




LIBERTY

Liberty Holdings Limited

Integrated report
for the year ended 31 December **2019**

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CHANGING REALITIES WITH LIFE INSURANCE

When life happens, good advice goes a long way

Be prepared for life's ups and downs by turning to us for financial advice, which is based on real human experiences.

We want to help you make tangible strides toward your unique direction in life. This is why we provide a holistic and supportive approach to life-based financial planning and good advice.



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Value created in 2019

Strategic value drivers

Value created in 2019

Client and financial adviser experience



Placing the client at the heart of our business and understanding the critical role our financial advisers play

DEATH AND DISABILITY CLAIMS PAID

R10,5 billion

(2018: R9,6 billion)

EQUITY AND BALANCED CORE RETAIL FUND RETURNS

2nd quartile

(1 and 3 year returns) (2018: 1st and 3rd quartiles)

ANNUITY PAYMENTS

R7,8 billion

(2018: R7,2 billion)

+

Employee engagement



Providing an environment for our people to thrive

SALARIES AND BENEFITS PAID

R4,3 billion

(2018: R4,1 billion)

Extensive employee wellness programme

EXTERNAL TRAINING AND DEVELOPMENT COSTS (SA ONLY)

R35,5 million

(2018: R34,7 million)

+

Risk and conduct



Enhancing our reputation and building trust

UNCLAIMED BENEFITS EXCEEDING R126 MILLION (2018: R175 million) PAID TO

> 25 000

beneficiaries (2018: > 23 000)

Participation and engagement with industry regulators, ombuds and associations

SURPLUS CAPITAL ABOVE REGULATORY SOLVENCY REQUIREMENT

R16,5 billion

(2018: R15,2 billion)

=

Financial outcome



Delivering competitive sustainable returns

NORMALISED HEADLINE EARNINGS

R3 205 million

1174,2 cents per share

(2018: R2 256 million, 817,9 cents per share)

NORMALISED GROUP EQUITY VALUE

R40 907 million

147,8 cents per share

(2018: R38 684 million, 138,6 cents per share)

DIVIDENDS PAID

R1,9 billion

(2018: R1,9 billion)

+

SEE impact



Creating societal value and preserving our natural capital

EDUCATION AND FINANCIAL LITERACY PROGRAMME SPEND (SA ONLY)

R41,3 million

(2018: R39,8 million)

REACH OF FINANCIAL LITERACY AND EDUCATION PROGRAMMES (SA ONLY)

> 27 000 adults

(2018: > 41 000)

> 19 000 learners

(2018: > 20 000)

WORKFORCE RACE AND GENDER DIVERSITY (SA ONLY)






80% black

(2018: 79%)

59% women

(2018: 58%)

2019 performance dashboard and 2020 targets

| Metrics | 2019 | | | 2020 |
|--|---|---|-------------|---|
| | Actual | Target | Achievement | Target |
|  COMBINED POLICYHOLDER PERSISTENCY PERFORMANCE CLIENT NET PROMOTER SCORE NET CUSTOMER CASH FLOWS | Below actuarial assumption | Actuarial assumption | ● | Actuarial assumption |
| | 32 (2018: 27) | 33 | ● | > 33 |
| | R13,3 billion (2018: R10,2 billion) | Positive | ● | Positive |
|  SOUTH AFRICAN VOLUNTARY STAFF TURNOVER MANAGEMENT CONTROL (DIVERSITY AT MANAGEMENT LEVELS) <ul style="list-style-type: none"> SENIOR MANAGEMENT MIDDLE MANAGEMENT | 12,4% (2018: 12,2%) | < 14% | ● | < 14% |
| | 50% (2018: 48%) | 56% | ● | 57% |
| | 64% (2018: 62%) | 68% | ● | 71% |
|  LIBERTY GROUP LIMITED SOLVENCY CAPITAL REQUIREMENT COVER RISK APPETITE NUMBER OF ADVERSE FINDINGS BY INDUSTRY OMBUDS AND ADJUDICATORS | 1,99x (2018: 1,87x) | 1,5 - 2,0x | ● | 1,5 - 2,0x |
| | Achieved | Manage within risk appetite | ● | Manage within risk appetite |
| | 32 (2018: 168) | < 50 | ● | < 50 |
|  NORMALISED RETURN ON GROUP EQUITY VALUE NORMALISED RETURN ON IFRS EQUITY SHAREHOLDER INVESTMENT PORTFOLIO PERFORMANCE GROWTH IN OPERATIONAL PROFIT GROUP NEW BUSINESS MARGIN | 11,5% (2018: 3,8%) | > 12,0% | ● | > 12,0% |
| | 14,0% (2018: 10,1%) | 15% - 18% | ● | 15% - 18% |
| | Below benchmark | Board-approved benchmark | ● | Board-approved benchmark |
| | +10% (2018: +42%) | Positive | ● | Positive |
| | 1,0% (2018: 0,9%) | 1,0% - 1,5% | ● | 1,0% - 1,5% |
|  B-BBEE CONTRIBUTOR LEVEL CORPORATE SOCIAL INVESTMENT SPEND (SOUTH AFRICA) | 2 | 2 | ● | 2 |
| | R47,3 million (2018: R45,6 million) | 1% of adjusted net operating profit after tax (R30,4 million, based on 2018 earnings) | ● | 1% of adjusted net operating profit after tax (R36,4 million, based on 2019 earnings) |

● Achieved. ● Not achieved.

Our reporting suite

We produce a full suite of reports to cater for the diverse needs of our stakeholders.

The associated icons refer readers to information elsewhere in this report or in other reports which are available online: www.libertyholdings.co.za/investor

| Integrated report | Frameworks applied | Assurance | Intended readers | |
|---|--|---|---|---|
| Provides a holistic assessment of the group's approach to value creation. The report considers the issues that are material to our commercial viability and legitimacy to enable us to deliver on our purpose in the short, medium and longer term. Where applicable, information in this report has been extracted from other publications in our reporting suite. | <ul style="list-style-type: none"> The International Integrated Reporting Framework (the <IR> Framework) of the International Integrated Reporting Council JSE Listings Requirements King IV™ Report on Corporate Governance for South Africa 2016 <small>™ Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.</small> | Selected financial information in this report has been extracted from the group's audited annual financial statements. PwC, the group's external auditor, has provided limited assurance on selected non-financial indicators. The impact of Liberty's combined assurance opinion has been considered for certain information. The group's broad-based black economic empowerment (B-BBEE) information has been verified by Empowerdex. | Primarily providers of financial capital, being shareholders and debtholders, but information relevant to other stakeholders is also included. |  |
| Annual financial statements, incorporating risk management | | | | |
| Sets out the group's full audited annual financial statements, including the report of the group audit and actuarial committee. Provides detailed commentary on Liberty's risk management. | <ul style="list-style-type: none"> International Financial Reporting Standards (IFRS) Companies Act, 71 of 2008 Solvency Assessment and Management (SAM) JSE Listings Requirements King IV™ | Unmodified audit opinion expressed by PwC Inc. | Primarily providers of financial capital, being shareholders, debtholders and regulators. |  |
| Report to society | | | | |
| An account of the group's social, economic and environmental impacts and how these contribute to the group's sustainability and its ability to achieve its purpose. | <ul style="list-style-type: none"> Global Reporting Initiative (GRI) Standards King IV™ The Carbon Disclosure Project (CDP) FTSE/JSE Responsible Investment index | Selected financial information in this report has been extracted from the group's audited annual financial statements. PwC has provided limited assurance on selected non-financial indicators. The impact of Liberty's combined assurance opinion has been considered for certain information. The group's B-BBEE information has been independently verified by Empowerdex. | The group's broad base of stakeholders, particularly clients, employees, business partners, regulators, government and civil society organisations. |  |
| Governance at Liberty | | | | |
| A detailed review of the group's governance practices and policies. | <ul style="list-style-type: none"> JSE Listings Requirements Companies Act, 71 of 2008 King IV™ | Selected information in the governance report has been extracted from the group's audited annual financial statements. | Shareholders, debtholders and regulators. |  |
| Remuneration report | | | | |
| A detailed review of the group's remuneration practices, including the group's remuneration policy and remuneration implementation report. | <ul style="list-style-type: none"> JSE Listings Requirements Companies Act, 71 of 2008 King IV™ | Selected information in the remuneration report has been extracted from the group's audited annual financial statements. | Shareholders, debtholders and regulators. |  |

Further content online: Application of the King IV™ principles | Financial results presentation | Group equity value report | Six-year review | Notice of annual general meeting and proxy form

About our 2019 integrated report

This integrated report is addressed to our shareholders, as the providers of financial capital, but contains information that other stakeholders may find valuable. The report illustrates how Liberty creates, delivers and safeguards value for all its stakeholders and how we deliver on our purpose of improving people's lives by making their financial freedom possible.

Scope and boundary

Our integrated report is published annually. This integrated report covers the performance of Liberty Holdings Limited and its subsidiaries for the year ended 31 December 2019. Any material events up to the board approval date on 20 March 2020 are included. Liberty is a South African company with a presence in sub-Saharan Africa. As most of our operations are conducted in South Africa, these make up the majority of this report.

The financial results of Liberty Two Degrees (L2D) are consolidated with the financial results of Liberty Holdings Limited, in terms of International Financial Reporting Standards (IFRS). However L2D's property assets are considered by Liberty as a separate asset class. As such, we do not discuss the individual performance, operations or impacts of L2D in this report. L2D produces its own integrated report which is available at www.liberty2degrees.co.za.

Materiality

We consider a matter to be material if it has, or may have, a material impact on our ability to create value in the short, medium and longer term for our shareholders and key stakeholders. The material matters detailed on page 28 of this report were informed by those matters discussed by the board and its committees during the year, matters arising from the strategy setting process, and the legitimate concerns of our key stakeholders. The material matters have been linked to our strategic value drivers which are the focus of our strategy and planning processes.

Frameworks and other reports

This report is prepared under the guidance of the <IR> Framework as adopted by the board. It conforms with the requirements of the Companies Act, 71 of 2008 and the Johannesburg Stock Exchange (JSE) Listings Requirements. This report provides an entry point for more detailed information contained in other reports which comprise our annual reporting suite.

Our management reporting processes and our suite of reports are aligned with the reporting principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV™). Our integrated thinking is reflected in our targets and key performance indicators that cover financial and non-financial performance as well as strategy, risks and how we deliver value to stakeholders.

Directors' approval

The board acknowledges its responsibility to ensure that reports issued by Liberty enable stakeholders to make informed assessments of its performance and its short, medium and long term prospects.

It also acknowledges its responsibility to ensure the integrity of Liberty's external reports, including the 2019 integrated report. The board believes it has fulfilled these responsibilities. The board further believes that the integrated report is presented in compliance with

Assurance

The board, in conjunction with the group audit and actuarial committee, is ultimately responsible for Liberty's system of internal control.

Liberty applies a combined assurance approach, ensuring that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and its external reports.

PwC issued an unmodified audit opinion on the group's annual financial statements and an unmodified assurance opinion on the group equity value report. PwC also provided a limited assurance report on other selected non-financial information in the report to society. Our Broad-Based Black Economic Empowerment information was verified by Empowerdex. The various levels of assurance received on reported information have been indicated in this report as follows:

- E** Extract from our audited annual financial statements.
- L** Limited assurance expressed over selected non-financial indicators by PwC. Refer to the report to society for PwC's assurance report.
- V** Broad-Based Black Economic Empowerment information verified by Empowerdex Economic Empowerment Rating Agency (Empowerdex) (South African operations only).

the <IR> Framework. The directors have applied their judgement to the disclosure of Liberty's strategic plans and ensured that these disclosures do not place Liberty at a competitive disadvantage.

The board unanimously approved this report and authorised its release on 20 March 2020.

Jacko Maree
Chairman

David Munro
Group chief executive



OUR BUSINESS

06

In this section we provide the reader with an overview of Liberty, our structure and how we create value, our governance and leadership, the risks we face and our strategy. Our chairman and group chief executive reviews provide an overview of Liberty's performance in 2019.

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Our operating universe in 2019



Clients and advisers

Today's clients expect seamless, intelligent processes from financial services providers. An enhanced client experience is at the heart of these expectations. Technologies and digital processes that deliver against these expectations must be implemented with a client-first rather than an administration-first mindset.

As the millennial generation matures and enters its peak buying power, digital and more automated ways of doing business will become a fundamental part of day-to-day workflows. Although face-to-face interaction may be less common, traditional relationships between advisers and clients remain important.

Technology is currently limited in its ability to understand a client's goals and satisfy them with appropriate advice. Self-service portals and automated workflows must reduce advisers' administrative workloads, allowing them more time to build enduring relationships with clients.

Increasing client longevity demands that insurers develop new products and provide the best advice while managing risks for shareholders.

Adviser fee models are being transformed, increasing alignment with client needs and enhancing product transparency.

Generational changes also extend to employees whose expectations of employers and employment continue to contrast with existing practices. Continuous and rapid technological development, new ways of working, flexible working and, perhaps most importantly, working for a purpose all make the task of managing human capital ever more challenging.



Technology

The fourth industrial revolution (4IR) technologies (robotics, artificial intelligence, quantum computing, the ubiquitous internet, and 5G wireless) are driving change across all industries and economies. Insurers are applying these technologies to their operations in three key areas:

- Embracing cloud-based infrastructure, offering faster innovation, flexible resources and economies of scale
- Automating business processes (digital transformation) and simplifying them, and
- Selecting programmes and systems to meet client-centric strategies.

It is not the technologies themselves but rather how they are designed, developed and implemented – to serve clients and advisers – that will determine the success of client-centric service organisations. The technologies will empower clients, advisers and employees, and will dominate the industry for many years to come.

Online and digital marketing processes are necessary to reach online buyers to sustain growth.

Changing client profiles, 4IR technologies and a challenging economic environment have seen increased competition targeting the traditional insurance and asset management markets.



Regulation

The Conduct of Financial Institutions (COFI) Bill was published in December 2018. When enacted, the COFI Bill will build a consistent, strong and effective market conduct legislative framework for all institutions performing financial activities.

The Prudential Authority commenced with the conversion of licences of registered insurers and the designation of insurance groups and controlling companies of insurance groups.

The Financial Sector Conduct Authority (FSCA) published its 2019 Retail Distribution Review (RDR) General Status Update which sets out the current status of all the regulatory proposals contained in the initial 2014 RDR document.

The Conduct of Business Returns, which are the set of statutory market conduct returns submitted to the FSCA, continue to be refined and form part of the off-site supervision framework for insurers.

IFRS 17 *Insurance Contracts* will standardise the global insurance accounting landscape, improving risk management, transparency and comparability of insurance contract information. Organisations must comply with the requirements for periods beginning on or after 1 January 2022.

Well publicised repudiated insurance claims and disappointing investment returns impacted on consumer trust in insurers and asset managers. This trust deficit is being addressed through regulatory compliance and increased transparency.



The South African economy

South Africa's economy continues to face headwinds as a result of low growth, muted investor confidence, policy uncertainty, fiscal deficits, unemployment and inequality.

After a strong start to 2019, the JSE was unable to maintain this momentum, ending the year some 6,8% higher (capped SWIX). Although partly driven by international events such as the US-China trade war, South Africa's weak economy, national elections and the electricity crisis caused most investor hesitancy.

Although volatile, the rand maintained levels of approximately R14,50 to the US dollar, keeping inflation and interest rates in check.

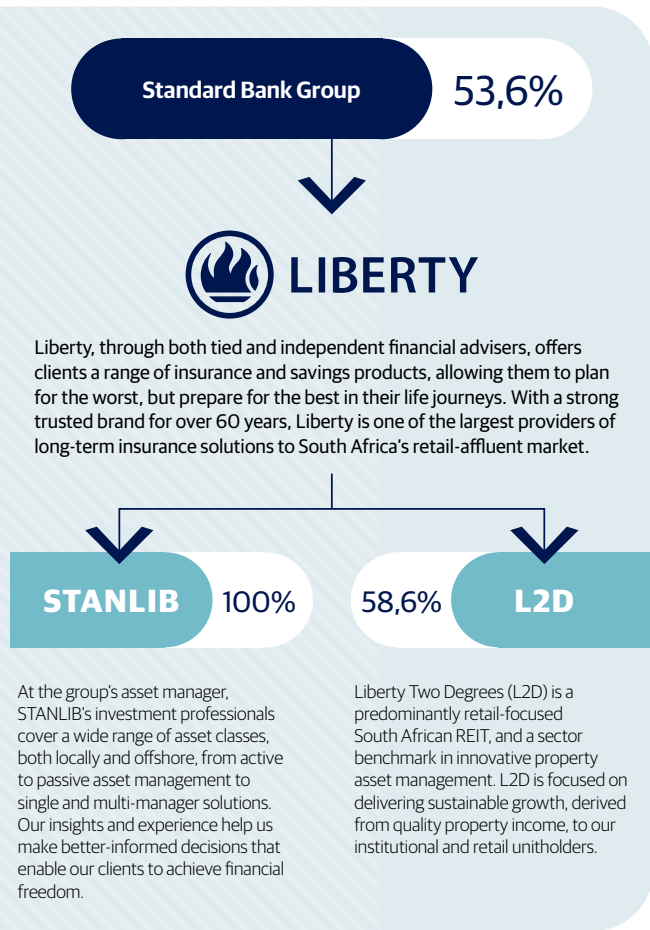
South African sovereign debt is rated as sub-investment grade by two international credit rating agencies.

Although economic growth is expected to improve somewhat in 2020, this is likely to be both subdued and sensitive to a variety of both international and local risks. As such, the economic outlook remains challenging.

Who we are

Liberty is a JSE-listed financial services group that offers an extensive, market-leading range of products and services to help clients build and protect their wealth and lifestyle. Liberty is part of the Standard Bank Group.

Liberty is committed to supporting Standard Bank Group's vision to become the leading universal financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.



Our purpose
Improving people's lives by making their financial freedom possible



Our vision
Transforming Liberty to be the trusted leader in South Africa and chosen markets by delivering superior value through exceptional client and adviser experiences



Liberty was the first life insurer...

- To offer retirement annuities
- To build shopping malls
- To list on the JSE
- To introduce a non-racial share incentive scheme
- To introduce umbrella funds

| | |
|---|---------------|
| MARKET CAPITALISATION (31 DECEMBER 2019) | R31,7 billion |
| ASSETS UNDER MANAGEMENT (31 DECEMBER 2019) | R738 billion |
| DEATH AND DISABILITY CLAIMS PAID (DURING 2019) | R10,5 billion |
| RETAIL POLICIES IN-FORCE (31 DECEMBER 2019) | 2,4 million |
| SUSTAINED DIVIDENDS FOR | > 60 years |
| INDIVIDUAL AND INSTITUTIONAL INVESTMENT CLIENTS (31 DECEMBER 2019) | > 500 000 |
| EMERGING CONSUMER MARKET POLICIES IN-FORCE (31 DECEMBER 2019) | 1,6 million |

Who we are continued

We remain resolute in developing competitive value propositions for our clients, driving efficiency through simplification, managing risk appropriately, deploying capital effectively and pursuing profitable growth opportunities.

Liberty, a strong relevant brand of more than 60 years, is one of the **largest providers** of long-term insurance solutions to South Africa's retail-affluent market.



Liberty has a unique **bancassurance partnership** with Standard Bank which **provides synergies and advantages** not available to other market participants.



Liberty has a **modern technology plan** for the future.



Our tied **distribution force** expertly equips clients with knowledge to make financial decisions that **add value** throughout their various life journeys.



Liberty is a **focused South African business** and through the bancassurance agreement benefits from Standard Bank's African footprint.



The **close relationship** with Standard Bank places Liberty as an integral part of a universal financial services organisation **focused on delivering exceptional client experiences**.

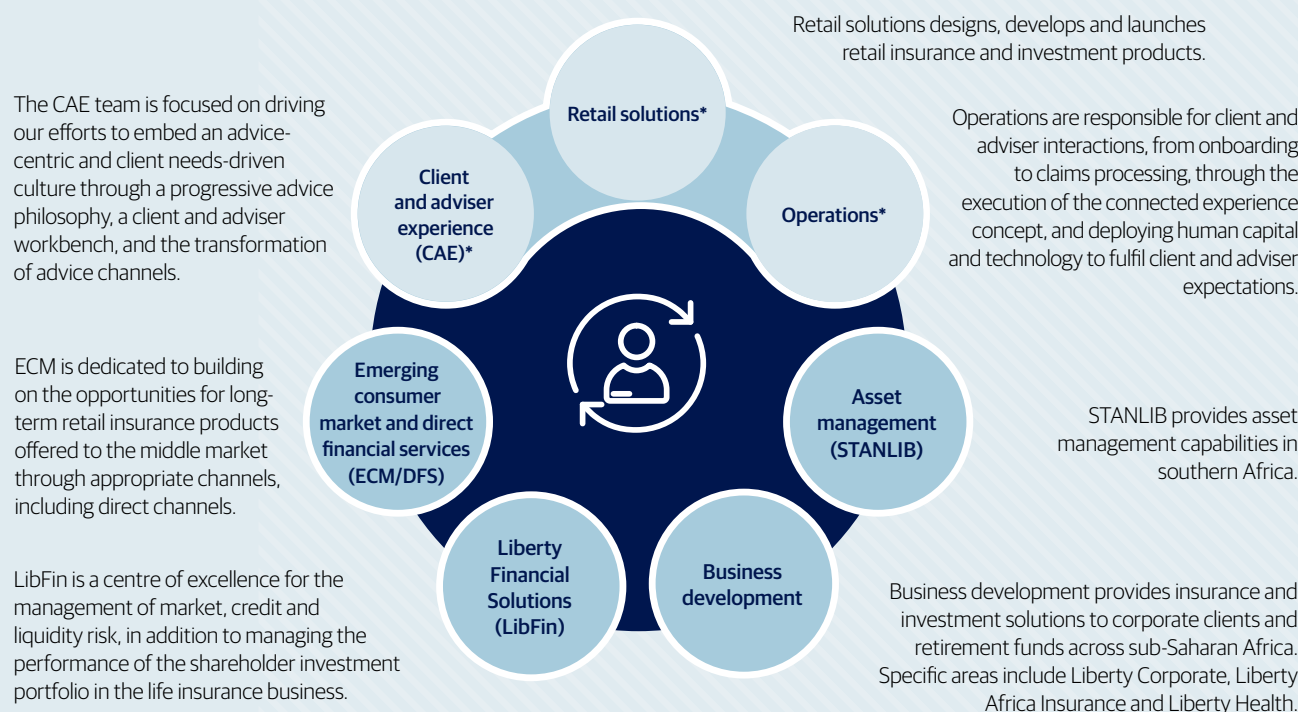


Liberty's wholly owned asset manager, STANLIB, is one of the **largest retail unit trust managers** in South Africa, offering compelling investment propositions.



Our operating model

Our operating model is designed to provide our clients and advisers with an experience that builds strong, long-term relationships throughout our clients' life journeys.



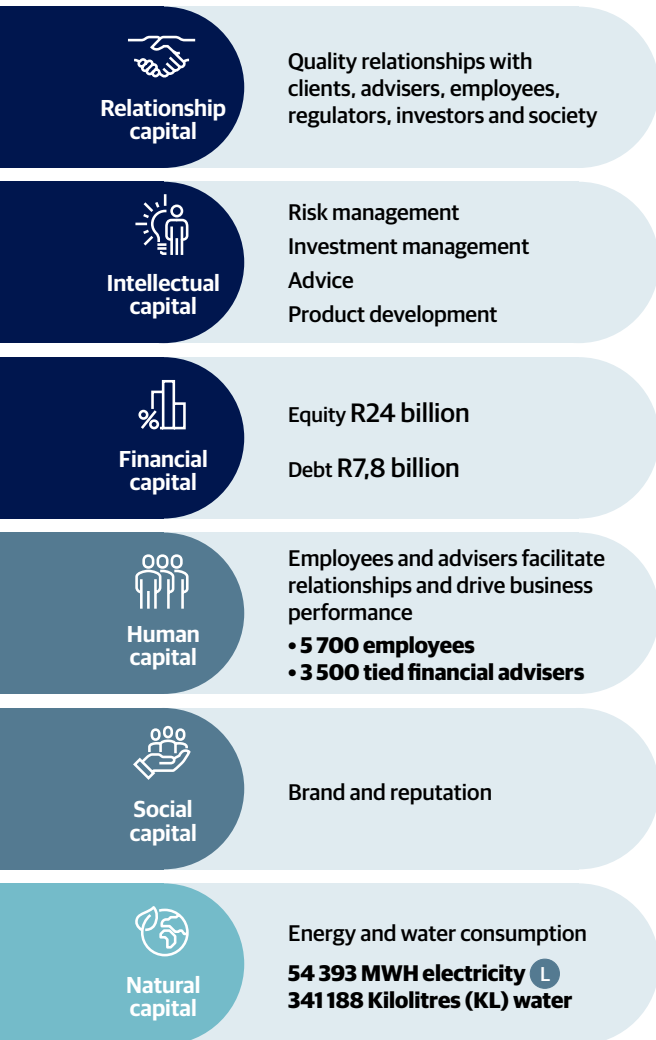
* Key components of SA Retail.

Supported by corporate functions



Our business model

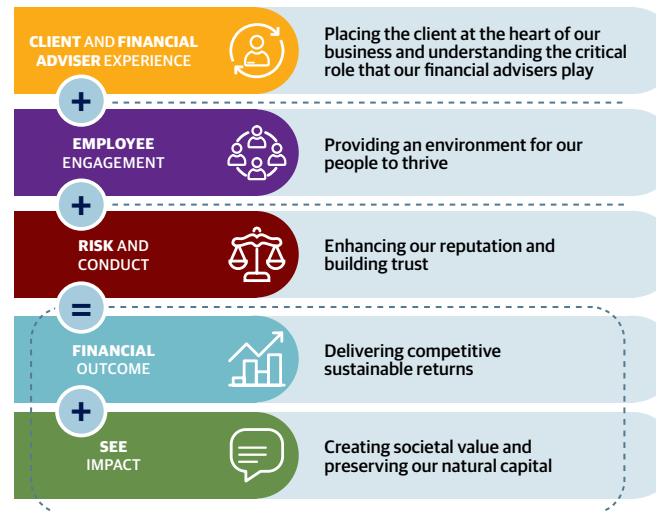
Capitals and inputs



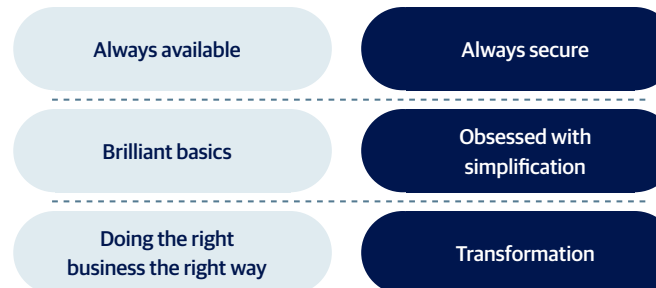
Guiding value creation

Strategy

Our long-term strategy is to deliver our purpose of *“Improving people’s lives by making their financial freedom possible”*. To guide the achievement of this strategy, we adopted the following **strategic value driver** model.

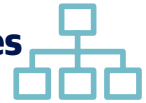


While never losing focus on



Managing value creation

Governance and management structures



Page 18

We manage the value creation process through both governance and management structures. Governance structures are designed to ensure that Liberty, through its employees and financial advisers, acts ethically, is effectively controlled, delivers sustainable financial performance and grows its brand and legitimacy. Management structures focus on our strategic value drivers and responding to identified material matters. Our governance structures and processes are materially aligned to the principles and practices of King IV™.

Remuneration strategy



Page 22

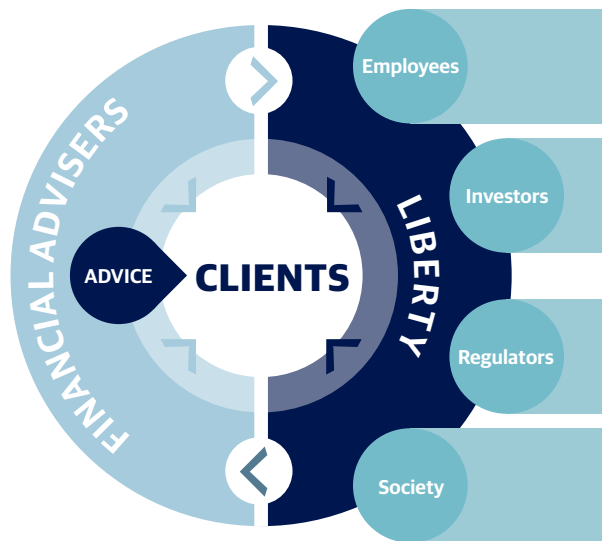
Liberty’s approach to remuneration is to promote the achievement of its strategy, while considering the management of risk, capital and liquidity of the group. It also encourages individual performance through the setting and administration of a group policy that articulates and gives effect to fair, responsible and transparent remuneration. Liberty’s remuneration policy ensures as far as possible that employee and shareholder interests are aligned.

Value creation activities

Relationships

 Page 32

The principal relationships in our business are between client, financial adviser and Liberty. A successful client/adviser relationship sees the client achieving financial freedom through advice and products that meet their needs. Liberty endeavours to empower the adviser to establish, build and sustain these relationships through product development, client and adviser service, and investment performance. Secondary relationships exist between Liberty and other stakeholders, including investors, employees, regulators and civil society.



Risk transfer

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The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences for clients and shareholders. Liberty assumes risks transferred to it by clients and risks from being in business. Liberty's primary capability is to manage insurance risk and other risk types that may impact on the client or Liberty. Just as a client's risk appetite is assessed during the advice stage, the board adopts a risk appetite for Liberty itself. Managing the business within this accepted range is a key element of our value creation journey.



Outputs

ADVICE

An advice philosophy that places the client at the heart and delivers a human, living and outcomes-oriented experience, via the best advisers with smart enablement.

Certainty in uncertain times. Products that provide clients and their dependants with peace of mind and protection from the financial impact of life's unexpected events such as death, disability, critical illness and redundancy.

INSURANCE

INVESTMENT

Investment solutions that allow our clients to reach investment goals, provide for retirement or leave a legacy.

Outcomes

Financial freedom for clients and beneficiaries

Stronger relationships

Engaged and motivated employees

Best in class financial advisers

Enhanced brand and reputation

Sustainable financial returns

Chairman's review

The board continues to support and challenge the group chief executive, David Munro, and his executive team as they focus on building the robust base required to ensure resilience and profitable growth going forward

JACKO MAREE



The year in review

Management's focus in 2019 was on the implementation of the strategy developed over the past two years and the team has made considerable progress in achieving its goals.

Through these efforts, Liberty strives to remain relevant to our clients, adopting new technologies to facilitate the delivery of objective advice, competitive risk and investment solutions, and exceptional client service. We also remain resolute in driving efficiency through simplification, managing risk appropriately, deploying capital effectively and pursuing profitable growth opportunities.

Despite the weak economic and intensely competitive macro environment, the group delivered a resilient operational performance, as reflected in the 10% increase in normalised operating earnings. STANLIB delivered an improved performance and group net external client cash inflows remained strong. Following the adoption of a more focused African strategy, the Kenyan insurance operations also delivered an improved performance. However, overall new business volumes continue to be under strain. Further detail is included in the group chief executive's review which follows.

Annual dividends for 2019 are 3% higher than the previous year. This reflects the board's confidence in the future of the business and the group's strong capital position, which underpins our ability to fulfil our promises to policyholders and other stakeholders.

We continued to adhere to robust governance principles and an external evaluation of the board and board committees did not identify any material shortcomings. We appointed a suitably qualified ethics officer, acting under the sponsorship of the group chief executive.

The board continues to support and challenge the group chief executive, David Munro, and his executive team as they focus on building the robust base required to ensure resilience and profitable growth going forward.

Liberty's founder

We were deeply saddened by the passing of Liberty's founder, Sir Donald Gordon. A tribute to him follows.

Board changes

Santie Botha resigned on 30 April 2019. Angus Band, our lead independent director, Tony Cunningham and Sibusiso Sibisi intend to retire at the end of the May 2020 board meeting. I would like to acknowledge and thank them all for their many years of service and their dedicated contribution to Liberty.

The role of lead independent director will be filled by Yunus Suleman following the retirement of Angus Band.

We welcomed Nick Criticos to the board on 1 September 2019. Nick is an independent non-executive director and adds extensive financial services, actuarial and property experience to the board.

Appreciation

I would like to express my heartfelt thanks to all our advisers and employees for their commitment and energy displayed during the tough conditions of 2019. It is their continued dedication which enables us to build strong long-term relationships with our clients

My thanks go to my fellow board members for their unwavering support, commitment and robust contribution to board and committee deliberations throughout the year.

To our investors, I thank you for entrusting us with your capital. The board and management team are determined to grow shareholder value.

A handwritten signature in black ink that reads "Jacko Maree". The signature is written in a cursive, slightly slanted style.

JH Maree
Chairman

20 March 2020

Tribute to Sir Donald Gordon, the founder of Liberty

Sir Donald Gordon established Liberty in 1957, offering individuals the opportunity to provide for themselves and their families at the end of their working lives or in the event of their death. The company he founded grew to become one of the leading life assurance companies in Africa.



Liberty continues to be guided by the principles Sir Donald set for himself and employees:

- I will remember the humanity in what we do
- I will help people leave a legacy for their families
- I will make Liberty not just our name but what we do

The Liberty community was saddened by Sir Donald's passing at the age of 89 in November 2019.

With Sir Donald at the helm, Liberty achieved numerous firsts for South African life insurers, including:

- The introduction of the first retirement annuity
- The first life assurance company to list on the JSE
- The first life assurance benefits linked to unit trusts
- The first non-racial share incentive scheme
- The first computer-based client needs analysis tool, and
- The medical-lifestyle health policy.

He was one of only a handful of South Africans who built a truly successful international business, transforming the United Kingdom's retail shopping landscape.

The South African Sunday Times named Sir Donald Businessman of the Year in 1968. He was also awarded honorary doctorates from the universities of the Witwatersrand and Pretoria. In 1999 he was named "The Achiever of the Century in South African Financial Services" by the Financial Mail, the leading South African business journal, and in 2000 he received a Special Award for Lifetime Achievement at the Entrepreneur of the Year Awards.

His legacy will live on, not only through Liberty as we continue to apply his principles and strive for financial freedom for all, but through his philanthropic contributions, both in South Africa and the United Kingdom.

Sir Donald was the founder and benefactor of The Donald Gordon Foundation, established in 1971. It is one of South Africa's largest and oldest private foundations. In 2002, Sir Donald endowed the University of the Witwatersrand to enable the establishment of the first private academic hospital in the country. The Wits University Donald Gordon Medical Centre was established to respond to the need to train more sub-specialists in South Africa.

The Gordon Institute of Business Science (GIBS), an affiliate of the University of Pretoria, was established in January 2002 following a donation from Sir Donald.

Although South African by birth, Sir Donald made considerable donations to British institutions and other charities including the Royal Opera House and the Welsh Millennium Centre.

In June 2005 he was awarded a knighthood in recognition of his services to the arts and business.

Significant were Sir Donald's many small acts of kindness, generosity and humanity that went largely unnoticed except for the people directly impacted by them. He lived a full and meaningful life, making a difference to the lives of many.

Group chief executive's review

**Resilient performance
in a tough operating
environment, while
committed to and
investing for the
future**

DAVID MUNRO



Reflections on 2019

In 2019, Liberty continued to fulfil its promises to clients and support them through their life journeys. We paid R10,5 billion in death and disability claims, R7,8 billion in annuity payments, insured over six million lives and continued to provide the highest standard of advice through more than 3 400 tied financial advisers. We continued to underwrite more than 1,6 million policies in the emerging consumer sector (including funeral and credit life policies) through our relationship with Standard Bank. While these benefit payments to both clients and their beneficiaries have immeasurable value, they also represent a material contribution to the economy. The in-force policies are often used to facilitate funding for home and other life-enhancing acquisitions. At STANLIB, our asset management subsidiary, we manage nearly R600 billion of clients' wealth which they wish to preserve and grow.

It is pleasing to report that in 2019 we made important and measurable progress in responding to the challenges facing our South African long-term insurance business, including developing and deploying the pilot of an adviser workbench to support advisers in providing advice and growing their businesses. We redesigned our independent financial and Standard Bank adviser channels to improve the level of service we provide to these important representatives of Liberty. We improved the level of client service within the SA Retail business and introduced technology in support of client service levels. We enhanced several products for our clients, including the introduction of a wellness bonus on our market-leading Lifestyle Protector and launched the Liberty Advanced Global Equity Tranches 2 and 3 portfolios on the Evolve Investment Plan. Through these efforts, we have delivered quantifiable improvements for clients and advisers. More subjectively, relationships with clients, advisers and employees have all improved over the course of 2019.

The South African economic climate contributed to challenging operating conditions in 2019. While consumers remained under pressure, life insurance spend and saving for the future continued to drop down the consumption curve relative to other purchases. We continued to see policy cancellations and encashments to enable clients to meet their monthly obligations. So, despite our best efforts, we continued to experience low sales volume and margin growth within our SA Retail business. High levels of mortalities in the second half of the year also impacted our operating results.

We continued interventions to address shortcomings at STANLIB, resulting in the stabilisation of the operations and finance platforms. Overall fund performance continued to improve and while our equity performance is good we remain focused on strengthening our South African equity capability. Strong net customer cash flows were maintained, particularly in the fixed income franchise. In partnership with Standard Bank, we launched the Invest passive investment platform.

Through new Ways of Working and Agile teams, we implemented key technologies that better enable advisers and clients. Robotic automation technologies improved work processes for employees and supported the management of key human capital processes. We entered into agreements with international technology vendors to advance our technology, cybersecurity and transition to the Cloud. This was undertaken in close cooperation with Standard Bank technology teams, just one of the instances where Liberty and Standard Bank continue to cooperate more closely.

Liberty Corporate, which is focused on employee benefits and group schemes, released a new investment proposition to meet regulatory requirements for default portfolios and annuities. With the introduction of innovative tracing mechanisms, the business unit located more than 25 000 beneficiaries to whom benefits totalling more than R126 million were paid from the unclaimed benefit fund. Liberty continues to commit substantial resources to addressing the challenge of unclaimed benefits and the rehabilitation of funds.

The board approved a more focused African strategy, with its primary focus on the existing Kenyan operations. This clarity and added focus resulted in improved performances from both the short- and long-term insurance subsidiaries based in Nairobi. We successfully sold our STANLIB operations in Ghana and Botswana, and continued our efforts to sell or close several of the smaller STANLIB operations in southern and East Africa. The planned disposal of the health business in Africa has taken longer than expected and we continue to consider alternative approaches to this matter.

Although voluntary employee turnover remained below our target of 14% we continued to experience the impact of high demand for experienced staff, especially from previously disadvantaged groups. Our many interactions and engagements with employees during 2019

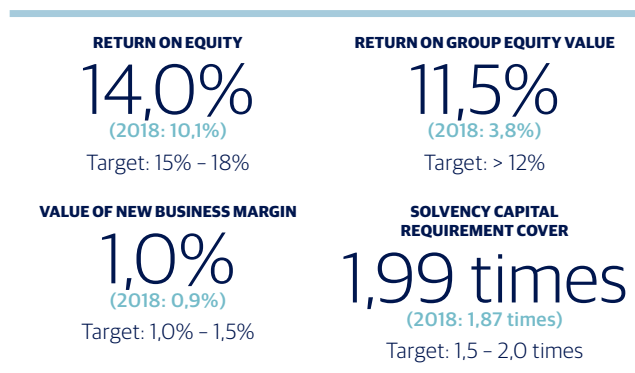
Group chief executive's review continued

resulted in improved morale. The continued contraction of the overall workforce at middle and senior management levels saw Liberty fall short of its transformation targets.

Liberty Two Degrees (L2D) performed well in a difficult trading environment. L2D's focused South African retail strategy was validated by a good trading performance in the core retail property portfolio, with low retail vacancy rates and positive trading density growth.

Financial overview

In 2017 we chose four primary metrics against which to measure our financial performance. Performance against these targets in 2019 is summarised below.



Normalised operating earnings of R2 201 million for the year ended 31 December 2019 were 10% up on 2018, reflecting a good operational performance, particularly in STANLIB South Africa, the Africa regions continuing businesses and the South African insurance operations. The shareholder investment portfolio earnings of R1 004 million benefited from improved investment market returns, particularly in respect of foreign and local equities. Normalised headline earnings of R3 205 million were 42% up on the previous year. Annualised return on equity was 14,0%, compared to 10,1% in 2018.

The return on group equity value increased to 11,5% from 3,8% in 2018. The increase was mainly attributable to higher investment market returns and a substantially improved performance from STANLIB South Africa.

The value of new business margin improved from 0,9% to 1,0%. This outcome was mainly attributable to product enhancements and margin management supported by continued cost discipline.

The solvency capital requirement cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,99 times at 31 December 2019 is at the upper end of the target range and underpins our ability to fulfil our promises to policyholders and other stakeholders.

Plans and expectations for 2020

Our five strategic value drivers will continue to anchor our strategic themes and initiatives in 2020. We will continue to invest in, and improve, the client and adviser experience to drive client and adviser satisfaction, loyalty and new business. We will also look to improve the workplace experience for our employees, providing them with tools, support and rewards to encourage productivity and motivation. We will manage our financial and other resources responsibly in an environment centred on risk management and ethical behaviour. Through these actions we will achieve our financial goals while making a positive impact on society, the environment and the economies where we operate.

Our goals for 2020 are consistent with those set for 2019, but have been refined to link to the value driver model:

Drive client and adviser experience, through:

- Continuing to improve service levels
- Investing in digital tools that improve adviser productivity and client experience
- Implementing the revised advice philosophy
- Simplifying our complex legacy processes, and client offerings, and
- Continuing the transformation of our various channels, including the implementation of direct and online offerings.

Continue to manage our financial resources, reputation, control and compliance environments in a responsible manner.

Improve our employee experience, through continued focus on:

- Cascading our culture palprint
- Leveraging the Growth Mindset initiatives, and
- Transformation of our workforce.

Maintain our focus on and commitment to making a positive impact on society, through:

- Continuing to allocate resources to unclaimed benefits and pension fund rehabilitation
- Supporting financial literacy
- Promoting the advancement of Maths and Science for high school learners, and
- Maintaining our ESG commitments.

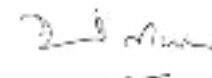
Each business unit has specific goals that, if achieved, will contribute to the continued success of Liberty as a whole.

The Liberty of the future that we currently envisage will be built on these foundations. We see the power of digital platforms and smart tools augmenting the power of our existing human-to-human engagement models of doing business, improving the advice process and simplifying the choices that need to be made. We aim to work with partners to add to our own offerings those adjacent services that clients would find valuable and logical given their engagement with us. In so doing, we look to a future where we make it possible for our clients to be the authors of their own life stories, to live their best lives.

Appreciation

Once again, I would like to thank our employees and advisers for their continued support. In 2019 we continued to lay the foundations for a sustainable future for Liberty. It was a year of change, with new technology, new structures and new products. We achieved much of what we set for ourselves, and at the end of the year, while much remains to be done, Liberty was more resilient than at the beginning of the year. This is thanks to the efforts of our advisers and employees, and the ongoing support of our clients.


Finally, the passing of our founder, upon whose principles we continue to run our business, reinforced for me the privilege of leading our company as we strive to deliver our purpose of improving people's lives by making their financial freedom possible.



D Munro
Group chief executive

20 March 2020

Our board of directors

 More details of our governance and remuneration frameworks, our risk management, and remuneration of directors and prescribed officers are available from page 18.

 Refer to the full governance report for the annual reports of the committees, including details of their focus areas for 2019 and into the future.



Jacko Maree ⁽⁶⁴⁾
NON-EXECUTIVE CHAIRMAN
Appointed: 2015

4

REMCO DAC SET GITC STC



Angus Band ⁽⁶⁷⁾
LEAD INDEPENDENT DIRECTOR
Appointed: 2008

11

REMCO GAAC DAC SET STC RPC



David Munro ⁽⁴⁸⁾
GROUP CHIEF EXECUTIVE
Appointed: 2017

2

SET GITC



Nick Criticos ⁽⁶¹⁾
INDEPENDENT DIRECTOR
Appointed: 2019

<1

GAC GRC



Tony Cunningham ⁽⁶⁴⁾
INDEPENDENT DIRECTOR
Appointed: 2009

10

GAAC GAC GRC



Monhla Hlahla ⁽⁵⁶⁾
INDEPENDENT DIRECTOR
Appointed: 2012

7

SET



Nooraya Khan ⁽⁵⁰⁾
INDEPENDENT DIRECTOR
Appointed: 2017

2

GAAC GRC REMCO



Yuresh Maharaj ⁽⁴²⁾
FINANCIAL DIRECTOR
Appointed: 2018

1

GRC



Simon Ridley ⁽⁶⁴⁾
NON-EXECUTIVE DIRECTOR
Appointed: 2018

1

GRC GITC



Carol Roskrige Cele ⁽⁴⁷⁾
INDEPENDENT DIRECTOR
Appointed: 2016

3

SET GITC



Sibusiso Sibisi ⁽⁶⁴⁾
INDEPENDENT DIRECTOR
Appointed: 2008

11

GRC DAC GITC



Thembisa Skweyiya ⁽⁴⁶⁾
INDEPENDENT DIRECTOR
Appointed: 2018

1

SET

 *Angus Band, Tony Cunningham and Sibusiso Sibisi will retire as directors at the May 2020 board meeting. Yunus Suleman will replace Angus Band as lead independent director. Consequential changes to committee membership and chairmen are provided in the Governance at Liberty report.*

Our board of directors continued



Yunus Suleman ⁽⁶²⁾
INDEPENDENT DIRECTOR
Appointed: 2015

4

GAAC DAC GAC GRC STC



Jim Sutcliffe ⁽⁶³⁾
INDEPENDENT DIRECTOR
Appointed: 2009

10

REMCO GAAC GAC GRC RPC



Sim Tshabalala ⁽⁵²⁾
NON-EXECUTIVE DIRECTOR
Appointed: 2013

6

REMCO DAC STC



Howard Walker ⁽⁵⁸⁾
INDEPENDENT DIRECTOR
Appointed: 2018

1

GAC GRC

- Non-executive director
- Independent non-executive director
- Executive director

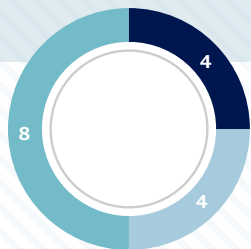
(**) Denotes age as at 31 December 2019

- REMCO** Remuneration committee
- GAAC** Group audit and actuarial committee
- GAC** Group actuarial committee
The GAC is a subcommittee of the GAAC
- GRC** Group risk committee
- DAC** Directors' affairs committee
- SET** Social, ethics and transformation committee
- GITC** Group information technology committee
- STC** Significant transactions committee
- RPC** Related party committee

Committee chairman

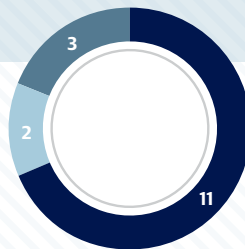
Completed years of service on the Liberty Holdings Limited board

Board demographics



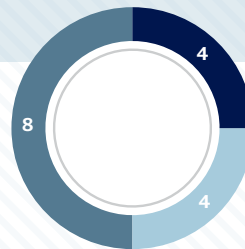
- Black female
- Black male
- White male

Independence



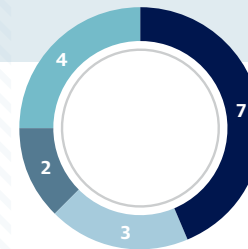
- Independent directors
- Executive directors
- Non-executive directors

Age



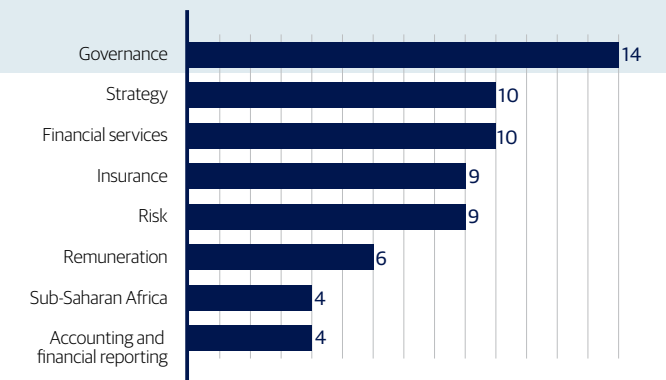
- 40 – 49 years
- 50 – 59 years
- 60 – 69 years

Tenure of non-executive directors



- < 3 years
- 3 – 5 years
- 6 – 8 years
- > 8 years

Liberty director primary skills matrix



Governance, risk and remuneration frameworks

Liberty's governance is steered by a governance framework which sets out the principles, practices and guidance to facilitate effective and efficient management of the business.

Effective corporate governance within an ethical environment creates value for all stakeholders through:

Enhanced understanding of risk

Balancing upside opportunities with the cost of risk

Allocation of capital to value-accretive activities

Legitimacy through ethical leadership

Brand and reputational coherence through responsible behaviour

An inclusive approach to business

Ethical culture

Leadership, ethics and corporate citizenship

The board subscribes to the highest levels of professionalism and integrity in conducting Liberty's business and in dealing with stakeholders.

Liberty has a board-approved code of ethics which has been communicated to all internal stakeholders.

Liberty's group chief executive, David Munro, was appointed as Liberty's ethics champion. The executive in charge of sustainability completed ethics officer training through the Ethics Institute and was appointed Liberty's permanent ethics officer.

The board oversees and monitors the consequences of the group's activities and outputs, and its status as a responsible citizen.

Liberty's compliance with legislation, applicable standards and adherence to its own policies is monitored through the management and compliance committee (a management committee). The social, ethics and transformation committee of the board monitors the overall responsible corporate citizenship performance and ethical culture of the group.

Good performance

Strategy, performance and reporting

The board is responsible for the overall strategic direction of the group and is required to oversee the implementation of Liberty's business objectives and strategies, within its risk strategy and appetite, in line with its long-term interests.

The board considers the impact of strategic actions on financial targets, the planned risk profile and capital demand and supply. Business units determine and implement operational strategies.

Business performance measurement involves the calculation of the key performance metrics, used by stakeholders, to determine whether management has successfully implemented the strategy. Performance is assessed against targets, which incorporate assessments of risk, established through the strategic planning process.

The board oversees the preparation of all Liberty Holdings Limited and Liberty Group Limited reports that are publicly available, ensuring they present material information in an integrated manner, providing users with a holistic, clear, concise and understandable view of Liberty's performance in terms of sustainable value creation in the social, economic and environmental context within which it operates.

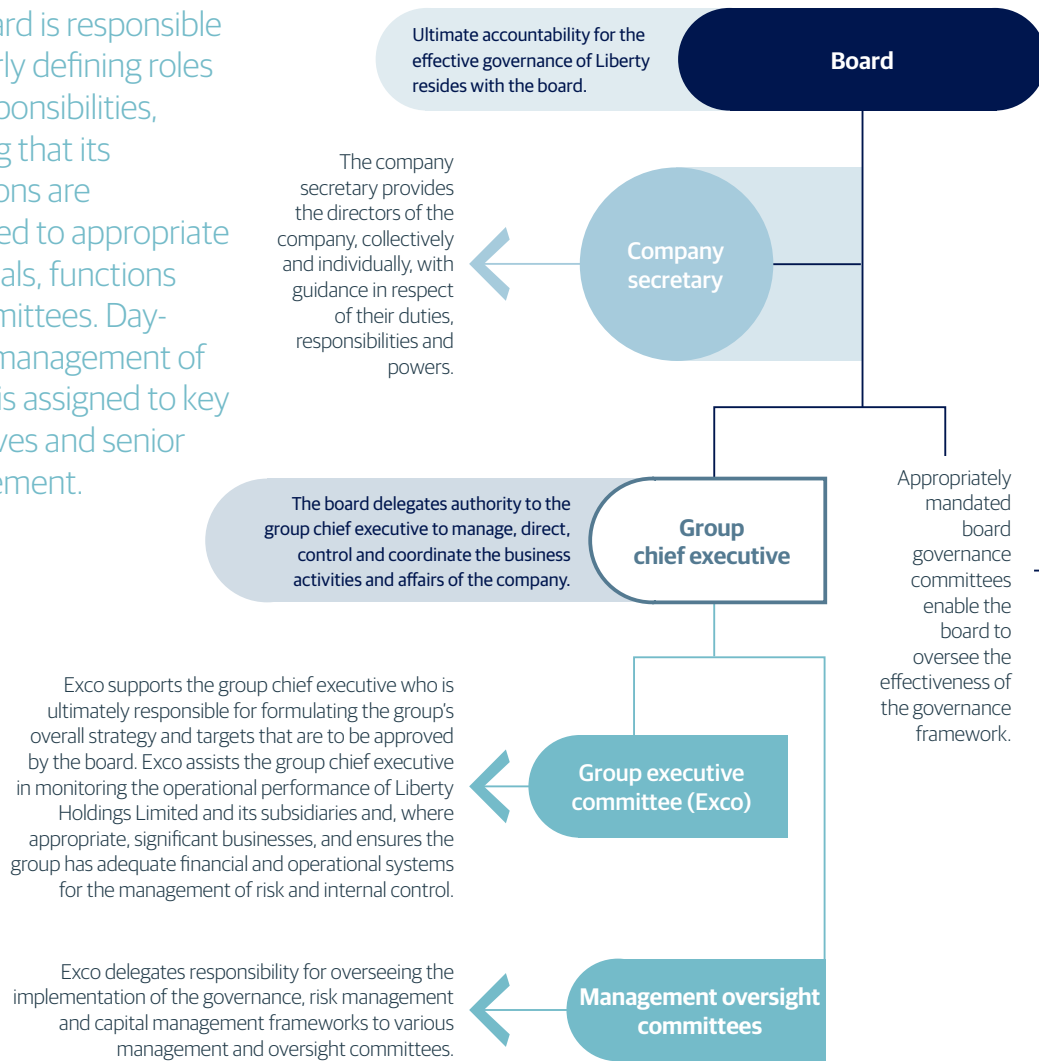
Governing structure and delegation

Liberty has a transparent organisational structure in place with clear allocation and appropriate segregation of responsibilities that sets the high-level direction, and measures performance against that direction.

Governance, risk and remuneration frameworks continued

Our governance and leadership structure

The board is responsible for clearly defining roles and responsibilities, ensuring that its obligations are delegated to appropriate individuals, functions or committees. Day-to-day management of Liberty is assigned to key executives and senior management.



| Committee | Description of key tasks and responsibilities |
|---|--|
| Remco Group remuneration committee | <ul style="list-style-type: none"> Responsible for formulating remuneration strategies and policies and monitoring the implementation of such policies |
| GAAC Group audit and actuarial committee | <ul style="list-style-type: none"> Provides oversight on the financial, actuarial, audit and regulatory reporting processes, the combined assurance process and its effectiveness, the system of internal controls and compliance with laws and regulations |
| GAC Group actuarial committee | <ul style="list-style-type: none"> Oversees the technical actuarial aspects of the GAAC's work Assists the GAAC with discharging its actuarial compliance-related obligations and the statutory review of material reporting to the Financial Sector Conduct Authority |
| GRC Group risk committee | <ul style="list-style-type: none"> Provides the board with oversight relating to risk, control and capital matters Reviews the group's risk and capital philosophy, strategy, policies and processes recommended by the group control and risk oversight committee (a management committee) |
| DAC Directors' affairs committee | <ul style="list-style-type: none"> Manages, oversees and reviews the composition, structure and effectiveness of the board and its committees Responsible for determining and evaluating the adequacy, effectiveness, efficiency and appropriateness of the group's governance structure, practices and processes in line with regulatory requirements |
| SET Social, ethics and transformation committee | <ul style="list-style-type: none"> Manages Liberty's stance on transformation, social and economic development, client fairness, ethical conduct, good corporate citizenship, sustainability, the impact of brand, marketing and stakeholder management |
| GITC Group information technology committee | <ul style="list-style-type: none"> Provides guidance on matters relating to the strategy, operations, policies and controls of the group to drive technology and digitalisation as a key strategic initiative for the group Oversees the design, implementation and execution of IT and data management practices |
| STC Significant transactions committee | <ul style="list-style-type: none"> Evaluates significant acquisitions, disposals, investments, credit arrangements and related party transactions |
| RPC Related party committee | <ul style="list-style-type: none"> Oversees transactions between Liberty, L2D and Standard Bank Group to ensure that rights of minority shareholders are protected |

Governance, risk and remuneration frameworks continued


Ultimate accountability for the effective governance of Liberty resides with the board.

The group has a unitary board, which is considered effective and appropriate for the size of the group. We believe that the board's composition is both qualitatively and quantitatively balanced in terms of skills, race, gender, experience, tenure and independence.

There is a clear division of responsibilities and no one director has unfettered powers, ensuring there is an appropriate balance of power.

The effectiveness of the board and its committees is assessed regularly. An external board evaluation commenced at the end of 2018, and feedback was provided to the directors' affairs committee and the board in May 2019. No significant shortcomings were identified.

Appropriately mandated governance committees enable the board and management to oversee the effectiveness of the governance framework.

 Refer to the full governance report for more information on the group's governance committees, including a description of their key tasks and responsibilities.

The board ensures that clearly defined roles and responsibilities are in place. The day-to-day management of Liberty is allocated to key executives and senior management.

Liberty's responsible persons are fit and proper, having the necessary competence and integrity to fulfil their respective roles. A fit and proper policy is in place.

The chairman, Jacko Maree, is not classified as independent in terms of governance best practice criteria due to him holding the position of deputy chairman of Standard Bank Group Limited and thus, as recommended by King IV™ and in compliance with the JSE Listings Requirements Regulation 3.84(c), Angus Band continues in the role of lead independent director.

The board recognises that the function of the lead independent director is to provide leadership and advice to the board when the chairman has a conflict of interest, without detracting from or undermining the authority of the chairman.

 Refer to pages 16 and 17 for details of Liberty's current directors and a summary of the board's composition.

The duties of individual board members include



Effective control

Governance functional areas

Risk management

The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is the key element of our value creation journey.

The risk management system is an integral part of Liberty's overall governance, management, reporting processes, policies and culture.

Liberty's risk philosophy is to ensure sustainable growth of its business, by encouraging profitable risk-taking while operating within its approved risk appetite.

Liberty's risk preferences

Risks that the group actively seeks as a result of being in the business of underwriting and managing risks – all of which are viewed as **value-enhancing**

Risks that are not actively sought, but arise as a consequence of being in business and which are managed to an acceptable level to **protect value**

Risk strategy

Liberty's approach to risk management places consideration of risk as a focal point in business activities. It enables the business to make informed risk-based decisions and manage expected returns by selecting the risks it is willing to assume.

Governance, risk and remuneration frameworks continued

Risk environment

Liberty's significant risk categories are strategic and business, insurance, market, credit, liquidity, operational, business conduct, and legal and compliance. Management continues to drive actions to enhance the control environment and the value of new business as well as to deal with the risks the business is facing.

The group's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board.

The group's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to reputation and conduct.

Reputation

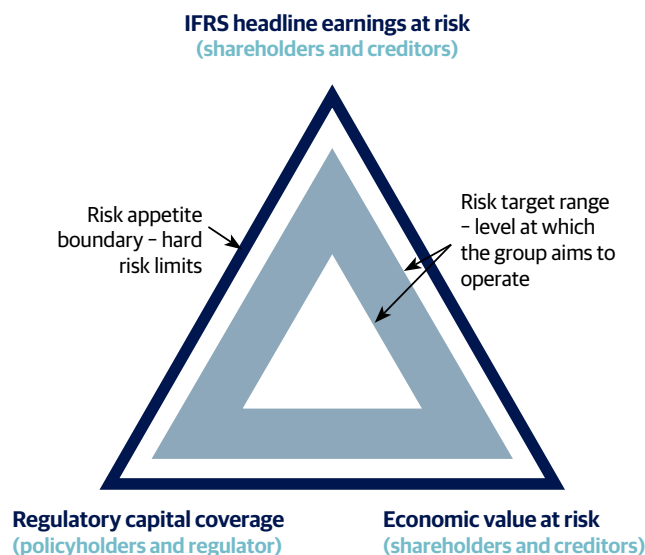
We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty today and into the future. We proactively protect and uplift the Liberty brand in all our interactions.

Conduct

We place the client at the heart of everything we do and operate in a manner where fair play and ethical behaviour underpin all our business activities and relationships. We have no appetite for deliberately and knowingly breaching legislative, regulatory and internal policy requirements.

Risk appetite and risk target

The group's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board. The group risk appetite contains statements which express the quantitative limits for measurable risks that can be taken by the business as well as qualitative definitive constraints on acceptable and unacceptable behaviour in pursuit of business objectives.



Risk identification, assessment and measurement

Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a top-down process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view.

The business performs regular and robust risk quantifications to measure the risk profile at an aggregate level, per legal entity, per business unit and at a material risk type level to ensure that the business is being managed within risk limits and risk appetite and close to the risk target range.

Top risks

Page 28

Top risks are elevated, material risks that may materialise within a relatively short time frame and that are currently on the minds of the board of directors and executives.

Emerging risks

Emerging risks are trends or conditions that could significantly impact the institution's financial strength, competitive position or reputation in the longer term (> five years). These involve a high degree of uncertainty and generally present opportunities as well as risks.

Risk management

Liberty has adopted an enterprise risk management (ERM) approach. Liberty's risk framework is substantially based on the ERM principles embodied in the Solvency Assessment and Management (SAM) framework.

The board is ultimately accountable for the effective governance of risk management. The board delegates its oversight and responsibilities in terms of the three lines of defence risk governance model.

Once the level of risk that Liberty is willing to take has been set by the board and the risks ranked and prioritised, management (the first line of defence) is able to determine the mitigation strategy deemed to be most effective. Mitigants used depend on the risk type. The mitigants are subject to oversight by the second line of defence, and controls are audited by the third line.

Governance, risk and remuneration frameworks continued

IT governance

The group information technology committee (GITC) discharges the board's accountability for the governance of information technology and data.

The group chief information officer drives the group-wide implementation of effective governance practices, with Exco providing management oversight over all group IT initiatives.

The GITC also provides input to the group risk committee regarding IT risk items.

Compliance

The board delegates responsibility for compliance to management and monitors this through the compliance control function. Oversight of compliance risk management is delegated to the group audit and actuarial committee, which reviews and approves the mandate of the group compliance officer (GCO). The GCO provides a quarterly report on the status of compliance risk management within the group and significant areas of non-compliance, and provides feedback on interaction with regulators.

During 2019, Liberty was compliant in all material respects with the requirements of the Companies Act, 71 of 2008, the Companies Act Regulations, the Insurance Act, 18 of 2017, the Prudential Authority Governance and Operational Standards for Insurers and the Listings Requirements of the JSE Limited.

Following the resignation of the chairman of the board as chairman of the social, ethics and transformation committee on 1 December 2019, Liberty is now fully compliant with King IV™.

Financial capital management

The financial capital management strategy ensures that financial capital is deployed to initiatives that maximise value for the group while remaining within risk appetite. Financial capital is deployed to each legal entity such that the available capital exceeds the statutory capital requirement with appropriate buffers to manage the group within its risk appetite. The capital buffer is managed to support risk target levels, strategic initiative requirements and the dividend policy of the group.

Human capital

Liberty strives for a culture where each employee takes accountability and responsibility for ensuring that the right business is done in the right way and that financial resources are managed responsibly. This is purposefully influenced by setting the tone at the top and having values, ethics and practices to assist in the achievement of our purpose and vision. People practices, related legislation, policies, procedures and processes are aligned for the benefit of the employee value proposition.

Remco ensures that the remuneration practices and policy support the delivery of the business strategy. The committee recommends policy and monitors its implementation. It exercises its board mandate through interaction with shareholders, board members, external consultants, Standard Bank Group and management.

Liberty has an established remuneration policy and set of procedures, approved by the board and endorsed by shareholders. The standards and practices drive appropriate decision-making and behaviours, in line with business strategy, risk management practices and long-term group-wide interests.

Executives, managers and employees are remunerated in proportion to the value they contribute to the organisation and the value they create for its stakeholders. Liberty's approach to remuneration is to promote the achievement of its strategic objectives and encourage individual performance through fair, responsible and transparent remuneration.

The remuneration policy and implementation report are tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting. Shareholders are the ultimate authority for equity-settled remuneration schemes and non-executive directors' fees.

Executive directors are required to maintain vested shareholdings with a value of a multiple of their guaranteed annual package. Executives have a phase-in period to align to the holding requirement. Any vested shares are to be held until these minimum holding levels are met.

Remuneration structures

Liberty's remuneration structures are designed to attract and retain talent at all staff levels, with an appropriate mix between fixed and variable pay. Remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk taking outside the board-approved risk mandates.

All employees have some level of variable pay. Long-term service agreements are not entered at senior management level and notice periods do not exceed three months.

The primary role of variable remuneration is to drive performance within risk appetite, retain key employees and ensure alignment between executives, shareholders and clients.

Annual performance contracts exist for every role, defining and clarifying the objectives and outputs required of each person. Performance contracts and incentive structures identify and clarify measurable (financial and non-financial) deliverables and indicators against which performance can be measured over defined periods. Formal reviews of these performance contracts take place to ensure transparency in performance feedback, to identify development needs and to determine corrective action where appropriate.


Remuneration of tied agents


Tied agents are exclusively contracted to and managed by Liberty. Their remuneration structures are based on set commission rules linked to the quality, quantum and mix of products sold. Included in the

Governance, risk and remuneration frameworks continued

commission rules are clawback provisions, which apply if policies or investment contracts lapse within prescribed periods from sale date. Various client retention, quality and volume incentives are offered to assist in achieving sales and client retention targets.

Based on performance and grading, certain tied agents in South Africa qualify for either a cash-settled unit scheme linked to Liberty Holdings' share price payable after three years. Awards under these schemes are used as retention schemes and are conditional on remaining contracted with the group and minimum performance criteria.

 Refer to pages 24 to 27 of this report for detailed information regarding remuneration paid to directors.

 A full remuneration report as recommended by King IV™ is available at www.libertyholdings.co.za/investor.

Monitoring and control

Liberty has adopted best practice monitoring and control mechanisms by implementing the three lines of defence governance and combined assurance model. As such, responsibility for governance and oversight is allocated throughout the organisation.

The group internal audit control function periodically audits all functional areas.

Combined assurance

Liberty's combined assurance model is aligned to the roles and responsibilities as articulated in the three lines of defence risk governance model. There is regular communication between business unit management, heads of control functions as well as independent assurance providers, including internal and external audit.

Combined assurance provides the board with comfort that the enterprise risk management and risk governance model are operating efficiently and effectively to manage risk within Liberty.

 Refer to the full governance report for more information on governance at Liberty and our application of King IV™.

Legitimacy

Stakeholder relationships

Through stakeholder engagement and collaboration, Liberty is committed to understanding and being responsive to the interests and expectations of all stakeholders and partnering with them in finding lasting solutions to sustainability challenges. The social, ethics and transformation committee oversees and monitors how Liberty's operations and activities affect its status as a responsible corporate citizen.

Proactive, ongoing stakeholder engagement is increasingly integrated into Liberty's business practices. Stakeholder management is viewed as a risk mitigation function and more importantly, one that seeks to create shared value for the broader society while addressing the needs and expectations of key stakeholders.

Liberty's stakeholder management framework provides guidance on how we engage with our various stakeholders, that the appropriate governance is in place and ensures that all stakeholder engagements across the group are aligned with Liberty's organisational philosophy, brand ethos, values, material matters and overall business strategy.



Summary of remuneration of directors and prescribed officers¹

The weighted group financial performance result measured against the set financial targets in respect of the short-term incentive scheme delivered 74,9% achievement of target. This reflects an improved performance on the 66,9% of target achievement in 2018.

Remuneration in 2019

The group showed improved results for 2019 which can be summarised as below:

- Normalised headline earnings increased by 42% largely as a result of better returns from our shareholder investment portfolio benefiting from improved market performance
- Normalised operating earnings increased by 10% year-on-year mainly due to improved contributions from STANLIB South African and Liberty Africa Insurance
- Given the weak macro-economic environment, new business volumes remained under pressure in the South African retail business. We continued to implement mitigating measures to increase new business sales through enhancing our client and adviser experiences, our product offering and stringent cost management
- Group net external third party client cash flows increased year-on-year supported mainly by good STANLIB South Africa third party cash flows driven by institutional support for money market funds, and
- Importantly, we remained well capitalised.

Changes to remuneration in 2019

The ongoing forfeiture of past awards due to cumulative financial performance conditions not being met has required the revision of the long-term incentive scheme to address retention risk. The Performance Reward Plan (PRP) was introduced to incentivise management to pursue the achievement of strategic results. The PRP design ensures alignment between management and shareholder interests by using normalised return on IFRS equity and normalised return on group equity value as performance conditions of the plan.

Executive directors' remuneration

The short-term incentive is conditional on the achievement of two sets of performance criteria, a financial component linked to group financial targets and a non-financial component linked to individual performance scorecards.

The weighted group financial performance result measured against the set financial targets in respect of the short-term incentive scheme delivered 74,9% achievement of target. This reflects an improved performance on the 66,9% of target achievement in 2018.

An assessment against the individual performance KPIs for both the group chief executive and the financial director delivered a fully achieved result.

Under the PRP, the group chief executive and financial director were awarded long-term incentives of R13,5 million and R6,5 million respectively. These awards are subject to performance conditions which were approved by Remco in 2019 relative to the performance periods of 2020 to 2023. Conditions include a minimum threshold to achieve any vesting, a target and a stretch target, with interpolation between targets.

Interest of directors, including their families, in the share capital of Liberty

| | Number of shares | |
|-------------------------------------|------------------|----------------|
| | 2019 | 2018 |
| Executives' shareholding | | |
| DC Munro | 90 037 | 88 806 |
| Y Maharaj | 4 051 | 2 384 |
| | 94 088 | 91 190 |
| Non-executives' shareholding | | |
| SL Botha | | 5 335 |
| JH Maree | 100 000 | 100 000 |
| T Skweyiya | 455 | |
| JH Sutcliffe | 4 000 | 4 000 |
| SK Tshabalala | 43 000 | 43 000 |
| | 147 455 | 152 335 |
| Total | 241 543 | 243 525 |

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Group Limited's 53,6% (2018: 53,6%) interest in the issued ordinary share capital of Liberty, JH Maree and SK Tshabalala being directors of both Liberty and Standard Bank Group Limited had in aggregate an indirect beneficial and non-beneficial interest of 153 461 712 (2018: 153 461 712) ordinary shares in Liberty at 31 December 2019.

 A full remuneration report is available at www.libertyholdings.co.za/investor.

¹ The Companies Act and associated regulations introduced the concept of prescribed officers and related remuneration disclosure. The directors' affairs and remuneration committees considered the Act and obtained legal opinion. These committees assess the prescribed officer definition annually from a specific company rather than a group perspective. During 2019, David Munro and Yuresh Maharaj were assessed as meeting the prescribed officer definition for Liberty Holdings Limited in line with policy. Their remuneration details are detailed in this section.

Summary of remuneration of directors and prescribed officers continued

| R'000 | 2019 | | 2018 | |
|--|---------------|---------------|---------------|------------------------|
| | DC Munro | Y Maharaj | DC Munro | Y Maharaj ¹ |
| Single figure disclosure | | | | |
| Fixed remuneration ² | 7 844 | 4 023 | 7 771 | 3 645 |
| Cash portion of package | 7 001 | 3 464 | 6 938 | 3 115 |
| Other benefits | 184 | 95 | 182 | 183 |
| Retirement contributions | 659 | 464 | 651 | 347 |
| Variable remuneration awards ^{3,4} | 8 815 | 4 672 | 8 119 | 3 985 |
| Cash | 6 139 | 3 570 | 5 983 | 3 055 |
| Restricted share plan | 2 676 | 1 102 | 2 136 | 930 |
| Long-term awards | 2 175 | 878 | 498 | 630 |
| Equity growth scheme ⁵ | 1 529 | | | |
| Restricted share plan ⁶ | | 207 | | |
| Dividends | 646 | 671 | 498 | 630 |
| Total remuneration | 18 834 | 9 573 | 16 388 | 8 260 |
| Additional disclosure | | | | |
| Fixed remuneration ² | 7 844 | 4 023 | 7 771 | 3 645 |
| Cash portion of package | 7 001 | 3 464 | 6 938 | 3 115 |
| Other benefits | 184 | 95 | 182 | 183 |
| Retirement contributions | 659 | 464 | 651 | 347 |
| Variable remuneration awards ^{3,4} | 8 815 | 4 672 | 8 119 | 3 985 |
| Cash | 6 139 | 3 570 | 5 983 | 3 055 |
| Restricted share plan | 2 676 | 1 102 | 2 136 | 930 |
| Long-term awards | 13 500 | 6 500 | 15 000 | 7 079 |
| Performance reward plan ⁷ | 13 500 | 6 500 | 15 000 | 7 079 |
| Total | 30 159 | 15 195 | 30 890 | 14 709 |
| Accrued and settled | 13 983 | 7 593 | 13 754 | 6 700 |
| Deferred in terms of short-term incentives policy ³ | 2 676 | 1 102 | 2 136 | 930 |
| Deferred in terms of long-term incentives policy ⁷ | 13 500 | 6 500 | 15 000 | 7 079 |

¹ Appointed as finance director on 12 February 2018.

² Fixed remuneration includes all guaranteed amounts and value of benefits granted only conditional to services rendered to Liberty. Generally fixed remuneration is adjusted annually for inflation and market conditions effective 1 April each year.

³ Variable awards are performance based and referenced to the guaranteed package in the month of the award being granted. Deferred portions of awards are allocations of restricted shares under the conditions of the restricted share deferred bonus scheme.

⁴ Short-term incentives were approved based on the group results for the 2019 financial year and payable in the 2020 financial year. Incentives are calculated as a percentage of total guaranteed package as at 31 December 2019. Comparatives have been calculated on a similar basis.

⁵ The first tranche of the 2017 Equity Growth Scheme award was assessed against the financial performance of 2019. A 25% partial vesting was achieved.

⁶ Mr Y Maharaj had three tranches of long-term restricted share plan awards vesting relating to the financial performance of 2019. Two of these tranches were forfeited due to the performance condition not being met and a 25% partial vesting of the first tranche of the 2017 award was achieved.

⁷ The awards are fully subject to vesting conditions and performance conditions which were approved by the remuneration committee in February 2020 and 2019 in order to align to the performance periods of 2019 and 2018. Conditions include a minimum threshold to achieve any vesting, a target and a stretch target, with interpolation between targets.

Summary of remuneration of directors and prescribed officers continued

Directors' remuneration (single figure disclosure)

| Directors ¹ (R'000) | Executive directors of LHL and LGL | Non-executive directors of LHL and LGL | Committee fees | Ad hoc fees | Directors of STANLIB Limited | Directors of Liberty Two Degrees Limited | Total Liberty group | Other Standard Bank Group ¹ | Total remuneration |
|---|------------------------------------|--|----------------|-------------|------------------------------|--|---------------------|--|--------------------|
| 2019 | | | | | | | | | |
| JH Maree ² (chairman) | | 2 894 | | | | | 2 894 | 1 753 | 4 647 |
| AWB Band (lead independent director) | | 935 | 604 | 26 | | 903 | 2 468 | | 2 468 |
| SL Botha (resigned 30 April 2019) | | 115 | 159 | | | | 274 | | 274 |
| N Criticos (appointed 1 September 2019) | | 115 | 96 | | 45 | | 256 | | 256 |
| AP Cunningham ³ | | 2 661 | | | | | 2 661 | | 2 661 |
| MW Hlahla | | 347 | 102 | | 180 | | 629 | | 629 |
| N Khan | | 347 | 425 | | | | 772 | | 772 |
| Y Maharaj | 9 573 | | | | | | 9 573 | | 9 573 |
| DC Munro | 18 834 | | | | | | 18 834 | | 18 834 |
| SP Ridley | | 347 | 344 | | | | 691 | | 691 |
| CL Roskruge Cele | | 347 | 239 | | | | 586 | | 586 |
| SP Sibisi | | 347 | 602 | | | | 949 | | 949 |
| T Skweyiya | | 347 | 76 | | 120 | | 543 | | 543 |
| YGH Suleman | | 347 | 1 011 | 26 | | | 1 384 | | 1 384 |
| JH Sutcliffe ⁴ | | 2 921 | | | | | 2 921 | | 2 921 |
| SK Tshabalala ⁵ | | | | | | | | 49 196 | 49 196 |
| H Walker | | 347 | 383 | | 180 | | 910 | | 910 |
| Total | 28 407 | 12 417 | 4 041 | 52 | 525 | 903 | 46 345 | 50 949 | 97 294 |

¹ Other Standard Bank Group is defined as Standard Bank Group Limited and its subsidiaries excluding Liberty and is paid by Standard Bank Group.

² The chairman of the board received a composite fee in lieu of committee fees for his services as a director of Liberty Holdings Limited and Liberty Group Limited.

³ Mr AP Cunningham is an international director and received a composite fee of £142 450 as a member of the board, committees and subsidiary boards. 2019 rand equivalent of director's foreign currency fees paid is R2 661 092.

⁴ Mr JH Sutcliffe is an international director and received a composite fee of £152 750 as a member of the board, committees, subsidiary boards and chairman of a committee. 2019 rand equivalent of director's foreign currency fees paid is R2 921 010.

⁵ Mr SK Tshabalala, a non-executive director of Liberty, as CEO of Standard Bank Group was a full time employee of the Standard Bank Group and therefore did not receive director's fees or other remuneration from Liberty.

Summary of remuneration of directors and prescribed officers continued

Directors' remuneration (single figure disclosure)

| Directors ¹ (R'000) | Executive directors of LHL and LGL | Non-executive directors of LHL and LGL | Committee fees | Ad hoc fees | Directors of STANLIB Limited | Directors of Liberty Two Degrees group | Total Liberty group | Other Standard Bank Group ² | Total remuneration |
|--|--|--|----------------|-------------|------------------------------|--|---------------------|--|--------------------|
| 2018 | | | | | | | | | |
| JH Maree ³ (chairman) | | 2 894 | | | | | 2 894 | 1 808 | 4 702 |
| AWB Band ⁴ (lead independent director) | | 935 | 605 | 130 | | 787 | 2 457 | | 2 457 |
| SL Botha | | 347 | 476 | | | | 823 | | 823 |
| AP Cunningham ⁵ | | 2 210 | | 104 | | | 2 314 | | 2 314 |
| MW Hlahla | | 347 | 102 | | 180 | | 629 | | 629 |
| N Khan | | 347 | 345 | | | | 692 | | 692 |
| Y Maharaj (appointed 12 February 2018) | 8 260 | | | | | | 8 260 | | 8 260 |
| DC Munro | 16 388 | | | | | | 16 388 | 18 428 | 34 816 |
| S Ridley (appointed 1 September 2018) | | 115 | 115 | | | | 230 | 4 924 | 5 154 |
| CL Roskruge Cele | | 347 | 171 | | | | 518 | | 518 |
| SP Sibisi | | 260 | 689 | | | | 949 | | 949 |
| YGH Suleman | | 347 | 944 | 130 | | | 1 421 | | 1 421 |
| JH Sutcliffe ⁶ | | 2 712 | | 104 | | | 2 816 | | 2 816 |
| SK Tshabalala ⁷ | | | | | | | | 59 065 | 59 065 |
| H Walker (appointed 1 September 2018) | | 115 | 128 | | 60 | | 303 | | 303 |
| Total | 24 648 | 10 976 | 3 575 | 468 | 240 | 787 | 40 694 | 84 225 | 124 919 |

¹ Ms T Skweyiya was appointed to the board on 15 December 2018 and did not receive any directors' fees in the current year.

² Other Standard Bank Group is defined as Standard Bank Group Limited and its subsidiaries, excluding Liberty and is paid by Standard Bank Group.

³ The chairman of the board received a composite fee in lieu of committee fees for his services as a director of Liberty Holdings Limited (LHL) and Liberty Group Limited (LGL).

⁴ Mr AWB Band is a director of Liberty Two Degrees Limited, which includes STANLIB REIT Fund Managers (RF) Propriety Limited as part of the group. He received fees to the value of R656 000 as part of his responsibilities as director of STANLIB REIT Fund Managers (RF) Propriety Limited, and R131 000 for Liberty Two Degrees Limited.

⁵ Mr AP Cunningham is an international director and received a composite fee of £129 933 as a member of the board, committees and subsidiary boards in 2018. In addition, ad hoc committee and board attendance fees of R104 000 were paid. The rand equivalent of director's foreign currency fees paid is R2 314 270.

⁶ Mr JH Sutcliffe is an international director and receives a composite fee of £152 750 as a member of the board, committees, subsidiary boards and chairman of a committee. In addition ad hoc committee and board attendance fees of R104 000 were paid. The 2018 rand equivalent of director's foreign currency fees paid is R2 816 180.

⁷ Mr SK Tshabalala, a non-executive director of Liberty, was a full time employee of the Standard Bank Group and therefore did not receive directors' fees or other remuneration from Liberty.

Risk identification and assessment

Liberty has a clearly defined business strategy, making it possible to identify events that would hinder the business from creating value as well as identifying opportunities that might assist the business in advancing its purpose.

Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a top-down risk identification and assessment process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view.

In support of risk identification, assessment and measurement, a comprehensive scenario analysis is undertaken to identify severe but plausible scenarios.

Liberty's top risks – material matters

The top risks process is a top-down risk identification and assessment process, which provides the business with another lens with which to identify the risks that could prevent the organisation from achieving its business objectives. Top risks are defined as elevated, material risks potentially materialising within a relatively short time frame and are currently on the minds of the board of directors and executives. This spans all risks faced across the business and may include strategic as well as operational risks.

The material risks detailed on these pages represent material matters for the purposes of this report.


Coronavirus

The COVID-19 coronavirus poses a significant threat to global health and the World Health Organisation (WHO) has officially characterised the situation as a pandemic. Although the WHO is currently of the view that all countries can still change the course of this pandemic, there is concern that countries may not implement the measures required to suppress and control its spread. The spread of COVID-19 is having significant impacts on global investment markets and it further poses material business continuity and insurance risks to Liberty. Contingency plans and mitigating actions are being introduced. With the rapidly evolving situation, developments are being closely monitored so that appropriate actions are taken.

| Top risks – material matters | Management action |
|---|---|
| <p>Instability in the South African socio-political and economic environments</p> <p> <i>Read more page 7.</i></p> | <p>Liberty maintains a strong capital position, offers offshore investment alternatives to policyholders and manages its asset/liability matching position within risk limits. In addition, Liberty performed stress tests during the course of 2019, which included a scenario of a severe recession in South Africa, as well as a scenario involving distressed financial markets to prepare for the potential impacts on the business.</p> |
| <p>Changes in the operating environment as a result of the changing regulatory landscape</p> <p> <i>Read more page 48.</i></p> | <p>Liberty continues to develop strategic responses to new and emerging regulation. The strategy refresh conducted in 2018 considered the regulatory environment when setting the strategic direction.</p> |
| <p>Non-compelling client and adviser value proposition</p> <p>Erosion of the Liberty brand</p> <p>Not identifying the right opportunities and executing on building operations of value for Liberty's chosen markets</p> <p> <i>Read more page 38.</i></p> | <p>Management is focusing on:</p> <ul style="list-style-type: none"> • Developing an end-to-end retail investment proposition • Enhancing the client and adviser experience at points of delivery • Enhancing adviser experience through improved servicing and tools • Improving adviser remuneration and recognition models, and • Building loyalty and increasing client confidence in our brand. |
| <p>Poor investment performance relative to client expectations</p> <p> <i>Read more page 41.</i></p> | <ul style="list-style-type: none"> • Liberty continues to enhance investment capabilities, particularly in STANLIB. • Clear management actions have been put in place for key investment portfolios that were performing below expectations. • Investment propositions offered are being reviewed and simplified. • There is focus on attracting and retaining top investment professionals. |

Risk identification and assessment continued

| Top risks – material matters | Management action |
|---|---|
| <p>Lack of core people capabilities to execute the strategy</p> <p> <i>Read more page 44.</i></p> | <p>Liberty has introduced a specific workstream to craft a longer-term strategic response to people risk challenges by improving the employee experience. Substantial investment is made in training. New and more Agile ways of working have also been introduced. Remco ensures that remuneration is designed to attract and retain talent.</p> |
| <p>Inadequate cybersecurity and resilience</p> <p> <i>Read more page 48.</i></p> | <p>Investment continued to enhance Liberty's cybersecurity and update plans based on changes to the threat landscape and technology enhancements.</p> |
| <p>Data risk</p> <p> <i>Read more page 48.</i></p> | <p>Liberty has established a robust data and information management capability and continues to enhance governance in this regard.</p> |
| <p>Substantial complexity due to inadequate legacy management and an inadequate control environment for new initiatives</p> <p> <i>Read more page 38 and 48.</i></p> | <p>Reduction of complexity is included as a key consideration for all initiatives from a strategic perspective. Over time this will be integrated into Liberty's culture. Management has rationalised several products and systems over the year, reducing the associated operational complexity and risk.</p> |
| <p>Inadequate management of Liberty's technology infrastructure to ensure that it meets performance expectations</p> <p> <i>Read more page 48.</i></p> | <p>Management is focused on continuously enhancing system stability and availability. There are various initiatives across the IT landscape to progress this goal, including the use of monitoring capabilities that leverage off artificial intelligence tools and cloud storage solutions.</p> |

 A comprehensive list of Liberty's risks is provided in the risk management section of the annual financial statements.

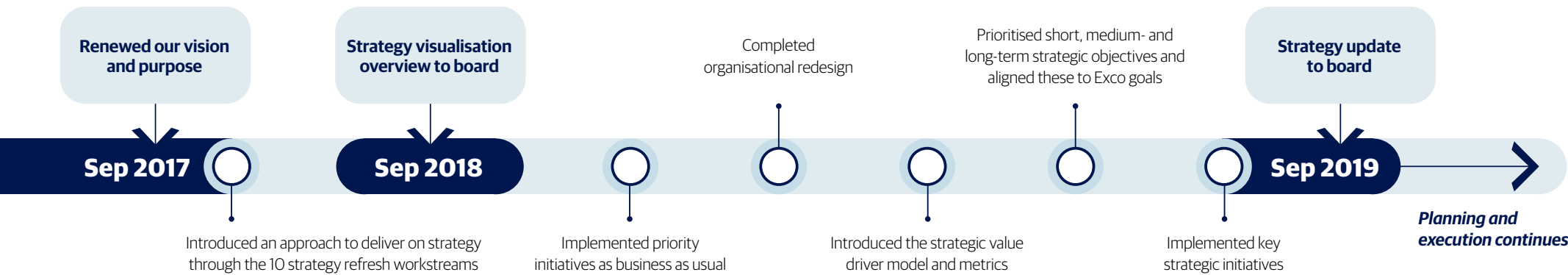
Strategy and risk appetite

In 2017 Liberty commenced a strategy refresh exercise, with the priority being to address the immediate challenges facing Liberty. During 2018 and 2019 the strategy was further developed and significant elements of our future operations were designed or implemented. In 2020, we will begin to build our future.

The board is responsible for providing overall strategy and direction for Liberty and is required to steer and provide oversight in the implementation of Liberty's business objectives and strategies for achieving those objectives. The board directs Liberty on what is expected and acceptable in the pursuit of its objectives.

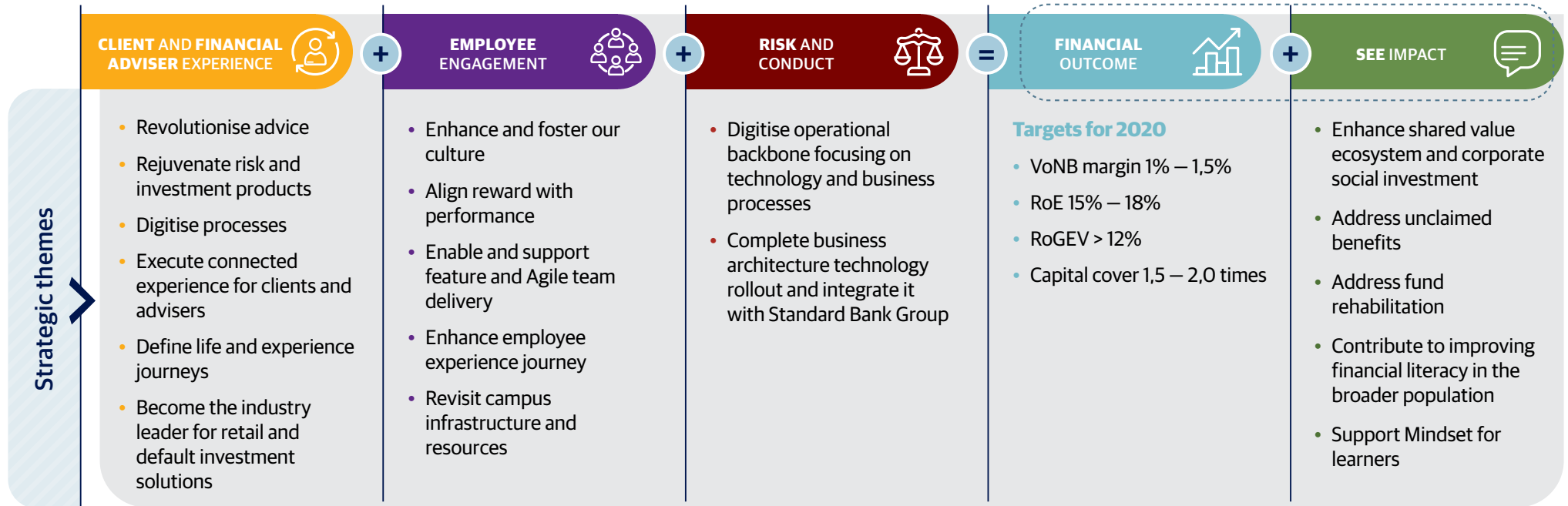
Risk and risk appetite are constraints within which the business must operate to create value for all its stakeholders. Liberty's strategy is set with reference to the approved risk appetite and includes targeted metrics to monitor its achievement.

Our long-term strategy is to deliver our purpose of "Improving people's lives by making their financial freedom possible". To guide the achievement of this strategy we adopted strategic value drivers and strategic focus areas.



Strategy and risk appetite continued

To support the realisation of Liberty's strategy, we focus on key medium- and long-term strategic themes which are tracked and delivered using the strategic value drivers. Annual leadership goals, aligned to prioritised strategic themes, are set to drive focus and financial performance.



Underpinned by

Obsession with simplification

Deliver digital transformation

Align brand and communication to support strategic intent

Keep focusing on collaboration with Standard Bank Group

Embrace ecosystem thinking and strategic partnerships

Stakeholder relationships

Liberty's social, ethics and transformation committee is responsible for managing and overseeing our relationships with stakeholders. To fulfil this responsibility, it is supported by a dedicated stakeholder engagement function with the mandate of leveraging stakeholder relationships, investing in socio-economic development and embedding sustainable business practices, thereby creating shared value, reputational capital and a licence to operate.

Our stakeholder management mandate is aligned with the vision of building a superior image and reputation for Liberty in delivering financial freedom. Our vision is supported by the trust of our clients and advisers. Our legitimacy depends on demonstrating social relevance through creating and sharing value with all our stakeholders. This is achieved through a proactive approach to engaging with stakeholders.

King IV™ Principle 16

"In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time."

Our stakeholder engagement strategy defines primary stakeholders and their relationship with Liberty. The nature and frequency of engagement varies according to each stakeholder group and their legitimate needs.

Commercial stakeholders Primarily managed within the businesses

- | | |
|--|--|
| <p>Clients </p> <ul style="list-style-type: none"> • Purchase our products and services. • Invest through STANLIB. • Expect fair treatment, product performance and quality service. • Trust us to meet our obligations. | <p>Financial advisers </p> <ul style="list-style-type: none"> • Develop and maintain relationships with clients and apply their skills in assisting client purchase decisions. • Expect competitive products and fees. |
| <p>Employees </p> <ul style="list-style-type: none"> • Supply the necessary skills, expertise and capacity to operate. • Expect fair and transparent remuneration, recognition and career development. | <p>Shareholders and debtholders </p> <ul style="list-style-type: none"> • Provide financial capital. • Expect competitive returns on investment (dividends, interest and share price growth). |
| <p>Business partners and suppliers </p> <ul style="list-style-type: none"> • Strengthen our capability, provide third-party expert/specialist advice, goods and services. • Expect business opportunities. | |

Non-commercial stakeholders Managed at the centre

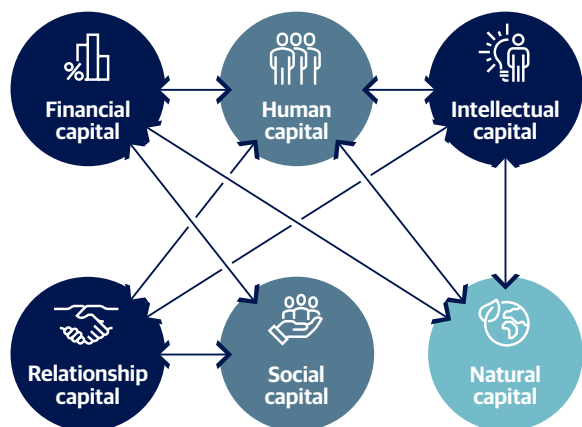
- | | |
|--|---|
| <p>Government </p> <ul style="list-style-type: none"> • Creates a conducive environment for business. • Expects business to support the National Development Plan agenda and social responsibility. | <p>Regulators, policy and law-makers </p> <ul style="list-style-type: none"> • Govern financial stability, market conduct, and law-making. • Expect compliance. |
| <p>Media </p> <ul style="list-style-type: none"> • Is the voice of society on business conduct. • Expect transparent business practices and access to management. | <p>Organised business and professional bodies </p> <ul style="list-style-type: none"> • Act as a conduit to organise business or industry role players on matters of common interest. • Expect responsible behaviour and membership fees. |
| <p>Civil society </p> <ul style="list-style-type: none"> • Improve understanding of our communities' needs. • Expects business to give back and be responsive to social, economic and environmental impacts. | |

Stakeholder relationships continued

| |  Clients and advisers |  Employees |  Regulators |  Investors |  Civil society |
|------------|--|---|--|---|---|
| Engagement | <p>Through direct engagement, our financial advisers obtain a critical understanding of our clients' needs, goals and dreams. In addition to these one-on-one adviser relationships, clients have access to a variety of channels to communicate with us directly, including an extensive call centre dealing with complaints, service issues, claims, product sales and advice, social media and web-based platforms.</p> <p>Liberty also engages directly with clients. Within the South African operations, numerous touchpoints exist for clients to communicate directly with Liberty.</p> <p>Following extensive engagement with advisers, we launched Liberty Advisory Partners. Proactive engagement resulted in significant progress being made in modifying the Standard Bank Financial Consultant (SBFC) support model and the independent financial adviser value proposition and segmentation approach.</p> | <p>We engage with employees through both formal and informal mechanisms, to gain insight into their needs and ensure they understand their roles.</p> <p>We conduct employee roadshows to communicate Liberty's vision and strategy across the group. Most employees have access to Liberty's intranet platform and our Let's Talk campaign cascades information from senior leadership throughout the company. Leadership forums are aimed at identifying top talent and setting work practice examples for the broader workforce.</p> <p>All new employees attend a two-day workshop focusing on self-awareness and career management.</p> <p>MyAccess provides an integrated employee portal for tracking personal performance, goals and learning, as well as providing insights into human capital analytics and management.</p> <p>LibertyLive is an interactive communication and engagement digital platform for employees.</p> | <p>Liberty believes in constructive and productive relationships with regulators and policymakers of our industry. We engage with governments and regulators in the geographies in which we operate. In South Africa our primary engagement is with the Prudential Authority, the Financial Sector Conduct Authority (FSCA) and National Treasury. We also participate in industry associations, notably The Association for Savings and Investment South Africa (ASISA) and other chambers of commerce.</p> <p>Where appropriate, we partner with Standard Bank when interacting with regulatory and industry stakeholders.</p> <p>Liberty continues to focus on initiating and improving engagement with all relevant regulators in all our other markets.</p> | <p>Standard Bank Group (SBG)</p> <p>Our engagement activities with SBG relate to the bank's status as our majority shareholder and an operational partner.</p> <p>Institutional investors and analysts</p> <p>These stakeholders are a significant focus of our investor engagement activities, including roadshows, results presentations and one-on-one meetings with management.</p> <p>Providing timely and pertinent information increases the pool of accessible financial capital and reduces the overall cost of capital.</p> <p>Individual shareholders</p> <p>Liberty engages with these shareholders through public communication channels such as the JSE News Service, the financial media, and an interactive investor relations website.</p> <p>Financial media</p> <p>We proactively engage the financial media, providing company-specific information about Liberty's strategy, business model and performance.</p> | <p>We engage with different segments of society and prioritise those relationships that will generate future value for Liberty and society.</p> <p>Through targeted and meaningful engagement, we gain an understanding of our communities' needs and insight into the quality of our relationships with these communities.</p> <p>The group stakeholder engagement strategy incorporates a three-point priority plan:</p> <ul style="list-style-type: none"> • Proactive engagement • Building stakeholder engagement competencies, and • Measuring relationship health. <p>In the future, our stakeholder survey will be conducted in collaboration with Liberty's research and insights team with the support of relevant business areas.</p> |
| | Relationship quality | <p>We measure the quality of our relationships with clients and advisers through a variety of survey metrics, including the client satisfaction index and net promoter scores. Other indicators include the number of complaints and adviser turnover. The most significant indicators of the quality of our relationships are discussed on page 36.</p> | <p>The quality of our relationships with employees is reflected in survey results (employee net promoter scores) and voluntary employee turnover figures.</p> | <p>There are no quantitative measures to determine the quality of our relationships with regulators. However, managing risk and behaving in an ethical manner builds trust in Liberty.</p> | <p>Relationships with investors is ultimately reflected in Liberty's share price and its premium or discount to group equity value. Relations with SBG remain strong and institutional investors and analysts have demonstrated their support for Liberty's refreshed strategy.</p> |
| | <p>Our focus on client and financial adviser experiences is designed to enhance the quality of these relationships through meeting their needs and expectations with humanity.</p> | <p>Liberty is committed to improving its status as a preferred employer through providing an employee value proposition that includes remuneration, career development, skills training and other benefits.</p> | <p>Maintaining adequate capital and identifying trends in the number of adverse findings, fines and penalties are indicators related to the quality of these relationships.</p> | <p>We strive to deliver sustainable financial results, which support our history of always paying dividends.</p> | <p>We support our relationships through engagement and focused efforts in the areas of social and economic transformation.</p> |
| | <p><i>Making good progress</i></p> | | <p><i>Good</i></p> | <p><i>Satisfactory</i></p> | <p><i>Satisfactory</i></p> |

Resource allocation, trade-offs and constraints

The allocation of Liberty's various capitals is the responsibility of the board. The board considers the impact of strategic actions on financial targets, the planned risk profile and capital demand and supply. In allocating capitals, the board must consider constraints applicable to each capital, interdependencies between capitals and assess the trade-offs between enhancing one capital at the expense of another.



In the challenging South African economic environment together with the global trends in insurance and the fourth industrial revolution, Liberty's leadership is constantly challenged to choose between cost containment and investment, sustaining the core business while building for the future.

The deployment of financial capital is intended to maximise value for the group while remaining within risk appetite. Statutory capital requirements constrain the deployment of financial capital. The capital buffer (the amount by which available capital exceeds the statutory capital requirement) is managed carefully to support risk target levels, strategic initiative requirements and the dividend policy of the group.

Surplus risk capital is deployed to liquid, well-diversified market and credit risks offering superior risk-adjusted returns.

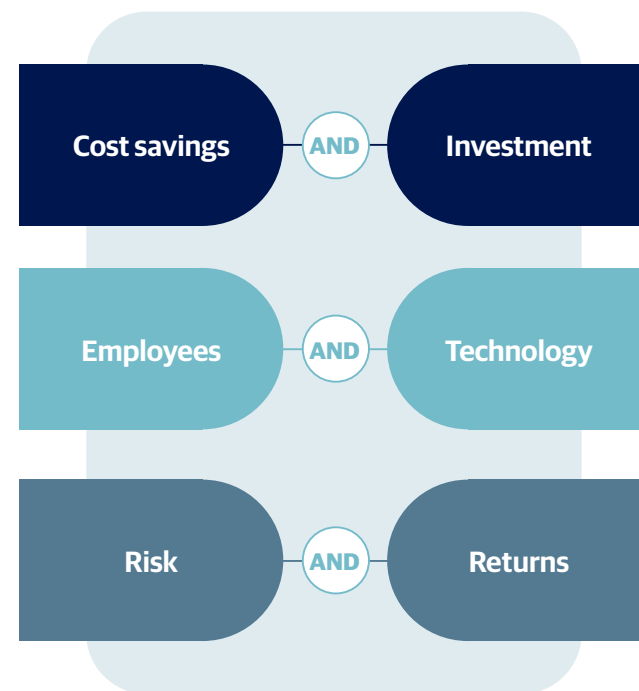
The deployment of human capital follows the allocation and apportionment of financial capital. Making strategic choices between investing in technology against adding to our human workforce are carefully considered during the strategic process. Investing in both technology and employees is necessary for Liberty to move its business forward while meeting our clients' expectations with humanity. This investment, when properly channelled, builds our relationships with employees, advisers and clients, strengthening our brand capital.

The application of financial and human capital within Liberty is constrained by the objective of generating sustainable financial returns, in the short, medium and long term. Unlike other industries, we must balance our efforts in managing our capitals to deliver promises to clients which often span decades, replenishing and growing our financial capital, and providing a return for shareholders.

Our intellectual capital originates from Liberty's advisers and employees. Recruiting, retaining and developing advisers and employees, while a significant cost to the group, is critical for the long-term sustainability of Liberty. Our future rests in the hands of employees and advisers and how they protect and build both the relationship and intellectual capitals.

Although small relative to other industries, we do consume various resources and negatively impact the natural environment. This consumption is necessary to support our business model. However, we do endeavour to manage and mitigate our impacts.

Maximising investment returns for our policyholders and clients is fundamental to Liberty's success. Liberty's approach to environmental, social and governance considerations is to engage with management and exercise our voting rights to support long-term returns. We are prepared to exclude companies from our clients' investment universe where behaviour is not considered acceptable or when action plans to meet industry standard practices are not being delivered.










STRATEGIC VALUE DRIVERS

35

In this section we provide the reader with feedback on our performance and value created in 2019 for each of our primary stakeholders. Commentary is also provided on our responses to the material matters identified for each strategic value driver.

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Client and financial adviser experience

Placing the client at the heart of our business and understanding the critical role that our financial advisers play

Performance

Our clients expect the highest levels of advice and service when dealing with Liberty advisers and support staff.

To meet these expectations, we must provide the best advisers who understand a client's life journeys and who offer responsible and objective advice. Client service, at all touchpoints, from onboarding to claims processing and payment, must be effective and efficient, employing the latest technology and dispensed with humanity.

Clients also expect value-creating and competitive products, which support their goal of financial freedom. Retaining our most skilled and productive tied financial advisers and supporting independent financial advisers is critical to our success for clients.

Complaints received through direct Liberty channels and compensation paid

4 962
 ↑ 16%
 (2018: 4 273)

Greater engagement with clients through various platforms, including MyLiberty, the client self-service portal, saw an increase in the number of complaints received through direct channels. Complaints on social media platforms decreased. The number of adverse findings from external dispute resolution bodies and the industry regulator decreased significantly. Client complaint oversight and reporting are now managed centrally for the group. In 2019, Liberty made **compensation and goodwill payments of R4,6 million** (2018: R5,1 million), of which R3,2 million related to complaints received directly.

Net promoter score (NPS)
 (SA Retail operations)

32
 Target > 33
 (2018: 27)

Our retail operations' NPS score for 2019 showed significant improvement during the second half of the year. Overall, our average score for the year was higher than that recorded in 2018, with the last quarter averaging 40. This improvement was driven largely by our focus on client experience outcomes as well as the implementation of our new structure which is organised in terms of our client life journeys. The connected experience work undertaken by the SA Retail operations team delivered benefits and the client self-service portal, MyLiberty, had more than 115 000 users by the end of 2019.

Client satisfaction index (CSI)
 (SA Retail operations)

70
 Target > 75
 (2018: 70)

Our retail operations' CSI score showed month-on-month improvement, increasing from a first quarter average of 67 to a fourth quarter average of 74. We fell slightly short of our net effort target score, but were proud that we surpassed the empathy target score. Improvements were also achieved in claim turnaround times and client onboarding. The external SA-csi survey reflected improvements in key client metrics against 2018: NPS 25,1% (2018: 16,3%), CSI 75,2% (2018: 73,8%), Client Loyalty 64,4% (2018: 58,6%).

Adviser retention and financial adviser perceptions

88%
 Retention of advisers with > 5 years' service
 (2018: 85%)

Liberty won both the life insurance and risk, and corporate categories of the Ask Africa FIA Intermediary Experience Awards which recognises those product partners who invest in the pillars as defined by intermediaries.

In 2019, Liberty recruited 822 new advisers. In line with industry norms, only approximately 50% of recruits remain a Liberty adviser after two years due to the nature and challenges of the role.

Value created

Value created for clients includes the objective advice of financial advisers, risk and guaranteed solutions that provide peace of mind for their families, and investment and retirement products that allow individuals, families and companies to achieve their long-term savings goals.

ADVICE guiding you through life

Liberty's financial advisers provide value to clients by:

Providing guidance across a wide range of topics including financial planning, economics, investments, risk, healthcare, taxation and aspects of law and behavioural science. Our advisers ensure that clients understand solutions and their outcomes, and are able to make informed decisions.

Helping clients stay the course by not making hasty or reactionary decisions to their detriment in difficult economic times, negative investment cycles or periods of severe investment market volatility.

Being there in times of need. The financial adviser is amongst the first to be called when tragedy strikes. The adviser continues to protect the interests of the client or beneficiaries by supervising the claims process, ensuring policy continuity, and providing advice on estate matters ultimately removing these burdens for clients.

INSURE our promises fulfilled

DEATH AND DISABILITY CLAIMS PAID TO RETAIL CLIENTS

R8,2 billion ↑12%
(approximately R32 million every working day)

RISK CLAIMS PAID ON BEHALF OF
OUR CORPORATE CLIENTS

R2,3 billion ↑1%

ANNUITY PAYMENTS

R7,8 billion ↑8%

CREDIT LIFE POLICIES

3,35 million
(2018: 3,22 million)

INVEST saving for your future

GROUP EXTERNAL THIRD-PARTY NET CASH FLOWS

R13,3 billion ↑30%

Core retail funds - quartile performance

| Fund name | 2019 | | 2018 | |
|------------------|--------|---------|--------|---------|
| | 1 year | 3 years | 1 year | 3 years |
| STANLIB Equity | 2 | 2 | 1 | 3 |
| STANLIB Balanced | 2 | 2 | 1 | 3 |
| STANLIB Income | 2 | 1 | 1 | 1 |



Addressing material matters in 2019

- ▶ Non-compelling client and adviser value proposition and erosion of the Liberty brand
- ▶ Poor investment performance relative to client expectations
- ▶ Substantial complexity due to inadequate legacy management and an inadequate control environment for new initiatives

Our response to these challenges has focused on client and adviser experiences through meeting their respective needs. Specifically, we wish to revolutionise advice, moving from a product-based business to one where advice is everything. We are also committed to improving the service provided to both clients and advisers and the quality of our financial solutions that support the advice process.

Revolutionise advice

In 2018 we revitalised our advice philosophy to one that places the client at the heart of everything we do, designed to deliver a human, living and outcomes-oriented experience, through the best advisers enabled with smart technology and culture of providing advice rather than selling a product. Employing this philosophy will see our advisers build emotional and lasting connections by providing advice and guidance beyond only finances that truly meet their clients' needs.

We identified a variety of characteristics and processes in our business that required redesign or improvement, and areas where we can add greater value to our clients and advisers. These include:

- Utilising technology through smart enablement
- Transforming our distribution channels
- Rejuvenating risk and investment products
- Improving our service levels, and
- Exploring client life journeys to better understand their needs and expectations.

In support of the transition towards holistic advice, our communications team embarked on a more integrated approach to marketing. We redirected our advertising towards meeting client needs rather than promoting product characteristics and launched a successful trade marketing capability in support of holistic advice.

Our advice philosophy aims to deliver a human, living and outcomes-oriented experience, via the best advisers with smart enablement and an advice culture

Utilising technology through smart enablement

A primary focus for our technology infrastructure and services in 2019 was to move closer to our goal of being always available and always secure. Significant progress was made to assist advisers by deploying an adviser workbench – consisting of smart tools that meet the needs of the adviser and help advisers and clients connect. This is central to embedding our advice philosophy and a major step towards revolutionising advice.

atWORK, a contemporary, cloud-based, off-the-shelf financial needs analysis tool was rolled out to more than 1 300 financial advisers in 2019. This interim solution was well received and will continue to be distributed to advisers in 2020.

Our preferred long term client and adviser engagement platform is Salesforce, a global leading CRM cloud-based solution. A pilot study involving 250 advisory partners commenced in the second half of 2019. Salesforce will be transformative, providing a streamlined adviser experience as a result of greater agility and easier processes. It provides actionable insights using predictive data analytics, machine learning and artificial intelligence.

We aim to simplify, connect and enhance client experiences using Agile work methodologies. The adoption of the Agile methodology for software development and deployment allows Liberty's technology team to deliver incrementally throughout the year rather than provide complete solutions at some future date.

Salesforce – connecting advisers and clients



Strategic value drivers – Client and financial adviser experience continued

Various initiatives throughout the year continued to simplify our technology stack (the set of technologies used to build a web or mobile application). The deployment of MuleSoft, the world's leading integration platform providing exceptional business agility by connecting applications, data and devices, both on-premises and in the cloud with an API-led approach, allowed Liberty to continue decoupling its legacy systems from its new cloud-based solutions.

As a result of these achievements, the stability of our systems improved considerably.

As part of the simplification workstream, our client-facing liberty.co.za website was redesigned and enhanced and the stanlib.com website entirely refreshed. Improvements were also made to the client self-service interface, MyLiberty.

Channel transformation

The sales channels are fundamental to the enablement of the advice philosophy. The sales channels redesign and transformation project (ReFocus) commenced at the end of March 2019.

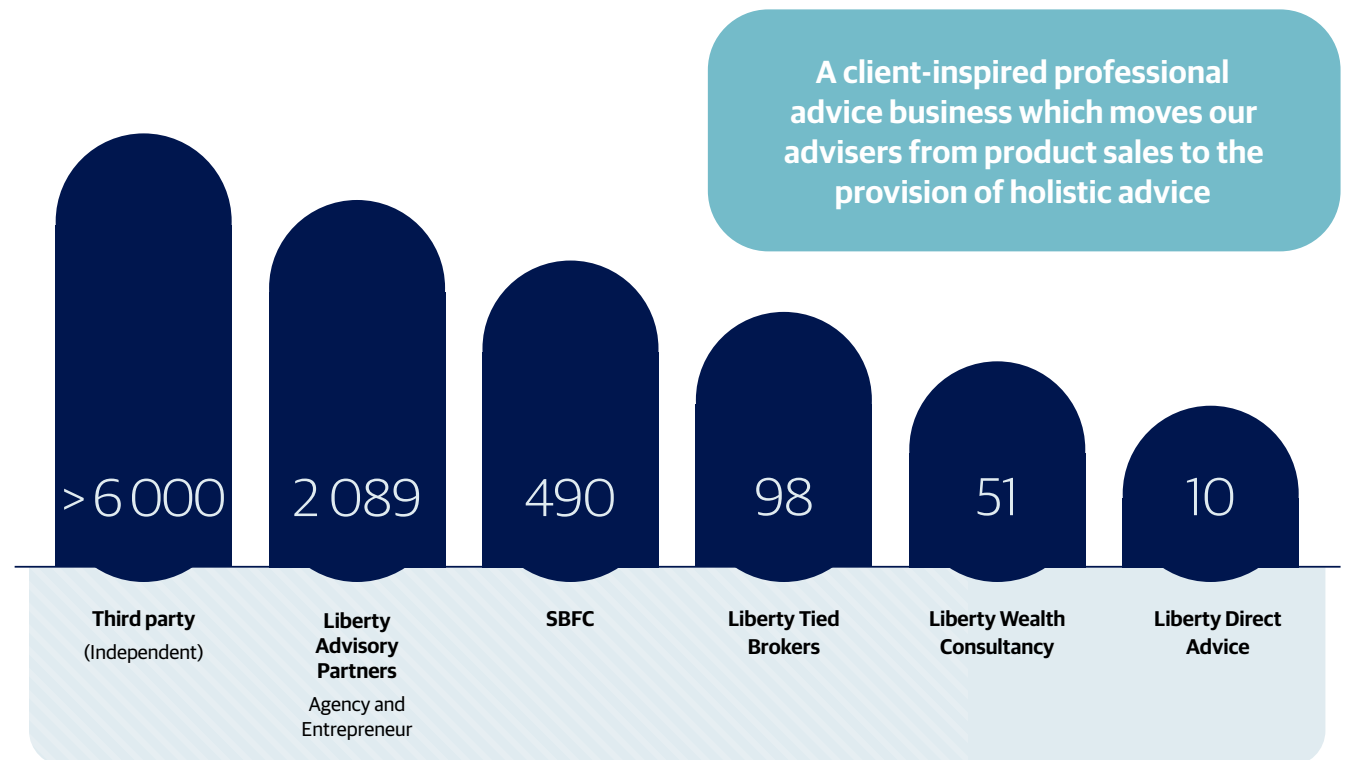
We made good progress with the ReFocus initiative for our third-party independent financial advisers (IFA) segmentation and servicing strategy, identifying three tiers of third-party advisers and four related service areas which we wish to fundamentally transform, being support, technical, knowledge and administration.

We continued to transform the Liberty Advisory Partners (Liberty franchises) channel into a refreshed professional advice channel consisting of three key components, enabling our advice philosophy:

- Advice practice.
- Client advice centre.
- Adviser academy.

The ReFocus initiative also saw changes to the Liberty broker consultants and the 490 Standard Bank advisers they support. The sales support broker consultant role was successfully integrated into retail intermediary operations and revised IFA and Standard Bank Financial Consultants (SBFC) remuneration models were successfully introduced. The affiliate SBFCs who operate from private offices (i.e. outside of the bank's network) represent a growth opportunity.

Our own (tied) advisory channels are vital in the delivery of our advice philosophy. In the second quarter, we commenced a strategic project to outline our desired advice framework and operating model as well as the principles on which our future measurement framework and associated remuneration models will be based.





Addressing material matters in 2019 (continued)

Rejuvenate risk and investment products

In meeting our clients' needs we repositioned our flagship Lifestyle Protector product, which is now uniquely placed to provide benefits for evolving life stages. We launched the Liberty Wellness Bonus, rewarding clients for living a healthy lifestyle without introducing another rewards programme and allowing them to choose their own wellness programme. This approach supports our belief that the data used to reward clients belongs to the client and not the service provider, and that clients should not be prevented from using their own data to their best advantage. Critical illness features in the Lifestyle Protector product were also enhanced. Improved income protection and estate liquidity planning were also introduced during this repositioning.



Towards the end of 2019, we launched our Advanced Global Equity T2 and T3 portfolios and revised the construct of the Liberty Stable Growth fund.

Regulatory developments in 2019 allowed our corporate business to provide in-fund preservation and a pioneering default annuity product, simplifying choice and reducing costs for our pension fund client base. These developments, which follow from amendments to the Pension Funds Act, are designed to encourage the preservation of savings when

a member's employment status changes, and augment the value of savings for members by removing the need for one-on-one advice.

Through this comprehensive investment proposition, members of retirement funds have access to investment and annuity solutions that are appropriate for their life journeys. The investment proposition enables trustees of third-party pension funds to comply with the default annuity regulations.

Liberty Corporate launched a new investment proposition for Liberty's institutional clients, with various process and administration system changes implemented to deliver the intended client experience, while ensuring full compliance with the default regulations. Legacy investment portfolios were closed and converted to the new age with-profit annuity product.

In partnership with Standard Bank we released a modernised funeral policy offering and the Mobilife groceries benefit targeted at our retail client base.

To support greater flows into STANLIB and to address the proliferation of products and portfolios, we performed extensive work on understanding and defining our end-to-end retail investment proposition, with the overall purpose of driving deliberate and coordinated decisions across the various initiatives affecting client and adviser experiences, commercial outcomes and architecture, and ultimately moving Liberty to a single group investment platform.

Finalising work on the various components of an end-to-end retail investment proposition will continue in 2020, and we are targeting to launch the first iteration of the construct before December 2020.

For IFAs, we developed a purpose built, adviser-inspired investment platform, INN8, with the objective of creating exceptional adviser-solutions that help grow the advisers' business and deliver real value to their clients. During 2019, we onboarded selected advisers to the INN8 platform and will formally launch the platform in 2020.

INN8



INN8 is a state of the art wealth management proposition largely inspired by global investment trends. It was built with the purpose of delivering global benchmark platform services that incorporate a client-centric approach which advisers can intrinsically relate to.

Invest



Standard Bank, STANLIB and Liberty collaborated to form Invest, a specialist index tracking fund provider. The STANLIB Index Investment's Unit Trusts and exchange traded funds were renamed to Invest as of 8 October 2019. Geared specifically to provide simple, transparent and cost-effective passive investment products, Invest specialises in index tracking unit trusts and exchange-traded funds. Index investing or passive investing has seen enormous uptake in more developed markets. According to Moody's Investor Services, the adoption of passive investing in the US continues unabated with US passive investment funds set to overtake active funds by 2021.

Liber8



Liber8 is a simple employer offering with different packaged solutions allowing employers to meet their employees' needs. These solutions range from simplified pre-packaged retirement and risk benefits for ease of decision-making for employers, to a full range of retirement and risk benefits that can be customised with the help of a financial adviser to best serve employees' varying needs.

Strategic value drivers – Client and financial adviser experience continued

At STANLIB, to improve the performance of our underlying investment portfolios, we focused on four areas:

- Strengthening the investment team with key appointments
- Continuing the risk and compliance enhancement programme
- Improving cross-team collaboration, and
- Applying strong discipline with a focus on delivery.

Improving our service levels through our connected experience programme

Established in 2018 to connect, simplify and enhance servicing experiences for clients, advisers and employees, connected experience is a coordinated set of Agile feature teams building digital solutions to improve the client and adviser servicing experience. In 2019 the teams adopted New Ways of Working and followed a scaled Agile framework to drive integrated planning and manage deliveries and dependencies. The teams focused on the following areas:

- Digital engagement and servicing (MyLiberty)
- ClaimsLive
- The implementation of Mulesoft and the aggregation of client data, and
- Robotic process automation.

A key priority for the connected experience programme was to deliver an empathetic claims experience by:

- Enabling employees to efficiently and effectively administer and assess claims through a workbench of tools and supporting automation, and
- Empowering claimants to log a claim online with streamlined requirements and communication throughout the journey.

Although the primary objective is to enhance experience, a key outcome of this work was to also improve processes, controls, data and analytics. Elements of the claims process were automated to reduce turnaround times and create capacity within the claims team. The automation relates to the allocation and routing of work as well as verification of details of death claims with the Department of Home Affairs. The initial release covered disability and retrenchment claims. Other claim types will be added to the system's capabilities in 2020.

In 2019 significant groundwork was laid to improve the onboarding of our risk clients that will enhance the experience for clients and advisers. Both clients and advisers were engaged to obtain their input regarding the current process and their needs for a new process. Short-term improvements were prioritised during 2019. Defining the long-term strategic plan for this area of our operations will be a priority in 2020. We are rapidly working to bring the power of the digital world to augment our advisers and improve both client and adviser experiences.

Many of these digital platforms and smart tools have simplified and improved internal processes for Liberty's employees.

We have simplified, connected and enhanced many basic client experiences using Agile work methodologies

Exploring client life journeys to better understand their needs and expectations

Liberty adopted the "life journey" concept, requiring us to understand and map our clients' life journeys, experiences that occur as they live and the realities that they have to navigate. This includes experiences and paths that may not include Liberty or financial services linked solutions at all, but will present opportunity for us to understand our clients better and to establish a deeper human connection.

In 2019 we prioritised understanding the post work-life journey, moving away from transactional touchpoints to having a greater appreciation of clients' individual life journeys – their life stories. Our holistic view of this journey identified clients' wants and needs beyond the financial provision during retirement to considering their other needs for fulfilment, such as surviving a chronic illness or undertaking a second career.

Other client life journeys will be defined and documented in 2020 and propositions developed to fulfil our clients' universal needs.



Employee engagement

Providing an environment for our people to thrive

Performance

At Liberty our employees are central to our success. They are unique individuals with dreams, aspirations and a desire to develop themselves and their careers for a better tomorrow.

We understand the significance of attracting, retaining and growing talent to enable the delivery of the right solutions for our clients, effectively and efficiently. We offer competitive pay and benefits aligned to the market for different functions and skills.

Employees supply the necessary capacity, skills and expertise to deliver on our promises to clients and other stakeholders. Employee-related material matters reference Liberty's ability to provide an environment in which our employees thrive in an environment where they are motivated to provide high levels of client service, enthusiastic about Liberty's success and optimistic about their future careers.

Voluntary employee turnover

12,4%
 ↑ 0,2%
 (2018: 12,2*)

* 2018 figure restated for backdated December 2018 terminations.

Transformation

80% 59%
 black employees female employees
 in South Africa in South Africa
 ↑ 1% ↑ 1%
 (2018: 79%) (2018: 58%)

Employee survey results

An employee survey was not conducted in 2019

The demand for well-trained black and female staff remains high across all economic sectors. The rate at which employees voluntarily left Liberty South Africa in 2019 increased slightly to 12,4% (2018: 12,2%), but remained below our target of 14%. Black and female turnover rates increased by approximately two percentage points during the year. These increases were anticipated given the introduction of the new organisational design in January 2019 and the accompanying job architecture which modified certain individuals' roles and responsibilities.

We improved the representation of both black staff and African females at the senior and middle management levels. Focused recruitment (above the national economically active population percentage) and promotion of African females contributed significantly to these improvements. We continued to focus our leadership and management development programmes on black (61% of those who were trained) and female (88% of those who were trained) employees. This investment will allow us to further improve our transformation achievements in the coming years.

No formal survey of our employees was conducted during 2019. Considerable analysis of historical survey metrics and conversational engagements were conducted with employees to obtain qualitative feedback to interpret historic survey results. Dissatisfaction in the areas of reward, learning and development was identified. An eNPS survey will be conducted in the third quarter of 2020.

Value created

Remuneration

IN 2019 LIBERTY INCURRED EMPLOYEE COSTS TOTALLING

R4,3 billion

(2018: R4,1 billion)

ON A PERMANENT SALARIED WORKFORCE OF

5 695 people

(2018: 5 762)

AVERAGE REMUNERATION PER EMPLOYEE

R755 400 p/a ↑5,3%

Remuneration packages are geared to each employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk-taking outside of board-approved risk mandates. All employees have some level of variable pay as part of their remuneration package.

ACROSS THE EMPLOYEE BASE, THE SHORT-TERM PERFORMANCE AWARDS (INCLUDING DEFERRALS)

R661 million

representing 15% of the total employee costs

Skills development

TRAINING AND DEVELOPMENT OF OUR SOUTH AFRICAN SALARIED EMPLOYEES

R35,5 million

(2018: R34,7 million)

PROPORTION OF TRAINED EMPLOYEES WHO WERE FEMALE

61%

(2018: 59%)

PROPORTION OF TRAINED EMPLOYEES WHO WERE BLACK

88%

(2018: 86%)

NUMBER OF EMPLOYEES WHO COMPLETED LEADERSHIP COURSES

37

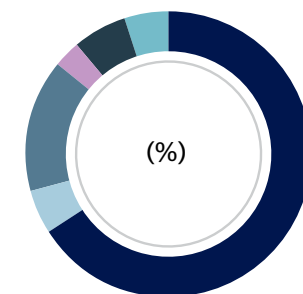
(2018: 197)

NUMBER OF EMPLOYEES WHO COMPLETED MANAGEMENT DEVELOPMENT PROGRAMMES

418

(2018: 114)

Employees cost analysis



| | |
|--|----|
| Salaries and wages | 66 |
| Medical aid contributions | 5 |
| Staff and management incentive schemes | 15 |
| Share-based payment expense | 3 |
| Other retirement contributions | 6 |
| Other | 5 |

Other benefits

Other benefits enjoyed by our salaried employees include:

- Life insurance
- Healthcare
- Retirement provision
- Medical aid
- Parental leave
- Disability cover

CONDITIONAL BURSARIES

R10,4 million

(2018: R11,6 million)

428 employees

(2018: 585)



Addressing material matters in 2019

Lack of core people capabilities to execute the strategy

Employee experience

As anticipated, the extensive organisational redesign over the course of 2018 and into 2019 introduced anxiety to our employees. The associated changes in job architectures, roles and responsibilities impacted employee morale during the year.

In June 2019 we initiated the design of a new employee experience that is closely aligned to the client and financial adviser experience work already completed.

The business and the human capital team adopted the employee experience framework, which will see us focus on three primary objectives:

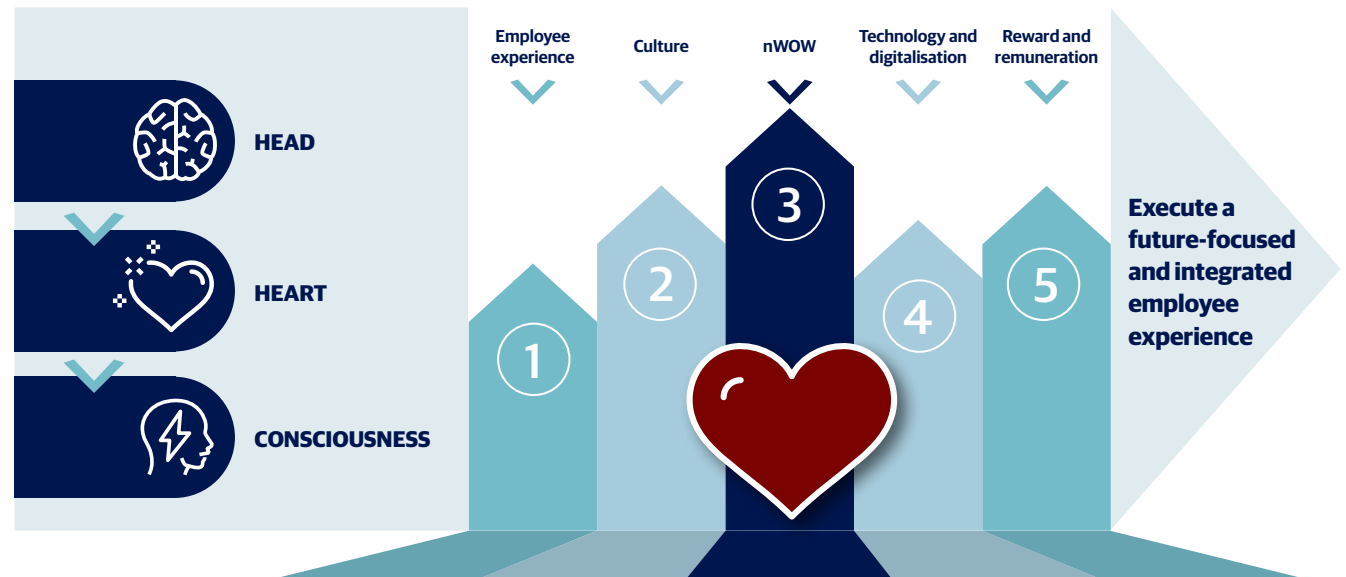
- Deliberately creating an employee experience and a work environment that builds a Liberty culture
- Enabling an employee experience that effectively attracts and retains the right talent, and
- Focusing on creating value for our employees and in doing so our clients, advisers and Liberty.

Our research indicated that employee experience appears to be an “outcome” or “feeling” being the sum of a series of experiences for employees. These experiences are influenced by factors ranging from day-to-day exposure to the employee lifecycle to broader elements, such as culture. Employees often find it difficult to differentiate between the various factors.

Work began on a toolkit to provide management with a mechanism to help translate strategy messages and to facilitate meaningful conversations with employees to ensure they feel engaged and connected, with the goal being to reduce voluntary employee turnover.

We also commenced work on re-establishing a Liberty culture, which we anticipate will strengthen the employee value proposition over time.

Solutions that connect



Culture

A culture palimpsest was developed and cascaded throughout Liberty. This palimpsest helps define our culture and describes acceptable and unacceptable behaviours, identifying culture traits including:

- Humanity and care
- Excellence
- Loyalty, and
- Experience and fun.

New Ways of Working

Adopting new Ways of Working (nWoW) will see our employees transition to a work environment that allows for:

- Meaningful collaboration
- Purposeful communication
- Faster execution
- Clear accountability, and
- Reduced complexity.

These new ways of working have been linked to the leadership behaviours included in the culture palimpsest.

Strategic value drivers – Employee engagement continued

Technology and digitalisation

Technology within the human capital environment will be used to enhance both human capital process management and the employee experience. Ultimately, we wish to create interactive, digital experiences for our employees while automating reports and management information and insights using Microsoft's PowerBI O365.

During the 2018 organisational redesign process, our human capital focus was on enhancing human capital processes, developing job architecture and successfully delivering the first phase of the employee portal, MyAccess, which facilitates employee performance measurement across the group. This technology was expanded upon in 2019 by implementing three further modules being learning, talent and succession management, and payroll control.

Liberty successfully implemented the critical SAP upgrade and our SAP team was recognised with a prestigious award for the quality, capability and delivery on the first phase implementation of the SAP Success Factors modules. The SAP upgrade directly improved our technology risk position and moved us forward in enabling our digital and cloud journey

Creating an interactive experience

The SAP MyAccess platform provides both employees and human capital to manage the following processes:

- Recruitment
- On and off boarding
- Performance management
- Succession planning, and
- Payroll.

Through this platform we continue to listen to the voice of the employee, remove complexity for our employees and generate predictive analytics for management.

This project will continue with the implementation of further enhancements.

Liberty's employee experience framework



Remuneration and benefits

The restricted equity fund was adopted in May 2019 and provides a savings vehicle for Liberty employees to invest retirement contributions above the annual R350 000 tax deductible threshold in selected equity portfolios. Participation in this fund was extended to eligible employees (employees with Liberty provident fund contributions above the tax-deductible threshold).

The talent teams, together with the learning and development teams, continued engaging the business on critical and scarce skills, training interventions and talent management to proactively manage career development, succession planning and employee turnover.

Transformation

Achieving employment equity (EE) plan targets, particularly at senior and middle management levels, remains an ongoing focus across the group. Liberty has a three-tiered approach to achieving our targets, namely recruiting the identified under-represented groups in support of the EE targets, retaining talent through personal development and promotion.

While there has been improvement in meeting the EE targets at the senior level, the challenge remains at the senior and middle management levels. The voluntary employee turnover rate for Africans exceeded other race groups.

Our six-point transformation plan is designed to develop and transform the organisation both in terms of gender equality and inclusion, with focus being placed on black females.

The group employment equity and skills development forum continued to engage employees with sub-forums established in each business unit. These forums partner with executives towards achieving agreed business unit EE targets and ensure that performance information is cascaded to employees at all levels.

Opportunities exist for tied financial advisers in our emerging consumer market business through accelerated personal development programmes, allowing them access to the client and adviser experience, and the provision of advice to the more affluent client segment.



Risk and conduct

Performance

Our stakeholders expect us to manage business risk and behave in an ethical manner that ensures compliance with the form and substance of laws, regulations, codes and standards.

Through our governance structures and processes we aim to anticipate, meet and exceed the requirements of the increasing regulation of our industry.

We strive to conduct our business in a responsible manner from managing our environmental footprint to protecting clients' and employees' personal information.

Ultimately our risk and conduct value driver goal is to manage our business in a safe, secure and profitable manner for the benefit of all stakeholders, build trust and enhance our reputation.



Capital management

1,99 times

^ 6%
(2018: 1,87 times)

Regulatory fines and penalties

32
adverse findings by industry
ombuds and adjudicators

Target < 50
(2018: 168)

Management of unclaimed benefits

> R126 m
in unclaimed benefits paid

The group continues to exceed regulatory capital requirements. A further increase in our solvency capital requirement ratio to 1,99 times for the Liberty Group Limited, the group's main long-term insurance licence, is at the upper end of our target and underpins our ability to fulfil our promises to policyholders and other stakeholders.

A total of 1 392 (2018: 1 342) cases were considered by external dispute resolution bodies and the industry regulator (the long-term insurance ombudsman, the pension fund adjudicator, the FAIS ombud and FSCA complaints). Adverse findings against Liberty totalled 32 (2018: 168), a significant year-on-year improvement. We improved our upheld rate (the percentage of client complaints upheld) at the long-term insurance ombudsman to below the industry average. We received no second reminders from the ombudsman (2018: 5) reflecting our continued commitment to address complaints timeously.

During the year, Liberty Corporate traced and paid nearly 26 000 members with asset values totalling R126 million (2018: 23 000 members and R175 million). As traditional tracing methods become exhausted, Liberty is looking to new innovative channels. Membership of Liberty's Unclaimed Benefit Fund approximated 96 000 members at the year end. The fund has assets approximating R923 million (2018: R910 million).

Value created

Building industry trust



Maintained a capital level in excess of regulatory requirements and managed the business within risk appetite

Completed our risk and compliance enhancement programme at Liberty Group Limited

25

erroneously deregistered funds processed through the high court for re-registration

Applied Liberty's Treating Customers Fairly principles



Provided access to financial products to a broad spectrum of South Africans

Close and sustained engagement with regulators, especially the Prudential Authority and the FSCA

Investment in consumer education

R18,8 million

reaching

46 000 individuals

Continued with our risk and compliance enhancement programme at STANLIB

Enhanced our financial control environment



Invested significantly in technology to tackle cyber risk and ensure data protection

Compliant in all material respects with applicable legislation

Continued the fund rehabilitation project

> 50 employees

dedicated to the fund rehabilitation project and tracing and paying benefits to members and beneficiaries

The Liberty Financial Adviser code of conduct is a unique code of conduct and ethics, driven by financial advisers who are nominated and elected by their peers



Addressing material matters in 2019

- Changes in the operating environment as a result of the changing regulatory landscape
- Inadequate cybersecurity and resilience
- Data risk
- Substantial complexity due to inadequate legacy management and an inadequate control environment for new initiatives
- Inadequate management of Liberty's technology infrastructure to ensure that it meets performance expectations

Regulatory change management

Liberty operates in a complex and evolving regulatory landscape. The developing regulations in this environment are driven by international trends (arising from the G20, IAIS and the Financial Stability Board), South African regulatory goals for consumer protection, prudential regulation and tax reform, and South African political goals (including economic transformation, financial inclusion and retirement fund reform). These regulations must be considered and prepared for while complying with a myriad of existing legislation.

Considerable effort is invested in anticipating and understanding emerging and developing regulation. This is necessary to ensure that risks and opportunities, which may impact on the existing operating environment, are identified and adequately prepared for.

The management of regulation at Liberty occurs through a robust regulatory programme review and oversight process, jointly administered by the group risk and compliance functions. This process identifies and prioritises pending requirements and develops the appropriate organisational response/s after assessing the proximity and potential impacts, as well as both positive and negative strategic considerations.

Material regulatory programmes and projects are managed by the enterprise project management office, providing best practice solutions with a mix of waterfall and Agile methodologies.

Liberty is currently focusing on programmes to deliver the requirements of the retail distribution review, anti-money laundering and Financial Intelligence Centre Act, Protection of Personal Information Act, conduct of business returns and the implementation of the international financial reporting standard for insurance (IFRS 17), as well as several smaller projects.

Cybersecurity and resilience

Against the backdrop of an increasingly complex and evolving cyber and information security risk landscape, significant progress was made during 2019 with implementing remediation controls post the cyber incident of June 2018. Activities were balanced across capability, governance, people, process and technology to improve the group's ability to detect and respond to potential threats. Liberty is impacted by the global cybersecurity skills shortage. To address this wider skills shortage, Liberty embarked on multiple innovative initiatives in partnership with Standard Bank Group. Liberty staff became part of the group cybersecurity academy, designed to attract staff into the cybersecurity realm, moving potential candidates through a carefully planned curriculum. Successful delegates were taken through a rapid pace of learning and prompted to solve real life cybersecurity challenges.

Our security posture continued to improve, and great progress was made after the breach of 2018.

Enterprise IT and data governance

Enterprise IT and data governance at Liberty continued to receive focused and appropriate consideration from the board and executive leadership. During 2019 the group IT committee met each quarter, addressing all areas of accountability envisioned for the board by King IV™.

The results of an independent review of Liberty's IT domains, conducted in the third quarter of 2019, confirmed Liberty's IT governance capability maturity level. The positive feedback received in this report reflected good progress in 2019. The report also noted improved traction across each of the IT governance domains following the cyber breach in June 2018. The roadmap for Liberty's enterprise-wide IT governance will continue over the next 18 to 24 months using the output of this report.

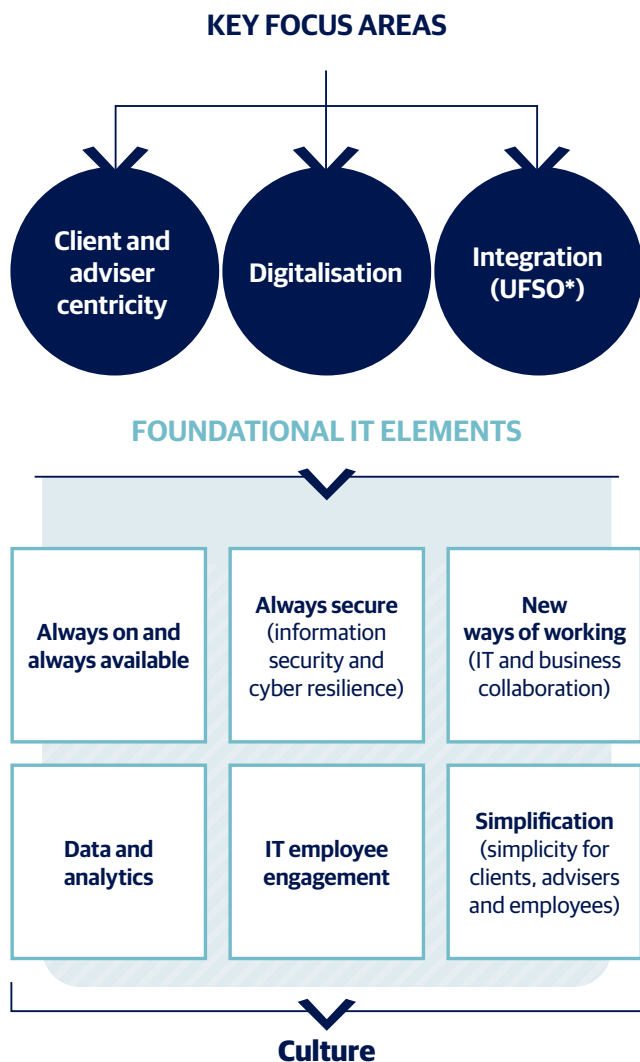
The areas of enterprise IT governance, strategic alignment, value delivery, risk management, resource management and performance measurement were assessed and continued to evolve. The group IT governance framework was revised to include IT and broader operational design changes that became effective on 1 January 2019.

**Always on, always available,
always secure**

**SA Retail and Liberty Corporate systems' stability
was a key focus and we have seen
much improvement.**

Strategic value drivers – Risk and conduct continued

Liberty's IT strategy was revisited and refreshed to closely align with the group's key focus areas. Group IT identified three focus areas supported by six foundational elements:



* Universal Financial Services Organisation.

Initiatives to simplify our technology stack, including the successful completion of our SAP environment upgrade.

The primary objective of this strategy is to ensure that Liberty is future ready. Future readiness implies Liberty is innovative and operates at a low cost, provides great client experience, is modular and agile, uses data as a strategic asset and is ecosystems ready¹.

The new operating model for IT has resulted in greater collaboration and synthesis across the group and accelerated overall delivery traction. The group adopted a roadmap for transforming from a service organisation to an Agile organisation that will mature into a digital organisation.

Group IT relationships with stakeholders continued to receive focus. Each major area of the Liberty business has an IT executive responsible for maintaining relationships with that business unit. Value continued to be delivered to the business units and the IT operating model was modified to include a technology value office.

The rollout of, a digital cloud solution providing staff with instant messaging, point-to-point video, screen-sharing, screen control, multi-party audio conferencing, mobility and chat was concluded. To enable users to enjoy mobility and collaboration from any location, Microsoft Office 365 was implemented in 2019.

Substantial focus was placed on cloud adoption and global strategic partners were identified for this. The cloud journey will take several years and will be a major part of Liberty's long-term IT strategy. Successful adoption of cloud solutions will reduce the long-term cost of IT and lead to quicker deployment of infrastructure and applications. We continued to partner with Standard Bank Group in exploring opportunities around cloud capabilities and selected two cloud service providers, Amazon AWS and Microsoft Azure.

The implementation of MuleSoft, as the Application Programme Interface (API) solution, significantly contributed to the decoupling of the legacy systems from the front-end interface systems.

Operational metrics continued to receive attention across all IT domains. Metrics are in place to monitor the number of critical incidents, average downtime hours, planned production changes, emergency production changes, root cause analysis, etc. Dynatrace, an artificial intelligence tool that monitors and reports on real-time client experience, was deployed.

In March and April 2019 we experienced a noticeable increase in downtime impacting availability and stability. There were four Severity 1 and two Severity 2 issues in April alone. However, in the last seven months of the year, we experienced a total of only four Severity 1 or 2 issues.

Liberty's IT regulatory universe continued to be closely monitored and we continued to monitor progress with the cyber crime and cybersecurity Bill, the critical information infrastructure Bill of 2017 and the implementation of general data protection regulation.

Human capital management remained high on the group IT agenda, specifically the implementation of the new operating model. Capability building remains critical for group IT. Culture, transformation, leadership and people development continued throughout 2019. Besides targeted technical training in solutions and practices such as Cloud, Agile, SAFe and MSO365, over 2 500 employees participated in group-wide security phishing awareness training (KnowBe4) and 1 649 employees completed privacy training.

¹ As Gartner Research defines it: "A digital ecosystem is an interdependent group of enterprises, people and/or things that share standardised digital platforms for a mutually beneficial purpose, such as commercial gain, innovation or common interest. Digital ecosystems enable you to interact with customers, partners, adjacent industries – and even your competition."



Financial outcome

Performance

Liberty has two main lines of business that generate value, namely long-term insurance (risk and investment products) and asset management.

Additional value is created by the efficient management and investment of available capital, being the financial capital held for regulatory requirements.

Liberty's basis of value measurement for investors is value of new business margin, normalised return on equity, normalised return on group equity value and capital requirement cover. Share price growth and dividends paid are the tangible gauges of value created for shareholders.

The nature of the long-term insurance business results in a high percentage of contracts having a term of well over 10 years. In addition, the term of contracts is often variable as it depends on events not under management control, such as when a client dies or their policy lapses. Determining value and assessing performance therefore requires comprehensive valuation models that include forecasting future long-term trends in investment markets as well as policyholder behaviour.

Delivering competitive sustainable returns

VALUE OF NEW BUSINESS (VoNB) MARGIN



The group's VoNB increased 9,7% to R407 million, reflecting a margin improvement from 0,9% to 1,0%. This was mainly attributable to product enhancements, margin management and cost discipline. Improving margins and increasing volumes remain a primary focus of management.

NORMALISED RETURN ON EQUITY (RoE)



The RoE improved, increasing to 14,0% from 10,1% in 2018. Normalised headline earnings were up 42% on the prior year and the earnings of the shareholder investment portfolio (SIP) increased fourfold to over R1 billion.

NORMALISED RETURN ON GROUP EQUITY VALUE (RoGEV)



The RoGEV approached the target of 12%, increasing to 11,5% from 3,8% in 2018. This improvement is mainly attributable to higher investment market returns and a substantially improved performance from STANLIB South Africa.

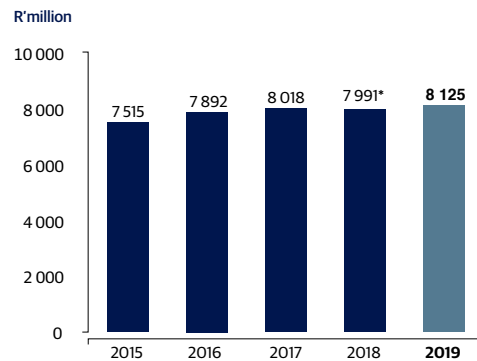
CAPITAL REQUIREMENT COVER



The group continues to exceed regulatory capital cover requirements. A further increase in our solvency capital requirement cover ratio to 1,99 times for Liberty Group Limited, the group's main long-term insurance licence, is at the upper end of our target and underpins our ability to fulfil our promises to policyholders and other stakeholders.

Strategic value drivers – Financial outcome continued

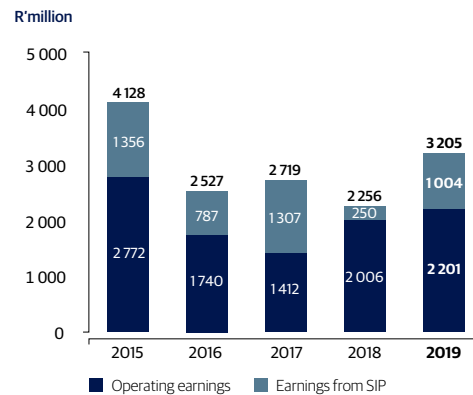
Group indexed new business



Group long-term insurance indexed new business is 1,7% above the comparative period. This positive variance is mainly attributable to improved SA Retail credit life sales (year-on-year increase of 11,3%) and Liberty Africa Insurance recurring and single premium business. The low level of non-credit life new business remains the main concern for the business heading into 2020. Various management actions and focused programmes are underway to improve new business sales.

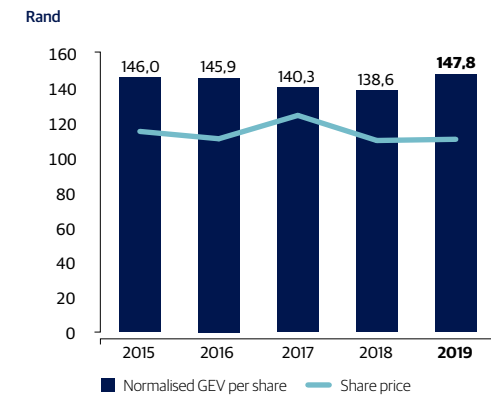
* 2018 adjusted for change and classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

Group normalised headline earnings



Group normalised headline earnings are 42,1% higher than 2018 due to a 9,7% improvement in normalised operating earnings and a fourfold increase in SIP earnings as a result of improved investment market returns. The improved normalised operating earnings was contributed to by STANLIB South Africa (29,6% year-on-year increase), the continuing Africa regions business increasing its contribution from R8 million to R54 million, and successful disposal of some operations under ownership review. The South African insurance operations grew operating earnings by 1,6%.

Normalised GEV per share and share price at 31 December



Group equity value (GEV) per share of R147,82 is 6,6% higher than at 31 December 2018. This increase reflects the impact of R4,4 billion of equity value earnings less the dividends paid during the period of R1,9 billion and share buy-backs of R278 million. The discount to the share price at 31 December widened from 21% in 2018 to 25%, a reflection of the challenging economic outlook for South Africa and local equity volatility at the end of the year.

Strategic value drivers – Financial outcome continued

Normalised operating earnings for the year ended 31 December 2019 of R2 201 million increased by 10% on 2018, reflecting a good operational performance in the current economic climate, particularly in STANLIB South Africa and the Africa regions' continuing businesses. The SIP earnings of R1 004 million benefited from improved investment market returns, particularly in respect of foreign and local equities in 2019. Normalised headline earnings of R3 205 million were 42% up on the previous year. Annualised return on equity was 14,0%, compared to 10,1% in 2018.

Earnings by business unit

| Rm (Unaudited) | 2019 | 2018 | % change |
|--|--------------|-------|----------|
| South African operations | | | |
| South African insurance operations | 1 986 | 1 954 | 2 |
| SA Retail | 1 505 | 1 544 | (3) |
| Liberty Corporate | 85 | 34 | > 100 |
| LibFin Markets | 396 | 376 | 5 |
| South African asset management | | | |
| STANLIB South Africa | 460 | 355 | 30 |
| Africa regions | 54 | 8 | > 100 |
| Liberty Africa Insurance | 29 | (19) | > 100 |
| STANLIB Africa | 25 | 27 | (7) |
| Operations under ownership review ¹ | (147) | (166) | 11 |
| Central costs and sundry income | (152) | (145) | (5) |
| Normalised operating earnings | 2 201 | 2 006 | 10 |
| Shareholder investment portfolio | 1 004 | 250 | > 100 |
| Normalised headline earnings | 3 205 | 2 645 | 42 |

¹ Disposals of the short term insurance technology start-up, STANLIB Ghana and STANLIB Botswana were effective on 27 February 2019, 1 December 2019 and 31 December 2019 respectively. Remaining operations under ownership review at 31 December 2019 were asset management operations in Uganda and Kenya, the Health solutions business and the short term insurance businesses in Botswana and Malawi.

South African insurance operations

South African insurance operations comprises the SA Retail, Liberty Corporate and LibFin Markets (credit portfolio and asset liability matching portfolio) businesses. Headline earnings of R1 986 million were up 2%.

SA Retail

Earnings from the group's SA Retail business amounted to R1 505 million compared to R1 544 million in the prior year. The business experienced lower than anticipated risk profits in the second half of 2019. Lower persistency experience continued throughout the year, reflective of the current South African economic climate. This was partly offset by active and disciplined cost management.

Indexed new business sales of R6 558 million were 1% up on 2018. Growth in sales volumes remains management's highest priority with low new business volumes being experienced in the group's tied channels, while strong growth was evidenced in the embedded credit and direct channels. Various product enhancements within the investment and risk product suite were launched during 2019. This included the launch of the Liberty Advanced Global Equity Tranches 2 and 3 portfolios on the Evolve Investment Plan, the Wellness Bonus benefit and enhanced income disability features on the Lifestyle Protector risk proposition.

The SA Retail Value of New Business (VoNB) increased by 7% to R290 million (31 December 2018: R271 million), and the margin improved to 0,9% (31 December 2018: 0,8%). This result is attributable to the positive impact of product enhancements and margin management. Net client cash inflows of R197 million reflected the impact of increased death, surrender and maturity values paid on investment policies following improved market returns over the year.

Liberty Corporate

Liberty Corporate earnings increased to R85 million from R34 million in 2018. This reflects improved disability claims experience and annuitant mortality coupled with tight expense discipline.

Indexed new business of R1 124 million (31 December 2018: R1 132 million) decreased marginally due to lower recurring premiums written during the year. Product enhancements include the refresh of the Liberty Stable Growth investment strategy and the launch of a comprehensive suite of new investment propositions. VoNB of R68 million was broadly in line with 2018.

Net client cash outflows of R1 030 million (31 December 2018: outflows of R449 million) were impacted by client investment outflows increasing through positive market returns over the year and higher umbrella scheme terminations experienced in line with the current South African economic environment.

LibFin Markets – Asset liability management and credit portfolio

The asset liability management portfolio produced an increased profit of R114 million (31 December 2018: R74 million) and earnings from the credit portfolio amounting to R282 million (31 December 2018: R302 million). LibFin Markets assets under management amounted to R70 billion (31 December 2018: R65 billion).

South African asset management

STANLIB South Africa

STANLIB South Africa earnings were up 30% to R460 million. Fee income was higher in the current year due primarily to strong cash inflows throughout the year and favourable investment market performance. Cost to income ratios have also improved.

Net external third-party client cash inflows amounted to R15,2 billion compared to R16,1 billion in 2018. This result was largely attributable to good institutional inflows to both money market and non-money market funds. Intragroup cash outflows for the year amounted to R5,1 billion.

Total assets under management by STANLIB South Africa amounted to R568 billion (31 December 2018: R529 billion).

Strategic value drivers – Financial outcome continued

Africa regions

Africa regions comprise Liberty Africa Insurance and the STANLIB asset management continuing operations in the southern African region.

Earnings of R54 million (31 December 2018: R8 million) was mainly supported by an improved short-term insurance claims experience in Kenya.

Operations under ownership review

Good progress has been made with the successful completion of the sale of Liberty's short-term insurance technology platform announced in February 2019 and the sale of the STANLIB Ghana and Botswana businesses effective 1 December 2019 and 31 December 2019 respectively. The sale of the asset management businesses in Kenya and Uganda is progressing according to plan and expected to be completed by 30 June 2020.

The loss of R147 million includes the Liberty Health loss of R126 million. Efforts continue to find a suitable outcome for the health business, however, these are taking longer than anticipated.

Shareholder investment portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. The current risk profile of the SIP is similar to a conservative balanced portfolio and is managed with a long-term through-the-cycle investment horizon.

The performance of the SIP was mainly attributable to good performance of local and developed market equities during 2019, which resulted in the SIP producing a gross return of 8,0% (31 December 2018: 3,7%) and delivering earnings of R1 004 million (31 December 2018: R250 million). The SIP exposure to investment markets remains appropriate in the context of the group's risk appetite.

Liberty Two Degrees (L2D)

The 2019 full-year distribution was in line with L2D's guidance to the market. The balance sheet capacity and continued operational performance of L2D's defensive portfolio are key differentiators in a difficult trading environment. L2D's South African retail strategy has been validated by the good trading performance in the core retail portfolio, evidenced by low retail vacancy rates and positive trading density growth. Further details on the results are available on the L2D website and in the L2D results announcement.

Bancassurance

The bancassurance agreement with Standard Bank Group, which is applicable across the group's operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 3% on the prior year, reflecting a good increase in credit life sales. We continue leveraging our joint capabilities with Standard Bank to capture appropriate opportunities.

Capital adequacy cover

The solvency capital requirement cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,99 times at 31 December 2019 is at the upper end of the target range and underpins our ability to fulfil our promises to policyholders and other stakeholders.

All other group subsidiary life licences were adequately capitalised.



Refer to pages 58 to 62 for extracts from our annual financial statements for more details.

SEE impact

Creating societal value and preserving our natural capital

Performance

We seek to play a meaningful role in society by strengthening communities, understanding and managing our environmental impacts and contributing to the economies of the countries in which we operate.

Liberty's success is inherently linked to the prosperity and wellbeing of the societies in which we operate. Through active risk management and sound relationships, Liberty's advisers and products enable clients to mitigate against life's traumatic events and grow their wealth for retirement. The value created for our clients must also translate into value for other stakeholders, including investors, employees and civil society. To this end, our shared value strategy views social, economic and environmental issues as opportunities for growth, innovation and differentiation.



Transformation

Level 2^v
B-BBEE contributor status
(2018: Level 2)

Once again Liberty achieved level 2 contributor status. We regularly monitor and internally report on our progress against the applicable eight elements of the Financial Sector Code (FSC) for black economic empowerment, as described in the codes of good practice in order to continue boosting our contribution to economic transformation in South Africa. Besides the ownership element, Liberty falls short of the FSC targets in the procurement (13,6/15,0), skills development (15,7/20,0) and management control (14,0/20,0) elements. All these areas continue to receive attention at the highest level of the organisation.

Socio-economic development spend
(SA ONLY)

R47,3 m
total expenditure
(2018: R45,6 million)

We continue to exceed the Broad-Based Black Economic Empowerment legislation targets of spending more than 1% of our net profit after tax on socio-economic development projects. We remain focused on primary and secondary education (R22,5 million), financial literacy for both scholars and adults (R18,8 million) and encouraging volunteering amongst our employees (valued at R671 000). Our administration costs amounted to 6% of the total spend in 2019.

Responsible resource utilisation

> R800 000
saved in electricity costs

Liberty's solar PV installation at its Braamfontein head office generated 757 MWh of electricity, saving the group more than R800 000 (R1,04/kWh) and avoiding 787 tCO₂e emissions using Eskom's emission factor. L2D has installed a solar PV system at its Midlands Mall, almost twice as large as the Braamfontein installation, reducing tenant cost and avoiding emissions. The recirculation and aeration of water used at Liberty's head office resulted in savings of more than 6 000kl.

Value created

Economic contribution

Significant taxes collected and paid over to tax authorities in the various countries in which Liberty operates include:



SOUTH AFRICA

R5 767 million

BOTSWANA

R31 million

KENYA

R89 million

Socio-economic development and transformation

Key to our future success is inclusive economic growth in all the countries in which we operate. In South Africa such growth is encouraged through Broad-Based Black Economic Empowerment legislation and specifically the amended Financial Sector Charter of 2017. The legislation measures commercial entities in five elements: black ownership; black representation at management levels; skills development of black employees; procurement from previously disadvantaged individuals, and socio-economic development and consumer education spend. Financial services companies are also evaluated on the provision of empowerment financing and facilitating access to financial services.

Liberty monitors and reports on its performance in elements of the sector code. An annual verification is performed by an independent verification company, Empowerdex. In 2019 Liberty retained its level 2 contributor status. Through nearly 23% black ownership and nearly 10% black female ownership, Liberty earned over 96% of the points available for the ownership element.

The management control element of the scorecard continues to pose a challenge to Liberty. Despite extensive efforts to appoint and/or develop black persons to management and leadership positions, the turnover of black persons remains high due to market demand for such individuals. Employment equity forums were established in 2019 within the core South African businesses and corporate functions to improve performance in this area. These employee representative forums will influence and advise on the development of cluster employment equity plans in support of the group transformation strategy.

Liberty performed satisfactorily under the remaining elements of the code, earning between 75% and 100% of the points available.

Liberty is proud that in 2019 we were awarded bonus points under the socio-economic development and consumer education element of the scorecard. These bonus points are awarded when a company's targeted corporate social investment (CSI) spend exceeds the targeted 1% of its net profit after tax.

Responsible investing

For several years, while STANLIB has developed and taken ownership of its own policies, it has also been a proactive supporter of industry initiatives to develop environmental, social and governance (ESG) policies. This is both in South Africa, where it endorses the Code for Responsible Investing in South Africa (CRISA), and internationally as a signatory of the United Nations Principles for Responsible Investment (UNPRI) initiative since 2008.

STANLIB has developed its own set of broad ESG principles that guide its thoughts and actions. These principles are designed to ensure that, as an asset manager, STANLIB can adopt a companywide approach to an individual ESG issue that goes beyond its existing commitment to CRISA and UNPRI. These principles are positioned above the individual teams' more detailed ESG policies.

Accountability is important at STANLIB and implementation of ESG research and processes is owned at the individual investment team level, ensuring that we avoid a 'tick box' mentality that can result from a purely centralised approach. All ESG processes are reviewed on a regular basis to ensure that they are fit for purpose and reflect leading industry practices.

Central to STANLIB's approach is a belief that engagement, rather than exclusion, is the primary and most powerful tool to deliver change in the area of responsible investing. Focus is also on proactive engagement rather than simply responding to issues that are topical or profiled in the media. Engagement with management teams on altering or improving their corporate behaviour is critical and particularly so in South Africa where environmental and social development issues are central. While proactive engagement is the primary approach, STANLIB is prepared to exclude companies from its clients' investment universe where behaviour is not considered acceptable or when action plans to meet industry standard practices are not being delivered. In addition, on behalf of clients, STANLIB actively votes the shares under its custodianship, which is a powerful tool to influence management behaviour.

More information and examples regarding STANLIB's approach to responsible investing can be found in its inaugural stewardship report at www.stanlib.com.

Value created (continued)

Empowering through education

Liberty's corporate social investment (CSI) strategy prioritises education to create opportunities for future employment and contribute to the building of a thriving economy. Liberty recognises the need to improve financial literacy throughout the broader population, to assist people of all ages to save for their futures and adequately provide for their families.

Our CSI initiatives are focused on improving Maths, Science, and English to unlock opportunities for youth employment. In 2019, the group invested the following amounts in our primary focus areas:

**INVESTMENT IN EDUCATION
(PRIMARY, SECONDARY AND TERTIARY)**

R26,0 million

INVESTMENT IN FINANCIAL LITERACY

R18,8 million

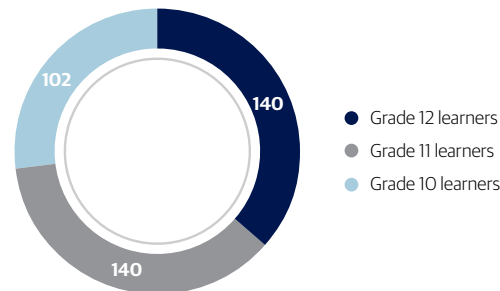
This expenditure is considered in determining Liberty's broad-based black economic empowerment contributor status.

Liberty is proud to support the Kutlwano NGO dedicated to accelerating the quality and quantity of Science, Technology, Engineering and Maths amongst township and rural youth in South Africa. The programmes provided in Katlehong (Gauteng) and Umbumbulu (KwaZulu-Natal) provide a springboard for learners to enter professional careers, growing a pool of young, driven talent pursuing Science, Technology, Engineering and Maths careers.

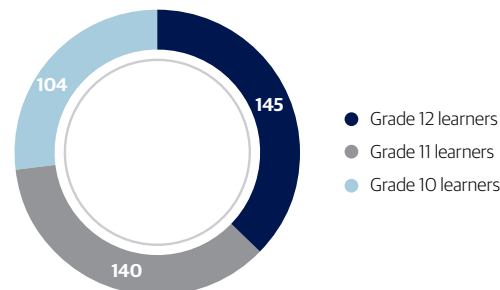
The organisation provides teacher development programmes, learner and career path programmes for high school learners, and an alumni programme for tertiary students and learners who have progressed to the workplace.

The two projects reached a total of 63 feeder schools, and developed 22 Maths and Science teachers. A total of 771 learners participated in the mid-week and weekend classes.

Katlehong



Umbumbulu



Of the 285 grade 12 learners, 275 passed the Maths exam with a mark of more than 50%; 119 of these learners achieved marks above 80%. The subject average was 76%. Similarly, 273 learners passed the Science exam with a mark of more than 50%; 104 of these learners achieved marks above 80%. The subject average was 72%.

The programmes go beyond assisting students to achieve good marks in matric. To grow a black talent pool of professionals the project's career specialists help students from Grade 10 to Grade 12 plan their career journey, facilitate applications for tertiary education and learnerships, and access bursaries and financial aid.

Transitioning to digitised learning solutions

In the 1990s millions of school children tuned into the Liberty learning channel to watch William Smith and other educators teach Maths and Science in a studio, using a projector. While this format was relevant back then, the learning landscape today has completely evolved. We recognise that the way learners absorb information has dramatically changed over the past few years. Mobile technology has shortened attention spans and increased the demand for short, enlightening pieces of information. To respond to these trends, we partnered with Mindset to deliver essential Maths and Science education to learners across South Africa.

Through an existing television (TV) channel on DStv, Mindset delivers Maths and Science education via a daily, Liberty-sponsored programme. This 60-minute interactive TV show is aired from 4 – 5pm during school terms. More than 140 original television shows are produced every year, where expert teachers deliver Maths and Science lessons to thousands of South African learners. These shows are broadcasted on DStv, OVHD and StarSat, and are aligned to the CAPS curriculum. This programme is further augmented through a TenFold Education app, accessible on a mobile phone or tablet.

 Refer to Liberty's report to society for more information regarding our economic, environmental and social impacts.



SUPPLEMENTARY INFORMATION

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Extracts from our annual financial statements

Accounting policies

The accounting policies applied in the preparation of the annual financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the prior year group annual financial statements except for the mandatory adoption of IFRS 16 *Leases*. The group applied IFRS 16 *Leases* retrospectively from 1 January 2019, using the modified retrospective approach. Comparatives, as permitted by IFRS 16, are not restated under this approach. There was no impact to opening retained earnings on adoption of IFRS 16.

The standard requires lessees to capitalise all significant lease arrangements on inception of the lease as right-of-use assets, with corresponding finance lease liabilities on the statement of financial position. The group has included the right-of-use assets within 'Equipment and right-of-use assets' on the statement of financial position. As at 1 January 2019, a right-of-use asset of R278 million was recognised with a corresponding finance lease liability on the statement of financial position. Operating lease charges will continue to be recognised for short-term leases and leases of low value items (which includes the month-to-month property leases, computer leasing charges, where applicable, and other miscellaneous leases).

Various amendments issued by the International Accounting Standards Board as well as IFRIC 23 *Uncertainty over Income Tax Treatments* were also adopted for the year commencing 1 January 2019. There is no impact on the group's current financial results, disclosures or comparative information as a result of these amendments.

 Detailed accounting policies are disclosed in Appendix A to the Liberty Holdings Limited annual financial statements.

Accounting key judgements

Key assumptions can materially affect the reported amounts of assets and liabilities. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following key assumptions are considered material assumptions applied in preparing these annual financial statements.

The nature of a long-term insurer involves the valuation of policyholder contractual obligations that are designed to be in place for long periods into the future. Key judgements around assumptions in the actuarial liability models are therefore significant in deriving liability measurements. Several assets are either unlisted or illiquid requiring measurement models to determine fair values. These models naturally rely on assumptions. These, in addition to other judgements applied in measurement and classification, are detailed in the annual financial statements.

Summarised extracts from Liberty Holdings Limited 2019 consolidated annual financial statements are included in the pages that follow. The full version of the annual financial statements is available electronically or in printed form, on request from the company secretary.

Strategy refresh and disposal groups classified as held for sale

As part of the strategy refresh exercise conducted during 2018, various cash-generating units were identified as either sub-scale or no longer applicable to Liberty's revised strategy. These cash-generating units were classified as disposal groups held for sale in 2018. The majority of these have now either been sold or are under agreements of sale subject to various conditions precedent being completed. One disposal group, namely the group's health solutions operations is not under an agreement of sale. However, negotiations with prospective purchasers are ongoing. Management, supported by the board, continue to classify the health solutions disposal group as held for sale.

Based on the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities have been disclosed as disposal groups and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which lead to various impairments. More detail on these disposal groups classified as held for sale is provided in note 25 of the group annual financial statements.

Extracts from our annual financial statements continued

Summary consolidated statement of comprehensive income E

for the year ended 31 December 2019

| Rm | 2019 | 2018 |
|--|---------------|---------------|
| Net insurance premiums | 39 801 | 38 521 |
| Revenue from contracts with customers | 4 076 | 4 073 |
| Investment income | 3 199 | 3 316 |
| Interest income on financial assets using the effective interest rate method | 1 920 | 1 516 |
| Fair value adjustment to assets held at fair value through profit or loss | 35 451 | 3 078 |
| Total income | 84 447 | 50 504 |
| Claims and policyholder benefits under insurance contracts | (41 730) | (39 504) |
| Insurance claims recovered from reinsurers | 2 079 | 1 571 |
| Change in long-term policyholder assets and liabilities | (4 590) | 11 449 |
| Fair value adjustment to long-term policyholder liabilities under investment contracts | (9 146) | 1 273 |
| Fair value adjustment to financial liabilities | (1 206) | (1 381) |
| Fair value adjustment on third party mutual fund interests | (6 327) | (2 407) |
| Acquisition costs | (4 241) | (4 413) |
| General marketing and administration expenses | (11 075) | (11 184) |
| Finance costs | (243) | (110) |
| Profit share allocations under bancassurance and other agreements | (1 512) | (1 284) |
| Remeasurement of disposal groups classified as held for sale | (319) | (249) |
| Profit on disposal of subsidiary | 141 | |
| Equity accounted earnings from associate and joint ventures | 19 | 32 |
| Profit before taxation | 6 297 | 4 297 |
| Taxation | (2 662) | (1 255) |
| Total earnings | 3 635 | 3 042 |
| Other comprehensive income | 9 | 369 |
| Total comprehensive income | 3 644 | 3 411 |

Extracts from our annual financial statements continued

Summary consolidated statement of financial position E

as at 31 December 2019

| Rm | 2019 | 2018 |
|---|----------------|----------------|
| Assets | | |
| Properties | 36 294 | 35 961 |
| Long-term policyholder assets – insurance contracts | 7 017 | 6 708 |
| Other investments | 378 828 | 354 232 |
| Repurchase agreements, scrip and collateral assets | 11 573 | 12 658 |
| Other assets | 10 001 | 9 844 |
| Cash and cash equivalents | 17 377 | 16 974 |
| Disposal group assets classified as held for sale | 584 | 897 |
| Total assets | 461 674 | 437 274 |
| Liabilities | | |
| Long-term policyholder liabilities | 324 246 | 310 994 |
| Reinsurance liabilities | 246 | 283 |
| Third-party liabilities arising on consolidation of mutual funds | 56 758 | 48 186 |
| Short-term insurance liabilities | 991 | 984 |
| Financial liabilities | 7 792 | 8 104 |
| Liabilities held for trading and for hedging | 7 932 | 8 457 |
| Repurchase agreements liabilities and collateral deposits payable | 12 474 | 11 747 |
| Other liabilities | 18 600 | 16 848 |
| Disposal group liabilities classified as held for sale | 246 | 278 |
| Total liabilities | 429 285 | 405 881 |
| Equity | | |
| Ordinary shareholders' equity | 24 068 | 23 003 |
| Share capital and share premium | 5 092 | 5 130 |
| Retained surplus | 19 882 | 18 661 |
| Other reserves | (906) | (788) |
| Non-controlling interests | 8 321 | 8 390 |
| Total equity | 32 389 | 31 393 |
| Total equity and liabilities | 461 674 | 437 274 |

Extracts from our annual financial statements continued

Summary consolidated statement of changes in shareholders' equity E

for the year ended 31 December 2019

| Rm | 2019 | 2018 |
|---|---------------|---------------|
| Balance of ordinary shareholders' equity at 1 January | 23 003 | 22 444 |
| IFRS 9 transition adjustment | - | (121) |
| Ordinary dividends | (1 915) | (1 941) |
| Total comprehensive income | 3 105 | 2 680 |
| Cash flow hedge recycled through profit and loss on early settlement | - | 12 |
| Foreign currency translation reserve recycled through profit and loss | 6 | - |
| Share buy-backs | (278) | (247) |
| Black economic empowerment transaction | 28 | 33 |
| Share-based payments | 127 | 94 |
| Preference dividends | (2) | (2) |
| Share issue costs in subsidiary | - | (1) |
| Transactions between owners | (6) | 52 |
| Ordinary shareholders' equity | 24 068 | 23 003 |
| Balance of non-controlling interests at 1 January | 8 390 | 7 947 |
| Total comprehensive income | 539 | 731 |
| Transactions between owners | (8) | 249 |
| Acquisition of unincorporated property partnerships | (180) | - |
| Share-based payments | 8 | - |
| Share issue costs in subsidiary | - | (1) |
| Unincorporated property partnerships net distributions | (246) | (222) |
| Non-controlling interests' share of subsidiary distributions | (182) | (314) |
| Non-controlling interests | 8 321 | 8 390 |
| Total equity | 32 389 | 31 393 |

Extracts from our annual financial statements continued

Summary consolidated statement of cash flows E

for the year ended 31 December 2019

| Rm | 2019 | 2018 |
|--|----------------|---------------|
| Cash flows from operating activities | 2 021 | (379) |
| Cash utilised by operations | (4 642) | (9 805) |
| Interest income on financial assets using the effective interest rate method | 1 920 | 1 516 |
| Distributions paid | (3 349) | (3 196) |
| Taxation paid | (2 363) | (3 092) |
| Net disposal of financial instruments | 10 612 | 13 293 |
| Net disposal of other assets | 293 | 215 |
| Deposits received on collateral deposits payable | 88 | 1 098 |
| Other operating cash flows | (538) | (408) |
| Cash flows from investing activities | (184) | (512) |
| Net disposal of investments | | 23 |
| Net purchase of other assets | (263) | (524) |
| Acquisition of associate | | (10) |
| Acquisition of equity accounted joint ventures | (1) | (1) |
| Proceeds on sale of disposal groups classified as held for sale | 268 | |
| Cash flows from investing activities in disposal groups | (188) | |
| Cash flows from financing activities | (1 396) | 2 785 |
| Net (repayment)/advance from financial liabilities | (837) | 1 927 |
| Net repayment of lease liabilities | (78) | |
| Net (repayment of)/proceeds on repurchase agreements liabilities | (58) | 730 |
| Net cash flows from equity transactions with non-controlling interests | (145) | 377 |
| Share issue cost in subsidiary | | (2) |
| Share buy-backs | (278) | (247) |
| Net increase in cash and cash equivalents | 441 | 1 894 |
| Cash and cash equivalents at the beginning of the year | 16 974 | 15 169 |
| Foreign currency translation | (22) | 129 |
| Disposal groups cash classified as held for sale | (16) | (218) |
| Cash and cash equivalents at the end of the year | 17 377 | 16 974 |

Shareholder diary

| 2020 | |
|------------------|---|
| 27 February 2020 | Annual Financial Results for the year ended 31 December 2019 |
| 14 May 2020 | Liberty Annual General Meeting |
| 5 August 2020 | Interim Financial Results for the period ended 30 June 2020 |

Forward-looking statements

This integrated report contains certain statements about the Liberty group that are, or may be deemed to be, forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect or incomplete, then actual future performance and achievements may be materially different from those expressed or implied by such statements. Furthermore, care has been taken to avoid providing forward-looking statements which would constitute a specific or general profit forecast or estimate under the JSE Listings Requirements and there is accordingly an inherent limitation in the scope of the forward-looking information provided. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in this report.



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