

A photograph of a modern, curved building with a dark, perforated facade. The building is set against a blue sky with light clouds. The ASSUPOL logo is prominently displayed at the top of the building. The logo consists of the word "ASSUPOL" in a white, sans-serif font, with a red circular icon containing a white dot to the right of the letter "O".

ASSUPOL

A graphic element consisting of a white circle containing the text "ASSUPOL INTEGRATED REPORT 2017". The text is in white, with "ASSUPOL" in a smaller font, "INTEGRATED REPORT" in a smaller font below it, and "2017" in a large, bold font. Two vertical white lines extend from the top and bottom of the circle.

ASSUPOL  
INTEGRATED REPORT  
**2017**



FINANCIAL HIGHLIGHTS AT A GLANCE

2017

**GROUP  
EMBEDDED  
VALUE**

R3.57bn  
22.8%  
growth

**VALUE  
OF  
NEW BUSINESS**

R350.0m  
58.5%  
growth

**RETURN ON  
EMBEDDED  
VALUE**

30.8%

**ORDINARY  
DIVIDEND  
PER QUALIFYING  
SHARE**

11.6% growth

Total dividend of 56 cents included  
a special dividend of 8 cents

**ADJUSTED  
OPERATING  
PROFIT**

26.8%  
growth

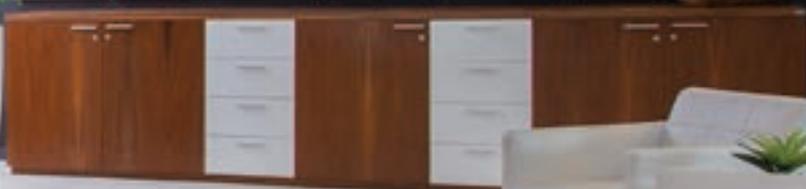
**RETURN  
ON  
EQUITY**

29.1%

ASSUPOL



A S S U P O L





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## ABOUT THIS REPORT

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This is the annual integrated report of Assupol Holdings Ltd, covering our financial year 1 July 2016 to 30 June 2017. It has been prepared in accordance with the International Financial Reporting Standards (IFRS), Companies Act, and King III Report on Corporate Governance.

The report aims to enable stakeholders to better understand the business of the Assupol Group, and to make an informed assessment of our performance. It provides a comprehensive overview of our financial, economic and social performance for the reporting period.

The report provides a consolidated overview of our performance on matters relating to our business strategy, as

well as our ability to create and sustain value, manage risk and deliver a client-centric service, in the interest of our key stakeholders.

Our Group's financial results have been condensed in this report, to provide an overview.

Our board, with the aid of our Audit Committee, takes responsibility for safeguarding the integrity, reliability and transparency of our annual integrated reports.

This report is dedicated to Mr Gert Wessels, who through his vision, commitment and hard work over more than 37 years, has made a huge contribution to the successes

and growth of our Group. The electronic version of this report, together with the full set of our audited financial statements, is available on our website at [www.assupol.co.za](http://www.assupol.co.za).



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*Andrew Birrell,*  
Chairperson

*Riaan van Dyk,*  
Group CEO

&

*Bridget Mokwena-Halala,*  
Assupol Life CEO

*Niël de Klerk,*  
Group CFO

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07

PERFORMANCE  
HIGHLIGHTS

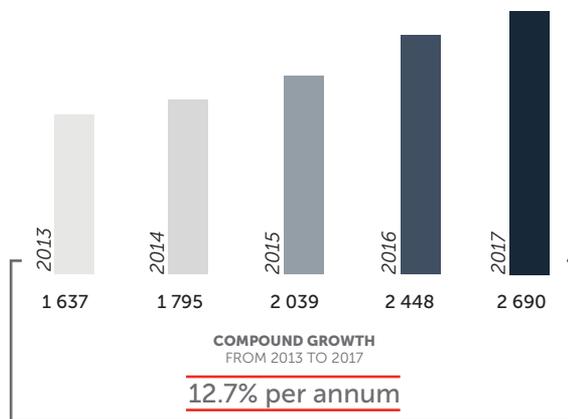




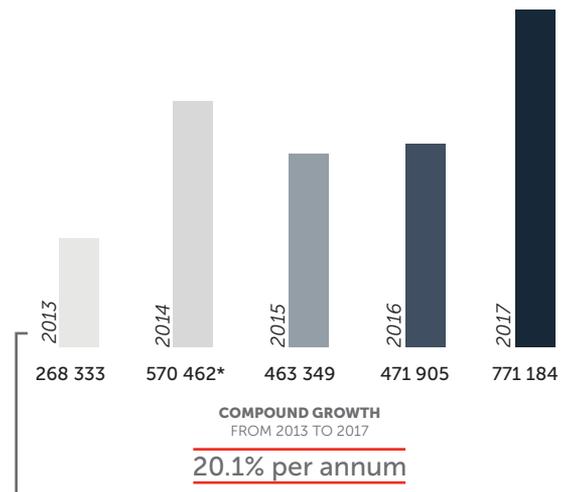
<b>Financial</b>	<b>2017</b> R'000	<b>2016</b> R'000	<b>2015</b> R'000	<b>2014</b> R'000	<b>2013</b> R'000	<b>% change</b> <b>2016/17</b>
Net premium revenue	2 451 801	2 242 609	1 856 303	1 644 396	1 508 081	9%
Net profit after tax	771 184	471 905	463 349	570 462	268 333	63%
Group embedded value	3 571 968	2 908 486	2 562 848	2 196 762	1 645 556	23%
Net value of new business (Assupol Life)	350 046	220 879	180 922	106 297	86 285	58%
Capital adequacy cover (Assupol Life)	189%	192%	258%	272%	197%	
<b>Economic value added</b>	<b>2017</b> R'000	<b>2016</b> R'000	<b>2015</b> R'000	<b>2014</b> R'000	<b>2013</b> R'000	<b>% change</b> <b>2016/17</b>
Employee cost	309 172	270 149	249 406	230 706	219 920	14%
Commission paid to service providers	536 552	479 591	393 075	332 568	279 898	12%
BBBEE score	Level 3	Level 3	Level 4	Level 4	Level 5	
Distributed to ordinary shareholders:						
Ordinary dividend (cents)	48	43	38	30	-	12%
Special dividend (cents)	8	13	61	48	-	
<b>Employees</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>% change</b> <b>2016/17</b>
Number of employees	637	593	555	551	534	7%
Number of representatives	2 001	1 553	1 108	1 169	1 082	29%
Engagement index - people survey (%)	75%	83%	74%	74%	73%	
Employee turnover	12%	12%	12%	13%	14%	
Total training spend (R'000)	8 566	9 761	6 940	5 621	5 000	-12%
<b>Community</b>	<b>2017</b> R'000	<b>2016</b> R'000	<b>2015</b> R'000	<b>2014</b> R'000	<b>2013</b> R'000	<b>% change</b> <b>2016/17</b>
Total sponsorships & donations	6 811	5 359	3 986	3 033	2 655	27%



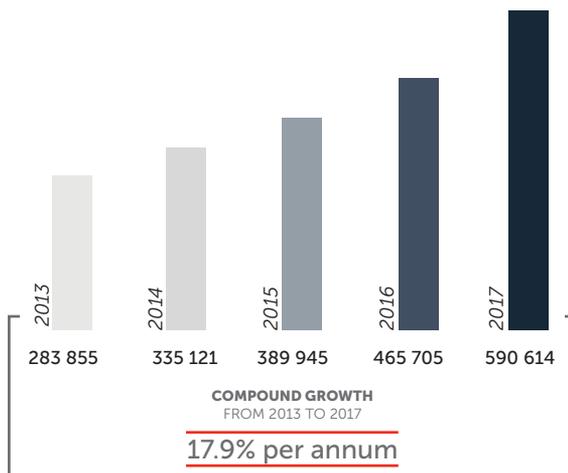
### Gross premium income (R'm)



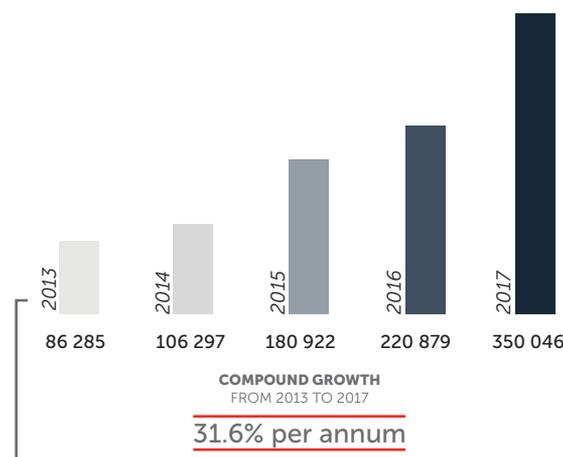
### Net profit after tax (R'000)



### Adjusted operating profit (R'000)



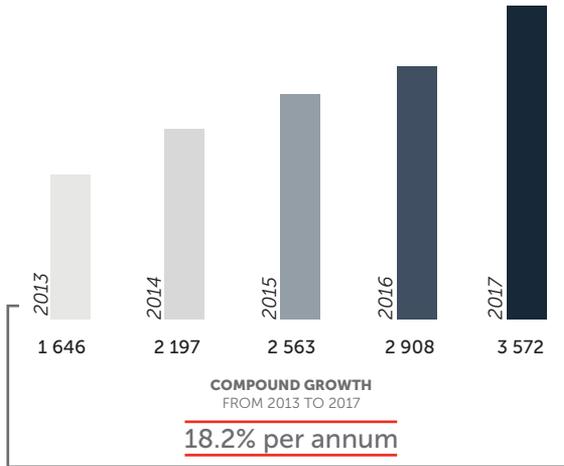
### Value of new business (R'000)



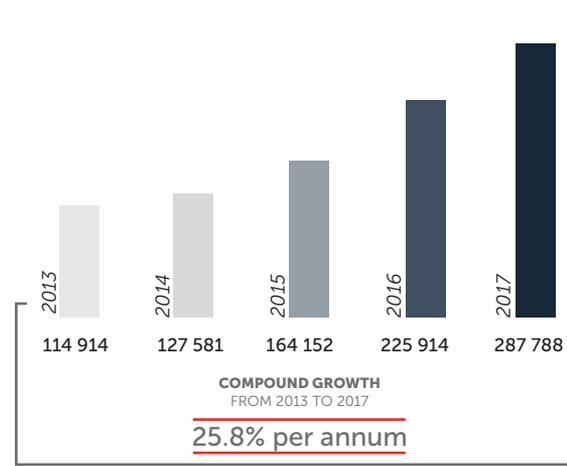
\*2014 net profit included a refinement of the reinsurance modelling, which resulted in a once-off increase in profit of R278 million. This was not repeated in subsequent years.



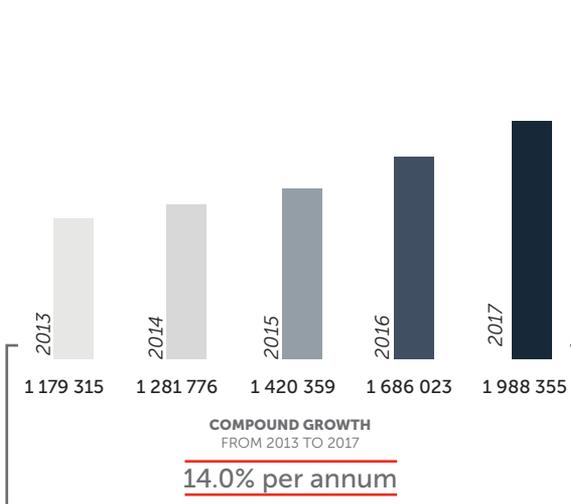
### Group embedded value (R'm)



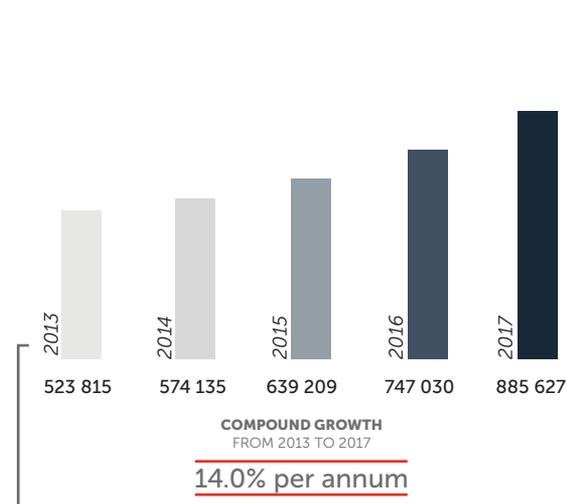
### Total new policies written



### Total lives insured

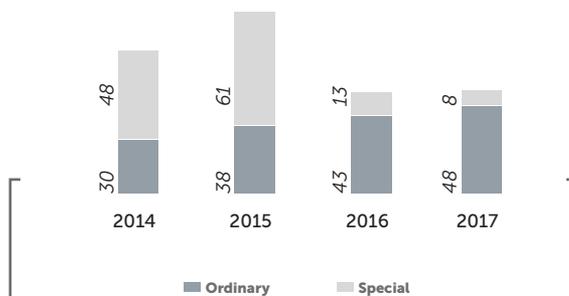


### Individual policies in force



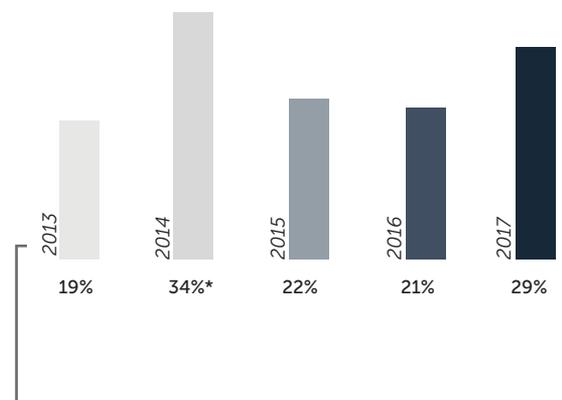


### Dividend per share (cents)

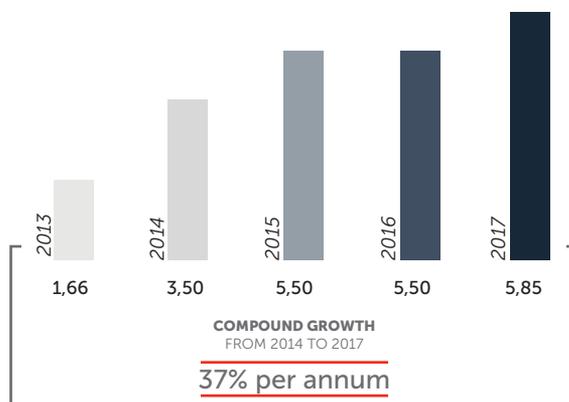


Assupol declared its maiden dividend in 2014

### Return on equity (%)



### Over-the-counter price per share (R)



\*2014 net profit included a refinement of the reinsurance modelling, which resulted in a once-off increase in profit of R278 million. This was not repeated in subsequent years.

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A WORD FROM OUR  
CHAIRMAN

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**ANDREW BIRRELL**



## AN EXCELLENT RESULT, IN A CHALLENGING YEAR

Our Group has completed yet another record-breaking financial year. We are not only proud of this continued success, but also humbled by it, since it reflects the faith that our clients have yet again put in us, to meet our promises when they need us most.

The performance is built on a solid foundation of teamwork within and between our board of directors, executive management, administrative support employees, sales force, and our many partners and supporting stakeholders. This teamwork has been built over many years, and ultimately is there to deliver to our most important stakeholders – the clients we serve.

### Our clients, our success

Descartes, the famous mathematician-cum-philosopher, is remembered especially for his words: *I think, therefore I am*. I would like to paraphrase him, in the context of Assupol, as: *Our clients choose us, therefore we are*.

Our clients are Assupol's *raison d'être*. We exist, and work hard to deliver for our clients, and in turn, if we perform appropriately, we are able to show our level of achievement in the measures we present in this report.

We are proud that an increasing number of South Africans have decided that Assupol's products and services meet their requirements and expectations, and in turn we focus on ensuring we always deliver what they need.

### A challenging environment

It is well understood that South Africa has faced a challenging environment over the recent past, and it is expected that these challenges will continue to test us in the short to medium term. Our 2017 financial year was certainly one that required resilience, commitment, steadfast focus, and zest.

South Africa's economy performed poorly over the year, and as a result many of our clients have come under increased financial pressure, reducing their buying power. Accordingly, our clients placed even more emphasis on the need to ensure that they received value for money in all buying decisions. We believe that Assupol's successful growth over the year demonstrates the strength of our brand, and the confidence our clients have in us to deliver value for money.

In addition to demonstrating the resilience required to overcome the challenges presented by the economic headwinds during the year, our colleagues also demonstrated the ability to deliver whilst

adapting to a number of changes:

- I took over as chairman of Assupol Holdings Ltd and Assupol Life Ltd;
- Riaan van Dyk was appointed as Group CEO; and
- We commenced, and completed, the move to our new head office.

In the life of any business any one of the above changes could be daunting, let alone if they all take place during a single year, as in our case. The Assupol team navigated all of these changes with confidence and grace, and I would like to thank my fellow directors, our executive team and our head-office staff, who all contributed so much to this fine accomplishment and demonstration of teamwork.

We are reaping many benefits from moving staff from five separate offices to a single location. The ability of teams to work in close proximity leads to a more productive environment, greater communication, and an increased sense of common purpose.

Our new head office is a strong indication of our investment in our future, and is having an invigorating effect on our teams. The building's prominence and stature alongside the N1 gives us the opportunity to visually reflect our Group's growth, and we believe



that the net result will further benefit our clients.

**Assupol cares**

We are often asked: What is the secret of Assupol's success?

Although there are several strands to this success, we believe that there is one element that warrants special mention: *Assupol cares*. We care not only about our employees, sales force, clients and stakeholders, but also beyond the parameters of our business.

We have various initiatives aimed at making a meaningful difference in the lives of underprivileged communities and members of these communities. Many of these initiatives are driven directly by our employees, who make financial contributions directly from their pay cheques, and also give of their personal time.

Our approach is staff-led, and we encourage all staff to find causes close to their communities where they can make a difference, roll up their sleeves, and lead by example. In return, we support these initiatives with matched funding, and make time available when staff can engage with these initiatives to make a difference.

South Africa has large and pressing social needs, and

it is way beyond our ability to help in each of these. Therefore, our approach is to not spread our support thinly with insignificant impact, but rather to make substantive contributions in selected areas, thus making a telling difference in the lives of those we support.

I can describe Assupol's disposition of caring in fitting and powerful words borrowed from the Koran: *Our true wealth is the good we do in this world*.

**The Assupol Community Trust**

The Assupol Community Trust, created when Assupol demutualized, was allocated shares representing group-scheme policyholders who could not be allocated shares individually. The Trust operates independently from our group of companies, and as a shareholder in Assupol Holdings, benefits from dividend payments.

The Trustees have resolved to focus on early-childhood development in disadvantaged communities, and use the income from dividends and investments to fund these activities. Early-childhood development is the Trust's sole purpose, and is aligned with one of our government's national development priorities.

This integrated report contains a section on the

excellent, and vital, work done by the Trust.

**The regulatory environment**

The financial services industry operates in a changing regulatory environment. The proposed set of new laws and regulations represent the widest-ranging changes in our industry's history. An entirely new regulatory regime is being created – a process that will stretch over the next three years.

We are realistic about the fact that implementation of these changes will not be straightforward, and will in some cases present us with substantial challenges. Given our industry is by nature one that prefers a measure of certainty to function optimally, we are working hard to ensure that these changes are well-understood, and that we not only implement the letter of the new laws and regulations, but that we do so in a manner consistent with the spirit of these laws and regulations.

Assupol has been dealing with changes of this nature throughout our history. When Assupol was founded in 1913, each of the then four provinces in the erstwhile Union of South Africa had its own law governing insurance, and these were consolidated in the 1923 Insurance Act, itself replaced by the Insurance Act of 1943. The Long-term Insurance Act of 1988 replaced the 1943 Act, and is now itself being



updated and replaced.

We support the aims of the new regulatory measures, especially the predominant aim of ensuring that customers are treated fairly, since our company is strongly aligned with this objective.

Our challenge is to implement the new regulatory measures in the most constructive and effective way, and in a manner that will have a marginal (if any) adverse impact on our delivery to our clients.

Assupol's board has taken deliberate steps to develop a deeper and closer relationship with our supervisors. Our increased board-level engagement with our supervisors assists us to ensure that we fully understand their objectives, in order to implement these in the most appropriate and sensible manner.

Two objectives of the new regulatory measures that warrant particular mention, and which we endorse, are financial sustainability and financial transformation and inclusion.

**Regarding financial sustainability:** It is key to our business as a life insurer to ensure we are able in the future to meet the promises we make today. This means that Assupol needs to be managed in a commercial manner, since sustainability cannot

be achieved without profitability. Being profitable ensures that our customers can at all times have confidence in our ability to meet our promises.

**Regarding financial transformation and inclusion:**

Assupol is well placed to assist clients with financial transformation, given the nature of our client base. We believe that financial education, transformation and inclusion is critical in supporting the meaningful development of our country and society.

**Tough-minded optimists**

In troubled and uncertain times it is easy to lose faith in the future, and be tempted to lean towards pessimism. Levels of anxiety are increasing, whether in South Africa, or more broadly across the globe.

History teaches us, however, that such anxiety and despondency is nothing new or unique. There has never been an age that did not exhibit these concerns. The oldest-known writing in existence, the six-thousand-year-old Prisse Papyrus, begins with words that sound all too familiar: *Alas, times are not what they used to be.*

History also proves to us that no time stays as it is. Economic and political cycles change, and the future is heavily impacted by the choices we make today. In particular, we can choose to positively influence this

future.

Assupol is in the business of supporting clients over the long term. We have been walking this path in South Africa alongside our clients since 1913, and together with them have seen many different cycles – ranging from times of challenge, to times of jubilation.

Through our history of more than 100 years we have experienced many unfavourable times – for instance the devastating decade-long depression, coupled with a debilitating drought, in the 1930's, which is still referred to as the "Great Depression" and considered to be the worst ever recorded economic downturn.

As a business family of tough-minded optimists we know that when times are difficult, it is important to be resilient and remain positive. Assupol believes in, and will play an active role in, constructing a better future for our country, our Group, our employees, our sales force, our stakeholders – and, above all, our clients.

The financial protection we provide to our clients and their beneficiaries helps them to engage the future with greater optimism and self-assurance.



We believe strongly that as South Africans we must not wait for others to make a better future for us, but rather actively collaborate and co-operate across communities in all of our day-to-day activities to bring this into reality. In the still relevant words of Ralph Waldo Emerson, the renowned 19th century writer: *This time, like all other times, is a very good time, if we know what to do with it.*

In our daily activities at Assupol we see the benefits arising from persons of diverse backgrounds working to achieve aligned objectives, proving to us that what we share in common is far more significant than where we differ.

**Farewell to old friends**

In the year past, we said goodbye to three champions, each of whom made a substantial contribution to Assupol, and to whom we owe our thanks:

- **Gert Wessels:** Gert retired on 30 June 2017, after 37 years of service, during which time he built Assupol into the force it is today, initially as managing director, and more recently as head of sales. He is the architect of Assupol today, and this integrated report is dedicated to him. His achievements are so numerous that we have a separate tribute to him in this report.

- **Jan Janse van Rensburg:** Jan retired from his role as chairman of the board of Assupol Holdings and Assupol Life on 27 July 2016, after 13 years' service as a non-executive director, the last three of which were served as chairman. Jan led the board through a number of changes post the introduction of new shareholders, with wisdom, humour and grace.

- **Rudi Schmidt:** Rudi left his role as our Group CEO at the end of the financial year. He initially joined the board as a non-executive in 2002, and took on the role of Group CEO from Gert Wessels in 2010. Rudi led our Group through the demutualization process and introduction of new shareholders, and played a solid role in leading Assupol to where it is today. We wish him great success in his future endeavours.

**The road ahead**

We believe our future success is completely dependent on continuing to deliver relevant products and services to our clients, giving them every reason to recommend us to family and friends, and proving ourselves to new clients.

We will measure our success in a number of ways, from the difference we make to the communities we serve, to the level of trust our clients and supervisors

have in us, to the financial outcomes that result from these activities.

To achieve this success, we will continue to foster and support a capable, committed, diverse, happy and inspired workforce. We believe that our employees and sales force are our shop window, and that if we look after them, they will continue to deliver exemplary service to our customers and communities.

We are enthusiastic about Assupol's future, since we know it is based on our collective passion to *serve those who serve*, and partner them through life's journey.

**Andrew Birrell**  
**Chairman**

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A WORD FROM OUR  
GROUP CEO AND LIFE CEO

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**RIAAN VAN DYK AND  
BRIDGET MOKWENA-HALALA**



## REVIEW OF OUR 2017 FINANCIAL YEAR

Since its demutualisation in 2010, Assupol Life has firmly established itself as an insurer that generates healthy and consistent growth rates across all generally-used metrics.

Our 2017 financial year that ended on 30 June 2017 is no exception. In fact, it proved to be another record-breaking year for Assupol, on many fronts.

The fact that we successfully managed to achieve such an outstanding performance in an undoubtedly tough trading environment (and one in which our competitors have struggled to deliver growth), is particularly pleasing, and is in our opinion evidence of the core fundamental strengths of our business.

We ascribe our track record of delivering consistent growth to a combination of factors, which include an innovative and needs-based product offering, a cost-effective and scalable distribution footprint, a very deliberate focus on the quality of our sales, and an efficient and cost-effective administrative capability that strives to deliver great client service.

### Highlights

There are a couple of highlights over the past financial year that deserve special mention:

- In 2012 Assupol, as part of its strategy to improve

its distribution diversification, embarked on a focused, in-bound direct marketing campaign. Our direct marketing business has now reached critical mass, and is becoming an increasingly meaningful contributor to the top and bottom lines of Assupol, accounting for almost a quarter of all new business sales. Direct Marketing's sales ended the year at an impressive 58% higher than the previous year.

- Cornerstone, a wholly-owned subsidiary of our Group, which operates in the old-age pensioner SASSA grant market, has firmly entrenched itself as a leader in providing affordable funeral products to this client base. Operating from a relatively low market-share base, in a very sizeable market that is arguably recession-proof, we believe that Cornerstone is very likely to generate profitable and healthy growth well into the foreseeable future.
- The standout performance over the past year was, however, once again our representative force. In a tough trading environment, it managed to grow sales by an outstanding 28%. More impressive is the fact that the very good sales results were not achieved at the expense of good persistency.
- Towards the latter parts of our 2016 financial year, we entered the investment market with the launch

of our Guaranteed-return Single-premium Policy (GRSP). In our 2017 financial year we witnessed very satisfactory sales with this offering, and we are optimistic that the successes of the past year are repeatable going forward. Our longer-term presence in this market is however limited by capacity constraints.

### Placing clients first

Placing the needs of our clients at the core of everything we do, is ingrained into the DNA of Assupol. As a result, we are confident that we are well-positioned to continue prospering in a regulatory environment founded on the principles of Treating Customers Fairly (TCF).

Our sales and distribution strategy is essentially aimed at providing our clients with easy and convenient access to Assupol. In this regard, Assupol was the first insurer to introduce mobile offices to our target markets a couple of years ago. During the past year, we have seen our mobile offices effectively extending our reach to our clients, which has become an important aspect of our sales and service delivery systems.

Keeping a close eye on our persistency experience remained a very high priority for Assupol over the past year. As a result, we introduced several



enhancements to our quality-control processes, as well as to our sales-incentive structures, in both cases focusing on lowering early duration lapses.

Our 2017 annual product launch, which took place during the latter part of the financial year, was very well received by the market. In addition to refinements to our core funeral product offering, the launch included two aspects which are intended to push Assupol into new fields of focus going forward, namely:

- A limited-underwritten life-cover policy (the Progress 4Life Plan range) positioned between our core funeral offering and our fully-underwritten Assupol Progress Legacy Plan product range. Our core funeral offering (non-underwritten) still dominates the sales efforts of Assupol. The launch of our Progress 4Life Plan is intended to assist to diversify our product offering away from the existing core funeral policy dominance; and
- The introduction of the Assupol Digital Solution with the implementation of the new Assupol Client Portal on the web as well as on various smartphone applications. Although the focus of the Digital Solution will initially be on client service and administrative efficiencies, the intention with its roll-out is also to lay the foundation for future

online sales.

In our 2017 financial year we paid R996 million in benefits. Most pleasingly, we settled 88% of all valid funeral claims within 24 hours.

The combination of our track record of delivering outstanding client service, our continued focus on product innovation built around the real needs of our target market, as well as our sales successes, has resulted in Assupol, for the third time in a row, winning the coveted CFI Best Life Assurer in Southern Africa award.

The fantastic overall performance of Assupol over the year under review was to some extent blemished by the regulatory fine imposed on it by the FSB. As a responsible corporate citizen that fundamentally believes in maintaining an impeccable relationship with its regulator at all times, the breach was a disappointing outcome that we are not proud of. Our relationship with the regulator, however, remains sacrosanct to us and our resolve to uphold and improve in this regard is now stronger than ever before.

#### **Focus on operational efficiencies**

Our continued focus on operational efficiencies (besides that generated by scale improvements),

has again added meaningfully to our great financial performance over the past year.

In particular, our recent focus on improving overall efficiencies in our group-scheme business started to bear fruit during the past financial year. Although we cancelled schemes with more than R367 million in premiums, we increased the bottom-line performance of our group scheme business in the process. The business is now also significantly better placed to selectively pursue growth opportunities.

#### **A workplace that fosters success**

Assupol's culture is one of empowerment and accountability, where persons who want to be successful, can do so. This is a very powerful aspect of our culture. Assupol does not instruct persons to do things. They do it because they feel part of the decision, feel empowered to do so and want our business to succeed.

This culture contributed substantially to Assupol having been awarded a gold seal of achievement by the Deloitte Best Company to Work for Survey 2016.

During the past year, all staff that were previously located at our Brooks street offices, relocated to our brand-new Assupol head office at Building 6, Summit Place, Garsfontein. Despite a few very minor glitches,



the relocation was achieved on time, within cost guidelines, and without introducing any new risks.

The relocation has also not disappointed in terms of expected benefits. As a landmark and iconic building situated next to the N1 highway, the building already has attracted much attention and created significant brand awareness. In addition, the modern office surroundings, as well as the association with success that such a building creates, have generated much goodwill and have also injected additional energy into our work environment.

Assupol also has a proud history of leading the way with staff transformation. As at 30 June 2017 our African, Coloured and Indian staff compliment had grown from 72.4% to 75.2%. We furthermore maintained our level 3 BEE rating.

**Looking ahead**

Our focused strategy of cost-effectively and efficiently delivering needs-based insurance products and client services to our LSM 3 to LSM 7 target markets, remains firmly in place.

We nonetheless remain extremely concerned about the socio-economic prospects for our client base. We consequently believe that the headwinds experienced over the past couple of years are likely

to continue into the foreseeable future.

Despite the pessimistic outlook for our trading environment, we remain confident that we will be able to continue to deliver good growth for our stakeholders. We are also in the process of laying the foundation for a couple of exciting new growth initiatives outside of our traditional focus. Although the fruits of our efforts in this regard are unlikely to move the needle during the 2018 financial year, we are optimistic that our initiatives will start to contribute positively to our progress shortly thereafter.

However, despite our confidence in this regard, the usual caveat applies, namely that any economic or political uncertainty or upheaval, especially if coupled with a further local credit-rating downgrade, has the very real potential to impact on our reported earnings numbers, given Assupol's relative sensitivity (from a reported earnings point of view) to movements in the yield curve.

It is worth pointing out that under such a scenario, even when the reported earnings figure is impacted by changes in the yield curve, the cash earnings (and therefore the ability to support Assupol's dividend strategy) as well as the capital adequacy ratios are not expected to be materially impacted.

**Gratitude**

As an executive team, we are in the very privileged position to be able to operate in an environment where our board of directors take a very active and constructive interest in our business. We would like to thank them for their unwavering support, as well as their continued guidance and leadership.

We would also like to convey our appreciation to our board as well as to our fellow executives for the professional manner in which the transition of old-to-new Group CEO was managed. The role played by our chairperson as well as some members of the board in this regard, as well as the resilience and mature handling of the transition by the Assupol executive management team, arguably resulted in a textbook transition.

Lastly, but by no means least, as an executive management team we are acutely aware of the fact that we ride on the wings of the hard work, dedication and commitment of each of our staff members and sales representatives. We are forever indebted to them for the invaluable role that they all play in the success of Assupol.

**Riaan van Dyk & Bridget Mokwena-Halala**  
**Group CEO Life CEO**

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A WORD FROM OUR

GROUP CFO

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**NIËL DE KLERK**



## ANOTHER GOOD FINANCIAL YEAR

### Our Group's chief financial officer gives his overview

Our Group again delivered exceptional financial results. Our financial year that ended on 30 June 2017 surpassed all our financial targets. We achieved this despite difficult and challenging economic conditions, amplified by political uncertainty.

#### Highlights

- record net profit after tax of R771 million
- value of new business increased by 58.5% to R350 million
- our Group embedded value increased to R3 571 billion.

This is testimony of successful execution of the broader strategy of our Group.

### Our annual financial statements

They were prepared in accordance with International Financial Reporting Standards (IFRS). We applied all accounting policies consistently with previous financial years.

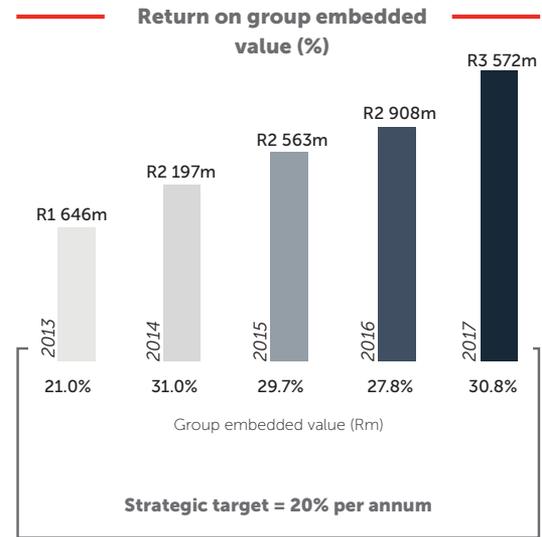
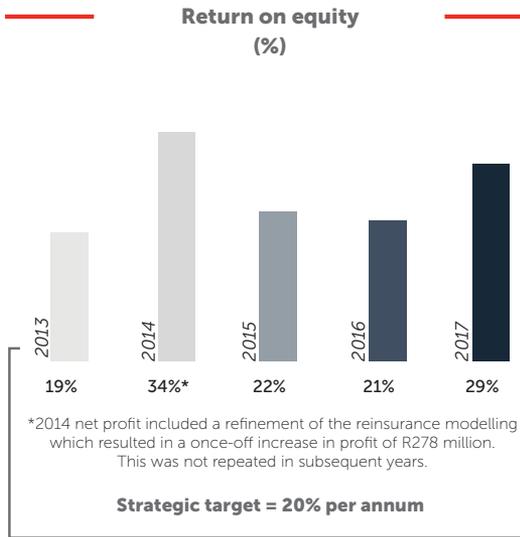
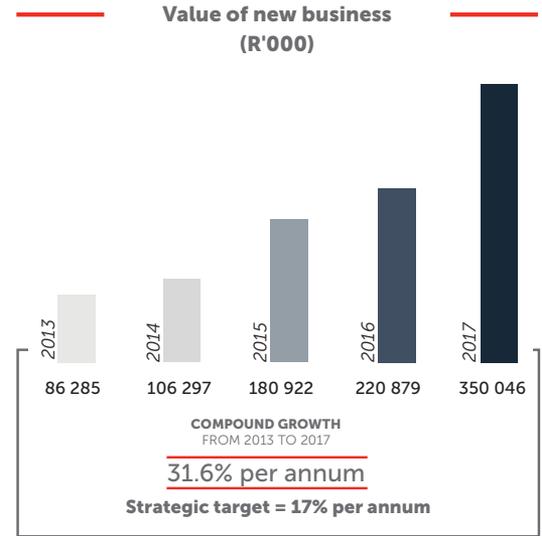
We would like to point out that policyholder assets were previously stated net of reinsurance assets, ie a combined single value of gross policyholder assets

and reinsurance assets. We have improved the disclosure in the balance sheet to show the gross reinsurance assets relating to the gross insurance liabilities that are reinsured separately.

### Our performance against strategic financial targets

Our financial performance is managed and measured against specific, defined strategic financial targets. These are: return on equity; growth in value of new business; and return on embedded value.

The graphs below show our performance against these targets over the past five years. In these graphs VNB means value on new business, and EV means embedded value.





We managed to significantly outperform our strategic financial targets. Key reasons for this were:

#### Exceptional new business growth

New business volumes increased by 37.5% on an annual premium basis. This is due largely to strong growth in our direct-marketing sales and the launch of our guaranteed single-premium product. The value of new business increased by 58.5%.

#### Efficient management of expenses

This resulted in a reduction in the renewal expense assumption, and a release from policyholder liabilities of R157.3 million before tax.

#### Favourable mortality experience

This was in line with our expectation. It resulted in a reduction in our actuarial reserve, and a release from policyholder liabilities of R132.2 million.

#### No significant deterioration in withdrawal of business

For our individual business there wasn't a significant deterioration. For our direct-marketing business there was a deterioration, for which we adjusted our policyholder liabilities upwards by R12.9 million.

#### Net profit after tax

It increased to R771 million. To give a more realistic long-term view of our Group's profitability, it can be analysed as follows:

	2017 R'm	2016 R'm
<b>Reported net profit after tax</b>	<b>771</b>	<b>472</b>
Adjustment of investment returns on excess assets <sup>(1)</sup>	10	15
Non-recurring transactions	(43)	6
Discontinuation of business relationship	-	1
Adjustment of non-recurring economic assumption <sup>(2)</sup>	(85)	51
Other assumption changes <sup>(3)</sup>	(63)	(79)
<b>Adjusted operating profit</b>	<b>590</b>	<b>466</b>

1. Our shareholder funds underperformed, against our assumption for long-term investment returns. However, the returns of the fund overall outperformed the market benchmark by 2.13%. The asset allocation in the fund and related investment returns are shown in the Asset allocation section below.
2. Changes in our actuarial economic assumptions were driven by a decline in the bond yields from 8.5% in 2016 to 8.2% in 2017, and an increase of the real return gap from 1.8% to 2.45% in 2017.
3. Changes in our actuarial operational assumptions were driven mainly by favourable renewal expense experience and favourable mortality experience. There wasn't a significant deterioration in the withdrawal experience in our normal business, but some deterioration in our direct-marketing business. Part of our key strategic drivers is to focus on administration efficiencies. Other assumption changes include actuarial modelling improvements. A significant change was a modelling improvement to allow for premium debt written off on lapse events. This applied to risk business only.



### Return on Group embedded value

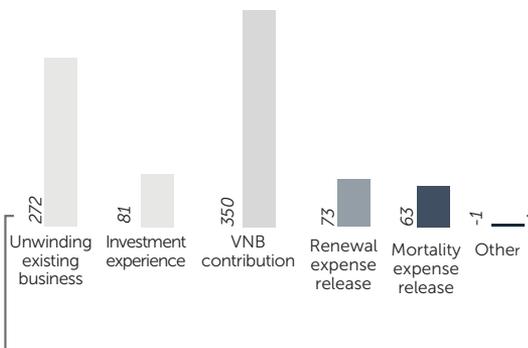
We continued with an exceptional return of 30.8% (2016: 29.7%).

The key drivers of this return were:

- growth in value of new business
- renewal expense efficiency releases
- mortality reserve releases
- investment returns

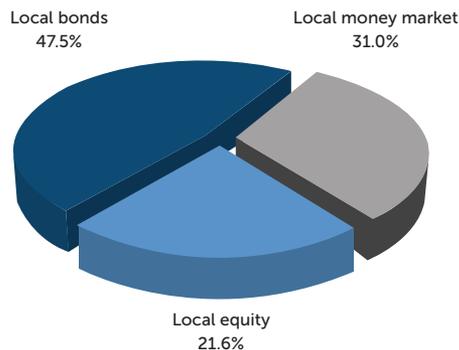
The graph below gives an analysis of our earnings on our Group embedded value. In this graph EV means embedded value, RDR means risk discount rate, and VNB means value of new business.

### Group analysis of embedded value earnings 2017



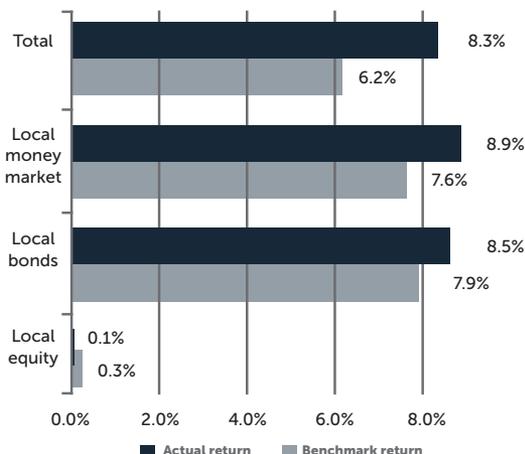
### Asset allocation and investment returns

This graph shows the asset allocation in our shareholders fund at 30 June 2017.



This graph shows the weighted investment returns on the shareholders fund against the weighted benchmark at 30 June 2017.

### Investment return



### We issued new shares

New class "B" shares was created, and 4.82 million of these shares were issued. This was done to fund a deferred bonus scheme for key employees.

These shares vest after three years. During this vesting period they do not have dividend rights. After the vesting period they are converted to ordinary shares.

### How we manage our capital

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

Our aim is to provide our shareholders with appropriate returns at an acceptable 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, through asset-liability matching and reinsurance
- and applying a sustainable dividend policy, explained in the section on dividends below.

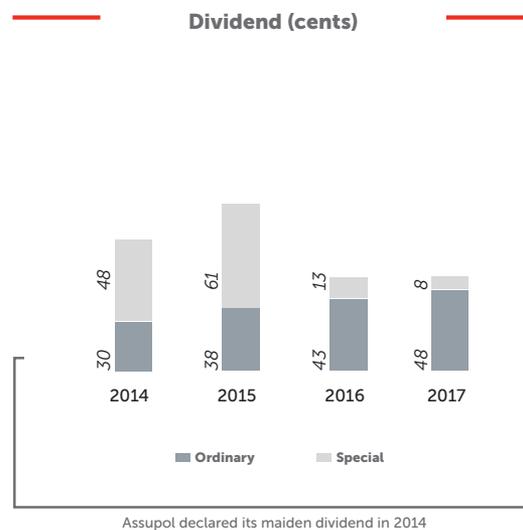
### Our Group's dividends

Our dividend policy is based on the following principles:

- align our dividends with company performance, where cash generation will be used as guidance
- hold sufficient liquid assets for working capital
- maintain a target capital adequacy ratio, as determined by our board from time to time
- hold sufficient liquid assets to finance strategic initiatives
- 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.

This graph compares our dividends from 2014 to 2017.

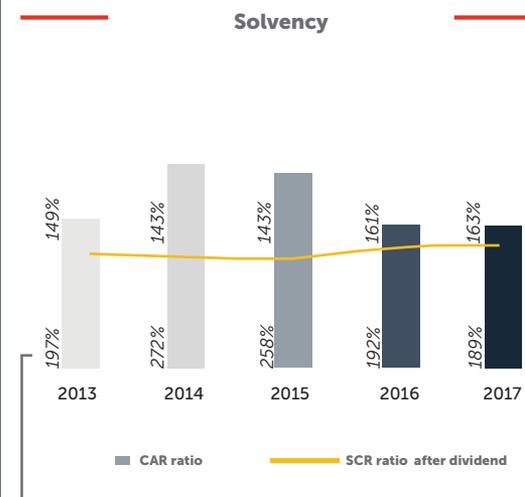


### Solvency

Our solvency basis still is the statutory valuation method. The Solvency Assessment Management (SAM) basis, under the "Twin Peaks" regulatory dispensation, is expected to be implemented by July 2018.

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

This graph shows our solvency position according to the statutory valuation method from 2013 to 2017.



### Future considerations

Assupol Life is well-prepared for the implementation of SAM.

There is still some uncertainty about the tax basis that will apply under SAM. We engage actively with the South African Revenue Services and National Treasury about this, to ensure that a meaningful and equitable solution is reached.



The International Accounting Standards Board in May 2017 issued IFRS 17, which deals with insurance contracts. It is expected to have a significant impact on financial reporting in the insurance industry.

Our Group is to comply with IFRS 17 from 2021. All necessary steps will be taken to ensure the successful implementation of IFRS 17.

Our Group's success in the past was based on building a strong base for all stakeholders, ranging from policyholders, shareholders, 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 the recent financial years couldn't have been achieved without the continuous dedication and loyalty of all the role-players.

**Niël de Klerk**  
**Group CFO**

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A TRIBUTE TO  
GERT WESSELS

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## A TRIBUTE TO GERT WESSELS

It is impossible to think of Assupol without thinking of Gert Wessels. Gert, who dedicated 37 years of his life to Assupol, played a mammoth part in its development and success. He is synonymous with Assupol, and is indelibly woven into our history.

Gert retired at the end of June this year. But, fortunately, he will remain an arrow in our quiver, as consultant, hopefully for a good few years. We cannot easily let go of Gert's expertise, which we have benefited from so enormously for so long.

Much of Assupol's growth and success can be attributed to Gert. His vision, inspiration and energy kept lifting us to ever-greater heights, year after year. Leading decisively from the front, he gave telling guidance, and laid solid foundations for Assupol.

The golden thread of Gert's business philosophy is caring. He personified and nurtured Assupol's ethos of caring.

Some still remember a deeply moving occasion: A group from Assupol, travelling in Zimbabwe, stopped to view curios being sold by a roadside trader. The man was sparsely dressed. Among others, he didn't have shoes. Gert, without thinking twice, took off his shoes and gave them to this needy trader – and travelled barefoot for some hours before he could

don spare shoes back at his hotel. That's Gert, ever caring.

Gert believed in investing in people, our workforce and sales force, and in developing them. *Invest in them, and they will invest in Assupol*, was Gert's refrain. The best way to look after our clients, he persisted, was to look after our workforce and sales force. If they are happy, they will make our clients happy. Because of this philosophy and approach, Assupol's staff-turnover is very low, especially in our senior ranks. Many employees who leave Assupol, return to us.

Gert laid the foundation of Assupol's ethos of treating clients fairly. Laws and regulations to ensure TCF were never necessary for Gert. It's second-nature to him. And due to his strong leadership and example in this regard, implementing TCF, by the time the authorities required it, was really a non-event in Assupol.

An important contribution of Gert was his visionary guidance. He had an almost uncanny ability to analyze and contextualize developments and trends in the world, our country, and our market. He parented Assupol's strategic vision of securing a strong foothold in the black market, by specifically developing a strong black sales force.

To this end, Gert travelled widely and tirelessly to all corners of South Africa, to get grass-roots input from our field staff on what Assupol's offering should look like. This culminated in, among others, our funeral cover for extended families. These travels of Gert were the forerunners of our present country-wide roadshows, which is a valuable feature of our business.

Gert's charitable bent is an important side of him. Most laudable is his concern for underprivileged communities. His humanistic hand played a large part in Assupol's many charitable initiatives.

Like one cannot think of Assupol without thinking of Gert Wessels, many also cannot think of sport without thinking of him. Gert always has been deeply involved in sport – as participant, administrator and organizer.

Gert is the incumbent president of the Blue Bulls, by no means an easy mandate. He plays an important role also in the University of Pretoria's cricket team, and in their rugby initiative for the development of previously disadvantaged players.



Gert's passion for people, charity and sport unfolded also in golf. The Assupol Invitational Pro-Am was his brainchild. It has become an annual event, and a highlight on the PGA calendar.

Gert was born in Kroonstad in the Free State, in 1954. He followed in the footsteps of both his father, a policeman, and his mother, a bookkeeper. He first became a policeman, but left the force to join Assupol as an accountant. Assupol then consisted of a mere handful of employees.

Gert fondly remembers how he wrote heaps of letters to policyholders every day, only to find three-quarters of them back on his desk the following morning, having been corrected painstakingly by Mr. Chalker, who was our then general manager. At the time Gert failed to appreciate why it was necessary to be so pedantic about the content of these letters, but soon realized that it was part of Assupol's disciplined way of doing things, and of providing the best possible service to clients.

Gert became Assupol's general manager in 1991. From this point on we started growing forcefully. From 1991 to 2010, when Gert handed the reins to a new CEO, we saw compound growth of 24% in premium income.

It is truly amazing how Assupol has changed over the past 37 years. We grew from only a few employees to nearly 700. Our premium income grew from a mere R20 million in 1980 to R2.5 billion in June 2016, while our assets grew from R154 million to R4.6 billion. A fairy tale, some would think. But, not so. This is the true story of Assupol.

Any acclaim of Gert is incomplete without mention of his wonderful and arresting sense of humour. Gert believes that life and work must be spiced with a good measure of daily humour – as described by the author Elbert Hubbard: *Real life is in love, laughter, and work*. Gert's fitting humour, indeed, brought much joy and happiness in our workplace.

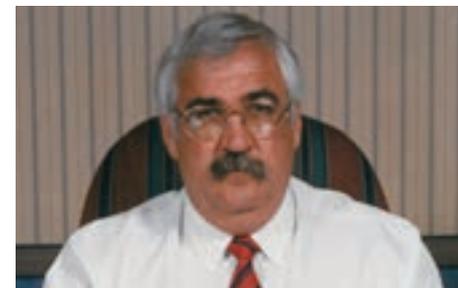
Gert's achievements would not have been possible without the unselfish support of his wife, Erika. She steadfastly supported Gert on this long journey, for which we thank and salute her.

Gert enjoys enormous respect, appreciation and endearment in Assupol, and also in society at large. He is a momentous example of integrity, discipline, focus, passion and hard work. He touched and changed many lives, and leaves uncountable memories. Everyone blessed to have crossed Gert's path, has an endearing story to tell.

Gert will remain in the hearts of all, and his story remains a precious part of the Assupol story.

*The reward of a thing well done, is to have done it.*

– **Ralph Waldo Emerson**





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Assupol Cares





## ASSUPOL CARES

Assupol was borne from a need to care for fellow-beings. Over our 104-year history we've always been passionate about people and their well-being. Assupol Cares exists for this very purpose. It is the wing of our business that takes care of our corporate social investment programmes.

Corporate social investment (CSI) is becoming an important feature of business. It is a huge responsibility. The need is far greater than the resources. We realize that we cannot meet every need everywhere. For this reason our approach is to concentrate our resources on carefully selected projects, to make a meaningful and substantial life-changing difference with every project. We want to change boxes, not just tick them.

We endeavour to build lasting relationships with our beneficiaries, and to uplift them by helping them to help themselves. We lean to assisting younger people, but readily include other beneficiaries.

### OUR ASSUPOL CARES EMPLOYEE INITIATIVE

This is an important component of our Group's corporate social investment. It is an initiative through which our employees support charitable needs in their communities. They do so in two ways: by making recurring or once-off monetary contributions that are deducted from their salaries, but also by

giving of their time and skills. We augment the monetary contributions rand-for-rand.

This programme is managed by a committee elected by the employees, assisted by representatives appointed by us.

The main purpose of this initiative is to provide financial assistance for needy causes, nominated by the contributing employees. This initiative is growing. More employees are taking part, and more needs are served – giving expression to "charity begins at home".

### OUR OTHER CORPORATE SOCIAL INVESTMENT PROGRAMMES

Assupol has a dedicated and passionate team that manages our corporate social investment programmes. Our budget for corporate social investment far exceeds the minimum required by legislation.

Our contribution is extensive, with many successful projects, reaching also into the rural heart of our country, with the assistance of our countrywide branches. This year, in support of Mandela Day, we successfully completed 29 charity projects, and gave much more than the "required" 67 minutes.

To make the most of every project we synergise with other role-players. We are the whole-heartedly

supported by our board and senior management, and assisted ably by our employees.



## ASSUPOL CARES EMPLOYEE INITIATIVE

## SPONSORSHIPS

INVESTED **> R2,8 MILLION**

EXCELLENT RESULTS

- ASSUPOL TUKS CRICKET – VARSITY CRICKET WINNERS 
- RUGBY DEVELOPMENT – BLUE BULLS RUGBY UNION CLUB SERIES, LIMPOPO U/19 AND U/21 TEAMS, WOMEN AND GIRLS' RUGBY AND SCHOOLS' RUGBY 
- CONTRIBUTIONS TO SAPS, DCS AND OTHER TARGET MARKETS RESULTED IN VISIBILITY AND BRAND BUILDING
- PLOUGHING BACK TO COMMUNITIES WE SERVE AND MAKING A MEANINGFUL DIFFERENCE

## CORPORATE SOCIAL INVESTMENT

- EMPLOYEES CONTRIBUTE PERSONALLY TO ACEI 
- EMPLOYEES ADJUDICATE THE APPLICATIONS 
- EMPLOYEES MANAGE THE FUNDS 
- EMPLOYEES MANAGE PROJECTS 

### EMPLOYEES CONTRIBUTING TO ACEI

Description	01 July 2016	30 June 2017	Growth
Contributing members	268	343	27.99%
Contributing branch members	69	109	57.97%
Contributing members %	50.19%	64.6%	28.71%

- APPLICATIONS APPROVED TO THE VALUE OF **R158 482** 
- BRANCH AMBASSADORS 
- ASSUPOL CARES 

- BLOOD DRIVE 
- ORGAN DONOR CAMPAIGN 
- CEO SLEEP OUT
- CEO SYMPATHY SLEEP OUT
- CHARITY STARTS AT HOME
- FIDELITY SECURITY
- LESEDI SAYS COLOURING BOOK LAUNCH
- SLIPPER DAY IN AID OF REACH FOR A DREAM 12 MAY
- TEKKIE TAX DAY IN AID OF CHILDREN IN NEED 26 MAY
- MANDELA DAY 29 PROJECTS COUNTRY-WIDE 



## ASSUPOL COMMUNITY TRUST

A wonderful feature of Assupol's demutualization, was the creation of the Assupol Community Trust – the focus of which is early-childhood development in disadvantaged communities.

This Trust is a shareholder of Assupol Holdings Ltd, and as such functions independently. It holds its shares for the benefit of group-scheme policyholders to whom demutualization shares in Assupol Holdings could not be given individually.

The Trust's operations are overseen by Bridget Mokwena-Halala (chair), Taurai Muranda, Tebogo Malatji, Ntjantja Ned and Célest van Niekerk (executive trustee).

The Trust helps to meet a dire need in our country: the educational development of children in their pre-school years, known as early-childhood development (*ECD*). This need is particularly pressing in disadvantaged communities. As research shows, children who have received sound early-childhood education succeed significantly better in life. *ECD* is a rung of life that cannot be skipped.

In our 2017 financial year the Trust has made great *ECD* strides, in several disadvantaged communities. It's a holistic effort, comprising various *ECD* facets – not only education, but also associated *ECD* needs, like looking after the health and nutrition of the children, providing safe and conducive *ECD* venues, training *ECD* teachers, and more.

It's a mission of love and caring. And a fulfilling one. The reward is the happy smiles of children, while they develop to rise and succeed in life.





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OUR  
BUSINESS

Retirement  
annuity

ASSUPOL

ASSUPOL





## OUR BUSINESS

### ASSUPOL, AFTER 104 YEARS

The Assupol Group is a prominent provider of financial products and services.

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, leading the market with innovative products and services.

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

Assupol Life has been recognised for the third consecutive year as Best Life Assurer Southern Africa 2017 by Capital Finance International (CFI). CFI is a leading finance publication based in London. It focuses on news, analysis and commentary about business, economics and finance worldwide. We are proud to have been recognised once again in this way by this prestigious international publication.

### OUR PHILOSOPHY

#### 1. VISION

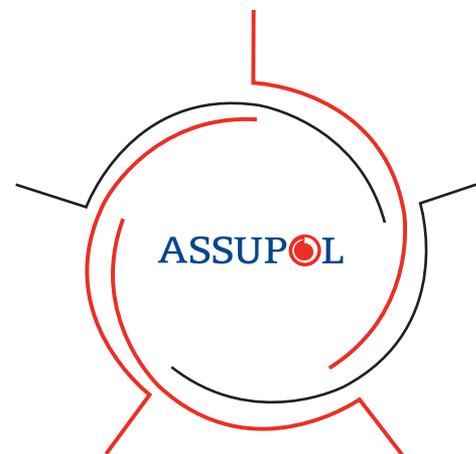
To be the insurer to the people.

#### 2. MISSION

To serve those who serve.

#### 3. VALUE

Treating our clients fairly is at the core of everything we do.



#### 5. WE ACHIEVE

- We are a trusted leader in our selected markets.
- We take pride in our understanding of the needs of the emerging market in South Africa.
- We pay valid funeral claims within 24 hours.
- We provide products that are innovative, simple, affordable, and relevant.
- Our selling process is transparent, and our dealings with clients fair.
- In addition, we serve our clients through our extensive network of offices countrywide.

#### 4. STRONG FEATURES

- A simple, relevant and affordable product range.
- A trusted brand in our target markets.
- Impeccable customer service.
- Effective and professional sales teams and distribution channels.
- A strong footprint in the public service.



**Assupol Holdings Ltd** is the holding company of the Assupol Group of companies. Our 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 authorized financial services provider. It provides affordable funeral, life, savings and retirement products, primarily to the emerging segment of 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, which was transferred to it in 2012. We own the Prosperity trademark.

**Cornerstone Brokers Corporate (Pty) Ltd** was established in 1995. It markets Assupol's funeral insurance product primarily to pensioners who receive a social grant from government.

### BUSINESS PARTNERS AND PROFESSIONAL SERVICE PROVIDERS

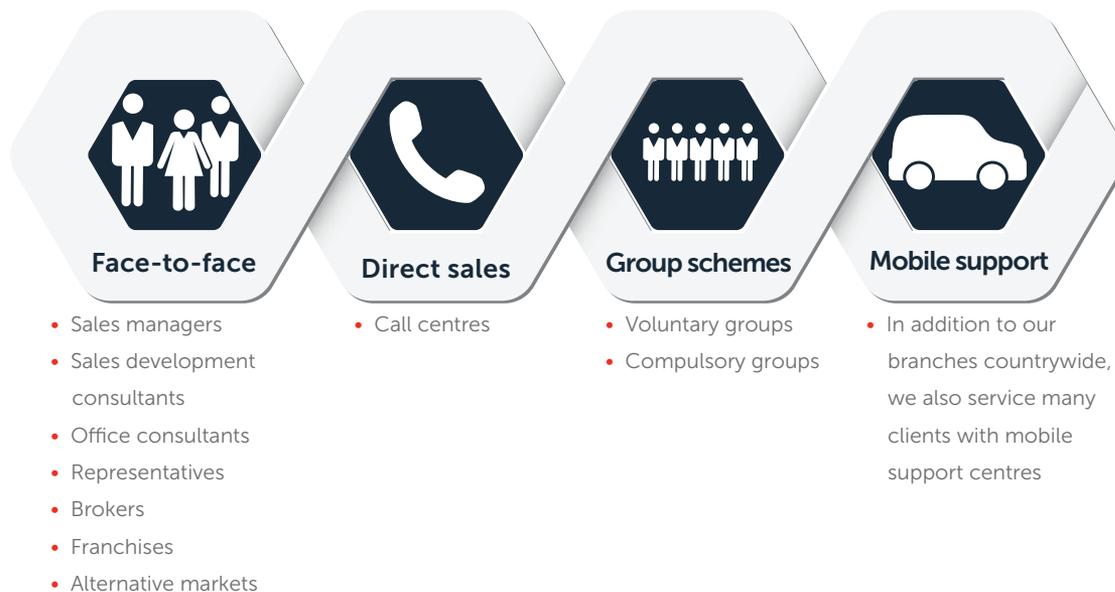
External auditors	PricewaterhouseCoopers
Internal auditors	KPMG
Statutory actuary	Deloitte (Carl van der Riet)
Reinsurers	Hannover Re and Munich RE



## SETTING TRENDS

- Assupol Life was the first life-insurer to commit to paying benefit claims within 48 hours. In our 2017 financial year we settled 88% of all valid funeral claims within 24 hours, and we paid 70% of all claims within 24 hours. This includes funeral, investment and life claims.
- We were one of the first insurers to offer cashback benefits on funeral policies.
- We introduced *instantGroceries*<sup>TM</sup>, a first-in-the-market product. It provides, within minutes after a valid death claim, money for groceries and other necessities via digital vouchers on a beneficiary's cell phone.
- We were the first to use Persal (government's salary payment system) as a payment method for policy benefits.
- We were the first to offer the payment of benefits in cash via the Post Office to beneficiaries without bank accounts.

## SALES DISTRIBUTION CHANNELS







## Long-term insurance

Life products	Funeral	Death and disability	Critical illness or dread disease	Family Income	Premium Waiver	Cashback	Assupol On-Call	On-Call Plus	RA Maturity Reward
Excellence Family Funeral Plan	●			●	●	●	●	●	●
Absolute Advantage Family Funeral Plan	●			●	●	●	●	●	
Progress 4Sure Plan	●	●	●		●	●	●	●	●
Progress 4Life Plan	●	●	●		●	●	●	●	●
Progress Legacy Plan	●	●	●		●		●	●	●
Progress Accident Plan		●					●		
Pensioner Plan	●								
Solution Plan	●								

Investment products	Savings/ investments	Regular withdrawals	Premium Waiver	RA Maturity Reward	Assupol One Bonus
Assupol One Savings Policy	●	●	●		●
Assupol One Tax-free Savings Policy	●	●			●
Guaranteed-return Single-premium Policy	●				
Carefree Life Retirement Annuity	●		●	●	



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OUR  
LEADERSHIP





## OUR LEADERSHIP

### Executive committee



#### RIAAN VAN DYK

Our Group CEO

B.Sc actuarial science, FASSA, FFA

Riaan was appointed as a non-executive director at Assupol in September 2013. In March 2017, he was appointed as the acting Group CEO of Assupol, which appointment became permanent from 1 July 2017. He started his career at Metropolitan Life in 1988, and qualified as an actuary in 1990. He brought with him a wealth of experience gained over a number of years in senior positions at Momentum. Prior to accepting the appointment as Group CEO at Assupol, Riaan was the managing director of Natsure, a position he held for eight years.



#### BRIDGET MOKWENA-HALALA

Our Life CEO

MBL (Unisa)

Bridget joined Assupol in 1999. Before that 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 acting as Prosperity Life CEO. She was appointed as Assupol Life CEO and an executive director of Assupol Holdings in 2011. She is a director at Cornerstone Brokers Corporate and the Association of Savings and Investment South Africa (*Asisa*). She currently is the chair of the Assupol Community Trust, and a council member of the Financial Sector Charter Council.



#### NIËL DE KLERK

Our Group CFO

CA (SA)

Niël joined Assupol in 1998. Before that 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 this 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 (*Saica*).



**SIPHIWE NDWALAZA**

**Our Group HR director**

MM (HR), MBA (Wits) CD (SA)

Siphiwe joined Assupol in September 2011. He is a highly experienced HR practitioner. Over the past 25 years, he has 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 obtained a master's degree in human resources management (MM) from the Wits Business School.



**MARK SALMON**

**Our head of Group strategy**

B.Sc actuarial science, MBA

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



**JAY MNGOMA**

**Our Group sales executive**

Jay joined Assupol in February 2013, as a senior executive sales manager. He has almost 30 years' experience in the financial services industry in various capacities. Among others, he 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 FSB, and is a counsellor of the Inseta board. Jay was appointed as Group sales executive from 1 July 2017, to lead the Assupol sales drive.



**JOHAN DIPPENAAR**

**Our Group chief risk officer**

B.Com, FASSA

Johan joined Assupol in 2015, to take charge of our Group's risk management. 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.



## Board of directors

### NON-EXECUTIVE DIRECTORS



#### AS BIRRELL

Our chairman

B.Bus.Sc (hon), FASSA, FFA, CERA

Non-executive director since May 2013, and our chairman from July 2016



#### IO GREENSTREET

B.Sc (hon), FCA

Shareholder nominee, non-executive director since June 2013



#### R KISTEN

B.Admin (hon), GMP Harvard University

Shareholder nominee, non-executive director since July 2016



#### EDJ ASHKAR

CA (SA) & CA (Australia)

Shareholder nominee, non-executive director since February 2013



#### NE GUBB

B.Com, PDM (bus ad), H.Dip tax, CFA

Shareholder nominee, non-executive director since May 2013



#### R MTHAPO

B.Sc (hon), B.Econ, SC, FASSA

Non-executive director since August 2017



**Board of directors**

NON-EXECUTIVE DIRECTORS



**T MURANDA**

CA (SA)

Non-executive director since September 2013



**Z SABAN**

BA, LL.B

Shareholder nominee, non-executive director since August 2017



**KC RADEBE**

CA (SA), B.Acc

Shareholder nominee, non-executive director since August 2017



## Board of directors

### EXECUTIVE DIRECTORS



#### CJ VAN DYK

**Our Group CEO**

B.Sc actuarial science, FASSA, FFA

Non-executive director since September 2013,  
and Group CEO from July 2017



#### D DE KLERK

**Our Group CFO**

CA (SA)

Assupol Life executive director since July 2000, and  
Assupol Holdings executive director from January 2011



#### MB MOKWENA-HALALA

**Our Assupol Life CEO**

MBL (Unisa)

Assupol Life executive director, and executive director  
of Assupol Holdings, since January 2011



#### SL NDWALAZA

**Our Group HR director**

MM (HR), MBA (Wits) CD(SA)

Assupol Holdings executive director since September  
2012, and Assupol Life executive director from May 2013



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OUR  
STAKEHOLDERS



## OUR STAKEHOLDERS

### SHAREHOLDERS AND TRADING IN ASSUPOL SHARES

#### Our demutualization

In terms of Assupol's demutualization scheme, 236 927 qualifying members received shares in Assupol Holdings Ltd. 12 408 of them elected to retain their shares. The rest elected not to retain their shares. Their shares were redeemed at fair market value.

The redemption proceeds of R891 million was 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. At year-end the Trust still held R175.4 million (excluding interest) on behalf of 57 724 members. As soon as they confirm their particulars, they will receive their redemption payment.

	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
<b>Cumulative</b>	<b>166 795</b>	<b>282 090 220</b>	<b>673 486 706</b>
Unpaid at 30 June 2017	57 724	70 159 662	

*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 2017 is stratified as follows:

Name	Restrictions	Category	Director nomination rights	Shares held	% holding
IEP Portfolio 1 (Pty) Ltd	None	Corporate	3	151 436 668	36.4%
International Finance Corporation (IFC)	Yes	Corporate	2	82 711 565	19.9%
WDB Investment Holdings (Pty) Ltd	Yes	B-BBEE	1	44 202 985	10.6%
WDB Investment Holdings (Pty) Ltd	None	Corporate		5 622 672	1.4%
Assupol Community Trust	None	CSI		25 200 000	6.1%
Staff incentives and restraint of trade/shares	Yes	Employees		27 126 348	6.5%
Assupol Investment Holdings (Pty) Ltd	None	Treasury		2 321 196	0.6%
Other shareholders	None	Free float *		77 716 389	18.5%
				<b>416 337 823</b>	

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

### Trading in Assupol shares

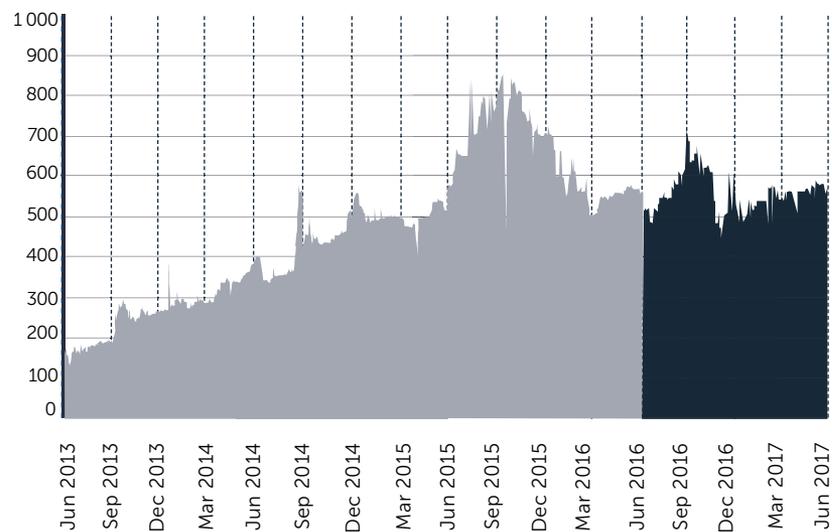
During the year under review, shares in Assupol traded between R4.50 and R7.00 per share. The monthly trading statistics are summarised in the table below.

Month	Trades	Volume	Value (R)	VWAP (R)
2016/7	46	52 963	276 691	5.22
2016/8	94	267 295	1 473 424	5.51
2016/9	124	465 223	2 826 638	6.08
2016/10	151	627 292	3 950 949	6.30
2016/11	25	157 449	855 629	5.43
2016/12	39	372 584	1 933 763	5.19
2017/1	36	104 104	556 128	5.34
2017/2	31	59 052	319 955	5.42
2017/3	54	127 095	726 647	5.72
2017/4	22	220 455	1 249 748	5.67
2017/5	46	379 699	2 145 466	5.65
2017/6	33	278 495	1 606 418	5.77

\*VWAP means volume weighted average price



### Daily closing price—cents per share





## EMPLOYEES AND REPRESENTATIVES

### Our employee value proposition

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

We shall create an environment where employees:

- share our vision of growth, our values, and benefits
- experience the growth of our Group, and the benefits of being associated with a growing Group
- can stretch themselves to become the best they can be
- regard us as the preferred employer in the financial services sector.

### Deloitte Best Company Survey 2017

Assupol Life took part in this survey. We exceeded the benchmarks set by the Deloitte in both the Best Company Index and the Engagement Index. We also were awarded the Gold Seal of Achievement status that is reserved only for companies that exceed the threshold score of 65 in the Best Company Index.

### Future of HR Awards

At the third annual Future of HR Awards, hosted in association with Careers24, Assupol Life took first place in the coveted category Employer of Choice:

Large organization 2017 – against impressive competition. This year the judges placed emphasis on “innovation”, against the backdrop of an industry facing more digital disruption than just about any other industry. The judging criteria included appraising HR practitioners, companies, and public-sector organisations against an array of more traditional factors, such as employee engagement, employee wellness, skills and learning initiatives, and workplace culture.

### Employee development

We continue to invest in the development of our employees, understanding clearly that their skills, experience and diversity enable us to provide competitive and reliable products and services to our clients. We invested over R8,8 million in employee training and development in the year under review.

The following programmes drive our initiatives on employee development;

#### *Actuarial*

Assupol 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 already have sprouted three qualified actuaries, and boast eight actuarial students.

#### *Chartered accountancy*

Assupol is also 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 (SA). To date, three of our trainees have gone on to become CA (SA)'s, while an additional six trainees completed their training successfully.

#### *Assupol internships*

We offer internships in focus areas: 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. More than 85 percent of our interns have been appointed in 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 Careways. Through this programme 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 that reaches beyond the workplace, to embrace also our employees' personal lives, so as to nurture happy and confident employees, who are motivated and who work more effectively and efficiently.

#### *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.

Assupol has participated in this program for the past three years. Fifteen of our executives (13 men and 2 women) participated in 2017, and indications are that more will do so in future.

### **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.

#### *Employment equity*

We continue to make considerable progress with the transformation of our Group. In the year under review the composition of African, Indian and Coloured

(A/C) employees stood at 75.2 percent of our overall workforce. There is room for improvement at senior management levels. Our low staff turnover and stable senior management headcount should equate to a steady employment equity rate for the foreseeable future.

### **REGULATORS**

Our Group, during the year under review, maintained our good relationship with the Financial Services Board (FSB).

Unfortunately, the Registrar of Long-term Insurance (*Registrar*) referred a case against Assupol Life Ltd to the Enforcement Committee of the FSB. It was about two operational matters.

During the period August 2014 to June 2016 Assupol Life Ltd remunerated some independent intermediaries by way of commission (for which there was no regulatory cap), calculated with reference to underwriting profits. The Registrar regarded this as being in contravention of section 49 of the Long-term Insurance Act (*Act*).

Also, during the period 20 June 2012 to 13 July 2015 Assupol Life Ltd contravened the Policyholder Protection Rules issued under the Act, by

inadvertently failing to inform policyholders of their rights under Rule 16.1, when Assupol Life Ltd declined their policy benefit claims.

Rule 16.1 requires of insurers, when they decline claims, to inform the policyholders of:

- their right to lodge a complaint under the Financial Services Ombud Schemes Act; and
- the time within which they may institute legal proceedings.

The Registrar agreed to a penalty of R500 000, which the Enforcement Committee imposed on 13 April 2017.

As a good and proud corporate citizen, we place the highest priority on compliance with the various laws and regulations that apply to its business, and sincerely regrets having incurred this sanction. It has taken all necessary steps to ensure these operational oversights do not occur again.



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**CORPORATE  
GOVERNANCE**





## CORPORATE GOVERNANCE

Good corporate governance is critical for the long-term performance and sustainability of a business, and for protecting and enhancing stakeholders' interests and value. Our Group, under the diligent watch of our board, upholds the highest standards of corporate governance, and did so also in the period under review.

### KING III AND IV

Our board voluntarily applies the principles of the 2009 King code of governance (*King III*), which is fully entrenched in our policies, structures and processes. We applied King III also during the period under review.

To ensure that every practice recommended in King III 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.

During the period under review we began the process of considering and assessing our compliance with the new King code of governance (*King IV*). We intend to

report about our adherence to King IV in our report for our next financial year.

### COMPOSITION OF OUR BOARD OF DIRECTORS

The boards of Assupol Holdings and Assupol Life comprise of the same directors.

We have 9 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 retire on a rotational basis, but may be re-elected.

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.



## MEETING ATTENDANCE

The table below 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				Risk				Social & ethics				RemCo							
	2016/09/27	2016/11/25	2017/02/21	2017/05/23	2017/02/20	2017/03/22	2017/05/12	2016/09/26	2016/11/24	2017/02/20	2017/05/12	2016/10/18	2017/06/29	2016/08/26	2016/11/22	2017/02/13	2017/05/16	2016/09/21	2016/11/23	2017/02/15	2017/05/11	2016/05/10	2016/08/16	2017/02/07	2017/05/11	2016/09/19	2016/11/24	2017/02/20	2017/05/11				
<b>Executives</b>																																	
RF Schmidt	✓	✓	✓	○	○	○	○	○	○	○	○	✓	○	✗	✓	✓	○	○	✗	○	○	○	○	○	○	○	○	○	○	○	○	○	○
D de Klerk	✓	✓	✓	✓	✓	✓	✓	○	○	○	○	✓	✓	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
MB Mokwena-Halala	✓	✓	✓	✓	○	○	○	○	○	○	✗	✓	✓	✗	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
SL Ndwalaza	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	✓	✓	✓	✓	○	○	○	○	○	○	○	○
CJ van Dyk	○	○	○	✓	○	○	○	○	○	○	○	✓	○	○	○	○	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
<b>Non-executive directors</b>																																	
AS Birrell	○	○	○	○	○	○	○	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
EDJ Ashkar	✓	✓	✓	✓	✗	✓	✓	○	○	○	○	✓	✓	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
ILM Barnett	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
NE Gubb	✓	✗	✓	✗	○	○	○	○	○	○	○	○	○	✓	✗	✗	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
IO Greenstreet	✓	✓	✓	✓	○	○	○	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
T Muranda	✓	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
CJ van Dyk	✓	✓	✓	○	✓	○	○	○	○	○	○	✓	○	✓	✓	✓	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
R Kisten	✓	✓	✓	✓	○	○	○	○	○	○	○	✓	✗	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

- Chair of meeting
- Did not attend meeting
- Resigned / not yet appointed
- Attended meeting as member
- Attended as invitee
- Not relevant



## ROLE OF OUR BOARD

Our board embraces the principles and practices of King III as its guide for good corporate governance. Thus, as recommended by King III, the role and responsibilities of our board include:

- providing effective leadership on an ethical foundation;
- ensuring that Assupol, 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, according to sound corporate-governance principles;
- understanding that strategy, risk, performance and sustainability are inseparable, and giving effect to this by:
  - contributing to and approving our strategy;
  - thoroughly assessing our strategy and business plans to mitigate risks;
  - identifying key-performance and risk areas;
  - ensuring that our strategy will result in sustainable outcomes; and
  - considering sustainability as a business

- opportunity that guides strategy;
- maintaining responsibility for the governance of risk;
- managing information technology-related governance;
- ensuring that we comply with applicable laws, and consider adherence to non-binding rules and standards;
- being aware of how our stakeholders' perceptions affect our reputation;
- acting in the best interests of Assupol by ensuring that our directors individually:
  - adhere to legal standards of conduct;
  - are permitted to take independent advice in connection with their duties following an agreed procedure;
  - disclose real or perceived conflicts to our board, and deal with them appropriately; and
  - deal in securities only in accordance with the policy adopted by our board;
- commencing business-rescue proceedings immediately should a company in our Group become financially distressed;
- confirming the integrity of our integrated report;
- electing a chairman of our board that is an independent, non-executive director;
- appointing and evaluating the performance of our chief executive officer.

## COMMITTEES OF OUR BOARD

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.

The following board committees oversee the activities of our Group:

- Actuarial
- Audit
- Growth and innovation
- Investment
- Nomination
- Risk
- Remuneration
- Social and ethics

Information about the committees, as at 30 June 2017, is summarised in the tables on the next pages.

### The following acronyms are used in the overviews and report:

- *ORSA*, which means own risk and solvency assessment
- *PPFM*, which means the principles and practices of financial management
- *TCF*, which means treat customers fairly



## ACTUARIAL

### MEMBERS

AS Birrell (chair)  
EDJ Ashkar  
CJ van Dyk  
D de Klerk

### INVITEES

RF Schmidt, until March 2017  
MB Mokwena-Halala  
J Dippenaar  
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 act as a sounding board for the statutory actuary on matters relating to actuarial assumptions and projections. It evaluates, considers and where necessary makes recommendations to our board and management regarding actuarial assumptions and projections, and their impact on:

- matters relating to TCF;
- compliance with the 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 considering completeness of our risk register and challenging risk ratings;
  - policies with actuarial content;
  - products, rating, and reinsurance arrangements; and
  - capital-funding plans.

## AUDIT COMMITTEE

### MEMBERS

T Muranda (chair)  
AS Birrell  
IO Greenstreet

### INVITEES

RF Schmidt, replaced in March 2017 by CJ van Dyk  
MB Mokwena-Halala  
D de Klerk  
J Dippenaar  
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

### MEMBERS

AS Birrell (chair)  
MB Mokwena-Halala  
EDJ Ashkar  
RF Schmidt, until March 2017  
CJ van Dyk  
R Kisten



## INVITEES

J Dippenaar

M Salmon

Other members of senior management as may be required

Company secretary

## ROLE AND FUNCTION

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

The committee evaluates, considers and makes recommendations to our board, management and operations regarding:

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

## INVESTMENT

### MEMBERS

T Muranda (chair)

EDJ Ashkar

D de Klerk

NE Gubb

RF Schmidt, until March 2017

MB Mokwena-Halala

CJ van Dyk

### INVITEES

Asset management specialists

Company secretary

Other members of senior management as may be required

## 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.

## NOMINATION COMMITTEE

### MEMBERS

EDJ Ashkar (chair)

IO Greenstreet

NE Gubb

### INVITEES

None

## 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.

## RISK COMMITTEE

### MEMBERS

CJ van Dyk (chair), replaced in March 2017 by

T Muranda

IO Greenstreet

ILM Barnett



## INVITEES

RF Schmidt, until March 2017  
MB Mokwena-Halala  
D de Klerk  
J Dippenaar  
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.

## REMUNERATION COMMITTEE

### MEMBERS

CJ van Dyk (chair), replaced in March 2017 by  
T Muranda  
AS Birrell

### INVITEES

CJ van Dyk  
SL Ndwalaza

## 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.

## SOCIAL AND ETHICS COMMITTEE

### MEMBERS

R Kisten (chair)  
EDJ Ashkar  
SL Ndwalaza

### INVITEES

RF Schmidt, replaced in March 2017 by CJ van Dyk  
MB Mokwena-Halala  
Other members of senior management as may be required

## 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 69.

## REPORT BY THE AUDIT COMMITTEE

This is an independent statutory committee, appointed by our shareholders. Our board adopts terms of reference for the committee, which contain additional duties delegated to it by our board. These duties are included in this report.

## MEMBERS, MEETING ATTENDANCE, AND ASSESSMENT

The committee consists of three non-executive directors. They meet at least twice per year, in accordance with the committee's terms of reference. Four meetings were held in the year under review.

Our Group chief executive officer (*CEO*), Group chief financial officer (*CFO*), other members of senior management, external and internal auditors, and selected specialists, notably from the actuarial, legal and compliance departments, attend the meetings by invitation.

## DUTIES OF THE COMMITTEE

The committee's role and responsibilities include statutory duties under the Companies Act and Long-term Insurance Act, as well as further duties and responsibilities assigned to it by our board.



## STATUTORY DUTIES

The committee is satisfied that the external auditor, during the period under review, was independent of our Group as required by section 94(8) of the Companies Act. For this purpose it considered previous appointments of the auditor, the extent of other work done by the auditor for us, and compliance criteria relating to independence or conflicts of interest prescribed by the Independent regulatory board for auditors.

The committee, in consultation with executive management, agreed to the auditor's engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2017 financial year.

## FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee has reviewed the accounting policies and financial statements of our Group, and is satisfied that they are correct and comply with International Financial Reporting Standards.

A process has been established for the committee to receive and deal appropriately with concerns and complaints relating to the reporting practices of our Group. No matters of significance have been raised in the year under review.

## INTERNAL FINANCIAL CONTROLS

The committee oversaw the assessment by our internal auditors of the effectiveness of our internal control, including internal financial controls. From this assessment nothing came to the attention of our internal auditors that would indicate a material breakdown in controls.

## OTHER DUTIES

The committee oversees the compilation of our integrated report and reporting process. It considered the information about our sustainability, as disclosed in the integrated report, and has assessed its consistency with operational and other information known to members of the committee, and for equivalence with our annual financial statements.

The committee is satisfied that the sustainability information is reliable and consistent with our financial results, and recommends the integrated report for approval by our board.

## GOING CONCERN

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going-concern status of our Group. Our board's statement about our going-concern status, as supported by the committee, is documented in our annual financial statements.

## INTERNAL AUDIT

The committee is responsible for ensuring that our internal audit function is independent, and has the necessary resources and authority to enable it to duly fulfil its duties. The internal audit function has been outsourced to KPMG, which has direct access to the committee, primarily through the committee's chairperson.

The committee approved the annual audit plan for the internal audit function for the new financial year. KPMG is responsible for reporting the findings of the internal audit work against the internal audit plan to the committee on a regular basis.

## EVALUATION OF THE EXPERTISE AND EXPERIENCE OF OUR GROUP CFO, AND OF OUR FINANCE FUNCTION

The committee is satisfied that our Group CFO has appropriate expertise and experience.

The committee, having considered this, is satisfied that we have appropriate expertise, sufficiently experienced senior management, and adequate financial resources, for the financial function.



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**RISK  
MANAGEMENT**





## RISK MANAGEMENT

### WE MANAGE RISK WELL

Assupol, as a financial services Group, understandably is exposed to a variety of risks. This makes risk management an integral part of good business practice for us.

Over the past year we continued to improve our formal risk-management structures and practices, and to increase risk awareness in all operational areas. Our own risk and solvency assessment (*ORSA*) was also enhanced in content and value, by active involvement by our board and executives.

We successfully implemented our revamped risk-management framework based on the ISO31000 standard, as well as the formal policies required by Board notice 158 issued by the FSB. With continued formalisation and expansion of these risk-management processes, and their entrenchment in our business practices, we aim to further enhance the sustainability of our Group's business.

### OUR THREE LINES OF DEFENCE

Assupol's three-lines-of-defence approach to risk management ensures that we remain aware of risks, and manage them proactively.

1

#### FIRST LINE

- Individual business departments
- Responsible to identify, assess, monitor and manage the risks arising in our business.
- Bulk of action plans and controls are implemented at this level.

2

#### SECOND LINE

- Chief Risk Officer and Actuarial, Risk management, Compliance and Legal departments.
- Responsible to assist first line in identifying and managing risks.
- Identify key risks and controls to be monitored.
- Report to committees, our board and the regulatory authorities.

3

#### THIRD LINE

- Internal auditors, external auditors and statutory actuary.
- Independent review and assurance of the functioning and effectiveness of the first two levels.

Our risk-management framework, together with the associated policies required by Board notice 158, currently embodies the formal risk-management efforts of our Group. This is in compliance with the authorities' solvency assessment and management (*SAM*) framework.

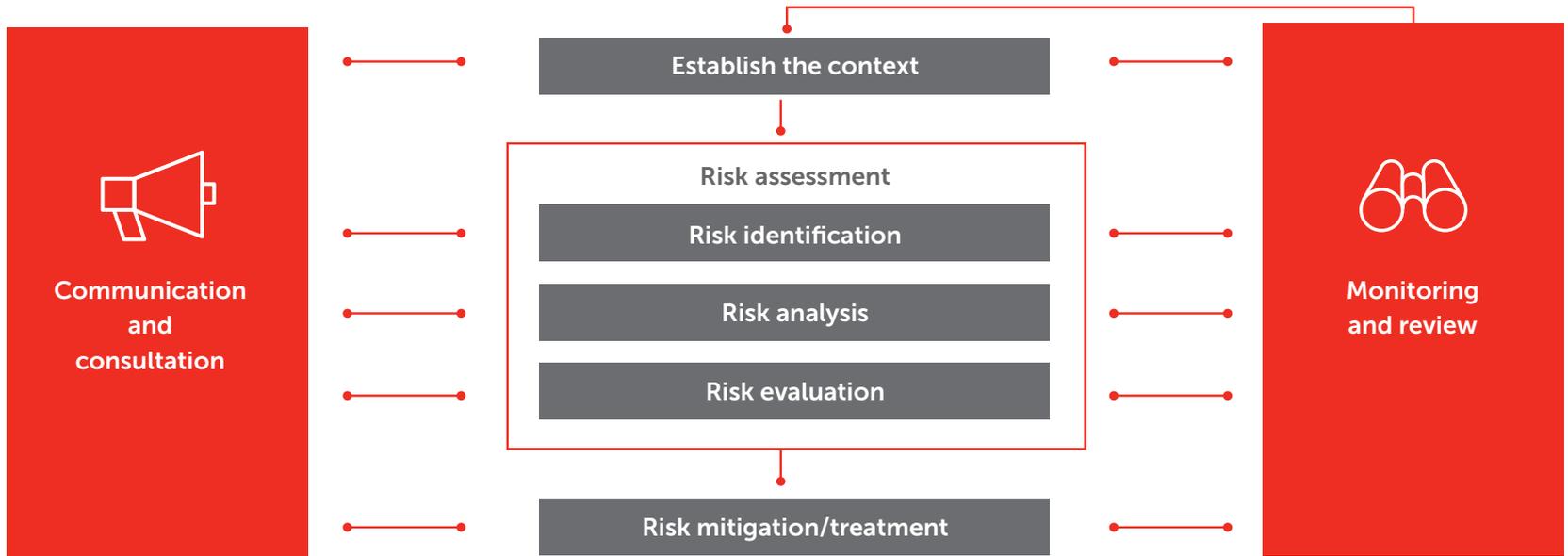
#### **Key features of our risk-management measures**

1. A risk committee to oversee our Group's risk-management has been established by our board. More information about this committee is given in the corporate governance section on page 57.
2. Primary responsibility for the design, implementation and maintenance of an effective risk programme has been given to our Group Exco.
3. A formal risk-management process is implemented and monitored under our risk-management function.
4. Each department is responsible for its individual business function, and to manage the risks to which it is exposed.
5. 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:





## RISK CATEGORIES

Risks are classified in the following categories in our risk-management framework:

1. Strategic
2. Insurance risk – underwriting, reserving, reinsurance, asset – liability matching
3. Financial – market, credit, liquidity, concentration
4. Operational
5. Regulatory and compliance

Category	Risk	Mitigation
Strategic	Not meeting customer expectations	<ul style="list-style-type: none"> <li>We have dedicated resources to drive our treating customers fairly (<i>TCF</i>) assessment, and to identify necessary improvements</li> </ul>
	Concentration risk in distribution	<ul style="list-style-type: none"> <li>We have implemented a specific diversification strategy to expand our distribution channels, including a successful direct sales channel</li> </ul>
Insurance	Death and disability not insured at correct levels and premiums	<ul style="list-style-type: none"> <li>With our defined application and underwriting process we accept insurance risk only up to certain limits</li> <li>We are able to re-price our products should the premiums become inadequate</li> </ul>
	Adverse mortality, withdrawal, and expense experience	<ul style="list-style-type: none"> <li>We do annual and quarterly experience analyses on claims, withdrawals and expenses, to detect areas of loss and to make necessary adjustments</li> </ul>
	Policyholder liabilities not estimated reliably	<ul style="list-style-type: none"> <li>Our internal actuaries model and set parameters for the actuarial valuation in accordance with actuarial professional guidance and industry practice</li> <li>Our independent statutory actuary reviews the parameters and assumptions, and suggests or decides on necessary changes</li> </ul>
	Not meeting solvency requirements	<ul style="list-style-type: none"> <li>Assupol Life is adequately capitalised, and the <i>capital adequacy requirement (CAR)</i> ratio and the <i>solvency capital requirement (SCR)</i> ratio are monitored on an ongoing basis</li> <li>A variety of sensitivities and stress scenarios over a 5-year projection horizon are produced and analysed</li> </ul>



Category	Risk	Mitigation
Financial	Losing money from investments as a result of bad credit	<ul style="list-style-type: none"> <li>We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments</li> </ul>
	Possible credit losses from our trading parties	<ul style="list-style-type: none"> <li>Our insurance policies are subjected to a monthly lapse test that uses criteria as approved by our Actuarial Committee</li> <li>Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee</li> </ul>
	Our investments decreasing in value	<ul style="list-style-type: none"> <li>We have invested our assets in a diversified portfolio of equities, bonds and cash, so that the risk is spread</li> <li>A conservative investment strategy is followed</li> <li>Our asset managers may invest only according to mandates that have been approved by our Investment Committee</li> </ul>
	Should our Group suffer liquidity problems	<ul style="list-style-type: none"> <li>All companies in our Group have approved budgets for the new financial year, which do not forecast any cash shortages</li> <li>Short-term finance can be implemented to cover any immediate need, should that arise</li> <li>Long-term finance requirements can be met by liquidating invested assets over time, thereby minimising possible losses</li> </ul>
Operational	Key dependency on our IT environment	<ul style="list-style-type: none"> <li>Our IT server environment has been largely virtualised, thereby ensuring redundancy</li> <li>An off-site disaster recovery centre is in place for critical IT services</li> </ul>
	Premium collection	<ul style="list-style-type: none"> <li>The bulk of our premiums are collected through the Persal system, which ensures a very high rate of success in the collection of premiums</li> </ul>
	Impact of fraud on new business and claims	<ul style="list-style-type: none"> <li>We monitor and improve our controls on a continuous basis to ensure that fraud is detected, and fraud losses are therefore minimised</li> </ul>
	Attract and retain the right staff with the correct skills	<ul style="list-style-type: none"> <li>We conduct competency-based interviews, pay market-related salaries, and also have staff retention incentives</li> </ul>
Regulatory and compliance	Keeping abreast of new legislation	<ul style="list-style-type: none"> <li>Our legal department monitors legislative changes, and alerts our Group of applicable changes and their possible business implications</li> </ul>
	Compliance with relevant major legislation	<ul style="list-style-type: none"> <li>Our compliance department monitors compliance with relevant major laws</li> </ul>



## KEY MILESTONES DURING THE PERIOD UNDER REVIEW

1. We have reviewed and improved our risk-management framework, as well as our various risk-management policies and their implementation.
2. Our risk universe consisting of 20 level 1 risks defined by our Group Exco,  $\pm 60$  level 2 risks defined by our Risk Steering Committee, and granular risks identified by our various divisions. These risks have been linked vertically to assist us in managing them from top to bottom.
3. Our second mock ORSA, which covered an extensive range of sensitivities and scenarios, was submitted to the FSB on the due date. A mid-year ORSA workshop was held by our board in preparation for the 2017 ORSA, and to further increase our board's and executives' input to and understanding of the ORSA process, results and report.
4. Continuing risk training and awareness campaigns ensure that our employees have the knowledge, awareness and inclination to identify and manage the risks in their departments.

The primary focus of our risk-management function remains to achieve a level where risk management informs strategy, and to ensure the optimal allocation of and return on Assupol's capital by measuring and understanding the key risk-reward relationships.



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REMUNERATION  
REPORT



## REMUNERATION REPORT

Constituted as a committee of the board of directors of Assupol Holdings Ltd, the Remuneration Committee operates according to a charter approved by the board, and this charter is reviewed annually.

It comprises three non-executive directors, who are tasked with guiding and overseeing the structure and implementation of our Group's remuneration policies.

The committee ensures that our remuneration philosophy and policy supports Assupol's strategic objectives to enable the attraction, motivation and retention of high-caliber senior executives to maximise shareholder value while also complying with legislation and the requirements of King IV.

Two of the three non-executive directors in the committee are independent. The chairperson is an independent non-executive director. The membership of the committee therefore complies with both King III and the JSE listing requirements which advocate a majority of independent non-executive directors. The Group CEO and Executive Director: Human Resources attend the meetings by invitation, and recuse themselves before any decisions are made pertaining to their remuneration. The chairperson provides feedback to the board after each Remuneration Committee meeting.

The committee has an independent oversight role in respect of all remuneration and related matters for our Group. It determines the policy for remunerating executives and non-executive directors. Our board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting.

The 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 our organization.

Importantly, the remuneration philosophy supports our Group's business strategy by aligning strategic goals with organizational behaviour based on meritocracy and performance. Focus is also placed on ensuring alignment of the remuneration policies with the relevant regulatory and governance requirements, including those of the King IV.

### EXECUTIVE AND EMPLOYEE REMUNERATION

Our Group strives to remunerate successful executives and employees between the median and upper quartiles (as defined by an independent remuneration survey) and measured on a total

reward basis (ie 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 recognize 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 utilized 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 our 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.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

During the year under review, the committee proposed a change in the manner in which non-executive directors are remunerated in order to align this with the guidance from King III. Previously, non-executive directors received a fixed fee for their services on our board and a separate fee for serving on various board appointed committees. Attendance at meetings played no role in their remuneration.

The non-executive remuneration proposal now consists of a fixed fee for board membership, a fee

for committee membership, and a fee per board and committee meeting. The arrangements have been calibrated so that the fees payable under the old and new approaches are equivalent, based on the expected number of meetings per year. The proposal is recommended by our board to shareholders for approval at the next annual general meeting, as follows;

<i>Item</i>	2018 base fee (R)	2018 meeting fee (R)	2019 base fee (R)	2019 meeting fee (R)
Board fee - chair	402,500	100,625	425,000	106,250
Board fee - member	105,150	26,287	112,000	28,000
Audit and Risk - chair	110,450	27,612	117,000	30,000
Audit and Risk - member	42,350	10,587	50,000	12,500
Other committees - chair	80,000	20,000	85,000	22,000
Other committees - member	42,350	10,587	45,000	11,250

The fees above are stated on a net-of-VAT basis, and in the event that a non-executive director is obliged to register for, and charge VAT on director fees, the VAT on these fees will be payable in addition. The total fees proposed to non-executive directors are benchmarked at the median, as defined by independent research. Non-executive directors do not receive variable compensation, and do not participate in any bonus, profit or other short- or long-term incentive schemes.



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SOCIAL AND  
ETHICS





## SOCIAL AND ETHICS

The Social and Ethics Committee assists our board in protecting our Group’s reputation as a good, responsible corporate citizen. Rojie Kisten (chair), Eddie Ashkar, and Siphwe Ndwalaza are the three members of the committee.

This report gives an overview of the committee’s performance in our financial year that ended on 30 June 2017 (*year under review*).

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

The committee has successfully carried out its duties. It has, notably, approved our Group’s code of conduct (*Code*), monitored our compliance with the Employment Equity Act, as well as our standing in terms of the Broad-Based Black Economic Empowerment Act, supervised our labour relations, evaluated our social and community investment initiatives, and reviewed reports about the training and development of our employees.

The committee also supervised the implementation of the Code. Responsibility for the management of its implementation has been delegated to our executive management team. The Code, among others, aims to

set the standard by which the conduct of our Group is to be measured.

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 new 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” refer to ethical values applied to decision-making, conduct, and the relationship between the organization, its stakeholders and the broader society.

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, and in future will be taken into account when evaluating assignments and promotions. The Code requires that appropriate action be taken against those who disregard its principles.

The committee, in the year under review, initiated steps to expand the KPMG ethics whistle-blowing hotline, so as to provide an enhanced platform for employees to report wrongdoing on a confidential basis. The successful implementation of the new hotline facility will be one of the committee’s focus areas in our 2018 financial year.

Our board also mandated the committee to investigate and oversee our market-conduct risks, and our TCF initiative, and to specifically consider the following aspects:

- What do “fair client outcomes” mean in the context of the strategy, operating model and target market of our business?
- Does our chosen distribution model pose potential risks for such fair client outcomes? What are these risks? And how are we addressing them?
- Are our clients getting fair value from our chosen strategy and operating model? How do we know?
- Is the ability to deliver fair client outcomes a



consideration during our development of products, and our take-on of new business partners?

- What is the level of our oversight over the processes of product development, product launch, sales fulfilment, claims handling, and complaints management?
- How do our post-sales processes support the delivery of fair client outcomes? For example, client services, claims, and complaints?
- Do our board structures and senior management receive appropriate and accurate management information regarding fair client outcomes?

Investigation of the above aspects will be one of the committee's key focus areas in our 2018 financial year.

In the year under review the committee's role has been expanded to include also the oversight of our implementation of King IV. We will report on our Group's adherence to King IV after our 2018 financial year.

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.



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**CONDENSED  
FINANCIAL  
RESULTS**



## CONDENSED FINANCIAL RESULTS

### GROUP REVIEW

for the year ended 30 June 2017

The Assupol Group presents the unaudited condensed results for the year ended 30 June 2017.

The Assupol Group delivered an exceptional financial performance despite difficult conditions in the South African economy. New business volumes continued to show substantial growth and together with a disciplined approach to the management of expenses, the Group has exceeded its growth targets. This is illustrated by the growth in the adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group.

The South African investment markets were volatile and returns on excess assets were R10

million below the long-term investment return assumptions as disclosed in the adjusted operating profit reconciliation below. However the Group's investment performance outperformed the market benchmark by 2.13%.

The Assupol Group did not see any significant adverse change in its individual line withdrawal experience, however deterioration in its direct marketing component's persistency was notable, warranting an upward adjustment to policyholder liabilities of R12.9 million. The Group's mortality experience was in line with expectations.

Management's continued focus on the management of expenses resulted in a release of the renewal expense assumption on policyholder liabilities of an amount of R157.3 million before taxation (2016: R160.4 million).

The key financial performance statistics for the Assupol Group for the year are set out on the next page:



Earnings performance	2017	2016	Change
Gross insurance premium revenue (R'm)	2 690	2 448	9.89%
Net profit attributable to ordinary shareholders (R'm)	771	472	63.35%
Value of new business (R'm)	350	221	58.48%
Adjusted operating profit (R'm)	590	466	26.69%
Return on equity (%)	29%	21%	

The adjusted operating profit reflects managements' 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.

New business	2017	2016	Change
Single premiums	521	8	> 100%
Recurring premiums	791	612	29.19%
Total new business premiums	1 312	621	111.44%
Annual premium equivalent (APE)	843	613	37.52%
Present value of new business premiums (PV NBP)	3 688	2 695	36.85%
Value of new business margin	9.5%	8.2%	15.85%

New business volumes were up a 37.52% on an APE basis and 36.85% on a PV NBP basis. The strong growth in new business can be attributed to the launch of our guaranteed single premium offering and a good performance from our Direct Marketing offering. It is important to highlight that we have limited capacity to operate in the guaranteed return space and so new business volumes from this source are not sustainable.



Group embedded value (R'm)	2017	2016
Embedded value of covered business	3 579	2 879
Embedded value of uncovered business	(7)	29
Group embedded value at year end	3 572	2 908
Return on embedded value (%)	30.80%	29.70%

Embedded value earnings - 2017 (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value of covered business	1 055	2 757	(233)	3 579
Embedded value of uncovered business	37	(44)	-	(7)
Group embedded value at 30 June 2017	1 092	2 713	(233)	3 572

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

Share statistics	Note	2017	2016	Change
Share price - closing (R)		5.85	5.50	6.36%
Number of ordinary shares in issue ('000)		416 338	411 518	1.17%
Market capitalisation (R'm)		2 436	2 263	7.64%
Earnings per share (R)		2.29	1.57	46.16%
Diluted earnings per share (R)		2.01	1.36	47.11%
Group embedded value per share (R)		8.58	7.07	21.40%
Dividends per qualifying ordinary shares (cents)	1	56	56	0.00%

Share statistics in the table above are based on the over-the-counter platform on which the company's shares are trading.



1. The dividends per qualifying ordinary share were declared and paid as follows:

Cents	2017	2016
Declared on 15 September 2017 (Paid 13 October 2017)		
Cash dividend	48	-
Special dividend	8	-
	56	-
Declared on 27 September 2016 (Paid 28 October 2016) Cash dividend		
Special dividend	-	43
Group embedded value per share (R)	-	13
	-	56

The qualifying ordinary shares excluded the ordinary shares issued to the Assupol Share Incentive Trust, A2 ordinary shares and B ordinary shares.



## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

R'000	Notes	2017	2016
Insurance premiums revenue		2 689 623	2 447 832
Insurance premiums ceded to reinsurers		(237 822)	(205 223)
Net insurance premium revenue		2 451 801	2 242 609
Commission received on outward reinsurance		11 624	12 220
Fee income		77 842	56 467
Investment income		187 826	142 242
Net fair value (losses) / gains on financial assets		(49 097)	28 186
Other income		1 437	3 681
<b>Income</b>		<b>2 681 433</b>	<b>2 485 405</b>
Insurance benefits and claims		(995 698)	(1 040 480)
Insurance claims recovered from reinsurers		208 815	184 033
Net insurance benefits and claims		(786 883)	(856 447)
Acquisition costs		(536 552)	(479 591)
Operating and administrative expenses		(841 542)	(750 605)
Investment management expenses		(12 661)	(8 805)
Change in insurance contract provisions	3.1	579 107	327 882
Fair value adjustments on investment contract liabilities		(19 068)	(52 490)
<b>Expenses</b>		<b>(1 617 599)</b>	<b>(1 820 056)</b>
<b>Result of operating activities</b>		<b>1 063 834</b>	<b>665 349</b>
Finance charges		(26)	(105)
Share of profit from associate		-	174
<b>Profit before taxation</b>		<b>1 063 808</b>	<b>665 418</b>
Income tax expense		(292 624)	(193 513)
<b>PROFIT FOR THE YEAR</b>		<b>771 184</b>	<b>471 905</b>
<b>Other comprehensive income</b>			
Loss on property revaluation		-	(2 186)
Realised revaluation reserve on sale of property held for sale		(3 647)	-
Income tax relating to other comprehensive income		-	612
<b>Other comprehensive income for the year</b>		<b>(3 647)</b>	<b>(1 574)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>767 537</b>	<b>470 331</b>
<b>Profit attributable to:</b>			
Shareholders		771 184	472 003
Non-controlling interests		-	(98)
		<b>771 184</b>	<b>471 905</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders		767 537	470 429
Non-controlling interests		-	(98)
		<b>767 537</b>	<b>470 331</b>

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

R'000	Notes	2017	2016 Restated
<b>ASSETS</b>			
Equipment		67 802	44 889
Deferred tax asset		50 026	47 567
Intangible assets		102 756	103 875
Financial assets: Investments			
At fair value through profit or loss			
Equity securities		1 083 596	1 092 261
Debt securities		855 348	875 631
Deposits and money market securities		890 045	731 713
At amortised cost			
Deposits and money market securities		515 776	-
Policyholder assets			
Insurance contracts		1 870 751	1 231 996
Reinsurance asset		24 819	84 467
Insurance and other receivables		110 474	101 217
Current taxation		-	10 613
Cash and cash equivalents		304 718	245 554
Non-current assets held for sale	6	13 570	26 229
<b>TOTAL ASSETS</b>		<b>5 889 681</b>	<b>4 596 012</b>
<b>EQUITY</b>			
Ordinary shareholders' interest		2 944 422	2 357 008
Share capital		601 808	572 965
Treasury shares		(39 196)	(30)
Employee benefits reserve		74 504	45 756
Black Economic Empowerment reserve		14 300	14 300
Retained earnings		2 293 006	1 720 370
Revaluation reserve		-	3 647
<b>TOTAL EQUITY</b>		<b>2 944 422</b>	<b>2 357 008</b>
<b>LIABILITIES</b>			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss		1 311 317	1 298 259
At amortised cost		506 207	-
Employee benefits		133 516	107 609
Deferred revenue liability		458	346
Deferred tax liability		712 713	561 081
Insurance and other payables		266 779	271 709
Current taxation		14 269	-
<b>TOTAL LIABILITIES</b>		<b>2 945 2597</b>	<b>2 239 004</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 889 681</b>	<b>4 596 012</b>



## STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

R'000	Share capital	Treasury shares	Employee benefits reserve	BEE reserve	Retained income	Revaluation reserve	Non-controlling interest	Total capital & equity
<b>Balance at 30 June 2015</b>	568 104	(77)	28 324	14 300	1 549 262	5 221	3 342	2 168 476
Cost of incentive shares	-	-	2 061	-	-	-	-	2 061
Share incentive options exercised	-	47	(47)	-	-	-	-	-
Repurchase of ordinary shares	(1)	-	-	-	-	-	-	(1)
Correction of redemption of preference shares	4 862	-	-	-	4 724	-	-	9 586
Deferred bonus recognition	-	-	15 418	-	-	-	-	15 418
Dividend paid	-	-	-	-	(304 859)	-	-	(304 859)
Sale of subsidiary	-	-	-	-	(760)	-	(3 244)	(4 004)
Profit for the year	-	-	-	-	472 003	-	(98)	471 905
Other comprehensive income for the year	-	-	-	-	-	(1 574)	-	(1 574)
<b>Balance at 30 June 2016</b>	572 965	(30)	45 756	14 300	1 720 370	3 647	-	2 357 008
B shares issued	28 843	(28 843)	-	-	-	-	-	-
Investment in holdings company	-	(10 329)	-	-	-	-	-	(10 329)
Cost of incentive shares	-	-	4 878	-	-	-	-	4 878
Share incentive options exercised	-	6	(6)	-	-	-	-	-
Deferred bonus recognition	-	-	23 876	-	-	-	-	23 876
Dividend paid	-	-	-	-	(202 195)	-	-	(202 195)
Profit for the year	-	-	-	-	771 184	-	-	771 184
Other comprehensive income for the year	-	-	-	-	3 647	(3 647)	-	-
<b>Balance at 30 June 2017</b>	601 808	(39 196)	74 504	14 300	2 293 006	-	-	2 944 422

**CONDENSED STATEMENT OF CASH FLOWS**

for the year ended 30 June 2017

R'000	2017	2016
<b>Cash flows from operating activities</b>		
Cash generated from operations	890 189	244 594
Net acquisition of financial instruments		
at fair value through profit or loss	(178 481)	(28 083)
at amortised cost	(515 776)	-
Investment income	187 826	142 242
Finance charges	(26)	(105)
Dividends paid	(202 195)	(304 859)
Taxation paid	(118 570)	(105 434)
<b>Net cash flows from operating activities</b>	<b>62 967</b>	<b>(51 645)</b>
<b>Cash flows from investing activities</b>		
Acquisition and disposal of equipment	(23 224)	(14 232)
Additions to intangible assets	-	(8 000)
Disposal of investment in subsidiary	-	4 480
Net decrease in receivables	996	10 792
<b>Net cash flows from investing activities</b>	<b>(22 228)</b>	<b>(6 960)</b>
<b>Cash flows from financing activities</b>		
(Increase) / decrease in treasury shares	(10 323)	47
Repurchase of ordinary shares	-	(1)
Correction of redemption of preference shares	-	9 586
Increase in employee benefits reserve	28 748	15 290
<b>Net cash flows from financing activities</b>	<b>18 425</b>	<b>24 922</b>
Net increase / (decrease) in cash and cash equivalents	59 164	(33 683)
Cash and cash equivalents at beginning of the year	245 554	279 237
Cash and cash equivalents at end of the year	304 718	245 554



## SEGMENT REPORT

for the year ended 30 June 2017

R'000	2017	2016
<b>REVENUE</b>		
Segment revenue	2 738 444	2 536 953
Life insurance	2 675 894	2 476 190
Brokers	59 915	54 421
Other	2 635	6 342
Reporting adjustments	(57 011)	(51 548)
<b>Group revenue for the year</b>	<b>2 681 433</b>	<b>2 485 405</b>
<b>SEGMENT PROFIT</b>		
Segment profit after taxation	773 604	482 309
Life insurance	756 528	467 782
Brokers	15 352	14 875
Other	1 724	(348)
Reporting adjustments after taxation	(2 420)	(10 404)
Group profit for the year	771 184	471 905
Other comprehensive income	(3 647)	(1 574)
<b>Group comprehensive income for the year</b>	<b>767 537</b>	<b>470 331</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>		
Segment assets	5 749 957	4 443 586
Life insurance	5 675 047	4 358 717
Brokers	57 225	56 299
Other	17 685	28 570
Reporting adjustments	139 724	152 426
<b>Group assets</b>	<b>5 889 681</b>	<b>4 596 012</b>
Segment liabilities	2 833 386	2 131 855
Life insurance	2 825 486	2 121 116
Brokers	3 730	3 705
Other	4 170	7 034
Reporting adjustments	111 873	107 149
<b>Group liabilities</b>	<b>2 945 259</b>	<b>2 239 004</b>



## NOTES TO THE FINANCIAL RESULTS

for the year ended 30 June 2017

### 1 GENERAL INFORMATION

Assupol Holdings Ltd and its subsidiaries ("the Group") 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, 71 of 2008, which allows for condensed financial results as disclosed in this report.

The condensed financial results do not include all the information and disclosures required in the annual financial statements and this report should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

The condensed financial results have not been audited. The accounting policies adopted are consistent with those of the previous financial year.

### 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.

Assumptions and estimates included in the Group financial results for the year ended 30 June 2017 relate to the items listed 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 2017.

#### 3.2 Other assumptions and estimates

Other assumptions and estimates included in the Group's annual financial statements for the year ended 30 June 2017 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
- The determination of expense and liabilities

concerning share-based payments.

### 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 fair value interest rate risk, and hedging), 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 Fair value estimation

The tables on the next page analyse each class of financial instrument and insurance contracts, per category, as well as provide the fair values.



#### 4.2 Fair value estimation (continued)

June 2017 (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	2 828 989	515 776	-	3 344 765	3 344 765
Insurance and other receivables	-	27 878	-	27 878	27 878
Cash and cash equivalents	-	304 718	-	304 718	304 718
Investment contract liabilities	1 311 317	-	506 207	1 817 524	1 817 524
Deferred revenue liability	458	-	-	458	458
Payables	-	-	53 977	53 977	53 977
June 2016 (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	2 699 605	-	-	2 699 605	2 699 605
Insurance and other receivables	-	25 085	-	25 085	25 085
Cash and cash equivalents	-	245 554	-	245 554	245 554
Investment contract liabilities	1 298 259	-	-	1 298 259	1 298 259
Deferred revenue liability	346	-	-	346	346
Payables	-	-	57 465	57 465	57 465



### 4.3 Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. 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 and 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: Ranging from 2.55% to 7.53%
  - > Credit spread: 5.99%
- 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 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.



### 4.3 Fair value hierarchy (continued)

June 2017 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 624 604	1 204 385	-	2 828 989
Local listed shares	774 570	185 742	-	960 312
Unit trusts	123 284	-	-	123 284
Debt securities	74 860	780 488	-	855 348
Deposits and money market securities	651 890	238 155	-	890 045
Total financial assets	1 624 604	1 204 385	-	2 828 989
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 311 317	-	1 311 317
Total financial liabilities	-	1 311 317	-	1 311 317

June 2016 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 451 188	1 248 417	-	2 699 605
Local listed shares	774 985	206 702	-	981 687
Unit trusts	110 574	-	-	110 574
Debt securities	68 008	807 623	-	875 631
Deposits and money market securities	497 621	234 092	-	731 713
Total financial assets	1 451 188	1 248 417	-	2 699 605
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 298 259	-	1 298 259
Total financial liabilities	-	1 298 259	-	1 298 259

The table below shows the transfer between the various levels	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices		
June 2017 (R'000)	8 717	15 612
June 2016 (R'000)	-	-

The table below analyses the movement of assets measured 'at fair value through profit or loss' on Level 3 for the period under review.

(R'000)	2017	2016
Opening balance	-	38 635
Disposals / derecognised	-	(38 635)
Closing balance	-	-



## 5 SEGMENT INFORMATION

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 IFRS compliant results. These adjustments also include the results of the Group's holding company as well as the company where the investments in the non-life entities are held.

## 6 NON-CURRENT ASSET HELD FOR SALE

The remaining non-current assets held for sale relate to owner-occupied property that is in the process of being sold. It will be transferred to the new owners when the relocation of staff to the new head office is completed.

## 7 RELATED PARTY TRANSACTIONS

Remuneration and restricted incentives — Executive directors and prescribed officers

	2017	2016
Salary, pension fund contributions and other benefits (R'000)	18 532	17 131
Cash bonus (R'000)	16 900	15 246
Severance package (R'000)	6 500	-
Restricted incentives at end of year (R'000)	20 222	16 368

## 8 RESTATEMENT OF PRIOR PERIOD BALANCE

Comparative information in the financial statements has been amended to accommodate and account for a change of prior year results as a result of a classification error. The policyholder assets were previously erroneously disclosed net of reinsurance assets. The change was made in order to comply with the requirements of IFRS 4 which states that an insurer will not offset reinsurance assets against the related insurance liabilities. The effect of the restatement is summarised below. There is no effect in 2017.

Consolidated (R'000)	Previously reported 2016	Adjustment 2016	Restated 2016
Policyholder assets	1 316 463	1 316 463	-
Insurance contracts	-	(1 231 996)	1 231 996
Reinsurance assets	-	(84 467)	84 467
Total	1 316 463	-	1 316 463

## 9 EVENTS AFTER REPORTING DATE

On 15 September 2017 the Board of Directors declared a cash dividend of 48 cents per qualifying ordinary share and a special dividend of 8 cents per qualifying ordinary share for the year ended 30 June 2017. The dividend is payable on 13 October 2017 to qualifying shareholders registered on 6 October 2017. The qualifying ordinary shares at the date that these financial statements were approved excluded the ordinary shares issued to the Assupol Share Incentive Trust, A2 ordinary shares and B ordinary shares. The dividends have been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.



## CORPORATE INFORMATION

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