



ASSUPOL
INTEGRATED REPORT
2020



Financial highlights at a glance

10.7%
growth

Group embedded value
R6 billion

-26.9%
decline

Value of new business
R350 million

18.4%

Return on
embedded value

55 cents

Ordinary dividend
per qualifying share

1.4%
decline

Adjusted operating profit

12.8%

Return on equity

B-BBEE Level 1 contributor

Contents

07 Performance highlights

10 Words from

Dr Reuel Khoza (Chairperson)
Riaan van Dyk (Group CEO)
Bridget Mokwena-Halala
(Assupol Life CEO)
Niël de Klerk (Group CFO)

29 Brand

31 Assupol cares

33 Assupol Community Trust

35 Our business

41 Our leadership

Executive committee
Board of directors

46 Our stakeholders

53 Corporate governance

72 IT governance

74 Risk

82 Compliance

87 Remuneration

95 Social and ethics

97 Condensed financial results

Purpose of the report

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

In this report we review the financial, economic and social performance of our Group during our financial year that ended on 30 June 2020. Aspects that affect our ability to create and sustain value for our stakeholders are also discussed.

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

Our board, assisted by our Audit Committee, ensures the integrity of our annual integrated reports. Our board has collectively reviewed the output of the reporting process and this 2020 report, and believes that it addresses all material issues and is a fair representation of the performance of our Group. Our board, therefore, has approved the release of this report.

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

Business Performance



Performance highlights

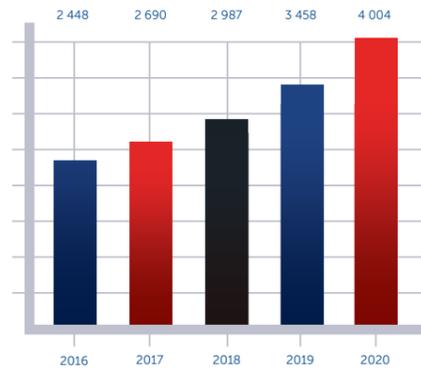
Financial	2016 R'000	2017 R'000	2018 R'000	2019 R'000	2020 R'000	%change 2019/20
Gross premium revenue	2 447 832	2 689 623	2 987 369	3 458 166	4 003 620	15.8%
Net profit after tax	471 905	771 184	846 895	907 039	564 105	-37.8%
Group embedded value	2 908 486	3 571 968	4 563 204	5 422 029	6 001 879	10.7%
Net value of new business (Assupol Life)	220 879	350 046	388 450	478 704	349 841	-26.9%
Capital adequacy cover (Assupol Life)	192%	189%	190%			
SCR cover (Assupol Life)			179%	173%	185%	

Economic value added	2016 R'000	2017 R'000	2018 R'000	2019 R'000	2020 R'000	%change 2019/20
Employee cost	270 149	333 048	366 310	442 979	470 730	6.3%
Commission paid to service providers	479 591	536 552	631 277	824 359	823 150	-0.1%
B-BBEE score	Level 3	Level 3	Level 3	Level 3	Level 1	
Distributions to ordinary shareholders:						
Ordinary dividend (cents)	43	48	54	60	55	-8.3%
Special dividend (cents)	13	8	42	29	-	-100.0%

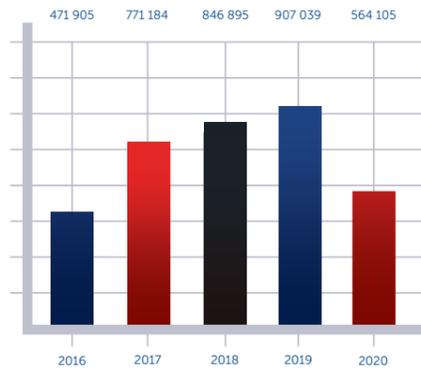
Employees	2016	2017	2018	2019	2020	%change 2019/20
Number of employees	593	638	768	908	962	5.9%
Number of representatives	1 553	2 001	2 720	2 668	2 494	-6.5%
Employee turnover	12%	12%	10%	10%	9%	-1%
Total training spend (R'000)	9 761	8 566	11 452	15 690	14 140	-9.9%

Community	2016 R'000	2017 R'000	2018 R'000	2019 R'000	2020 R'000	%change 2019/20
Total sponsorships and donations	5 359	6 811	10 118	18 623	23 571	26.6%

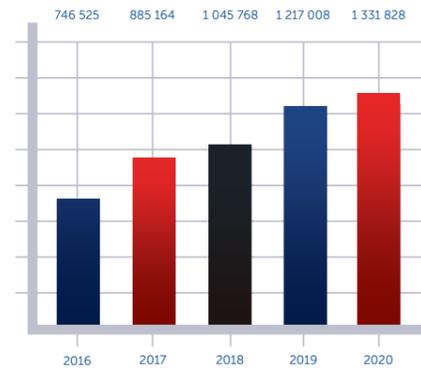
Gross premium income (Rm)



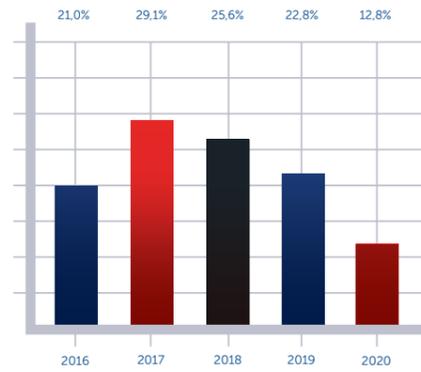
Net profit after tax (R'000)



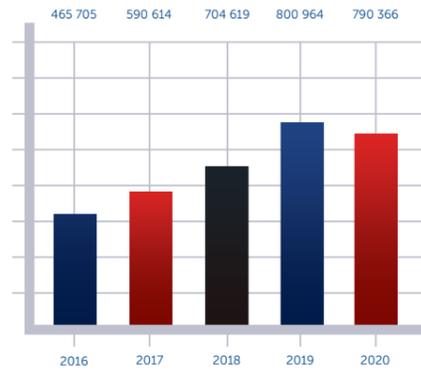
Individual policies in force



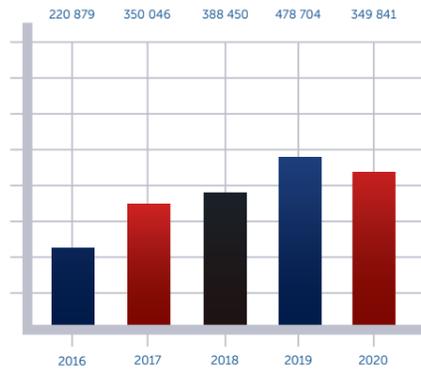
Return on equity



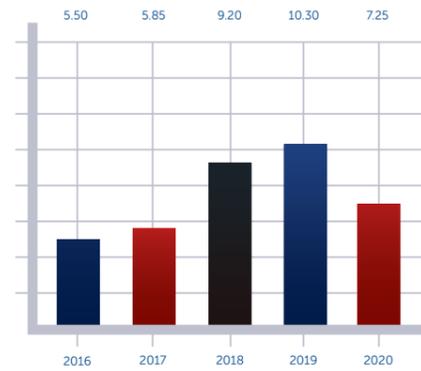
Adjusted operating profit (R'000)



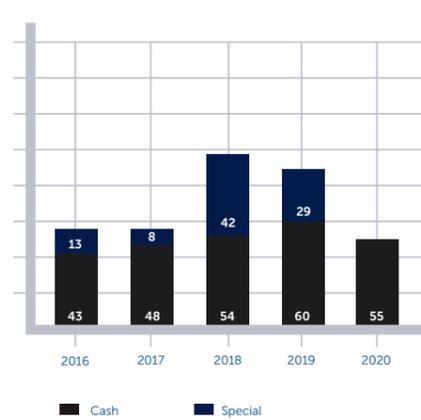
Value of new business (R'000)



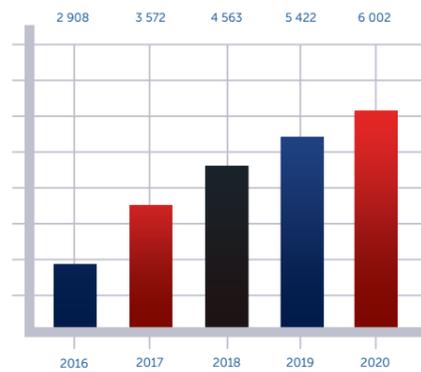
Share price (R)



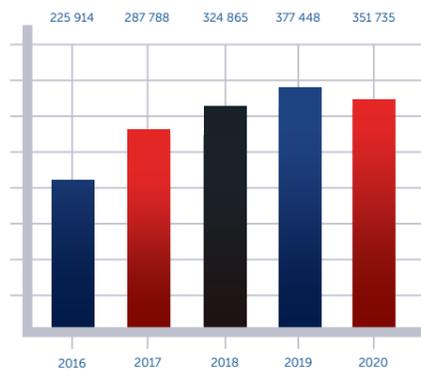
Group dividend (cents)



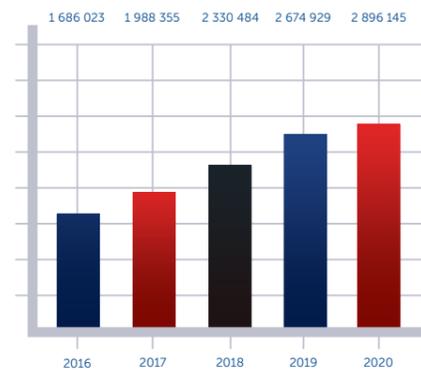
Group embedded value (Rm)

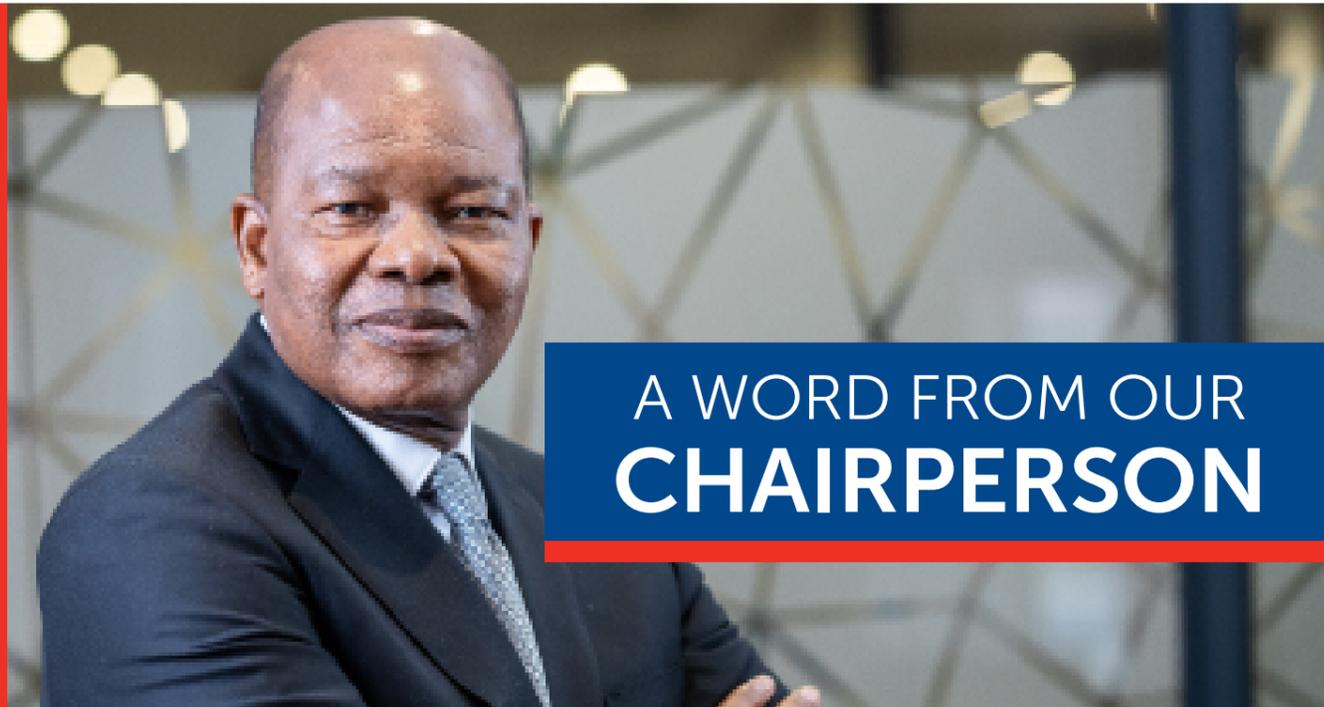


Total new individual business policies written



Total lives insured (Individual life)





A WORD FROM OUR CHAIRPERSON

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

Hope, opined Samuel Smiles, is the companion of power, and mother of success; for who so hopes strongly has within them the gift of miracles.

As I pen my thoughts on this past financial year, I hope for many good things. Because, even before the arrival of Covid-19 to our shores, we found ourselves dwelling in a rather unsavory political economy. A series of rating agency downgrades already portended the shrinking fiscus, raising further challenges about South Africa as a foreign direct investment destination.

We saw another blow to our recessionary status as our GDP shrank by a further 2% in the first quarter of 2020. While it appears that some of our political leadership is still grappling to understand the ramifications of these downgrades, negative sentiment towards South Africa continues to grow in the investment community worldwide.

Our economic situation was clearly a perilous one, which was then compounded by Covid-19. The precautionary measures our country's leadership was forced to take in order to save lives, unfortunately cut

like a double-edged sword. On the one side, we slowed the viral impact and the disastrous economic consequences it would bring if left unchecked. On the other side, the stalling of economic activities further deepened our economic woes, resulting in sharper increases in unemployment, plunging many South African families into times of uncertainty.

As much as I am aware of the historical nature of an annual report such as this, I can't help but look to the prospects that lie before us.

In the next six to twelve months, I hope that we will truly be out of the quagmire we find ourselves in. I have hope that our economy will recover, and that our leadership, both political and financial, will work to once again, not only reposition South Africa as a desirable foreign direct investment destination, but to restore hope to millions of South Africans.

Because, without hope, we perish. But, I am ever cognisant of the hard work required to turn hope into something tangible.

A word from our Chairperson

Sustainability predicated on adaptability

As South Africa grappled with the realities of the looming pandemic, we saw President Cyril Ramaphosa act in a way I can only describe as presidential. His excellent work in the way of announcing the lockdown and the attendant challenges in the wake of Covid-19, went a long way in stemming the infectious tide that the pandemic could bring.

Now, I'm not saying there were no flaws, particularly where some of his ministers were concerned, but the manner in which it was handled, and the way he adapted to the challenges, was commendable.

Similarly, I want to believe that we as Assupol handled the situation in a manner that could also be described as commendable. We swiftly moved to a virtual corporate situation, so that in spite of the challenges, we could continue operating relatively unhindered.

Our records to date are testament to this adaptability, showing a consistent positive trend from the last financial year, to this one. I believe this is due to the visionary nature of Assupol as an organisation, and our absolute respect for sound corporate governance and astute leadership.

It's how we have worked to keep the confidence our investors have had in us over the years. Going forward, into what can be described as uncertain times, I would like to reassure our investors of our continued dedication to these values. This is especially significant when we consider how many of our investors are internal participants at Assupol.

All aboard for the future

The importance of a strong board to navigate Assupol through these times is crucial. That's why we endeavour to maintain a board that reflects South Africa in practice – in terms of our ethnic and gender make-up.

Even though we bid farewell to three of our board members this year, we have moved swiftly to appoint new members to ensure we stay as strong as possible to portend a great future.

I wish to extend my warmest welcome to Bridget Radebe and Mark Collier, both of whom have enviable resumes. We are confident about the value that they will add and look forward to their many and meaningful contributions in future.

These new changes ensure that our diversity profile doesn't deviate from the situation ante. We believe that diversity is an inherently positive business stance to take. For, in it, lies the strength that gives us the variety of points-of-view, that enable us to touch all bases.

I would also like to thank our two chief executives in Riaan van Dyk and Bridget Mokwena-Halala. They have worked, and continue to work in a manner that is so complementary. I would like to commend them for the synergies that flow from their level of cooperation, and the *esprit de corps* they encourage through their loyalty to the organisation. I, especially, have enjoyed the trichotomous tango we dance when working together. A powerful leadership, indeed.

In terms of farewells, I would be remiss not to acknowledge our departing board members for the sterling work they have done here at Assupol.

Ranti Mothapo, a brilliant, and the youngest ever, actuary produced in South Africa. We thank you for your contributions, and wish you well in your entrepreneurial endeavours.

Ian Greenstreet, responsible for growth and innovation at Assupol, we thank you for the leadership you provided and regret that your new ventures mean we have to sadly part ways.

Lastly, Berlina Moroole, who diligently chaired our audit committee, doing a fantastic job in her time here. We wish her all the best as she embarks on her new challenges.

Traditionally, we would actually bid them farewell at a cocktail evening, but given the current situation, this obviously cannot be done, but we wish them all well, and thank them for their valuable contributions.

Transformation is key

We don't just pursue diversity on our board, we take transformation seriously throughout every facet of our organisation. We understand that currently, the Department of Labour is doing the rounds to persuade just about everybody to commit to real transformation.

Well, I would like to save them the time now, by letting them know they don't have to spend the day convincing us. In terms of transformation, we find ourselves in the top quartile, perhaps even better. But we are aiming to transform to a level where transformation, as a challenge, becomes totally irrelevant, and transformative legislature cites Assupol as a working model.

Overall business performance

We ended the 2019 financial year showing very positive trends in our growth. Notwithstanding the challenging circumstances of 2020, we believe our performance has once again been nothing short of sterling.

We would like to thank our clients who remain loyal to Assupol through thick and thin. We would also like to thank our intermediaries that are really at the interface between ourselves and our clients. To our entire sales and distribution network, we are eternally grateful for the work you do.

But, more specifically, we would like to extend our gratitude to management and staff without whom there is essentially no Assupol. Our appreciation and gratitude for the dedication you continually show us defies limits.

The macro and micro economic environment

We want to believe that as a country, we have already hit the bottom. That the painful untold levels of unemployment have reached their worst. That the last ratings agency has written down the word "junk" as our status.

Because, hope, as I began this report, is what will carry us through to the end. The will of a people who want a better life, goes a long way in lifting a nation out of junk status. At Assupol, we're committed to playing our part in that rejuvenation, and we implore our political leadership to show that they understand that the challenges we are dealing with, are those of a political economy.

We would like to see the private and public sectors, and just about everybody in between, working hand-in-hand to find ways of exploiting the synergies that come from multiple co-operations. Only by doing so, will we be able to transform the jangling discords of the nation as we stand, to lift ourselves from the economic morass, to once again be standing on *terra firma*, ready for growth.

Some of the programmes our government has, such as Yes4Youth, should actually be given greater prominence because as we know, the youth represent our future. We would also exalt corporate leadership, as well political and public leadership, to work harder in being more creative than we currently are when it comes to job creation. We also plead with government to provide the necessary regulatory framework, that actually encourages greater economic growth.

But we also implore our corporate leadership not to despair. The investment summits our President champions should give us greater impetus and the imprimatur to be in investment mode, and to find ways of co-operation that take us back to the halcyon periods of 5-6% economy growth.

We also applaud the President in never giving up, despite the pervasive force of corruption that threatens to undermine our progress. By never being discouraged, and by addressing his government and our citizenry directly, it shows he truly acts as the President of the country, which we find most edifying and inspiring.

We would like to join him in exalting South Africans of goodwill to jointly fight the scourge of pervasive corruption, and to imbue our nation with a new sense of morality, cooperation, and commitment to ethical conduct.

Why regulation matters

We welcome those institutions, such as Prudential Authority and the Financial Sector Conduct Authority, that serve to regulate us in the insurance sector, keeping the industry on the straight and narrow. It's imperative that we have such regulatory bodies, but it's even more important, that we actually comply. At Assupol, we want to go the extra mile where compliance is concerned, so much so that compliance actually becomes second nature to us.

In our industry, we provide the service of hope. We provide the comfort of knowing that if your loved one departs, you can actually give them a dignified send-off. Adhering to the Twin Peaks industry regulations, is what effectively assures our clients that this will be the case.

Risk management

Solvency and Assessment Management (SAM) regulations play a crucial part protecting our clients against risk, which is essentially our business as an insurance industry. But we would like to do a lot more than that, by always keeping the best interests of our clients at heart. From our inception 107 years ago, we have been providing a service to those who serve, be it the police, teachers, nurses, or social workers. While that fundamental belief is still there, we have gone beyond that to serve the entire nation.

Given where we are socio-politically and in terms of the economy, we want to rededicate ourselves to serving in particular those who serve, be they our employees or those aforementioned, and thank the public servants and essential workers who have been working tirelessly at the coalface of this pandemic, to keep our hope burning ever brightly.

Citizenship

Assupol considers itself as a practical, pragmatic, and conscientious corporate citizen, with an emphasis on conscientious. For it implies not just being aware, but being sensitive to the needs of our people and society, and then actually being responsive.

Our responsiveness has found purpose in the 159 early childhood development centres we helped to fund in the KwaZulu-Natal and Gauteng provinces; the proper sanitation facilities we have helped to build at over a 30 schools (as part of the President's Safe schools initiative); the 195 youth we have hired (as part of the President's Yes4Youth initiative); the 66 university graduates we recruited and trained as financial advisors (in partnership with Omama Besizwe Investments).

We would like to articulate to the youth, that education is their mode of preparedness for their futures. As a conscientious corporate citizen, we like to think generationally, but we also act generationally. This way, the youth can bank on us doing the best that we can to ensure that their futures are underwritten, and that they have the platform they need to launch themselves towards it.

Market insights and opportunities for growth

While we are currently very much a uni-product organisation (and do a fine job of performing in that uni-product environment), we are in the process of diversifying.

But, we do so sagaciously, never plunging into the unknown. We have partnered with Citadel and are finalising a relationship with a large national retailer to diversify our product offering and distribution.

We have strengthened our IT department, knowing we are moving into the fourth Industrial Revolution. Without the right technology intact, not only would we still be living and operating in the 20th century, but we would actually find ourselves slipping further back as others progress.

We'll continue to build upon the technology we accessed during the Covid-19 pandemic, that put us in a position to avoid the negative impacts, that so certainly affected others in our industry.

In closing

As an organisation involved in the line of work we are, we believe in the social interface, of being tactile, and having a closeness to our clients. But we do understand the imperatives on Covid-19 imposed limitations that made some of this impossible. We want to believe that we will return to a state of normalcy soon, and hope that a vaccine would be found sooner rather than later. For those with a bullish outlook, we should remain aware of the enormity of work that has gone into finding a vaccine even for HIV Aids, which has been with us for over three decades. If, or when, a vaccine is found for Covid-19, another challenge comes in how we distribute it in a manner that is adequate, and effective.

But, we keep hoping that it will come about, and that we'll emerge from the health, and economic, doldrums, and onto a healthy plane.

As we move into this new era, I want to encourage Assupol, and South Africa at large, to be a place where sound ideas have greater authority. Because, by fostering ideas, without the hampering antics of pseudo-authority, we'll give rise to the hope that greater things are destined for us all.

Dr Reuel Khoza
Chairperson



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

OUR STRATEGIC INTENT

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

HOW DO WE DO THIS?

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

- 1 Advice solutions
- 2 Product solutions
- 3 Service solutions

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

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

OUR STRATEGIC PILLARS

-  **Consumer education** – through consumer education, we empower our clients to make the best financial decisions for their futures.
-  **Ease of access** – increasing our footprint growth as well as improving client engagement gives our clients more, and easier, access to us.
-  **Serving those who serve** – serve our clients in the way that we would like to be served, especially at claims stage, when it matters most.
-  **Diversification** – expanding our target market and product mix through strategic partnerships, so that we ensure Assupol is robust enough to withstand disruptive events.
-  **Efficiencies** – focus on cost and capital efficiencies and digital maturity in order to provide the business with flexibility. Focus on efficiencies and best-practices for a work-from-home environment.
-  **Sustainability** – ensure sustainability by investing some of the value we create back into the communities that we serve.

Resilience

If there is one measure of success with which to gauge business performance over the past year, resilience would be it. The Covid-19 pandemic tested virtually every aspect of our business, including our balance sheet, product solutions, people, culture, leadership, as well as our ability to quickly respond to the unexpected.

But, even in such an extraordinary year, we are proud to report that Assupol has once again performed very commendably. Although our resilience was tested across the entire business, we stood up very well to every one of these challenges and, in our view, Assupol ended the financial year under review stronger than before.

We are particularly pleased with the robustness demonstrated by our solvency balance sheet and liquidity position during these very testing times. Assupol remains comfortably solvent with a 30 June 2020 SCR ratio of 185% (up from 173% at 30 June 2019) - the SCR ratio demonstrates the level to which the minimum solvency capital requirements under the SAM solvency capital regime are covered by the Assupol Group's actual capital. This is also well in excess of our minimum SCR ratio risk appetite of 135%.

At Assupol, we have seen and passed the test of a global pandemic before, over a hundred years ago, as the Spanish Flu took grip in South Africa during 1918. Resilience therefore seems to be engraved in our DNA.

Our ability to withstand events such as the Covid-19 pandemic is almost entirely due the resilience embedded in our culture of empowerment and accountability, through which we aim to create an environment where people who want to make a difference, can do so. And what a difference they all made during the past year. This was due, mostly to the willingness of our staff to radically change the way they had done things for so long. We were amazed at how quickly everybody owned the moment and just took the upheaval of a work-from-home transition completely in their stride.

Our IT department truly shone as they helped set up employees in their homes, ensuring all our safety protocols were adhered to. It proved to us that serving is not only something we do externally, but something we do internally, for our own people as well.

We would therefore like to give huge praise and thanks to all of our staff, who once again demonstrated that our key cultural aspects of ownership and accountability are alive and well within them.

Putting our clients first

Our clients rely on us to pay claims. This was arguably more important over the past year than ever before. We are pleased to report that we did this again without fail, even when we saw increasing claim numbers due to the impact of the pandemic during the latter parts of the year under review and the first couple of months thereafter. We stuck to our promise of paying valid funeral claims within 24 hours, in fact, continuing to pay out 76% of valid funeral claims within just 4 hours. Even with the challenges a hard lockdown imposed, we are proud in the knowledge that we never faltered in continuing to serve our clients when they needed us the most.

What was particularly pleasing to witness during the past year, was the manner in which our product solution set demonstrated its suitability and relevance to the needs of our clients. We have always designed our products to be flexible enough to help our clients through times of financial difficulty. As a result, we did not have to make any special concessions or changes to our product offering to assist clients during the challenges imposed by the Covid-19 pandemic. We've always understood that it's a long-term commitment from clients to maintain an insurance policy, even in times when they don't have the money to do so. That's why, for example, we offer clients relatively flexible premium payment terms.

Supporting our sales force

It was not only our clients who faced extraordinary financial difficulties during the past year, but also all of our commission-based field representatives who were prevented during lockdown from getting out into the field and selling to make a living.

We took a different view from the rest of the industry when we considered how to assist our field force during these trying times. Our sales force is our life force. They have always been loyal to us, and that loyalty has built and supported us over the years. So, we decided to return the favour.

As a result, we agreed to continue paying our representatives during the couple of months that they were unable to earn a living. To have done so, we required regulatory approval, which we received, and which we are very thankful for.

Our staff also showed incredible adaptability and ingenuity by developing a new No Touch™ sales solution to further assist our field force in a socially distanced world. Conceptualised and developed in a three-month period, it allows our sales force to engage and fulfil new contracts without having to physically meet with clients.

Regulation that matters

Our relationship with the Regulator is sacrosanct for us. We welcome the regulatory changes they usher in, as we believe the client to be the ultimate benefactor at the end of the day, and the necessary regulations help to ensure this. We acknowledge the support and guidance of the Regulator. We have always enjoyed a healthy relationship with the Regulator, and in this regard, we would like to express our appreciation for the constructive manner in which they considered our request to financially support our sales force during the more restrictive periods of the lockdown.

Last year, we mentioned we were in the process of converting Assupol Life's life license, which was a direct consequence of the implementation of the new Insurance Act, which commenced on 1 July 2018. We are pleased to state that Assupol received confirmation of the conversion of its registration under the Long-term Insurance Act (LTIA) to registration under the Insurance Act on 29 June 2020.

A leader in transformation

Being a leader in transformation has always been one of our key driving forces. It's therefore a great honour

to share that we have now been accredited with a B-BBEE Level 1 recognition. We believe that this positions Assupol as, in all respects, one of the most transformed insurance businesses in this country.

In partnerships we trust

The pandemic challenged us in many new ways, but it did not challenge our core values of ensuring people have access to a cost-effective means of protecting themselves and their loved ones. What it did show, to companies both globally and locally, was that things that we had regarded as difficult to do historically, proved themselves a lot easier to achieve. It has opened people's eyes to see what more can be done going forward.

For us, we were excited about the insights gained in how to help and serve clients in new and different ways. Some of these new ways come in the form of partnerships.

After a successful pilot project with a large national retailer (where Assupol representatives were placed in 22 stores), we are pleased to announce that we are in the process of concluding a partnership agreement that will allow us to grow our presence over time into as many stores as may prove viable. This will undoubtedly assist us to more easily access and engage with our existing clients and many new potential ones as well.

Another partnership that we're excited to announce, is that between Assupol and Citadel (one of the leading independent wealth management businesses in South Africa). Together, we have created a new company called Assupol Wealth, to empower our clients to not only provide for their families, but to leave a legacy through offering them a comprehensive, world-class package of advisory solutions, flexible investment products as well as fiduciary services.

We look forward to being able to serve our clients in even more ways.

A commendable performance during challenging times

Some of the highlights of our performance over the past year includes the following:

- Switching to a virtually complete remote working environment within days of the lockdown being announced, without a loss of productivity or a drop in service levels;
- More than 96% of all of our valid funeral claims being paid within 24 hours, with more than 76% thereof being paid within 4 hours, an achievement that we believe still remains unrivalled in the industry;
- Total gross individual premium income for the year increased by 15,8%;
- The direct marketing channel contributed 37% of sales, net of not-taken-up (NTUs), with gross sales generated by the direct marketing channel increasing by 25%;
- Our in-force book grew by 9,4%;
- We continued to generate profitable new business, with our new business margin, despite being lower than in previous years as a result of the impact of lockdown, ending on 7,4%;
- Adjusted Operating Profit, our measure of normalised earnings, ended 1,4% lower than the previous financial year, a very commendable performance given the impact of lockdown;
- Our Group embedded value ended on R6,002 million, delivering an impressive 18,4% return in the process;
- We generated a return of capital of 12,8%, which was lower than our targeted rate in this regard;
- We declared an ordinary dividend of 55c per share.

Investing into the community

Our way of serving is most evidenced in the work done by Assupol's corporate social investment (CSI) initiatives and the Assupol Community Trust. In a time where others might be inclined to cut back on their citizenship initiatives, we continued investing.

Our support for early childhood development (ECD) through the Assupol Community Trust is a source of immense pride for us. The Assupol Community Trust supports 159 ECD centres, 84 playgroups and 49 day mothers in the KwaZulu-Natal and Gauteng regions.

Our CSI partnership with the Department of Basic Education is another way we serve the youth, by building at least 100 proper sanitation facilities at primary schools, under President Cyril Ramaphosa's Sanitation Appropriate for Education school initiative. To date, we have completed 30 schools.

We have also immensely enjoyed seeing young people blossom under the President's Yes4Youth initiative that aims to put 1 million youth between the ages of 18 and 35 into formal employment by giving them 12-month paid internships.

Looking forward

During March 2020, as part of our biennial Board Strategy Review session, our strategy was reaffirmed and agreed to be relevant for the challenges that we as a business face going forward.

We did however identify a number of areas that would require greater focus, including our client engagement efforts as well as growing our consumer education initiatives. We again acknowledged the importance of consumer education in order to empower our clients to make the best financial decisions for their future.

Sentiment is undoubtedly negative across all the major sectors of the economy. The national, and specifically the South African government's, financial position has deteriorated dramatically. Political inertia and instability

have increased, competition remains relentless, and hope is fading that the global economy and political landscape (which is experiencing its own turmoil) will provide any relief in the short to medium-term.

Although our strategic strengths (a strong public service presence and an in-force book concentrated on arguably the most needed insurance product being the obvious examples) have provided a valuable moat during these difficult times, Assupol, and especially our clients, will unfortunately not be spared the impact of the economic turmoil.

Given such an unsupportive environment, it is vital that we as a business accept as part of our planning and thinking that the status quo is unlikely to change. Consequently, we expect that the current challenging operating conditions will remain the norm for the foreseeable future. In the immediate short-term, our focus will thus remain on ensuring that we continue to excel at the basics, namely paying claims, collecting premiums, serving our clients, and most importantly, ensuring that our staff are kept safe and employed.

Looking forward, Assupol is strongly capitalised, with no concerns regarding solvency, liquidity or going concern status. We understand our key challenges and are focusing on them. Our operations are performing well, and our sales team is relishing the opportunities that lie ahead.

In addition, we are exploring a couple of new initiatives, something that not all companies can claim. Our focus is therefore on successfully implementing and finalising these initiatives.

In summary, we therefore believe that Assupol is well positioned to ride out the storms that we are facing.

Paying tribute

Despite our best efforts in managing and preventing the spread of Covid-19, 85 of our staff members contracted the disease. Although most of them have fully recovered, we were saddened by the passing of 5 of our colleagues who regrettably succumbed to the disease.

In this regard, we would like to pay tribute to:

- Mluleki Tapula
- Lucas Matong
- Majosi Mabunda
- Lindiswa Magadlela
- Thandiwe Mate

Imiphfumulo yenu mayiphumule ngokuthula.

May your souls rest in peace.

A message of hope

While this past year has been one of the most challenging on record for South Africans, we ask them not to despair. Assupol has seen this all before, we have lived it, and again we have demonstrated our resilience.

We want South Africans, and our clients, to know that we are here for them, and are continuously looking for ways in which we can better serve them.

Our board was willing to put in the extra hours to meet as many times as we needed, and trust us, we had

to meet many times. It's honestly incredible to have the kind of dedicated board that we do, but more so, it's incredible to have a chairperson such as Dr Reuel Khoza.

We would especially like to pay tribute to Dr Khoza for the sage that he is, and the thoughtful leadership he provides at all times. His commitment to serving us empowers us to serve others in the right way.

To our shareholders, we want you to know that we are a resilient company that has delivered commendable results in very trying times. A time in which we were still able to pay dividends. We are looking forward to what the future holds in terms of new growth, especially through our exciting new partnerships.

And finally, our staff, we would like to extend our fullest gratitude and thanks to you. You are the reason we exist. You are the backbone of our resilience. Your readiness to seamlessly adapt to a new way of working and ensure we never missed a beat in serving our clients, just blew us away. We thank you now and thank you every day. Thank you.

We don't know what this next year has in store. But we want to reassure every life that we touch, that we will do our utmost to ensure that it is every bit as good as it can be.

Riaan van Dyk
Group CEO

Bridget Mokwena-Halala
Assupol Life CEO



A WORD FROM OUR GROUP CFO

Our Group's success in the past was based on building a strong base for all stakeholders, ranging from policyholders, shareholders, the regulator, business partners and employees alike, while ensuring that cost and risk is managed appropriately.

🕒 A resilient set of financial results in the face of adversity

Assupol's dynamics changed significantly when the Covid-19 pandemic became a reality in South Africa in March 2020. As the country went into full lockdown towards the end of March 2020, a restriction was placed on any sales in a face-to-face environment and Assupol's branch offices around the country had to be closed. Coinciding with this was the downgrade by Moody's of the sovereign debt rating of the South African government to below investment grade. These events had a significant impact on the South African investment markets and economy.

The restriction on sales was only partially lifted in June under strict conditions and the restriction on entering some of Assupol's core markets such as education facilities remained in place.

The nearly daily investment market volatility, seen during the initial phases of the pandemic, started to stabilise to some extent towards the end of the Group's financial year, but conditions remained extremely uncertain.

The impact of Covid-19 is evident on the financial results of the Group but notwithstanding various challenges, the Group performed well; the Group's embedded value increased over the financial year from R5 422 million to R6 002 million.

The Group's response to the impact of Covid-19 is focusing on the preservation of capital and to maintain current capacity to ensure quick recovery to pre-lockdown levels once the pandemic has subsided.

The impact of the pandemic and the response from the Group were as follows:

- The Group lost approximately 25% of its sales volumes in its face-to-face channel during the lockdown period.
- An additional amount of R9.9 million was spent to provide for the necessary health and safety requirements to protect employees, the sales force and clients.
- The Group's tied agents operating in the face-to-face environment were financially assisted during the lockdown period to the value of R23.9 million.

- Expenses were revised and adjusted for potential savings as a result of employees working from home and lower activity levels during the lockdown period. It was decided not to retrench any employees but rather to delay salary increases and not paying cash bonuses to management.
- Excess funds in the renewal expense reserve were not released to ensure sufficient reserves remain for the potential impact of Covid-19 on the growth and/or persistency of the in-force book.
- Volatility in investment markets resulted in an under-performance against long-term return assumptions.
- Based on the Group's own mortality experience after year-end, and supported by the South African Medical Research Council (SAMRC) statistics and the Covid-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, explicit Covid-19 mortality reserves of R77.9 million after tax were provided for.
- The preservation of capital was prioritised in all decisions taken, including the dividend recommendation and remuneration decisions.
- As part of the Group's annual Own Risk Self-Assessment (ORSA), multiple scenarios were modelled to understand the impact of Covid-19 on the future solvency of the Group. No solvency concerns were identified through this process. The SCR (Solvency Capital Requirement) ratio as at 30 June 2020 was 1.85 in comparison to 1.73 in 2019.

Financial performance analysis

Our performance against strategic financial targets

Our financial performance is managed and measured against specific and defined strategic financial targets. As these are strategic financial targets with a longer-term outlook one would expect adjustments to these targets, depending on economic and other business cycles. The current uncertainty in the operating environment will have a definite impact on these targets and will only become apparent as we navigate our way through the pandemic.

- Value of new business growth (VNB)

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

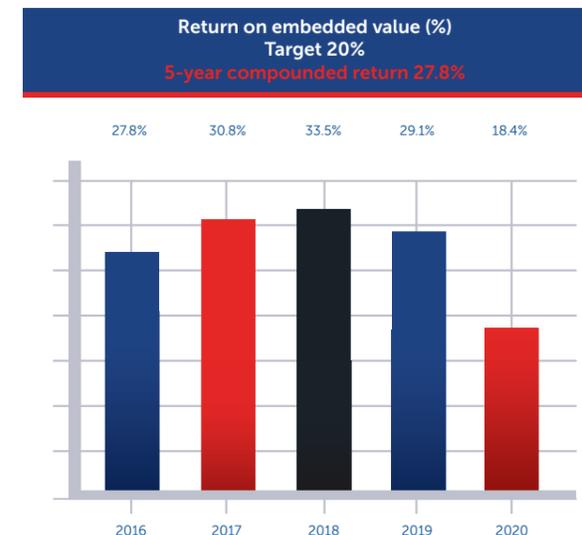
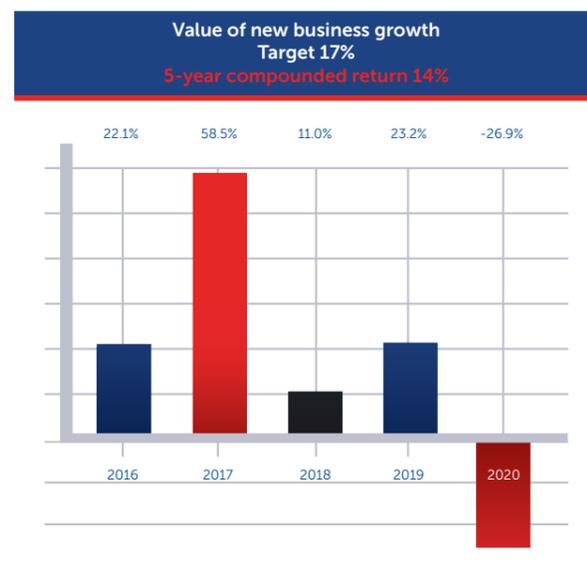
- Return on equity

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

- Return on embedded value

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

The graphs show the Group's performance against these targets over the past 5 years.



The impact of the pandemic is clearly visible during 2020 on these strategic financial targets, but still presents a resilient effort.

New business growth

VNB growth was -26,9% for the 2020 financial year and on an economic equivalent basis the growth was -33,8%.

Recurring new business premium income decreased by 6,5% (2019: 15,1% increase) on an annual premium income basis and our single premiums increased by 18,0% (2019: 96,7%).

Due to the lockdown our face-to-face channel could not operate for the last quarter of the financial year and impacted significantly on the sales volumes. Another aggravating factor was the ongoing fixed cost base which eroded the final reported VNB and VNB profit margin.

Efficient management of expenses

Critical to a life assurance company is the management of efficient policy administration costs. This strategic drive ensures that cost efficiencies are key in performance measurement of the business. As reported in previous financial years, this is always a key focus area of the Group and added significant value to shareholders, however with various uncertainties in the operating environment, the decision in the current financial year was taken not to release expense reserves until uncertainties are better understood.

Persistency rates

The strengthening of the withdrawal reserves increased liabilities by R144.1 million. The largest impact relating to withdrawal assumption changes related to reserving for Cashback benefits on the Group's Progress product lines, which indicates an improvement in persistency levels on longer durations relative to previous assumptions. The persistency levels of the direct marketing product line deteriorated during 2020. The Group considered the appropriateness of the margins in the withdrawal assumptions for potential Covid-19 impact and deemed it sufficient.

Mortality experience

The Group went through a thorough governance process to ensure due process and appropriate consideration in setting of the year end assumptions. In response to the pandemic an explicit Covid-19 mortality reserve of R108 million was set-up.

Investment performance of shareholders' funds

The after-tax investment returns on excess assets underperformed against the long-term investment return assumption by R68 million (2019: R32 million outperformance). The return on excess assets achieved was 1,22% (2019: 10,73%).

Corporate and social investment (CSI)

During the year under review the Group continued with its collaboration with government; spending R10 million per year to improve sanitation facilities at government schools. Sanitation facilities were built at 30 schools.

Adjusted operating profit

The Group's net profit after tax decreased to R564 million from R907 million in June 2019. To give a more realistic long-term view of our Group's profitability, management adjusts the net profit after tax to exclude the impact of short-term market fluctuations on investment returns on excess assets, non-recurring transactions or events, non-recurring actuarial adjustments and non-core transactions. The table on the next page reflects the adjustments made. It can be analysed as follows:

	2020 R'm	2019 R'm
Reported net profit after tax	564	907
Adjustment of investment returns on excess assets ⁽¹⁾	68	(32)
Non-recurring transactions	4	41
Adjustment of non-recurring economic assumption ⁽²⁾	(26)	(37)
Operational assumption changes ⁽³⁾	160	(72)
Other assumption changes	20	(6)
Adjusted operating profit	790	801

1. Shareholder funds' returns underperformed against the assumption for long-term investment returns during the 2020 financial year. The investment funds overall outperformed the market benchmark by 0.34%. The asset allocation in the fund and related investment returns is shown in the asset allocation section below.

2. Changes in actuarial economic assumptions were driven by a decrease in the bond yields from 7.7% in 2019 to 6.7% in 2020.

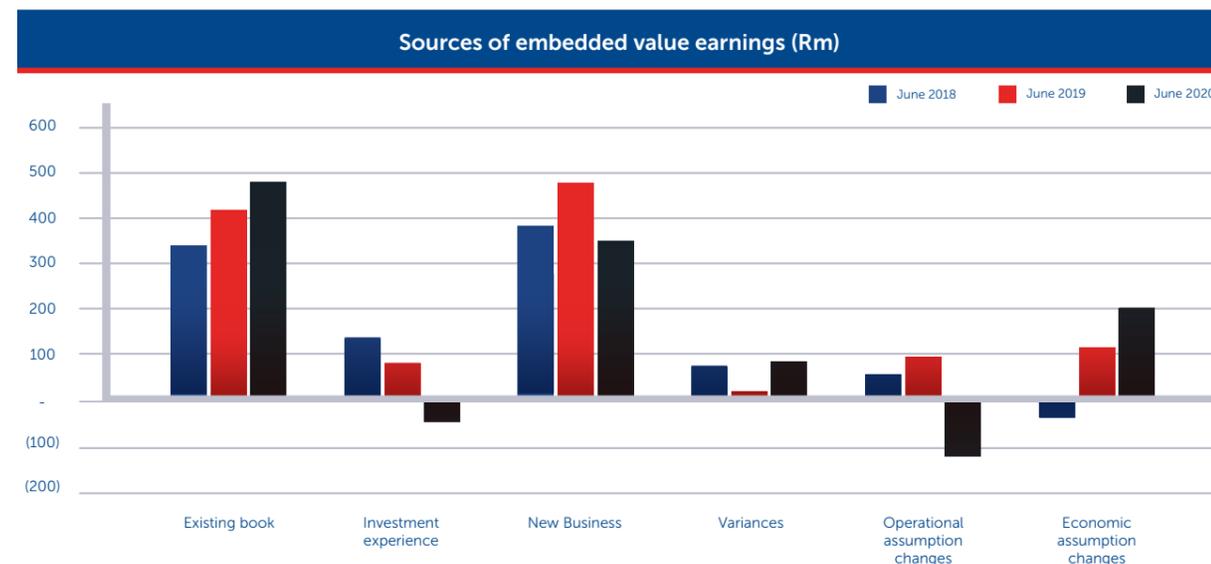
3. Changes in the actuarial operational assumptions included the explicit Covid-19 reserves of R77.9 million after tax. The withdrawal and not-taken-up (NTU) assumptions were updated in accordance to the most recent experience investigation and increased policy holder liabilities by R103.8 million after tax.

Group embedded value

The Group embedded value was affected by the impact on new business but nevertheless performed well, achieving a return of 18.4% (2019: 29.1%).

One of the key drivers of this return was the decrease of the valuation interest rate towards the end of the financial year.

The graph below gives an analysis of our earnings on our Group embedded value.



Investment performance

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

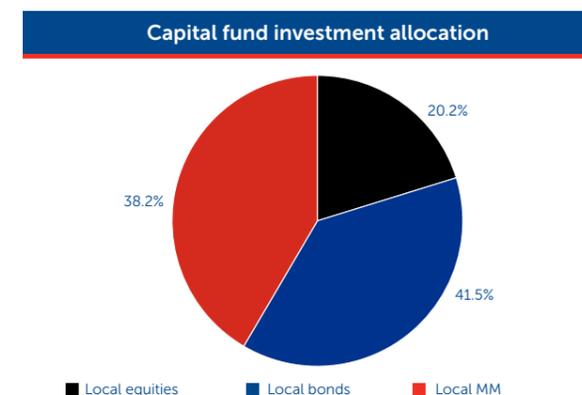
The selected asset allocation must reflect each investment category's risk profile, and provide a

reasonable level of returns in most investment conditions. The investment return volatility of different asset classes is acknowledged and appropriate diversification between assets classes must be applied to minimise volatility of the returns.

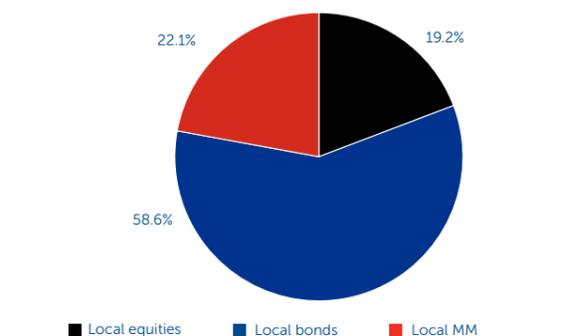
The Group continues to adopt a passive investment management approach which is aligned with its aim to deliver long-term returns.

Asset allocation and investment returns in our shareholder fund

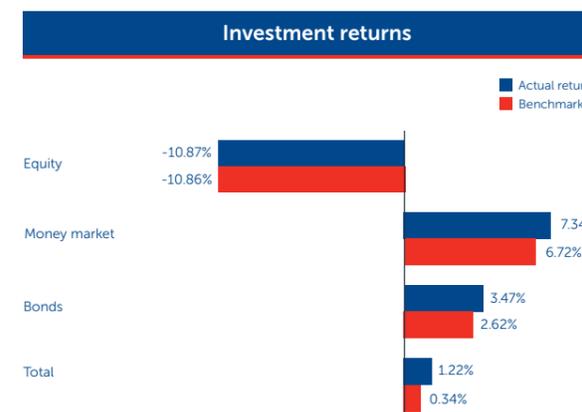
This graph shows the asset allocation at 30 June 2020:



Asset allocation at 30 June 2019:



This graph shows the investment return at 30 June 2020.



Share capital

During the financial year the company converted 4 750 647 'B' shares into ordinary shares. These 'B' shares were issued as a deferred bonus in 2016 and have vested during the financial year. The company has received approval from the Prudential Authority of South Africa for the issue of 4 324 000 'B2' no par value shares. The shares were not issued at year-end. The company has submitted an application to the Prudential Authority for the issue of 2 256 000 'B3' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority.

No shares were repurchased and cancelled during the financial year.

Subordinated debt

On 29 January 2019 Assupol Life Limited entered into a subordinated debt agreement with Investec Bank Limited. In terms of the agreement, the company has access to a draw down facility of R250 million. At the end of the financial year, the full facility was utilised for the funding of new business.

How we manage our capital

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

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

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

We apply the following principles:

- We determine capital on a statutory base, and in compliance with the Companies Act
- Determine risk tolerance ranges

A word from our Group CFO

- Allocate efficient funding for capital requirements
- Allocate appropriately for projects yielding returns higher than the average return on equity targets
- Optimise capital components:
 - Frequent monitoring of risk driven components in the required capital structure
 - Through asset liability matching
 - Reinsurance retention limits
 - Sources of capital
- Applying a sustainable dividend policy, explained in the section on dividends below.

- Hold sufficient liquid assets to finance strategic initiatives
- Comply with all regulatory requirements
- Declare a special dividend, if surplus cash is available.

The preservation of capital was prioritised in the declaration of the dividend for the 2020 financial year.

Specific considerations relating to the preservation of capital for the 2020 dividend declaration were as follows:

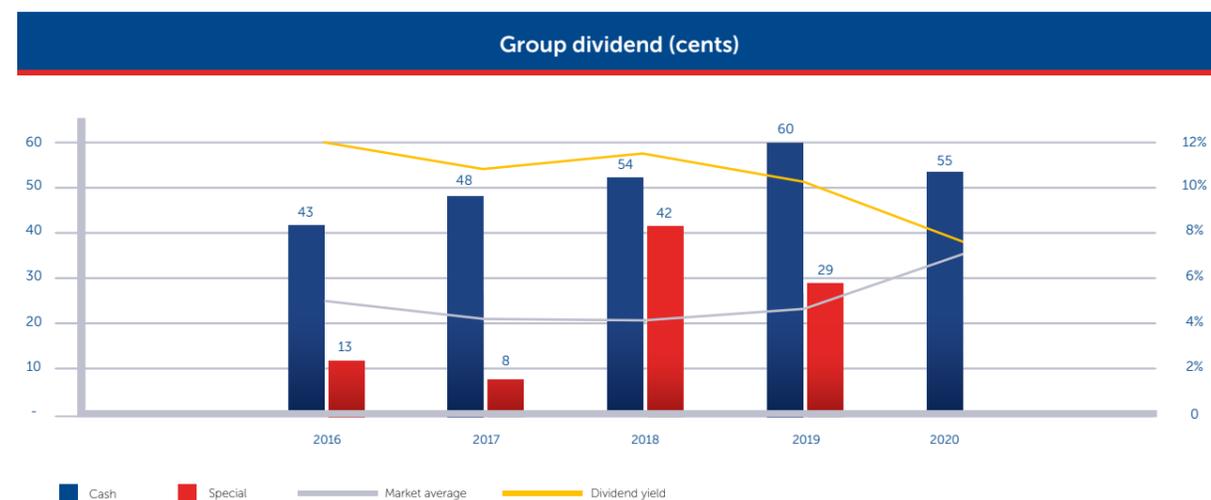
Our Group's dividends

Our dividend policy is based on the following principles:

- To create a sustainable dividend flow to shareholders
- Align our policy with company performance, where cash generation will be used as guidance
- Hold sufficient liquid assets for working capital
- Maintain a target SCR ratio, as determined by our board from time to time

- Additional explicit Covid-19 mortality reserves,
- Decision not to release renewal expense reserves,
- Conservative asset liability matching decisions through internal capital allocation model, essentially eliminating all insurance assets,
- Stress test of various scenarios indicating all post dividend scenarios to be well above risk appetite levels from a solvency and liquidity perspective.

This graph compares our dividends from 2016 to 2020.



Investment in new initiatives

One of our key strategic focus areas is to explore new initiatives that will expand and enhance our current offering to clients. During the 2020 financial year, the focus area was to consider the value offering of the new initiatives that were invested in in the previous financial year, and fully

embed it in the operations of the Group where a definite future contribution was established.

During the 2020 financial year we have successfully acquired a share in a new subsidiary together with Citadel. The Group envisages increasing its value offering to its expanding client base. This subsidiary will provide a variety of quality wealth solutions to clients.

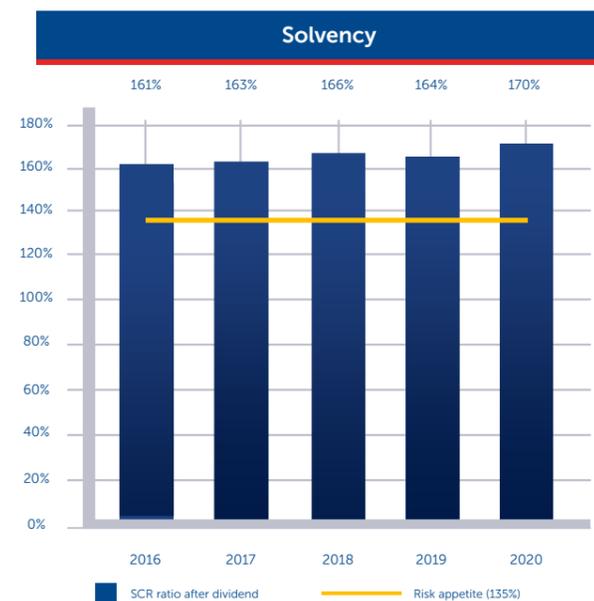
A word from our Group CFO

We have allocated R96.9 million over the next 5 years to these initiatives to ensure the availability of financial resources.

Solvency

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

This graph shows our solvency position according to the SAM framework from 2016 to 2020.



Interest rate sensitivity

It is important to take note of the Group's sensitivity to economic assumptions. The reason for this is the initial recognition of new business profit on the IFRS (International Financial Reporting Standards) basis. The value of the probable future economic benefits is captured under the insurance asset balance sheet item, which is discounted at a rate based on economic assumptions. Although the value of this item is dependent on economic assumptions, the normalised cash generation profile of the business is not affected by this.

The following table illustrates the impact of economic assumption changes on the different metrics:

Metric	Base	2020		2019	
		Interest and inflation assumption -1%	Interest and inflation assumption +1%	Interest and inflation assumption -1%	Interest and inflation assumption +1%
Net profit after tax - Δ		87 328	-101 019	44 666	-65 607
Embedded value - Δ		125 017	-175 921	143 040	-137 197
Cash generation - Δ		-11 157	18 308	-2 320	-3 020
SCR ratio		1.88	1.83	1.75	1.72

This sensitivity arises due to the profitable new business policies relative to the in-force policy book, amplified by the current profit recognition profile. The profit recognition profile of insurance policies will substantially change with the introduction of IFRS 17, insurance contracts, in the financial year ending June 2024. Business decisions are being made based on several relevant financial metrics including cash generation and solvency.

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

Future considerations

IFRS 17

The implementation date of this accounting standard was extended by 1 year and the first set of financial results for the Assupol Group, that will incorporate IFRS 17 in full, will be the annual financial statements for the year ending 30 June 2024.

The Group's IFRS 17 steering committee manages the process and meets on a monthly basis. The steering committee is supported by various work groups. During the financial year, developments have been focused on further enhancements to the actuarial system to support the requirements of IFRS 17, product classification, expense allocation, and stakeholder interaction. Assupol is participating in various industry forums to ensure that its interpretation and application of the standard is appropriate.

Mandatory audit firm rotation

The requirement issued by the independent Regulatory Board for Auditors (IRBA) in 2017 regarding the mandatory audit firm rotation (MAFR) will affect the Group in the financial year ending June 2024. The Group is currently considering the steps to be taken in this regard.

Outlook

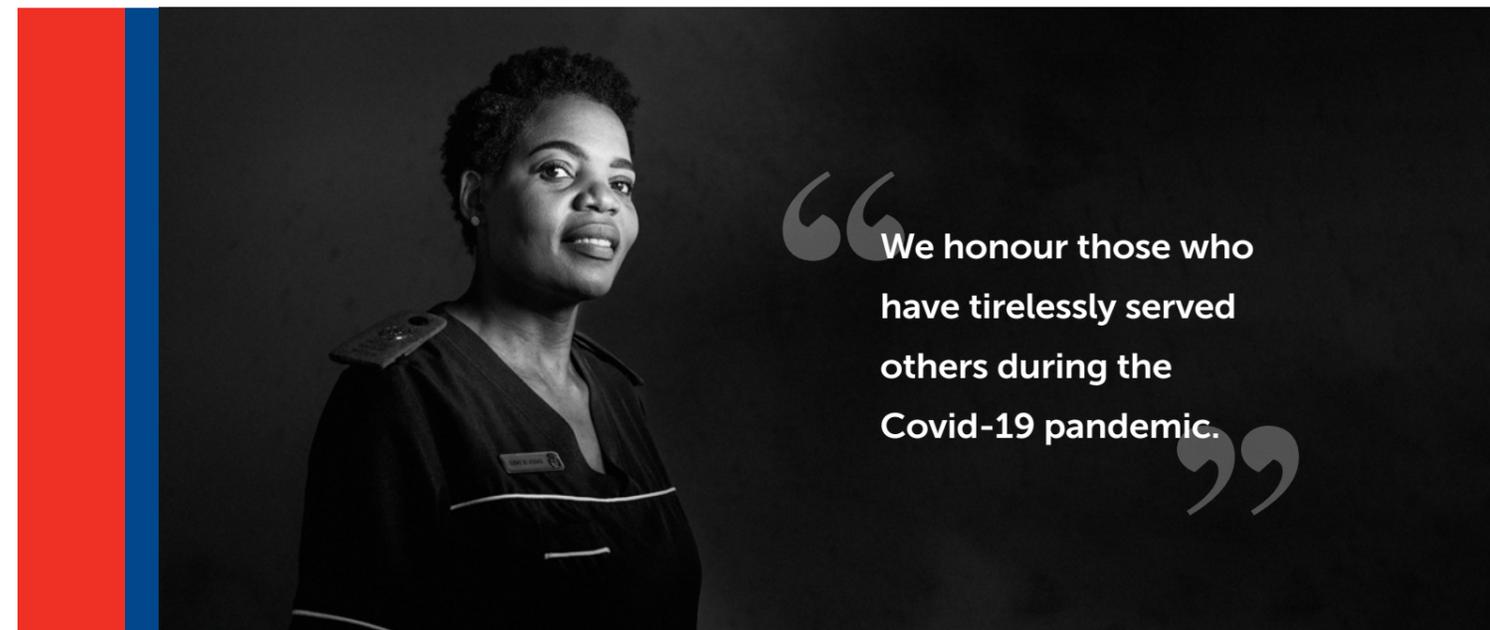
The Group's focus for the foreseeable future will be to understand the changes and uncertainties in its operating environment and respond to those challenges by rebuilding activities to pre-lockdown levels.

During these unprecedented times, the Group responded timely and with conviction and still proudly serving those who serve.

Our Group's success in the past was based on maintaining our strong relationships with all stakeholders, ranging from policyholders, shareholders, business partners, employees and the sales force 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. The 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



A relevant brand in times of uncertainty

Living up to our *servicing* ethos

As people and businesses across the globe adapted to the social and operational challenges created by the Covid-19 pandemic, it became even more important for Assupol to showcase its authenticity as a brand that serves hardworking South Africans.

Covid-19 impacted health workers harder than any other profession. We embarked on a campaign to honour health workers who worked tirelessly from the frontline to save their communities, while trying hard to protect themselves against infection. Built on the premise of honouring and uplifting those who serve, the Nurse Eagan campaign saw colleagues and family members express their appreciation for the sacrifices made by health workers for their communities. The television commercial, digital and outdoor campaign was amplified on social media by practicing medical doctors (who are also social media

influencers) who were passionate and proactive in sharing their Covid-19 experiences, in the hope of changing behaviours for the better.

We also deemed it important to show South Africans that they can play a role in helping those who serve. We launched an employee CSI initiative (Assupol Cares Community Week) during the nationwide lockdown, with activities in direct response to the plight created by the Covid-19 pandemic.

As a brand that serves, we do more than just sell products and services. We believe that we have a duty to contribute towards resolving the challenges our communities are faced with, wherever we are in a position to do so. We honour those who have tirelessly served others during the Covid-19 pandemic.

- Assupol's strategic intent is to play a meaningful role in transforming South Africa for the benefit of all her citizens. Taking a shared value approach to sustainability and citizenship plays an important role in our ability to ensure that this benefit is realised. Through Assupol Cares, we focus our strategy and concentrate our resources to make a meaningful and substantial difference in our communities.

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

During the year under review, a new CSI policy was introduced to empower South African citizens and uplift communities by focusing on three areas:

- **Education and training** – we are a financial partner in government's Sanitation Appropriate for Education (Safe) initiative where we are working with the Department of Basic Education (DBE) and the National Education and Collaboration Trust (NECT) to build dignified ablution facilities for 100 rural primary schools in South Africa. This project is being implemented in a staggered approach over 5 years. We partner with relevant organisations, including the Youth Employment Services (Yes4Youth) initiative, to provide skills development through training programmes that will prepare South Africa's youth for the world of work.
- **Sports** – we focus on improving extracurricular activities in rural schools.
- **Health** – we partner with and support initiatives that focus on providing quality healthcare for the disadvantaged in communities.

Successes for 2020

- For the Safe initiative, in partnership with the DBE and NECT, construction of dignified ablution facilities was completed at 30 schools (in Limpopo, KwaZulu-Natal and the Eastern Cape).
- A new annual initiative, Assupol Cares Community Week, was introduced in 2020 as a way for Assupol

employees to be actively involved in giving back. The activities for the launch were in direct response to the plight created by the Covid-19 pandemic, with care packages for frontline health workers delivered to selected healthcare facilities, and food parcels provided for communities in need.

- In partnership with the Assupol Community Trust, Assupol appointed 196 young people, of which 94% are women, who were recruited and placed in paid learnership programmes in various early childhood development programmes that the Trust supports in the areas of Nellmapius (Gauteng), Msinga and Nquthu (KwaZulu-Natal) as part of the Yes4Youth initiative.

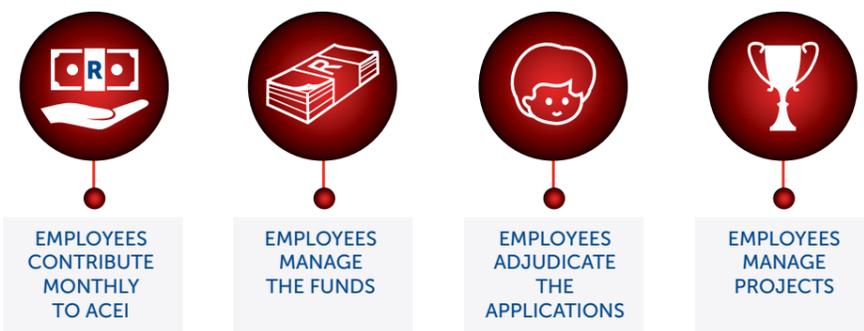
Our response to Covid-19

We believe we are honour bound to actively participate in addressing the socio-economic challenges in our communities. While the Covid-19 pandemic impacted our CSI planning for the remainder of the 2020 financial year, it did not hinder our drive to keep serving those who serve. In our bid to continue with Covid-19 relief efforts, Assupol donated over R23.9 million. We also responded quickly to the needs of two families, by donating R50 000 to cover the funeral costs for their elderly loved ones who passed away while collecting their social grants at the beginning of the nationwide lockdown.

Assupol Cares Employee Initiative (ACEI)

ACEI is funded and managed by employees in the Assupol Group. It is aimed at providing financial or other assistance to charitable causes as nominated by the employees. ACEI is managed by the ACEI Committee and consists of members who are elected by employees and representatives appointed by the Assupol Group. ACEI Committee members serve for a term of 3 years. The committee is responsible for the consideration of applications in accordance with its criteria and procedures.

Assupol Community Trust



Assupol Community Trust (the Trust) is a registered public benefit organisation, established in 2010 to benefit communities in areas where a significant number of Assupol Life policyholders resided at the time of Assupol Life's demutualisation. The Trust is a shareholder in Assupol Holdings Limited and as such functions independently.

The Trust aims to support the South African government in attaining its goal of ensuring universal access to early childhood development (ECD) for all children by 2030, as prescribed in the National Development Plan. In spite of the challenges faced by the communities of Nquthu, Msinga and Nellmapius, as well as the challenges enhanced by the novel Coronavirus, tremendous progress had been made by the Trust in increasing access to quality ECD services and supporting ECD centres to comply with the norms and standards required in order to achieve full registration as prescribed by the Children's Act 38 of 2005.

Our vision

Every child ready for the future

Our mission

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

Our focus areas during the reporting period

KwaZulu-Natal: uMzinyathi District Municipality

- Msinga: 41 ECD centres, 81 playgroups
- Nquthu: 40 ECD centres, 3 playgroups

Gauteng: City of Tshwane

- Nellmapius: 78 ECD centres, 49 day mothers

Number of lives impacted during the reporting period

- 7,984 children accessed quality early learning opportunities (a 68% increase during the year under review)
- 3,535 children received nutritious food
- 196 young people accessed employment opportunities through Youth Employment Service (YES) learnership

- 268 day mothers and playgroup facilitators appointed
- 805 ECD practitioners trained (including day mothers, YES learners and playgroup facilitators)

Accelerating access to ECD services

At the end of the 2018/2019 financial year, 4,740 children between 0-5 years were accessing ECD in designated communities supported by the Trust. In 2019/2020 the Trust targeted a 40% increase in this number. This target was exceeded significantly, and saw 3,244 additional children enrolled in facilities providing ECD services, resulting in a total of 7,984 children who accessed ECD services in the 2019/2020 period.

This achievement was as a result of Assupol Life's appointment of learners through government's Youth Employment Service (YES) initiative. The appointment of 268 day mothers and playgroup facilitators also contributed to the increase in the number of children accessing ECD.

The Trust encourages the inclusion of children with disabilities in ECD programmes, and as a result during awareness campaigns held, the Trust was able to identify children who were not accessing ECD, and successfully linked them to centres providing ECD programmes in their communities.

Improving quality ECD services

In addressing the challenge of quality services that are provided to children in ECD centres, the Trust focussed on the following three essential components:

1. Ensuring that learning outcomes are achieved by training ECD practitioners, including day mothers and playgroup facilitators;
2. Provision of learning resources to stimulate learning for children in ECD; and
3. Provision of nutrition to promote children's physical and mental development to enable them to grow healthy and strong.

Training of practitioners

The Trust trained 805 ECD practitioners, day mothers and play group facilitators in order to improve the quality of ECD services.

Provision of learning materials

There were 106 packs of educational learning materials that were provided to ECD centres in Nellmapius, Msinga and Nquthu to facilitate stimulation of children.

Provision of nutrition

The Trust contracted JAM South Africa (JAMSA) to provide Corn Soya Sugar (CSS+) nutritious porridge to children in 41 ECD centres that were not funded by government in Msinga and Nquthu. In addition JAMSA provided additional porridge at their own cost to 40 ECD centres in Msinga and Nquthu for seven months and 13 day mothers in Nellmapius for four months. In total 3, 535 children were fed with CSS+ porridge.

Through the partnership with Community Works Programme of the Department of Provincial and Local Government, the Trust facilitated the establishment of food gardens in each of the ECD centres in Msinga and Nquthu.

Facilitating compliance with registration, health and safety requirements

In Msinga and Nquthu, through community mobilisation, we identified and analysed the infrastructure needs for 41 ECD centres. This project will be undertaken during 2020/21 financial year. Ceilings were installed at 15 ECD centres that were part of the initial infrastructure improvements in Msinga and Nquthu. In Nellmapius, three ECD centres were renovated to meet compliance standards, and one new ECD centre was built.

In Nellmapius 65 ECD centres including 46 day mothers were provided with first aid kits and fire extinguishers in compliance with health and safety regulations.

Governance, partnerships, and stakeholder relations

The success of the Trust is attributed to collaboration with various partners that have shared information, altered activities and shared resources for attainment of a mutual benefit and common purpose. The National ECD policy (2015) provides a framework for regulation of the necessary partnerships to ensure non-government organisations (both profit and non-profit), support the realisation of government's national integrated childhood commitments, and that all services provided comply with government commitments. It is for this reason that the Trust has put partnerships as one of its strategic thrusts.

Advocate for models that accelerate universal access to ECD

Over the past three years, the Trust gained valuable experience from lessons learned, that could be replicated and upscaled towards accelerating universal access to ECD. These lessons have been documented and translated into a Trust Delivery Model which outlines generic tasks to be undertaken to ensure seamless project planning and execution. It is the aim of the Trust to advocate this model.

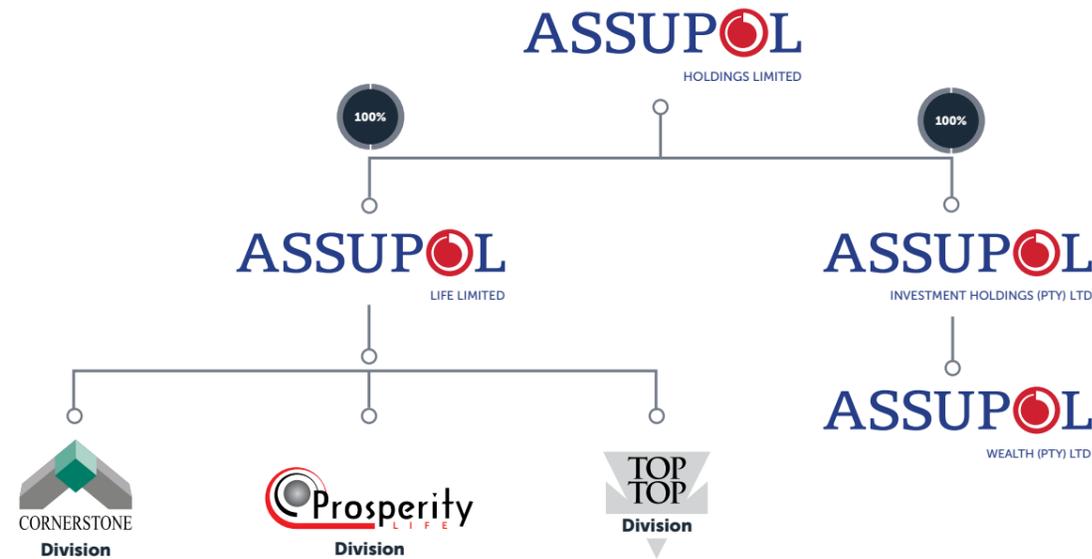
Our new logo

As an established public benefit organisation, it is important to ensure that the visual identity of the Trust is a reflection of its mandate. Our new logo represents of each pillar of our values, under the themes of care, strength and unity.



OUR BUSINESS

Our Group at a glance



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

Assupol Life Ltd

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

Assupol Life acquired the business operations of Cornerstone Brokers Corporate (Pty) Ltd in 2017, Prosperity Life Ltd in 2012 and Top Top Business Consultants (Pty) Ltd in 2018. These entities, with the exception of Prosperity Life Ltd that was deregistered, are dormant subsidiaries of Assupol Investment Holdings (Pty) Ltd.

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

Assupol Wealth (Pty) Ltd

On 1 April 2020, the Assupol Group acquired 51% of the issued share capital of Assupol Wealth, a financial services provider registered in terms of the Financial and Intermediary Services Act, with the intent to expand the Group's financial service distribution offerings and diversify its income stream.

ASSUPOL, AFTER 107 YEARS

Assupol Life began in 1913 as a burial society for members of the South African Police Service. From that modest and caring beginning it has grown into a fully-fledged life-insurer, serving those who serve and often leading with innovative products and services. Assupol has become a household name, synonymous with high-quality service and affordable products tailored for our focused markets. But more importantly, after more than a century, Assupol has remained the caring company it was at its inception.

Our philosophy

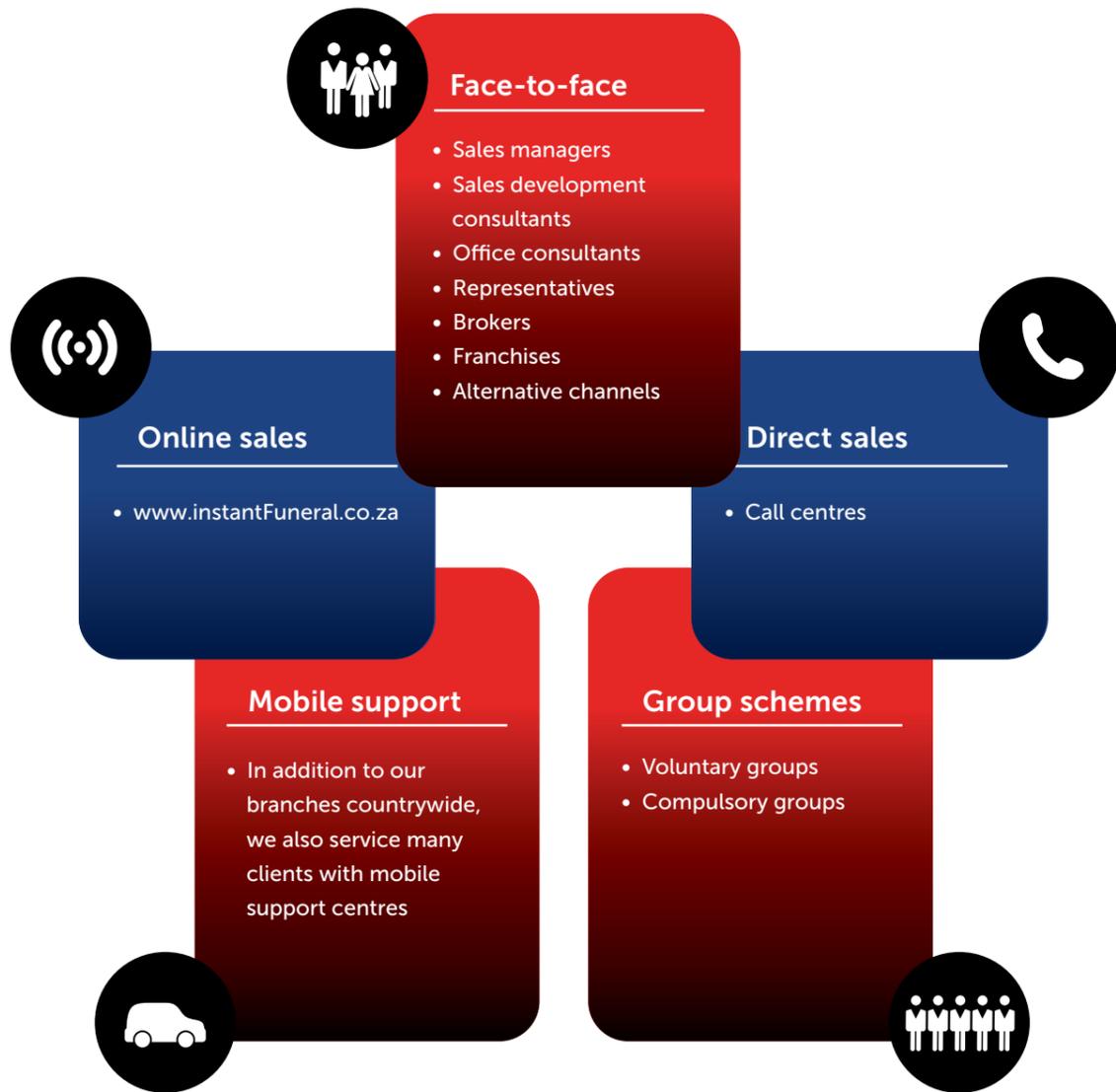


BUSINESS PARTNERS AND PROFESSIONAL SERVICE PROVIDERS

External auditors
Internal auditors
Head of actuarial function
Reinsurers

PricewaterhouseCoopers
Ernst & Young
Deloitte – R Subotzky
Hannover Re, Munich RE, GenRe and RGA

Sales distribution channels



EXPANDED ACCESSIBILITY

Assupol Client and Rewards Portal

Our online client portal (my.assupol.co.za) offers clients easy access to policy documents and client communication. Cashback claims and investment withdrawals can now be made digitally at any time from the portal.

More than 150,000 policyholders have registered on the portal.

Fast-tracked innovation in response to Covid-19

- New USSD number created to enable clients to access client services and claims with ease.
- New No Touch™ sales process developed to ensure our face-to-face representatives are able to meet clients' needs from a safe distance.

WE HAVE BRANCHES ALMOST EVERYWHERE

We have 86 branches countrywide. We serve in all nine provinces in South Africa. Our head office is in Pretoria.



SUMMARY OF OUR PRODUCT OFFERING

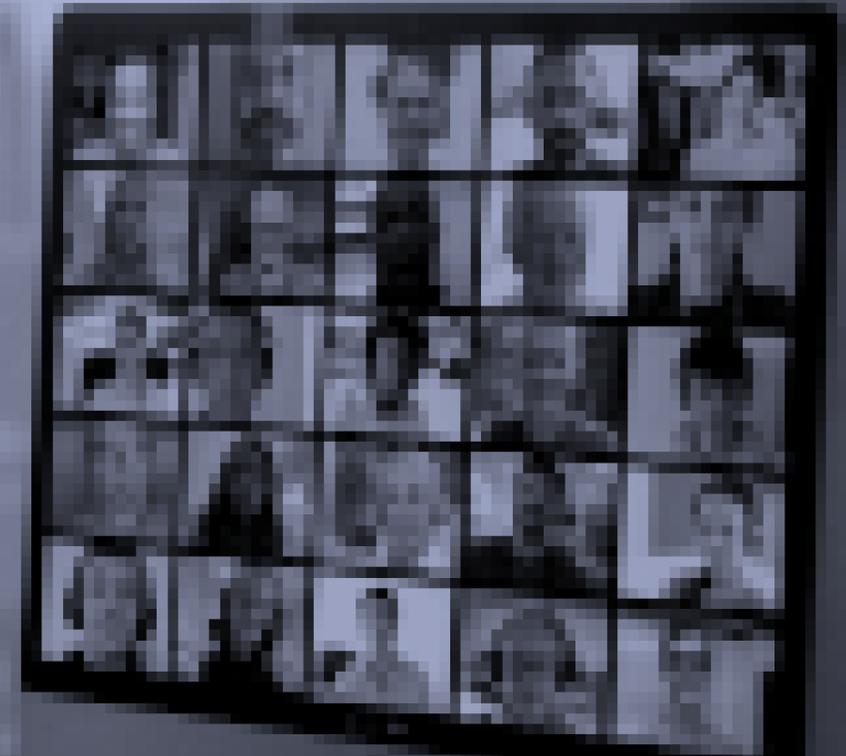
Life products	Excellence Family Funeral Plan	Absolute Advantage Funeral Plan (direct marketing)	instantFuneral Plan (online marketing)	Progress Legacy Plan	Progress 4Life Plan	Progress 4Sure Plan	Progress Accident Plan	Ultimate Retirement Income 4Life	Cornerstone Pensioner Plan	Cornerstone Solution Plan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

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

• Assupol Rewards was introduced in August 2019.

Assupol Wealth service offering
Financial planning and advice
Asset and investment management
Estate planning and structuring
Retirement planning
Risk planning
Offshore investments

OUR LEADERSHIP



Executive committee



RIAAN VAN DYK (54)
Group CEO
BSc (Actuarial Science), FASSA, FFA

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

BRIDGET MOKWENA-HALALA (55)
Assupol Life CEO
MBL

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



NIËL DE KLERK (49)
Group CFO
CA(SA)

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



SIPHIWE NDWALAZA (54)
Group HR Director
MM (HR), MBA, CD(SA)

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



Executive committee

EDWARD (JAY) MNGOMA (63)
Group Sales Executive

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



JOHAN DIPPENAAR (54)
Group CRO
BCom, FASSA

Johan joined Assupol in 2015, to take charge of our Group's risk management functions. He has actuarial and related experience in a broad spectrum of functions, among others: product development, retirement fund consultancy and trusteeship, actuarial valuations, investment management and balance sheet management. Johan held many senior positions, notably that of statutory and chief actuary of Momentum, and served on many committees, including chairing the Tax Committee of the Actuarial Society of South Africa. He was also closely involved in mergers and other corporate actions. Johan resigned on 30 September 2020.



MARK SALMON (47)
Head of Group Strategy
BSc (Actuarial Science), MBA

Mark joined our Group in January 2017, as head of our Group strategy, and to pioneer and steer our growth initiatives. He has been a highly-rated investment analyst for a number of years, focusing on the listed long-term and short-term insurance companies. Mark was voted the top insurance analyst in the Financial Mail's annual survey of analysts three years in a row, and before joining our Group was also head of Investec's institutional research team. Mark was appointed Group CRO with effect from 1 October 2020.



NOMTHI NELWAMONDO (42)
Group CIO
BIT (Hons), MSc IT, MBL

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



SOLLY KEETSE (48)
Group Head: Legal and Compliance
B. Proc, LLB, LLM Corporate Law and Tax, PGDip Financial Planning, CFP Licensee

Solly joined Assupol in January 2020 as Group Head for Legal and Compliance. Prior to joining Assupol, Solly held senior positions at the Financial Sector Conduct Authority as head of market abuse and as head of market infrastructures and self-regulatory organisations. He was chairperson of the Financial Planning Institute of Southern Africa, director of the Institute of Retirement Funds, and governor of the South African Institute of Financial Markets. Solly is an admitted Legal Practitioner of the High Court of South Africa, and an Associate of the Toronto Centre in Canada.



Executive directors of the board



RIAAN VAN DYK (54)
Group CEO

BSc (Actuarial Science), FASSA, FFA

Director of Assupol Holdings since July 2017 and non-executive director from September 2013 – June 2017.



BRIDGET MOKWENA-HALALA (55)
Assupol Life CEO
MBL

Director of Assupol Holdings since January 2011



NIËL DE KLERK (49)
Group CFO
CA(SA)

Director of Assupol Holdings since January 2011



SIPHIWE NDWALAZA (54)
Group HR Director
MM (HR), MBA, CD(SA)

Director of Assupol Holdings since September 2012

Non-executive directors of the board



DR RJ KHOZA (70)
Chairperson

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

Independent non-executive director and chairperson since May 2019



NE GUBB (49)

BCom, PDM (Bus Ad), HDip Tax, CFA
Non-executive director since May 2013



EDJ ASHKAR (43)

CA(SA) and CA(Australia)
Non-executive director since February 2013



MD COLLIER (66)

HND/BA Business Studies, WABC Certified Business Coach, member of Oxford University Business Alumni

Independent non-executive director since August 2020



GR BURGER (64)

B Acc, CA(SA), HDip BDP, MBL
Non-executive director since May 2019



S BRAUDO (48)

BEconSc, BSc (Hons), FIA, CFA
Independent non-executive director since May 2019



NB RADEBE (40)

CA(SA)

Independent non-executive director since September 2020



● SHAREHOLDERS AND TRADING IN ASSUPOL SHARES

Our demutualisation

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

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

	Shareholders	Redeemed shares paid	*Net value paid (R)
June 2013	98 298	183 881 489	427 413 829
June 2014	38 557	54 670 505	130 615 057
June 2015	13 302	17 091 172	43 016 005
June 2016	4 056	5 690 126	15 244 682
June 2017	12 582	20 756 928	57 197 132
June 2018	22 757	25 778 528	71 354 807
June 2019	2 561	2 964 228	9 043 855
June 2020	4 731	5 696 420	19 500 402
Unpaid at 30 June 2020	27 136	34 427 497	
			773 385 769

*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 2020 is stratified as follows:

Name	Restrictions	Category	Director nomination rights	Shares held	% Holding
MyChina (Pty) Ltd	None	Corporate	3	192 604 019	45.6%
International Finance Corporation (IFC)	None	Corporate	2	82 711 565	19.6%
WDB Investment Holdings (Pty) Ltd	None	B-BBEE	1	44 202 985	10.5%
WDB Investment Holdings (Pty) Ltd	None	Corporate		10 372 672	2.5%
Assupol Community Trust	None	CSI		18 700 000	4.4%
Staff incentives and restraint of trade/ shares	Yes	Employees		8 213 174	1.9%
Assupol Investment Holdings (Pty) Ltd	None	Treasury		1 074 967	0.3%
Other shareholders	None	Free float*		64 096 608	15.2%
				421 975 990	

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

Trading in Assupol shares

During the year under review, the volume weighted average monthly price fluctuated between R7.47 and R12.00 per share.

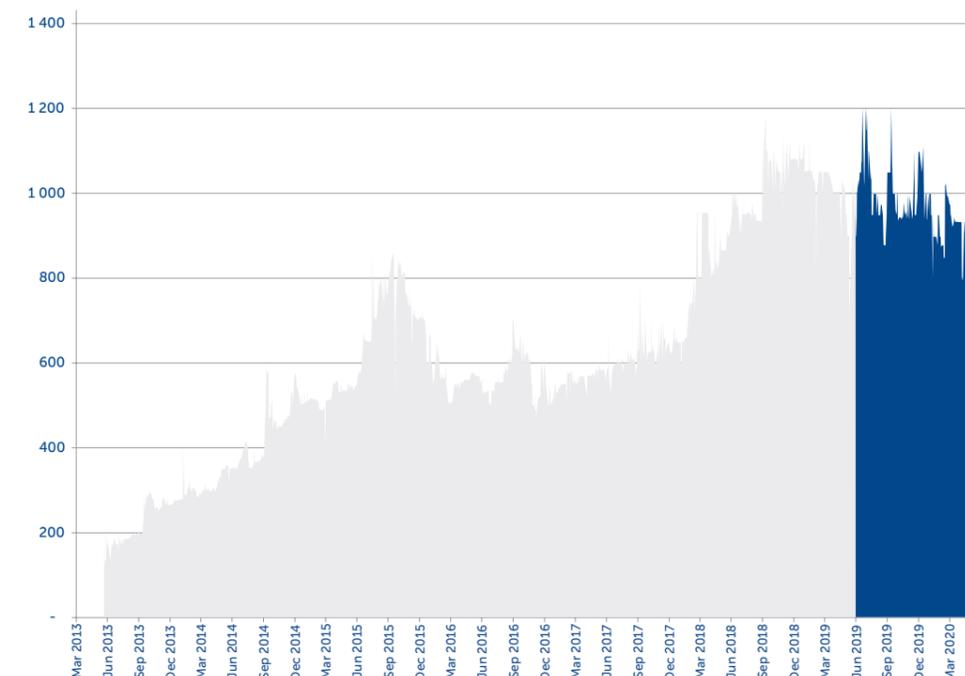
The trading statistics for the year under review can be summarised as follows:

Month	Trades	Volume	Value (R)	VWAP (R)
2019/6	33	264 167	2 674 975	10.13
2019/7	60	6 248 549	74 988 138	12.00
2019/8	33	70 097	702 106	10.02
2019/9	40	124 675	1 221 196	9.80
2019/10	79	5 056 750	60 116 316	11.89
2019/11	66	229 827	2 183 294	9.50
2019/12	49	678 728	6 744 767	9.94
2020/1	34	102 386	1 112 662	10.87
2020/2	44	39 919	370 190	9.29
2020/3	63	615 832	6 080 837	9.87
2020/4	22	168 125	1 581 605	9.41
2020/5	26	93 359	867 640	9.29
2020/6	35	27 856	208 077	7.47

*VWAP means 30-day volume weighted average price

Share-trading platform

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



Dividend declaration

On 22 September 2020, following the approval of the annual financial statements for the year ended 30 June 2020, Assupol's board declared an ordinary dividend of 55 cents per share.

EMPLOYEES AND REPRESENTATIVES

Our response to the Covid-19 pandemic

We have had to cope and adapt to the new challenges posed by the onset of the Covid-19 pandemic. As at the writing of this report, cumulative positive Covid-19 cases at Assupol amounted to 85. Employees that had been cleared of symptoms, and had resumed with their duties, amounted to 78. There were five recorded cases of death. Four of these were tied agents and one was a Senior Sales Manager based in the Eastern Cape.

Although the impact of the lockdown has had an extremely negative impact on the face-to-face sales environment, most of the other areas of the business have remained relatively unaffected and largely operational. More than 90% of non-sales activities within the company have continued to operate reasonably well, and would be able to do so for the foreseeable future.

In order to minimise chances of infection in the workplace, safety protocols were developed and implemented. We have limited access to our offices whilst at the same time striving to maintain our service levels to our clients. Alternative methods of collecting new business cases from the agents have been devised. We continue to encourage those employees that can work from home to keep doing so. All other preventative measures remain in place and are being continuously monitored.

Our stakeholders

Face-to-face delivery of learning material (e.g. classroom training) has been reduced drastically. It has been replaced by online delivery and we continue to address shortcomings that we experience in this regard, which include lack of connectivity, outdated and obsolete equipment, load shedding and general stresses associated with change.

With further relaxation of the guidelines implemented during the early stages of the pandemic, and early signs of improvement on the sales front, we remain hopeful that our tied agents will regain their ability to fully earn a living. We however continue to monitor the situation and provide the assistance required both to our agents as well as the caregivers. All our social responsibility initiatives, which are in addition to the initiatives mentioned above, continue to be in place.

Transformation

Assupol has achieved the broad-based black economic empowerment (B-BBEE) Level 1 accreditation which was in line with our objectives for the year.

This is a two level improvement from our last rating of B-BBEE Level 3. The biggest improvement in our rating for this year came from the skills development element which had cost us a penalty downgrade in the previous assessment.

Below are the highlights of our results.

Description	Weighting	% Score for Indicator	Points	Priority Element Threshold Achieved
Overall BEE Score	110.00		106.85	
Adjusted to Generic Points			105.88	
Equity Ownership	23.00	121.74%	28.00	Y
Management Control	20.00	78.59%	15.72	
Board and Other Executive Management	8.00	79.17%	6.33	
Employment Equity	12.00	78.21%	9.38	
Skills Development	20.00	65.38%	13.08	Y
Enterprise and Supplier Development	30.00	116.20%	34.86	
Preferential Procurement	15.00	94.44%	14.17	Y
Bonus Points	4.00	50.00%	2.00	
Supplier Development	10.00	100.00%	10.00	Y
Enterprise Development	5.00	93.86%	4.69	Y
Bonus Points	4.00	100.00%	4.00	
Socio-Economic Development and Consumer Education	5.00	103.85%	5.19	
Access to Financial Services	12.00	83.33%	10.00	

Employee engagement

We are pleased to advise that Assupol achieved an Engagement Score of 68.6% and a Gold Seal of Achievement in the Deloitte Best Company to Work for Survey, 2020. The Best Company to Work for Survey comprises of 37 statements and offers companies the ability to understand how employees perceive the current workplace environment in an effort to determine where improvements can be made, and equally, what attributes can be celebrated.

Our stakeholders

Using a combination of statements, the survey explores a set of essential questions that measure high level employee engagement, supported by four of the most fundamental drivers of engagement today namely, leadership, culture, human experience, and talent.

The attainment of the Gold Seal of Achievement is in line with our objectives for the year. This engagement score is slightly lower than the 69.5 score attained last year. The response rate was however the highest that we have ever achieved, 77.8 in 2020 compared to 71.7 in 2019.

Employment equity

The three year term for the current Employment Equity Committee comes to an end on 31 August 2020. Most of the objectives that were laid out in the plan that was developed in 2017 have been achieved.

Assupol Life at June 2020																
	African		African Total	Coloured		Coloured Total	Indian		Indian Total	PDI Female	PDI Male	PDI Total	White		White Total	Grand Total
Occupational Levels	F	M		F	M		F	M					F	M		
Top management (actual)	2	3	5	0	0	0	0	0	0	2	3	5	0	4	4	9
Top management (target)	2	3	5	0	0	0	0	0	0	2	3	5	0	4	4	9
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Senior management (actual)	2	13	15	0	1	1	0	0	0	2	14	16	8	10	18	34
Senior management (target)	3	8	11	0	1	1	1	0	1	4	9	13	7	12	19	32
	67%	163%	136%	100%	100%	100%	0%	100%	0%	50%	156%	123%	114%	83%	95%	106%
Professionally qualified, experienced specialists and mid management (actual)	34	42	76	2	4	6	4	2	6	40	48	88	19	22	41	129
Specialists and mid-management	14	23	37	1	4	5	2	2	4	17	29	46	16	24	40	86
	243%	183%	205%	200%	100%	120%	200%	100%	150%	235%	166%	191%	119%	92%	103%	150%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents (actual)	56	76	132	6	3	9	3	1	4	65	80	145	18	20	38	183
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents (target)	34	65	99	6	5	11	3	4	7	43	74	117	24	20	44	161
	165%	117%	133%	100%	60%	82%	100%	25%	57%	151%	108%	124%	75%	100%	86%	114%
Semi-skilled and discretionary decision making (actual)	373	138	511	36	3	39	4	2	6	413	143	556	19	4	23	579
Semi-skilled and discretionary decision making (target)	228	107	335	30	4	34	5	1	6	263	112	375	21	7	28	403
	164%	129%	153%	120%	75%	115%	80%	200%	100%	157%	128%	148%	90%	57%	82%	144%
Unskilled and defined decision making (actual)	24	3	27	1	0	1	0	0	0	25	3	28	0	0	0	28
Unskilled and defined decision making (target)	7	3	10	0	0	0	0	0	0	7	3	10	0	0	0	10
	343%	100%	270%	100%	100%	100%	100%	100%	100%	357%	100%	280%	100%	100%	100%	280%
																Actual 962
																Target 701
																137%

The actual progress made versus the target that was set out in 2017 is reflected above. As can be seen from the table, the company has, with few exceptions, achieved all the targets that it had set out to achieve. Elections are now underway to elect the new Employment Equity Committee.

Employee development

The development of our employees and representatives are of utmost importance to the growth and success of our organisation. We have continued to provide learning opportunities to all through face-to-face events, online interventions and distance learning. We invested over R14.1 million in employee training and development in the year under review.

The following programmes drive our initiatives on people 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. Assupol now boasts four qualified actuaries and 10 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, five of our trainees have gone on to become CA(SA)s, while an additional 10 trainees completed their training successfully.

Employee wellness

In line with our vision of being the preferred employer in the financial services sector, we provide an employee-assistance programme through our Careways employee assistance programme. 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, and to extend beyond the workplace to nurture happy and confident employees who are motivated, effective and efficient.

CORPORATE GOVERNANCE



ASSUPOL HOLDINGS LTD (THE COMPANY or ASSUPOL) KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (KING IV)

1. During the period under review, the board oversaw the continued implementation of King IV.
2. Some observations regarding the nature of King IV in the context of the process of transitioning from King III to King IV are appropriate.
 - a. King IV does not constitute a quantitative exercise – it is a qualitative exercise. But it is apparent that there is already a significant application of the various recommended practices at Assupol particularly the concepts that form the foundation stones of King IV, namely, ethical leadership, the organisation in society, corporate citizenship, sustainable development, stakeholder inclusivity, integrated reporting and integrated thinking.

b. Full compliance at all times with all legislation is non-negotiable and as such ensuring that all legislative requirements addressed in legislation such as the Companies Act, 2008 and the Insurance Act, 2017 was a primary area of focus. In addition, there was at all times a focus on ensuring that the relevant provisions of the Memorandum of Incorporation were fully complied with.

3. A summary of Assupol’s application of the King IV principles is included below.

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

Principle	Application
<p>Principle 1</p> <p>The governing body should lead ethically and effectively.</p>	<p>Assupol has a board approved Code of Ethics to ensure that the company is managed and directed on ethical principles based on good faith. Real or perceived conflicts of interest are disclosed by board members. Such conflicts are managed to the extent that this may be necessary.</p> <p>The board is committed to ensuring that the company’s strategy and operations are executed by management based on an ethical foundation that supports ethical and sustainable business in the best interests of the company and all stakeholders.</p> <p>As the custodian of the company’s Code of Conduct, members of the board interrogate the various initiatives and activities of the company from the perspective of doing the right thing and acting in an ethical manner at all times.</p> <p>Directors sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards in order to be able to discharge their fiduciary duties.</p> <p>The board is kept apprised of new industry and other developments through the arrangement of regular workshops and information sessions.</p> <p>The board collectively takes responsibility for steering the direction of the company and overseeing the execution of the board approved strategy. The board actively participates in the formulation of strategy at specifically arranged strategy sessions.</p> <p>Matters of a strategic nature are addressed as a matter of priority at meetings of the board.</p> <p>The board considers new risks and opportunities on a continuous basis through the activities of the risk and growth and innovation board committees. The board encourages management to investigate and implement new initiatives, while considering the associated risks.</p> <p>A detailed analysis of the potential negative outcomes of some Assupol activities and the various risks identified are effected through the detailed own risk and solvency assessment (ORSA) that Assupol prepares under the guidance of its Chief Risk Officer.</p> <p>The board promotes a stakeholder inclusive approach of governance and takes account of the impact of the company’s operations on internal and external stakeholders.</p> <p>Assupol’s core value is to treat its clients fairly in line with the Treating Customers Fairly (TCF) framework set out by the Financial Sector Conduct Authority. TCF is an outcomes based regulatory and supervisory approach designed to ensure that regulated financial institutions deliver clearly set out specific and fair outcomes for financial customers. Pursuant to the TCF principles, Assupol has adopted a customer-centric approach in the design of its products and the manner in which it services its clients. Moreover, Assupol assists its clients with personal financial planning as part of its authorised activities of providing advice and rendering intermediary services in terms of the Financial Advisory and Intermediary Services Act (FAIS). Assupol provides financial services with honesty, fairness, due skill, care, and diligence and in the interests of clients and the integrity of the financial services industry as required in terms of the FAIS General Code of Conduct.</p>
<p>Principle 2</p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The board has ensured that Assupol has developed, adopted and implemented a Code of Conduct, through which ethical standards are clearly articulated. The board has approved the Code of Conduct and the Social and Ethics Committee manages and oversees its implementation in the organisation. The main purpose of the Assupol Code of Conduct is to act as a detailed description of what is the most legal and ethical behaviour expected from the business. The Code of Conduct enhances the company’s core values and beliefs, and sets the right culture.</p> <p>The board ensures that compliance with the Code of Conduct is integrated into the strategy and operations of the company; i.e. the ethical organisational culture is reflected in the company’s vision and mission, strategies and operations, its decisions and conduct, and the manner in which it treats its internal and external stakeholders.</p> <p>The Assupol Code of Conduct was distributed to all employees in the organisation and awareness campaigns were conducted to ensure that employees are familiar therewith. As proof that the employees were aware of and familiar with the Code of Conduct they were all requested to sign and agree to the terms of the Code of Conduct. Moreover, the Code of Conduct forms part of the employment conditions of Assupol employees.</p>

	<p>Furthermore, employees are tested on the contents of the Code of Conduct on a regular basis.</p> <p>In addition, Assupol has a whistleblowing initiative that gives aggrieved persons the opportunity to anonymously report incidents of unbecoming conduct, said incidents are then investigated and assessed in an objective and independent manner.</p> <p>Employees and directors are required to disclose actual and potential conflicts of interest.</p>
<p>Principle 3</p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The corporate citizenship of Assupol is considered by the board at various levels, including at the Social and Ethics Committee. The Social and Ethics Committee receives regular reporting from management regarding the relationship with its employees, various initiatives applicable to its corporate citizenship, including without limitation, the Assupol Cares initiative and Assupol's stakeholder register that includes a description and summary of all interactions with Assupol's various stakeholders. Assupol's commitment to the improvement of society is evidenced through the community-based initiatives undertaken by the Assupol Cares initiative.</p> <p>Assupol is committed to broad-based black economic empowerment (B-BBEE) and undergoes annual B-BBEE verification. Compliance with the provisions of the Employment Equity Act, B-BBEE legislation and its responsibilities as a corporate citizen, remain important matters that are monitored through proactive reporting to the Social and Ethics Committee and the board on a quarterly basis.</p> <p>Assupol has a responsibility to reduce greenhouse gas emissions and to contribute to improving sustainable development. Accordingly, Assupol is committed to take responsibility for the environmental outcomes of its activities and outputs as these affect society as a whole. As a major step towards achieving this goal Assupol's board of directors has agreed to take certain steps to reduce greenhouse gas emissions and to contribute to improving sustainable development, <i>inter alia</i>, developing a work from home policy, use of renewable energy, recycling, and use of eco-friendly cleaning chemicals.</p>
<p>Principle 4</p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The board informs and approves strategy. Matters relating to the company strategy are debated at formal board strategic sessions that are arranged at least once every second year. The most recent strategy session was held on 5 and 6 March 2020. Matters of a strategic nature are then discussed and as a matter of priority at quarterly board meetings. Growth and innovation related initiatives are addressed at quarterly meetings of the Growth and Innovation Committee.</p> <p>The board takes steps to ensure that long-term planning will result in sustainable outcomes taking account of economic, environmental and social considerations. Matters affecting the sustainability of Assupol's various activities and new initiatives are considered on an on-going basis.</p> <p>The board ensures that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders. These factors are all inherent to the board decision-making processes.</p> <p>The continued consideration of risks and opportunities in the context of sustainable business operations forms an important component of the setting of the strategic direction of Assupol. Identified risks and opportunities are deliberated at length at strategic sessions, and the various action steps identified to address these risks and opportunities.</p> <p>The Growth and Innovation Committee and the Risk Committee play an important part in the consideration of risks and opportunities and the execution of action steps identified. Strategy is translated into key performance and risk areas, including finance, ethics, compliance and sustainability. These are considered and approved by the Remuneration Committee.</p> <p>The potential negative consequences of Assupol's activities and outputs are monitored on a continuous basis through the relevant board structures. An example of this is the continued monitoring of client complaints and the whistleblowing line by the social and ethics and risk committees.</p>

	<p>The relevant financial metrics are considered on a regular basis by the board and the various board committees, including the audit, risk and actuarial committees. The Audit Committee reviews a documented assessment by the management of the going concern status of the company.</p>
<p>Principle 5</p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p>	<p>The integrated report of the company is subject to the approval of the Audit Committee and the board.</p> <p>The board ensures that the reporting framework complies with the Companies Act, 2008 and all other requirements that may be applicable from time-to-time, taking into account the needs of various stakeholders. The board ensures that reporting is fair and equitable.</p> <p>The board approves Assupol's annual financial statements, interim financial report and integrated report and expressly accepts ultimate responsibility for these reports. The board approves and oversees the preparation of the Assupol integrated report and all other published reports.</p> <p>Assupol's integrated report and its interim and annual financials, are made available on its website and are accessible to all relevant stakeholders.</p> <p>PwC issued an unqualified audit report on Assupol's financial statements for the year ended 30 June 2020.</p>
<p>Principle 6</p> <p>The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</p>	<p>The board serves as the focal point and custodian of corporate governance. The board is supported by various committees, which have a delegated responsibility to assist the board to fulfil specific functions. The board committees provide feedback to the board at each board meeting.</p> <p>The board is ultimately accountable for approving the financial reporting of the company and its disclosure to stakeholders. It has unrestricted access to management.</p> <p>Growth and innovation related initiatives are addressed at quarterly meetings of the board and various sub-committees, including specifically the Growth and Innovation Committee.</p>
<p>Principle 7</p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The composition of the board is considered in the filling of vacant positions from the perspective of knowledge, skills, experience, diversity and independence. The board has an appropriate mix of executive, non-executive and independent non-executive directors.</p> <p>As at 30 June 2020, the board comprised of ten directors; four executive directors and six non-executive directors, of which three of the non-executive directors were assessed by the board as independent, as part of its annual assessment of independence of directors. During September 2019, Zurina Saban, resigned as non-executive director. During April and May 2020, two of our independent directors; Ian Greenstreet and Berlina Moroole, stepped down from the board due to newly developed and insurmountable conflicts of interest. During July 2020 Ranti Mothapo resigned as an independent non-executive director. Mark Collier was appointed as an independent non-executive director with effect from 6 August 2020 and Bridget Radebe was appointed as an independent non-executive director with effect from 14 September 2020. The current board comprises of 11 directors; four executive directors and seven non-executive directors, of which four of the non-executive directors are independent.</p> <p>When determining the number of directors to serve on the board, the knowledge, skills and resources required as appropriate to the business of the company are considered.</p> <p>The board is satisfied that it has a sufficient number of members to effectively fulfil the required functions of the board and its various committees.</p> <p>The composition of the board is considered in light of the mandatory requirements stipulated in the applicable prudential standards promulgated by the Prudential Authority, and also the relevant fit and proper requirements that apply. Diversity of the board is specifically considered in the consideration of new board candidates.</p>

Non-executive directors, other than the non-executive directors nominated for appointment by the three large shareholders (namely MyChina, WDB and the IFC), retire by rotation every three years, and can be re-elected.

A lead independent non-executive director has not been appointed. Taking into account that the chairperson is an independent non-executive director, the board is satisfied that the functions of the lead independent non-executive director can adequately be fulfilled by a committee consisting of the independent non-executive directors serving on the board.

The Nominations Committee oversees a formal succession plan for the non-executive directors of the board and the Remuneration Committee oversees and recommends to the board, the formal succession plan for the CEO and certain senior executive appointments.

The board receives regular briefings on changes in risks, laws and the business environment. Formal workshops are arranged from time to time to address pertinent issues.

Formal declarations of interests are requested from directors prior to the commencement of each board and board committee meeting. Formal declarations of interest have also been submitted to 4AX, and these are required to be updated whenever changes occur.

Non-executive directors that are classified as 'independent' by the company are subjected to an annual evaluation of their independence by the chairperson and the board based on the requirements for independence set out in King IV.

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The delegation of duties and responsibilities are addressed on an on-going basis.

Suitable candidates are nominated to the respective board committees to appropriately address the specific matters forming part of the mandates of the committees.

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

Effective collaboration is enhanced through cross-membership, where required. To the extent possible, there is coordination of timing of meetings and an avoidance of duplication or fragmentation. Cross-membership occurs in, amongst others the risk and audit committees as well as the actuarial and audit committees.

The board has an appropriate mix of executive, non-executive and independent non-executive directors thereby ensuring that no individual has the ability to dominate decision-making. The chairpersons of all board committees (other than the Nominations Committee) are independent board members.

The fitness and propriety (i.e. knowledge, skills, experience and capacity) of a board committee to execute its duties effectively, is considered by the board on an on-going basis in terms of the board approved fit and proper policy.

Each of the board committees have at least three members.

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

All board members are entitled to attend all board committee meetings irrespective of whether they are members of the committee or not.

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

A detailed review of the various committees is included in the corporate governance report forming part of the integrated report on page 65 thereof. The following board committees have been established:

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

Due to the resignation of the abovementioned independent non-executive directors during April and July 2020, interim committee members were appointed to the committees.

During the year under review interim board committees were required for the three-month period ending 30 June 2020. Please refer to corporate governance report from page 65 to 67 to see compositions of the board committees and interim committees, throughout the year.

Principle 9

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

The board assumes responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members. The board conducts an annual assessment of the board's performance and the evaluation of the chairperson is overseen by a committee of independent non-executive directors. The results are discussed and recommendations for improvement are implemented.

Principle 10

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

The board appoints the Chief Executive Officer (CEO) of the company. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board.

The CEO is accountable to, and reports to, the board. The CEO is an invitee to but not a member of the remuneration, audit and nomination committees. The CEO liaises with the board prior to taking-up any additional professional positions.

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

The delegation of authority is included in the governance framework, and addressed through the various board approved policies, including specifically the Group Financial Administration Policy and the Assupol Life Financial Administration Policy. Executive board members are nominated by the board for election by shareholders.

The CEO oversees that the key management functions are headed by an individual with the necessary competence and authority. The appointment of the key heads of control are further subjected to and addressed in terms of the various legislative requirements set out in, amongst others, the governance and operational standards for insurers. The CEO is authorised to ensure that the key management functions are adequately resourced.

During December 2019, the company secretary stepped down and a juristic company secretary, FluidRock Co Sec (Pty) Ltd (FluidRock) was appointed. FluidRock provides professional and independent guidance to the board on corporate governance and the board's legal duties. FluidRock further supports and coordinates the functioning of the board and its committees. The company secretary has unfettered access to the board, is not a board member and maintains an arms-length relationship with the board and its members. As the custodian of corporate governance related matters, the company secretary plays a leading role in governance and King IV related matters.

Principle 11

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

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

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

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

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

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

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

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

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

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

Principle 12

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

An IT governance report is considered at each board meeting. The board retains ultimate responsibility for the governance of IT. The board ensures that an IT charter and policies are established and implemented. Management is responsible for the implementation of the IT strategy, structures, processes and mechanisms for the IT governance framework. Management is assisted in this process by the IT Steering Committee, consisting of members of management, which includes the Group CEO, Assupol Life CEO, Group CFO and the Group CIO. The board ensures that IT strategy is integrated with the company's strategic and business processes. IT risks form an integral part of the company's risk management activities. The Risk Committee assists the board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes. The value and contribution of the various IT initiatives is assessed on an on-going basis through the oversight function of the IT Steering Committee, which is reported to the board as part of the IT governance report.

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

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

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

The security of information is addressed and monitored through various best practice initiatives. A restructured information architecture that is aligned to commercial best practice is in the process of being rolled-out. Regular reporting occurs to the Risk Committee and the board regarding progress with the initiative.

New IT-related developments are continuously considered in business strategies.

Examples include the development of Assupol user applications and the ability to sell products through its website. The use of devices such as smartphones are incorporated to the extent possible in the roll-out of products and services.

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

Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

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

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

	<p>a detailed regulatory universe that summarises all legislation applicable to the company. The compliance function provides regular reports to the Risk Committee and the Social and Ethics Committee. Pertinent compliance-related matters are also reported to the board directly by the compliance function. Periodic independent assurance on the effectiveness of compliance management is provided by external independent service providers.</p>
<p>Principle 14</p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.</p>	<p>In line with best practice, shareholders will be requested to provide a separate non-binding advisory vote on the Remuneration Policy and the implementation report at the November 2020 annual general meeting. If 25% or more of the shareholders vote against the Remuneration Policy, or the implementation report, the Remuneration Committee will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.</p> <p>Readers are referred to the detailed remuneration and implementation report included as part of the integrated report on page 87 thereof.</p>
<p>Principle 15</p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>Internal controls are established not only over financial matters but also operational, compliance and sustainability issues. The board, assisted by the audit and risk committees, ensures that there is independent internal or external assurance to review and report on the internal control environment, integrity of information for management decision-making and external reporting.</p> <p>The committees and the board receive regular reports from the external auditor, internal auditor, Compliance Officer, and the Chief Risk Officer in respect of the matters referred to above.</p>
<p>Principle 16</p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The board receives regular feedback regarding the interaction of the company with its stakeholders. A formal stakeholder matrix has been developed to track and measure important interactions with Assupol's various stakeholders. The responsibility for implementation and execution of effective stakeholder relationship management has been delegated to management. Stakeholder relationship management is overseen by the Social and Ethics Committee.</p> <p>Material stakeholders are identified based on the extent to which they affect or are affected by the activities, outputs and outcomes of the organisation. Assupol's interaction with them is then tracked and included in the stakeholder engagement matrix. The board is assisted by the Social and Ethics Committee in the oversight of the engagements with its stakeholders.</p> <p>Assupol has adopted communication guidelines that support a responsible communication programme, including a Social Media Policy. Stakeholder communication includes communications through the 4AX news services and the publication of its integrated report and annual financial statements. The main dispute resolution mechanisms utilised by Assupol with its clients is the FAIS and Long-term Ombud.</p>
<p>Principle 17</p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	<p>The board, through the Investment Committee, assumes responsibility for governing responsible investing by setting the direction for how it should be approached and conducted by the organisation. Responsible investment and the manner in which it is conducted is one of the matters that are specifically addressed in Assupol's investment policy.</p> <p>The board has approved an investment policy that specifically addresses its position on responsible investment. The responsibility for implementing and executing the board's policy on responsible investment is delegated to the Investment Committee, management and outsourced serviced providers.</p>

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

Meeting attendance

The table below indicates the attendance of directors at board and board committee meetings held in the year under review. A review of the effectiveness of the board and chair was conducted post year end.

	Board					Actuarial			Audit			Growth and innovation				Investment				Social and Ethics				Risk			Nomsco			Remco																					
	20/08/2019	20/09/2019	22/11/2019	04/03/2020	02/04/2020	21/05/2020	26/06/2020	17/09/2019	16/10/2019	14/11/2019	02/03/2020	18/05/2020	17/09/2019	14/11/2019	04/03/2020	20/05/2020	16/07/2019	16/09/2019	21/11/2019	02/03/2020	21/05/2020	18/09/2019	19/11/2019	03/03/2020	01/04/2020	19/05/2020	15/08/2019	05/11/2019	11/02/2020	18/05/2020	30/06/2020	16/09/2019	13/11/2019	03/03/2020	19/05/2020	05/11/2019	02/03/2020	05/05/2020	11/09/2019	03/03/2020	14/05/2020	29/06/2020									
Executive directors																																																			
C J van Dyk	X	X	X	X	X	X	X	X	X	X	I	I	I	I	A	X	X	X	X	X	X	X	X	X	I	I	I	I	I	X	X	X	X	I	I	I	I	I	I	I	I	I	I	I	I						
MB Mokwena Halala	A	X	X	X	X	X	I	A	I	I	I	I	I	I	I	A	X	A	X	X	X	A	X	X	X	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I					
D De Klerk	X	X	X	X	X	X	X	X	X	X	I	I	I	I	A	X	X	X	X	X	X	X	X	X																											
SL Ndwalaza	X	X	X	X	X	X									A	I	I	I	I	I	I	I	I	I	X	X	X	X																							
Non-executive directors																																																			
Dr R Khoza		C	C	C	C	C																																I	I	I	I	X	X	X	X						
EDJ Ashkar	X	X	X	X	X	X	X	X	X	X					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X									C	C	C	C	X	X	X	X		
NE Gubb	A	X	X	X	X	X									X	X	X	X	X	X	A	X	C*	C*														X	X	X	X										
I Greenstreet	A	A	X	X									I		X	X	X	X	X	C	C	C																X	X												
Z Saban		A													X	A				A																															
R Mothapo	A	X	A	X	X	X	X	X	X	X	X	X	X	C*															X	C	C	C	C									C	C	C	C						
B Moroole	X	X	X	X	X		I	A	I	I	C	C	C												C	C	C										X	X	X	X											
S Braudo	X	X	X	X	X	X	C	C	C	C	X	X	X	X	C	C	C	C						X	X	X										X	X	X	X												X
G Burger		X	X	X	X	X							X																																						

A Absent with an apology
 X Member
 C Chairperson
 I Invitee
 C* Acting Chairperson
Z Saban resigned 27 September 2019 I Greenstreet resigned 1 April 2020 B Moroole resigned 4 May 2020

Assupol's approach to governance – relating to board contribution

- a. Good corporate governance is critical for the long-term performance and sustainability of a business, and for protecting and enhancing stakeholders' interests and value. Assupol, under the diligent watch of our board, upholds the highest standards of corporate governance, and did so in the period under review.
- b. Our board voluntarily applies the King IV Report on Corporate Governance for South Africa, 2016 (King IV), which is fully entrenched in our policies, structures and processes.

ROLE OF THE ASSUPOL BOARD

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

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

A report from the different board committees, members, attendance

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

Actuarial Committee

Members S Braudo (chair since 17 May 2019)
EDJ Ashkar
R Mothapo (resigned on 9 July 2020)
CJ van Dyk
D de Klerk

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

Required Company secretary
External auditors
Statutory actuary

Role and function
The role of the committee is to support the board with its obligations under SAM (solvency assessment and management). It evaluates, considers and where necessary, makes recommendations to the board and management regarding actuarial assumptions and projections, and their impact on:

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

Audit Committee

Members BB Moroole (chair until resignation on 4 May 2020)
R Mothapo (acting chair until resignation on 9 July 2020)
S Braudo (appointed as interim acting chair after the financial year)
GR Burger (appointed as interim member from 1 April 2020)
EDJ Ashkar (appointed as interim member from 10 July 2020)

Invitees CJ van Dyk
MB Mokwena-Halala
D de Klerk

J Dippenaar
M Salmon
Other members of senior management as may be required

Required Company secretary
Internal and external auditors
Statutory actuary

Role and function
The committee has the following duties:

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

Growth and Innovation Committee

Members S Braudo (chair since May 2019 until 9 July 2020)
N Gubb (interim chair from 10 July 2020)
IO Greenstreet (resigned on 1 April 2020)
EDJ Ashkar
Z Saban (resigned on 27 September 2019)
D de Klerk
CJ van Dyk
MB Mokwena-Halala

Invitees J Dippenaar
SL Ndwalaza
M Salmon
Other members of senior management as may be required

Required Company secretary

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

It evaluates, considers and makes recommendations to the board and management regarding:

- Potential new partnerships, acquisitions, and other corporate transactions, which could assist in expanding the Group's existing distribution channels and core business

- New technological solutions to enhance the Group's current products, distribution to clients, and collection of premiums; and
- The implementation of new non-insurance business initiatives by our Group.

Investment Committee

Members IO Greenstreet (chair until 31 March 2020)
N Gubb (interim chair from 1 April 2020)
EDJ Ashkar
Z Saban (resigned on 27 September 2019)
S Braudo
CJ van Dyk
MB Mokwena-Halala
D de Klerk

Invitees SL Ndwalaza
J Dippenaar
M Salmon
Asset management specialists

Required 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.

Nominations Committee

Members EDJ Ashkar (chair)
IO Greenstreet (resigned on 1 April 2020)
N Gubb
RJ Khoza (appointed on 1 April)
BB Moroole (resigned on 4 May 2020)

Invitees The Group CEO and chairperson of the board

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;
- Outcome of the annual board evaluation;

- On an annual basis, any new nominees to replace non-executive directors retiring from the board; and
- The removal of any non-executive directors serving on the board from time-to-time.

Remuneration Committee

Members R Mothapo (chair until resignation on 9 July 2020)
S Braudo (interim chair from 10 July 2020)
EDJ Ashkar
RJ Khoza

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.

Risk Committee

Members R Mothapo (chair until resignation on 9 July 2020)
G Burger (chair from 10 July 2020)
BB Moroole (resigned on 4 May 2020)
CJ van Dyk
N Gubb (with effect from 10 July 2020)
S Braudo

Invitees MB Mokwena-Halala
D de Klerk
J Dippenaar
M Salmon
Internal and external auditors

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

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

Social and Ethics Committee

Members BB Moroole (chair until resignation on 4 May 2020)
EDJ Ashkar (interim chair from 1 April 2020)

RJ Khoza (interim member since 1 April 2020)
SL Ndwalaza

Invitees MB Mokwena-Halala
CJ van Dyk
Other members of senior management as required

Required Company secretary

Role and function

The role of the committee is to assist our board with the oversight of social and ethical matters relating to our Group, specifically as listed in regulation 43(5) of the Companies Act. The complete report of its activities is included on page 95.

BOARD COMPOSITION AND DIVERSITY

- a. As at 30 June 2020 the boards of Assupol Holdings Ltd and Assupol Life Ltd had changes due to the resignation of Mr IO Greenstreet and Ms BB Moroole. Post the period under review Mr R Mothapo resigned on 9 July 2020. Mr MD Collier was appointed as an independent non-executive director with effect from 6 August 2020. Ms NB Radebe was appointed as an independent non-executive director with effect from 14 September 2020.
- b. Our board currently comprises seven non-executive directors, and four executive directors. The non-executive directors were selected through a formal process, with our Nominations Committee identifying suitable candidates to be proposed to our shareholders. Non-executive directors that are not nominated for appointment by one of our three large institutional shareholders (namely MyChina, the IFC or the WDB), retire on a rotational basis, but may be re-elected.
- c. The remuneration of non-executive directors is approved by a special resolution of shareholders at our annual general meeting, as required by the Companies Act.
- d. The composition of the board is considered in the filling of vacant positions from the perspective of knowledge, skills, experience, diversity and independence.
- e. When determining the number of directors to serve on the board, the knowledge, skills and resources required as appropriate to the business of the company are considered. The board intends to appoint another independent non-executive director whereafter it will be satisfied that it has a sufficient number of members to effectively fulfil the required functions of the board and its various committees.

- f. The composition of the board is also considered in light of the mandatory requirements stipulated in the prudential standards promulgated by the Prudential Authority that apply to insurers, and also the relevant fit and proper requirements that apply.
- g. Diversity of the board is specifically considered in the consideration of new board candidates.
- h. The Nominations Committee oversees a formal succession plan for the non-executive directors of the board and the remuneration committee oversees and recommends to the board, the formal succession plan for the Group CEO and certain senior executive appointments.

Board independence

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

Board evaluation

- a. An annual board evaluation is conducted to assess the effectiveness of the board.
- b. Post the period under review, the assessment of the board which also included an assessment of the chairperson of the board, was attended to in-house.

REPORT FROM THE AUDIT COMMITTEE

APPOINTMENT

- The Audit Committee is a statutory committee of the board of directors of Assupol Holdings, in terms of section 94(7) of the Companies Act, 2018. The members of the Audit Committee are appointed by the shareholders at the annual general meeting.

The Prudential Authority granted Assupol Life exemption from establishing its own Audit Committee in terms of section 66 of the Insurance Act, 2017, and section 7.3 of the Prudential Standard Governance and Operational Standards for Insurers (GOI 2), subject to the following conditions:

- The composition of the committee must at all times comply with the requirements of section 94(4) of the Companies Act, 2008, and any deviation thereof will constitute non-compliance and the necessary regulatory actions will be taken against Assupol Life;
- The committee must formally accept full responsibility and accountability for the functions of the Audit Committee as contemplated in the Companies Act, 2008 and in GOI 2; and
- The Prudential Authority, through the board of Assupol Holdings, shall at all times have full access to the work of the committee and any matters relating to Assupol Life and the committee shall avail itself to the Prudential Authority at all times to discuss matters pertaining to Assupol Life.

TERMS OF REFERENCE

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

ROLE AND RESPONSIBILITIES

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

External auditor appointment and independence

The committee is satisfied that the external auditor is independent in accordance with King IV, which includes consideration of previous appointments of the auditor,

the extent of non-audit work undertaken by the auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA). The auditor provides the requisite assurance that internal governance processes within the audit firm support and demonstrate its claim to independence.

Assupol Holdings is considered a public interest company. The audit firm, PricewaterhouseCoopers, has been the auditor since the demutualisation of Assupol Life in 2010. PricewaterhouseCoopers has an internal rotation requirement whereby the engagement partner is rotated every 5 years. In terms of the mandatory audit firm rotation rule implemented by the IRBA, PricewaterhouseCoopers will be eligible to audit the Assupol Group until June 2023.

The committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees for the 2020 financial year.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2020, the external auditor provided non-audit services to the Group. The committee affirms that these services did not impair the external auditor's independence.

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

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the Group with both management and the external auditor and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS). Accounting estimates and assumptions which have the potential for significant adjustment of the overall financial statements are specifically listed in note 3 to the full set of annual financial statements. The committee would also like to draw attention to key audit matters reported in the audit report in the annual financial statements.

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

Financial controls, actuarial controls and risk management

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

Going concern

The committee has reviewed documented assessments prepared by management and presented on a regular basis, on the going concern status of the Assupol Group. Specific attention was placed by the committee on the impact of the Covid-19 pandemic on whether or not the Group will be a going concern. Management provided regular feedback to the board of directors and the committee in the light of the volatility and uncertainty that were experienced in the operating environment, the markets and economy. Also refer to the Directors' Report in the full set of annual financial statements for more information of the impact on the Group and actions undertaken by the Group in respect of Covid-19.

The board of directors' statement on the going concern status of the Assupol Group, as supported by the committee, is disclosed on page 2 of the full set of annual financial statements.

Governance of risk and information technology

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

Internal audit

The committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the board and these functions.

The committee approved internal audit's annual audit plan for the 2020 financial year.

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

The execution of the internal audit work was outsourced to Ernst & Young. The internal audit service provider reports directly to the Audit Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment. The service provider reports the findings of the internal audit work to the committee on a regular basis and has direct unrestricted access to the committee, primarily through its chairman.

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

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

Integrated report

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

Combined assurance

The combined assurance framework was approved at the Audit and Risk Committee meetings in May 2020. The combined assurance strategy entails risk identification, identification of controls, identification of assurance providers, planning, assurance activities, the assurance result, corrective actions, as well as reporting. A combined assurance forum was established during the financial year where overarching issues are discussed and assurance activities are co-ordinated. This forms the basis for the assurance plan which is tabled at the Audit and Risk committees for approval.

Regulatory and compliance matters

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

MEMBERSHIP, ATTENDANCE AND ASSESSMENT

For the 9-month period ending 31 March 2020, the Audit Committee consisted of three independent non-executive directors. Following the resignation of the previous chair, Ms BB Moroole, in May 2020, the board of directors temporarily appointed Mr GR Burger, a non-executive director, to the Audit Committee and Mr R Mothapo was appointed as acting chair. During July 2020, Mr R Mothapo resigned and the board temporarily appointed Mr EDJ Ashkar, a non-executive director, to the Audit Committee and Mr SIM Braudo as the acting chair.

The Audit Committee should meet at least twice a year as required in its terms of reference. The Group Chief Executive Officer, Assupol Life Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, external auditor, internal auditor and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only. The committee held four meetings during the financial year. Details of the members as well as their role and attendance at meetings are indicated below:

Name of member	Qualification	Date appointed	Date resigned	Meetings attendance			
				2019-09-17	2019-11-14	2020-03-04	2020-05-20
BB Moroole ⁽¹⁾	B Com (Hons), CA(SA)	Sept 2018	May 2020	Chair	Chair	Chair	
R Mothapo ⁽²⁾	B Econ Sc, BSc, (Hons), FASSA	Sept 2017	July 2020	Member	Member	Member	Acting chair
SIM Braudo ⁽³⁾	B Econ Sc, BSc Hons), FIA, CFA	June 2019		Member	Member	Member	Member
GR Burger ⁽⁴⁾	B Acc (Hons), CA(SA), H Dip, BDP, MBL	May 2020					Member
EDJ Ashkar ⁽⁴⁾	B Com (Hons), CA(SA)	July 2020					

(1) Ms BB Moroole, an independent non-executive director, resigned on 4 May 2020 as non-executive director.
 (2) Mr R Mothapo, an independent non-executive director, resigned as non-executive director on 9 July 2020.
 (3) Mr SIM Braudo, an independent non-executive director, was appointed as chairman after the financial year.
 (4) Mr GR Burger and Mr EDJ Ashkar, both non-executive directors, were appointed as interim members of the committee whilst the board of directors deliberates the membership of the committee.

The board of directors deliberated the membership of the committee at their meeting of 17 September 2020. Ms NB Radebe was approved as the chairperson and Mr S Braudo and Mr MD Collier as members of the committee. All of the new members are independent non-executive directors.

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

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

- Align with the overall corporate strategy and provide direction
- Determine the IT investment approach and create investment principles that serve to guide IT investment decisions for the enterprise
- Manage IT governance by continuously assessing the effectiveness of the IT governance processes and implementing improvements
- Ensure all IT risks are appropriately reviewed and reported on
- Ensure the appropriate IT management processes and practices are in place to enable effective delivery
- Ensure the appropriate technologies and IT skills are in place to deliver
- Ensure technology projects and services are successfully implemented

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



WE FOCUS ON MANAGING RISK WELL

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

Over the past year, we continued to improve our formal risk management framework, structures and practices, and increased risk awareness in all areas. Our *Own Risk and Solvency Assessment (ORSA)* was enhanced, in content and value, through active involvement from our board and executives. The third live version will be submitted to the Prudential Authority (PA) in December 2020.

The PA's requirements as set out in the *Governance and Operational Standards for Insurers (GOI)* and the *Governance and Operational Standards for Insurance Groups (GOG)* have been implemented and where necessary, we made further amendments to our existing risk management framework and strategy in order to ensure that we are fully compliant with the aforementioned standards.

Our risk management and governance framework as well as our organisational structures take full cognisance of King IV.

Covid-19 and Risk Management

The importance of having implemented our risk management framework and strategy became evident during the Covid-19 crisis. Assupol was able to manage the risks that emerged during this time by utilising our established risk management procedures and processes. A rapid and effective response ensured a negligible impact on business continuity from a client service perspective. Face-to-face sales could not continue to operate during the lockdown, but our call centre performed admirably over this period.

Our prudent approach to capital and expense management coupled with our loyal customer base contributed to our resilient performance over this period.

We believe that the sustainability of the Group during this crisis was enhanced by our risk management approach and the entrenchment of our risk management processes within our business practices.

Our risk management framework

Our Group's formal risk management approach consists of our risk management framework, strategy and associated policies as required by the GOI. Our approach also complies with the requirements of the Solvency Assessment and Management (SAM) framework, mandated by the PA.

Key features of our risk management measures

1. The board of directors' Risk Committee oversees our Group's risk management framework, processes and structures. More information about this committee is given in the corporate governance section on page 67.
2. Our Group Executive Committee (Group Exco) takes primary responsibility for the design, implementation and maintenance of an effective risk programme.
3. Our Risk Steering Committee, comprising the Group Exco and senior executives considers and reviews all risks from both top-down and bottom-up perspectives.
4. A formal risk management programme is implemented and monitored by our risk management function.
5. Each department is responsible for its individual business functions, and for managing the risks to which it is exposed.
6. Processes are in place to monitor and review the effectiveness of our risk management framework on an annual basis, and to implement improvements where required.

IMPLEMENTING RISK MANAGEMENT

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



COMBINED ASSURANCE

In order to ensure that risks are managed and that the board gains comfort that controls are effective, we have reviewed and implemented our improved combined assurance framework.

The primary purpose of the combined assurance framework is to formalise the identification of assurance providers, and describe how assurance efforts are coordinated to:

- Enable the Risk Committee, Audit Committee and executive management to make an informed assessment that there is appropriate and timely assurance on all key risks and material matters facing the company;
- Ensure that the issues highlighted through assurance efforts are appropriately reported and addressed; and
- Optimise overall assurance to the board, the Audit Committee, the Risk Committee and executive management, taking into account the company's risk appetite.

The following diagram provides an overview of how the framework is implemented:

ERM Framework



GOVERNANCE

a) Board of directors

The Assupol Board of Directors (board) is ultimately responsible for the management of Assupol. This includes the management of any risks that have been identified. The board has delegated the management of Assupol and its risks to executive management.

b) Executive management

Executive management has to ensure that all risks have been identified and that these risks are actively managed to mitigate the associated risk exposure. Executive management has a responsibility to the board, and provides assurance that the risks are managed. In addition, executive management has primary responsibility for the design, implementation, and maintenance of an effective risk programme.

c) Chief Risk Officer (CRO)

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

d) Risk Committee

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

e) Audit Committee

The board has established the Audit Committee to oversee and monitor Assupol's internal and external audit functions and to ensure that the disclosure regarding all aspects of the audit functions is comprehensive, timely and relevant. The Audit Committee therefore provides assurance regarding the overall risk management efforts and infrastructure.

f) Risk management function

The risk management function's mandate is specified within the Risk Management Framework, which takes into account the strategy of the

Assupol Group. Formal risk management efforts are carried out with reference to the structures and detailed efforts required as documented in the Risk Management Framework. An overall Risk Management Policy has also been issued, which references certain component policies to ensure that risk management is carried out effectively. Reporting on risk management efforts is on four primary levels, namely:

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

g) Compliance function

The compliance function's mandate is specified within the Compliance Risk Management Framework. The compliance function has defined a regulatory universe, and follows a risk-based approach to monitoring compliance with core legislation applicable to the Assupol Group. The compliance function carries out its work by using compliance risk management plans for the identified legislation to be monitored by the compliance function. The compliance function reports to the Risk Committee of the Group.

h) Internal audit function

The internal audit control function has been outsourced to E&Y in terms of the Outsourcing Policy. The internal audit function operates according to the Internal Audit Charter, as approved by the Audit Committee of the Group. Specific requirements in the Internal Audit Charter are the independence of the internal audit function, as well as a defined reporting structure to the chairperson of the Audit Committee.

i) Actuarial function

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

- Any circumstance that may have a material effect on Assupol Life Limited from an actuarial perspective

- The adequacy of the technical provisions and other liabilities
- The prospective solvency position of Assupol Life Limited
- Any other matters as determined by the board
- The inputs into the actuarial models

j) Risk owner

The risk owner is the head of the business unit where the risk has been identified. The risk owner will identify the risk in their business unit, assess the risk and implement controls to mitigate the effect of the risk. The risk owner is responsible for managing the risk and for giving assurance as such to Group Exco.

Risk categories

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

1. Strategic
2. Solvency– underwriting, reserving, reinsurance, asset/liability matching
3. Financial – market, credit, liquidity, concentration
4. Operational
5. Compliance – legal, regulatory,
6. Market Conduct – client experience
7. Reputational

Our key risks, and brief description of how we manage them

Principle	Risk	Mitigation
Strategic	Not meeting client expectations	<ul style="list-style-type: none"> • We have dedicated resources to drive our <i>treating customers fairly</i> (TCF) assessment, identifying necessary improvements and ensuring that these are implemented effectively
	Concentration risk in distribution and product	<ul style="list-style-type: none"> • We have implemented a specific diversification strategy to expand our distribution channels, including a successful direct sales channel • We are expanding our product range
	Not meeting required sales volumes	<ul style="list-style-type: none"> • Strategic initiatives have been implemented to diversify our sales channels • Focussed management within each sales channel • A digital No Touch™ sales solution has been developed to enable face-to-face sales during the lower lockdown levels while minimising the risks to the health and safety of our employees and clients
	Competitors in our market	<ul style="list-style-type: none"> • Strategic initiatives have been implemented to diversify our sales channels • On-going product development and innovation
	Increased expenses per policy	<ul style="list-style-type: none"> • Vigorous expense management has been implemented • Budget overspending is monitored by a dedicated committee
	Solvency	SCR ratio and appetite
Solvency risk profile and appetite		<ul style="list-style-type: none"> • We project the main contributors to the solvency risk metric, namely lapse risk, interest rate risk, mortality risk

		(including catastrophe risk) and expense risk, five years into the future, with and without new business, and under various scenarios. Our ability to reduce dividends, and/or the existing buffer above the minimum SCR ratio, provides ample ability to mitigate the impact of negative scenarios. Covid-19 scenarios were also modelled and our solvency remains robust under these scenarios
	Death and disability not insured at correct levels and premiums	<ul style="list-style-type: none"> • With our defined application and underwriting processes, we accept insurance risk within our risk appetite • We are able to re-price our products should premiums prove to be inadequate
	Adverse mortality, withdrawal, and expense experience	<ul style="list-style-type: none"> • We do annual and quarterly experience analyses on claims, withdrawals and expenses, to detect areas of loss and to make necessary adjustments. No adverse findings have been made in relation to Covid-19
	Policyholder liabilities not estimated reliably	<ul style="list-style-type: none"> • Our internal actuarial team models and sets parameters for the actuarial valuation in accordance with guidance and industry practice • Our independent statutory actuary reviews the parameters and assumptions, and suggests or determines necessary changes
Financial	Not meeting solvency requirements	<ul style="list-style-type: none"> • Assupol Life is adequately capitalised, and the Solvency Capital Ratio (SCR) is monitored on an ongoing basis • A variety of sensitivities and stress scenarios over a 5-year projection horizon are produced and analysed
	Possible credit losses from our trading parties	<ul style="list-style-type: none"> • Our insurance contracts are subjected to a monthly lapse test that uses criteria as approved by our Actuarial Committee • Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee
	Our investments decreasing in value	<ul style="list-style-type: none"> • We have invested our assets in a diversified portfolio of equities, bonds and cash • A prudent investment strategy is followed • Our asset managers may invest only according to mandates that have been approved by our Investment Committee
	Group liquidity challenges	<ul style="list-style-type: none"> • All Group companies do detailed budget modelling prior to board approval, to ensure that they have sufficient liquid financial resources for the financial year • Short-term finance can be obtained to cover any immediate need, if necessary • Long-term finance requirements can be met by liquidating assets over time, thereby minimising possible losses • We undertake liquidity stress modelling annually to ensure we hold adequate liquidity, as part of our regular going concern assessments
	Asset liability management (ALM)	<ul style="list-style-type: none"> • Our ALM process is governed by our Group Investment Policy and reviewed by the Group Investment Committee. After appropriate asset portfolios have been constructed for a specific liability class, the most important action is to ensure that the asset portfolios are rebalanced at the appropriate times
	Key dependency on our IT environment	<ul style="list-style-type: none"> • The 3-year priority plan has been agreed • An off-site disaster recovery centre is in place for critical IT services
	Premium collection	<ul style="list-style-type: none"> • A large proportion of our premiums are collected through stable payroll deduction systems, which ensures a very high rate of success in the collection of premiums • We have strategies in place to ensure stable debit order collection

Operational Risk	Impact of fraud on new business and claims	<ul style="list-style-type: none"> We monitor and improve our controls on a continuous basis to ensure that fraud is detected, and fraud losses are therefore minimised Monitoring and review of new business and claims has been intensified due to Covid-19 in order to mitigate the increased risk of possible fraudulent business
	Attract and retain the right staff with the correct skills	<ul style="list-style-type: none"> We conduct competency-based interviews, pay market-related salaries, and have implemented staff retention incentives, whereby staff share in efficiency improvements and good financial performance
	Managing critical service provider risk	<ul style="list-style-type: none"> Risk evaluations of our critical service providers are done on a regular basis; this was enhanced during the initial part of lockdown Contingency plans have been generated to ensure business can continue if a critical service provider is unavailable
	Cyber risk	<ul style="list-style-type: none"> A security information and event management (SIEM) solution has been implemented to assist with managing cyber risk Ongoing testing is done on our security system to test for vulnerabilities
	Key person dependency and the managing transformation	<ul style="list-style-type: none"> Succession planning has been implemented and additional staff are trained by key personnel identified Transformation is driven and understood throughout the entire company
Compliance	Keeping abreast of new legislation	<ul style="list-style-type: none"> Our Legal and Compliance Department monitors legislative changes, and alerts the Group of applicable changes and the associated business implications We engaged specifically on new legislation relating to micro-insurance and the <i>retail distribution review</i> (RDR)
	Compliance with relevant major legislation	<ul style="list-style-type: none"> Our compliance department monitors compliance with relevant major laws Covid-19 related regulations were implemented to ensure compliance
Market Conduct Risk	Client experience	<ul style="list-style-type: none"> A number of digital alternatives were implemented during lockdown, which enabled clients to submit claims or contact us with queries A Market Conduct Framework has been approved and implemented A Market Conduct Committee meeting is held quarterly to discuss and address any conduct related issues as well as risks Client experience is a major focus point and actions relating to mitigating identified risks are monitored until implementation
Reputational Risk	Environmental and social	<ul style="list-style-type: none"> Assupol has a low carbon footprint Assupol has a corporate social investment program and regular contributions are made to various causes to assist with improving the communities we conduct business with
	Social media	<ul style="list-style-type: none"> We have started being active on social media. A social media policy has been approved and implemented to manage our social media presence Media monitoring also assists in monitoring our social media and any reputational risk that might originate from social media

Risk Appetite

Assupol manages its capital position with reference to its internal capital model and its dividend policy, while ensuring that its minimum SCR ratio risk appetite is exceeded at all times. This was the case for the period under review. The board also approves the risk appetite annually.

Own Risk and Solvency Assessment

On an annual basis, as part of our Own Risk and Solvency Assessment (ORSA) process, Assupol projects its expected SAM solvency position forward for a period of five years, using as a base its business plans and budgets. In addition, at the request of the board, the projected solvency position is tested under a range of more than twenty sensitivities and scenarios, including scenarios with high new business growth rates, a number of unlikely, extremely negative scenarios, and severe but plausible Covid-19 related scenarios.

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

Key milestones during the period under review

1. We reviewed and improved our risk management framework, our risk management policies and their implementation. We also made and implemented enhancements to our risk management strategy.
2. The combined assurance framework was reviewed and expanded. A Combined Assurance Forum discusses overarching issues and assurance activities.
3. A capital management framework and an internal capital management model were further enhanced and used in decision making.
4. Our ORSA 2020 - 2024, covering various sensitivities and scenarios, was submitted to the Prudential Authority. The board's mid-year meeting included consideration of scenarios in preparation for ORSA 2021-2025.
5. The risk database was expanded to include the capturing of compliance and audit findings. This enables the business to provide feedback on actions in one tool. Reporting by business is also simplified.
6. Key risk indicators were further refined to assist operational units to manage their risks.
7. We undertook ongoing risk training and awareness campaigns to ensure that our employees have the knowledge, awareness and inclination to identify and manage the risks in their business areas.
8. Risk management assisted with various projects and risk assessments at the onset of Covid-19 and the subsequent lockdown.

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

● ASSUPOL'S APPROACH TO COMPLIANCE

The Assupol Group's philosophy and approach to compliance risk management and governance as endorsed by the board of directors is contained in the Compliance Charter and the Compliance Policy. The Compliance Charter takes cognisance of the compliance best practice guidelines and standards issued by the Compliance Institute of South Africa (CISA) and the Association of Savings and Investment of South Africa (ASISA).

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

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

the discharge of any of its duties, be entitled to:

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



The compliance function has the right to reasonable access to:

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

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

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

Pursuant to the integrated approach to compliance risk management within the Assupol Group, regulatory requirements comprising the regulatory universe which include relevant financial sector legislation, and non-financial sector legislation are monitored by designated functional areas within the Group.

Any compliance risk that may create a financial reporting risk is reported to the Audit Committee and also brought to the attention of the auditor who is obliged to report any matter which may be contrary to the governance framework requirements of the Insurance Act, 2017 or amounts to inadequate maintenance of internal controls to the Prudential Authority. The Assupol Group aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations and establish good business practices. The Assupol Group will ensure that this requirement is embedded in the culture of its business operations. Compliance risk within the Group is managed in line with the risk

appetite approved by the board from time-to-time. The primary role of the compliance function is to assist, facilitate and monitor effective compliance risk management.

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

Assupol Life's mission is to serve those who serve and Assupol Life's core value is to treat its clients fairly in line with the Treating Customers Fairly (TCF) framework set by the Financial Sector Conduct Authority. TCF is an outcomes based regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers. In order for Assupol Life to achieve these objectives within the required supervisory framework, it is vital for Assupol Life's board of directors, its management structures and employees to ensure and monitor compliance with all legislative and regulatory requirements applicable to the businesses of Assupol Life. It is also essential that the role-players and employees of Assupol Life are constantly motivated to comply with the relevant regulatory and supervisory requirements. Members of the Assupol Group operate in a highly regulated financial services industry and compliance with all applicable regulatory and supervisory requirements, industry and organisational standards and codes is imperative.

Lines of defence

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

the effectiveness of the management of compliance risk. The third line of defence comprises of functions within Assupol and outside Assupol that provide independent assurance of the functioning and effectiveness of the first two lines of defence. At Assupol this line of defence is provided by the external audit function.

The internal audit function is tasked with providing management with independent assurance on the effectiveness of the internal control system within the Assupol Group. Compliance risk and the compliance function is subject to review by internal audit in order to provide independent assurance regarding the adequacy and effectiveness of the Assupol Group's compliance risk management framework.

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

Compliance risk management process

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

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

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

business processes. While the compliance function is responsible for facilitating the process of compliance risk identification, the management of each subsidiary must participate in all risk assessments together with the compliance function.

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

Compliance risk management is the process of designing and implementing controls in respect of the identified compliance risk.

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

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

Compliance with Covid-19 regulations

On 26 March 2020, President Ramaphosa announced a nationwide lockdown for 21 days from midnight on March 26 in a bid to reduce the spread of the Covid-19 virus which continues to pose significant challenges for the local and global economy. The lockdown period was subsequently extended by the President as Covid-19 continued to afflict South Africans. Pursuant to the lockdown announcement, restrictions were imposed on the movement of South Africans in terms of Regulations under the Disaster Management Act, 2002 (Covid-19 Regulations). There were further announcements by the President pursuant to the government's risk adjusted strategy regarding measures implemented by the government to mitigate against the risk of the spread of Covid-19 and thereby save lives of South Africans. In terms of the Covid-19 Regulations companies were required

to manage the risk of Covid-19 in the workplace in terms of an Infectious Disease Management Plan. The board of directors approved Assupol Group's Infectious Disease Management Plan in May 2020. The Group Head: Legal and Compliance was appointed the Covid-19 Compliance Officer and continued to monitor the Group's compliance with the Regulations during the period under review.

Assupol Group further complied with all the directives from the Prudential Authority in order to assist in mitigating the spread of Covid-19 at branches and head office. The face-to-face agents were not allowed to sell policies as per the Covid-19 Regulations however the Assupol Life call centre agents continued with sales and client engagements. Management took proactive measures to mitigate the risk of the spread of Covid-19 at head office and branch offices thereby ensuring compliance with the Covid-19 Regulations. The said measures were communicated to all key stakeholders of the Group. An Occupational Health and Safety audit was conducted at the Assupol Head Office by an external service provider. The audit included workplace compliance with the Covid-19 Regulations.

Future areas of focus

An annual compliance workplan has been prepared for the financial year ending 30 June 2021. Branch monitoring is conducted by way of desktop monitoring as well as physical onsite visits to the branch. Branches are risk rated. The branches rated as high risk are identified and monitored physically by the compliance specialist. The remainder of the branches will be desktop monitored.

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

There will be specific focus on compliance with the prudential standards issued by the Prudential Authority and conduct standards for cell captive insurers. Furthermore, there will be heightened focus on compliance with the Financial Intelligence Centre Act, 2001. A project team has been put together to review Assupol Life's Risk Management and Compliance Programme.

REMUNERATION

Remuneration

- ⑥ The Remuneration Committee is pleased to present the Assupol remuneration report for the year ended 30 June 2020.

King Code on Corporate Governance (King IV)

We have considered the impact of King IV on the remuneration policy and have consequently further enhanced the relevant disclosures in our remuneration policy.

Fair and responsible remuneration

Assupol is committed to fair and responsible remuneration for all employees. In order to eliminate greater inequality through pay increases, the Remuneration Committee ensured that employees in more junior roles received higher increases in fixed remuneration than those in more senior roles.

ROLES AND ACCOUNTABILITIES

Board of directors

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

The Remuneration Committee

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

It comprises of three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the Group's remuneration policy. The committee ensures that the remuneration philosophy, policy and human capital practices

support Assupol's strategic objectives to enable the attraction, motivation and retention of high calibre employees and senior executives in order to maximise shareholder value while also complying with legislation. It ensures that the Group's remuneration philosophy and policy are competitive and meet best practice standards, in support of the Group's strategic objectives.

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

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

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

The board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting (AGM). Non-executive directors' fees are benchmarked at least bi-annually against fees published by a peer group of companies in their most recent AGM notices. Services of an independent remuneration consultancy are also utilised for benchmarking of non-executive director fees.

Group Executive Committee

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

Remuneration

KEY PRINCIPLES OF OUR REMUNERATION PHILOSOPHY

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

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

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

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

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

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

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

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

The key principles that shape our policy are:

- That the Group has the ability to attract, retain and motivate the exceptional talent required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short and long-term incentives are used to this end.
- A significant portion of senior management's reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic financial targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate department, their division or the wider Assupol Group.
- Long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.

- Salary structures and policies, cash as well as share-based incentives, motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth.
- Compliance with all applicable laws and regulatory codes.
- The Remuneration Committee has discretion - when warranted by exceptional circumstances and where considerable value has been created for shareholders and stakeholders of Assupol by employees- to award special bonuses or other *ex gratia* payments to general staff, excluding management. In exercising this discretion, the Remuneration Committee satisfies itself that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

REMUNERATION POLICY

Scope of the policy

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

Aims of the policy

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

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

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

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

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

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

THE STRUCTURE OF OUR REMUNERATION OFFERING

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

• Guaranteed package

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

• Variable short-term incentive

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

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

• Variable long-term incentive

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

• Various recognition programmes

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

The categories are:

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

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

• Individual learning and development opportunities

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

• A stimulating work environment

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

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

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

• A well-designed and integrated employee wellness programme

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Fee structures are reviewed annually. The Remuneration Committee reviews the fees paid to non-executive directors by taking into consideration the individuals' responsibilities and board committee membership. The chairperson is not present when his or her remuneration is reviewed. In addition, from time-to-time, the fees are benchmarked against other financial services companies to ensure that the fees remain competitive and fair. Recommendations are made to the board for consideration and taken to the AGM for shareholder approval.

EXECUTIVE CONTRACTS

Assupol executive directors and members of the Executive Committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some

discretion being allowed to the Remuneration Committee based on the recommendations of the Group Chief Executive.

REPORT ON ACTIVITIES

The impact of Covid-19 on remuneration

The last quarter of the financial year was severely hampered by the onset of the Covid-19 pandemic and the subsequent nationwide lockdown regulations that were imposed by the government to combat its effects. The inability of our tied agents to operate during the lockdown period, meant that special measures had to be taken by the company, to mitigate against the adverse effect of the regulations. As a result, R23.9 million was set aside by the company as relief to our agents during the period.

The implementation of annual salary adjustments had to be postponed to January 2021 depending on results of further analysis of the impact of Covid-19 on the business. It is envisaged that salary adjustments will be made at this time but will not be backdated. In addition, staff received an annual bonus.

Set targets were not met by senior management in terms of rules of the incentive bonus scheme. This has meant that the incentive bonus pool could not be funded from normal operations. A decision has therefore been taken by the board not to make bonus payments to senior management for the financial year under review. This decision has been well accepted by management. However, in recognition of superior performance in an exceptionally difficult year, on the recommendation of the Remuneration Committee, the board approved a special bonus of R14,9 million for senior executives as per the new long-term incentive scheme rules which are currently being reviewed.

Changes to the committee

Mr Ranti Mothapo resigned from the board of directors and as the chairperson of the committee. He was replaced by Mr Steven Braudo.

Incentive Scheme Benchmark Study

During the year under review a task team was set up by the Remuneration Committee to review the company's Incentive Bonus Scheme for senior management. The recommendations made are under consideration by the Remuneration Committee and thereafter a proposal will be taken to the board. This exercise is expected to be finalised in the new financial year 2020/2021.

Meetings

The Remuneration Committee met six times during the financial year ended June 2020, and all members were present. This included two additional meetings that were required in relation to the review of the company's Incentive Bonus Scheme for senior management.

- The Social and Ethics Committee assists our board in protecting our Group’s reputation as a good, ethical and responsible corporate citizen. From 30 June 2019 to 31 March 2020 Berlina Moroole (chairperson), Eddie Ashkar, and Sipiwe Ndwalaza were the three members of the committee. From 1 April 2020 until 30 June 2020 Eddie Ashkar (interim chairperson), Dr Reuel Khoza and Sipiwe Ndwalaza were the three committee members.

This report gives an overview of the committee’s performance in our financial year that ended on 30 June 2020 (year under review). This report, which outlines how the committee performed its statutory duties during the year under review, was prepared in accordance with the requirements of the Companies Act. As required by the Act, the committee confirms that it is satisfied that it has fulfilled its duties during the year under review. The committee is required to report, through one of its members, to our shareholders on the matters within the committee’s mandate at our annual general meeting. In the notice of the meeting, shareholders are referred to this report.

The committee’s role and responsibilities are set out in a formal terms of reference, by which it is governed. The committee has, in the year under review, thoroughly reviewed its terms of reference which was approved by the board.

The committee has successfully carried out its duties. It has, notably, supervised the implementation of our Group’s Code of Conduct (Code) which aims to set the standard by which the conduct of our Group is measured. Our compliance with the Employment Equity Act was monitored, as well as our standing in terms of the Broad-Based Black Economic Empowerment Act. The committee supervised our labour relations, evaluated our social and community investment initiatives, and reviewed reports such as training and development and health and safety of our employees. As at the end of June 2020, the company was 95.97% compliant with the Regulations of the Occupational Health and Safety Act 85 of 1993 and achieved a gold seal for compliance. While the committee was satisfied with the score, some areas of non-compliance have been identified which were actively managed by the respective department.

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

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

During the year under review the committee continued to monitor Assupol’s adherence to King IV.

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

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

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

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

The committee continued to investigate and oversee our market-conduct risks. In this regard, it has overseen the establishment of a market conduct framework to ensure that the Group has outcomes that are fair to its clients. During the year under review the committee's role has been expanded to include also the oversight of the implementation of the company's Stakeholder Engagement Plan and Practices to establish sustainable long-term valuable relationships to deliver on our strategic goals.

The committee also undertook to play an oversight role in future with regards to reporting on the sustainability of economic, environmental and social fronts. The Legal and Compliance Manager is responsible for the sustainability reporting in the organisation.

The committee considered the procurement practices of the organisation to ensure fair treatment of all service providers. Our company is currently rated as a Level 1 contributor. This demonstrates our commitment to broad-based black economic empowerment (B-BBEE).

2020 was earmarked by the Covid-19 pandemic which impacted all businesses globally. The committee attended several special committee meetings in order to obtain updates on the implementation of the Covid-19 response by our company. The committee is proud to report that within a short period of time, our company was able to ensure staff could effectively work from home, save for the face-to-face sales channel. Management furthermore ensured that the staff and consultants received the required assistance to make the transformation into the uncertain era, flow smoothly. Management ensured that the regulatory and governmental regulations pertaining to staff and safety were followed.

CONDENSED FINANCIAL RESULTS



Condensed financial results

GROUP REVIEW for the year ended 30 June 2020

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

Significant developments during the year

Covid-19 pandemic: Going concern

Following the first reported Covid-19 infections in China in December 2019, the virus rapidly spread worldwide, leaving a devastating effect on the global economy and societies. In early March 2020 the first instance of a Covid-19 infection was reported in South Africa. Fairly shortly thereafter, president Ramaphosa announced lockdown from the 26th March 2020, which entailed a severe restriction on various activities. These restrictions were eased over time as government's assessment of risk moved from Covid-19 alert level 5 to level 2. At the date of approval of the full set of financial statements, the country was at level 2.

The core business of the Assupol Group, namely long term insurance, was classified by government as an essential service. Assupol's operations were able to continue, with the exception of new business generation in its face-to-face environment during the lock down period. The most significant financial impact on the Assupol Group during the financial year was the loss of approximately two months' new business volumes while still incurring fixed expenses, as well as the negative effect of the pandemic on the investment markets.

The directors' and management's immediate reaction was a rigorous assessment of the Group as a going concern and its operations and activities. The outcomes of the existing Own Risk and Solvency Assessment (ORSA) and resilience of business within the Covid-19 environment were tested. The assessment also included the impact of the Moody Investors Service's downgrade of the sovereign debt rating of the government of South Africa to below investment grade at the end of March 2020. Regular assessments have since been performed. Various scenarios were also considered in the 5-year budget and forecast that was approved by the board of directors in June 2020. In all of these scenarios the Group will be able to continue as a going concern with sufficient liquidity in place and with a solvency ratio being maintained well above the minimum margin.

The impact of the pandemic on the financial results reported in these annual financial statements, and the Group's response were as follow:

- The restriction on sales in the face-to-face environment resulted in a 25.2% decrease in new business units in the individual risk and savings business if compared to the previous financial year.
- Additional spend of R9.9 million was incurred to enable employees to work remotely with a minimum impact on the effectiveness of operations as well as to provide for the necessary health and safety requirements in the Group's buildings to protect employees, the sales force and clients.

Condensed financial results

- The Group supported its tied sales force paying R23.9 million during the lock down period when face-to-face sales were restricted within the regulatory limitation.
- Expenses were managed by adjusting for potential savings as a result of the lock down period. Furthermore it was decided not to retrench any employees but rather to delay salary increases and not paying any bonuses to senior management.
- The excess renewal expense reserve was not released to ensure sufficient reserves remain for the potential impact of Covid-19 on the growth of the in force book.
- Volatility in investment markets resulted in an underperformance against long-term return assumptions.
- During the initial lock down period the Group experienced an improvement in mortality but the experience worsened subsequently. Based on the Group's own mortality experience, and supported by the South African Medical Research Council (SAMRC) statistics and the Covid-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, explicit Covid-19 mortality reserves for the group related business and individual business of R77.9 million after tax were provided for.
- The Group prioritised the preservation of capital in the decisions taken, including the dividend recommendation.

Developments within the Assupol Group

- During the financial year, the Prudential Authority of South Africa has converted Assupol Life Limited's license to conduct insurance business under the Insurance Act, 2017.
- Assupol Investment Holdings Proprietary Limited acquired a 51% share in Assupol Wealth Proprietary Limited. This will ensure that the Group expands its financial service offerings in an effort to diversify its income stream.

Group results

Despite the severe impact of Covid-19, the Group managed to deliver a resilient performance during the financial year. The new business volumes were affected by the restrictions on face-to-face sales and the continuation of the mandate requirements in the pensioner market that were introduced by government in the previous financial year.

The impact on the returns on the investment markets, taking in account the pandemic and the Moody's downgrade, was significant with an underperformance of after-tax returns on excess assets against the long-term investment return assumption by R68 million (2019: overperformance of R32 million). The investment return achieved on excess assets was 1.22% (2019: 10.73%)

Expenses were under pressure during the financial year and various management actions were implemented. As the pandemic continues with some uncertainty of the ultimate outcome, it was decided not to release the renewal expense reserve component of policyholder liabilities. An amount of R137.8 million after taxation was released in the previous financial year.

The Group maintained its commitment to contribute to South Africa's social development agenda by contributing R10.0 million to the upgrade of ablution facilities of rural schools in South Africa. Furthermore an amount of R23.9 million was incurred by the Group to support its field sales force during the restriction imposed on face-to-face sales.

Condensed financial results

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

Earnings performance	2020	2019	Change
Gross insurance premium revenue (R'm)	4 004	3 458	15.79%
Net profit attributable to ordinary shareholders (R'm)	564	907	-37.82%
Value of new business (R'm)	350	479	-26.92%
Adjusted operating profit (AOP) (R'm) ^(a)	790	801	-1.37%
Return on equity	13%	23%	
New business	2020	2019	Change
Recurring premiums (R'm)	959	1 026	-6.53%
Single premiums (R'm)	444	376	18.04%
Total new business premiums (R'm)	1 403	1 402	0.07%
Annual premium equivalent (APE) (R'm)	1 003	1 063	-5.64%
Present value of new business premiums (PV NBP) (R'm)	4 703	4 704	-0.02%
Value of new business margin	7.4%	10.2%	-2.74%

^(a) The adjusted operating profit is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns of excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period. Where a nonrecurring transaction continues to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit.

Group embedded value (R'm)	2020	2019
Shareholders' funds	1 141	1 275
Value of in-force business	4 851	4 113
Gross	5 325	4 491
Cost of required capital	(474)	(378)
Embedded value of covered business ^(a)	5 992	5 388
Embedded value of non-covered business ^(b)	10	34
Group embedded value at year end	6 002	5 422
Return on embedded value (%)	18.40%	29.05%

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

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

Condensed financial results

The main contributors to embedded value ("EV") earnings are the unwinding of the risk discount rate and new business.

	2020				
	Adjusted net worth	Value of in-force	Cost of required capital	Total	2019
Covered business EV					
Opening EV	1 276	4 490	(378)	5 388	4 496
Opening adjustments	-	7	-	7	9
Opening EV (adjusted)	1 276	4 497	(378)	5 395	4 505
Dividends paid ^(c)	(336)	-	-	(336)	(345)
Deferred bonus shares	34	-	-	34	37
EV after adjustments	974	4 497	(378)	5 093	4 197
Unwinding of risk discount rate	-	522	(42)	480	413
Expected profits	954	(954)	-	-	-
New business	(467)	898	(81)	350	479
Operating experience variations	(56)	83	14	41	(37)
Tax	7	-	-	7	27
Assumption changes	(173)	283	(48)	62	219
Investment experience	(108)	1	61	(46)	80
Miscellaneous	10	(5)	-	5	10
Closing EV	1 141	5 325	(474)	5 992	5 388
Non-covered business EV					
Opening EV	8	26	-	34	67
Dividends paid ^(c)	(18)	-	-	(18)	(17)
EV after adjustments	(10)	26	-	16	50
Net profits	13	-	-	13	(64)
Holdings company expense adjustment	-	(44)	-	(44)	(45)
Market value adjustment	-	25	-	25	93
Closing EV	3	7	-	10	34
Total closing group EV	1 144	5 332	(474)	6 002	5 422

^(c) The total dividend of R354.0 million paid by Assupol Holdings on 14 October 2019 consisted of R336.2 million from covered business and R17.8 million from non-covered business.

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

Share statistics	2020	2019	Change
Share price - closing (R) ⁽¹⁾	7.25	10.30	-29.61%
Number of ordinary shares in issue ('000)	421 975	421 975	0.00%
Market capitalisation (R'm) ⁽¹⁾	3 059	4 346	-29.61%
Earnings per share (cents)	140	239	-41.41%
Diluted earnings per share (cents)	138	220	-37.34%
Diluted adjusted operating profit per share (R)	1.85	1.89	-2.01%
Group embedded value per share (R)	14.22	12.85	10.64%
Dividend per qualifying ordinary share (cents) ⁽²⁾	55	89	-38.20%

1. Market information is based on the 4AX exchange on which the company's shares trade.

2. It is the policy of the company to declare a dividend on an annual basis. The dividends per qualifying share were declared as follows:

- In respect of the year ended 30 June 2019 the dividend was declared on 27 September 2019 and paid on 14 October 2019: An ordinary dividend of 60 cents and special dividend of 29 cents, resulting in a total gross dividend of 89 cents per qualifying share. Furthermore a trickle dividend of 13.66 cents was declared for the 'A2' ordinary shares.

- In respect of the year ended 30 June 2020: On 22 September 2020 the Board declared an ordinary dividend of 55 cents per qualifying share (Payable on 12 October 2020).

The qualifying shares included the listed ordinary shares, excluding shares held by the Share Incentive Trust, as well as the 'A' ordinary redeemable no par value shares.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2020

R'000	2020	2019
Insurance premium revenue	4 003 620	3 458 166
Insurance premium ceded to reinsurers	(122 411)	(101 417)
<i>Net insurance premium revenue</i>	3 881 209	3 356 749
Commission received on outward reinsurance	6 783	3 154
Fee income	81 489	75 651
Investment income on financial assets		
- at fair value through profit or loss	255 200	205 820
- at amortised cost	143 517	87 303
Net fair value gains on financial assets	(156 442)	16 443
Other income	3 542	(185)
Income	4 215 298	3 744 935
Insurance benefits and claims	(1 189 242)	(1 073 840)
Insurance claims recovered from reinsurers	97 814	88 605
<i>Net insurance premium revenue</i>	(1 091 428)	(985 235)
Commission expenses	(823 150)	(824 359)
Operating and administrative expenses	(1 252 635)	(1 136 925)
Investment management expenses	(13 411)	(13 590)
Change in insurance contract provisions	(21 418)	568 835
Fair value adjustments on investment contract liabilities	(191 247)	(186 445)
Expenses	(3 393 289)	(2 577 719)
Result of operating activities	822 009	1 167 216
Finance charges	(35 523)	(16 736)
Profit before taxation	786 486	1 150 480
Income tax expense	(222 381)	(243 441)
PROFIT FOR THE YEAR	564 105	907 039
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	564 105	907 039
Profit attributable to:		
Owners of Assupol Holdings Ltd	564 152	907 039
Non-controlling interests	(47)	-
	564 105	907 039
Total comprehensive income attributable to:		
Owners of Assupol Holdings Ltd	564 152	907 039
Non-controlling interests	(47)	-
	564 105	907 039
Group earnings per share (cents)		
Basic earnings per share	139.93	238.81
Diluted earnings per share	138.11	220.42

STATEMENT OF FINANCIAL POSITION
 as at 30 June 2020

R'000	2020	2019
ASSETS		
Property and equipment	235 119	249 311
Intangible assets	151 168	146 830
Financial assets: Investments		
At fair value through profit or loss		
Equity securities	1 418 923	1 264 833
Debt securities	1 573 542	1 340 178
Deposits and money market securities	1 031 739	964 732
At amortised cost		
Deposits and money market securities	1 622 487	1 157 777
Policyholder assets		
Insurance contracts	2 953 398	2 994 440
Reinsurance asset	22 515	2 891
Insurance and other receivables	141 370	124 140
Cash and cash equivalents	424 550	424 812
TOTAL ASSETS	9 574 811	8 669 944
EQUITY		
Share capital	640 484	639 533
Treasury shares	(39 498)	(68 106)
Employee benefits reserve	210 047	204 367
Black Economic Empowerment reserve	14 300	14 300
Retained earnings	3 689 366	3 477 328
Capital and reserves attributable to owners of Assupol Holdings	4 514 699	4 267 422
Non-controlling interest	(47)	-
TOTAL EQUITY	4 514 652	4 267 422
LIABILITIES		
Policyholder liabilities: Investment contracts		
At fair value through profit or loss	1 684 556	1 565 953
At amortised cost	1 692 321	1 209 987
Other liabilities	428 301	318 996
Employee benefits	75 265	91 414
Deferred revenue liability	610	656
Deferred tax liability	809 208	861 127
Insurance and other payables	360 101	328 317
Current taxation	9 797	26 072
TOTAL LIABILITIES	5 060 159	4 402 522
TOTAL EQUITY AND LIABILITIES	9 574 811	8 669 944

STATEMENT OF CHANGES IN EQUITY
 for the year ended 30 June 2020

R'000	Share capital	Treasury shares	Employee benefits reserve	BEE reserve	Retained income	Non-controlling-interest	Total capital
Balance at 30 June 2018	639 438	(68 106)	167 485	14 300	2 931 147	-	3 684 264
Cost of incentive shares	-	-	1 448	-	-	-	1 448
Deferred bonus recognition	-	-	35 434	-	-	-	35 434
Dividend paid	-	-	-	-	(360 950)	-	(360 950)
Adjustment of redemption on preference shares	95	-	-	-	92	-	187
Profit for the year	-	-	-	-	907 039	-	907 039
Balance at 30 June 2019	639 533	(68 106)	204 367	14 300	3 477 328	-	4 267 422
Cost of incentive shares	-	-	1 026	-	-	-	1 026
Share incentive options exercised	-	1	(1)	-	-	-	-
Deferred bonus recognition	-	-	33 262	-	-	-	33 262
Dividend paid	-	-	-	-	(353 038)	-	(353 038)
Vesting of deferred bonus shares	-	28 607	(28 607)	-	-	-	-
Adjustment of redemption on preference shares	951	-	-	-	924	-	1 875
Profit for the year	-	-	-	-	-	(47)	(47)
Other comprehensive income for the year	-	-	-	-	564 152	-	564 152
Balance at 30 June 2020	640 484	(39 498)	210 047	14 300	3 689 366	(47)	4 514 652

CONDENSED STATEMENT OF CASH FLOWS for the year ended 30 June 2020

R'000	2020	2019
Cash flows from operating activities		
Cash generated from operations	1 429 598	1 074 776
Net acquisition of financial instruments		
at fair value through profit or loss	(610 903)	(318 220)
at amortised cost	(464 710)	(401 253)
Interest received	214 621	197 818
Dividends received	59 183	28 741
Dividends paid	(353 038)	(360 950)
Interest paid	(35 523)	(16 736)
Taxation paid	(290 575)	(193 080)
Net cash flows from operating activities	(51 347)	11 096
Cash flows from investing activities		
Acquisition and disposal of property and equipment	(39 561)	(32 592)
Acquisition of intangible assets	(13 609)	(9 500)
Proceeds on disposal of equipment	2 713	1 927
Payment for acquisition of subsidiary	-	-
Net cash flows from investing activities	(50 457)	(40 165)
Cash flows from financing activities		
Increase in subordinated debt	145 642	127 591
Payment of subordinated debt	(21 549)	(1 614)
Payment of principal lease payments	(22 551)	(18 794)
Net cash flows from financing activities	101 542	107 183
Net increase in cash and cash equivalents	(262)	78 114
Cash and cash equivalents at beginning of the year	424 812	346 698
Cash and cash equivalents at end of the year	424 550	424 812

SEGMENT REPORT for the year ended 30 June 2020

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 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.

R'000	2020	2019
Income		
Segment revenue	4 212 809	3 788 835
Life insurance	4 212 217	3 738 926
Intermediaries	572	48 669
Other	20	1 240
Reporting adjustments	2 489	(43 900)
Group income for the year	4 215 298	3 744 935
Profit after taxation		
Segment profit after taxation	574 889	954 381
Life insurance	574 563	922 504
Intermediaries	396	30 993
Other	(70)	884
Reporting adjustments after taxation	(10 784)	(47 342)
Group profit for the year	564 105	907 039
Group total comprehensive income for the year	564 105	907 039
Assets and liabilities		
Segment assets	9 536 809	8 613 078
Life insurance	9 503 585	8 574 913
Intermediaries	32 763	38 009
Other	461	156
Reporting adjustments	38 002	56 866
Group assets	9 574 811	8 669 944
Segment liabilities	5 085 873	4 429 469
Life insurance	5 085 265	4 429 288
Intermediaries	200	150
Other	408	31
Reporting adjustments	(25 714)	(26 947)
Group liabilities	5 060 159	4 402 522

NOTES TO THE FINANCIAL RESULTS for the year ended 30 June 2020

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed financial report for the year ended 30 June 2020 has been prepared in accordance with the International Financial Reporting Standard IAS 34 and the reporting requirements of 4AX.

The condensed financial results have not been audited.

The condensed financial report does not include all the notes normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 30 June 2020. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 30 June 2020.

The Group elected to defer the implementation of IFRS 9 - Financial Instruments to coincide with the implementation of IFRS 17 - Insurance Contracts as a result of an assessment performed by management in line with the deferral provisions in IFRS 4 - Insurance Contracts. Based on this assessment it was concluded that the Group meets these provisions due to the fact that the Group's insurance liabilities exceed 80% of total liabilities. There has been no change in the Group's activities that warrants a reassessment of applying the temporary exemption from IFRS 9. The Group has not previously applied IFRS 9 and qualified for the exemption from the period preceding 1 April 2016.

The condensed financial results have been compiled

by R Boonzaaier CA(SA), Senior Executive Manager: Group Finance under supervision of D de Klerk CA(SA), Group Chief Financial Officer.

3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

3.1 Policyholder liabilities/assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The full details of these assumptions and estimates are in note 4 to the Group's annual financial statements for the year ended 30 June 2020.

The assets under long-term insurance contracts decreased by R21.4 million resulting in a net year-end asset balance of R2 975.9 million (net of reinsurance).

3.2 Other assumptions and estimates

Other assumptions and estimates for the year ended 30 June 2020 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred tax; and
- Measurement and accounting of lease assets, liabilities and finance charges in terms of IFRS16.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

4.2 Liquidity risks arising out of the subordinated debt agreement

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

(R'000)	2020	2019
Contractual undiscounted cash flows		
Within 1 year	25 403	2 1 634
1 to 2 years	25 403	25 648
3 to 5 years	278 819	304 886
Total	329 625	352 168

4.3 Fair value estimation

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

June 2020 (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	4 024 204	1 622 487	-	5 646 691	5 796 630
Insurance and other receivables	-	36 639	-	36 639	36 639
Cash and cash equivalents	-	424 550	-	424 550	424 550
Investment contract liabilities	1 684 556	-	1 692 321	3 376 877	3 226 937
Other liabilities	-	-	428 301	428 301	451 015
Payables	-	-	59 683	59 683	59 683
June 2019 (R'000)	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	3 569 743	1 157 777	-	4 727 520	4 759 596
Insurance and other receivables	-	27 179	-	27 179	27 179
Cash and cash equivalents	-	424 812	-	424 812	424 812
Investment contract liabilities	1 565 953	-	1 209 987	2 775 940	2 743 321
Other liabilities	-	-	318 996	318 996	319 998
Payables	-	-	49 553	49 553	49 553

4.4 Fair value hierarchy

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

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

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

For level 1:

- The fair values of financial assets and financial liabilities with standard terms and conditions 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: 3.75% to 4.43%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 3.36%;
 - > Risk free rate: 4.35% to 4.75%;
 - > Equity index level strike: 43 590 to 51 091 (index level 50 175 at year-end);
 - > Equity volatility: 23.85% to 24.57%;
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

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

June 2020 (R'000)	Level 1	Level 2	Level 3	Total
Local listed shares	941 141	-	-	941 141
Derivatives	-	151 428	-	151 428
Unit trusts	326 910	-	-	326 910
Debt securities	59 143	1 513 843	-	1 572 986
Deposits and money market securities*	950 478	1 853 687	-	2 804 165
Receivables	-	12 258	36 639	48 897
Total financial assets	2 277 672	3 531 216	36 639	5 845 527
Net investment contract liabilities*	-	3 226 937	-	3 226 936
Other liabilities - Subordinated debt	272 784	-	-	272 784
Total financial liabilities	272 784	3 226 937	-	3 499 721
June 2019 (R'000)	Level 1	Level 2	Level 3	Total
Local listed shares	943 815	-	-	943 815
Derivatives	-	13 723	-	13 723
Unit trusts	309 715	-	-	309 715
Debt securities	44 700	1 293 058	-	1 337 758
Deposits and money market securities*	734 204	1 420 381	-	2 154 585
Receivables	-	19 511	27 179	46 690
Total financial assets	2 032 434	2 746 673	27 179	4 806 286
Net investment contract liabilities*	-	2 743 321	-	2 743 321
Other liabilities - Subordinated debt	126 979	-	-	126 979
Total financial liabilities	126 979	2 743 321	-	2 870 300

* Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 4.4.

5. RELATED PARTY TRANSACTIONS

R'000	2020	2019
Loans to key management		
Balance at end of year	6 100	7 558

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

R'000	2020	2019
Remuneration and restricted incentives - Executive directors and prescribed officers		
Salary, pension fund contributions and other benefits	28 177	23 292
Cash bonus	-	15 600
Restricted incentives	18 534	19 390
Non-executive directors' fees		
Board fees	6 844	5 840
Committee fees	5 031	3 310

Units '000	2020	2019
Securities held by directors		
Direct beneficial	19 471	1 9 300
Indirect beneficial	1 243	945



CORPORATE INFORMATION

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