through the development of structures, systems, policies, budget-control, and accounting procedures. He was instrumental in the development of our in-house actuarial, investment-management, and risk-management capabilities. He is a member of the South African Institute of Chartered Accountants.



SIPHIWE NDWALAZA (53)

Group HR Director

MM (HR), MBA, CD(SA)

Siphiwe joined Assupol in September 2011. He became an executive director of Assupol Holdings in September 2012, and an executive director of Assupol Life in May 2013. As a highly experienced HR practitioner, he has over the past 25 years also held senior positions at several other organisations including Sentech, Sony South Africa and General Electric South Africa. He obtained a master's degree in business administration (MBA) from the University of the Witwatersrand's Graduate School of Business Administration. Siphiwe also graduated with a master's degree in human resources management (MM) from the Wits Business School.

EXECUTIVE COMMITTEE



EDWARD (JAY) MNGOMA (62)

Group Sales Executive

Jay joined Assupol in 2013, as a senior executive sales manager. He has almost 30 years' experience in the financial services industry in various capacities. He, among others, played a leading role in the development of black financial advisors and professionals through his long-standing involvement in the Black Brokers Forum. He has also served on the Training and Development Committee of the Financial Services Board, and is a counsellor of the Inseta Board. Jay was appointed as our Group sales executive with effect from 1 July 2017.



JOHAN DIPPENAAR (53)

Group CRO

BCom, FASSA

Johan joined Assupol in 2015, to take charge of our Group's risk management functions. He has actuarial and related experience in a broad spectrum of functions, among others: product development, retirement fund consultancy and trusteeship, actuarial valuations, investment management and balance sheet management. Johan held many senior positions, notably that of statutory and chief actuary of Momentum, and served on many committees, including chairing the Tax Committee of the Actuarial Society of South Africa. He was also closely involved in mergers and other corporate actions.



MARK SALMON (46)

Head of Group Strategy

BSc (Actuarial Science), MBA

Mark joined our Group in January 2017, as head of our Group strategy, and to pioneer and steer our growth initiatives. He has been a highly-rated investment analyst for a number of years, focusing on the listed long-term and short-term insurance companies. Mark was voted the top insurance analyst in the Financial Mail's annual survey of analysts three years in a row, and before joining our Group was also head of Investec's institutional research team.



NOMTHI NELWAMONDO (41)

Group CIO

BIT (Hons), MSc IT, MBL

Nomthi joined Assupol in January 2019 to fulfil the role of CIO. Prior to joining Assupol she was the CIO of Liquid Telecom South Africa and previously fulfilled a divisional CIO role at Telkom. She has over 18 years of experience in ICT and has held various diverse roles in senior management in IT, telecommunication core networks, network wholesale service operations and ISP.

EXECUTIVE DIRECTORS OF THE BOARD



RIAAN VAN DYK (53)
Group CEO
 BSc (Actuarial Science), FASSA, FFA

Director of Assupol Holdings since September 2013.



BRIDGET MOKWENA-HALALA (54)
Assupol Life CEO
 MBL

Director of Assupol Holdings since January 2011.



NIËL DE KLERK (48)
Group CFO
 CA(SA)

Director of Assupol Holdings since January 2011.



SIPHIWE NDWALAZA (53)
Group HR Director
 MM (HR), MBA, CD(SA)

Director of Assupol Holdings since September 2012.

NON-EXECUTIVE DIRECTORS OF THE BOARD



DR RJ KHOZA (69)

Chairperson

BA (Hons), MA in Marketing, EngD in Business Leadership, LLD (hc), D Econ (hc), CD(SA)

Independent non-executive director and chairperson since May 2019.



NE GUBB (48)

BCom, PDM (Bus Ad), HDip Tax, CFA

Non-executive director since May 2013.



IO GREENSTREET (60)

BSc (Hons), FCA

Independent non-executive director since June 2013.



EDJ ASHKAR (42)

CA(SA) and CA(Australia)

Non-executive director since February 2013.



Z SABAN (50)

BA Law, LLB

Non-executive director since August 2017.



GR BURGER (63)

B Acc CA(SA); H Dip BDP; MBL

Non-executive director since May 2019.

Independent non-executive directors Non-executive directors

NON-EXECUTIVE DIRECTORS OF THE BOARD



S BRAUDO (47)

BEconSc, BSc (Hons), FIA, CFA

Independent non-executive director since May 2019.



B MOROOLE (47)

BCom (Hons), CA(SA)

Independent non-executive director since September 2018.



R MTHAPO (38)

BSc (Hons), BEcon Sc, FASSA

Independent non-executive director since August 2017.

OUR STAKEHOLDERS



SHAREHOLDERS AND TRADING IN ASSUPOL SHARES

Our demutualisation

In terms of Assupol's demutualisation scheme, 236 927 qualifying members received shares in Assupol Holdings Ltd (Assupol). 12 408 of them elected to retain their shares. The rest elected to redeem their shares at a fair market value.

The redemption proceeds of R891 million were paid to the Assupol Members' Trust for the benefit of these members. From the Trust, cash payments were made to them once they had confirmed their particulars, including their bank details, as required by the demutualization scheme.

	Shareholders	Redeemed shares paid	Net value paid (R)
June 2013	98 298	183 881 489	427 413 829
June 2014	38 557	54 670 505	130 615 057
June 2015	13 302	17 091 172	43 016 005
June 2016	4 056	5 690 126	15 244 682
June 2017	12 582	20 756 928	57 197 132
June 2018	22 757	25 778 528	71 354 807
June 2019	2561	2 964 228	9 043 855
Unpaid at 30 June 2019	32 088	40 872 817	0
			753 885 367

Net payment is gross payment at R2.50 per share, plus interest, less dividend withholding tax, payment costs and tracing fees if applicable.

CURRENT SHAREHOLDING

The shareholding as at 30 June 2019 is stratified as follows:

Name	Restrictions	Category	Director nomination rights	Shares held	% holding
MyChina (Pty) Ltd	None	Corporate	3	182 740 293	43.3%
International Finance Corporation (IFC)	Yes	Corporate	2	82 711 565	19.6%
WDB Investment Holdings (Pty) Ltd	Yes	B-BBEE	1	44 202 985	10.5%
WDB Investment Holdings (Pty) Ltd	None	Corporate		7 872 672	1.9%
Assupol Community Trust	None	CSI		18 700 000	4.4%
Staff incentives and restraint of trade/shares	Yes	Employees		14 100 584	3.3%
Assupol Investment Holdings (Pty) Ltd	None	Treasury		1 074 967	0.3%
Other shareholders	None	Free float *		70 572 924	16.7%
				421 975 990	

* These shares are unrestricted, and some are held by employees.

Trading in Assupol shares

During the year under review, the volume weighted average monthly price fluctuated between R9.39 and R11.16 per share.

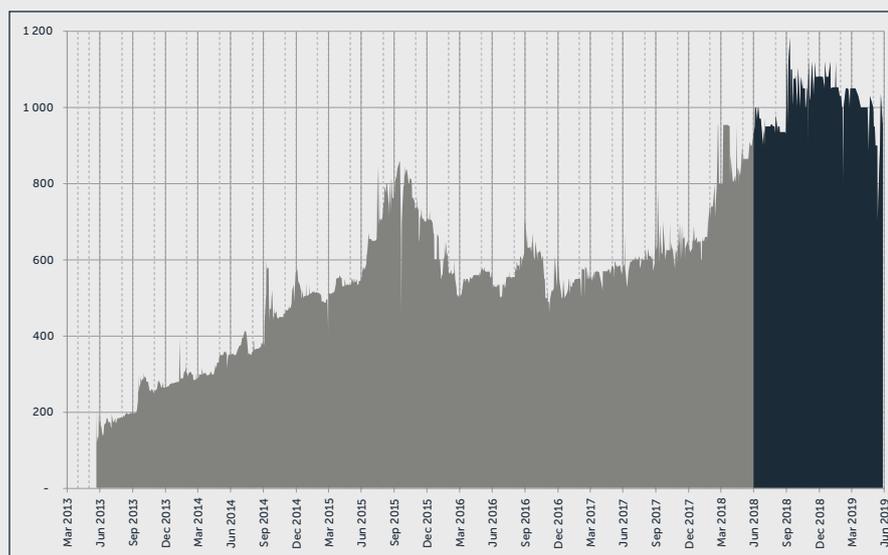
The trading statistics for the year under review can be summarised as follows:

Month	Trades	Volume	Value (R)	VWAP (R)
2018/7	57	177 525	1 717 998	9.68
2018/8	41	115 794	1 109 231	9.58
2018/9	32	128 107	1 202 861	9.39
2018/10	111	4 323 030	46 241 718	10.70
2018/11	67	892 046	9 711 859	10.89
2018/12	34	1 191 310	13 196 484	11.08
2019/1	34	533 373	5 952 943	11.16
2019/2	25	166 368	1 818 672	10.93
2019/3	40	404 040	4 187 830	10.36
2019/4	25	274 048	2 873 108	10.48
2019/5	32	117 558	1 188 656	10.11
2019/6	33	264 167	2 674 975	10.13

*VWAP means 30-day volume weighted average price

Share-trading platform

Assupol completed its first year as a listed exchange on 4AX during the year under review. The platform provided a secure facility for shareholders to buy and sell their shares in Assupol.



Dividend declaration

On 27 September 2019, following the approval of the annual financial statements for the year ended 30 June 2019, Assupol's board declared an ordinary dividend of 60 cents per share, and a special dividend of 29 cents per share.

EMPLOYEES AND REPRESENTATIVES

Our employee-value proposition

Our employees have a focused, empowered, and accountable role to play in a growing and successful organisation.

Our value is entrenched on the belief that:

- We do not only exist to create employment but to make a difference in people's lives
- We serve in cross collaboration with each other, we provide service to one another
- We empower employees to make decisions and take accountability
- We empower employees to perform their duties and provide the tools and support thereof
- Treating our clients fairly is at the core of what we do
- We provide solutions to stakeholders

We have maintained our status as an employer of choice

We have long understood that our employees play a critical role in our continued success. We continuously search for ways to provide the "ultimate" employee experience. We have thus, regularly opened ourselves to scrutiny by competent, external, independent verification entities. They assess our employment practices and provide us with valuable scientific assessment on how we fare, compared to other best employers in the country.

We seek to attract the most talented employees and understand that they benefit from constructive feedback, and that it is our job to keep providing such. To this end we have regularly participated in the Deloitte Best Company Survey, which is probably the most prestigious and respected survey of its kind in South Africa.

We performed exceptionally in this year's survey. Not only did we attain the Deloitte Gold Seal of Achievement, but we also exceeded the benchmarks in two of the most crucial indices by a considerable margin.

Employee development

We have continued to invest and reinvest in developing our employees with successful on-boarding and ongoing training, helping them reach their full potential. Their skills, experience and diversity enable us to provide competitive and reliable products and services to our clients. We invested over R15.6 million in employee training and development in the year under review.

Actuarial

Assupol Life is registered as an actuarial training office with the Actuarial Society of South Africa. As such, we support employees with

their actuarial studies, and are dedicated to developing their actuarial skills. We have made excellent progress as a training office. We boast four qualified actuaries and 11 actuarial students.

Chartered accountants

Assupol Life is registered as an approved training provider with the South African Institute of Chartered Accountants (SAICA). As such, we enable students to complete the training programme to qualify as Chartered Accountants CA(SA). To date, four of our trainees have gone on to become CA(SA)s, while an additional nine trainees completed their training successfully.

Assupol internships

We offer internships in actuarial science, underwriting, claims, financial risk, legal services, compliance, IT development, marketing support and sales intelligence, corporate affairs, and client services. This programme is highly successful, and more than 85% of our interns have since been appointed to permanent positions.

Employee wellness

Our Careways employee-assistance programme

In line with our vision of being the preferred employer in the financial services sector, we provide an employee-assistance programme through which our employees, as well as their immediate family and dependants, enjoy access to registered clinical, legal, and financial professionals on a 24-hour basis, seven days a week.

This composite programme caters for physical, emotional, legal, and financial wellness. Its aim is to create a healthy work environment, and to extend beyond the workplace to nurture happy and confident employees who are motivated, effective and efficient.

Our executive wellness programme

This programme assists our executives to assess their health and wellness, and guides them on how best to enhance their health, quality of life and productivity. The programme respects the privacy of participants, and personal information is duly protected.

We have participated in this programme for the past 6 years. In 2019, 12 of our executives (eight men and four women) participated.

Transformation

Broad-based black economic empowerment (B-BBEE)

We maintained our B-BBEE rating of a Level 3 contributor status in the period under review, even though the new scorecard was being measured under the more stricter "Amended Financial Services Sector Codes" (Gazetted on 1 December 2017).

We scored well in the following areas:

Element	Score	Target score
Equity ownership	28.00	23
Enterprise and supplier development	30.55	30
Socio-economic development and consumer education	6.09	5
Access to financial services	10.50	12

Areas requiring attention include:

Element	Score	Target score
Management control	14.80	20
Skills development	6.76	20

Employment equity

We continue to make considerable progress in terms of transformation of our Group. In the year under review the composition of African, Indian and Coloured (AIC) employees stood at 87% of our overall workforce.

Company	Total				Total
	African	Coloured	Indian	White	
Assupol Life	714	53	19	122	908
% Total	79%	6%	2%	13%	100%

CORPORATE GOVERNANCE



ASSUPOL HOLDINGS LIMITED ("THE COMPANY" OR "ASSUPOL") KING IV REPORT

Assupol is committed to good corporate governance and willing to exercise ethical and effective leadership towards the achievement of an ethical culture, good performance and effective control. Hence, it is important for the board to continuously monitor and oversee the implementation of King IV.

We acknowledge that although King IV does not represent a significant departure from the philosophical underpinnings of King III, concepts have been developed and refined as stated in the King IV report. We note some observations relating to the Assupol transitioning from King III to King IV:

- a. As part of the journey it is apparent that there is already a significant application of the various recommended practices at Assupol.
- b. Assupol complies with the requirements of all legislation to ensure that the requirements addressed therein such as the Companies Act, 2008 and the Insurance Act, 2017 were primary focus areas. In addition, there was focus on ensuring that the relevant provisions of the Memorandum of Incorporation (MOI) were fully complied with at all times.

A summary of Assupol's application of the King IV principles is included below. The reader is also referred to the corporate governance report which is included in this integrated report for further information regarding corporate governance at Assupol and the activities of the board and its committees.

The board and management are satisfied to conclude that Assupol is currently achieving the governance outcomes of King IV in all material aspects, based on the policies, frameworks, procedures and practices implemented.

Principle	Application
<p>Principle 1</p> <p>The governing body should lead ethically and effectively.</p>	<p>The company has a board approved code of ethics to ensure that the company is managed and directed on ethical principles based on good faith. Real or perceived conflicts of interest are disclosed by board members. Such conflicts are managed to the extent that may be necessary.</p> <p>The board is committed to ensuring that the company's strategy and operations are executed by management based on an ethical foundation that supports the execution of the strategy and building a sustainable business in the best interest of the company and all stakeholders.</p> <p>As the custodians of the company's Code of Conduct, members of the board interrogate the various initiatives and activities of the company to make sure that decisions are made in an ethical manner at all times.</p> <p>Directors sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards in order to be able to discharge their legal duties.</p> <p>The board is kept abreast of new industry and other developments through the arrangement of regular workshops and information sessions.</p> <p>The board collectively takes responsibility for steering the direction of the company through formulation of the strategy and overseeing the execution thereof. Matters of a strategic nature are addressed as a matter of priority at meetings of the board.</p> <p>The board considers new risks and opportunities on a continuous basis through the activities of the board committees, e.g. Risk Committee and Growth and Innovation Committee. The board encourages management to investigate and implement new initiatives, while considering risks identified.</p> <p>A detailed analysis of the potential negative outcomes of the activities of Assupol and the various risks identified are effected through the detailed Own Risk and Solvency Assessment (ORSA) that Assupol prepares under the guidance of its Chief Risk Officer.</p> <p>The board promotes the stakeholder-inclusive approach of governance and takes account of the impact of the company's operations on internal and external stakeholders.</p> <p>Assupol aims to ensure that its clients are able to properly plan for the passing of a loved one through client-centred product and service solutions that adhere to the standards of Treating Customers Fairly. Assupol assists its clients with personal financial planning and saving for the future. It improves the well-being of its clients and society in general.</p>

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The board has ensured that a code of conduct, through which ethical standards are clearly articulated, has been established and implemented. The board sets the values to which the company will adhere to and these are formulated in the company's Code of Conduct.

The board ensures that compliance with the code of conduct is integrated into the strategy and operations of the company; i.e. the ethical organisational culture is reflected in the company's vision and mission; strategies and operations; its decisions and conduct; and the manner in which it treats its internal and external stakeholders. The board has approved the code of conduct and the Social and Ethics Committee monitors and oversees its implementation in the organisation.

The Assupol Code of Conduct was distributed to the employees in the organisation. All employees were requested to sign and agree to the terms of the Code of Conduct. Awareness campaigns regarding the Code of Conduct are implemented throughout the organisation.

A reference is included, where and to the extent possible, to Assupol's Code of Conduct in its supplier contracts. In respect of employees, it can be noted that the Code of Conduct forms part of Assupol's employment conditions.

Employees are tested on the contents of the Code of Conduct in a regular manner through implemented training programmes. Information regarding the Code of Conduct is also shared with employees on a regular basis.

Assupol has a whistle-blowing initiative that gives aggrieved persons the opportunity to anonymously report incidents of misconduct, which incidents are then investigated and assessed in an objective and independent manner.

Employees and directors are required to disclose actual and potential conflicts of interest.

Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The corporate citizenship of Assupol is considered by the board at various levels, including at the Social and Ethics Committee. The Social and Ethics Committee receives regular reporting from management regarding the various initiatives applicable to its corporate citizenship, including without limitation the Assupol Cares initiative, and Assupol's stakeholder register that includes plans and engagements with Assupol's various stakeholders. Assupol's relationship with its employees forms part of the workplan of the Social and Ethics Committee.

Assupol is committed to broad-based black economic empowerment and undergoes annual verification. Compliance with the provisions of the Employment Equity Act remains an important matter that is considered by the Social and Ethics Committee on a regular basis.

Assupol's commitment to the improvement of society is evidenced through the community-based initiatives undertaken by the Assupol Cares initiative. Assupol's corporate citizenship is monitored through proactive reporting at the Social and Ethics Committee at board level, and through the continuous monitoring of Assupol's stakeholder engagement matrix.

Principle 4

The governing body should appreciate the organisation's core purpose. Its risks opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The board informs and approves the company's strategy. Matters relating to the company strategy are debated at formal board strategic sessions that are arranged at least once every second year. Matters of a strategic nature are then discussed, as a matter of priority at quarterly board meetings. Growth and innovation-related initiatives are addressed at quarterly meetings of the Growth and Innovation Committee.

The board takes steps to ensure that long-term planning will result in sustainable outcomes taking into account the economic, environmental and social considerations. Matters affecting the sustainability of Assupol's various activities and new initiatives are considered on an on-going basis.

The board ensures that the strategy is aligned with the purpose of the company, the value drivers of its business, legitimate interests and expectations of its stakeholders. These factors are all inherent in the board decision-making processes.

The continued consideration of risks and opportunities in the context of sustainable business operations, forms an important component of the setting of the strategic direction of Assupol. Identified risks and opportunities are deliberated at length at strategic sessions, and the various action steps identified to address these risks and opportunities. The Growth and Innovation Committee play an important part in the consideration of risks and opportunities and the execution of action steps identified.

Strategy is translated into key performance and risk areas, including finance, ethics, compliance and sustainability. These are considered and approved by the Remuneration Committee.

The potential negative consequences of Assupol's activities and outputs are monitored on a continuous basis through the relevant board structures. An example of this is the continued monitoring of client complaints and the whistle-blowing line by the social and ethics and risk committees.

	<p>The relevant financial metrics are considered on a regular basis by the board and the various board committees, including the audit, risk, actuarial and investment committees. The Audit Committee reviews a documented assessment by the management of the going concern of the company.</p>
<p>Principle 5</p> <p>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.</p>	<p>The integrated report of the company is reviewed and recommended by the Audit Committee and approved by the board.</p> <p>The board ensures that the reporting framework complies with the Companies Act, 2008 and all other requirements that may be applicable from time-to-time, taking into account the needs of various stakeholders. The board ensures that the reporting is fair and equitable.</p> <p>The board approves the annual financial statements, interim financial report and the integrated report of Assupol, and expressly accepts ultimate responsibility for these reports. The board approves and oversees the preparation of the Assupol integrated report and all other published reports.</p> <p>Assupol's integrated report, and its interim and annual financials, are made available on its website and are accessible to all relevant stakeholders.</p> <p>PwC issued an unqualified audit report on the annual financial statements of Assupol for the year ended 30 June 2019.</p>
<p>Principle 6</p> <p>The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</p>	<p>The board serves as the focal point and custodian of corporate governance. The board is supported by various committees, which have a delegated responsibility to assist the board to fulfil specific functions. The board committees provide feedback to the board at each board meeting.</p> <p>The board is ultimately accountable to approve the financial reporting of the company and its disclosure to stakeholders. It has unrestricted access to management.</p> <p>Growth and innovation related initiatives are addressed at quarterly meetings of the board and various sub-committees, including specifically the Growth and Innovation Committee.</p>
<p>Principle 7</p> <p>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.</p>	<p>The composition of the board is considered in the filling of vacant positions from the perspective of knowledge, skills, experience, diversity and independence. The board has four executive directors and nine non-executive directors. Five of the non-executive directors have been assessed by the board as independent.</p> <p>When determining the number of directors to serve on the board, the knowledge, skills and resources required as appropriate to the business of the company are considered.</p> <p>The board is satisfied that it has a sufficient number of members to effectively fulfil the required functions of the board and its various committees.</p> <p>The composition of the board is considered in light of the mandatory requirements stipulated in the applicable prudential standards promulgated by the Prudential Authority, and also the relevant fit and proper requirements that apply. Diversity of the board is specifically considered for new board candidates.</p> <p>Non-executive directors, other than the non-executive directors nominated for appointment by the three large shareholders (namely MyChina, WDB and the IFC), retire by rotation every three years, and can be re-elected.</p> <p>The Assupol chairperson is an independent non-executive director, therefore a lead independent non-executive director has not been appointed. The board is satisfied that the functions of the lead independent non-executive director can be adequately fulfilled by a committee consisting of independent non-executive directors serving on the board.</p> <p>The Nominations Committee oversees a formal succession plan for the non-executive directors of the board and the Remuneration Committee oversees and recommends to the board, the formal succession plan for the CEO and certain senior executive appointments.</p> <p>The board ensures that directors receive regular briefings on changes in risks, laws and the business environment. Formal workshops are arranged from time to time to address pertinent issues.</p> <p>Formal declarations of interests are requested from members prior to the commencement of each board and board committee meeting. Formal declarations of interest have also been submitted to 4AX, and these are required to be updated whenever changes occur.</p> <p>Non-executive directors that are classified as 'independent' by the company are subjected to an annual evaluation of their independence by the chairperson and the board, based on the requirements for independence set out in King IV.</p>

Principle 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.

The delegation of duties and responsibilities are addressed on an on-going basis. Suitable candidates are nominated to the respective board committees to appropriately address the specific matters forming part of the mandates of the committees.

The various board committees have formal terms of reference that are reviewed on an annual basis. The various committees' terms of reference deal with the composition, objectives, purpose and activities, delegated authorities - including the extent of power to make decisions; tenure; and reporting mechanisms to the board. The tenure of the applicable board committees is addressed in the respective board-approved terms of reference. The terms of reference of the various committees provides for regular reporting to the board. All members of the board of the company as well as the committees of the board have access to resources and information and may request information directly from management. Directors may take independent advice but this must be authorised by the board. The terms of reference of the various board committees clearly addresses the meeting procedures to be followed at the meetings. The terms of reference of the respective board committees require the annual appraisal of its performance.

Effective collaboration is enhanced through cross-membership, where required; coordinated timing of meetings; and an avoidance of duplication or fragmented functioning as far as possible. Cross-membership of committees include the risk and audit committees, and the actuarial and audit committees.

Of the nine non-executive directors on the board, five are considered to be independent, thereby ensuring that no individual has the ability to dominate decision-making. The chairpersons of all board committees (other than the Nominations Committee) are independent board members. The knowledge, skills, experience and capacity to execute its duties effectively are considered by the board on an on-going basis, and are also specifically addressed by the board approved fit and proper policy.

Each of the board committees have at least three members.

Members of management are invited to the board committee meetings to ensure that the appropriate information and insights are delivered at the meetings. The invitees to the respective committees are clearly set out and described in the respective terms of reference of the relevant board committees.

All board members are entitled to attend all board committee meetings irrespective of whether they are members of the committee.

The board remains accountable for any decisions taken by the board committees and by any board member with a delegated authority. It considers all documentation presented to it and applies its collective mind in the making of decisions.

A detailed review of the various committees is included in the corporate governance report forming part of the integrated report on page 60 thereof. The following board committees have been established:

- 1) Remuneration Committee
- 2) Audit Committee
- 3) Risk Committee
- 4) Nominations Committee
- 5) Social and Ethics Committee
- 6) Actuarial Committee
- 7) Investment Committee
- 8) Growth and Innovation Committee

Some observations applicable to the year under review are included:

1) Audit Committee:

All three members of the Audit Committee are currently independent non-executive members. The chairperson of the Audit Committee is an independent non-executive director and not the chairperson of the board. The chairperson of the Audit Committee is appointed by the board. During the year, Mr Andrew Birrell; independent non-executive director and chairperson of the board was a member of the Audit Committee until his resignation on 31 March 2019. The board was supportive of his membership of the Audit Committee due to his extensive skills in audit related matters. In addition, this was in line with the terms of reference of the Audit Committee and the prudential standards published in terms of the Insurance Act, 2017. However, the board decided to fully apply the requirements of the King IV after the resignation of Mr Andrew Birrell. In the interim period, the board asked Mr Glynn Burger, a non-executive director, to attend the May 2019 Audit Committee meeting whilst the board deliberated regarding a permanent replacement for Mr Birrell. Mr Steven Braudo, an independent non-executive director, was subsequently appointed during June 2019 as a member of the committee.

2) Risk Committee:

The composition of the committee was amended during the year under review to provide for the expansion of the membership of the committee to four members, with at least one executive director as a member of the committee.

3) Nominations Committee:

Currently, the three major shareholders each have one seat on the Nominations Committee as stated in the MOI. In order to ensure that it would be possible to apply the provisions of King IV, it was recommended that the composition of the Nominations Committee be amended, so that it has no less than three members who are non-executive directors, and that the chairperson of the board serves as a member of the Committee. A proposal to amend the MOI to adjust the composition of the Nominations Committee in this manner will be tabled at the November 2019 annual general meeting.

Principle 9

The governing body should ensure that the valuation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The board assumes responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members. The board conducts an annual assessment of the board's performance. During the period under review, the assessment was facilitated by the Institute of Directors Southern Africa (IoDSA).

The evaluation of the chairperson is overseen by a committee of independent non-executive directors.

The results of assessments are discussed, and recommendations for improvement implemented. During the period under review, the assessment was similarly overseen by the IoDSA.

Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.

The board appoints the Group Chief Executive Officer (CEO) of the company. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board. The CEO is accountable, and reports to, the board. The CEO is an invitee to, but not a member of, the remuneration, audit and nomination committees. The CEO liaises with the board prior to taking-up any additional professional positions.

There is a formal succession plan in place for the CEO and other senior executives. These succession plans are reviewed periodically. The performance of the CEO is evaluated at least annually against agreed performance measures and targets.

The delegation of authority is included in the governance framework, and addressed through the various board approved policies, including specifically the group financial administration policy and the Assupol Life financial administration policy. Executive board members are nominated by the board for election by shareholders.

The CEO oversees that the key management functions are headed by an individual with the necessary competence and authority. The appointment of the key heads of control are further subject to various legislative requirements. This includes the governance and operational standards for insurers issued in terms of the Insurance Act. The CEO is authorised to ensure that the key management functions are adequately resourced.

The company secretary, Samuel de Beer, provides professional and independent guidance to the board on corporate governance and the board's legal duties. He further supports and coordinates the functioning of the board and its committees. The company secretary has unfettered access to the board, is not a board member and maintains an arms-length relationship with the board and its members. As the custodian of corporate governance related matters, the company secretary plays a leading role in governance and King IV related matters.

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The board's responsibility for the governance of risk is principally expressed through its ownership and continued consideration of the ORSA. The Risk Committee oversees the development and annual review of a policy and plan for risk management that is approved by the board, and ensures the establishment of an independent risk management function. Opportunities and associated risks are considered in the setting of the strategic direction of the company. The board's responsibility for risk governance is expressed in the board charter and risk policy and plan.

Risk forms an integrated part of the decision-making processes of the company, as is evidenced by the detailed analysis of the various risks as addressed in the ORSA. A detailed Risk Management Framework, as is required in terms of the governance and operational standards for insurers, has been approved.

Assupol's risk appetite is addressed in detail in the board approved ORSA document. The board monitors that risks taken are within the tolerance and appetite levels. In addition, the board sets the levels of risk tolerance every year.

At executive level the responsibility for the implementation and execution of effective risk management rests with the head of the risk control function, who also serves as a member of the Executive Committee of the company. The head of control function is a statutory function required in terms of the Insurance Act, 2017.

The Risk Committee, operating under the oversight of the board, reviews the risk management progress, maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address these key risks. Risks that are identified are interrogated through the risk management process to also identify potential opportunities.

The board approved ORSA document provides a detailed oversight of the company's management of its various forms of capital. The company also has a detailed capital management policy. Responses to key risks are structured according to the various risk related policies that form part of the Risk Management Framework and the Risk Management Plan.

From a capital perspective, the ORSA evaluates and addresses various shocks, scenarios and models that have an impact on the company. Based on this modelling, it is possible to plan for various eventualities and shocks that could occur. Assupol has a business continuity management plan that addresses business interruptions.

Risk awareness initiatives are conducted regularly throughout the organisation. Risk management has a presence at different management levels. A detailed analysis of the various operational risks are addressed in the various departments throughout the organisation. Key risks are identified, measured, rated and tracked through regular meetings between risk management and operational personnel.

The reader is also referred to the further disclosures regarding Assupol's risks in the risk report included in the integrated report.

Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

During the period under review, a Chief Information Officer (CIO) was appointed with effect from 1 January 2019.

An IT Governance Report is considered at each board meeting. The board retains ultimate responsibility for the governance of IT. The board ensures that an IT charter and policies are established and implemented. Management is responsible for the implementation of all the IT strategies, structures, processes and mechanisms for the IT Governance Framework.

Management is assisted in this process by the IT Steering Committee, a committee consisting of members of management, which includes the Group CEO, Assupol Life CEO, Group CFO and the CIO. The board ensures that IT strategy is integrated with the company's strategic and business processes. IT risks form an integral part of the company's risk management activities. The Risk Committee assists the board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes. The value and contribution of the various IT initiatives are assessed on an on-going basis through the oversight function of the IT Steering Committee, which is reported to the board as part of the IT Governance Report.

Management regularly demonstrates to the board that the company has adequate business resilience arrangements in place for disaster recovery. Social media monitoring is conducted through the use of external service providers. The reaction to adverse social media events is addressed through the company's social media policy. External services providers have also been appointed to monitor any potential access gained by third parties to Assupol's systems. The performance of third-party service providers is monitored through good governance principles, regular interaction and duly concluded service level agreements that include the appropriate performance clauses.

Information is stored in a secure and responsible manner, and is not disposed of in any manner that may affect the security of the relevant information. The use of technology and information is aligned with the current legislative framework and is not in contravention of the board approved Code of Conduct. The appropriate use of the available information of the company is analysed on a regular basis to ensure optimal outputs from a business efficiency perspective. Available information is used to also inform strategy.

An enterprise architecture function has been established which regularly assesses new projects and initiatives. A restructured information architecture that is aligned to commercial best practice is in the process of being rolled-out. Regular reporting occurs to the Risk Committee and the board regarding the progress with the initiative. The protection of personal information is addressed by ensuring that IT security best practice measures are introduced and implemented.

The security of information is addressed and monitored through various best practice initiatives.

New IT related developments are continuously considered in business strategies. Examples include the development of the Assupol user applications and the ability to sell products through its website. The use of devices such as smartphones are incorporated where and to the extent possible in the roll-out of products and services.

The future areas of focus in respect of IT include moving to a cloud-based operational model, to implement agile development practices and to continue work on the improvement of Assupol's IT security posture.

Principle 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.

Compliance with the applicable legislation is an integral part of the company's business operations. Non-compliance with any legislation is viewed in a serious light. The board has mandated the compliance function to carry out its duties through a board approved Compliance Charter. The board has approved a Compliance Charter that articulates and gives effect to its direction on compliance, and that identifies which non-binding rules, codes and standards the organisation has adopted.

The head of the compliance control function has been duly established as is required in terms of the Insurance Act, 2017. The function is responsible for the proper execution of the compliance function. A good compliance culture is continuously encouraged, with an emphasis placed on the ultimate benefits from a sustainability and positive client outcomes.

The compliance function has prepared a detailed regulatory universe that summarises all legislation applicable to the company. It provides regular reports to the Risk Committee and the Social and Ethics Committee. Pertinent compliance related matters are also reported to the board directly by the compliance function. Periodic independent assurance on the effectiveness of compliance management are provided by external independent service providers.

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

In line with best practice, shareholders will be requested to provide a separate non-binding advisory vote on the Remuneration Policy and the implementation report at the November 2019 Annual General Meeting. If 25% or more of the shareholders vote against the Remuneration Policy, or the implementation report, the Remuneration Committee will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.

Readers are referred to the detailed Remuneration and Implementation Report included as part of the integrated report on page 79 thereof.

Principle 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.

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. The board, assisted by the audit and risk committees, ensures that there is independent internal or external assurance to review and report on the internal control environment, integrity of information for management decision making and external reporting.

The committees and the board receive regular reports from the external auditor, internal auditor, Compliance Officer, head of actuarial function and the Chief Risk Officer in respect of the matters referred to above.

Principle 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 interest of the organisation over time.

The board receives regular feedback regarding the interaction of the company with its stakeholders. A formal stakeholder matrix has been developed to track and measure important interactions with Assupol's various stakeholders. The responsibility for implementation and execution of effective stakeholder relationship management has been delegated to management.

Material stakeholders are identified based on the extent to which they affect, or are affected by the activities, outputs and outcomes of the organisation, Assupol's interaction with them is then tracked and included in the stakeholder engagement matrix. The board is assisted by the Social and Ethics Committee in the oversight of the engagements with its stakeholders.

Assupol has adopted communication guidelines that support a responsible communication programme, including a Social Media Policy. Stakeholder communication includes communications through the 4AX news services and the publication of its integrated report and annual financial statements. The main dispute resolution mechanisms utilised by Assupol with its clients are FAIS and the Long-term Ombud.

Principle 17

The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.

The board, through the Investment Committee, assumes the role of governing responsible investing by setting the direction for how it should be approached and conducted by the organisation. Responsible investment and the manner in which it is conducted is one of the matters that is specifically addressed in Assupol's investment policy.

The board has approved an Investment Policy that specifically addresses its position on responsible investment. The task to implement and execute the board's policy on responsible investment is delegated to the Investment Committee, management and outsourced service providers.

The outsourcing of investment mandates is regulated by Assupol's outsourcing policy and formal written investment mandates. The board, through the Investment Committee, has direct oversight over the activities conducted by investment service providers in terms of the formal written mandates. The performance of these service providers is regularly evaluated against the agreed benchmarks for performance, from a qualitative and quantitative perspective.

CORPORATE GOVERNANCE REPORT

Meeting attendance

The table on the next page shows the attendance of directors at board and board committees meetings held in the year under review. A review of the effectiveness of the board was conducted in respect of the year.

	Board						Actuarial			Audit			Growth and Innovation			Investment			Social and Ethics			Risk			Nomsco				Remco			Budget																			
	22-08-2018	*05-09-2018	14-09-2018	22-11-2018	*11-12-2018	28-02-2019	*15-03-2019	21-05-2019	12-09-2018	19-11-2018	14-02-2019	15-03-2019	17-05-2019	06-09-2018	19-11-2018	14-02-2019	20-05-2019	05-11-2018	13-02-2019	15-05-2019	11-09-2018	19-11-2018	12-02-2019	14-05-2019	11-07-2018	13-11-2018	05-02-2019	07-05-2019	05-09-2018	14-11-2018	13-02-2019	20-05-2019	07-08-2018	17-01-2019	25-02-2019	11-03-2019	06-05-2019	12-09-2018	19-11-2018	14-02-2019	16-05-2019	24-06-2019									
Executive directors																																																			
CJ van Dyk	X	X	X	X	X	X	X	X	X	X	X	I	I	I	X	X	X	X	X	X	I	I	I	X	X	X																				X					
MB Mokwena-Halala	A	X	X	X	X	X	X	I	I	A	I	I	I	A	I	X	A	X	X	X	X	I	I	I	I	I	I	I	A	A	I																	X			
D De Klerk	X	X	X	X	X	X	X	X	X	X	X	I	I	I	I	X	X	X	X	X	X																														X
SL Ndwalaza	X	X	X	X	X	X	X								I	I	I	I	I	I				X	X	X	X	X	X																					X	
Non-executive directors																																																			
Dr R Khoza							C								X	X	X																														X				
AS Birrell	C	C	C	C	C	C		C	C	C	C	X	X	X				C	C											C	X	X																			
EDJ Ashkar	X	X	X	X	A	X	C	X	X	X	X	X				X	X	X	X	X	X	X	X	X	X	X	X	X			C	C	C	C	C	X	X	X	X	X	X	X	X					X			
NE Gubb	X	X	X	X	A	X	X								X	X	X	X	X	X	X	X	X							X	X	X	X	X	X	X	X													X	
I Greenstreet	A	A	X	X	X	X	X					X			X	X	C*	C	C	C	C	C	C							A	X	X	X	X	X	X	X													X	
L Prince (Alternate)	X	X	A	X																																															
R Kisten	X	X	X																								C																			X					
Z Saban	X	X	X	X	X	X	X								X	X	X																																	X	
K Radebe	A	X	X	X														X	X																															X	
R Mothapo	A	X	X	X	C	X	X	X	X	X	X				C	C	C	X										X	C	C	C									C	C	C	C					X			
B Moroole				X	X	X	X								X	X	C										C	C	C																					X	
S Braudo					I		X																																											X	
G Burger							X																																											X	

A

Absent with an apology

X

Member

C

Chairperson

I

Invitee

C*

Acting Chairperson

05-09-2018* - Special Board

11-12-2018 * - Special Board

15-03-2019 * - Special Board

Assupol's approach to governance – relating to board contribution

- Good corporate governance is critical for the long-term performance and sustainability of a business, and for protecting and enhancing stakeholders' interests and value. Assupol, under the diligent watch of our board, upholds the highest standards of corporate governance, and did so also in the period under review.
- Our board voluntarily applies the King IV Report on Corporate Governance for South Africa, 2016 (King IV), which is fully entrenched in our policies, structures and processes.
- To ensure that every practice recommended in King IV is considered, we use the governance assessment instrument (GAI), a web-based tool developed by the Institute of Directors Southern Africa (IoDSA). This tool serves as both a measure and an enabler of good corporate governance. The assessment of our business with this tool shows that we attained a high application of the applicable principles. We achieved an AAA-rating, the highest rating that can be attained.

ROLE OF THE ASSUPOL BOARD

- a. Our board embraces the principles and practices of King IV as its guide for good corporate governance. Thus, as recommended by King IV, the role and responsibilities of our board include:
- Providing effective leadership on an ethical foundation;
 - Ensuring that our company, as a responsible corporate citizen, considers the impact of our business operations on the environment and the community;
 - Ensuring that we have an effective and independent audit committee;
 - Ensuring that we perform an effective risk-based internal audit;
 - Overseeing our board's relationship with management, our shareholders and other stakeholders of our company, according to sound corporate governance principles;
 - Understanding that strategy, risk, performance and sustainability are inseparable, and giving effect to this by:
 - i. Contributing to and approving our strategy;
 - ii. Thoroughly assessing our strategy and business plans to mitigate risks;
 - iii. Identifying key performance and risk areas;
 - iv. Ensuring that our strategy will result in sustainable outcomes; and
 - v. Considering sustainability as a business opportunity that guides strategy;
 - Maintaining responsibility for the governance of risk;
 - Managing information technology-related governance;
 - Ensuring that our company complies with applicable laws, and considers adherence to non-binding rules and standards;
 - Being aware of how our stakeholders' perceptions affect our company's reputation;
 - Acting in the best interests of our company by ensuring that our directors individually:
 - i. Adhere to legal standards of conduct;
 - ii. Are permitted to take independent advice in connection with their duties following an agreed procedure;
 - iii. Disclose real or perceived conflicts to our board, and deal with them appropriately; and
 - iv. Deal in securities only in accordance with the policy adopted by our board;
 - Commencing business rescue proceedings immediately should our company become financially distressed;
 - Confirming the integrity of our company's integrated report;
 - Electing a chairperson of our board that is an independent non-executive director;
 - Appointing and evaluating the performance of our chief executive officer.

A report from the different board committees, members, attendance

- a. Our board has established committees with specific responsibilities, to assist it in discharging its duties and responsibilities. But, ultimate responsibility remains with our board. The committees do not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- b. The following board committees oversee the activities of our entire Group:
- Actuarial
 - Audit
 - Growth and innovation
 - Investment
 - Nomination
 - Risk
 - Remuneration
 - Social and ethics

Actuarial Committee

Members

- AS Birrell (chair, resigned 31 March 2019)
- EDJ Ashkar
- R Mothapo
- CJ van Dyk
- D de Klerk
- S Braudo (chair since 17 May 2019)

Invitees

- MB Mokwena-Halala
- J Dippenaar
- BB Moroole
- M Salmon
- Other members of senior management as may be

Required

- Company secretary
- External auditors
- Statutory actuary

Role and function

The role of the committee is to support the board with its obligations under SAM, which was implemented on 1 July 2018. It evaluates, considers and where necessary, makes recommendations to the board and management regarding actuarial assumptions and projections, and their impact on:

- Matters relating to TCF;
- Compliance with PPFM, including bonus declarations;
- Solvency, valuation assumptions, methodology, results, and analysis of surplus;
- ORSA projections, stress and scenario testing, and out-of-cycle ORSA requirements;
- Capital requirements and capital management;
- Asset-liability matching and liquidity management;
- Our dividend policy and proposals relating thereto;
- Consideration of actuarial risks, by evaluating completeness of risk register and challenging risk ratings;
- Policies with actuarial content;
- Products, rating, and reinsurance arrangements;
- Capital funding plans.

Audit Committee

Members

- R Mothapo (chair, until 14 February 2019)
- AS Birrell (resigned 31 March 2019)
- I Greenstreet (resigned September 2018)
- BB Moroole (chair since 20 May 2019)
- GR Burger (resigned June 2019)

- S Braudo (appointed June 2019)

Invitees

- MB Mokwena-Halala
- CJ van Dyk
- D de Klerk
- J Dippenaar
- M Salmon
- Other members of senior management as may be

Required

- Company secretary
- Internal and external auditors
- Statutory actuary

Role and function

The committee has the following duties:

- Statutory duties as prescribed by section 94(7) of the Companies Act;
- Additional duties over and above the statutory duties, such as:
 - Oversight of integrated reporting;
 - Combined assurance;
 - Evaluation of the finance function;
 - Oversight of internal audit function;
 - Oversight of external audit function; and
 - Oversight of risk management as it pertains to financial reporting.

Growth and Innovation Committee

Members

- AS Birrell (chair, resigned 31 March 2019)
- S Braudo (chair since May 2019)
- IO Greenstreet
- EDJ Ashkar
- Z Saban
- N Gubb
- D de Klerk
- CJ van Dyk

Invitees

- MB Mokwena-Halala
- J Dippenaar
- SL Ndwalaza
- M Salmon
- Other members of senior management as may be

Required

- Company secretary

Role and function

The role and function of the committee is to support executive management in facilitating delivery of proposals within acceptable time frames, in accordance with the board-approved strategy and business plan.

It evaluates, considers and makes recommendations to board, management and operational innovation and growth unit regarding:

- Potential new partnerships, acquisitions, and other corporate transactions, which could assist in expanding the Group's existing distribution channels and core business;
- New technological solutions to enhance Group's current products, distribution to clients, and collection of premiums; and
- The implementation of new non-insurance business initiatives by our Group.

Investment Committee

Members

- IO Greenstreet (chair)
- N Gubb
- EDJ Ashkar
- K Radebe (resigned November 2018)
- Z Saban
- CJ van Dyk
- MB Mokwena-Halala
- D de Klerk

Invitees	<ul style="list-style-type: none"> SL Ndwalaza J Dippenaar M Salmon Asset management specialists
Required	<ul style="list-style-type: none"> Company secretary Other members of senior management as may be

Role and function

The role of the committee is to generally oversee the investment of assets by our Group, including but not limited to:

- The review of investment objectives, philosophy and strategy;
- The formulation of strategies relating to the allocation of assets; and
- The oversight of asset managers and the asset management process.

Nominations Committee

Members	<ul style="list-style-type: none"> EDJ Ashkar (chair) IO Greenstreet N Gubb
Invitees	<ul style="list-style-type: none"> The Group CEO and chairperson of the board are invited on an ad hoc basis.

Role and function

The role of the committee is to consider and recommend to our board:

- Nominees to serve as non-executive directors on the board, or fill vacancies as and when they arise;
- On an annual basis, any new nominees to replace non-executive directors retiring from the board; and
- The removal of any non-executive directors serving on the board from time-to-time.

Remuneration Committee

Members	<ul style="list-style-type: none"> R Mthapo (chair) EDJ Ashkar AS Birrell (chair, resigned 31 March 2019) Dr RJ Khoza
Invitees	<ul style="list-style-type: none"> SL Ndwalaza CJ van Dyk

Role and function

The role of the committee is to:

- Consider and determine the remuneration policy of all employees of our Group;
- Consider and recommend to shareholders the remuneration paid to non-executive directors; and
- Ensure that the disclosure of director information and remuneration is accurate, complete and transparent.

Risk Committee

Members	<ul style="list-style-type: none"> AS Birrell (chair, resigned 31 March 2019) R Mthapo (chair since November 2018) BB Moroole CJ van Dyk EDJ Ashkar S Braudo
Invitees	<ul style="list-style-type: none"> MB Mokwena-Halala D de Klerk J Dippenaar M Salmon Company secretary Internal and external auditors

Role and function

The role of the committee is to assist our board to ensure that:

- We have implemented an effective policy and plan for risk management that will enhance our ability to achieve our strategic objectives; and
- The disclosure regarding risk is comprehensive, timely and relevant.

Social and Ethics Committee

Members	<ul style="list-style-type: none"> R Kisten (chair, resigned September 2018) EDJ Ashkar BB Moroole (chair since November 2018) SL Ndwalaza
Invitees	<ul style="list-style-type: none"> MB Mokwena-Halala CJ van Dyk Other members of senior management as required
Required	<ul style="list-style-type: none"> Company secretary

Role and function

The role of the committee is to assist our board with the oversight of social and ethical matters relating to our Group, specifically as listed in regulation 43(5) of the Companies Act. The complete report of its activities is included on page 84.

Board composition and diversity

- a. As at 30 June 2019 the boards of Assupol Holdings Ltd and Assupol Life Ltd comprised of the same directors.
- b. Our board currently comprises of nine non-executive directors, and four executive directors. The non-executive directors were selected through a formal process, with our nomination committee identifying suitable candidates to be proposed to our shareholders. Non-executive directors that are not nominated for appointment by one of our three large institutional shareholders (namely MyChina, the IFC or the WDB), retire on a rotational basis, but may be re-elected.
- c. The remuneration of non-executive directors is approved by a special resolution of shareholders at our annual general meeting, as required by the Companies Act.
- d. The composition of the board is considered in the filling of vacant positions from the perspective of knowledge, skills, experience, diversity and independence.
- e. When determining the number of directors to serve on the board, the knowledge, skills and resources required as appropriate to the business of the company are considered. The board is satisfied that it has a sufficient number of members to effectively fulfil the required functions of the board and its various committees.
- f. The composition of the board is also considered in light of the mandatory requirements of the various requirements stipulated in the prudential standards promulgated by the Prudential Authority that apply to insurers, and also the relevant fit and proper requirements that apply.
- g. Diversity of the board is specifically considered in the consideration of new board candidates.
- h. The nominations committee oversees a formal succession plan for the non-executive directors of the board and the remuneration committee oversees and recommends to the board, the formal succession plan for the CEO and certain senior executive appointments.

Board independence

- a. The non-executive directors that are classified as 'independent' by the company are subjected to an annual evaluation of their independence by the board.
- b. The evaluation is conducted through a critical analysis of the various factors that impact on the independence of directors. These are measured against the definitions of independence as set out in King IV and also the governance standards issued in terms of the Insurance Act, 2017.

Board evaluation

- a. An annual board evaluation is conducted to assess the effectiveness of the board.
- b. During the period under review, the assessment, which also included a peer review by the directors of their fellow board members, was facilitated by representatives from the Institute of Directors.

REPORT FROM THE AUDIT COMMITTEE

APPOINTMENT

The Audit Committee is a statutory committee of the board of directors of Assupol Holdings, in terms of section 94(7) of the Companies Act. The members of the Audit Committee are appointed by the shareholders at the Annual General Meeting.

TERMS OF REFERENCE

The board has approved the terms of reference of the Audit Committee. The committee has conducted its affairs in compliance with these terms of reference.

ROLE AND RESPONSIBILITIES

The Audit Committee's role and responsibilities include statutory duties in terms of the Companies Act and additional responsibilities assigned to it by the board.

External auditor appointment and independence

The committee is satisfied that the external auditor is independent in accordance with King IV, which includes consideration of previous appointments of the auditor, the extent of non-audit work undertaken by the auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA). The auditor provided requisite assurance that internal governance processes within the audit firm support and demonstrate their claim to independence.

Assupol Holdings is considered a public interest company and the audit firm PricewaterhouseCoopers has been the auditor since the demutualisation of Assupol Life in 2010. PricewaterhouseCoopers has an internal rotation requirement whereby the engagement partner is rotated on every five years. Mr DT van den Berg is the audit partner for the third year and has not been involved in the audit of the Group previously. In terms of the mandatory audit firm rotation rule implemented by IRBA, PricewaterhouseCoopers will be eligible to audit the Assupol Group until June 2023.

The committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2019 financial year.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2019, the external auditor provided non-audit services to the Group. The committee affirms that these services did not impair the external auditor's independence.

The external auditor had direct and unrestricted access to the chairperson of the Audit Committee. The committee is satisfied with the quality of the external audit work that was performed. The factors considered were specifically the feedback from management as well as the interaction between the committee and the external auditors.

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the Group with both management and the external auditors and is satisfied that they are appropriate and comply with International Financial Reporting Standards. Accounting estimates and assumptions which have the potential for significant adjustment of the overall financial statements are specifically listed on our published annual financial statements. The committee would also like to draw attention to key audit matters reported in the audit report contained in these annual financial statements.

Based on processes and assurances obtained, the committee recommended the financial statements to the board for approval.

Financial controls, actuarial controls and risk management

The committee reviewed a written assessment on the effectiveness of the design and implementation of internal financial controls, actuarial controls, and risk management. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls, actuarial controls, and risk management is not effective, or has resulted in any material financial loss, fraud, corruption or error; or that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management and presented on a regular basis, on the going concern status of the Assupol Group. The board of directors' statement on the going concern status of the Assupol Group, as supported by the committee, is documented in our financial statements.

Governance of risk and information technology

The committee forms an integral part of the Risk Management Framework and the governance of information technology. The board of directors specifically assigns oversight of the Group's financial risk management function to the committee in respect of financial reporting risks, internal financial controls, fraud and information technology risks relating to financial reporting, and compliance with laws and regulations.

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 enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the board and these functions.

The committee approved internal audit's annual audit plan for the 2019 financial year.

The committee also assesses the performance of the internal auditor and the internal audit function, and is satisfied with the overall effectiveness of the chief audit executive and the arrangements for the internal audit function.

The execution of the internal audit work was outsourced to KPMG until 30 June 2018. Ernst & Young has been appointed to provide the internal audit function from 1 July 2018 onwards. The internal audit service provider reports directly to the Audit Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment. The service provider reports the findings of the internal audit work to the committee on a regular basis and has direct unrestricted access to the committee, primarily through its chairperson.

Evaluation of the expertise and experience of the Group Chief Financial Officer and the finance function

The committee is satisfied that the Group Chief Financial Officer has appropriate expertise and experience. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the senior members of management responsible for this function. In making these assessments, the committee has obtained feedback from both internal and external audit.

Integrated report

The committee fulfils an oversight role regarding the Group's integrated report and the reporting process. The committee considered the Group's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to the Audit Committee members, and with the annual financial statements.

Combined assurance

A framework and two-year phase-in plan are currently being developed with assistance from internal auditors to address combined assurance in the Assupol Group. The audit and risk committees will review the framework in the 2019/20 financial year.

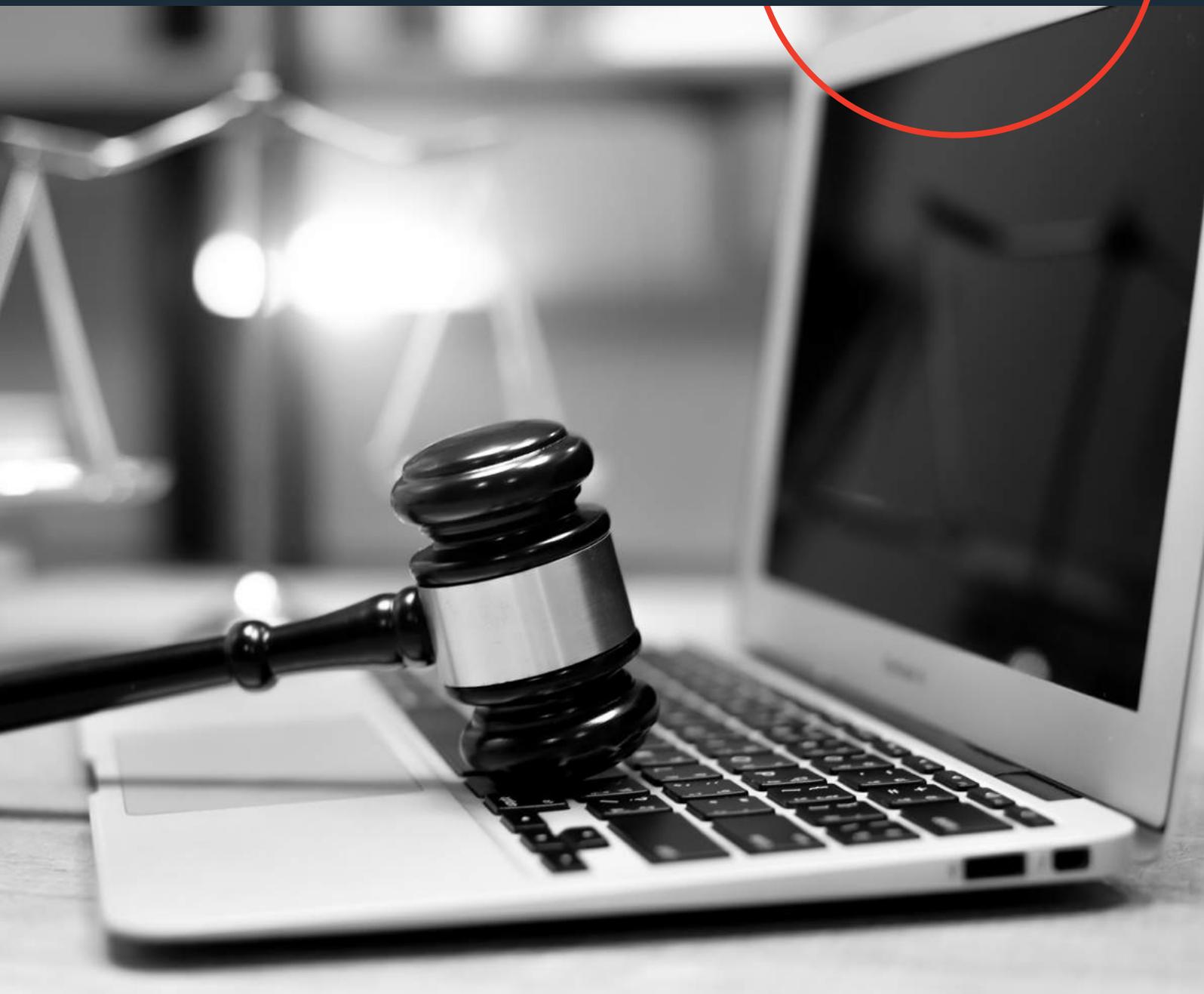
Regulatory and compliance matters

The impact of pending regulatory and compliance matters that could affect the internal financial and other controls, financial statements, or other matters relating to the roles and responsibilities of the committee is discussed at the meetings of the Audit Committee.

Membership, attendance and assessment

The Audit Committee consists of three independent non-executive directors. It should meet at least twice a year as required in its terms of reference. The Group Chief Executive Officer, Assupol Life Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, external auditors, internal auditors and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only. The committee held four meetings during the financial year.

IT GOVERNANCE



Assupol regards Information Technology (IT) as a strategic enabler. To this end it is imperative for Assupol to have appropriate governance, risk and compliance practices in place. The Assupol board is ultimately responsible for IT governance and the oversight of the overall IT strategy.

The IT Governance Committee which reports to the board Risk Committee is responsible for overseeing alignment with the corporate strategy and realisation of business value. The IT Governance Committee is chaired by the Group CEO. The responsibilities of the committee include:

1. To align with the overall corporate strategy and provide direction.
2. Determine the IT investment approach. Create investment principles that serve to guide IT investment decisions for the enterprise.
3. Manage IT governance by continuously assessing the effectiveness of the IT governance processes and implementing improvements.
4. Ensuring that all IT risks are appropriately reviewed and reported on.
5. Ensuring that the appropriate IT management processes and practices are in place to enable effective delivery.
6. Ensuring that the appropriate technologies and IT skills are in place to deliver.
7. Ensuring that technology projects and services are successfully implemented.

The IT risk management process is integrated with the corporate risk management framework. Information and system security has strategic importance and is managed and reported at the Information Security Forum. Business Continuity Management is managed through the Business Continuity Steering Committee.



RISK



WE FOCUS ON MANAGING RISK WELL

As a financial services Group, Assupol is understandably exposed to a variety of risks, hence strong risk management across all disciplines is a critical competence and an integral part of Assupol's good business practice. The board takes ultimate accountability for the management of risks in Assupol.

Over the past year we continued to improve our formal risk management framework, structures and practices, and increased risk awareness in all operational areas. Our Own Risk and Solvency Assessment (ORSA) was enhanced, in content and value, through active involvement from our board and executives. The second live version will be submitted to the Prudential Authority in December 2019.

The Prudential Authority's requirements as set out in the Governance and Operational Standards for Insurers were implemented and where necessary, we made further amendments to our existing risk management framework and strategy in order to ensure that we fully comply. Our risk management and governance framework and structures take full cognisance of the King IV Report on Corporate Governance and the requirements of King IV are incorporated.

We believe that the sustainability of our Group's business has been further enhanced by the continued formalisation and expansion of our risk management processes, and their entrenchment in our business practices.

OUR RISK MANAGEMENT FRAMEWORK

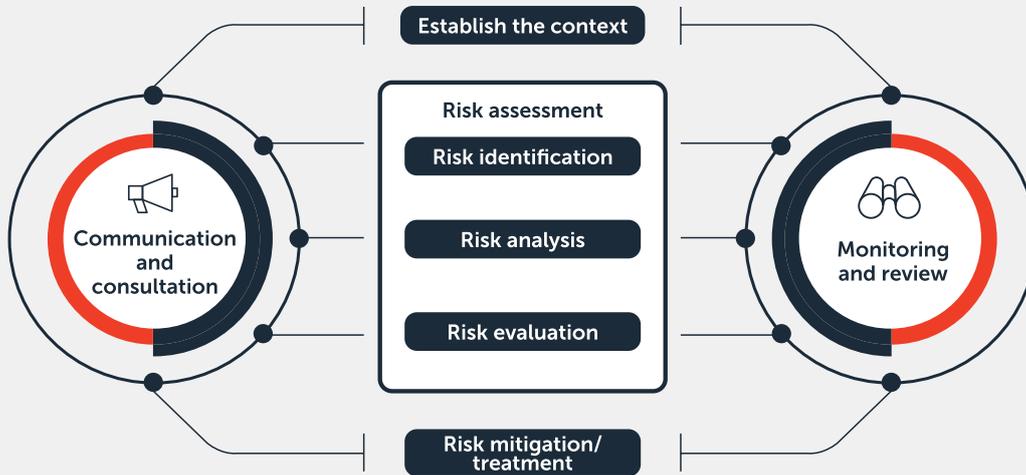
Our Group's formal risk management approach consists of our risk management framework, strategy and associated policies as required by the Governance and Operational Standards for Insurers. Our approach complies with the requirements of the Solvency Assessment and Management (SAM) framework, mandated by the Prudential Authority.

Key features of our risk-management measures

1. The Risk Committee oversees our Group's risk management framework, process and structures. More information about this committee is given in the corporate governance section on page 61.
2. Our Group Executive Committee (Group Exco) takes primary responsibility for the design, implementation and maintenance of an effective risk programme.
3. Our Risk Steering Committee, comprising of the Group Exco and senior executives, considers and reviews all risks from both top-down and bottom-up perspectives.
4. A formal risk management process is implemented and monitored by our Risk Management function.
5. Each department is responsible for its individual business functions, and to manage the risks to which it is exposed.
6. Processes are in place to monitor and review the effectiveness of our risk management framework on an annual basis, and to implement improvements where required.

IMPLEMENTING RISK MANAGEMENT

The following diagram gives a bird’s-eye view of our integrated risk management process:



COMBINED ASSURANCE

In order to ensure that risks are managed and that the board gains comfort that controls are effective, we have revisited our combined assurance approach and process. Combined assurance integrates and aligns assurance processes to maximise risk and governance oversight and control efficiencies, and to optimise overall assurance to the Audit Committee, Risk Committee and board, taking into account Assupol’s risk appetite and tolerances. We have adopted a five-lines-of-assurance approach to risk management, to ensure that we remain aware of risks, and manage them proactively. The following diagram provides an overview of how this is implemented:



GOVERNANCE

a) Board of directors

The board of directors is ultimately responsible for the management of risks in Assupol. The board has delegated the management of Assupol and its risks to executive management.

b) Executive management

Executive management has to ensure all possible risks are identified and that they are actively managed to mitigate the risk exposure. Executive management has a responsibility to the board of directors and has to give them assurance that the risks are managed. They have the primary responsibility for the design, implementation and maintenance of an effective risk programme.

c) Chief Risk Officer (CRO)

The CRO oversees the implementation of the risk management framework within Assupol. The CRO has also been tasked by the board to provide assurance that Assupol's risks are managed and are within acceptable levels.

d) Risk Committee

The board has established the Risk Committee to oversee and monitor Assupol's risk management functions and to ensure that the disclosure regarding risk is comprehensive, timely and relevant. The Risk Committee therefore exercises oversight of the overall risk management efforts and infrastructure.

e) Audit Committee

The board has established the Audit Committee to oversee and monitor Assupol's audit functions and to ensure that risk disclosures are comprehensive, timely and relevant.

f) Risk management function

The risk management function has been established in terms of the Risk Management Framework, which takes into account the strategy of the Assupol Group. Formal risk management is conducted with reference to the structures and the requirements documented in the Risk Management Framework. An overarching Risk Management Policy references certain other policies to ensure that risk management is carried out. Reporting on risk management efforts occurs on four levels, namely:

- The Life ManCo (the management committee of Assupol Life) and Life Exco (the executive committee of Assupol Life),
- The Risk Steering Committee (a management-level committee),
- The Group Exco (the Executive Committee of the Assupol Group), and
- The Risk Committee (a committee of the board).

g) Compliance function

The compliance function has been established in terms of the Compliance Risk Management Framework. The compliance function has defined a regulatory universe, and follows a risk-based approach to monitor compliance with core legislation applicable to the Assupol Group. The compliance function carries out its work by using compliance risk management plans for the legislation identified to be monitored by the compliance function. The compliance function reports to the Risk Committee of the Group.

h) Internal audit function

The internal audit control function has been outsourced to Ernst & Young in terms of the Outsourcing Policy. The internal audit function operates according to the Internal Audit Charter, as approved by the Audit Committee of the Group. Specific requirements in the Internal Audit Charter are the independence of the internal audit function, as well as a defined reporting structure to the chairperson of the Audit Committee. The internal audit function provides assurance on the effectiveness of risk management.

i) Actuarial function

The actuarial control function has been outsourced to Deloitte in terms of the Outsourcing Policy. The actuarial function has access to and periodically reports to the board on matters such as:

- Circumstances that may have a material effect on Assupol Life from an actuarial perspective;
- The adequacy of the technical provisions and other liabilities;
- The prospective solvency position of Assupol Life; and
- Any other matters as determined by the board.

j) Risk owner (business unit manager)

A risk owner is typically the head of the business unit where a risk has been identified. The risk owner will identify the risk in the business unit, assess the risk and implement controls to mitigate the effect of the risk. The risk owner is responsible for managing the risk and giving assurance to Exco that the risk is managed.

RISK CATEGORIES

Risks are classified in the following categories in our Risk Management Framework:

1. Strategic
2. Solvency
3. Financial
4. Operational
5. Compliance
6. Market Conduct
7. Reputational

OUR KEY RISKS, AND BRIEF DESCRIPTION OF HOW WE MANAGE THEM

Principle	Risk	Mitigation
Strategic	Not meeting client expectations	<ul style="list-style-type: none"> We have dedicated resources to drive our Treating Customers Fairly (TCF) assessment, identify necessary improvements and ensure these are implemented effectively
	Concentration risk in distribution and product	<ul style="list-style-type: none"> We have implemented a specific diversification strategy to expand our distribution channels, including a successful direct sales channel We are expanding our product range
	Competitors	<ul style="list-style-type: none"> We counter competitive pressures with excellent client service, by building trust and by offering appropriate products
	Per policy expense	<ul style="list-style-type: none"> Vigorous expense management implemented Budget overspending is monitored by a dedicated committee
Financial	Not meeting solvency requirements	<ul style="list-style-type: none"> Assupol Life is adequately capitalised, and the Solvency Capital Ratio (SCR) is monitored on an ongoing basis A variety of sensitivities and stress scenarios over a 5-year projection horizon are produced and analysed
	Possible credit losses from our trading parties or from investments	<ul style="list-style-type: none"> Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments as per our detailed investment management mandates
	Our investments decreasing in value	<ul style="list-style-type: none"> We have invested our assets in a diversified portfolio of equities, bonds and cash, so that the risk is spread A prudent investment strategy is followed Our asset managers may invest only according to mandates that have been approved by our Investment Committee
	Group liquidity challenges	<ul style="list-style-type: none"> Group companies do detail budget modelling prior to board approval, to demonstrate the availability of sufficient liquid financial resources for the financial year Short-term finance can be obtained to cover any immediate need Long-term finance requirements can be met by liquidating invested assets over time, thereby minimising possible losses We undertake liquidity stress modelling to ensure we hold adequate liquidity, as part of our regular going concern assessments
	ALM	<ul style="list-style-type: none"> Our ALM process is governed by our Group Investment Policy and reviewed by the Investment Committee. After appropriate asset portfolios have been constructed for a specific liability class, the most important action is to ensure that the asset portfolios are rebalanced at the appropriate times

Operational	Key dependency on our IT environment	<ul style="list-style-type: none"> • The network and associated services have been upgraded • A Chief Information Officer was appointed • The 3-year priority plan has been agreed • An off-site disaster recovery centre is in place for critical IT services
	Premium collection	<ul style="list-style-type: none"> • A large proportion of our premiums are collected through stable payroll deduction systems, which ensures a very high rate of success in the collection of premiums
	Impact of fraud on new business and claims	<ul style="list-style-type: none"> • We monitor and improve our controls on a continuous basis to ensure that fraud is detected, and fraud losses therefore are minimised
	Attract and retain the right staff with the correct skills	<ul style="list-style-type: none"> • We conduct competency-based interviews, pay market-related salaries, and have implemented staff retention incentives, whereby staff share in efficiency improvements and good financial performance
	Managing critical service provider risk	<ul style="list-style-type: none"> • Contingency plans are in place to ensure that business can continue should a critical service provided by a third party become unavailable
	Cyber risk	<ul style="list-style-type: none"> • A Security Information and Event Management (SIEM) solution has been implemented to assist with managing cyber risk
	Key person dependency and managing transformation	<ul style="list-style-type: none"> • Succession planning has been implemented and additional staff are trained by identified key personnel • All aspects of transformation are driven through the entire Group
Compliance	Keeping abreast of new legislation	<ul style="list-style-type: none"> • Our legal department monitors legislative changes, and alerts our Group of applicable changes and their possible business implications • We engage specifically in new legislation relating to micro-insurance and the retail distribution review (RDR)
	Compliance with relevant major legislation	<ul style="list-style-type: none"> • Our compliance department monitors compliance with relevant major laws
Solvency	SCR ratio and appetite	<ul style="list-style-type: none"> • Assupol is adequately capitalised, and the Solvency Capital Ratio (SCR) is monitored on an ongoing basis • A variety of sensitivities and stress scenarios over a 5-year projection horizon are produced and analysed • Our minimum SCR ratio risk appetite (1.35x) is set to ensure a 95% certainty that the SCR ratio will not fall below 1.0x. The actual SCR ratio remains well above this minimum
	Solvency risk profile and appetite	<ul style="list-style-type: none"> • We project the main contributors to the solvency risk metric, namely lapse risk, interest rate risk, mortality risk (including catastrophe risk) and expense risk, five years into the future, with and without new business, and under various scenarios. Our ability to reduce dividends, and/or the existing buffer above the minimum SCR ratio, provides ample ability to mitigate the impact of negative scenarios
	Death and disability not insured at correct levels and premiums	<ul style="list-style-type: none"> • With our refined application and underwriting process, we accept insurance risk only up to certain limits • We are able to re-price our products should the premiums become inadequate
	Adverse mortality, withdrawal, and expense experience	<ul style="list-style-type: none"> • We do annual and quarterly experience analysis on claims, withdrawals and expenses to detect areas of loss and to make necessary adjustments

	Policyholder liabilities not estimated reliably	<ul style="list-style-type: none"> • Our internal actuarial team models and sets parameters for the actuarial valuation in accordance with guidance and industry practice • Our independent head of the actuarial control function reviews the parameters and assumptions, and suggests or determines necessary changes
Market Conduct Risk	Client Experience	<ul style="list-style-type: none"> • A Market Conduct Framework has been approved and implemented • A Market Conduct Committee meets monthly to discuss and address any conduct related risk • Client experience is a major focus point and any actions relating to mitigating the risks are monitored until implementation
	Claim payments	<ul style="list-style-type: none"> • Paying claims timeously is critical not only to our clients' experiences but also to our business, operationally as well as reputationally
Reputational Risk	ESG	<ul style="list-style-type: none"> • Assupol has a corporate social investment programme and contributions are made to various causes to assist with improving the communities we conduct business in • Assupol has a low carbon footprint
	Social Media	<ul style="list-style-type: none"> • A social media policy has been approved and implemented to manage our social media presence. • Media monitoring also assists in detecting social media related reputational risk.

RISK APPETITE

Assupol manages its capital position with reference to its internal capital model and its dividend policy, while ensuring that its minimum statutory capital ratio risk appetite of 1.35 times is exceeded at all times.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

On an annual basis, as part of our ORSA process, Assupol projects its expected SAM position forward for a period of five years, using its business plans and budgets as a base. In addition, on request from the board, the projected solvency position is tested under a range of sensitivities and scenarios, including scenarios with high new business growth rates as well as a number of unlikely, extremely negative scenarios.

The assessments done during the period under review confirmed again that Assupol is expected to maintain a robust SAM position with a very high degree of certainty.

Key milestones during the period under review

1. We reviewed and improved our risk management framework, strategy and policies, and their implementation.
2. A capital management framework and an internal capital management model were developed, approved and adopted.
3. Our first live ORSA, covering an extensive range of sensitivities and scenarios, was submitted to the Prudential Authority. The board's mid-year meeting included consideration of scenarios in preparation for the 2019 ORSA.
4. We migrated our risk data to a database and implemented an application to accurately capture our risk data, supporting rapid reporting, escalation and data integrity.
5. Key risk indicators were refined and implemented within operational units to assist in managing the risk.
6. An extensive disaster recovery test was conducted and was an overall success.
7. We undertook ongoing risk training and awareness campaigns to ensure that our employees have the knowledge, awareness and inclination to identify and manage risks in their business areas.

The primary focus of our risk management function remains to embed risk management within each business area, confirm that strategy fully considers relevant risks, and to ensure the optimal allocation of, and return on, Assupol's capital by measuring and understanding the key risk-reward relationships.

COMPLIANCE



ASSUPOL'S APPROACH TO COMPLIANCE

The Assupol Group has a duly adopted compliance charter. It takes cognisance of the compliance best practice guidelines and standards issued by the Compliance Institute of South Africa (CISA) and the Association of Savings and Investment of South Africa (ASISA).

The compliance function is required to operate adequately, independently and objectively.

In terms of the compliance charter, the compliance function must not have any operational responsibilities which may pose a conflict of interest and impair independent reporting. In order to effectively implement and maintain a quality and efficient compliance function, the compliance function is permitted direct access to the board. It must, in respect of the discharge of any of its duties, be entitled to:

1. full and unfettered access to the board, the risk and audit committees;
2. obtaining the necessary assistance from relevant staff where the compliance function performs monitoring reviews;
3. obtaining the necessary assistance from other specialised services from within or outside of Assupol;
4. direct and require the Assupol employees and representatives to apply the compliance policy;
5. unlimited access to all business units within Assupol and all of Assupol's activities, records, property, staff members and meetings necessary for the diligent performance of the compliance function;
6. carry out any compliance or due diligence investigations within Assupol which may be necessary;
7. be consulted about any proposed business, product developments and relevant documentation which may have compliance implications; and
8. call upon any report from any person on a compliance matter without limitation.

The compliance function has the right to reasonable access to:

1. the minutes of the management and board meetings;
2. any correspondence with and reports from regulators;
3. the external and internal auditor's reports and management letters together with management replies thereto; and
4. audit reports involving compliance matters.

The ultimate responsibility for compliance with the statutory and regulatory requirements rests with the board. Thus, the compliance function of the Group is centralised to enable the board to have a view and understanding of the compliance risk and its evolution across the Group. This structure will enable the compliance function to perform its duties adequately, independently and efficiently.

The compliance function is responsible for identifying, assessing, advising on, monitoring and reporting on the compliance risk emanating from financial sector laws and regulatory instruments thereof.

Regulatory requirements included in the regulatory universe and falling outside of the scope of the above legislation are monitored by designated functional areas within Assupol.

Any compliance risk that may create a financial reporting risk is reported to the audit committee. The Assupol Group aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations and establish good business practices. Assupol will ensure that this requirement is embedded in the culture of its business operations. Compliance risk within Assupol is managed in line with the risk appetite approved by the board from time-to-time. The primary role of the compliance function is to assist, facilitate and monitor effective compliance risk management.

The Assupol Group's broad risk management framework identifies compliance risk as an integral part of managing risks essential to the businesses of the companies forming part of the Assupol Group.

It is Assupol's mission to serve those who serve and Assupol's core value to treat its clients fairly. In order for Assupol to achieve these objectives within the required supervisory framework, it is vital for Assupol's board of directors, its management structures and employees to ensure and monitor compliance with all legislative and regulatory requirements applicable to the businesses of Assupol. It is also essential that the role players and employees of Assupol are constantly motivated to comply with the relevant regulatory and supervisory requirements. The members of the Assupol Group are faced with a highly regulated industry and compliance with all applicable regulatory, supervisory requirements and industry and organisational standards and codes are imperative.

Lines of defence

The first line of defence comprises of the CEOs of Assupol and senior management. The persons are tasked with taking responsibility for, and the management of the compliance risks inherent to the operations of their respective businesses as part of their day-to-day activities. The second line of defence comprises of functions within the Assupol Group that are tasked with overseeing compliance risks and providing robust challenge to the management teams. The compliance function as well as internal audit are two of the components of the second line of defence. As the second line of defence, these functions are tasked with providing independent and reasonable assurance to the boards of directors on the effectiveness of the management of compliance risk. The third line of defence comprises of functions within Assupol and outside Assupol that provide independent assurance of the functioning and effectiveness of the first two lines of defence. At Assupol this line of defence is provided by the external audit function.

The internal audit function is tasked with providing management with independent assurance on the effectiveness of the internal control system within the Assupol Group. Compliance risk and the compliance

function are subject to review by internal audit in order to provide independent assurance regarding the adequacy and effectiveness of the Assupol Group's compliance risk management framework.

The external audit function, in co-operation with the internal audit function, provides a further level of assurance in respect of the effectiveness of the compliance risk management framework within the Assupol Group.

Compliance risk management process

Assupol follows the four phase compliance risk management process as recommended by standard 16 in the Generally Accepted Code of Practice compiled by the Compliance Institute of Southern Africa. The process consists of:

1. compliance risk identification;
2. compliance risk assessment;
3. compliance risk management; and
4. compliance risk monitoring.

The compliance function is responsible for ensuring that compliance risk assessments are held annually to review and/or update the regulatory universe applicable and to assess and prioritise compliance risk. The Assupol Group follows a risk-based approach to compliance risk identification. This means that the focus will be on those compliance obligations that impose high risks to the business of Assupol. The processes of each business have to be assessed so as to identify key steps in the business process in order to identify compliance risks and ensure that compliance risk is a factor in the formulation of business processes. While the compliance function is responsible for facilitating the process of compliance risk identification, the management of each subsidiary must participate in all risk assessments together with the compliance function.

Compliance risk prioritisation entails the ranking of the likelihood and impact of potential compliance failures and the allocation of resources for the treatment of these risks accordingly. The compliance function is responsible for initiating the compliance risk assessments and has to work together with the management of the members of the Assupol Group in ranking the compliance risks.

Compliance risk management is the process of designing and implementing controls in respect of the identified compliance risk. Effective controls are needed to ensure that the identified compliance obligations are met and that high-risk areas are addressed. The types and levels of controls should be designed with sufficient rigour to facilitate achieving the compliance obligations and should be embedded into normal business processes.

All material compliance transgressions (based on the risk appetite) must be reported to the risk committee.

Future areas of focus

An annual compliance workplan has been prepared for the financial year ending 30 June 2020. Branch monitoring is conducted by way of desktop monitoring as well as physical onsite visits to the branch. Branches are risk rated. The branches rated as high risk are identified and monitored physically by the compliance specialist. The remainder of the branches will be desktop monitored.

This methodology will further enable the compliance specialist to conduct onsite broker monitoring. The brokers have also been risk rated based on the number of new business submitted, complaints data as well as their history of non-compliance.

The top ten brokers for each region have been identified and will be monitored by the compliance specialists. The monitoring has been extended to include internal head office functions in order to ensure that the necessary controls are in place and are operative.

REMUNERATION



The Remuneration Committee is pleased to present the Assupol remuneration report for the year ended 30 June 2019.

KING CODE ON CORPORATE GOVERNANCE (KING IV)

We have considered the impact of the King IV Code on Corporate Governance (King IV) on the remuneration policy, and have consequently further enhanced the relevant disclosures in our remuneration policy.

Fair and responsible remuneration

Assupol is committed to fair and responsible remuneration for all employees. In order to eliminate greater inequality through pay increases, the Remuneration Committee ensured that employees in more junior roles received higher increases in fixed remuneration than those in more senior roles. As in previous years, executive increases were linked to inflation, averaging at 5.5%. At management level and below, increases were above inflation, averaging at 6.5%.

ROLES AND ACCOUNTABILITIES

Board of directors

The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated a Remuneration Committee.

The Remuneration Committee

The Remuneration Committee, which functions as a subcommittee of the board in terms of an agreed mandate, evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and the corporate strategy. Its mandate is reviewed and approved by the board annually.

It comprises three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the Group's remuneration policy. The committee ensures that the remuneration philosophy, policy and human capital practices support Assupol's strategic objectives to enable the attraction, motivation and retention of high calibre employees and senior executives in order to maximise shareholder value while also complying with legislation. It ensures that the Group's remuneration philosophy and policy are competitive and meet best practice standards, in support of the Group's strategic objectives.

Two of the three non-executive directors on the committee are independent, and one of the independent directors serves as the committee chairperson. The membership of the Remuneration Committee therefore complies with both King IV and the 4AX Listing Requirements which advocate a majority of independent non-executive directors. The Group Chief Executive Officer and Executive Director: Human Resources attend the meetings by invitation, but they do not form part of the Remuneration Committee's formal decision-making process.

The committee has an independent oversight role in respect of all remuneration and employee related matters for the Group. It determines the policy for remunerating executives and non-executive directors.

The chairperson of the Remuneration Committee provides feedback to the board after each Remuneration Committee meeting.

The board recommends the fees for non-executive directors to shareholders for approval at the Annual General Meeting (AGM).

Group Executive Committee

The Group Executive Committee proposes reward programmes and remuneration structures to the Remuneration Committee. They also ensure the oversight and implementation of approved remuneration programmes.

KEY PRINCIPLES OF OUR REMUNERATION PHILOSOPHY

The Remuneration Committee's key objectives are to enable Assupol to reward performance in the context of appropriate risk management, align the interests of executives and staff with those of shareholders, and to build and maintain a sustainable performance-based culture within the organisation.

Importantly, the remuneration philosophy supports the Group's business strategy by aligning strategic goals with organisational behaviour based on meritocracy and performance. Focus is also placed on ensuring compliance of the remuneration policies with the relevant regulatory requirements, including those of the Financial Sector Conduct Authority (FSCA), as well as aligning the remuneration policies with King IV.

As a Group, Assupol strives to remunerate successful executives and employees between the median and upper quartile, measured on a total reward basis (i.e. on the total remuneration package), including the guaranteed as well as short- and long-term incentive elements thereof.

Within the total reward context, the benchmarking bias will always be towards the incentive (at risk) elements of the remuneration packages, with less emphasis on the benchmarking of the guaranteed element of the total remuneration package.

We recognise that the executive management team has a material influence on our Group's performance and growth, and as such the variable compensation (short- and long-term incentives) makes up a meaningful part of their total compensation. Variable compensation is directly linked to the performance of our Group. An optimal balance between short- and longer-term incentives is sought to ensure the alignment of the interests of executives and the interests of shareholders. This balance is also based on a total reward concept and ensures that short-term success is not striven for at the cost of undue risk or adversely affecting long-term sustainability.

A single incentive pool scheme is utilised to cover both short- and long-term incentives for all executives and other employees. Effectively, there is one incentive scheme for both short- and long-term incentives, with the bias towards the deferment of rewards.

Critically important for the Group and its shareholders is the fact that all incentives are based on solid risk adjusted return-on-capital principles. Strict alignment with the interests of shareholders is gained through the existence of an incentive pool that is driven by excess return on capital that meets stated after tax net profit hurdle requirements.

By employing a blended and measured approach to incentives, there is strong mitigation against risk taking to achieve short-term objectives, which can undermine longer term goals.

The key principles that shape our policy are:

- The Group has the ability to attract, retain and motivate the exceptional talent required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short- and long-term incentives are used to this end.
- A significant portion of senior management's reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic financial targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate department, their division or the wider Assupol Group.
- Long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.
- Salary structures and policies, cash as well as share-based incentives, motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth.
- Compliance with all applicable laws and regulatory codes.
- The Remuneration Committee has discretion - when warranted by exceptional circumstances and where considerable value has been created for shareholders and stakeholders of Assupol by employees - to award special bonuses or other *ex gratia* payments in the form of 14th cheques to general staff, excluding management. In exercising this discretion, the Remuneration Committee satisfies itself that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

REMUNERATION POLICY

Scope of the policy

The policy is board-approved and forms part of our operating philosophy, policies and standards. It sets out how total remuneration must be managed in the Group.

Aims of the policy

Our reward arrangements aim to enable us to attract, motivate and retain people of high calibre, with the right mix of experience, skill and knowledge to deliver on the strategy, support and reinforce our desired culture and encourage ethical behaviour consistent with our values, thereby stimulating employee engagement.

It also aims to create appropriate balance and alignment between the needs, expectations and risk exposures of our stakeholders, including our staff members, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these.

It incentivises employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation.

It enables appropriate transparency in the development of remuneration programmes and the distribution of individual remuneration awards to ensure equity and fairness (ethical outcomes) based on valid and appropriate external and internal benchmarks.

It aligns with the principles of good corporate and remuneration governance, ensuring an appropriate share of value for the relevant stakeholders in its business. We believe that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

We are committed to ensuring that remuneration of executive management is fair and responsible in the context of overall employee remuneration.

THE STRUCTURE OF OUR REMUNERATION OFFERING

Our approach to reward is holistic based on the total reward approach and includes the following elements: guaranteed (cash) packages, variable short-term incentives, variable long-term incentives, various recognition programmes, individual learning and development opportunities, a stimulating work environment and a well-designed and integrated employee wellness programme.

• Guaranteed package

The guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits. It is reviewed annually based on performance against agreed objectives and market surveys. The guaranteed package is benchmarked against a comparator group and positioned on average at the 50th percentile.

• Variable short-term incentive

In respect of employees who do not participate in the company incentive pool scheme, the variable short-term incentive, in the form of an annual cash bonus or 13th cheque, is linked to the employee's performance against individually agreed objectives.

In respect of employees who do participate in the company incentive pool scheme, a pre-defined portion (the portion being a function of the employee's guaranteed remuneration) of the individual bonus that has been allocated to the employee is paid to the employee in the form of a cash bonus. The remainder of the bonus so allocated to the employee (if any) is deferred and allocated to the employee in the form of restricted shares in the Group.

• Variable long-term incentive

The deferred element (as described above) of the bonus allocated to participants of the company incentive pool scheme makes up the variable long-term incentive portion of the specific employee's total reward package. The intention of the long-term incentive portion is to achieve closer alignment of participant and shareholder interests. Our long-term incentive encourages ownership and loyalty and supports our objective to retain valued employees. It is designed to align executive performance to shareholders' interests.

• Various recognition programmes

Every financial year the Group runs a reward and recognition programme that is open to all employees except those who qualify to participate in

the company incentive bonus pool (i.e. senior and executive management). The Assupol reward and recognition programme aims to recognise employees who make a significant contribution to the achievement of Assupol's strategic objectives and values. It is aimed at honouring and celebrating exceptional performance within Assupol. It offers an opportunity for employees to nominate fellow workers who go above and beyond the call of duty, and who live the Assupol values to the maximum. Employees are nominated for their significant contributions in a particular pre-defined category.

The categories are:

- **Team player:** As a team player, contribute to achieving the Group and departmental goal of serving our clients fairly and selflessly.
- **Integrity:** Maintain utmost integrity by having our clients' needs at heart whenever dealing with them.
- **Innovation:** Always think of ideas to better current services, products and processes to best meet the needs of our clients.
- **Service excellence:** Serve with passion, enthusiasm and an energetic attitude at all times.
- **Respect:** Treat all stakeholders with respect and give them all the attention they deserve when dealing with them.

Nominations are reviewed and quarterly winners are selected per category. An annual winner is then selected from the quarterly winners. The programme cycle is aligned with the Assupol financial year and runs from July to June. A successful winner is eligible to receive a tax adjusted amount of R50 000 as a reward.

• Individual learning and development opportunities

Assupol affords all its employees the opportunity to develop and grow through the study assistance programme that enables any qualifying employee to enrol for tertiary studies. The company pays for tuition fees and affords employees paid time-off for preparation and writing of the exams.

• A stimulating work environment

As a Group, we have long understood that our employees play a critical role in our continued success. We are continuously searching for ways to provide the 'ultimate' employee experience and have regularly opened ourselves up for scrutiny, by competent external (independent) verification entities, to assess our employment practices and provide us with valuable scientific assessments on how we match up when compared to other "best employers" in the country.

We seek to attract the most talented of employees and fully understand that the most talented employees strive for the most stimulating and challenging environments to work in – more so than the less talented ones – and it is our job to keep providing it. To this end we have regularly participated in the Deloitte Best Company Survey which is arguably the most prestigious and respected of its kind in South Africa.

We have constantly exceeded all the critical benchmarks in the survey and have never, since our participation, attained a level lower than the gold status.

• A well-designed and integrated employee wellness programme

The primary aim of our employee wellness programme is to establish an understanding of the current health and wellness status of our senior employees and to further provide guidance on how best to enhance their future health, their quality of life and their level of productivity. Comprehensive wellness assessments have been conducted on the eligible participants. Key areas of risk, objectives and lifestyle action plans have been identified. Participants have received face-to-face feedback and were given the appropriate advice at the time by the attending medical professionals.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors do not have service contracts and do not participate in any of the Group's short- or long-term incentive schemes. No shares are granted to them. The non-executive board member fee structure has two components namely; an annual retainer component and a board or board committee meeting attendance fee. The chairperson of the company is paid an all-in retainer that is not structured into the aforementioned components.

Fee structures are reviewed annually. The Remuneration Committee reviews the fees paid to non-executive directors by taking into consideration

the individuals' responsibilities and board committee membership. The chairperson is not present when his or her remuneration is reviewed. In addition, from time-to-time, the fees are benchmarked to other financial services companies and companies to ensure that the fees remain competitive and fair. Recommendations are made to the board for consideration and taken to the Annual General Meeting for shareholder approval.

EXECUTIVE CONTRACTS

Assupol executive directors and members of the executive committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade clause is included. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service, are subject to the rules of the relevant scheme, with some discretion being allowed to the Remuneration Committee based on the recommendations of the Group Chief Executive. No clauses are included in employment contracts that relate to any form of payments in the event of a change in control of Assupol.

Subsequent to the financial year end, a change to the B shares issued to members of the executive team was proposed. The proposed change will be tabled for approval at the November 2019 AGM. The effect of the change, if approved, is that an accelerated vesting of the B shares would occur in the event that an affected transaction as defined in section 117(1)(c) of the Companies Act (other than a transaction contemplated in section 117(1)(c)(iv) of the Companies Act) occurs. The accelerated vesting will only occur if the transaction is recommended for approval or acceptance by the board, if it results in the offeror obtaining more than 50% of the issued shares of Assupol Holdings Limited and if the offeror is not MyChina (Pty) Ltd.

IMPLEMENTATION REPORT REGARDING DETAILS OF REMUNERATION

A detailed disclosure regarding the remuneration of directors and prescribed officers is included in the 2019 annual financial statements.

REPORT ON ACTIVITIES

The Group delivered strong results in a volatile market characterised by weak economic growth as well as significant business and political uncertainty and low consumer demand. This is testament to the calibre of management and employees that work for the Group. The value of our dedicated tied agency workforce and the core of dedicated brokers as the mainstay of our business continue to manifest themselves in the performance of our operations.

Net profit after tax, the value of new business (VNB) and the return on capital (ROC) all exceeded the targets set by the board. This has resulted in the approval of the bonus pool by the committee for recommendation to the board.

Changes to the committee

Following the resignation of Mr. Andrew Birrell as the Chairperson and a member of the board, his successor, Dr Reuel Khoza was appointed to the committee.

Meetings

The Remuneration Committee met four times during the past financial year to June 2019, and all members were present.

Biennial Salary Benchmark Studies

Every two years Assupol conducts a comprehensive salary benchmark survey for all positions within the Group to ensure that our remuneration and benefits remain competitive in the sector. Both PwC Remuneration Services as well as 21st Century Pay Solutions are utilised (although not necessarily always at the same time) to determine our market position in this regard.

In this specific instance, November 2018, 21st Century was appointed by Assupol to provide insight into the remuneration for 85 roles within the Group.

The results found that overall there is no consistent pattern of the comparator group paying ahead or lagging behind the national market. The comparator TGP closely mirrors the national market.

SOCIAL & ETHICS



The Social and Ethics Committee assists our board in protecting our Group's reputation as a good, ethical and responsible corporate citizen. Berlina Moroole (chairperson), Eddie Ashkar, and Siphwe Ndwalaza are the three members of the committee.

This report, which outlines how the committee performed its statutory duties during the year under review, was prepared in accordance with the requirements of the Companies Act. As required by the Act, the committee confirms that it is satisfied that it has fulfilled its duties during the year under review. The committee is required to report, through one of its members, to our shareholders on the matters within the committee's mandate at our annual general meeting. In the notice of the meeting, shareholders are referred to this report.

The committee's role and responsibilities are set out in a formal term of reference, by which it is governed. The committee has, in the year under review, properly reviewed those terms of reference.

The committee has successfully carried out its duties. It has, notably, supervised the implementation of our Group's code of conduct (Code) which aims to set the standard by which the conduct of our Group is measured. Our compliance with the Employment Equity Act was monitored as well as our standing in terms of the Broad-Based Black Economic Empowerment Act. The committee supervised our labour relations, evaluated our social and community investment initiatives, and reviewed reports addressing the training and development and the health and safety of our employees.

Our Group, in its interaction with our policyholders, service providers, competitors and employees, exercises the highest standard of ethical behaviour. All conduct must also comply with applicable laws and regulations, in accordance with their letter and purpose.

The King Code of Governance principles (King IV) defines ethics as considering "what is good and right for the self and the other". This can be expressed in terms of the golden rule: treat others as you would treat yourself. In the context of organizations, ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and the broader society.

The committee monitors Assupol's adherence to King IV, and considers the implementation of the company's stakeholder engagement plan and practices to establish sustainable long-term valuable relationships to deliver on our strategic goals.

King IV also defines the concept of "integrity", as being honest and having strong moral principles – which includes consistency between stated moral and ethical standards, and actual conduct.

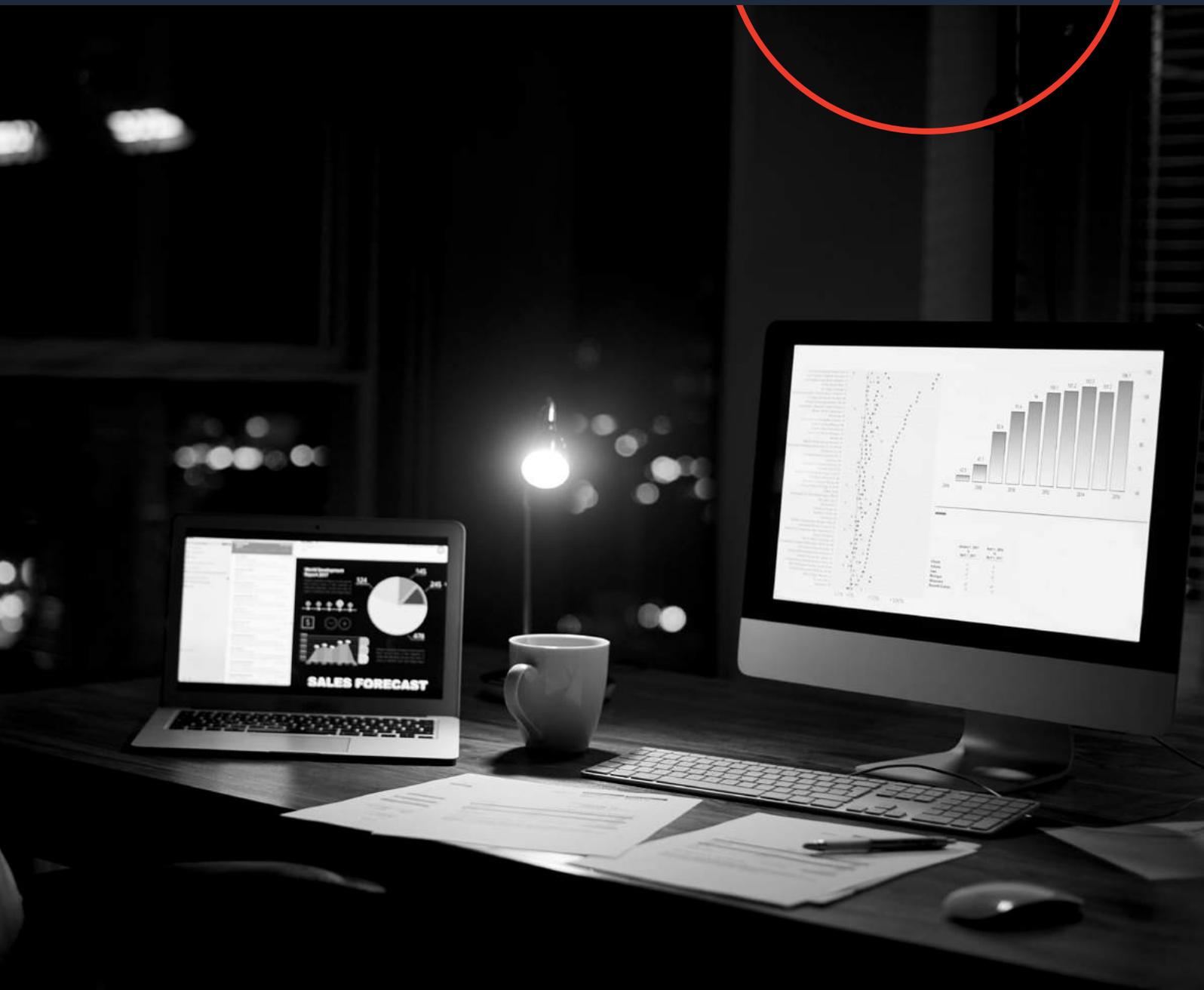
Our board is ultimately responsible for the establishment and upholding of an ethical culture in our Group. It gives direction on how we must approach and apply ethics. To this end, our board has approved the Code.

Adherence to the Code is a significant indicator of an employee's judgement and competence. The Code requires that appropriate action be taken against those who disregard its principles.

During the period under review, a new service provider was appointed to operate the Assupol Ethics Hotline, namely Deloitte Tip-offs Anonymous. A whistleblowing policy was also approved that governs the operation of the Assupol Ethics Hotline. The committee continued to oversee the operation of Assupol's market conduct framework to ensure that the Group has outcomes that are fair to its clients.

The committee monitored Assupol's adherence to King IV, and considered the implementation of Assupol's stakeholder engagement plan and practices to establish sustainable long-term valuable relationships to deliver on our strategic goals.

CONDENSED FINANCIAL RESULTS



GROUP REVIEW

for the year ended 30 June 2019

Assupol Holdings Limited (Assupol Holdings) is incorporated and domiciled in South Africa. Its registered office and principal place of business is at Summit Place Office Park, Building 6, 221 Garstfontein Road, Menlyn, Pretoria. The company's shares are listed on the exchange operated by 4Africa Exchange Pty Ltd (4AX). The directors are aware of their responsibilities in terms of the 4AX Listing Requirements and confirms that Assupol Holdings complies with these requirements.

Significant developments during the year

- The Insurance Act, 18 of 2017, became effective on 1 July 2018.
- Section 29A of the Income Tax Act, 58 of 1962, was amended with effect from 1 July 2018. The wording used in the section 29A(15) regarding the date to base the "phasing-in" amount on, has led to an increase in the Group's tax expense of approximately R24m.
- An additional deferred tax asset to an amount of R75 million has been raised in respect of assessed tax losses relating to Assupol Life's individual policyholder tax fund (IPF). The tax losses are expected to be utilised in the foreseeable future as a result of increased guaranteed single premium business.
- On 29 January 2019 Assupol Life Limited entered into a subordinated debt agreement with Investec Bank Limited. In terms of the agreement, Assupol has access to a draw down facility of R250 million of which R125.9 million was utilised at the end of the financial year mainly for the funding of new business.
- The business of Top Top Business Consultants Proprietary Limited was incorporated into Assupol Life Limited on 1 March 2019.
- Specific actions were undertaken to enhance the information technology systems of the Group to ensure that the operational and service ability of the Group are optimised. Further investment is expected over the next few years.

Group results

The Group delivered a good performance during the financial year against a challenging economic and operating environment. New business volumes were affected by the death of Assupol's brand ambassador, Hugh Masekela, and the new mandate requirements in the pensioner market that were introduced by government. The Group's disciplined approach to the management of expenses and service delivery to clients ensured that the targets set at the beginning of the financial year were met. The adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group, showed growth of 13.61% (20.8% in 2018).

The investment markets performed slightly better during the current year in comparison to previous year with after-tax returns on excess assets exceeding the long-term investment return assumption by R32 million (2018: R27 million). The return on excess assets was at 10.73% (12.97% in 2018)

Expense management remained a key focus area, resulting in a reduction of the renewal expense reserve component of policyholder liabilities by an amount of R137.8 million after taxation (R124.2 million in 2018).

The Group has committed itself to contribute to South Africa's social development agenda. In this respect an amount of R10 million was paid in the current financial year to the upgrade of ablution facilities in rural schools in South Africa.

The key financial performance statistics for the Assupol Group for the year are set out below:

Earnings performance	2019	2018	Change
Gross insurance premium revenue (R'm)	3 458	2 987	15.77%
Net profit attributable to ordinary shareholders (R'm) ^(a)	907	847	7.08%
Value of new business (R'm)	479	388	23.23%
Adjusted operating profit (AOP) (R'm) ^(b)	801	705	13.61%
Return on equity	23%	26%	
New business	2019	2018	Change
Recurring premiums (R'm)	1 026	891	15.10%
Single premiums (R'm)	376	191	96.76%
Total new business premiums (R'm)	1 402	1 082	29.54%
Annual premium equivalent (APE) (R'm)	1 063	910	16.81%
Present value of new business premiums (PV NBP) (R'm)	4 704	3 719	26.46%
Value of new business margin	10.2%	10.4%	-2.51%

(a) It should be noted that Assupol Life Limited in its standalone annual financial statements adjusted the 2018 disclosure of insurance premium revenue and fair value adjustments on investment policyholder liabilities in the statement of comprehensive income to adjust a classification error. The adjustment had no effect on the net profit after taxation or retained earnings and no material impact on the consolidated annual financial statements.

(b) The adjusted operating profit reflects management's view of the underlying long-term profitability of the Group. It is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns on excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-recurring transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period. Where a non-recurring transaction continues to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit. The reported 2018 adjusted operating profit of R713.7 million was reduced by R9.1 million due to such a transaction that continued to re-occur.

Group embedded value (R'm)	2019	2018
Shareholders' funds	1 275	1 301
Value of in-force business	4 113	3 195
Gross	4 491	3 489
Cost of required capital	(378)	(294)
Embedded value of covered business ^(a)	5 388	4 496
Embedded value of non-covered business ^(b)	34	67
Group embedded value at year end	5 422	4 563
Return on embedded value (%)	29.05%	33.49%

(a) Covered business is business written under a life insurance license and is valued by using the methodology outlined in the Advisory Practice Note, APN 107, of the Actuarial Society of South Africa.

(b) Uncovered business includes the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

Embedded value earnings - 2019 (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value of covered business	1 276	4 490	(378)	5 388
Embedded value of uncovered business	8	26	-	34
Group embedded value at 30 June 2019	1 284	4 516	(378)	5 422
Embedded value earnings - 2018 (R'm)				
Embedded value of covered business	1 301	3 489	(294)	4 496
Embedded value of uncovered business	89	(22)	-	67
Group embedded value at 30 June 2018	1 390	3 467	(294)	4 563

Key statistics relating to the issued shares of Assupol Holdings are provided below:

Share statistics	2019	2018	Change
Share price - closing (R) ⁽¹⁾	10.30	9.20	11.96%
Number of ordinary shares in issue ('000)	421 975	421 975	0.00%
Market capitalisation (R'm) ⁽¹⁾	4 346	3 882	11.95%
Basic earnings per share (R)	2.39	2.31	3.34%
Diluted earnings per share (R)	2.20	2.11	4.36%
Diluted adjusted operating profit per share (R)	1.89	1.73	9.46%
Group embedded value per share (R)	12.85	10.82	18.78%
Dividend per qualifying ordinary share (cents) ⁽²⁾	89	96	-7.29%

(1) Market information is based on the 4AX exchange on which Assupol Holding's shares trade.

(2) The dividend per qualifying share was declared and paid as follows:

- Declared on 27 September 2018 (Paid 15 October 2018): An ordinary dividend of 54 cents and special dividend of 42 cents, resulting in a total gross dividend of 96 cents per qualifying share.
- Declared on 27 September 2019 (Payable on 14 October 2019): An ordinary dividend of 60 cents and special dividend of 29 cents, resulting in a total gross dividend of 89 cents per qualifying share. Furthermore a trickle dividend of 13.66 cents was declared for the 'A2' ordinary shares.

The qualifying shares as at the end of the reporting period, 30 June 2019, were approved and various dividends applied, including the following.

Cents per share	Ordinary dividend	Special dividend	Trickle dividend
Listed ordinary shares, excluding shares held by the Share Incentive Trust	60	29	-
A1 ordinary shares	60	29	-
A2 ordinary redeemable shares	-	29	14
'B' no par value shares *	60	29	-

*This category includes only those 'B' shares that qualify to be converted to ordinary shares after the restricted period ended on 27 September 2019 and that are unrestricted at record date being 11 October 2019.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

R'000	2019	2018
Insurance premiums revenue	3 458 166	2 987 369
Insurance premiums ceded to reinsurers	(101 417)	(234 253)
<i>Net insurance premium revenue</i>	3 356 749	2 753 116
Commission received on outward reinsurance	3 154	7 222
Fee income	75 651	66 653
Investment income	205 820	188 042
Investment income on financial assets at amortised cost	87 303	65 404
Net fair value gains on financial assets	16 443	129 394
Other income	(185)	(373)
Income	3 744 935	3 209 458
Insurance benefits and claims	(1 073 840)	(976 742)
Insurance claims recovered from reinsurers	88 605	224 643
<i>Net insurance premium revenue</i>	(985 235)	(752 099)
Commission expenses	(824 359)	(631 277)
Operating and administrative expenses	(1 136 925)	(977 532)
Investment management expenses	(13 590)	(10 790)
Change in insurance contract provisions	568 835	532 926
Fair value adjustments on investment contract liabilities	(186 445)	(177 311)
Expenses	(2 577 719)	(2 016 083)
Result of operating activities	1 167 216	1 193 375
Finance charges	(16 736)	(14 221)
Profit before taxation	1 150 480	1 179 154
Income tax expense	(243 441)	(332 259)
PROFIT FOR THE YEAR	907 039	846 895
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	907 039	846 895
Profit attributable to:		
Shareholders	907 039	846 895
Total comprehensive income attributable to:		
Shareholders	907 039	846 895
Group earnings per share		
Basic earnings per share	2.39	2.31
Diluted earnings per share	2.20	2.11

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

R'000	2019	2018
ASSETS		
Property and equipment	249 311	250 699
Intangible assets	146 830	137 668
Financial assets: Investments		
At fair value through profit or loss		
Equity securities	1 264 833	1 205 706
Debt securities	1 340 178	1 145 601
Deposits and money market securities	964 732	883 773
At amortised cost		
Deposits and money market securities	1 157 777	756 524
Policyholder assets		
Insurance contracts	2 994 440	2 424 981
Reinsurance asset	2 891	3 515
Insurance and other receivables	124 140	132 197
Current taxation	-	3 031
Cash and cash equivalents	424 812	346 698
TOTAL ASSETS	8 669 944	7 290 393
EQUITY		
Share capital	639 533	639 438
Treasury shares	(68 106)	(68 106)
Employee benefits reserve	204 367	167 485
Black Economic Empowerment reserve	14 300	14 300
Retained earnings	3 477 328	2 931 147
TOTAL EQUITY	4 267 422	3 684 264
LIABILITIES		
Policyholder liabilities: Investment contracts		
At fair value through profit or loss	1 565 953	1 449 596
At amortised cost	1 209 987	727 797
Other liabilities	318 996	189 962
Employee benefits	91 414	79 501
Deferred revenue liability	656	511
Deferred tax liability	861 127	839 869
Insurance and other payables	328 317	318 893
Current taxation	26 072	-
TOTAL LIABILITIES	4 402 522	3 606 129
TOTAL EQUITY AND LIABILITIES	8 669 944	7 290 393

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

R'000	Share capital	Employee treasury shares	Benefits reserve	BEE reserve	Retained income	Total capital
Balance at 30 June 2017	601 808	(39 196)	74 504	14 300	2 293 006	2 944 422
B shares issued	36 742	(36 742)	-	-	-	-
Treasury shares acquired	-	7 824	-	-	-	7 824
Cost of incentive shares	-	-	2 045	-	-	2 045
Share incentive options exercised	-	8	(8)	-	-	-
Deferred bonus recognition	-	-	33 277	-	-	33 277
Share-based payment liability transferred to reserve	-	-	57 667	-	-	57 667
Dividend paid	-	-	-	-	(209 616)	(209 616)
Adjustment of redemption on preference shares	888	-	-	-	862	1 750
Profit for the year	-	-	-	-	846 895	846 895
Balance at 30 June 2018	639 438	(68 106)	167 485	14 300	2 931 147	3 684 264
Cost of incentive shares	-	-	1 448	-	-	1 448
Deferred bonus recognition	-	-	35 434	-	-	35 434
Dividend paid	-	-	-	-	(360 950)	(360 950)
Adjustment of redemption on preference shares	95	-	-	-	92	187
Profit for the year	-	-	-	-	907 039	907 039
Balance at 30 June 2019	639 533	(68 106)	204 367	14 300	3 477 328	4 267 422

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

R'000	2019	2018
Cash flows from operating activities		
Cash generated from operations	1 074 776	784 506
Net acquisition of financial instruments		
at fair value through profit or loss	(318 220)	(276 697)
at amortised cost	(401 253)	(240 748)
Interest received	197 818	172 797
Dividends received	28 741	16 213
Dividends paid	(360 950)	(209 616)
Finance charges	(16 736)	(14 221)
Taxation paid	(193 080)	(169 943)
Net cash flows from operating activities	11 096	62 291
Cash flows from investing activities		
Acquisition and disposal of property and equipment	(32 592)	(25 721)
Acquisition of intangible assets	(9 500)	-
Proceeds on disposal of equipment	1 927	15 097
Payment for acquisition of subsidiary	-	(5 875)
Net cash flows from investing activities	(40 165)	(16 499)
Cash flows from financing activities		
Decrease in treasury shares	-	7 824
Increase in subordinated debt	125 977	-
Payment of principal lease payments	(18 794)	(11 636)
Net cash flows from financing activities	107 183	(3 812)
Net increase in cash and cash equivalents	78 114	41 980
Cash and cash equivalents at beginning of the year	346 698	304 718
Cash and cash equivalents at end of the year	424 812	346 698

SEGMENT REPORT

for the year ended 30 June 2019

The Group's operating segments are based on the legal entities within the Group and are categorised according to similar business activities. The chief operating decision maker, namely the Group Executive Committee, makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis. Reporting adjustments are those accounting reclassifications and entries that are required to produce International Financial Reporting Standards (IFRS) compliant results. These adjustments also include the results of Assupol Holdings as well as Assupol Investments.

R'000	2019	2018
Revenue		
Segment revenue	3 788 835	3 204 969
Life insurance	3 738 926	3 201 903
Intermediaries	48 669	2 356
Other	1 240	710
Reporting adjustments	(43 900)	4 489
Group revenue for the year	3 744 935	3 209 458
Profit after taxation		
Segment profit after taxation	954 381	855 755
Life insurance	922 504	854 296
Intermediaries	30 993	1 485
Other	884	(26)
Reporting adjustments after taxation	(47 342)	(8 861)
Group profit for the year	907 039	846 895
Group comprehensive income for the year	907 039	846 895
Assets and liabilities		
Segment assets	8 613 078	7 157 108
Life insurance	8 574 913	7 091 941
Intermediaries	38 009	51 730
Other	156	13 437
Reporting adjustments	56 866	133 285
Group assets	8 669 944	7 290 393
Segment liabilities	4 429 469	3 562 144
Life insurance	4 429 288	3 558 603
Intermediaries	150	3 177
Other	31	364
Reporting adjustments	(26 947)	43 985
Group liabilities	4 402 522	3 606 129

NOTES TO THE FINANCIAL RESULTS for the year ended 30 June 2019

1. GENERAL INFORMATION

Assupol Holdings Limited and its subsidiaries operate in the financial services industry and all products and services are offered only in the Republic of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group has applied the provisions of the Companies Act, no 71 of 2008 as amended, which allows for summarised financial results as disclosed in this report.

This condensed financial report for the year ended 30 June 2019 has been prepared in accordance with the International Financial Reporting Standard (IFRS), IAS 34 (International Accounting Standard 34) and the reporting requirements of 4AX.

The condensed financial results have not been audited.

The condensed financial report does not include all the notes normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 30 June 2019. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 30 June 2019.

The Group elected to defer the implementation of IFRS 9 - Financial Instruments to coincide with the implementation of IFRS 17 - Insurance Contracts as a result of an assessment performed by management in line with the deferral provisions in IFRS 4 - Insurance Contracts. Based on this assessment it was concluded that the Group meets these provisions due to the fact that the Group's insurance liabilities exceed 80% of total liabilities.

The condensed financial results have been compiled by R Boonzaaier CA(SA), Senior Executive Manager: Group Finance under supervision of D de Klerk CA(SA), Group Chief Financial Officer.

3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Policyholder liabilities/assets under long-term insurance contracts

The determination of the liabilities/assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The full details of these assumptions and estimates are in note 4 to the Group's annual financial statements for the year ended 30 June 2019.

The assets under long-term insurance contracts increased by R568.8 million resulting in a net year-end asset balance of R2 997.3 million.

3.2 Other assumptions and estimates

Other assumptions and estimates for the year ended 30 June 2019 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred tax; and
- Measurement and accounting of lease assets, liabilities and finance charges in terms of IFRS 16.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and interest rate risk), credit risk and liquidity risk. These risks can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities.

4.2 Liquidity risks arising out of the subordinated debt agreement

The table below analyses the settlement value for the subordinated debt agreement differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

(R'000)	2019	2018
Contractual undiscounted cash flows		
Within 1 year	2 1 634	-
1 to 2 years	25 648	-
3 to 5 years	304 886	-
Total	352 168	-

4.3 Fair value estimation

The tables below analyse each class of financial instrument and insurance contracts, per category.

June 2019 (R'000)	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	3 569 743	1 157 777	-	4 727 520	4 759 596
Insurance and other receivables	-	27 179	-	27 179	27 179
Cash and cash equivalents	-	424 812	-	424 812	424 812
Investment contract liabilities	1 565 953	-	1 209 987	2 775 940	2 743 321
Other liabilities	-	-	318 996	318 996	319 998
Payables	-	-	49 553	49 553	49 553
June 2018 (R'000)					
Financial assets - Investments	3 235 080	756 524	-	3 991 604	3 982 568
Insurance and other receivables	-	50 821	-	50 821	50 821
Cash and cash equivalents	-	346 698	-	346 698	346 698
Investment contract liabilities	1 449 596	-	727 797	2 177 393	2 173 253
Other liabilities	-	-	189 962	189 962	189 962
Payables	-	-	256 991	256 991	256 991

4.4 Fair value hierarchy

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable:

- Level 1: Valued with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data thus unobservable inputs.

The valuation techniques and assumptions applied for purposes of measuring fair value of financial assets and liabilities are determined as follows:

For level 1:

- The fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices.

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

The specific inputs used are:

- > Risk free rate: 6.82% to 7.21%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 3.55% to 5.39%;
 - > Risk free rate: 6.99% to 7.23%;
 - > Equity index level strike: 46 411 to 51 499 (index level 52 199 at year-end);
 - > Equity volatility: 14.37 to 20.10;
 - > Reference bond yield strike: 7.47% to 9.24% (reference bond closing yields of 8.09% and 7.23%); and
 - > Bond volatility: 6.26 to 7.05.
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

- When classifying fair value measures within level 3 of the valuation hierarchy the determining factors are generally based on the significance of the unobservable factors when compared to the overall fair value measurement. The Group applies various due diligence procedures, as considered appropriate, to validate the underlying information used in the valuations.

The table below analyses financial instruments carried at fair value by valuation method. There were no transfers between the various levels during the current and previous financial years.

June 2019 (R'000)	Level 1	Level 2	Level 3	Total
Local listed shares	943 815	-	-	943 815
Derivatives	-	13 723	-	13 723
Unit trusts	309 715	-	-	309 715
Debt securities	44 700	1 293 058	-	1 337 758
Deposits and money market securities*	734 204	1 420 381	-	2 154 585
Receivables	-	19 511	27 179	46 690
Total financial assets	2 032 434	2 746 673	27 179	4 806 286
Net investment contract liabilities*	-	2 743 321	-	2 743 321
Other liabilities - Subordinated debt	126 979	-	-	126 979
Total financial liabilities	126 979	2 743 321	-	2 870 300
June 2018 (R'000)	Level 1	Level 2	Level 3	Total
Local listed shares	909 862	-	-	909 862
Derivatives	-	11 784	-	11 784
Unit trusts	284 307	-	-	284 307
Debt securities	45 738	1 099 616	-	1 145 354
Deposits and money market securities*	653 423	977 838	-	1 631 261
Receivables	-	15 170	50 821	65 991
Total financial assets	1 893 330	2 104 408	50 821	4 048 559
Net investment contract liabilities*	-	2 173 253	-	2 173 253
Other payables	-	256 991	-	256 991
Total financial liabilities	-	2 430 244	-	2 430 244

* Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 4.3.

5. RELATED PARTY TRANSACTIONS

R'000	2019	2018
Loans to key management		
Balance at end of year	7 558	8 854

Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, no 71 of 2008, and the Long-term Insurance Act, no 52 of 1998. The loan bears interest at the official prime interest rate levied by the bankers of Assupol Life, and is repayable over 5 years. The Group has sufficient security over this loan.

R'000	2019	2018
Remuneration and restricted incentives - Executive directors and prescribed officers		
Salary, pension fund contributions and other benefits	23 292	19 945
Cash bonus	15 600	13 900
Restricted incentives	19 390	16 625
Non-executive directors' fees		
Board fees	5 840	5 044
Committee fees	3 310	2 991
Units R'000	2019	2018
Securities held by directors		
Direct beneficial	1 9 300	18 904
Indirect beneficial	945	911

THOSE WHO SERVE





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