Alexander Forbes Group Holdings Limited

Integrated annual report

for the year ended 31 March 2022

alexforbes.com

:alexforbes

insight • advice • impact

Contents

Navigating our interactive report

Navigation tools at the top right of each page and within the report:

MAIN MENU | BACK | PREVIOUS PAGE | NEXT PAGE

This report is best viewed in Adobe Acrobat for desktop, mobile or tablet.

Click to download or update to the latest

Adobe Acrobat Reader

Find more information **in this report**.

Find more information **online**.

Reporting suite

Integrated annual report

Environmental, social and governance (ESG) report

Annual financial statements

Our customer value proposition

Connection is at the centre of our growth strategy

From Alexander Forbes to Alexforbes

We have rebranded our group from Alexander Forbes to Alexforbes. This is part of a strategic shift to serve and amplify the positive impact that we have on people's lives, by delivering insight and advice to both corporate clients and individual customers. We are orientating our actions, decisions and intent to build a future that we can all connect with.

The business is in a strong position to forge a greater connection with the people we ultimately serve, resulting in a refreshed vision, purpose and overarching customer value proposition. Our new vision is to be the most impactful provider of financial advice serving both institutional clients and individual customers.

Our **purpose** and **customer value proposition** is to pioneer **insight** to deliver **advice** and solutions that **impact** people's lives.

Insight

Our ambition to pioneer insights is driven by the conviction that knowledge is power.

Alexforbes wants to empower decision-making for corporate clients and individual customers that will impact their future. It is through this lens that we intend to inform and educate a range of stakeholders so that they can make informed decisions.

Our research reports - such as Member Insights and Alexforbes Manager Watch™ - are critical to how we connect with our clients and members.

We use insight to shape employee benefits that matter.

Advice

High-quality advice leads to better decisions.

The insights that we generate inform the advice frameworks implemented across our consulting platforms.

Given the breadth of our consulting footprint across retirement, healthcare and investments, Alexforbes has the responsibility to ensure that the advice provided is of the highest quality to ensure that our corporate clients and individual customers can make informed decisions.

The market is characterised by a constantly increasing flow of information, new regulations and often-conflicting opinions and beliefs. Alexforbes's ability to cut through complexity in providing expert independent advice helps our clients and members to simplify their decision-making and gain confidence in the paths chosen.

Solutions

Alexforbes has the capacity to build a future that delivers growth, inclusivity and sustainability based on its ability to implement its best-advice framework.

Our solutions are built on our advice framework using a best-in-class philosophy where the company monitors and evaluates third-party service providers to ensure the solutions delivered to our clients and members match the best-advice mandate.

The multi-management approach is central to the our investment philosophy. Much like finding the best solutions always starts with getting the best advice, innovative multi-management is also fundamental to our clients' success.

We can switch service providers in or out of their solutions, based on their ability to best serve the needs of our clients and members.

Impact

With effective execution, Alexforbes has managed to reduce levels of financial stress among clients and members, produced better retirement outcomes, improved overall wellbeing and made a positive impact on society.

Alexforbes encourages clients and members to feel in control, confident and secure in their financial journeys by making it easy for them to succeed.

We make this impact tangible in our reporting and consulting mechanisms.

Our investment case

Delivering advice and solutions that impact the lives of our clients

Independent, advice-led

- Being advice-led is our key differentiator
- Market-leading independent advice that optimises client and member outcomes
- Our advice-led, integrated approach within a mature industry gives us an advantage.
- Our solutions are holistic, spanning across retirement benefits, healthcare, wealth and investments through a single point of entry

Our customer value proposition on page 2

Message from CEO on page 36

Delivering to our clients and members on page 74

Recognised and trusted

- Alexforbes is synonymous with financial expertise and innovative, reliable solutions
- Institutional integrity focused on beneficial relationships built on trust
- The awards we win demonstrate how our people excel in living by our values and purpose as a business

Our customer value proposition on page 2

Who we are on page 8

Our highlights on page 18

Awards 2021/2022 on page 20

Transformation geared

- Alexforbes is committed to transformation and is making an impact through our transformation journey
- We have retained our Level 1 B-BBEE rating

Our highlights on page 18

Message from CEO on page 36

Sustainability impact on page 78

Enabling and empowering our people to deliver excellence on page 82

Board demographics on page 31

Refer to the **2022 ESG report** for more information.

R1.28 million members under administration and advice[1]

R435 billion in closing assets under administration and management (AuM and AuA)

We service more than **4 900** corporates

Commanding position in the industry

- Proven expertise in core activities, coupled with over 87 years of experience in doing what we do best
- Market leader in institutional employee benefits, multi-manager investments and healthcare consultancy in South Africa
- Extending our member base with the EBS acquisition and increasing members under administration through winning new business and acquisitive growth

Our customer value proposition on page 2

What sets us apart on page 9

What we do on page 10

Delivering to our clients and members on page 74

Capital-light business model

- Capital-efficient business model
- Surplus capital returned to shareholders
- Dividend cover: 1.0 to 1.5 times

Who we are on page 8

Financial impact on page 68

Refer to the **2022 Results announcement** for more information.

Robust balance sheet

- Supported by strong cash generation
- Our **capital position remains sound** (The group **cover ratio of 1.8 times is comfortably above the target** solvency cover ratio of 1.2 times)
- Low level of gearing

Financial impact on page 68

Refer to the **2022 Results announcement** for more information.

Cash-generative business

- Predictable revenue base and highly cash generative
- Strong profit to cash conversion

Our revenue model on page 22

Financial impact on page 68

Refer to the **2022 Results announcement** for more information.

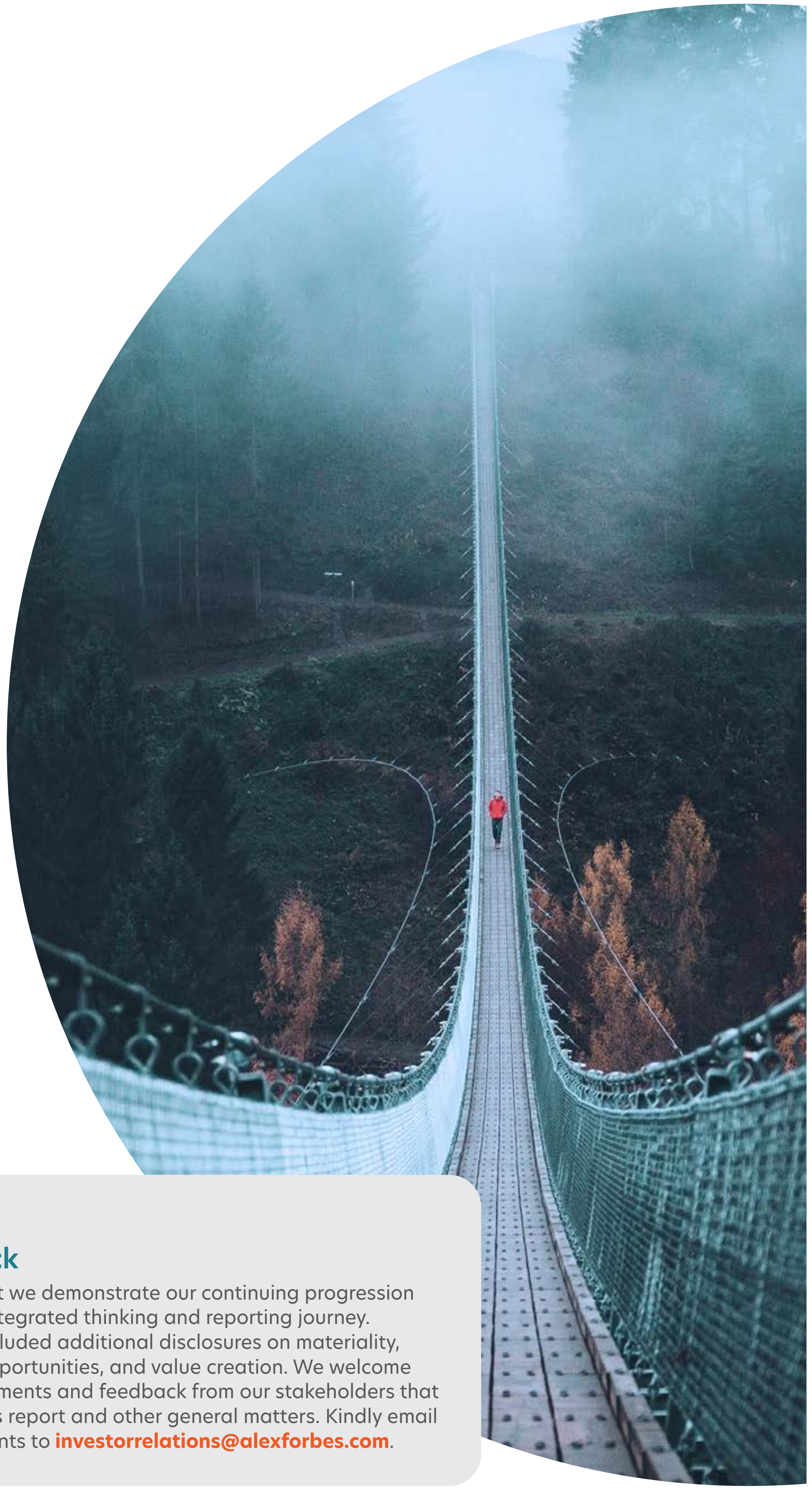
1 *Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients.*

About our integrated report

Scope and boundary

The Alexander Forbes Group Holdings Limited integrated annual report (the report or IAR) is for stakeholders.

To be concise, we simply refer to Alexforbes, the company or the group. The report provides information relating to progress against our strategic objectives, as well as information on our operating context, material matters, risks, opportunities, performance and governance from 1 April 2021 to 31 March 2022 (2022). Any material events that occurred after this date and up to board approval of the annual financial statements on 6 June 2022 and the integrated report and environmental, social and governance (ESG) report on 28 July 2022 are also included. The group applies principles of stakeholder inclusiveness, sustainability, materiality and completeness when assessing what information to include in the IAR. The group also applies the principles of accuracy, balance, clarity, comparability, reliability and timeliness when assessing information for this report.



Feedback

In this report we demonstrate our continuing progression along our integrated thinking and reporting journey. We have included additional disclosures on materiality, risks and opportunities, and value creation. We welcome written comments and feedback from our stakeholders that relate to this report and other general matters. Kindly email your comments to **investorrelations@alexforbes.com**.

Reporting frameworks and assurance

We have endeavoured to provide concise, balanced and transparent commentary on the progress we have made during the year on our strategy, performance, operations, governance and sustainability. Alexforbes takes direction on reporting from the Integrated Reporting Framework, as updated in January 2021, and the King IV Report on Corporate Governance™[1] in South Africa 2016 (King IV).

The board and executive management, with oversight of the chief financial officer, reviews and approves the IAR and ESG report and is comfortable, based on materiality, that external assurance on the accuracy of non-financial information is not necessary at present. Our broad-based black economic empowerment (B-BBEE) rating has been independently verified by AQRate Verification Services. Any disclosures on B-BBEE information apply only to our South African operations.

Our annual financial statements have been audited by PricewaterhouseCoopers Incorporated (PwC), who expressed an unmodified opinion on them.

To obtain a full understanding of the nature of the information that has been audited, refer to the **auditor's report** and the audited **annual financial statements** on our website.

Materiality

The identification of material matters is informed by the guiding principles of the <IR> Framework. This allows us to provide an account of how the group preserves and creates value in the short, medium and long term. Materiality considers the legitimate priorities and concerns of our stakeholders as they relate to our long-term sustainability. Material matters are informed by trends and key developments in our external operating environment, board considerations, the group's strategic objectives and our risk landscape. These topics are assessed and then ranked in terms of their likelihood of occurrence and potential impact on the group's ability to preserve and create value.

Our material matters and the process we follow to determine these matters are outlined on page 48 of this report.

Forward-looking statements

This report contains certain unaudited forward-looking statements and targets. These, by their nature, involve risk and uncertainty as they relate to future events and may be influenced by factors outside the group's control. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. We cannot guarantee that any forward-looking statements will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. Alexforbes disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason, other than meeting the JSE Listings Requirements.

Board assurance and approval

The board confirms that the group continues to comply with the primary legislation governing its establishment and operation. This includes the Companies Act 71 of 2008, as amended (Companies Act), the Insurance Act 18 of 2017, the JSE Listings Requirements and the company's memorandum of incorporation (MoI). Our attestation is informed by the annual compliance review performed by the executive: governance, legal, compliance and sustainability; the Companies Act, our MoI and the JSE Listings Requirements; the external audit of the annual financial statements by PwC; and the ongoing second and third-line assurance activities.

In the board's opinion, this report provides a fair and balanced account of the group's performance on those material matters that we have assessed as having a bearing on our capacity to create and sustain value. Although we believe that this report has been prepared in accordance with the Integrated Reporting Framework, as updated in January 2021, we undertake to continually mature our level of integrated reporting over time.

The report was approved by the board of directors on 28 July 2022 and signed on its behalf by:

Daniel Mminele
Chair

Dawie de Villiers
Chief executive officer

1 *The Institute of Directors in South Africa NPC (IoDSA) owns all copyright and trademarks for King IV.*

ONE Group overview

Who **we are**

Alexforbes is a financial services group that impacts people's lives by delivering insight and advice to individuals, employers and retirement funds.

Since its founding in 1935 Alexforbes has played an integral role in South Africa's financial services industry, having built a leading brand synonymous with insight, advice and impact.

We have built our reputation through an in-depth understanding of retirement, healthcare and investment dynamics to deliver best advice to clients, winning their trust and confidence in the process.

Alexforbes offers integrated independent advice together with retirement, investment, health and wealth management solutions.

The company has been listed on the Johannesburg Stock Exchange (JSE) since 2014.

We have 2 386 employees, dedicated to making an impact on people's lives.

Our purpose

We pioneer **insight** to deliver **advice** and solutions that **impact your life**

Our vision

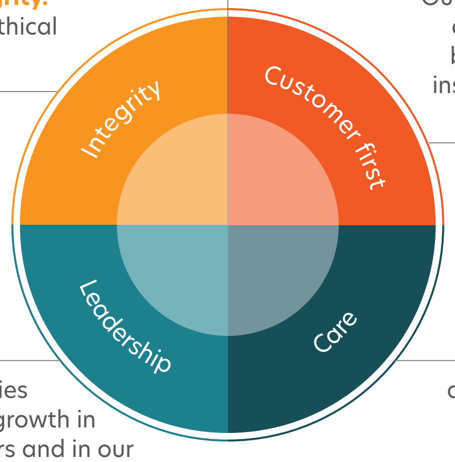
To be the **most impactful provider of financial advice** serving **both institutional clients** and **individual customers**

Our values

Our values are the **beliefs we live by.** They guide our **relationships, actions** and **behaviours.**

We act with **integrity.** We are truthful, ethical and transparent.

Our **clients and members** are at the centre of our business as we pioneer insights to deliver advice and solutions which impact their lives.

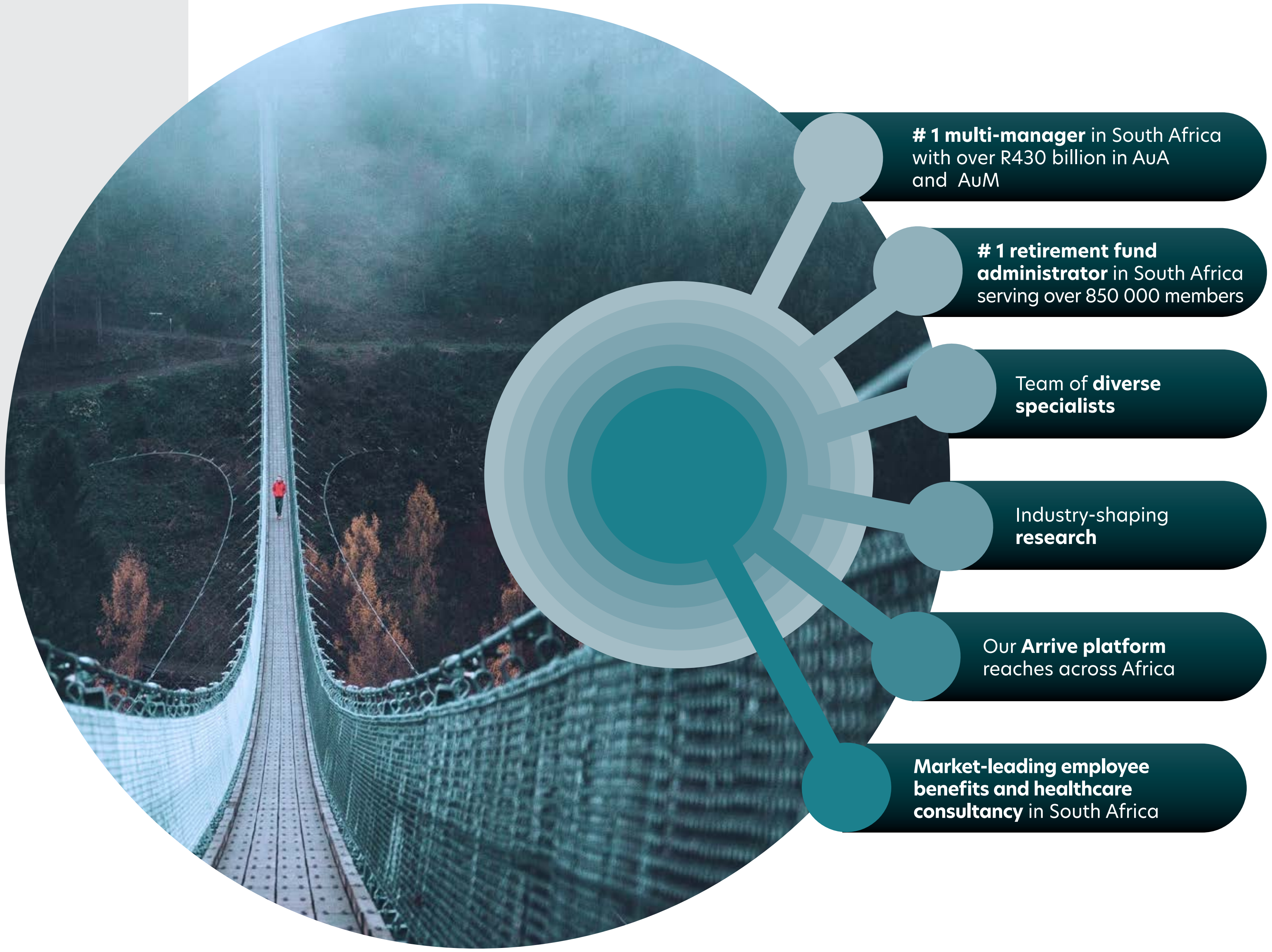


We all have **leadership** qualities and aim to drive growth in ourselves, in others and in our business. We lead by example.

We **care** for one another, our clients, our communities and the environment.

What **sets us apart**

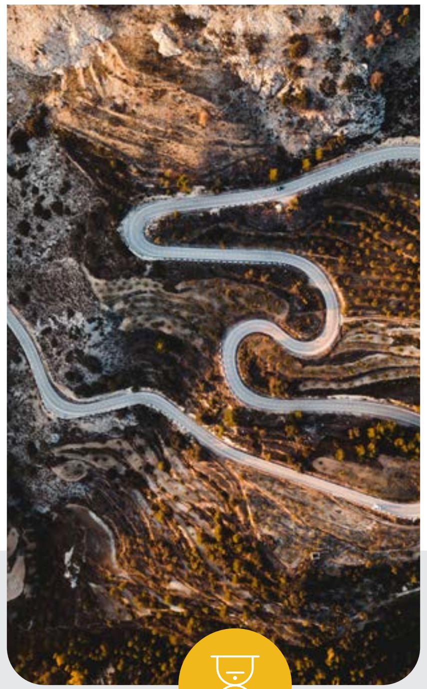
Alexforbes's uniquely integrated independent advice, retirement, investment and healthcare solutions differentiate us in the industry. Alexforbes also delivers employee benefit solutions (health, wealth and career) to clients throughout Africa, which is aligned to our advice-led framework through the Arrive platform.



What we do

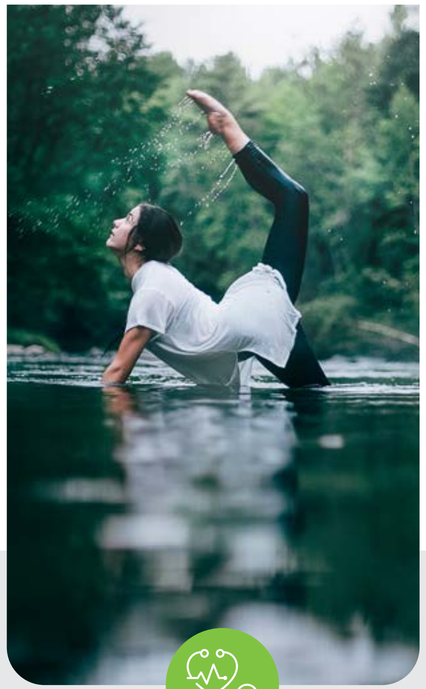
Provider of integrated independent advice together with retirement, investment, health and wealth management solutions

Our business lines (segments) are as follows:



Retirement

- Standalone and umbrella retirement fund administration and consulting
- Retirement fund actuarial consulting
- Beneficiary fund consulting and administration
- Retirement benefit counselling

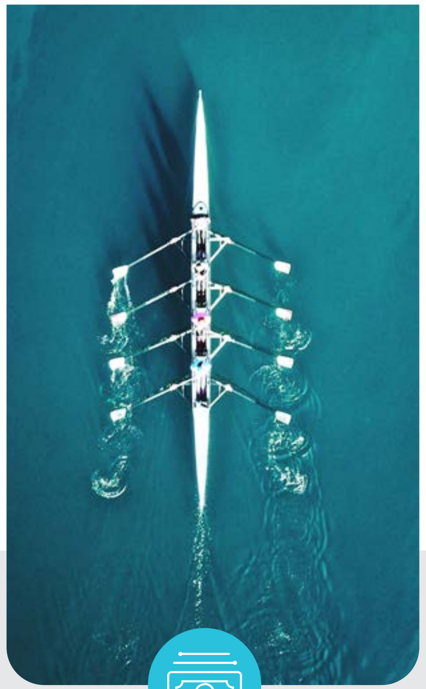


Healthcare

- Health actuarial consulting
- Health and medical scheme consulting
- Absenteeism and disability reporting, management and consulting

Investments

- Multi-management and investment solutions for institutional clients and individual customers
- Asset and investment consulting and administration
- Bespoke investment portfolio administration
- Investment manager surveys
- Multi-manager portfolio construction, manager research and advice
- Investment management administration services



Individual

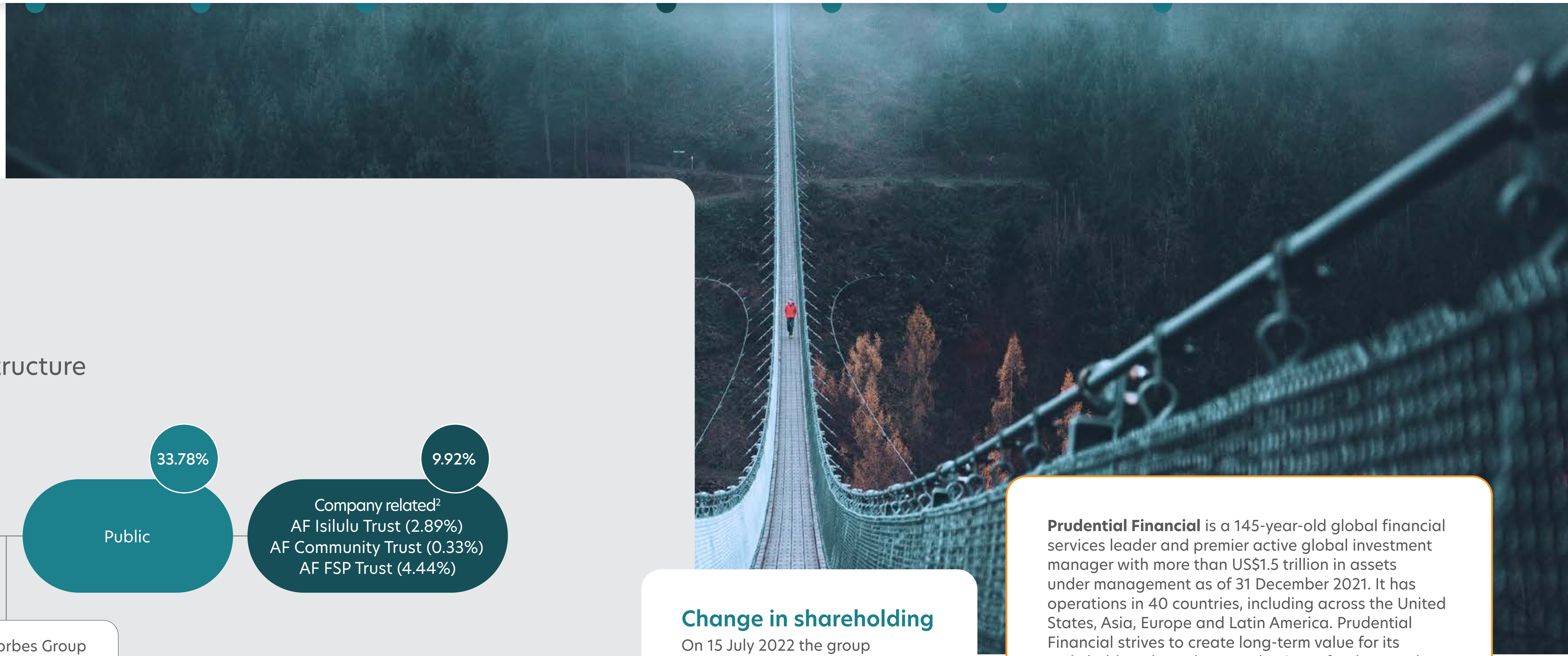
- Individual financial planning, wealth management and savings
- Bespoke investment portfolios for independent financial advisers (IFAs)
- Retail umbrella fund

Multinational

Arrive
- Differentiator for multinational clients – delivers employee benefit solutions (health, wealth and career) to clients throughout Africa

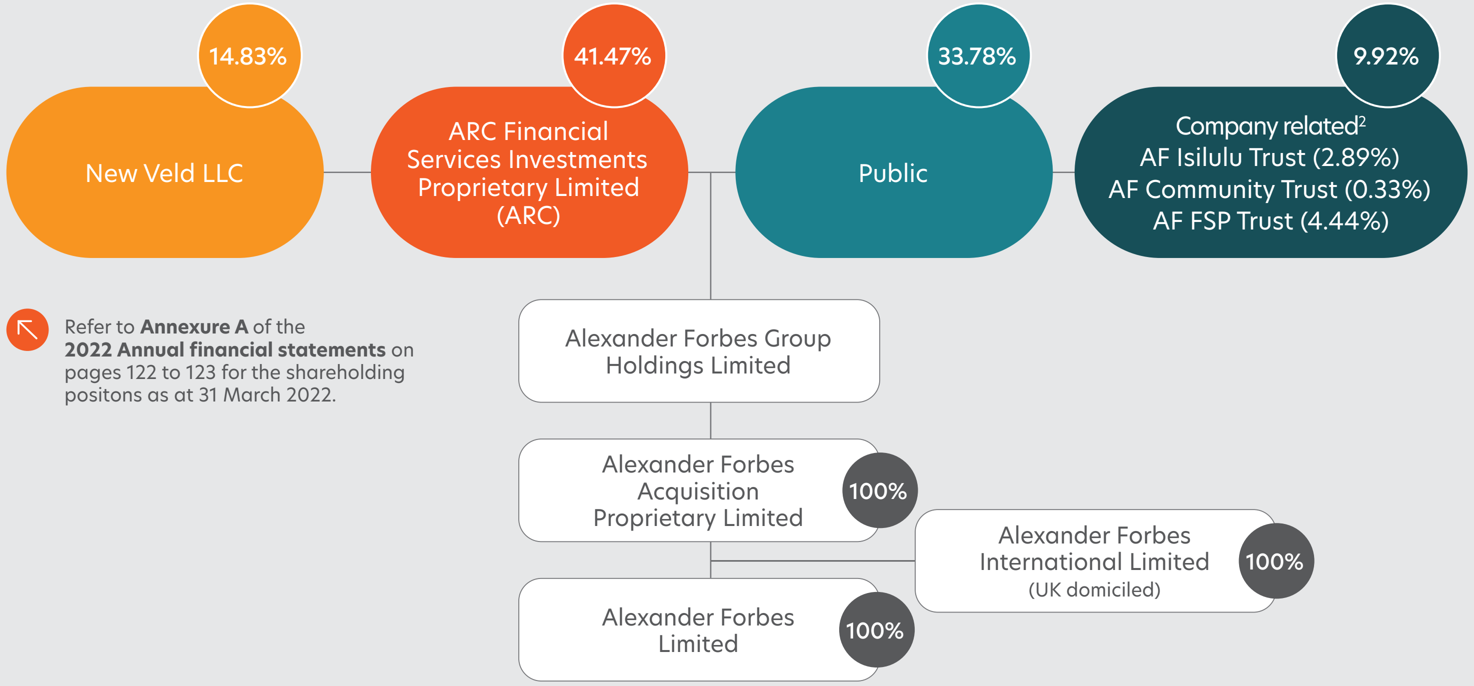
Namibia and Botswana
- Standalone and umbrella retirement fund administration and consulting
- Actuarial consulting
- Asset and investment consulting
- Multi-management and investment solutions for high net worth individuals and corporate clients

Channel Islands
- Employee benefit consulting, providing retirement, investment, health and risk solutions to corporate and individual clients



Ownership

Alexforbes shareholding[1] and group structure



Refer to **Annexure A** of the **2022 Annual financial statements** on pages 122 to 123 for the shareholding positons as at 31 March 2022.

1 *As at 22 July 2022*

2 *Includes shares held on behalf of Isilulu, Community and FSP trusts, shares held on behalf of employee long-term incentive schemes, shares owned by directors and prescribed officers (3 766 954) and treasury shares (26 501 838)*

ARC as strategic anchor shareholder and empowerment partner

It is important to us that our strategic partnerships are anchored on a common goal and vision. We prioritise our clients' needs and goals and aim to make a positive impact in societies we operate in and we are pleased to find a partner that does the same. ARC is a black-owned company that contributes to the financial services industries.

Their business philosophy is to benefit their stakeholders and positively contribute to the lives of South Africans by supporting local communities and causes through their broad social and corporate investment initiatives.

Change in shareholding

On 15 July 2022 the group announced that New Veld LLC, a subsidiary of Prudential Financial Inc. (Prudential Financial) acquired 200 800 000 Alexforbes shares (representing 14.83% of the issued share capital) held by Mercer Africa Limited.

On 18 July 2022, Prudential Financial, through New Veld LLC, launched a partial offer to Alexforbes shareholders with the objective of acquiring up to 33% of the issued shares of the company. ARC has undertaken not to accept the partial offer for its 39.9% shareholding in Alexforbes. At the time of releasing this report the partial offer was open to Alexforbes shareholders and subject to close on 5 August 2022.

We look forward to unlocking the prospective strategic benefits of this relationship.

Prudential Financial is a 145-year-old global financial services leader and premier active global investment manager with more than US$1.5 trillion in assets under management as of 31 December 2021. It has operations in 40 countries, including across the United States, Asia, Europe and Latin America. Prudential Financial strives to create long-term value for its stakeholders through strong business fundamentals, consistent with its mission guided by its vision and directed by its company's core values.

LeapFrog Investments invests in exceptional businesses in Africa and Asia, partnering with their leaders to achieve new levels of growth, profitability and impact. Founded in 2007, LeapFrog Investments's companies now reach 272 million people across 35 countries with healthcare or financial services, providing jobs and livelihoods to 143 000 people. Through consistent delivery on a strategy of Profit with Purpose, LeapFrog Investments has raised over US$2 billion from global institutional investors.

The investment in Alexforbes signals Prudential Financial's and LeapFrog Investments's strong investment appetite for the South African market. It affirms their continued commitment to delivering on their emerging markets strategy by partnering with recognised market-leading operators such as Alexforbes. This investment will build on previous landmark investments in Ghana and Kenya to scale and provide millions of consumers with access to essential financial services.

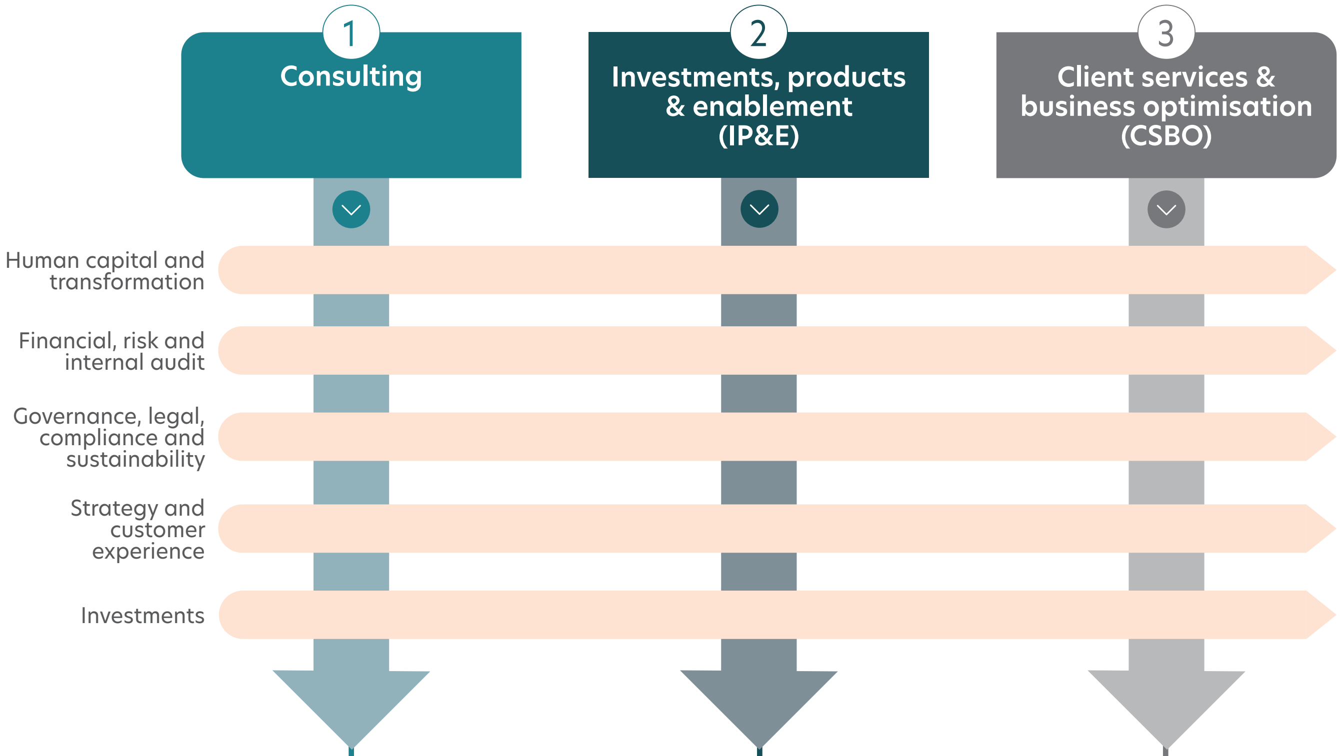
The investment in our business by two large investors affirms confidence in Alexforbes. They back our strategic vision, competitive position and quality of our business and the South African economy more broadly.

Group structure

Operating model

Our operating model is designed to connect our clients to their aspirations by integrating our consulting, solutions and administration platforms to present a holistic "one company" experience to our clients.

Under the operating model, the business is streamlined along three platforms supported by five enabling functions, as depicted below:



1 Consulting

Our consulting platform incorporates all client-facing business units and is arranged according to the advice needs of our clients. The consulting platform houses the revenue for the group as well as the costs for this platform.

These business units include:

- Retirement consulting
- Healthcare consulting
- Investments
- Individual consulting
- Multinational consulting

Executive: Butši Tladi

Refer to **What we do** on page 10, **Our revenue model** on page 22 and **Delivering to our clients and members** on page 74.

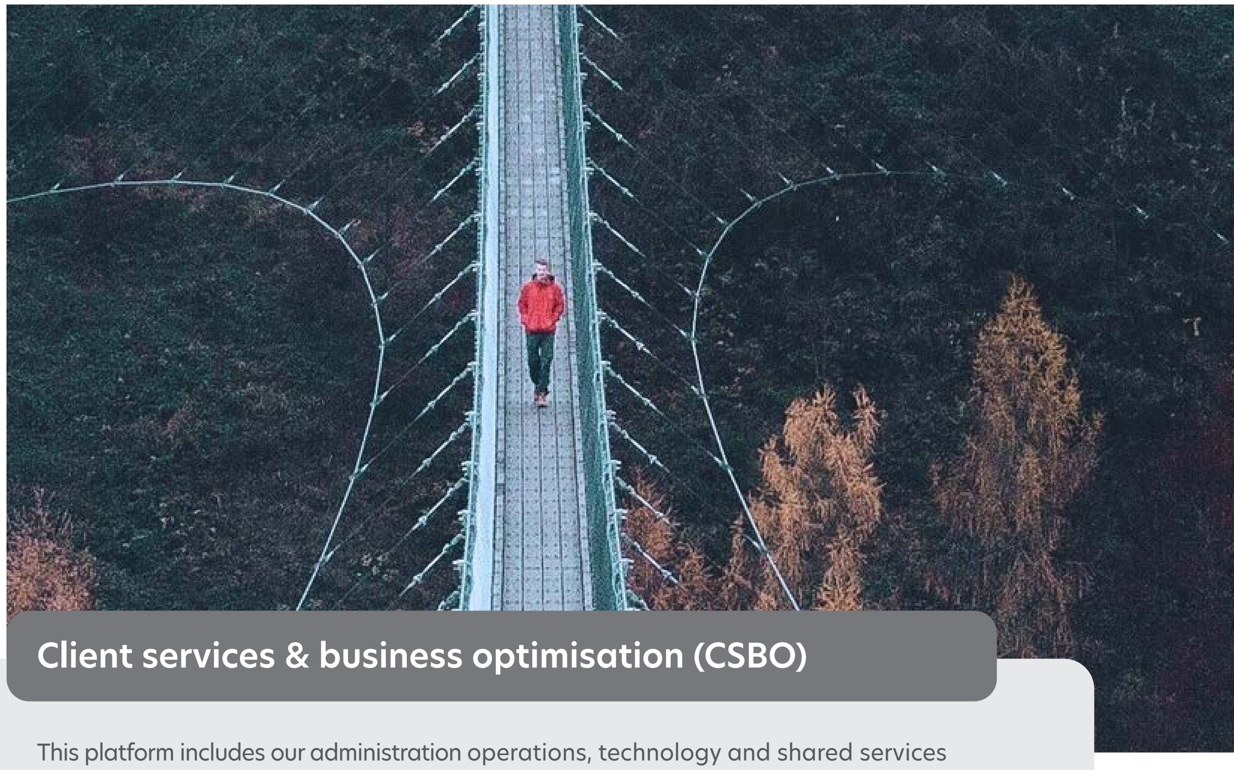
2 Investments, products & enablement (IP&E)

The IP&E platform includes the investment management team, research and best practice academy, product management, and other enabling units such as the chief economist's office, analytics and technical marketing.

These teams support the consulting team in developing more holistic products and solutions that enable a more personalised approach for each client, and to enhance coordination to develop solutions that meet the needs of institutional clients and individual members, while ensuring we meet our ESG objectives.

Executive: John Anderson

Refer to **Operational impact** on page 72.



3 Client services & business optimisation (CSBO)

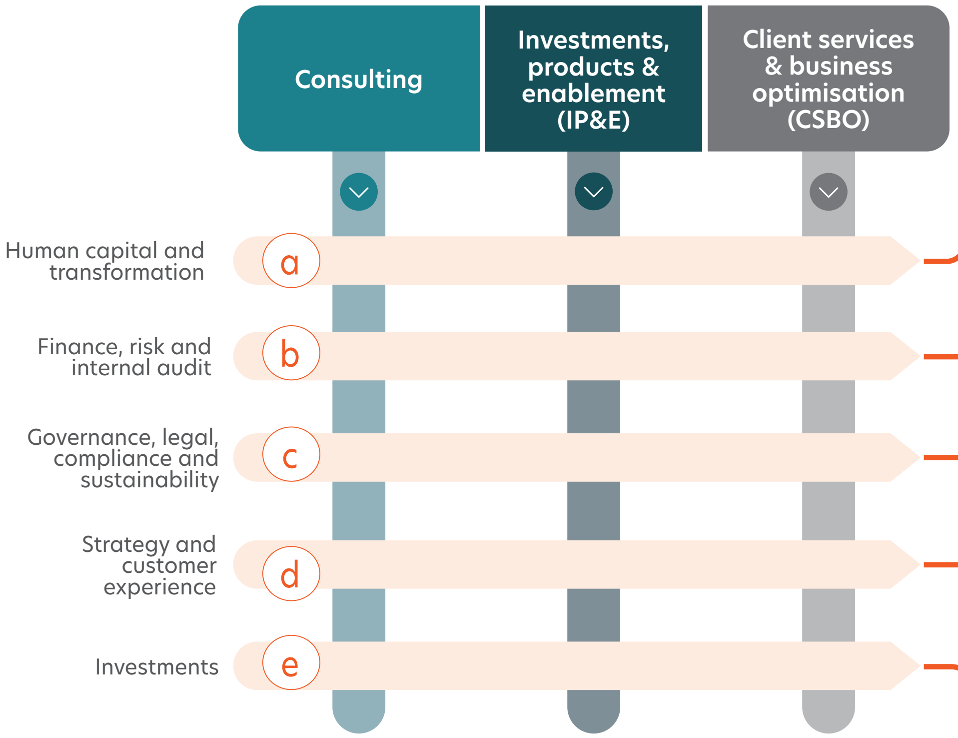
This platform includes our administration operations, technology and shared services units. The CSBO platform aims to embed operational excellence in administration, data quality and governance, automation and reporting to better service clients, and to drive efficiencies to manage expenses.

Executive: Laura Kukard

Refer to **Operational impact** on page 72.

Refer to **Delivering to our clients and members** on page 74.

Group structure continued



a Human capital and transformation

Human capital and transformation helps the group define, structure and realise its human capital strategy by focusing on the development and delivery of services that target our most important asset, our employees. It builds a culture and operating model that helps everyone, including leadership, management and employees to take responsibility for effective human capital management and contribute meaningfully to sustainable value creation.

Executive: Jonathan Muthige

Refer to **Enabling and empowering our people to deliver excellence** on page 82.

b Finance, risk and internal audit

The finance, risk and audit function is responsible for financial management and ensuring that material risks, which could affect the group, are identified, evaluated and effectively managed and reported. In addition, the function is responsible for management and implementation of internal financial controls. The capital allocation for and execution of corporate transactions in line with the strategic growth ambitions is also managed from this office.

Executive: Bruce Bydawell

Refer to **Financial impact** on page 68 and **Managing risks** on page 58.

Refer to **Enterprise-wide risk management** on page 27 and **Own risk and solvency assessment (ORSA)** on page 50 in the **2022 ESG report**.

c Governance, legal, compliance and sustainability

Governance, legal and compliance ensures that sound governance procedures are followed and maintained throughout the group. Legal services are central to our service offering to clients and includes advisory, training, rules drafting and dispute resolution components. In addition, the function is tasked with ensuring the group's policies and processes are adequate to ensure compliance with the required legislative and regulatory requirements. Also responsible for group sustainability and ESG holistically.

Executive: Carina Wessels

Refer to **Our governance approach** on page 28 and the **2022 ESG report**.

d Strategy and customer experience

The strategy and customer experience function takes the lead in transforming our ability to connect with customers by enhancing our digital capabilities and driving the growth of our retail distribution force. Stakeholder management, brand, marketing, insights and customer experience vest within this unit due to its enterprise-wide impact.

Executive: Viresh Maharaj

Refer to **Strategy** on page 40, **Delivering to our clients and members** page 74 and **Our customer value proposition** on page 2.

e Investments

The investments team researches the investment manager universe and applies a proven methodology in the construction of risk-profile solutions for retirement funds and individual investments. The multi-management approach is central to the Alexforbes investment philosophy. Our portfolio solutions are closely monitored by a team of knowledgeable and experienced investment professionals who maintain high-quality investment oversight on behalf of clients.

Part of our role in managing our multi-managed portfolio solutions is to continually ensure that our solutions remain optimally structured and blended to achieve their desired investment objectives.

Executive: Ann Leepile

Refer to **Operational impact** on page 72 and **2022 ESG report**.

Our **highlights**

Twelve months ended 31 March

Continuing operations

Operating income[1]
up 7% to
R3 221 million
(2021[2]: R3 013 million)

Profit from operations[3]
up 9% to
R720 million
(2021[2]: R659 million)

Cost-to-income ratio (percentage)[4]
77.6%
(2021[2]: 78.1%)

Basic earnings per share
up 20% to
37.0 cents
per share
(2021[2]: 30.8 cents per share)

Headline earnings per share
up 19% to
37.2 cents
per share
(2021[2]: 31.2 cents per share)

Closing assets under administration and management
up 8% to
R435 billion
(2021: R401 billion)

Umbrella fund AuA and AuM
up 12% to
R108 billion
(2021: R96 million)

AFRIS AuA
up 41% to
R14.4 billion
(2021: R10.2 billion)

Maintained a
Level 1 B-BBEE rating

Total group

Basic earnings per share
up >100%
39.3 cents
per share
(2021: 14.3 cents per share)

Headline earnings per share
up >100%
33.2 cents
per share
(2021: 12.7 cents per share)

Total members under administration and advice[5]
up 2% to
1.28 million
(2021: 1.25 million)

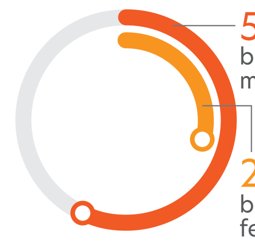
Preservation rate[6]
56.0%
(2021: 49.0%)

Retention rate[7]
27.0%
(2021: 23.0%)

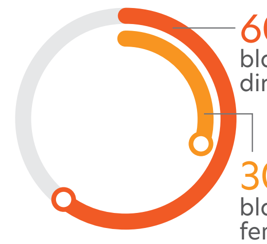
Diversity

Employees

Other executive management[9]



Board of directors



Refer to the **2022 results announcement** and the **2022 ESG report**

Refer to **Board diversity** on page 31 and **Sustainability impact** on page 78

1. *Operating income represents revenue net of direct expenses*
2. *Restated for the effect of discontinued operations*
3. *Profit from operations before non-trading and capital items*
4. *Cost-to-income ratio is calculated as a percentage of operating expenses (before non-trading and capital items) and adjusted for other income, over operating income*
5. *Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients*
6. *The percentage value of retirement funds that are transferred to preservation or retirement solutions after an employee resigns or retires from a company*
7. *The percentage value of fund assets that remain with Alexforbes over total exits*
8. *Black people as defined in the Broad-Based Black Economic Empowerment (Act 53 of 2003 as amended by Act 46 of 2013*
9. *Other executive management as measured in the amended FSC B-BBEE scorecard*

Awards 2021/2022

Africa Global Fund

Survey Providers

Best Investment Survey Provider 2021

HedgeNews Africa

Best Five-Year Performance (Fund of Funds)

AF Investments Performance QI Hedge Fund of Funds (1st place)

HedgeNews Africa

Best Fund of Hedge Funds in 2021

AF Investments Performance QI Hedge Fund of Funds (1st place)

PMR.Africa

Diamond Arrow 2021

Best Consulting and Actuarial Firm (1st overall)

PMR Africa

Leaders & Achievers

Consulting & Actuarial Firms (1st overall)

PMR.Africa

Diamond Arrow 2021

National Survey on Consulting and Actuarial Firms (1st overall)

PMR.Africa

Leaders & Achievers

Employee Benefit Administrators and Consultants (1st overall)

PMR.Africa

Diamond Arrow 2021

National Survey on Pension Fund Administrators and Consultant administering more than 150 000 members (1st overall)

PMR.Africa

Leaders & Achievers

Pension/Retirement Fund Administrators (2nd overall)

Our revenue model

Our revenue is housed under our consulting platform and is derived from the fees we earn through both advice-led and consulting services as well as asset-based fees. We segregate revenue based on type, which categorises revenue by service, and based on driver, which categorises revenue by the basis of the fee calculation.

The recurring advice-led service fee income (approximately 44%) comprises fee income from services rendered to clients, monthly administration (either on a fee per member or a percentage of salary contribution basis), consulting fees, actuarial fees, and commission income. As a material proportion of the group's income is linked to pension contributions, we are affected by the macroeconomic drivers of employment and wage inflation.

A key component influencing the group's revenue is the underlying asset base upon which fees are earned. The asset-based fee income comprises a larger proportion of our revenue (approximately 56%). Fees linked to the asset base include revenue from multi-manager activities, administration fees and fees charged for financial advice. It is therefore important that we grow assets through new business flows and through asset performance.

Some revenue drivers have immediate impact and others have a lagging impact. For example, new healthcare clients draw revenue almost immediately after appointment. However, there is a much longer lag before the negative impact on revenue is reflected when an investment or administration client leaves.

Disaggregation of operating income
(total % and Rand contribution)

Advice-led service fees
44%
Institutional
Individual

Consulting platform houses all revenue

Asset-based fees
56%
Institutional asset flows
Retail asset flows

Revenue streams
Total %

INVESTMENTS | RETIREMENT CONSULTING | INDIVIDUAL CONSULTING | HEALTHCARE CONSULTING | MULTINATIONAL CONSULTING

Drivers
● Payroll expense
■ Members
▲ Commission
✱ Asset-based
○ Ad-hoc fees

Investments
44% R1 424 million
(2021: R1 282 million)

Consulting and advice fees
R27 million (2021: R25 million)

Investment management fees
R1 397 million (2021: R1 257 million)

✱

Individual consulting
11% R355 million
(2021: R315 million)

Consulting and advice fees
R351 million (2021: R310 million)

Administration fees
R4 million (R5 million)

✱

Retirement consulting
26% R849 million
(2021: R848 million)

Consulting and advice fees
R182 million (2021: R170 million)

Administration fees
R580 million (2021: R592 million)

Commission
R87 million (2021: R86 million)

● ■ ▲ ○

Healthcare consulting
10% R309 million
(2021: R293 million)

Consulting and advice fees
R56 million (2021: R50 million)

Administration fees
R3 million (2021: R3 million)

Commission
R250 million (2021: R240 million)

■ ▲ ○

Multinational consulting
9% R284 million
(2021: R275 million)

Consulting and advice fees
R133 million (2021: R123 million)

Administration fees
R119 million (2021: R119 million)

Commission
R11 million (2021: 12 million)

Investment management fees
R21 million (2021: R21 million)

● ■ ▲ ✱ ○

Refer to **Financial impact** on page 68 of this report

Refer to **note 1** of the **2022 Annual financial statements** on pages 44 to 45 for more information.

Message from the board chair

A mission accomplished

I have had the privilege of contributing to the Alexforbes journey for over a decade and it has been a remarkably fulfilling experience that I will always hold dear. In this time, I have been able to witness first-hand the evolution of the business, its response to various challenges and the incredible fortitude of our people. Together, we have taken on a range of obstacles as we collaborated to deliver best advice to our clients, winning their trust and confidence in the process.

It has been a lesson in human fallibility to understand that not all well-considered decisions prove to be correct despite our best intentions. In 2019, it became clear that strategic missteps, a changing landscape and increased expectations from clients resulted in our business becoming disconnected from the opportunity that lay ahead.

It was at this stage that the need for change became clear and a mission to turn around our fortunes was formed. This necessitated a revised strategy to stabilise the business while creating the foundation for growth: a strategy that focused on strengthening our core lines of business, providing best advice for clients, demonstrating measurable benefits to clients and creating a capital-light business.

In my final message as chair, I am pleased to say that the board and management have accomplished this mission. The resolve to execute on the strategy has served the business well and there has been clear and demonstrable delivery across our strategic objectives. The business is in a strong position to forge a greater connection with the people we ultimately serve.

Custodians of trust

Trust is the most valuable investment that our stakeholders make in our business as they expect us to act in their best interests. The board is the custodian of this trust and is highly conscious of the need to retain our position as a responsible corporate citizen committed to serving our stakeholders and society at large.

Our governance framework is informed by principles of ethical trade, transparency, accountability and sustainability as we seek to maintain the highest standards of corporate governance and ethical leadership. During 2022 we continued on our journey of good governance by further embedding the principles of good governance and all applicable codes and standards wherever possible.

During the year we strengthened our internal control environment in risk management and compliance monitoring through investment in projects, resources and reporting. In addition, we played an active role in shaping regulatory developments through research, one-on-one engagements with regulators and by participating in industry working groups.

Investing responsibly

The responsible investment landscape has shifted dramatically, and we have observed the changes in investor demand, strategy availability and the regulatory environment in this context. We cannot afford to be complacent and have committed to leading the change. During the year under review we made several recommendations which touched on essential issues, including responsible and sustainable finance objectives, governance themes encompassing stewardship, disclosure and reporting, as well as accountability on the part of asset owners and asset managers who have made their pledges.

Engaging and participating in initiatives like this is fundamental to the progress of the industry, as well as its position in creating a sustainable and inclusive economy and society. It speaks directly to our purpose and commitment, aligning the interests of all stakeholders and extending our social licence to operate.

As South Africa's largest investments multi-manager, we have the responsibility to play the leadership role in driving transformative change across the investment management industry, with a particular focus on transformation; ESG and impact investing. We seek to influence the sustainability and relevance of the pan-African asset management industry with a view to creating employment and generating competitive long-term, risk-adjusted returns for our clients.

In addition, given our advice-led model and the nature of our business as a trusted long-term partner to our clients, we must maintain the highest standards of integrity and ethical practice. This strong focus is fundamental in our industry where confidence is the critical success factor, and we need to continuously demonstrate that our stakeholders' faith in us is managed responsibly.

"The resolve to execute on the strategy has served the business well and there has been clear and demonstrable delivery across our strategic objectives."

Marilyn Ramplin
Chair

Going boldly

We celebrated an important milestone in our journey together as we launched our new vision, purpose and customer value proposition. All supported by a refreshed Alexforbes brand crafted to form a greater connection to the individual customers, institutional clients and the broader society we serve.

This shift aligns with our vision of becoming the most impactful provider of financial advice serving both individual customers and institutional clients, and supports our strategic growth ambition of scaling up business and expanding our client base. It directly aligns with our corporate activity and underpins our journey towards becoming a member-oriented financial services provider by enabling us to better connect with individuals.

The appetite and ability to pursue these transactions is built on the stabilised base of our operations. I must commend management and the people of Alexforbes who worked tirelessly to modernise our fund and investment administration to the point where we are able to sustainably scale up our business. The ability to do so has been positively recognised by the market, which is demonstrated by the continued momentum in winning new business apart from the anticipated inorganic growth.

The interest expressed by Prudential Financial in our business is particularly significant as it demonstrates the high degree of confidence that the largest insurer in the USA has in our business and the prospects of the South African economy.

The respective transactions, new business and investor confidence act as clear affirmation of the direction of the business as it goes boldly into the future on a stable base built for growth.

A new mission begins

The board and executive team are acutely aware that our business possesses immense latent potential to impact the lives of our members and therefore bear the responsibility to connect with them to deliver our unique brand of insight and advice. We have refreshed our vision, purpose, customer value proposition and brand to forge stronger connections with members to make this impact on their lives.

Playing a relevant role in the lives of our members requires transformation of our digital capabilities, solution sets and retail advice channels. It takes an evolution of our strategy to focus on the impact that we make on people's lives through our sphere of influence. It also means expanding that sphere to have greater influence to deliver even more impact.

Appreciation

I am grateful to have served alongside my fellow directors and have built immense trust and respect for their candour and commitment to the business.

I would like to thank Simon and Nigel for their contribution to the Alexforbes board. I would also like to thank Thabo as remco chair for his guidance and input for the considerable amount of work that has been done around remuneration. I would like to welcome Daniel Mminele as chair of the Alexforbes board. I am confident you will succeed in your role and take the business to greater heights as it pursues its next chapter.

Thanks goes to the executive management for implementing our turnaround strategy and driving disciplined execution across the business. Special recognition must be paid to to Dawie for his leadership of the team. To our shareholders and clients, thank you for your ongoing support. Finally, I would like to express my deepest appreciation to the employees of Alexforbes for their commitment and dedication.

I am honoured to have been board chair of Alexforbes, and to have led a diligent and hardworking team that is committed to client satisfaction and improving their overall financial outcomes. I have full confidence that you will succeed in achieving your new mission in your distinctly unique Alexforbes way ... well considered, built with care and delivered with empathy.

Marilyn Ramplin
Chair

Q&A with incoming board chair

Daniel Mminele
Chair

Daniel Mminele was appointed to the board of Alexforbes on 1 January 2022 and subsequently stepped into the role of board chair from 1 April 2022.

He brings a wealth of leadership, governance and financial experience, and is a leader in South Africa's climate change just transition. Here are some of his insights about the business going forward.

What are some of your highlights since joining Alexforbes and taking over as board chair?

Alexforbes is a vibrant business filled with passionate and diligent people, and I have stepped into the role of board chair at a very exciting time. The board, executive management and functional teams care deeply about the business and want to create meaningful value for customers. A significant amount of work has been undertaken in recent years to reposition the business and create strategic clarity, with the focus now being on relentless execution. That has been my first impression.

The business has been thinking carefully about its role in the financial services industry and is working hard to ensure it becomes a more visible brand. The company is very focused on having more direct contact with members and individual clients and on offering bespoke and personalised solutions.

As part of this effort, a lot of work has been done on the overall strategic objectives of the business, and on refreshing the Alexforbes brand. The energy displayed at the brand relaunch was certainly a highlight. This clearly speaks to Alexforbes's intent to connect with its customers and provide them with the best advice and solutions, informed by deep insights. It is about how the business can make an impact by guiding people throughout their financial journey, and not just when they are close to retirement.

The work being done by the team at Alexforbes has resulted in a very pleasing financial performance, even under difficult market conditions.

What are some of the key factors in the external environment, and how will these impact the business in the short and medium term?

The success of the business is intertwined with the economic fortunes of South Africa and the other economies we operate in. Post-Covid macro-economic headwinds, continued socio-economic challenges, exacerbated by geo-political conflicts, will impact the business going forward. Factors such as employment levels, retrenchments, inflationary pressures, consumer disposable income and how people configure their income have a direct impact on the business. Factors in the global environment are subject to high levels of uncertainty and will have a bearing on developments in our markets, especially because South Africa is a small but open economy. This is why it is important for us to monitor these developments carefully and remain at pace with changes, including as they affect our regulatory landscape, and continue to position ourselves to deliver advice-led solutions that meet the needs and priorities of our customers.

Another major issue, in fact, the biggest challenge of our time, is climate change. The recent floods in KwaZulu-Natal and Eastern Cape served as a clear reminder that climate change is not a future problem, but our lived reality today. The corporate sector in South Africa has an essential role to play in the transition to a greener future. Businesses that do not develop adaptation and mitigation strategies will face increased risks, while those that do stand to benefit from harnessing the economic opportunities that will come with the transition.

It is important that we really shift gears towards ensuring our operations – every aspect of our business – has a sustainability lens. We need to ensure that we meet the expectations of our customers and that we do so in a way that factors in sustainability.

Alexforbes is influential and a standard setter in terms of best practice. The business has a unique opportunity given its multi-management approach, and therefore carries both the influence and responsibility to impact transformative change in the industry. This work will continue into the future, as we continue to embed ESG considerations across the group in our respective roles as a corporate citizen, investment consultant to retirement funds and as an investments multi-manager.

In addition, we will continue working towards our transformation objectives to grow and advance a more inclusive asset management industry. As part of this effort, we launched a new transformation policy. We believe this is the right way to go in ensuring inclusive development and shared prosperity for South African society as a whole.

What is your vision for the business and how does this align with your personal ambitions and aspirations?

I have always wanted to be in a space where I can make a meaningful contribution. Alexforbes's purpose, vision and what it stands for as a business is a perfect fit. My aim is to work with and provide guidance to both the board and the executive team to advance this vision and become the most impactful provider of financial services in the country. An immediate focus will be embedding our recent corporate actions and the changes to our shareholding structure.

What are your key priorities going forward?

There are a lot of exciting opportunities for Alexforbes given the way the business is now presenting itself to the general public. The aim is to become even more relevant to our operating context and continue playing to our strengths. Key to achieving this is creating an environment that is conducive to our employees performing well and bringing the best service they can to our customers. Our people must feel trusted and respected, understand that they are part of a bigger purpose, that they add value and that they have opportunities to grow.

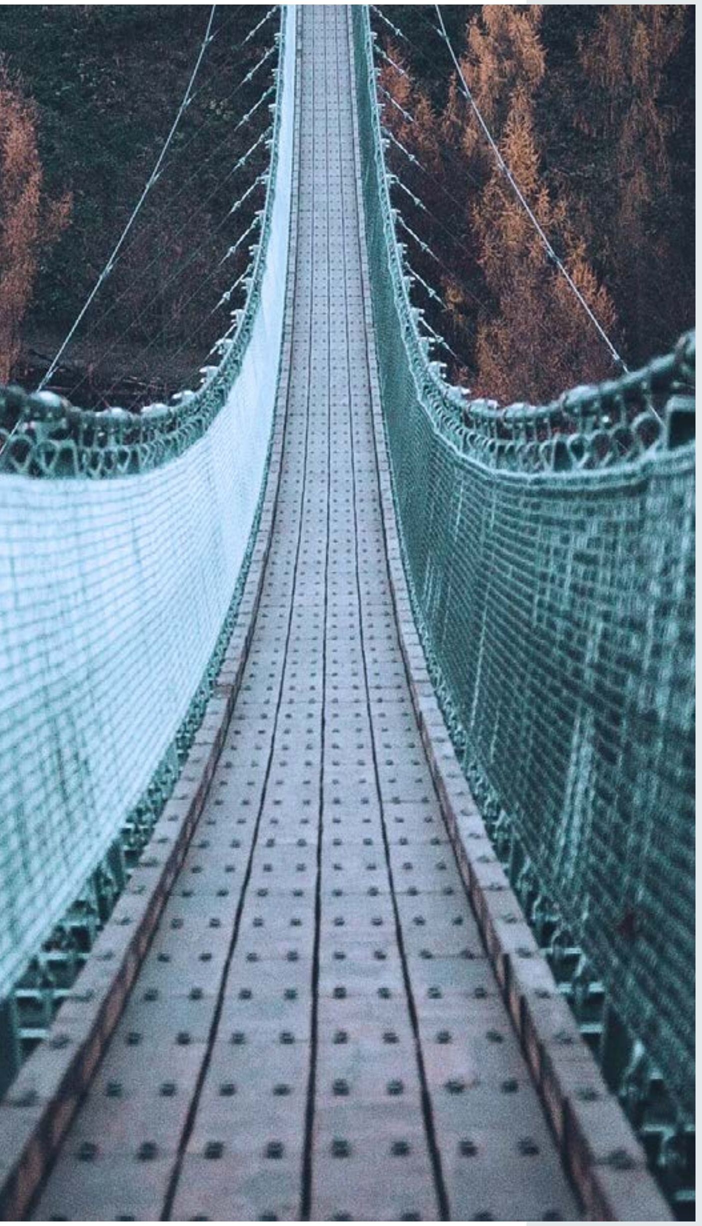
Technology is a key enabler of efficiency and productivity. We will continue to drive digitalisation, tune into the new economy and move with the times. This will allow the business to remain competitive, maintain relevance and realise its growth ambitions.

Governance is another key area of focus and I am privileged to have joined an energised board comprising professionals of the highest calibre. As a board, we will act as a trusted partner to the executive team, while at the same time providing strategic oversight that aligns with the growth ambitions of the business. We will continue to uphold the culture of good governance and ethical practice that is so deeply entrenched in the organisation.

Marilyn Ramplin has retired as board chair after serving the group from 2018 to 2022, with the last two years as chair. Do you have any words of acknowledgement for her?

From the time I came in as an independent non-executive director in January 2022 to my transition to board chair in April 2022 Marilyn and I have had a very fruitful relationship and she and the board have been very supportive. She is a consummate professional and a person who cares deeply about her work and about Alexforbes as a business. This is clearly reflected in what she has achieved during her time with the organisation and in the success the business enjoys today. I extend my sincere gratitude for the strong foundation Marilyn has laid, which we will build upon, and wish her the very best in her future endeavours.

Our governance approach



The Alexforbes board of directors is the highest governing body and custodian of corporate governance, ensuring that the group is led in an ethical and responsible manner.

Our governance approach, reinforced by our purpose and especially our value of integrity enables the achievement of our strategy while focusing on the long-term sustainability of the group. Our actions set the tone throughout the organisation by demonstrating our commitment to the integrity and reputation of the company.

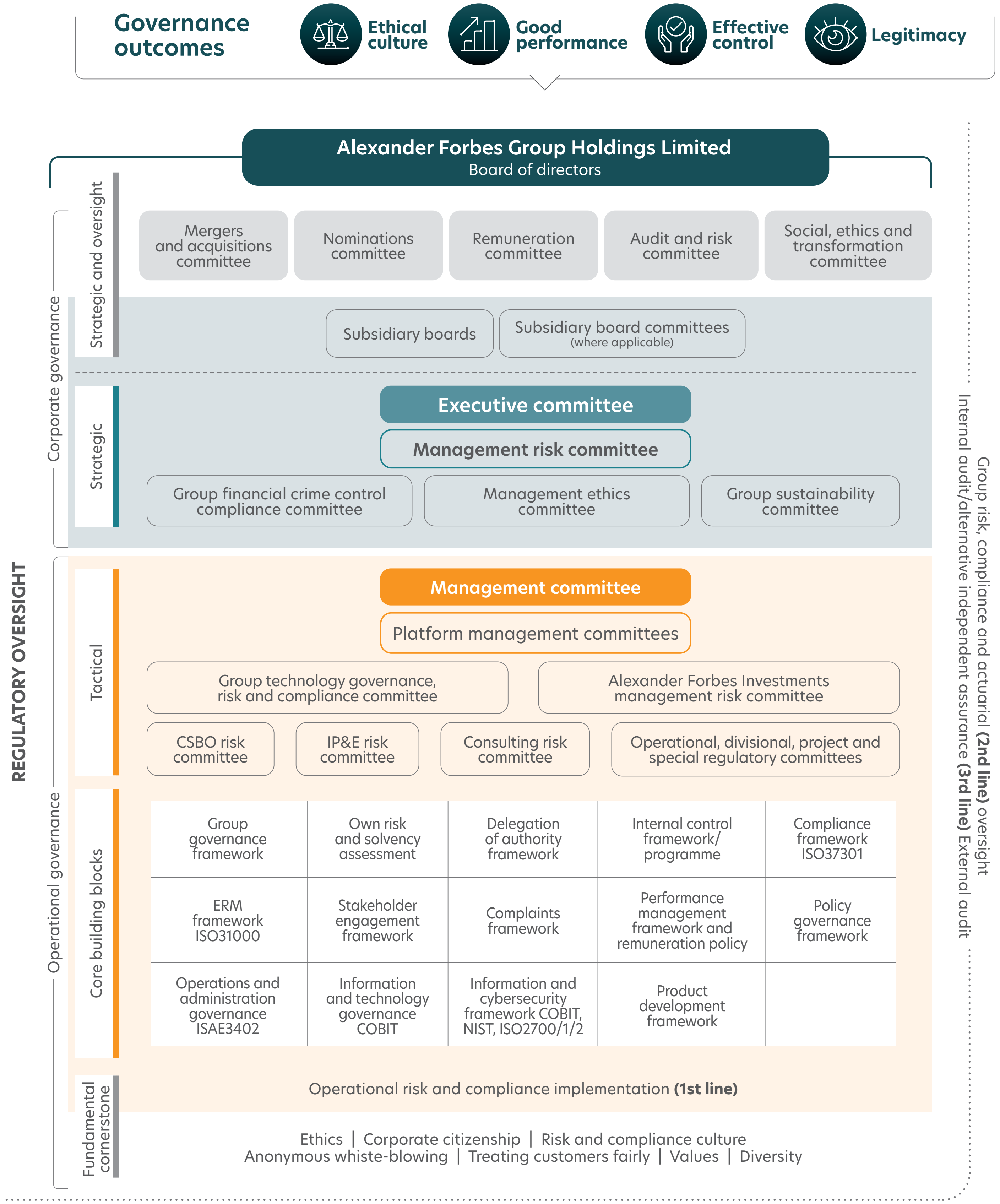
The Alexforbes board is driven to deliver sustainable and meaningful value through our approach to governance: governance and our ethical culture not only ensures our social licence to operate, they are key enablers of the relationship of trust with our clients and in delivering our purpose.

Governing structures and delegation

Our board is optimally constituted in terms of the company's memorandum of incorporation, the Companies Act and King IV. The board consists of 10 members: seven independent non-executive directors, one non-executive director and two executive directors. Over the past two years, significant time and effort was spent on determining the ideal skills, experience and diversity mix for the board to enable and support the achievement of our purpose and strategy. In 2022 and the period up to finalisation of this report, the board delivered on several of the intended composition changes and is pleased that the recent additions and overall composition contribute to the balance of skills, experience and diversity necessary to perform its duties and add meaningful sustainable value.

Our board delegates authority to its relevant sub-committees and the executive according to a detailed delegation of authority framework and clearly defined terms of reference. This allows the board to allocate sufficient time and attention to matters reserved for their decision-making. Each board sub-committee has a clear mandate and terms of reference that are regularly reviewed.

Our governance structure enabling our intended governance outcomes



In accordance with our governance framework and group delegation of authority, several matters are delegated by subsidiary boards to the group executive committee and/or in-country management teams (where applicable), but without derogating from the legal responsibility and fiduciary duties of subsidiary directors.

Our governance approach continued

Sustainability

In 2022 we reviewed our approach to ESG and sustainability and approved a revised sustainability intent and related future actions.

As a leading South African company, Alexforbes wants to play an important role towards sustainable economic development for our clients, business partners, investors and the South African society at large. Our aim is to meaningfully contribute to turning South Africa's business potential into real possibilities by:

- earning trust through providing fair and equitable outcomes for our stakeholders, by delivering consistently on our promises
- shaping society through contributing meaningfully to broader societal challenges, enhancing economic growth, and development and fostering partnerships
- promoting intergenerational sustainability by being environmentally conscious and accountable of our impact on the environment and by appropriately advising our clients on their sustainability risks and opportunities within the context of our broader advice framework and philosophies
- driving thought leadership and contributing to appropriate advocacy topics in the economy, and our industry and developing innovative solutions to address societal challenges
- supporting national ambitions to transition to low-carbon economies and more climate-resilient societies.

The board has delegated oversight over environmental, social and governance, sustainability and climate-related matters to the social, ethics and transformation committee.

The board recognises that some environmental components and climate change risk specifically had not been historically prioritised due to their low direct impact on the business. The company has consciously revised its approach in this regard and more information on climate change specific planned interventions are included in the 2022 ESG report.

Refer to the **2022 ESG report** for more information.

Refer to **Intent to impact** on page 65.

Our response to climate risks

In the current year the company considered the evolving reporting landscape relating to climate risks.

The International Sustainability Standards Board released a draft of its IFRS S2 Climate-related Disclosures. Central to this draft are the tenets of the Task Force for Climate Related Financial Disclosures (TCFD) requirements.

Similarly, when the JSE published its Sustainability Disclosure Guidelines and Climate Disclosure Guidelines in March, the latter was anchored by the principles found in TCFD.

Given the centrality of TCFD, Alexforbes has committed to taking steps to implement components of TCFD whilst studying the JSE Sustainability Guidelines further.

We endeavour to continually strengthen our reporting through improved disclosure, alignment to relevant reporting frameworks and benchmarking to best practice.

Stakeholder relationships

Our approach to stakeholder management is underpinned by our vision and strategic objectives. We foster mutually beneficial partnerships for the group and its stakeholders and, through this, create positive societal outcomes owing to our business activities.

Significant strides were made over the last year to implement the revised stakeholder relationship framework as approved by the social, ethics and transformation committee in 2020. The framework underpins our stakeholder engagement approach guided by principles of inclusivity through consultations with our stakeholders. The framework also considers material issues that are assessed considering the legitimate interests and expectations of stakeholders, responsiveness through our decisions, actions, performance and communication as well as equality of all stakeholders.

We assist in the development of our people and we implore that our suppliers and underlying investment product providers contribute to positive social and environmental impact through their own business practices. We contribute to the wellbeing of our clients' employees, which in turn creates a more sustainable business for our clients.

We use our research and knowledge to shape our business strategies so that we can deliver on our promise to mutually benefit our stakeholders, grow our business and positively impact society.

Refer to the **Stakeholder review** on page 52.

Refer to the **Social, ethics and transformation committee report** in the **2022 ESG report** for more information.

Board performance

The board selected an internal evaluation process, with an externally facilitated one planned for 2023. The process included an evaluation against the board and committee objectives set for 2022 as input into the discussion on any immediate areas requiring attention.

Refer to the **2022 ESG report** for more information.

Forum	Aggregated score out of 3
Board	2.8
Audit and risk committee	2.4
Mergers and acquisitions committee	2.5
Nominations committee	2.7
Remuneration committee	2.6
Social, ethics and transformation committee	1.9

As part of the evaluation, the board also considered the bespoke Alexander Forbes Investments Limited evaluation insofar as it affected group committees and group governance matters. No material items of concern were identified.

In 2022 the board amended its annual calendar by focusing exclusively on the group strategy in the quarter four board cycle. During the evaluation the success of this amendment was specifically considered and it was decided to be maintained but optimised to ensure improved reporting continuity and efficiency between the standard board cycles.

Overall, the evaluation confirmed that there were no material areas of improvement and individually and collectively directors contributed to the efficacy of the board, its oversight role and strategic contribution to the group.

Responsible and fair remuneration

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

Refer to the **Remuneration committee report** in the **2022 ESG report** for full details.

Board demographics

Categorisation

Executive
Non-executive
Independent non-executive

Tenure

1 - 2 years
2 - 4 years
above 4 years

Diversity

Target of 50% black[1] board representation exceeded

Black male
Black Female
White male

Gender

Target of 30% female board representation met

Male
Female

Age

30 - 49
50 - 59
60 - 69

1 *Black people as defined in the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act 46 of 2013*

Our board of directors and executive committee

Board
as at 29 July 2022

CHAIR (INDEPENDENT NON-EXECUTIVE)

Daniel Mminele [57]
- Associate Certificates (Chartered Institute of Bankers (London) in association with City Polytechnic of London/Guildhall University)
- German Banking Diploma (Bankkaufmann)
- Executive Leadership Programme (Wharton School of Business & Goldman Sachs)
- Executive Public Leaders Programme (Blavatnik School of Government, University of Oxford)

Appointed 1 January 2022 and as board chair from 1 April 2022

Meeting attendance 2/2 1/0

EXECUTIVE DIRECTORS

Dawie de Villiers [52]
Chief executive officer
- FASSA
- BSc (Actuarial Science)
- Advanced Management Programme (INSEAD)

Appointed 1 November 2018

Meeting attendance 9/9 7/0 3/0 7/7 5/0 3/3

Bruce Bydawell [54]
Chief financial officer
- CA(SA)
- CFA

Appointed 1 April 2019

Meeting attendance 9/9 7/0 3/0 7/7 5/0 3/0

NON-EXECUTIVE

Refiloe Nkadimeng [41]
- CA(SA)
- SEPA (Harvard Business School)

Appointed 3 June 2020

Meeting attendance 5/8 1/0 2/0 3/0 2/3

PREVIOUS BOARD MEMBERS

Marilyn Ramplin resigned 1 April 2022

Totsie Memela-Khambula retired 3 September 2021

Simon O'Regan resigned 15 July 2022

INDEPENDENT NON-EXECUTIVE

Thabo Dloti [53]
- BBusSc (Actuarial)
- Advanced Management Programme (Harvard School of Business)

Appointed 1 August 2018

Meeting attendance 8/8 7/7 3/3 6/7 3/3

Bob Head [64]
- CA
- Associate of the Chartered Insurance Institute
- Fellow of the Chartered Institute of Bankers
- MA (Politics, philosophy, economics)

Appointed 1 January 2018

Meeting attendance 7/8 3/0 1/0 7/7 5/5 1/0

Nigel Payne [62]
- CA(SA)
- MBL

Appointed 1 May 2018

Meeting attendance 7/8 7/7 3/3 6/7 5/5

Nigel will retire at the annual general meeting to be held on 2 September 2022, but will remain an independent non-executive and chair of Alexander Forbes Life Limited

Andile Mazwai [51]
- BCom Hons
- CSb(SA)

Appointed 9 November 2021

Meeting attendance 9/9 5/0 2/0 4/0 5/5 2/2

Appointed setco chair on 18 November 2021

Ndumi Medupe [52]
- CA(SA)
- BAcc Hons

Appointed 8 June 2022

Nosipho Molope [58]
- CA(SA)
- BCompt Hons (CTA)
- BSc (Medical Sciences)

Appointed 1 July 2022

Executive committee

Ann Leepile [43]
Chief executive officer: Alexander Forbes Investments
- CFA
- Women in Leadership (Stanford Graduate School of Business)

Appointed 1 February 2022

Butši Tladi [48]
Executive: Consulting
- MBA
- BCom Hons

Appointed 1 July 2019

Laura Kukard [49]
Executive: client services & business optimisation
- Post-graduate Diploma in Management
- Post-graduate Diploma in Business Management

Appointed 1 August 2020

John Anderson [44]
Executive: investments, products & enablement
- FASSA and Fellow of the Institute and Faculty of Actuaries
- BCom Hons

Appointed 1 August 2019

Jonathan Muthige [55]
Executive: human capital and transformation
- BA Hons
- Project management
- Strategic Human Resources
- Advanced Management

Appointed 1 October 2020

Viresh Maharaj [39]
Executive: strategy & customer experience
- FASSA
- CERA
- MBA (cum laude)
- BBusSc Hons (Actuarial Science)

Appointed 1 May 2021

Carina Wessels [44]
Executive: governance, legal, compliance and sustainability
- Fellow of Chartered Governance Institute of Southern Africa
- Advocate of the High Court of South Africa
- LLM: Extractive industry law in Africa (cum laude)
- LLM: Labour Law
- Advanced Labour Law (cum laude)
- LLB
- PMD (cum laude)

Appointed 1 March 2019

Meeting attendance
- Meeting attendance information presented for the period until 31 March 2022, except for the Setco meeting where the final meeting for 2022 was only held in April 2022.
- Meeting attendance includes committee meetings voluntarily attended as invitee (in such case the denominator is shown as 0)

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

Our board focus areas and performance

During the past year the board has provided effective and holistic oversight and guidance to the executive on a range of matters. We are pleased to see that our actions as a board resulted in improvements across the group and that the changes that have been implemented because of board decisions are also providing value to our stakeholders. This section highlights some of those key actions and outcomes against the specific objectives we had set for 2022. More details can be found in the 2022 ESG report.

Key objectives for 2022	What we achieved / value created	
Strategic review, oversight and input to ensure the group is enabled to execute on its growth aspirations	Our strategic growth ambitions of scaling up and diversifying our institutional client base while accelerating our journey towards becoming a member-oriented financial services provider were underlined by the continued momentum in new business and corporate transactions concluded during the 2022 reporting period. The corporate transactions received close oversight by the mergers and acquisitions committee and the board as a whole. All of the board committees provided clear guidance and oversight to ensure that the company had processes and systems to deliver on the growth aspirations as measured against the stated strategy. These are discussed throughout this report and also in the committee reports contained in the 2022 ESG report.	Specific highlights include: • Approval of the member engagement initiatives, individualisation strategy, revised customer value proposition, brand strategy and enhanced information technology services delivery model as key growth enablers • Share repurchases and cancellation, as well as approval of the reduction in the group solvency capital requirement cover ratio from 1.5 to 1.2 times as part of the continued capital-light model delivery • The change in shareholding transaction and ensuring the fair treatment and protection of minority shareholder interests • Strategic review of and support for further work on various business growth, product enhancement and other potential acquisition targets
Supported by the mergers and acquisitions committee, oversees the value creation and growth enablement through large merger and acquisition activity	The delivery of the merger and acquisition activity in 2022 is regarded as a highlight. The board will continue to focus on the value to be created through these transactions.	Refer to the **Mergers and acquisitions committee report** on page 64 of the **2022 ESG report** for more information.
Continue to develop our in-depth understanding of the pensions reform landscape, its likely impact on the group, and the opportunities and risks created, and consider appropriate strategic responses	The board received detailed information and considered the pension reform landscape, specifically the company's perspectives on and strategies in response to:	• the Pension Funds Amendment Bill as discussed on page 50 of this report • the proposed two-pot system as discussed on page 51 of this report These remain ongoing items of strategic importance that will continue to feature in board deliberations.

Key objectives for 2023

- Strategic oversight and input to ensure the group is enabled to enact, and execute, on its growth objectives
- Consideration of the fair and reasonable opinion for the partial offer to shareholders and the board's opinion expressed, in order to protect minority shareholder interests
- Board effectiveness and maintaining an appropriate balance of power on constituting a new board following the change in company shareholding
- With support from the social, ethics and transformation committee, deepening the board's understanding of climate risks and opportunities, and designing appropriate metrics and targets

Message from the CEO

Connecting for impact

Alexforbes delivered a pleasing set of results during 2022 thanks to disciplined strategic execution, a transformed organisational culture, sound corporate governance and focused innovation. The core business has been reconfigured and is aligned and working well, which provides a solid foundation for building on growth in new business and acquisitions.

"We aim to be the most impactful provider of financial advice to our clients and customers."

Dawie de Villiers
CEO

Our results reflect the hard work of the team over the past three years in implementing our turnaround strategy. Our leaders have driven disciplined execution across the business and have cemented the positioning of our advice-led, integrated value proposition, resulting in continued momentum of new business wins. We are building on this strong foundation with the launch of our refreshed brand, customer value proposition and vision to become the most impactful provider of financial advice to institutional clients and individual customers.

Both the board and management are excited by the interest shown in our business by the largest insurer in the United States, Prudential Financial, through the change in shareholding announced in July 2022 and subsequent partial offer announcement that is under way. We look forward to unlocking the prospective strategic benefits of this relationship.

2022 marks the 25th anniversary of Alexander Forbes Investments as well as our flagship Alexander Forbes Retirement Fund (AFRF). Both have made an incredible impact on the landscape of the South African financial services industry with significant plans under way to amplify this impact into the future.

"Our people bring our strategy and business model to life and are central to the turnaround of our operations, culminating in the strong financial performance in the year under review."

Navigating complexity

The global economic outlook points to increasing complexity due to a disrupted recovery amid Covid-19 flare-ups, policy ambiguity, elevated geopolitical tensions triggered by the Russia-Ukraine war and persistent supply bottlenecks. Moreover, commodity-dependent economies such as South Africa remain fragile and a more moderated global recovery could reverse the gains in commodity prices recorded in 2021. The criminality that took place in KwaZulu-Natal and Gauteng in July 2021, electricity insecurity, and flooding in KwaZulu-Natal further exacerbated external pressures.

South Africans, however, are tenacious and resilient. The economy has recovered to pre-pandemic levels of activity following the lifting of lockdown restrictions. Additionally, the number of active retirement fund members remained flat, which is positive considering the low base from previous years. Furthermore, regulatory changes and industry-wide consolidation provide opportunity for Alexforbes to navigate this complexity as both a corporate and as a trusted adviser.

In such times, our hard-won ability to make sense of the environment, objectively consider the choices at hand and implement our strategy effectively will serve to differentiate our proposition.

During 2022 we undertook several initiatives in line with our strategic imperatives and growth ambitions. We are proud of these efforts and how they have resulted in new business wins and contributed to the turnaround of our administration business. These also included transactions concluded with Sanlam, EBS International and Prudential Financial together with LeapFrog Investments.

The recently announced corporate transactions are aimed at transforming Alexforbes in becoming a member-oriented financial services provider. This will be achieved by enhancing the digital capabilities available to our financial advisers, increasing membership within our traditional retirement fund base as well as expanding and diversifying our service offering into adjacent segments of the South African and African retirement funding markets, uniquely positioning us to serve the breadth of the retirement fund administration needs.

Customer value proposition

In March 2022 we successfully relaunched our brand as Alexforbes to present a fresher, inclusive and accessible positioning to the market that supports our customer value proposition (CVP).

It does not just represent a change in name and tagline, but a transformation that demonstrates how our organisation shows up. In addition to being authentic to our business, our new CVP will be a key driver in differentiating our business, attracting top talent and achieving our vision of becoming the most impactful provider of financial advice to institutional clients and individual customers.

The tagline of Insight Advice Impact amplifies our purpose, simplifies our promise to the market and unifies our CVP across the range of our services. The reaction to our refreshed brand and positioning has been overwhelmingly positive and acts as a signal of confidence in our ability to connect and positively impact the lives of our stakeholders.

Our performance highlights

Our clients are experiencing the benefits of our advice-led model and the modernised retirement fund and investment administration platform. We are excited about having won new business of R148 million in annualised revenue.

Our operating income increased by 7%, underpinned by sustained new business across all our segments. This was coupled with strong market performance, demonstrating the effectiveness of our advice-led business model.

Our flagship portfolio, Performer, continued to deliver consistent and competitive performance, with a 16% year-on-year increase in assets under management. During 2022 Performer was the best-performing balanced fund for South Africa as well as the third-best performing balanced fund in South Africa over the past ten years as measured in the Alexforbes Manager Watch™ Survey.

We steadily improved our B-BBEE performance over the last decade and a half, moving to a Level 1 contributor in 2021 from Level 5 in 2007. We maintained this position in 2022.

We aim to be the most impactful provider of financial advice to our clients and customers. This includes treating our customers fairly and strengthening our internal controls and compliance monitoring through world-class tools and investment into digital platforms. During 2022 we received a clear signal from our clients that our efforts at prioritising their needs and goals contribute to a meaningful partnership. Our customer satisfaction score has improved for a third consecutive year.

We continued our digital transformation as well as our member engagement and individualisation strategy, in line with our growth ambitions.

We have built a solid foundation for our business to grow by modernising our fund administration with more innovation imminent. This will lead to opportunities for:

- retirement and healthcare consulting to compete in a mature market
- stable retail advice to extend its reach into pre-retirement and discretionary markets
- additional scale in fund administration through organic growth and acquisitions

Advancing our sustainability journey

As the largest multi-manager in South Africa, we bear the responsibility to influence change in the industry and maintain the highest standards of integrity and ethical practice. We embed these behaviours across the group through our ESG frameworks, codes of conduct, performance management, monitoring and training. Furthermore, we ensure that our ESG goals form part of our multi-manager due-diligence process and engagement with all asset managers. This strong focus on doing the right thing and doing things right is fundamental to our industry where performance, diversity and sustainability are critical success factors.

Message from the CEO continued

During the 2021 financial year we established a sustainability committee to oversee our sustainability approach and to ensure an integrated approach across the business. As we continue to refine our goals for Alexforbes, we will be guided by the UN's guidelines on how to broach this task.

We refined our groupwide sustainability intent, assigned clear executive accountability for sustainability and made some firm commitments for 2023 as part of our holistic journey.

We have developed a sustainability management framework to integrate and manage our ability to impact, taking into consideration seven UN Sustainability Development Goals most aligned to our strategic intent. We commit ourselves to these practices as signatories or members of the UN Global Compact (UNGC), the UN Women's Empowerment Principles (UN WEP), the Principles for Responsible Investing, and the Code for Responsible Investing in South Africa.

We are committed to supporting the principles of the UNGC by reporting on our progress annually, in a manner that is consistent with the UNGC Communication of Progress (CoP) guidelines and to share this information with our stakeholders. Disclosures for this year's CoP are located in this report and our ESG report.

Refer to page 81 of this report.

Refer to the 2022 ESG report for more information on our sustainability journey and plans for the year ahead.

People

Our people bring our strategy and business model to life and are central to the turnaround of our operations culminating in the strong financial performance in the year under review. Their ability to effectively contribute to the success of the business is underpinned by a culture of excellence and our commitment to create a diverse and inclusive environment in which we work together to meet the challenges of an increasingly complex world. Our culture metrics have shown that employee engagement, morale and trust in leadership remain high.

During 2022 we revised our employee value proposition (EVP) with the aim of ensuring closer alignment with our broader strategic imperatives. This culminated in our refreshed People Promise, which takes its direction from our company growth strategy and human capital strategy. Both of these are designed to propel our differentiation in the market.

Refer to page 82 of this report for more information.

Looking ahead

Our brand change is symbolic of our intention to create greater connection and relevance to all stakeholders with an ultimate focus on the individual customer. Over the next five years we will focus on extending leading positions across administration, retirements, healthcare and investments. We are well positioned to rapidly transform the business into the most inclusive retail financial advice firm in South Africa, obtaining scale by advising customers sourced from our institutional clients and beyond.

As the world embarks on a fragile path to economic recovery, the call to "build back better" for more equitable societal outcomes is one that we have heeded. We aim to deliver sustainable value for our stakeholders by becoming a purpose-driven and member-oriented organisation. We will retain our focus on developing relevant solutions with a focus on greater individualisation within retirement funds. Ultimately, we want to transform into the most inclusive retail financial advice firm in southern Africa.

To achieve this we will continue to modernise our customer experience by enhancing our digital capabilities and automating our fund administration. We will also continue refreshing the Alexforbes umbrella fund to leverage our scale and differentiated offering. In addition, we will continue to lead the change by heightening our focus on ESG and the implementation of the Alexander Forbes Investments Transformation Policy. Furthermore, we will focus on the implementation of the corporate transactions concluded during 2022.

Privileged to connect

As Marilyn Ramplin's time as board chair has drawn to a close, I express my sincere gratitude for her warmth, support and care for our business. We are indebted to you for the gift of your guidance and I take the opportunity to wish you every success into the future on behalf of the people whose lives you have touched here at Alexforbes.

I extend a warm welcome to the incoming chair, Daniel Mminele. I look forward to a fruitful partnership that will enable us to execute on our strategic objectives and achieve our purpose. I would like to extend a warm welcome to Ann Leepile, who joined my executive team as chief executive officer of Alexander Forbes Investments. Her appointment sharpens our focus to exponentially grow the business as we leverage our investment capabilities and institutional scale.

I also thank the board for their leadership, dedication and hard work throughout the year. Further, I extend my deep appreciation to the executive team and our employees for their continued commitment to the vision and success of the business.

Dawie de Villiers

Strategy

A strategic renewal

The business is poised to forge a greater connection to the people we serve and therefore refreshed its vision, purpose and over-arching value proposition to capitalise on this opportunity.

Our vision is to be the most impactful provider of financial advice serving both institutional clients and individual customers by:

S1 Extending leading positions across administration, retirement, healthcare and investment businesses

S2 Transforming into the most inclusive retail financial advice firm in South Africa, obtaining scale by advising individual customers from our institutional clients and beyond

S3 Growing our investment consulting footprint with a focus on ESG, alternatives and impact investing

S4 Growing our multinational consulting business model into Africa by enhancing distribution and automation of advice

S5 Expanding our advisory capabilities into adjacent lines using our wealth of data

S6 Demonstrating a meaningful positive impact on the stakeholders we serve

Our core purpose, which also serves as our customer value proposition to support the achievement of this vision, is to pioneer **insight** to deliver **advice** and solutions that **impact** people's lives.

This statement represents who we are, why we exist and what to expect from us.

The evolution of the Alexforbes brand directly aligns with our strategic objectives. It further supports our transition towards becoming a member-oriented financial services provider, enabling us to better connect with individuals.

Our business has immense latent potential to help people but our efforts to connect with individual customers have been hampered by a general lack of awareness and understanding of how we can change their lives.

The brand refresh is one of many initiatives that we are implementing to broaden and deepen this connection so that we may fulfil our purpose. Our brand campaign therefore plays a critical role in creating such awareness and is intended to spark interest and curiosity in how Alexforbes can impact customers' lives so that they can benefit from our pioneering insight and informed financial advice. The refreshed brand has been specifically crafted for scaling across digital campaigns and media as we enhance our reach to customers across such interfaces.

Emerging trends

Digitalisation

Trends

Technology has emerged as a key enabler in driving connection, financial inclusion and customer experience across our membership base

The demographic profile of our members has shifted with millennials forming the single-largest generation in our base with a greater affinity to use digital platforms to engage

Opportunities

- Modernising our digital customer experience to reach more members, more efficiently
- Providing members online access to insights, counselling, self-service and transactional capabilities
- Enhancing the sustainability, security and scalability of our digital solutions to institutional clients and individual customers
- Creating a platform to provide access to broader financial services curated by Alexforbes

ESG as a force for good

Trends

ESG factors are becoming a leading thread of conversation across many investment forums

We mean to drive ESG beyond being used as a marketing device, but rather as an authentic force for good.

Opportunities

- Alexforbes has developed significant intellectual property in the ESG arena and can leverage the global expertise of Mercer as well as both Prudential Financial and LeapFrog Investments into the future
- We can use this expertise to objectively and credibly evaluate the ESG credentials of the asset managers in our panel and enforce transformative change within our portfolios to deliver upon our ESG ambitions
- Our investment consultants have unmatched access to such expertise and can therefore provide best advice to retirement funds based on pioneering insight
- We endorse the Code for Responsible Investing in South Africa (CRISA) and are a signatory of the Principles of Responsible Investing (PRI). This means we are at the forefront of leading standards and discussions on ESG, pioneering our insight and sharpening our acumen in this field.

Strategy continued

Emerging trends continued

Focus on members

Trends

Institutional clients and regulators are driving engagement towards members themselves

There is a greater appreciation for the ultimate accountability of the member within defined contribution schemes, necessitating greater empowerment of individuals through access to information, financial literacy training, counselling and advice

Opportunities

- The refreshed Alexforbes brand supported by a comprehensive activation across multiple channels is intended to increase awareness of our business and value proposition to members. In doing so, we wish to influence greater consideration of our services as the preferred provider of financial advice across the membership base
- Upcoming regulatory change will facilitate the enrichment of member contact data across our base, enabling us to connect with more members more regularly to support their respective financial journeys
- Our member engagement suite is scalable across the existing membership, including incoming members resulting from new business and the anticipated influx of members from the acquisition of Sanlam's large fund administration operations
- Our institutional consulting advice framework is being oriented to showcase the impact on members of the various links in the employee benefit value chain to create visibility and influence meaningful change
- We are scaling up our retail advice footprint in both capacity and capability to provide relevant financial advice across a greater spread of our membership base
- Our flagship Alexforbes Retirement Income Solution (AFRIS), aimed at members, is gaining traction and provides a meaningful cost advantage to members relative to retail competitors

Simplification of retirement funding structures

Trends

Standalone funds have been consolidating into umbrella funds for the past two decades to simplify the management of retirement funding for employers. Covid-19 disrupted this process, allowing Alexforbes to strengthen its position against competitors who have traditionally focused on umbrella offerings. Subsequently, quote activity levels have increased, thereby reflecting a renewed interest in umbrella funds as opposed to standalone funds.

In addition, employers who have retirement fund structures split across multiple providers because of legacy decisions or mergers and acquisition activity are actively exploring the consolidation of such structures to minimise the costs and effort of managing their retirement funds

Opportunities

- Alexforbes has provided umbrella fund services for 25 years and is well positioned to compete in this arena because of the independence of underlying product providers, the modernisation of our administration, inclusive member engagement suite, enviable investment performance and scalability of our underlying platform that spreads across both standalone and umbrella clients
- We have matured our approach to partnering with third-party employee benefit consultants and have received substantial new business support with the Alexforbes Access Umbrella Fund and experienced year-on-year new business growth
- We anticipate that our refreshed brand and customer value proposition will position us favourably compared to the large insurer-sponsored umbrella funds which cannot offer our integrated best-advice commitment, independence or scalability
- Our standalone fund capability offers a market-leading vehicle for employers who wish to consolidate multiple funds and we have benefited from this over the past year. It as an opportunity that we are actively pursuing to support employers to simplify their structures given the harmonisation of vehicles available through regulatory change

Search for value

Trends

The challenges of the local operating environment have influenced corporates to explore mechanisms to unlock efficiencies and deploy internal resources more effectively. The complexity of managing retirement funds, healthcare arrangements as well as various corporate functions is being evaluated to ensure that value is provided

Opportunities

- Alexforbes offers an integrated experience to corporates, encompassing a single point of contact for retirement funding, healthcare consulting, health risk management and the implementation of our best-advice framework to reduce complexity and minimise the burden placed on employers
- Our modernised fund administration platform provides seamless functionality across contributions, reporting and withdrawals to human resources departments to manage their retirement fund arrangements
- Corporates have adjacent financial and operational needs where we can apply our customer value proposition to make an impact

S Strategic pillar | Progress against deliverables | 2023 initiatives

Performance against strategy

S1 Extending leading positions across administration, retirement, healthcare and investments organically or inorganically

- Continued momentum in new business
- Announced three corporate transactions in line with our growth strategy
- Increased client satisfaction demonstrated by net promoter scores (NPS) by the uplift in the NPS
- Modernised administration platform being rolled out systematically to majority of clients
- Integrated pricing model implemented to create value for clients who use the digital solutions
- Attraction and retention of scarce talent in a highly specialised pool
- Delivered Alexforbes Member Insights, Alexforbes Manager Watch™ and Diagnosis reports to the market
- Campaigned to reaffirm our position as the leader in multi-management
- Changes made to Performer to deliver sustainable competitive performance
- Announced the Alexander Forbes Investments Transformation Policy
- Appointment of CEO of Alexander Forbes Investments to drive growth of the investments business

2023

- Implementation of the corporate transactions
- Further modernisation and automation of administration
- Refreshed member-focused institutional consulting model to umbrella clients
- Use of technology to simplify client experience and deliver consulting efficiencies
- Strong new business pipeline
- Dedicated new business resources for health appointed to drive flows
- Leadership changes within the retirements area to bring greater focus to direct and intermediated clients respectively
- Dedicated broker consulting personnel to be appointed to drive flows into AF Access
- Implementation of the Alexander Forbes Investments Transformation Policy
- Implementation of ESG activities, including ongoing policy development
- Implementation of change in shareholding

S2 Transforming into the most inclusive independent financial adviser firm in South Africa

- Launch of refreshed brand that is designed to connect with individuals
- Launch of new and more user-friendly www.alexforbes.com website
- Enhancing our digital marketing capabilities to support brand awareness and reach in the retail market
- Progress in our digital transformation and individualisation strategy
  - More members engaged, up 77% year on year
  - Improved the use of our digital tools across individual customers
  - AFRIS AuA up 41% year on year to R14.4 billion
- 55% increase in enhanced retirement benefit counselling (eRBC) appointments at funds and employers
- 152% increase in use of eRBC by members
- Our customer satisfaction score has improved for a third consecutive year
- Implemented integrated incentives model within retirement consulting unit to support member engagement
- Launch of Alexforbes Empower into the AFRF to deliver financial literacy training and create affinity towards Alexforbes
- Announced sale of the individual client administration business (AFICA) to Glacier by Sanlam to modernise customer experience

2023

- Completion and implementation of the sale of AFICA
- Extending reach of our financial planning consultants into the pre-retirement life stage
- Scaling up our individual consulting unit to reach and serve younger members
- Extending the reach of our retirement benefit counsellors and advisers to death and disability insurance beneficiaries
- Launch of the Alexforbes rewards programme within the AFRF to create awareness of and loyalty to Alexforbes
- Integration into member-focused institutional consulting model within our umbrella funds
- Optimising and calibrating implementation of member suite among institutional clients
- Developing more digital capabilities and solutions to connect better with more customers within our client base
- Implementation of Alexforbes Adviser Connect advice tools platform to modernise our advice process
- Increase the scale of our institutional client base into which to deploy our member engagement suite and financial advice capabilities

Strategy continued

S Strategic pillar | Progress against deliverables | 2023 initiatives

Performance against strategy *continued*

S3 Growing our investment consulting footprint with a focus on ESG, alternatives and impact investing

- Recruitment and upskilling of the investment consulting team
- Regular internal thought leadership discussions
- Regular internal training sessions
- Consolidation of existing client base to align with best practice
- New business growth across investment advisory and delegated solutions
- Implementation of an enhanced investment advisory framework
- Enhancement of client reporting
- Targeted servicing models for clients and advisers
- Positioning of responsible investing concepts to clients, including ESG fundamentals, Sustainable Development Goal (SDG) impacts and sustainability themes
- Positioning of alternative investment opportunities to clients, including the positive impacts that can be achieved
- Positioning of our flagship delegated solutions to showcase our best advice and implementation capabilities

2023

- Leading responsible investment imperatives into the market, specifically through the positioning of our responsible investment framework
- Identifying and driving discussion around responsible investment themes
- Enhancement of ESG ratings used to evaluate asset managers
- Access to ESG and impact investment thought leadership and expertise from international partners to augment advice and solutions
- Positioning key differentiators versus competitors, including the strength of our balance sheet, our ability to access efficiencies for clients, and the quality of our advice, delegated solution, investment administration, and investment platform
- Accessing new client bases apart from traditional markets by positioning our capabilities
- Specific climate-risk interventions as part of group ESG objectives

S4 Growing our multinational consulting business model into Africa by enhancing distribution and automation of advice

The Arrive solution is the first solution of its kind to deliver comprehensive in-country employee benefit solutions across the continent through a single point of contact for clients. Through this platform, now in its third year, we have:

- Continued helping our clients to reduce complexity, ensure compliance, reduce costs and standardise benefits across borders
- Continued to build traction with clients on the continent and grow the number of mandates. Our solutions are now delivered to clients across 32 countries and 80 multinational corporates
- Expanded the pool of network partners to enable scaling of distribution

2023

- Diversify partnerships beyond Mercer to extend reach and competitiveness of the Arrive solution
- Enhance digital servicing models to clients
- Modernise administration platforms and customer experience in Namibia and Botswana
- Scale and expand distribution
- Play a business development role for EBS International for selected opportunities
- Diversify and deepen employee benefit advice

S5 Expanding advisory capabilities into adjacent lines using our wealth of data

- Data steering committee established
- Data remediation progressing on target
- Member data augmented with financial wellbeing data to build a holistic view
- Member data powering the member-focused institutional consulting model

2023

- Enable long-term scalable data infrastructure and strategy
- Mature group business analytics
- Enrichment of member data facilitated by regulatory requirements
- Establish a single view of client for holistic financial advice discussions
- Launch of a digital platform to serve a broader set of financial needs across the client base
- Analysis of our database of employed members to produce remuneration reports supporting consulting capabilities to human capital at employers
- Performing selected business process outsourcing functions to streamline human capital operations at employers
- Expanding our consulting to serve the full spectrum of ESG requirements of retirement funds and corporates
- Expanding our consulting to serve the commercial insurance needs of corporates

S6 Demonstrating a meaningful positive impact on the stakeholders we serve

- Development of sustainability management framework
- Performer consistently ranks in the first quartile of the Alexforbes Manager Watch ™
- Making an impact through alternative investments[1] with R10 billion invested
- Reduction in errors and omissions (E&Os)
- Meaningful contribution to industry submissions on the two-pot system
- Corporate social investment (CSI) and socio-economic development (SED) – Community Trust activities, CoLabs, ASISA ESD Fund, Alexforbes black asset manager programme
- Delivering member education and financial literacy programmes

2023

- Measurable benefits to be provided in the form of the Alexforbes Member Impact Report powering institutional consulting
- Accelerating transformation of the asset management and stockbroking industry in South Africa by implementing Alexander Forbes Investments Transformation Policy
- Enabling ESG outcomes by implementing the Alexforbes ESG policy
- Further improvement in claims payment and contribution investment time by rolling out digital solutions to more employers

1. *Unlisted alternative investments (private markets)*

Material matters

External environment

Real GDP recovered by 4.9% in 2021 following a 6.4% contraction in 2020, and the continued lifting of lockdown restrictions into 2022 saw the economy recover to pre-Covid levels by June.

However, during 2021 the local population increased by 2.5%, resulting in a net decline of 4.2% in real GDP per capita.

This speaks to the uneven distributions of fortunes in the economy. There remains widespread job losses in the broader economy and the number of discouraged workers increased. Investment growth remained on a downward trend, marred by policy uncertainty, electricity shortages and weak domestic demand.

The war in Eastern Europe tripped a spike in global inflation as it exacerbated the disruptions in global supply chains. While this boom in commodity prices has benefited the mining sector and padded National Treasury's revenue collection, it has forced the Reserve Bank to tighten monetary policy.

The Central Bank's Monetary Policy Committee (MPC) warned on 24 March 2022 that South Africa's commodity price basket is forecast to rise by 8% for the year as a whole. The upward pressure on food, fuel and electricity prices will adversely impact all households during 2022.

Since the March 2022 meeting of the MPC the inflation outlook has deteriorated significantly, with inflation forecasts pointing to the risk of a more sustained breach of the inflation target, mainly on account of energy and food prices inflation.

This has prompted further and more aggressive policy tightening in South Africa, including a recent increase in the policy rate by 75 basis points at the July Meeting of the MPC.

Recently introduced economic reforms such as the increase in capacity of own generation without licensing to 100 MW, along with government's commitment to fiscal reforms and prudence, present a reason for optimism. Similarly, the ongoing capacity building within state institutions such as the South African Revenue Service (SARS) and the National Prosecuting Authority (NPA), as well as reforms targeting state-owned entities such as Transnet, South African Airways and Eskom inspired renewed confidence among foreign investors.

Credit rating agencies upgraded the outlook on South Africa's credit ratings in recognition of these improvements, with Moody's Investors Service changing the outlook from negative to stable while S&P Global Ratings changed its outlooks from stable to positive. The government must demonstrate its commitment to inclusive development, continue fighting corruption, redouble efforts to facilitate collaboration between business and the public sector after the huge trust deficit seen in recent years, and effect a sustainable path to recovery. In addition, South Africa must improve the allocation of resources and create job opportunities.

Regulatory environment

Alexforbes is entrusted with the financial goals and outcomes of our clients and members, and so we adopt the highest standards of regulatory compliance.

As the regulatory environment continues to evolve to remain at pace with global best practice and ensure customers are treated fairly, we are expected to quickly adapt to regulatory advances. By entrenching good governance practices, we can respond proactively to these changes while retaining the flexibility to deliver on our strategic imperatives and the priorities of our stakeholders.

The regulatory universe is continually monitored by management to identify changes and developments that may have an impact on the group, as well as our clients and members. New legislation that impacts the group is discussed at board meetings. Training sessions are held with key management in updating new legislative requirements. Ongoing monitoring is undertaken to ensure compliance with new legislation and the effective embedding of the new legislation into the business.

We are committed to playing a role in ensuring the country retains a positive reputation and can effectively participate in the global economy by adhering to international best practice and complying with anti-money laundering legislation.

Key regulatory developments in 2022

During the period under review we completed systematic regulatory impact assessments for all new legislation and also reviewed existing legislation with a view to achieving operational efficiencies and streamlined the regulatory compliance, making it easier for clients to transact with us. In addition, we actively engaged in thought leadership around proposed regulatory changes, providing commentary and inputs to various industry bodies and regulators.

Material matters continued

The table below provides a summary of regulatory developments in the period:

Regulator	Directive	Status
The Information Regulator	Protection of Personal Information Act (POPI Act)	The POPI Act promotes the protection of personal information processed by public and private bodies and seeks to balance the right to privacy against other rights such as access to information. Alexforbes continued to ensure that the confidentiality of our clients' information is maintained and that our business practices are aligned with the prescripts of the POPI Act.
Financial Intelligence Centre (FIC)	• Anti-Money Laundering (AML) • Combating Financial Terrorism (CFT)	Alexforbes has implemented measures to comply with the legislation relating to AML/CFT and anti-bribery and corruption, which includes controls relating to: • Customer identification and verification • Beneficial ownership • Real-time automated sanctions screening • Real-time automated screening of politically exposed persons (PEPs) • Risk scoring based on client attributes • Transactional monitoring • Internal and external reporting • Training and awareness • Governance • Third-party risk management • Whistle-blowing mechanisms • Employee compliance declarations
Financial Sector Conduct Authority (FSCA)	Directive to Provide Information (DPI)	Certain entities in the group are designated accountable institutions by virtue of the activities they perform and they must comply with the AML requirements we have referenced above. Accountable institutions are registered as such with the FIC. The FSCA conducted an industry-wide desktop review on all accountable institutions in 2021. The review required accountable institutions to self-assess against specific outcomes to assist the regulator in identifying non-compliance themes. No report had been received on the DPI at the time of publishing this report.
Financial Sector Conduct Authority (FSCA)	Conduct of Financial Institutions (COFI) Bill	The COFI Bill, once enacted, will be the single overarching market conduct framework for the financial sector in South Africa. Insurers, financial advisers, collective investment schemes, retirement funds, banks and fund administrators will be governed by the COFI act. In addition, existing sector-specific legislation will be amended or repealed over time. We have continued to monitor the versions of the COFI Bill that have been released for public comment and to engage with National Treasury and regulators on it.
Financial Action Task Force (FATF)	• Anti-Money Laundering (AML) • Combating Financial Terrorism (CFT)	The Financial Action Task Force (FATF) undertakes peer reviews of member states around the world. They assessed South Africa's AML/CFT system during an in-country visit in November 2019, which included the regulators and the private sector. The FATF finalised its report in 2021, which revealed that South Africa has a solid legal framework to fight money laundering and terrorist financing; however, from a practical perspective there were some areas of development that were identified. We are enhancing our controls to align with the recommendations.
National Treasury	The Pension Funds Amendment Bill	Currently, retirement fund savings can be used as collateral for home loans, where the retirement fund's trustees have allowed for this facility. The Pension Funds Amendment Bill was submitted to parliament earlier in the year. This Bill, if promulgated, would allow members to use their retirement savings as collateral for any loan. The Bill is not supported by National Treasury or The Association for Saving and Investment South Africa (ASISA), but is supported by other stakeholders in the industry such as Cosatu.

Two-pot system

In 2022 National Treasury released a paper titled "Encouraging South African households to save more for retirement" for public comment. The paper provides proposals aimed at enabling limited access to retirement fund savings pre-retirement, enhancing longer-term retirement outcomes by improving preservation and inclusively improving retirement outcomes through auto-enrolment.

The proposal envisages a "two-pot" system under which members would be allowed to access up to a third of their net retirement fund contributions and accruing investment returns every year to provide short-term financial relief. This will be accompanied by the requirement that the remaining two-thirds are preserved over the long term, which will improve retirement outcomes for most fund members compared to the current system.

Alexforbes is in support of the two-pot system as it will make a positive impact on people's lives by providing a practicable and responsible solution to the real needs faced by members. The lack of preservation is the critical driver of poor financial outcomes at retirement.

According to the Alexforbes Member Insights™ for 2021, only 9% of members preserve their retirement savings when changing jobs. This in turn leads to very poor retirement outcomes as the average replacement ratio is only 31%. For this reason, the proposed reforms are necessary to ensure balancing members' long-term retirement savings goals and to meet short-term financial needs.

Our modelling has demonstrated that the two-pot system will result in a new member accumulating more than double their fund value at retirement as compared to the current system, while providing access to a portion of their savings annually.

We anticipate that the proposed two-pot system will place further emphasis on the need for retirement funds to better connect with members to provide information, education and advice at critical stages in their lives to optimise both their short-and long-term financial outcomes. The additional complexities of administering the system, including the provision of modernised member engagement services to enable such connections, requires substantial scale from retirement fund administrators to ensure that members receive value for money.

Ultimately, the two-pot system provides the opportunity for employers and funds to restructure their benefits and investment strategies to impact people's lives by finding a meaningful balance between short- and long-term needs.

Going forward, there are still a number of matters to consider to implement the two-pot system effectively and Alexforbes will fully participate in the call for public comment to share our insights with National Treasury.

Increase in foreign exposure allowed under Regulation 28

During the annual budget speech delivered in February 2022 the Minister of Finance announced an increase in the offshore allocation limits for institutional investors. The offshore allocation limit has been increased from 30% offshore plus an additional 10% Africa allowance to a single limit of 45%. This is a significant shift from the gradual relaxation of foreign exchange controls that have taken place over the last 25 years.

This decision allows institutional investors greater access to investment opportunities in the global financial market. Alexforbes welcomes the additional freedom allowed to the extent that it improves the likelihood of achieving the investment goals of our clients. As a goals-based manager, we construct portfolios with a risk lens and develop investment strategies with our customers' goals in mind. We believe there are diversification benefits from investing assets offshore and in Africa.

We recognise that clients and consultants may have a different view on the extent and the timing of the increase in offshore exposure. To cater for these views we have taken steps to ensure that clients will soon have an optimal product set from which to choose. We also have an extensive set of risk-profiled local and offshore-only portfolios available for clients who want to implement their own views for discretionary assets or within the revised offshore limits.

For decision-makers, the change will have implications for how asset managers are selected and monitored, the levels of fees across portfolios, as well as greater levels of scrutiny to be placed on the offshore components of portfolios. We expect significantly higher dispersions in returns across multi-managers and asset managers as we see differing views being implemented in portfolios over time.

Material matters continued

Stakeholder review

Alexforbes is committed to making a meaningful impact in the lives of our stakeholders. We take a pragmatic and proactive approach to our stakeholder engagement to create value through long-term relationships and the enhancement of our reputation.

During the year under review we strengthened our stakeholder management function and have housed the capability within the strategy and customer experience function to ensure that it receives the necessary degree of focus and support.

Our pragmatic stakeholder management framework ensures that appropriate governance arrangements and organisational policies are in place to ensure stakeholder engagements across the group are aligned with our organisational philosophy, brand ethos, values, material matters and overall strategic imperatives.

Principles underpinning our stakeholder engagement framework include inclusivity of all stakeholders, as well as responsiveness through our decisions, actions, performance and communication. Based on these principles, we seek candid and constructive discussions in all engagements with our stakeholders.

Institutional clients

Alexforbes has a diversified spectrum of institutional clients across our lines of business and across our respective regions of operation. The quality of our relationships with these clients dictates our ability to impact peoples' lives through the delivery of our integrated best-advice model.

Their concerns

- Returning to relative normality after the Covid-19 pandemic
- The impact of macroeconomic matters on the financial outcomes of their members
- Understanding the Alexforbes strategy in the context of the corporate transactions that were concluded during the year
- Investment performance in the context of volatile markets

How we engage

- We have a systematic voice of the customer process dubbed Boitumelo that provides direct engagement with a representative sample of clients to explore their concerns and aspirations
- We derive NPS across our lines of business to identify areas of risk
- Clients have direct access to senior executives to address escalations and to build corporate relationships
- We host a series of client engagement events where topics of particular relevance are discussed to provide our clients with insight to engage further as they see fit

Our response

- Escalated concerns raised and closed the loop with actions delivered by the business
- This resulted in mitigating potential client losses in certain circumstances
- Provided insights to address needs raised
- Regular feedback provided to the social, ethics and transformation committee (setco) to create visibility and the opportunity to provide input

Refer to **Operational impact** on page 72

Individual customers

Alexforbes serves approximately one million members across our range of capabilities. Unfortunately, the majority do not engage their retirement fund arrangements consistently and are exposed to the risk of poor decision-making as a consequence.

Their concerns

- The short-term impact of investment volatility on their portfolios
- Access to their retirement funds to alleviate immediate financial circumstances
- Impact of regulatory change on their ability to access their funds
- Servicing matters related to withdrawal claims
- Access to Alexforbes to address general queries

How we engage

- Our member engagement suite provides access to financial literacy training, online portals, eRBC and financial advice
- We derive NPS and customer satisfaction scores after interactions with individual customers
- Where proactive engagement has failed, we have a robust complaints process to ensure customers are treated fairly and issues resolved expeditiously

Our response

- Our refreshed brand and strategy have been crafted to enable us Alexforbes to better connect with individuals
- We are implementing our member engagement suite across our institutional client base and supporting fund employers to optimise adoption among their members
- An interactive voice response (IVR) system was implemented to manage substantially increased call volumes
- Our call centre is being modernised to enhance the experience delivered to customers
- Complaints are aggregated to identify trends and root causes, which are then escalated and addressed
- Increased focus by the setco on treating customers fairly requirements and metrics

Refer to **Operational impact** on page 72

Our people

Our highly skilled and specialised employees provide the valuable expertise we need to fulfil and exceed on our commitments to stakeholders. They are a critical to delivering on our integrated, advice-led value proposition and the sustainability of the business.

Their concerns

- The ongoing impact of Covid-19
- The shift to a hybrid working environment
- Fair remuneration and recognition
- Career development and advancement opportunities
- A positive work environment that embraces diversity, inclusivity and fairness

How we engage

- We engage with employees both formally and informally, allowing us to obtain insight into their needs and expectations, and devise appropriate responses to these
- We conduct employee engagement meetings and also engage our employees through newsletters, one-on-one meetings (formal and informal), team meetings and line manager discussions
- Performance management process interactions and cultural transformation sessions also allow for consistent and meaningful engagement

Our response

- We defined a new employee value proposition, with the aim of enhancing the employee experience, embedding a culture of excellence and ensuring every employee reaches their full potential
- We provided our employees with moral support as they continue to navigate the Covid-19 pandemic and adapt to new ways of working

Refer to **Enabling and empowering our people to deliver excellence** on page 82

Material matters continued

Stakeholder review *continued*

Investors

Our shareholders, as the owners of Alexforbes, express confidence in our sustainable business model and strategy by investing in the company. In turn, we are accountable to them as we grow and realise our strategic ambitions.

Their concerns

- Sustainable growth strategy and overall resilience of business model
- Company performance in low-growth, low return environment
- Balanced, transparent and timeous reporting and disclosures, that are aligned with best practice
- Delivery against the strategy
- Return on equity and capital allocation

How we engage

- Continuous and extensive engagement through formal meetings, including one-on-one management results roadshows (semi-annually), conference attendances, ad-hoc meeting requests and discussions with investors
- Investor roadshows
- Investor relations information is made available on our website
- We hold analyst presentations for the release of our interim and final results to enhance understanding of our performance and provide updates on strategy to the market
- We participate in engagements before and after the AGM
- We hold bespoke governance-focused meetings to address non-financial matters

Our response

- We have landed our turnaround strategy and enhancements to the business model are delivering improved performance
- We have consistently demonstrated clear execution on several of our strategic objectives
- We have delivered on the capital-light strategic objective
- Improved reporting and disclosure in response to specific shareholder requests
- Addressed specific risks raised by shareholders after following the AGM in 2021

Refer to **Financial impact** on page 68

Refer to the **Remuneration report** in **2022 ESG report.**

Suppliers

Alexforbes partners with suppliers to deliver on our customer value proposition. These range from corporate suppliers who support our business operations to our provider panels on insurance and investments. The quality of our proposition is greatly influenced by our ability to procure from suppliers who share our values and commitment to clients.

Their concerns

- The ability of service providers (including asset managers and insurers)
- Our B-BBEE requirements

How we engage

- Formal and informal engagements to share our needs and feedback on the services delivered
- A regular assessment of our requirements to ensure that our best advice is executed via our supplier panels
- Formal engagement to communicate our requirements

Our response

- The Alexander Forbes Investments Transformation Policy has been socialised with asset managers to create a clear understanding of the requirements to be considered as part of our asset manager panel
- Changes to our portfolios have been implemented where asset managers did not meet our holistic requirements
- We proactively engage with suppliers with relatively low B-BBEE ratings to collectively explore opportunities to improve/agree targets

Media

The media plays a key role in calling out poor practices, influencing change and conveying our insight to the public. Relationships with the media facilitate meaningful engagement and trust in Alexforbes as a credible provider of insight.

Their concerns

- The appetite and ability of service providers to treat customers fairly
- Transformation of the industry
- Treatment of unclaimed benefits
- Apathy towards long-term financial planning displayed by audiences
- The low levels of financial literacy across audiences

How we engage

- We engage with financial journalists to understand their needs and build relationships of mutual trust
- Regular press releases are distributed to the media on a range of relevant topics
- Press briefings are held to discuss items of particular importance such as the release of the Alexforbes Member Insights and Alexforbes Manager Watch™ reports
- Senior executives are equipped and available to engage the media as the need arises

Our response

- We have refined our spokesperson list to simplify our touchpoints with the media
- A media engagement plan has been implemented as part of our stakeholder management framework
- We monitor coverage of Alexforbes across the media (including social media) to measure reach and sentiment, which is reported to the setco

Regulators

Our regulators ensure that we treat our clients fairly and protect their information and assets, while acting in the best interests of all our stakeholders.

Their concerns

- Legal and regulatory compliance
- Timeous and transparent reporting and disclosures
- Active participation in and contribution to policy development and best practice

How we engage

- Regular and extensive interaction and engagement with the regulators
- Accurate, timeous and comprehensive statutory reporting
- Participation in industry bodies and policy discussions
- Formal interaction and participation in industry forums and policy discussions
- Board and executive presentations and on-site visits

Our response

- Regular, transparent and proactive engagement
- Compliance with regulation is the minimum standard expected of Alexforbes. We aim to exceed this threshold to deliver meaningful benefits to our clients and society
- We provided regular status updates to regulators, as required
- Our philosophy is premised on proactive engagement: we give regulators advance notification of transactions or any other material items
- Providing opinions and solutions to matters raised by the Regulator which are in the industry and the public interest

Refer to the **Regulatory environment** on page 49

Material matters continued

Stakeholder review *continued*

Society

Alexforbes, as a leading retirement fund administrator, is a key player in the savings and investment industry in particular. Our impact on society helps to ensure that people retire through best advice with better financial outcomes. In various ways – from research and best practice to advice and product development – we can influence society for the better. Alexforbes's reputation and insight carries weight in public discourse and we have the responsibility to lead relevant discussions.

Their concerns

- Treating customers fairly
- Acting as a responsible corporate citizen in all of our dealings
- Improved social and environmental outcomes using responsible investing through the value chain
- Ethical practice, fairness and transparency at all levels of the group's operations
- Promoting the public interest when engaging on matters of national impact such as climate change, the basic income grant and national social security

How we engage

- We have implemented a treating customers fairly framework
- Ongoing engagement with asset managers on ESG matters to influence meaningful change
- We contribute to relevant policy matters, such as regulatory reform through various professional bodies, directly with government and in public discourse
- We make a positive impact on society through our CSI initiatives implemented through the Alexander Forbes Community Trust.

Our response

- Our primary mechanism to impact societal outcomes is in the delivery of our purpose by meeting client expectations consistently
- We provide insight to all stakeholders freely so that better decisions can be made. The Alexforbes suite of Member Insights, Health Diagnosis and Alexforbes Manager Watch™ reports are made widely available to the public
- We participate with industry bodies to improve the regulatory environment for society, with our contribution to the two-pot system of particular relevance
- We continued on our journey of embedding ESG requirements as an opportunity to apply the significant intellectual property we have established in this space to the benefit of our clients

Refer to the **2022 ESG report** for more information.

Material risks continued

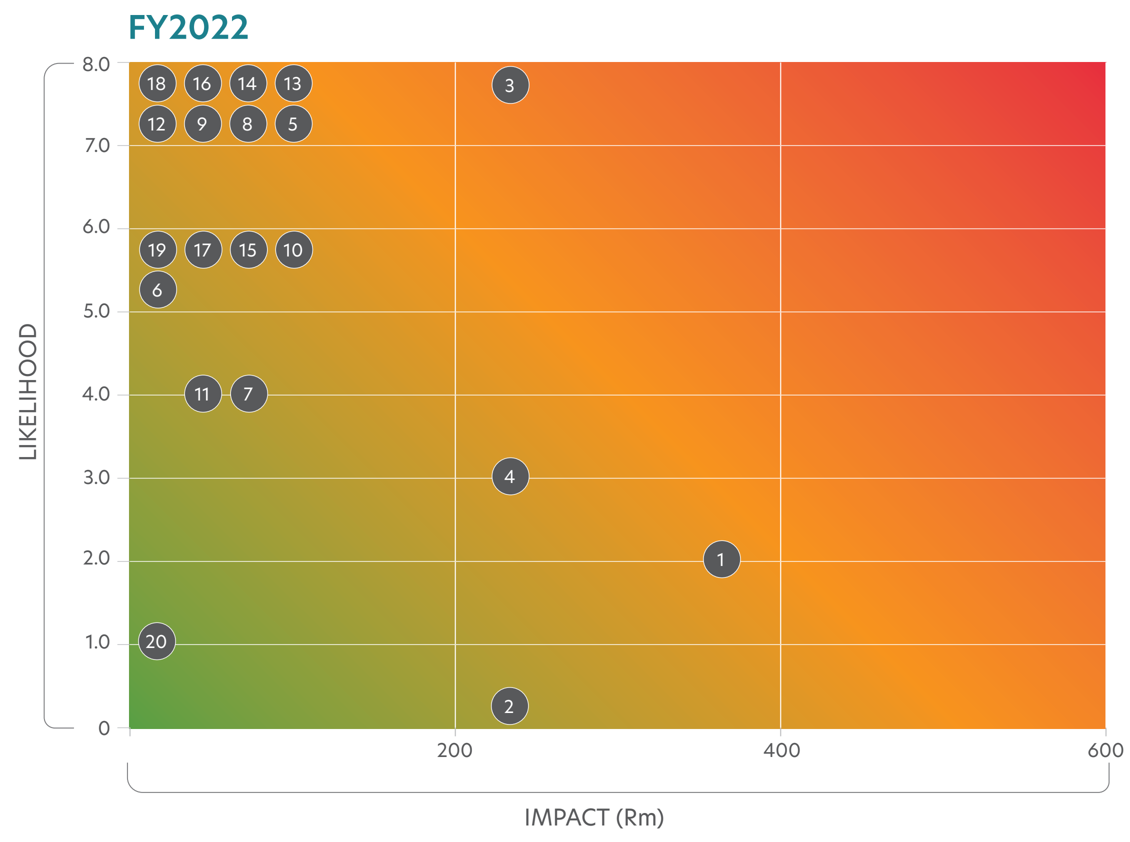
Managing risks

We manage several key risks to our business which, if successfully managed, could also identify opportunities. We achieve this through a clearly defined risk management framework, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact.

The board is ultimately responsible for risk governance within the group and is assisted by the audit and risk committee (ARC) to implement processes that ensure risks are identified and managed within the board-approved risk appetite and limits. The board discharges its duties by mandating specific risk management duties and responsibilities to its committees and to the group's executive management.

Our risk appetite and limits are set at business entity and group levels, with clear accountability and reporting requirements. We apply the four-lines-of-defence model to identify and manage material risks. In addition, we continuously embed our combined assurance model, which addresses our significant strategic, financial, operational and compliance risks.

During 2022 our stress testing and scenario planning continued to help our management team to understand how our strategies and operations would be impacted if business conditions became significantly more challenging. This entailed generating specific forward-looking scenarios and analysing how well our profitability would be maintained, whether our levels of capital would be adequate and what managers could do in advance to optimise the associated risks. We also heightened our sustainability intentions through our refined ESG intent, refreshed customer value proposition and the new transformation policy. Similarly, acceleration of some of our strategic and tactical decisions such as our investment in client experience programmes has served to support the integrated advice model and ease of doing business with us, which had correspondent advances into our operational risk profile.



	Category	Description (summarised)
1	Business	Macroeconomic headwinds may suppress fee income
2	Business	Government policy responses and actions may negatively impact on the company's value proposition, operations and earnings streams
3	Operational	Cyber risks
4	Business	Delays or errors in data clean-up and enablement may threaten future extraction of corporate value through the monetisation of data
5	Regulatory	Data and information leaks
6	Business	Damage to the corporate reputation
7	Regulatory	Material loss in empowerment status
8	Operational	Inability to attract, engage and retain talent through our employee value proposition
9	Operational	Significant errors and omissions in processes
10	Business	General failure in strategic execution
11	Business	The company fails to proactively respond and adapt to changing policy, regulatory or industry standards (regulatory opportunity management)
12	Regulatory	Non-compliance with prevailing regulations (anti-money laundering, late submissions of pension fund financial statements and so on)
13	Business	Damaging and inefficient customer service and care
14	Business	Erosion or failure to realise acquisition potential
15	Business	Inferior client experience due to a failure to properly anticipate and intelligently respond to client needs via digital
16	Operational	Business interruption and/or failure to recover processes and systems
17	Business	Intensifying competitive pressures driving further fee compression and eroding market position
18	Operational	Failure of end-of-life systems
19	Operational	Actual and/or perceived acts of general bribery, fraud and corruption
20	Business	Failure to anticipate and handle disruption of retirement planning and retirement system design

Our top 20 material risks, discussed in the 2022 ESG report, are grouped and ranked according to our risk criteria and include context about risks in our industry. Additional reference to risks specific to our industry can be found in the following sections of this report:

Message from the chair on page 24
Message from the CEO on page 36
Material matters on page 48
Stakeholders on page 52

Material risks continued

Material matter matrix

Our material matters impact on our ability both to execute our strategy and to preserve and create value in the short, medium and long term. They are influenced by the combination of emerging trends and key developments in our external operating environment, our strategic objectives and risk considerations, the legitimate priorities and concerns of our stakeholders, internal matters discussed by the board and its committees during the year.

Material matter determination process

In determining material matters, we assess the risks and opportunities in the group's operating environment, reflect on the meaningful interests of our stakeholders and on the group's strategic objectives and value-creation model. Following this, we drew inputs from the executive committee. These inputs are robustly reviewed to establish the key material matters.

	Identify	Assess	Prioritise	Apply and validate
Inputs	Identify relevant matters	Evaluate likelihood of occurrence and magnitude of effect	Prioritise material matters	Ensure alignment with strategic objectives, six capitals and key performance indicators (KPIs)
Process	We take an integrated approach to identifying material matters that could affect our ability to preserve or create value in the short, medium and long term. This entails an analysis of our operating environment and business context, material risks, stakeholder interests and KPIs. We benchmark our material matters against industry peers	Each material theme is assessed across a range of value drivers, guided by relevant standards and frameworks. Most pertinent are, the <IR> Framework, the Sustainability Accounting Standards Board (SASB), the International Sustainability Standards Board (ISSB) and JSE Listings Requirements	Senior management prioritises material matters based on their importance. This is then reviewed by the executive committee for final sign-off	Material matters are integrated into Alexforbes's strategy by contextualising them into strategic priorities that guide the group's integrated approach to strategic decision-making in the short, medium and long term

Material matters unpacked

The matters listed below were determined to be the most material to the group. These material matters address the legitimate needs and concerns of our stakeholders, while supporting the delivery of our vision to be the most impactful provider of financial advice serving both institutional clients and individual customers.

Material matter	Why this matter is considered material	Related risks	Capitals impacted	Related strategic pillar
MM 1 Long-term growth and sustainable value creation	Improving returns through meaningful organic and inorganic growth, underpinned by operational excellence and cost management is key to our growth ambitions and ability to sustain value creation and preservation	R1, R12, R2, R17, R6, R20, R11	FC, HC	S1, S2, S4
MM 2 Employee engagement and retention	The group requires critical skills to grow the business and remain competitive. This includes an agile workforce and high-performance culture in which we attract, train and retain top talent, link performance to reward and achieve a balance of inclusivity, diversity and equality	R1, R15, R7, R16, R8	HC, SC	S1, S5
MM 3 Agility and innovation through technology	Technology will play an increasingly important role in driving efficiencies and performance as we continue on our journey towards becoming a highly automated, digitised and simplified business geared for the future needs of our clients	R3, R12, R4, R16, R5	FC, HC, IC	S1, S2, S3, S4
MM 4 Contribution to society	Developing and fostering a wealth and investment-enhancing savings culture, closing the retirement savings gap and supporting our members and the communities in which we operate to achieve their financial goals	R1, R10, R7, R15, R9	FC, SC, IC, HC	S1, S2, S3, S5
MM 5 Good governance and ethical practice	Maintaining good corporate governance and accountability, focusing on legal and regulatory compliance as well as ethical practice Ensuring we maintain and enhance our licence to operate	R6, R19, R7, R10	FC, HC, SC	S3

Refer to page 67 of this report for more information on our contribution to SDGs

Value creation
Business model

Why we exist
To pioneer insight to deliver advice and solutions that impact people's lives

How we add value
We play the role of the connector

Who do we want to be
The most impactful provider of financial advice serving both institutional clients and individual customers

What influences us
Business operating environment, stakeholder expectations, opportunities and risks

Stakeholders: Our people; Clients and members; Regulators; Investors; Society; Government

What we do

Retirement
This includes actuarial consulting, fund administration, consulting to standalone retirement funds, umbrella retirement funds and beneficiary funds

Healthcare
This includes healthcare actuarial, consulting and healthcare management services

Investments
This includes both individual and corporate client offerings of financial advice, investment consulting, administration and multi-management of investments

Individual consulting
This incorporates financial planning, retirement benefit counselling and member education services

Multinational consulting
Comprises consulting activities where we have physical offices in countries outside South Africa (Botswana, Namibia, Nigeria and the Channel Islands) and consulting to multi-nationals

FINANCIAL CAPITAL (FC)

Inputs
- **R3 221 million** (2021: R3 013 million) in revenue generated from our activities
- **R66.1 billion** (2021: R59.7 billion) assets under administration, consisting of 90% institutional and 10% retail
- **R368.6 billion** (2021: R341.2 billion) assets under management, consisting of 80% institutional and 20% retail
- Strong balance sheet cash position and ability to leverage the balance sheet
- Strong regulatory capital position

Outcomes

FINANCIAL	Value created, preserved or eroded
Cost-to-income ratio of **77.6** (2021: 78.1)	↑
Solvency capital requirement (SCR) cover ratio of **1.8** (2021: 1.9)	↔
Annual dividend declared: **32 cents per share** (2021: 22 cents per share)	↑
Normalised return on equity (ROE): **11.2%** (2021: 3.8%)	↑
Profit from continuing operations: **R720 million** (2021: R659 million)	↑

Stakeholders impacted: Investors, Regulators, Government, Our people, Clients and members

Trade-offs
In line with our capital-light strategy, we exited markets such as insurance to create a focus on our core capabilities. This reduces access to a diversified revenue stream via the insurance entities, but is intended to sharpen our competitive position in our core businesses. The corporate transactions announced during the year are in line with our growth strategy and accelerates our journey to become the most impactful provider of financial advice to institutional clients and individual customers.

HUMAN CAPITAL (HC)

Inputs
- Remuneration structures aligned to performance and key drivers (group scorecard)
- Annual payroll **R1.6 billion** (2021: R1.6 billion)
- Learning and development (L&D) spend **R33 million** (2021: R37 million)
- **Leadership team**
  Experienced executive team
- Experienced board providing strategic input and oversight

Outcomes

HUMAN	Value created, preserved or eroded
Introduced 'Our people promise' comprising four pillars: grow, flourish, connect and impact	↑
Improved employee engagement score	↓
Group: **65%** (2021: 64%) female employees	↑
Group: **74%** (2021: 73%) black[1] employees	↑
Increase in employee retention rate, with an **11.14%** employee turnover (2021: 12.47%)	↑
Total payroll: **R1.6 billion** (2021: R1.6 billion)	↔
Total number of employees: **2 386** (2021: 2 368)	↑
Employees trained: **2 128** (2021: 2 355)	↓

Stakeholders impacted: Our people

Aligned UN SDGs: 8 Decent work and economic growth; 5 Gender equality; 4 Quality education

Trade-offs
Investing in our holistic people strategy is pivotal to ensure we attract and retain the best talent to execute our strategy. In addition, understanding and addressing the needs and priorities of employees resulted in the culture metrics reflecting that employee engagement, morale and trust in leadership remain resilient despite the challenges faced.

INTELLECTUAL CAPITAL (IC)

Inputs
- Refreshed brand: Alexforbes – strengthening and protecting our reputation
- Market-leading solutions and relevant investment proposition for clients and members
- ESG – embedded within the growth of investment consulting footprint
- Knowledge management – learning, development and talent management programmes
- Stakeholder collaboration – engagement with government on ongoing amendments to financial sector regulation
- New solutions developed and implemented

Outcomes
INTELLECTUAL
- Launch refreshed brand: Alexforbes in March 2022
- Performer was the best-performing balanced fund relative to the participants in the Alexforbes Manager Watch
- Systems and structures for virtual delivery of our solutions
- Increased number of members engaged year on year (up 77%) through a mix of face-to-face and virtual engagements
- Government adoption of our inputs on regulatory changes
- Our research reports, such as Member Watch and Alexforbes Large Manager Watch™ enable us to connect with our clients and members

Stakeholders impacted: Clients and members, Society, Government

Aligned UN SDGs: 3 Good health and well-being; 7 Affordable and clean energy; 13 Climate action

Trade-offs
Research and developing insights undertaken, at Alexforbes's cost, are shared widely with our stakeholders, at no charge, to reinforce awareness and drive positive change.

In delivering our customer value proposition, our contributions to thought leadership enhance our position as an industry leader, thereby creating additional channels to reach clients and members.

The impact of our intellectual capital delivery approach is augmenting the financial outcomes of clients and asserting a competitive advantage.

SOCIAL CAPITAL (SC)

Inputs
- **1.28 million** (2021: 1.25 million) members reliant on our ability to positively impact on their financial goals, with **860** (2021: 555) institutional clients using our retirement benefit counselling (eRBC) services
- Influential position in the industry
- Well-known and trusted brand
- **R3.7 million** (2021: R5.7 million) contributed to the Alexander Forbes Community Trust (including a grant contribution and dividends)
- Signatory to the UNGC and UN WEP

Outcomes

SOCIAL	Value created, preserved or eroded
Increased net promoter score	↑
Client complaints increased to **6 651** (2021: 5 964)	↓
Level 1 B-BBEE contributor status (2021: Level 1)	↔
Contributed **R235 million** (2021: R263 million) to the fiscus through income tax	↓

Stakeholders impacted: Clients and members, Society, Government

Aligned UN SDGs: 3 Good health and well-being; 10 Reduced inequalities; 13 Climate action

Trade-offs
Significant increase in our member satisfaction levels and experience is an outcome of our intent to invest in digital solutions to maintain and enhance communication and engagement with our clients and members.

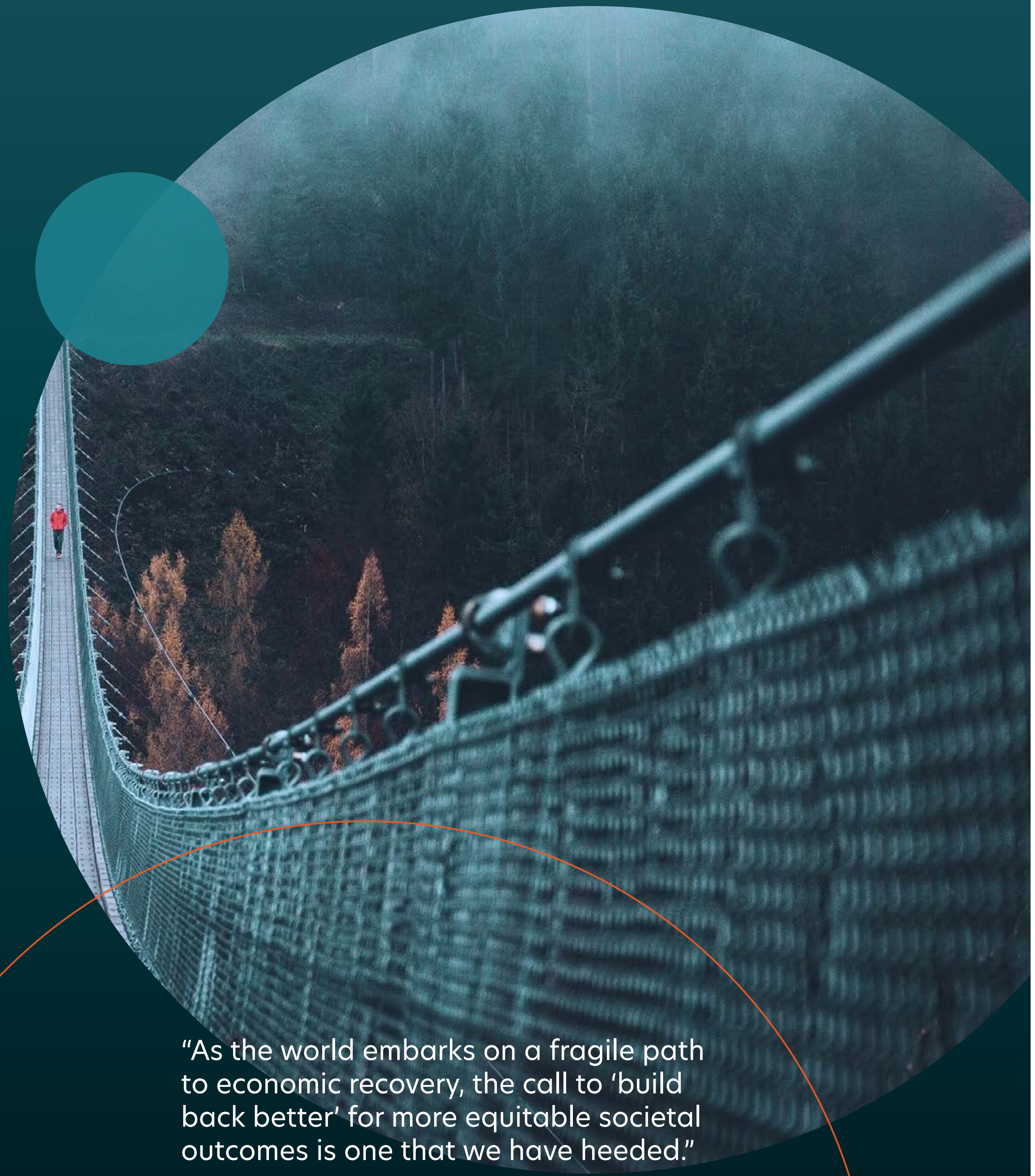
Our member education services and member engagement suites serve to educate members and provide access to support structures that enable better financial decision-making.

We apply our position of influence to engage stakeholders to participate and inform how policy is crafted such that members' interests are met.

Ethics and governance

1 *Black people as defined in the Broad-Based Black Economic Empowerment Act53 of 2003 as amended by Act 46 of 2013.*

Value creation continued



“As the world embarks on a fragile path to economic recovery, the call to ‘build back better’ for more equitable societal outcomes is one that we have heeded.”

Intent to impact

Alexforbes is on a journey to build a future for clients that delivers growth, inclusivity and sustainability.

We will do this by pioneering insight to deliver advice and solutions that impact people’s lives. This means orientating our actions, decisions and intent to build a future that we can all connect with.

Our ambition to pioneer insight is driven by the conviction that knowledge is power. By harnessing our wealth of data, we empower decision-making for clients that will positively affect their tomorrows.

Given the significant breadth of our consulting footprint, Alexforbes has the responsibility to ensure that the advice provided is of the highest quality to help clients navigate increased complexity, delivering long-term sustainability and value creation in the paths chosen.

As the largest investments multi-manager in South Africa, Alexforbes is in a position to amplify its impact on people’s lives beyond their financial circumstances. We will influence the asset management industry by setting demonstrable and pragmatic transformation and ESG requirements for asset managers, enabling greater relevance sustainably into the future.

In delivering our advice and solutions, and through our engagements with asset managers and other service providers, we aim to unlock value by connecting and collaborating in groups to create more sustainable outcomes and security for our clients and members.

Our focus on ESG factors is critical to ensure we play our part towards sustainable economic development for our clients, business partners, investors and the South African society at large. This includes the expansion of our board charter to address climate risk and to enhance the group’s ESG ambitions and strategic intent.

We are developing a sustainability management framework to integrate and manage our ability to impact, initially taking into consideration two UN SDGs most aligned to our strategic intent, as well as five other SDGs where we have an indirect impact. We have also committed ourselves to these practices as signatories or members of the UNGC, UN WEP, PRI and CRISA.

In delivering sustainable outcomes, we follow these core sustainability beliefs:

- Incorporating sustainability (including ESG considerations) into advice ensures better risk-adjusted returns for our clients and members.
- Incorporating sustainability (including ESG considerations) into investment advice and our multi-managed portfolios ensures improved risk and returns to clients in the long run.
- Incorporating sustainability (including ESG considerations) into our advice and intermediary services on long-term risk and healthcare insurance improves long-term affordability and security of our clients’ risk needs.
- Incorporating sustainability (including ESG considerations) into our intermediated discretionary financial solutions improves the long-term affordability and security of our clients’ discretionary needs.

Integrating sustainability

In 2021 the social, ethics and transformation committee mandated the group sustainability committee to develop a sustainability framework, incorporating the corporate objectives, the ESG advice framework and the bespoke Alexander Forbes Investments ESG principles.

The holistic groupwide sustainability management framework has been approved (as depicted on page 66) with work to mature the activities underway in the 2023 financial year.

The framework is made up of five value drivers that are managed to deliver our purpose, vision and values. They are integrated with the growth vision, strategic objectives, the group scorecard and transformation framework. In addition to delivering on the group’s purpose, the outcome of the framework has a sustainable impact for our clients and members, and broader society supporting the UN SDGs.

Refer to page 66 and to the **2022 ESG report** for more information.

Sustainability management framework

Purpose, vision and values

Our sustainability value drivers				
Connect with clients and members to create shared value	Generate sustainable and responsible outcomes	Enable and empower our people to deliver excellence	Create short-, medium- and long-term value for our shareholders	Leading with purpose
What we manage				
• Pioneer insight • Deliver best advice • Integrate our solutions • Make a positive impact on people's lives • Amplify customer experience	• Invest responsibly with focus on ESG and stewardship • Provide advice on insurance and discretionary financial services responsibly • Transform the investment management industry • Lead the way to a just climate transition	• Attract and retain skilled talent • Create an agile, productive and collaborative culture • Enrich our organisation with diverse and inclusive people	• Sustain our growth and efficiency • Deliver sustainable investment performance • Build long-term competitive advantage	• Maintain good corporate governance and accountability • Provide ethical leadership • Manage and assure risks and compliance • Manage and respond to stakeholder interests • Create a positive impact in our communities
Maintain or strengthening 2023 outcomes				
• NPS • Preservation rate • Alexforbes's retention rate • Increased usage of digital tools • Consolidated data platform • Increased automated transactions	• PRI score • Meet transformation policy goals	• Employee engagement • No recurrence of underperformers • Level 1 B-BBEE • UN WEP action plan goals	• Contain expenses • Increase automated transaction percentage • Reduce excess capital of cover ratio • Operating income net of direct expenses: revenue	• Zero penalties for regulatory breaches • Improved ethical culture • Implementation of stakeholder management policy and completion of planned engagements

Sustainable impact for our clients and members, and broader society

Primary focus on: 8 Decent work and economic growth; 10 Reduced inequalities

Secondary focus on: 3 Good health and well-being; 4 Quality education; 5 Gender equality; 7 Affordable and clean energy; 13 Climate action

Our impact and contribution to SDGs

Primary SDGs

These are the SDGs where we have the greatest impact and level of influence, and focus primarily on our client value proposition, as well as on our people who enable our success.

SDG 8: Decent work and economic growth

The advice and solutions we provide our clients and members support better decision-making, optimal employee benefit structures, and enhance their human capital potential through targeted skills development.

SDG 10: Reduced inequalities

We deliver financial inclusivity across diverse groups in an accessible manner so that all of our members have an equal opportunity to improve their financial outcomes. Our investment approach incorporates ESG principles to benefit the living standards and sustainable working conditions of society.

Secondary SDGs

These are the SDGs where we have some level of influence and impact.

SDG 3: Good health and wellbeing

We provide a holistic consulting framework for the management of health, absenteeism and disability management, mental wellbeing and financial stability.

SDG 4: Quality education

We improve the health, education and skills development of our employees as part of our People Promise.

SDG 5: Gender equality

Alexforbes is a signatory to the UN WEP and has set clear goals to align with its objectives. We also contribute to South Africa's Private Sector Gender-Based Violence and Femicide Response Fund.

SDG 7: Affordable and clean energy

Influencing our asset managers to place focus on climate change forms part of our responsible investing approach.

We have also partnered with the World Wide Fund for Nature (WWF-SA) to positively influence and drive change towards responsible investing and environmental sustainability.

SDG 13: Climate action

Through the board's expanded charter that addresses climate risk, Alexforbes is working actively at integrating climate change measures into its policies, strategies and planning with regard to its advice, solutions and responsible investing approach. This approach will indirectly contribute to South Africa's climate action goals.

Financial impact

Alexforbes delivered a positive set of results underpinned by effective strategic execution, a transformed organisational culture, sound corporate governance and focused innovation. The strategy set out in 2019 has proven resilient to the impact of a challenging operating environment and created a foundation for accelerated growth.

"We remain cognisant of the need for sustainability strategies, not just as a responsible corporate citizen, but as a contributor to overall improved financial outcomes among South Africans."

Bruce Bydawell
CFO

Overview

We improved the top line by 7% and contained expense growth to 5% for the year. Our clients are experiencing the benefits of our advice-led consulting approach and the modernised retirement fund and investment administration platform. We are excited about having won new business of R148 million in annualised revenue. Our performance over this period occurred within the context of persistently challenging economic conditions, creating an uncertain environment for the key drivers of our business.

Profit from operations (before non-trading and capital items) increased 9% year on year to R720 million for the year. Management believes this appropriately reflects the core trading results of the group.

In line with our strategic principles of an advice-led and capital-light model, we concluded the exit of the group risk and retail life businesses (AF Life) during the year. The transfer of AF Life to Sanlam Life Limited was effective on 31 March 2022 and will further improve our capital position. As a result of the nature of the sale, we anticipate that the capital held within the life licence business will be released within 12 to 18 months after the effective date.

In line with our strategic intent of refocusing the business to amplify our impact on the lives of individual members and our stated ambition to accelerate growth, we also announced three corporate transactions in the second half of the financial year.

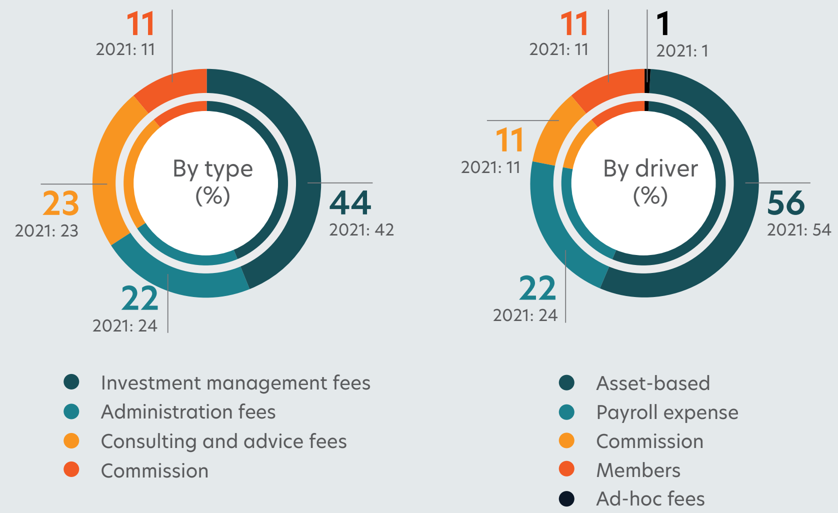
- We completed the acquisition of EBS International Proprietary Limited (EBS). We received approval from the Competition Commission in May 2022, with the transaction becoming effective 10 June 2022. The acquisition of EBS accelerates growth by expanding and diversifying our service offering into adjacent segments of the South African and African retirement funding markets, uniquely positioning us to serve the breadth of retirement fund administration needs.
- We announced the acquisition of Sanlam's large standalone retirement fund administration business that will accelerate our growth in a mature industry segment and will increase the membership of the Alexforbes retirement fund administration by approximately 40% (or c. 340 000 members). This creates further capacity for Alexforbes to positively impact more members by scaling digital developments, delivering administration efficiencies and implementing its market-leading member engagement strategy across this base.
- We also announced the sale of the AFICA group to Sanlam, which aims to modernise the digital experience delivered to Alexforbes's financial advisers and customers through improved administration and user functionality that is enabled by the best-in-class technological capability of the Glacier system. This will enable Alexforbes to better compete in the retail segment for compulsory and discretionary savings. The strategic advantage of providing retirement fund administration creates the platform for our financial advisers to connect with potential clients as they accumulate wealth and require financial advice.

Operating income

Despite the tough operating environment, we exceeded our expected top-line performance for the year with operating income growing 7% to R3 221 million, comprising 11% growth from the investments business off the back of improved average assets and market performance for the year and 13% growth from the individual consulting business that benefited from new business wins, good asset retention and market performance. The performance of the retirement consulting segment remained flat year on year, impacted by the base effect of retrenchments in the prior year.

The growth in operating income was underpinned by sustained new business wins across all our business segments coupled with strong market performance. Many of the new business wins across the group comprise large client wins in a highly competitive market that landed in the second half of the current financial year with the full benefit to flow through the top line expected in the 2023 financial year.

Disaggregation of operating income (% contribution)



- Operating income (net of direct expenses) by type reflects the revenue based on services provided
- Operating income by driver reflects the basis upon which the fees are calculated
- Retail advice and administration fees are driven by assets under management

Key dependencies for growth in income are:

- New business wins
- Growth in formal employment and employee payroll inflation cash flows: contributions, preservation and withdrawals
- Market growth

Financial impact continued

Operating expenses

Operating expenses remain well managed at R2 540 million, an increase of 5% year on year. This is a result of our focused expense management efforts, which have translated into savings across premises operating costs, information technology, insurance and a reduction in the number of errors and omissions (E&O) claims. The reduction in E&O claims resulted from improved controls and execution on automation projects.

The increase in operating expenses includes the impact of increased incentives resulting from improved profitability as well as the increase in VAT apportionment expenses owing to a change in the shared services cost allocation methodology.

Delivering on our capital-light and growth strategy

Our strong balance sheet, supported by surplus regulatory capital and available cash, continues to place Alexforbes in a strong financial position. The financial position of the group remains robust and all regulated entities within the group comply with current liquidity and regulatory solvency capital requirements (SCR).

At 31 March 2022 the consolidated regulatory capital requirement of the group stood at R1 529 million, an increase of 6% year on year. This increase was mainly driven by growth in expenses in regulated entities. Using measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards, the group has a regulatory surplus of R1 308 million. This results in a regulatory capital of 1.8 times, which is well above the group cover ratio of 1.2 times. The group cover ratio was returned to 1.2 times from the 1.5 times cover imposed at the onset of the Covid-19 pandemic.

Our cash flow generation remains strong and we continue to convert operating profit to cash flow at a high velocity. Cash flow from continuing operations of R809 million was 15% lower year on year due to payments made of R235 million associated with the enhanced transfer value (ETV) liability matter. Excluding this impact, cash flow from continuing operations would have increased 10%. We anticipate recoveries from the insurer on finalisation of the legal proceedings instituted by Alexforbes, which will return cash to the business.

The disposal of the group risk and retail life businesses will result in a reduction of the capital required in the group as a result of the nature of the sale. The release of capital held within the life licence will take place in line with the time to close the licensed life insurance company. We anticipate this process to take between 12 to 18 months after the effective date of sale.

We have built a solid base for growth into the future and both management and the board remain confident in the prospects of the company.

Dividend policy

The group's dividend policy is to consider an interim and final dividend for each financial year. The dividend is set with reference to the normalised headline earnings per share (HEPS), but adjustments from earnings per share to HEPS will be considered in terms of the cash associated (we may select the higher earnings if they better resemble the cash flows of the earnings).

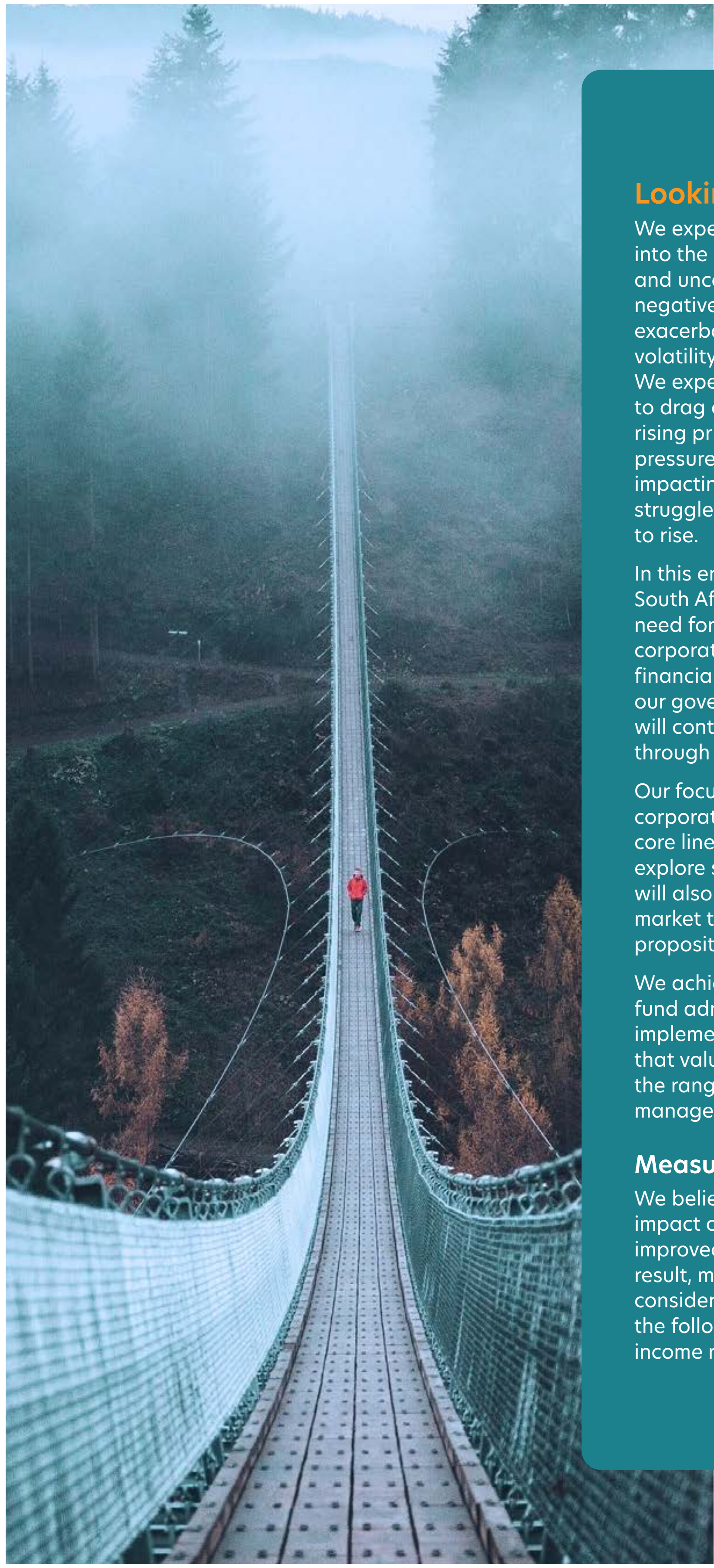
The dividend is set taking cognisance of the need to:

- Maintain regulatory capital solvency with an appropriate margin, which anticipates regulatory developments and economic market volatility
- Ensure compliance with legislative requirements with regard to solvency, liquidity and good corporate governance
- Retain earnings and cash flows to support capital investments and future growth

In recognition of the cash-generative ability of the group and the confidence in the group's prospects, the board resolved to improve the dividend cover range to between 1.0 and 1.5 times, from between 1.5 and 2.0 times earnings, recognising that some earnings fluctuations are to be expected.

The annual dividend will reflect the board's view of the earnings prospects over the entirety of the cycle.

At its discretion, the board may also consider special dividends where appropriate. Depending on the perceived need to retain funds for expansion for operating purposes, the board may pass on the payment of dividends.



Looking ahead

We expect the challenging external environment to continue into the near term and anticipate ongoing levels of volatility and uncertainty. Global political stability remains tenuous, negatively impacting on economic policies and trade, and exacerbating socio-economic inequalities globally. Market volatility too is likely to persist over the medium term. We expect South Africa's electricity supply crisis to continue to drag on domestic prospects. The current trajectory of rising prices continues to weigh on the inflation outlook, with pressure on food, transport and fuel costs especially adversely impacting households; this as private-sector wage inflation struggles to maintain pace and unemployment continues to rise.

In this environment, the potential for social unrest within South Africa has grown and we remain cognisant of the need for sustainability strategies, not just as a responsible corporate citizen, but as a contributor to overall improved financial outcomes among South Africans. We believe that our governance, risk management and capital programmes will continue to support our strategic and tactical intentions through these challenging times.

Our focus turns to the successful implementation of the corporate transactions so that value may be unlocked in our core lines of business. We remain alert to the opportunity to explore such acquisitive prospects across these core lines and will also diversify our exploration to adjacent segments in the market that directly complement our integrated advice-led proposition to employers, retirement funds and individuals.

We achieved substantial progress in the automation of our fund administration over the past year. We will continue to implement further innovations during 2023. We anticipate that value will be unlocked as clients begin to adopt and use the range of technology capabilities now available to them to manage their experience of our administration.

Measuring our success

We believe that the work that we are doing to positively impact our client services will drive new business and improved retention. We are confident in our growth story. As a result, management has re-evaluated the previous targets and considers it appropriate to reaffirm our ambition to achieve the following targets within the next four years: cost-to-income ratio of 70% and a return on equity of 14.5%.

Refer to **Strategy** on page 40 for more information.

Operational impact

Creating operational excellence

Our vision is to become the most impactful provider of financial advice to institutional clients and individual customers. A key element of achieving this aspiration is to demonstrate a meaningful positive impact on the stakeholders we serve by applying our market influence as a force for good.

The year under review was a year in which key projects were delivered that have laid the foundation for operational efficiency, real-time oversight and enhanced client experience. The establishment of a team in 2019, dedicated to the process re-engineering of our operations environment, has demonstrated the value that such a focus of efforts, together with group technology, can deliver to our organisation.

We achieved this positive impact through:

- Standardising, digitising and automating our major operations processes
- Developing a single view of our clients, with quality data
- Delivering operational excellence through effective governance

Standardising, digitising and automating our major operations processes

We aim to optimise our service offering to clients and members through the standardisation and automation of our operations, and through improved life-cycle management.

We believe that by having a single point of accessibility and of ownership and service delivery, we will reduce complexity and enhance client engagement and financial inclusivity across the breadth of our member base. This is supported by our One Alexforbes business model, which enables us to be agile and innovative in creating value for our institutional clients and individual customers.

During 2022 we focused on streamlining our processes, with a view to improving the management of errors and omissions and deepening our connection to our clients and members, affirming our position as a trusted adviser and partner. This was achieved through a number of initiatives, including the rollout of new products and platforms such My Money Matters and Benefits for Beneficiaries (Randgo).

Another area of focus was helping members make better decisions by providing meaningful information and counselling through eRBC and digital exits, which has proved that more members preserve their retirement savings when the right advice is provided. Corporate clients continued to take up our eRBC services, resulting in a reduction of clients who are at risk.

We also refined the structure and operations within our call centres with a focus on quality control and training of employees. This has resulted in a 50% reduction in hold time and 30% reduction in dropped calls.

The shift towards improved efficiencies is underpinned by the ability of our employees to harness their passion for excellence and deliver quality services to our customers. As such, we continued with our learning and development initiatives aimed at ensuring our people have the skills and expertise they need to excel in their roles. Key focus included Financial Advisory and Intermediary Services Act (FAIS) requirements, business competency, administration and reporting.

Our efforts at standardising and automating our operations have resulted in improved efficiencies relating to enhanced digital platforms for bulk and individual processing of claims and contribution reconciliations which reduced errors, improved service level standards and created greater transparency from both an internal and external reporting perspective. They have also enhanced collaboration internally and with external partners, improving our client experience.

Developing a single view of clients with quality data

We generate significant amounts of data and it is increasingly important that we use this data to improve our offering and better meet the needs of our clients, members and other stakeholders.

It is for this reason that in 2022 we prioritised the migration to long-term data infrastructure. We also focused on ensuring we maintain the highest standards of data quality. To facilitate this, we centralised all data requests so that these can be appropriately prioritised in line with our key business objectives. Furthermore, we consolidated our data teams into one, allowing for a single point of access and reducing accountability gaps. We expect the investments we have made to result in enhanced business analytics, a single view of all Alexforbes products for our clients, and improved client outcomes.

Delivering operational excellence through effective governance

As a business that is trusted across South Africa and beyond, the group's aim is to lead as a model of corporate citizenship. Our governance framework is informed by principles of ethical trade, transparency, accountability and sustainability.

We maintain the highest standards of corporate governance and ethical leadership to deliver confidence to our broad range of stakeholders, including clients, employees, suppliers, regulators, investors and broader society.

Refer to page 29 for more information.

The emergence of ESG aspirations from institutional investments represents a significant opportunity to apply a breadth of independent research and advice to structure portfolios that deliver performance while impacting society at large. This is particularly true for us as Alexforbes, given our status as the largest investments multi-manager in South Africa. We bear both the influence and responsibility to impact transformative change in the industry.

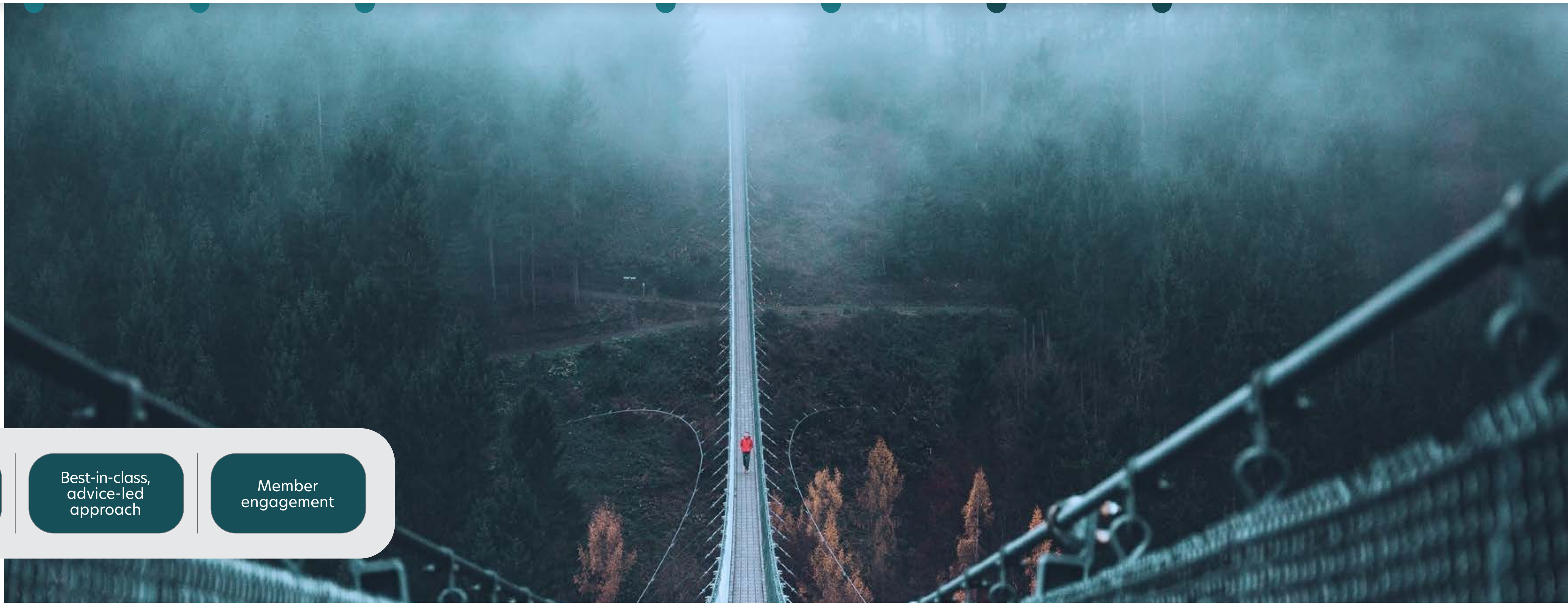
During 2022 we continued to make a concerted effort to embed ESG consideration across the group in our respective roles as a corporate citizen, investment consultant to retirement funds, and as an investments multi-manager. We also continued on our journey towards embedding specific transformation and ESG criteria into our multi-manager due-diligence, engagement and selection process with all asset managers.

Refer to page 65 for more information.

Operational impact continued

Delivering to our clients and members

Our business exists to make a positive impact on our clients' lives. Their changing needs and priorities motivate us to remain relevant by delivering insightful market-leading solutions that are advice-led and independent.



Our strategic objective is to create value by enhancing the following capabilities:

- Digital enablement
- Best-in-class, advice-led approach
- Member engagement

Digital enablement

Technology is a key strategic enabler and allows us to modernise our client experience and encourage greater connection to Alexforbes. Digitising client tools allows us to offer clients and members a range of access points. During 2022 we redesigned and simplified navigation on our corporate website (www.alexforbes.com). We also focused on high-volume and high-risk activities, such as claims and contribution reconciliations, with a view to reducing errors, improving productivity and enhancing client experience.

We aim to deliver a better service and faster turnaround times for our clients and members by reducing the number of tasks processed that require manual intervention from Alexforbes's resources. In 2022 our automated transaction percentage (ATP) increased to 32% (2021: 7%). Members and corporates are taking advantage of our enhanced self-service capabilities and it is imperative that we continue the path towards a more digitally enabled company while continuing to engage our clients with sincerity. Our dedicated process re-engineering team will continue to implement more digital solutions to support this.

We see managing the security of our digital platforms as creating a strategic and competitive advantage. We also recognise that we have a duty to protect the data and confidentiality of our clients and members. As such, we also implemented appropriate measures to ensure data privacy and to enhance our cyber and information security environment.

Best-in-class, advice-led approach

We are currently the leading independent adviser in the corporate space and want to build deeper connections with individual customers, in addition to corporate clients. We aim to provide a broader spectrum of customers with appropriate advice and effective solutions that lead to better financial outcomes.

As our clients interact with us, we can better leverage the breadth of our specialist capabilities to offer collective engagements to clients across multiple consulting appointments. One Alexforbes will also enable a team of people to service a corporate client – coordinating across trustees, employers, members and countries.

During 2022 we invested in our digital capabilities to improve such a connection. We also provided member education services to both individual clients and employers, facilitating the practical application of information by our clients and members (https://mymoneymatters.alexforbes.com/).

Member engagement

Alexforbes aims to make a difference in the lives of our clients and members by reducing levels of financial stress, creating wealth, improving physical and mental health, and having a positive effect on society and the planet. Our range of capabilities combined with our differentiators uniquely position us at the intersection of various trends that we can leverage to the benefit of our customers.

During 2022 we continued to focus on increasing our member engagement interventions to ensure we remain connected with the needs and priorities of our customers. We achieved this through digital platforms and through the activation of multi-disciplinary teams to reach more members through our partnerships with employers. This resulted in greater collaboration and more meaningful partnerships across business areas such as individual consulting, corporate consulting, product development, technology and operations.

Our clients and members have noted our efforts, expressed through a much-improved NPS.

We counselled over 10 000 members. In addition, through proactive outbound contact, members were better able to understand their benefits and felt more confident about making decisions as a result of our engagement. By introducing financial wellness, on-site consulting and the digital exits platform, we have noted improved preservation rates as well as improved trust among employers, HR departments and advisers.

Our flagship default solution, AFRIS, delivered on its value proposition. Through AFRIS, our members can consolidate their investments built at each stage of their careers, even at different employers, into a single fit-for-purpose vehicle, without any need to change when changing employers. The eligibility criteria for right of access has been widened beyond a default solution only for retirement fund clients.

See **https://afris.alexforbes.com/** for more information.

The launch of our adviser tools platform Adviser Connect will further support the delivery of our best-advice framework to members. Our focus on our advice-led value proposition is yielding results in the form of increased new business and recognition by our clients, prospects and the broader industry.

Operational impact continued

Growing our pan-African consulting business

Our multinational consulting includes business operations where we have physical offices in areas outside South Africa, the Channel Islands, Botswana, Namibia and Nigeria, and consulting advice provided through the Arrive solution. The platform is the first solution of its kind to deliver comprehensive in-country employee benefit solutions across the continent through a single point of contact for clients. Through the platform, now in its fourth year, we have helped our clients to reduce complexity, ensure compliance, reduce costs and standardise benefits across borders.

During 2022 Arrive continued to have sustained growth supported by strong client retention and an increase in new appointments with 15 new clients added in taking the total number of Arrive clients to 79. A new initiative launched in the year to provide advice to retirement fund clients in broking the fidelity insurance has shown good traction with 80 new clients contracting our services. These are mainly within our existing client base in South Africa with greater penetration possible as well as extending the service beyond the existing base.

Enhancing our multi-management process

Our investments business exists to help clients and members grow and protect their investments and stay on their journey towards achieving their financial goals over a lifetime.

Every aspect of our multi-managed investment approach is designed to give clients and members the highest probability of achieving their investment goals. We believe this is the only way to create meaningful value for our clients and members. Our multi-managed portfolio solutions are built, and are closely managed, by specialist teams with in-depth investment knowledge and insight. We embed ESG principles in how our portfolios are managed and also focus on improvements in monitoring and disclosures.

Our investments approach

Multi-management is central to our investment philosophy. Every aspect of our multi-managed investment approach is designed to give our clients and members the highest probability of achieving their investment goals. We believe this is the only way to improve their financial outcomes holistically. Through this approach, we are able to select and blend multiple single asset managers, across different asset classes and styles of money management and markets, into one quality portfolio solution. The benefits of best-in-class asset manager selection optimises returns in volatile markets, helping our clients achieve enhanced returns on a risk-adjusted basis.

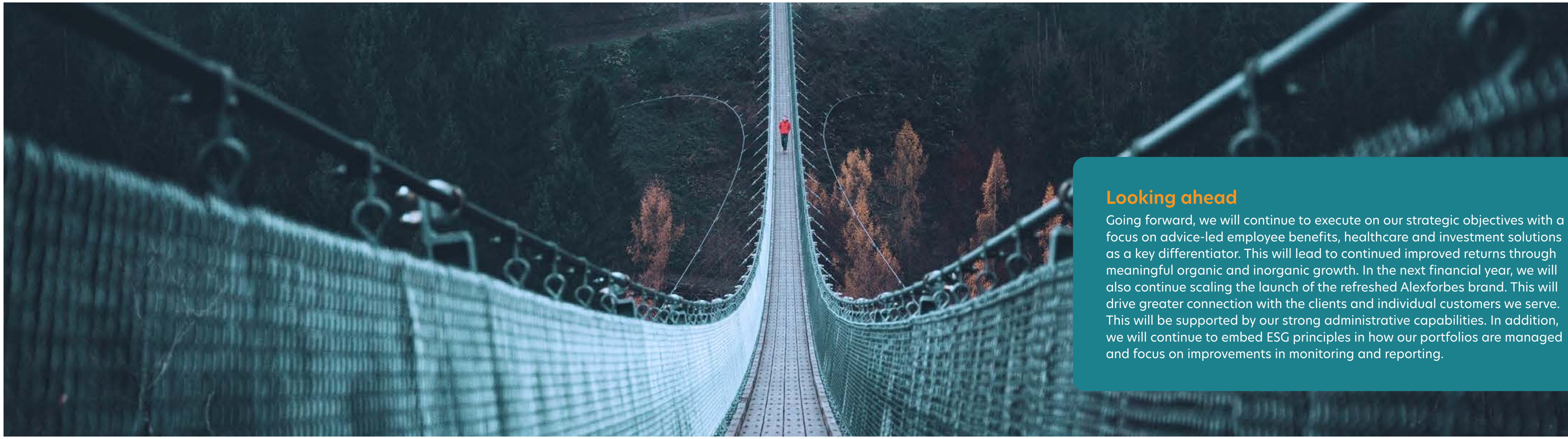
Our multi-managed portfolio solutions are built, and are closely managed, by specialist teams with in-depth investment knowledge and insight. We manage our customers' money through a disciplined process encompassing three steps: asset allocation (multi-asset), strategy selection (multi-strategy) and asset manager selection (multi-manager). This contributes to differentiated sources of return and reduced investment risk, allows for smoother investment returns and contributes to reliable investment performance aligned to expectations. We are confident that our well-diversified investment approach implemented across our multi-manager investment portfolios will continue to add value for our clients and members.

Delivering consistent and competitive results through our flagship portfolio

Our flagship portfolio, Performer, has delivered consistent and competitive performance over time, delivering improved long-term investment outcomes for clients. This is achieved by maintaining our investment philosophy and consistently applying our multi-management investment approach.

Performer consistently ranks in the first quartile of the Alexforbes Manager Watch Survey™ over the medium- to long-term. It remains well positioned in these volatile markets to continue to achieve enhanced returns on a risk-adjusted basis. Performer's asset allocation is dynamic to allow it to competitively participate in market recoveries or expansion and to protect in falling markets.

During 2022 we successfully implemented changes to the Performer portfolio by bringing in new thinking and new managers. These changes aim to maintain a well-structured, diversified portfolio solution and accelerate our transformation objectives to advance a more inclusive asset management industry.



Looking ahead

Going forward, we will continue to execute on our strategic objectives with a focus on advice-led employee benefits, healthcare and investment solutions as a key differentiator. This will lead to continued improved returns through meaningful organic and inorganic growth. In the next financial year, we will also continue scaling the launch of the refreshed Alexforbes brand. This will drive greater connection with the clients and individual customers we serve. This will be supported by our strong administrative capabilities. In addition, we will continue to embed ESG principles in how our portfolios are managed and focus on improvements in monitoring and reporting.

Sustainability impact

We are committed to contributing to inclusive development in South Africa by influencing financial behaviour that fosters transformation and by safeguarding the well-being of our communities. We achieve this by equipping our members with the information, advice and skills they need to proactively manage their finances, investments and risks.

To this end, we undertake various initiatives in responsible investment, socio-economic development, diversity and inclusion, and strategic procurement while maintaining preferential procurement. In addition, our transformation actions are geared towards improving management control and employment equity.

As a leading South African company, Alexforbes acknowledges the need to assess and respond to climate-related risks. We want to play our part in sustainable economic development for our clients, business partners, investors and the South African society at large. While our direct environmental impact is limited, we strive to make the most efficient use of our natural resources. Our great opportunity to positively impact the environment is through our investing activity.

Our integrated report details the ways in which we create sustainable value for our stakeholders and society at large. In this section of the report, we provide a high-level overview of our transformation intent and performance, our approach to investing responsibly and details regarding our approach and performance to enable and empower our people to deliver excellence.

Details of our transformation, environmental impact, UN WEP and responsible investing approach can be found in the 2022 ESG report.

Transformation intent

Our transformation intent is supported by our sustainable transformation framework which includes the implementation of clearly defined objectives aligned to the amended Financial Sector Codes, B-BBEE Act requirements and the UN SDGs. Consideration is also given to the material priorities, needs and concerns of our legitimate stakeholders as well as existing business activities and value offerings that can serve as instruments of transformation.

Having a lasting impact on society is integral to our vision. For us, it is about creating realistic, impactful and sustainable broad-based opportunities in partnership with those who have previously been denied such prospects.

Transformation

Transformation is a key strategic business imperative and our commitment goes beyond compliance with legislation. It is about creating impactful and sustainable broad-based opportunities to the benefit of all stakeholders.

Empowerment

Empowerment is linked to our B-BBEE transformation objectives with the aim of remaining a Level 1 contributor.

Diversity and inclusion

Diversity and inclusion focus on inclusivity, co-existence and tolerance in areas such as gender, ethnicity, religion and generational differences.

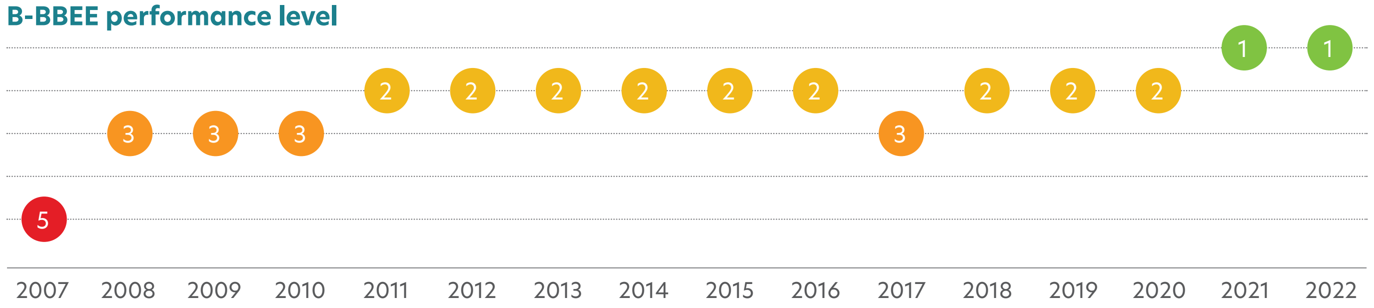
Sustainable transformation framework

Executive endorsement	Our ambition is fully owned by the executive team, and enabled by the board and social, ethics and transformation committee
B-BBEE verification and baseline	An internal assessment report and B-BBEE verification audit inform the transformation baseline
Transformation strategy and policy	Transformation policy with clear targets aimed at achieving the desired outcomes and ensuring sustainable improvement
Governance and monitoring	Governance, monitoring and board-level oversight to support performance against objectives and ensure accountability
Communication	Effective communication with employees and all stakeholders Shared understanding of our journey among all stakeholders

Our transformation performance

We steadily improved our performance over the last decade and a half, moving from being a Level 5 contributor in 2007 to a Level 1 contributor in 2021 and maintaining the performance in 2022.

B-BBEE performance level



Summary scorecard: Other institutions

Our B-BBEE scorecard verification is based on the amended Financial Sector Code (FSC) and has been certified by an authorised independent verification agency, AQRate Verification Services. This verification applies to all companies within the group. We have steadily improved our performance over the last decade and half, moving to a Level 1 contributor in 2021 and 2022 from Level 5 in 2007. This is testament to our commitment to the well-being of the society in which we operate.

Element	Amended FSC target	2021 Total score	2022 Total score
Ownership	25.00	25.00	**25.00**
Management control	20.00	12.31	**12.49**
Skills development	20.00 (+3)	13.40	**17.89**
Procurement	20.00 (+4)	20.93	**21.57**
Enterprise and supplier development	15.00 (+4)	19.00	**19.00**
Socio-economic development and consumer education	5 (+3)	8.00	**8.00**
Overall score	105.00 (+14)	98.64	**103.95**

	2021 Total score	2022 Total score
Level	1	**1**
Recognised procurement recognition level	135%	**135%**
Issue date	14 June 2021	**13 June 2022**
Expiry date	13 June 2022	**12 June 2023**

Refer to the **2022 ESG report** for more information.

Diversity and inclusion

We are committed to building a diverse team to ensure that we can harness the benefits of diversity, a three-year transformation strategy was approved in 2021. The strategy, which covers hiring, promotion, development and retention practices within the group, is aligned to our employment equity (EE) plan to ensure effective succession planning and talent management as it relates to our African and female colleagues within the group. We aim to improve our EE statistics at middle and senior management level, where we have the greatest opportunity to improve our performance.

We strive to ensure that women are treated with dignity and respect, enjoy their human and labour rights, and that their health and safety is protected. In addition, we aim to ensure that women have access to education, training and professional development opportunities. Our policies on procurement contribute to this strategic imperative, ensuring that women are included in our supplier and enterprise development activities as detailed in the ESG report.

United Nations Global Compact (UNGC)

In 2020 Alexforbes became a signatory of the UNGC programme, confirming its support of the Ten Principles of the UNGC in the areas of human rights, labour, environment, and anti-corruption and the UN SDGs. During 2022 we took steps to integrate the UNGC Principles into our business strategy, culture and daily operations. We aim to make progress by aligning our goal-setting, monitoring and measuring process to strategic business priorities, focusing on goals through which we can have the biggest positive impact. We believe that this will bring business value by building resilience and enabling long-term sustainable growth. As part of this effort, we formed a sustainability committee to oversee our sustainability approach and to ensure it is integrated across the business.

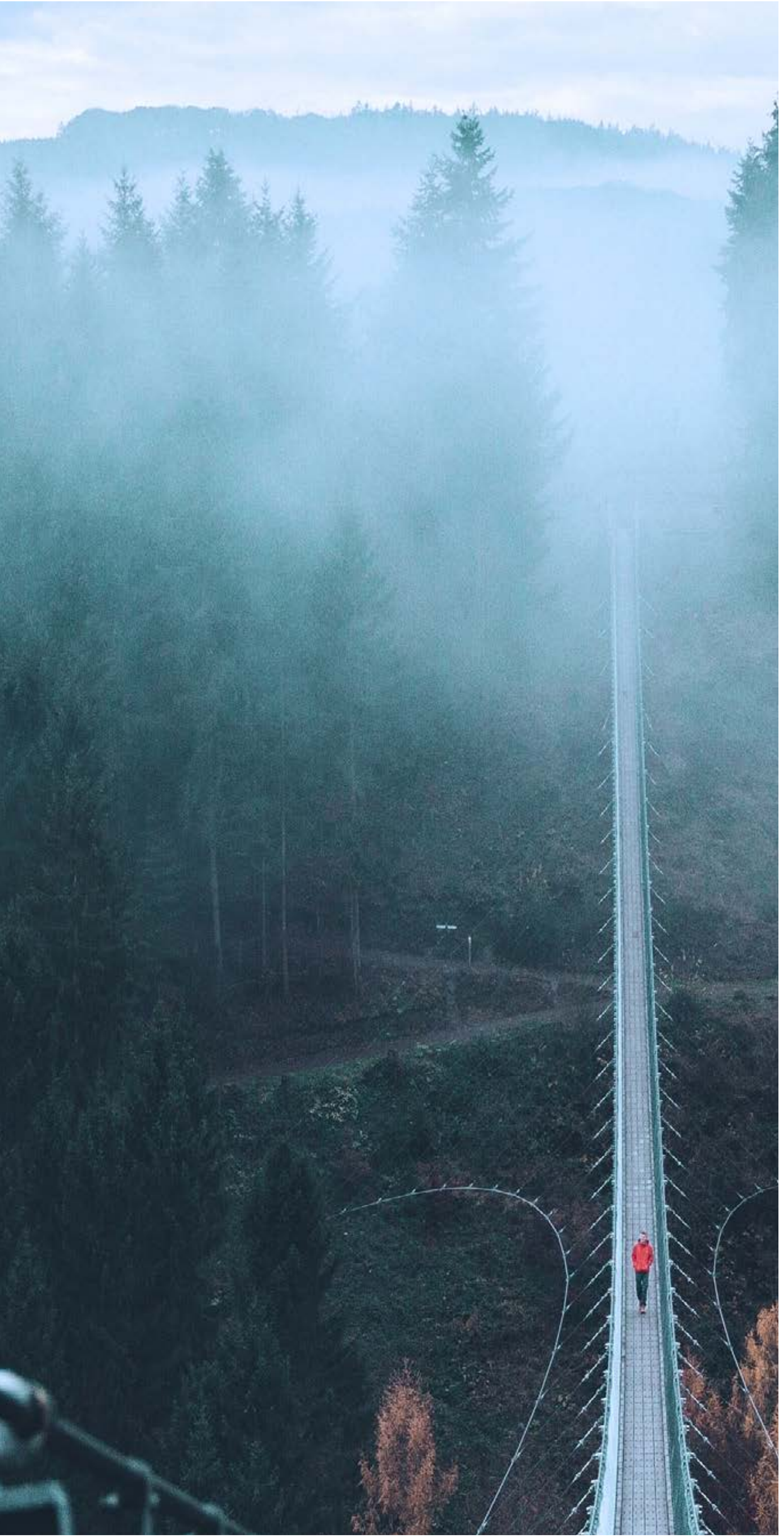
To support our sustainability objectives, we ensure that our people consider sustainability objectives in their day-to-day work. We have enrolled individuals in our business in two UNGC programmes – the Young SDG Innovators Programme and the SDG Ambition Accelerated Programme to support our journey in fostering a sustainability-focused culture and meeting our sustainability targets.

Refer to the **2022 ESG report** for more information.

Looking ahead

We will continue to work towards maintaining our Level 1 B-BBEE score. In the coming year, we will focus on the following key areas:

- Implementation of the Alexander Forbes Investments Transformation Policy launched during 2022
- Ongoing execution of strategic procurement while maintaining preferential procurement
- Transformation actions to improve management control and employment equity outlook
- Ongoing investments in SED initiatives through the Alexander Forbes Community Trust



Enabling and empowering our people to deliver excellence

Alexforbes aims to be the most impactful provider of financial advice, serving both institutional clients and individual customers.

We achieve this by continuously delivering market-leading products and solutions that positively and powerfully impact our communities and society. Our employees are central to our continued success. We recognise the value of providing opportunities for employees to make a meaningful contribution to the attainment of our strategic goals. We therefore aim to support our employees to reach their full potential.

During the year under review we revised our employee value proposition (EVP) with the aim of ensuring closer alignment with our broader strategic imperatives. This culminated in our refreshed People Promise, which takes its direction from our company growth strategy and our human capital strategy. Both of these are designed to propel our differentiation in the market.

Our human capital strategy aims to deliver

- **One Alexforbes** an integrated player
- **Advice-led** a trusted adviser
- **Client-centric** excellence in service levels
- **Focus and simplicity** eliminate complexity

Our people promise

We are financial specialists, industry innovators and insight pioneers. We invest in our clients' needs and dreams, changing mindsets, habits and futures. We deliver advice and solutions that positively and powerfully impact our communities and society. We attract and celebrate vibrantly diverse talent, who wish to be a disruptive force for good. We are high performers with a passion for putting clients first – with ease of access and seamless service. Together, we break boundaries, transform lives and accelerate growth for our people, markets and our business.

Our People Promise is made up of the following four pillars:

Connect

We create opportunities for our employees to connect with people who are making a dramatic impact in the world of employee benefits and overall wellbeing.

This is achieved through the following initiatives:

- Induction and onboarding
- 6-month new start socialisation programme
- Employee culture experience
- Employee engagement sessions, manco huddles, coffee connect sessions and virtual teambuilding

Grow

We support our employees in accelerating their growth and unlocking their creative genius so they can transform their potential into profit.

This is achieved through the following initiatives:

- The Alexforbes Leadership Framework
- In-house learning and development courses
- Bursaries for industry-related studies
- Leadership development courses
- Succession plans and talent development
- Employee wellness
- Financial services

Flourish

Our goal is for our employees to enjoy meaningful and rewarding work, with good balance and support in every stage of their journey with Alexforbes.

This is achieved through the following initiatives:

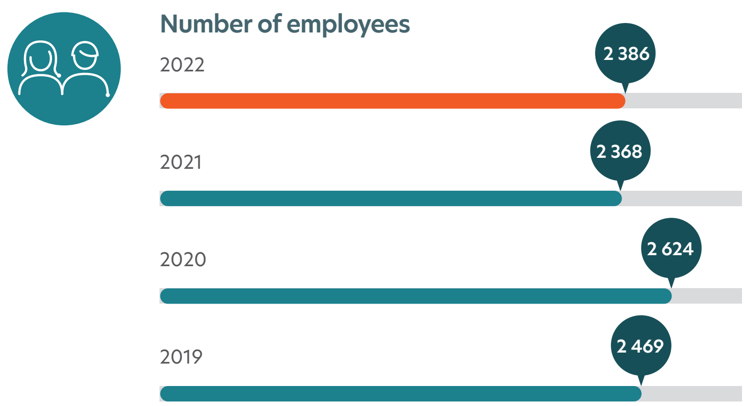
- Short-term incentive structure
- Expanded long-term incentive scheme
- Employee share scheme
- Power of One recognition programme
- Employee assistance programme
- Health services
- Retirement fund
- Investment options

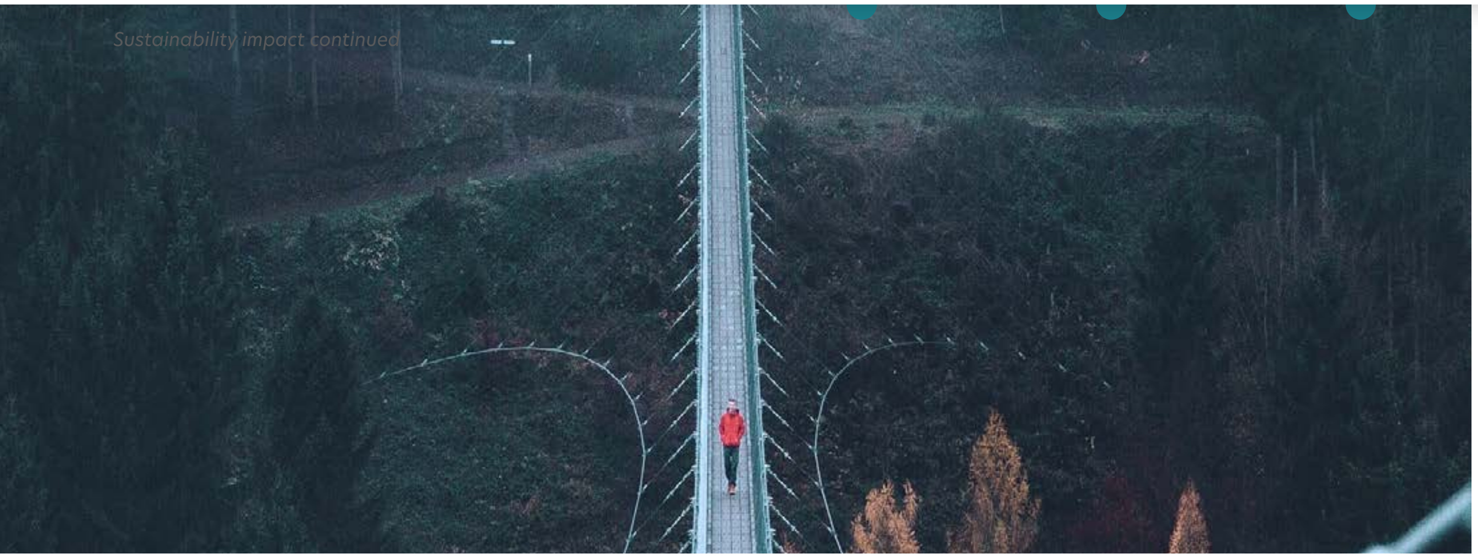
Impact

We are a vibrantly diverse, authentically inclusive community, committed to impacting our customers' lives and futures.

This is achieved through the following initiatives::

- Diversity and inclusion initiatives
- Group transformation strategy
- Charity Begins at Home
- Employee support fund, financed by the organisation and employees





Attracting and retaining skilled talent

We seek to create value for our employees. We achieve this by embedding compelling employee experiences, providing employees with opportunities to make a meaningful contribution to the business and by connecting our employee experience to our purpose and brand. This commitment underpins our people strategy and will drive innovation and skills development in the coming years.

We drive a high-performance culture, supported by integrity, compassion and an atmosphere of collaboration. During 2022 we retained focus on embedding a culture of accountability through KPIs and expected behaviours. We also provided short-term incentives to our employees while at the same time expanding our long-term incentive scheme. Furthermore, we embedded personal development planning into the performance enablement process for all employees to ensure the company has the relevant skills it needs for both current and future roles.

In addition, we have implemented a balanced scorecard methodology throughout the organisation to align all incentives with the strategic objectives of the company and are maturing our performance management processes to lift the collective efforts of all employees. As part of this process, we have committed to ensuring that every employee who does not perform to expectation has a personal improvement plan, which is tracked by human capital.

Creating an agile, productive and collaborative culture

We recognise that even the best strategy cannot be executed successfully without a motivated and happy workforce. We therefore seek to create a climate where employees can develop and succeed, while empowering our employees to make effective operational, tactical and strategic decisions. Our organisational culture is premised on our purpose and corporate values.

We seek to harness the individual and collective creativity of our employees and foster an organisational culture in which diverse perspectives drive innovation and performance. In our 2021 integrated report, we reported on the group's three-year transformation policy which was approved in 2020. Through this strategy, we aim to improve our EE performance at middle and senior management level, where we have the greatest opportunity to improve our performance. The strategy is aimed at ensuring effective succession planning as it relates to African and female employees across the business and covers hiring, promotion, development and retention practices. The strategy is aligned with our EE plan and underpinned our transformation initiatives during 2022.

The health, safety and wellness of our employees is key to maintaining an agile, productive and collaborative environment. As such, we take a proactive approach to managing the ongoing impact of Covid-19. We also invest in various health and wellness initiatives. During 2022 we maintained ongoing communication with employees and delivered health messaging through our internal communications channels.

Enriching our organisation with diverse and inclusive people

We are committed to building a transformed Alexforbes with a winning culture. To ensure that we can harness the benefits of diversity, a three-year transformation strategy was approved in 2021. The strategy, which covers hiring, promotion, development and retention practices within the group, is aligned to our EE plan to ensure effective succession planning and talent management as it relates to our African and female colleagues within the group. We aim to improve our EE statistics at middle and senior management level where we have the greatest opportunity to improve our performance.

We strive to ensure women are treated with dignity and respect, enjoy their human and labour rights, and that their health and safety is protected. In addition, we aim to ensure that women have access to education, training and professional development opportunities. Our policies on procurement contribute to this strategic imperative, ensuring that women are included in our supplier and enterprise development activities as detailed in the 2022 ESG report.

1 *Black people as defined in the Broad-Based Black Economic Empowerment Act53 of 2003 as amended by Act 46 of 2013*

Transforming with intent

Our B-BBEE scorecard verification is based on the amended Financial Sector Code (FSC) and has been certified by an authorised independent verification agency, AQRate Verification Services. This verification applies to all companies within the group. We have steadily improved our performance over the last decade and half, moving from being a Level 5 contributor in 2007 to Level 1 in 2021 and 2022. This is testament to our commitment to the wellbeing of the society in which we operate.

UN WEP

We invest in our people and our stakeholder relationships to develop and innovate products and solutions that are premised on best advice and the wellbeing of society. During 2020 we strengthened our commitment to these ambitions, joining the UNGC and becoming a signatory to the UN WEP. In 2022 we completed the WEP's Gender Gap Analysis survey. Results from the survey show we recognise the importance of gender equality and are taking concrete steps to introduce policies and practices, while working on a strategic approach to implementing our commitment and measuring and reporting progress. We have a leadership commitment and support for gender equality and women's empowerment. Key commitments in this regard include circulation of internal communications and formal acknowledgement of the relevance of gender equality and women's empowerment. The leadership team has also released a public written statement outlining our company's commitment to gender equality and women's empowerment.

Learning and development

We contribute to SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. We do this through various interventions aimed at developing our workforce. In 2022 we invested over R3.7 million towards the acquisition of formal qualifications by our employees. The majority of bursaries were awarded to junior management, and junior and semi-skilled employees.

We invested in women's mentoring programmes, on-the-job coaching, leadership development as well as learnerships for both internal and external recipients. In addition, a new leadership development programme to be implemented over the next three years was introduced to all leaders in the organisation. The programme focuses on developing self-awareness among leaders as a means of enhancing employee engagement. In addition, the management essentials programme focused on creating set disciplines for managers to adopt with a focus on managers connecting with care in a remote virtual environment.

The learning academy continued to support the One Alexforbes approach, ensuring an integrated approach to learning across all areas of the business. It achieved this by ensuring that all our consultants have knowledge of every business area. The learning academy also supported the implementation of client plans through coaching programmes designed to help consultants develop discussions with clients and pinpoint opportunities to assist clients. The learning academy also works closely with the consulting and investment teams to ensure that the advice frameworks and the products developed meet best-practice standards. During the past year the learning academy contributed to the development of more bespoke content for communications, webinars and marketing materials for internal employees, clients and members. In addition to Covid-19 communications and content, a significant amount of work has gone into ensuring that we can advise and prepare our people, clients and members for regulatory changes that have or will soon come into effect.

Looking ahead

In the year ahead, we will retain focus on embedding a culture of collaboration with the aim of achieving our key differentiator of being advice-led. We believe this effort will contribute positively to our competitive advantage. We will also continue to identify ways in which our human capital and transformation function can support the corporate plan and overall mandate of the group. Key priorities for the year include:

- Continued implementation of our talent management and succession plans
- Continued focus on driving a high-performance culture
- Continued implementation of organisational climate and culture initiatives

Sustainability impact continued

Investing responsibly

We view responsible investing (RI) as a practice that integrates factors that may materially affect the sustainable performance of assets, including those of an ESG nature.

It makes the case for an alignment of financial, environmental and social value-add and it is an investment approach that we incorporate into our own culture. Our Investment Framework for Responsible Investing demonstrates the different elements of our responsible investing beliefs and approach that collectively create our holistic framework for investing responsibly.

The framework follows a beliefs policy, process and portfolio approach that aims to provide a transparent and practical pathway to understand and identify where responsible investment considerations sit within our investment approach and how they are incorporated and reflected in our investment portfolios. This is a structured approach in both the incorporation of ESG factors and the articulation of our processes and policies.

We recognise our responsibility to not only achieve the best possible returns at acceptable levels of risk, but also to act in the best interests of the community and environment within which we operate. Our investment process has incorporated responsible investing considerations for more than a decade and we have pledged our support and endorsement behind leading local and global industry bodies in this space. We target broad sustainability issues such as social and environmental opportunities and, in time, assess the impact these investments have on broader socio-economic objectives.

We have long endorsed CRISA and were one of the first asset owners in South Africa to become a signatory to the PRI. To reassure our clients that we apply and comply with these local and global RI principles and standards, we fully and publicly disclose all of our activities, including engagement with the industry, proxy voting, and ESG factor integration. We have consistently scored above industry peers in our PRI score, affirming our commitment to the principles and what they intend to achieve.

Our private markets programme is another avenue in which we can channel funds for the upliftment of our communities. The Alexander Forbes Investments South Africa Private Markets (AFISAPM) programme aims to create social and environmental impact, while still creating sustainable commercial returns for investors.

We have partnered with well-established providers in this space that gives us another avenue to positively impact our communities and contribute to the targets of a range of UN SDGs. Through the programme we have contributed to infrastructure projects that have created jobs and easier access to amenities for many communities, among others, public benefits, as well as invested in environmentally friendly projects such as clean energy facilities. This programme continues to offer opportunities to fund projects that need the capital to create the necessary impact as well as another source of attractive investment returns for investors.

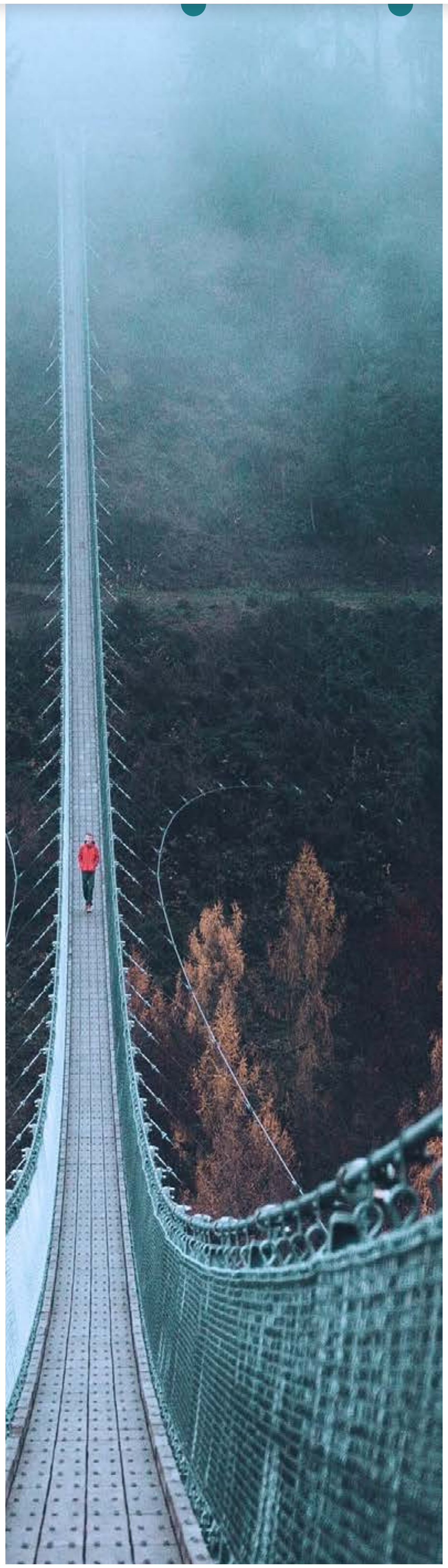
We strive to be transparent about how we integrate sustainability considerations into our investment analysis and decision-making, and how this translates into the impact and change we need to see.

Responsible investing is a permanent agenda item at our monthly investment committee meetings. These meetings, together with other ad-hoc meetings with the investment team, ensure that responsible investing remains a key focus within the investment process.

Further, we seek to play a leadership role in driving transformative change across the investment management industry, with a particular focus on impact investing and a view to creating employment and generating competitive long-term, risk-adjusted returns for our clients.

Our multi-management approach is central to our investment philosophy and provides clients with the benefits of best-of-breed product selection, positioning our portfolios in these volatile markets to continue to achieve superior returns on a risk-adjusted basis. We will continue to embed ESG principles in how our portfolios are managed, and to focus on improvements in monitoring and reporting.

Refer to the **2022 ESG report** for more information.



Transformation policy

Launched in May 2022, the Alexander Forbes Investments Transformation Policy is the next step in our journey to create realistic and sustainable opportunities that extend beyond compliance with the B-BBEE regulatory requirements. In this respect, we have taken a deliberate approach to incorporate a much broader view of transformation that integrates it more fully into our business value-creation model, including the acceleration of our transformation intent through our investment approach.

There is significant evidence that diversity is strongly correlated with improved risk-adjusted returns. Our Transformation Policy and its supporting principles are grounded in our belief that more diverse teams will deliver superior long-term investment outcomes for clients.

The inaugural Alexander Forbes Investments Transformation Policy focuses particularly on the investment management industry and the activities of Alexander Forbes Investments in support of the group's overall commitment to transformation. The policy works alongside our asset manager research function, which focuses on the investment process and philosophy to ensure that it all aligns with our clients' requirements. Furthermore, the policy pledges our commitment to working with all asset managers in our value chain to ensure that they understand our requirements and work with us in collectively shaping the industry to embrace a more inclusive and competitive asset management industry.

Our transformation principles intend to operate with the best interests of our clients' goals and objectives in mind. We believe that partnering with the best buy-rated and diverse investment teams can help to achieve better and more sustainable investment outcomes.

Evidencing stewardship

We support the notion that long-term value is realised when shareholders are afforded an opportunity to contribute to how a company is governed. Engaged shareholders have a greater chance of ensuring that the management of a company acts in ways that are aligned with shareholder interests. Stewardship can also provide investors with an opportunity to enhance the value of companies and markets, and foster greater transparency in the investment decision process. Most shares are held directly by Alexander Forbes Investments through segregated investment management agreements. The appointment of asset managers may be by either segregated mandates or investments in pooled vehicles, or a combination of both.

As stewards of our clients' capital, we proactively engage with asset managers on issues relating to ESG considerations. We use proxy guidance and sell-side research conducted by our asset manager research team to assess how asset managers have balanced their views on ESG within the portfolio construction and implementation aspects of their processes. We expect the asset managers we appoint to comply with this policy and the proxy voting guidelines included in our investment management agreements. For pooled investment vehicles, we will engage with the asset managers to improve their ESG practices in accordance with the underlying principles in our responsible investment policy.

Sustainability impact continued

Voting

Proxy voting represents a lever at an asset manager's disposal in unlocking value in the investment and effecting changes around ESG concerns relating to the company. Proxy resolutions require a vote decision to either support a company management's proposal or oppose it. We expect that the appointed asset managers are able to identify ESG concerns, engage with companies and vote in line with their combined assessment of the engagements, risks present, valuation and the votes tabled.

Across our flagship portfolios, we review and report on vote results. These are done to evidence an element of active stance by asset managers on ESG matters that have been tabled for a vote.

Asset manager engagements

Stewardship in fixed interest and unlisted investments

We recognise that voting as a stewardship lever does not exist in fixed interest and unlisted asset classes. Capital allocations made in fixed interest investments do not have the same protection as equity investments. We therefore require a robust process around the selection, appointment and monitoring of asset managers. Specifically the asset managers' ability to identify and price for risk in credit spreads and illiquidity, and to evaluate whether the yield on offer compensates adequately for risk taken. The incorporation of ESG risks is, therefore, a strategic imperative. We expect that where they are able to use public policy participation and collaboration as a tool for strengthening bondholder rights, asset managers must do so, and be transparent about the efforts made. In unlisted investments, we use a formal governance committee between Alexforbes and our chosen partners of asset managers to assess risks relating to incumbent and prospective allocations of capital.

Stewardship on global assets

We maintain the same rigour of process on our global and locally managed assets. We have a partnership with Mercer, a global leader in the field of investment management as well as responsible investment. Our research process has strong similarities to that of Mercer and we accept that they are best placed to hold asset manager engagements using a deep team in excess of 100 research analysts in locations across the globe. Mercer's mature approach to the measurement of ESG risks, climate risk, and diversity and inclusion practices is notable. We can tailor our approach for local and global ESG regulation and risks pertaining to assets on Mercer's model. We use a process between Alexforbes and Mercer that is aligned philosophically as well as through its application in manager selection and portfolio management to do so.

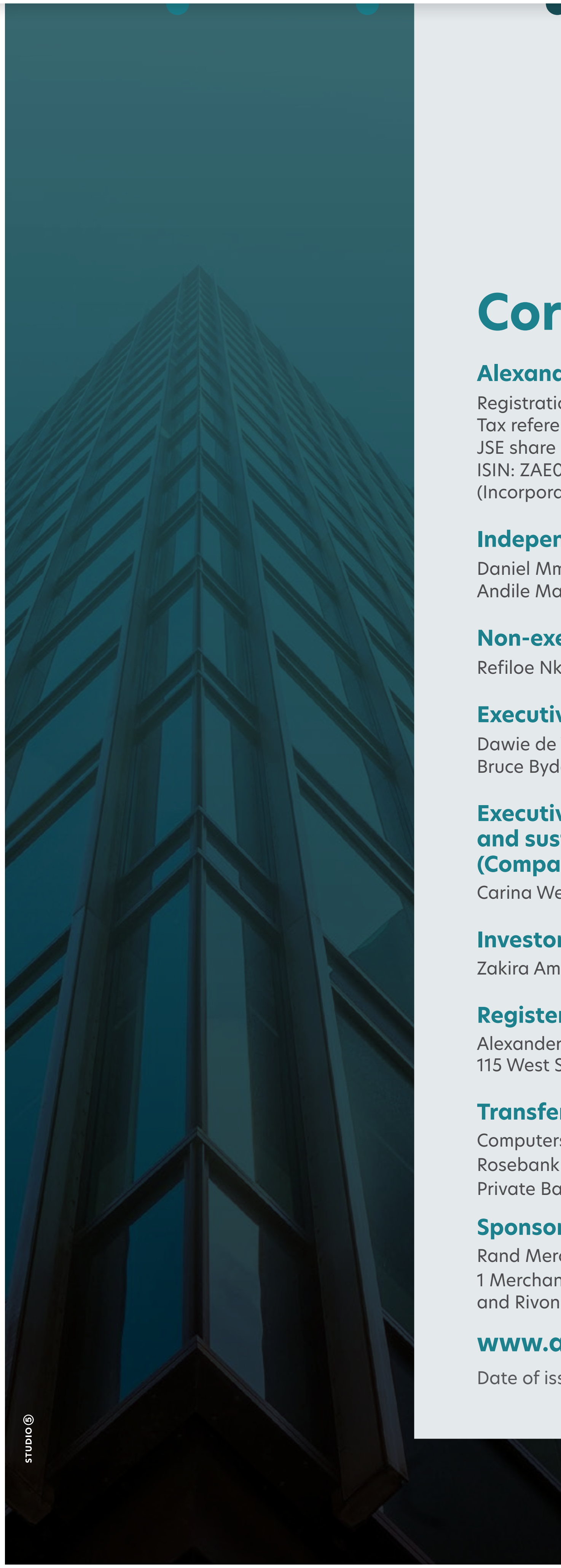
ESG-specific asset manager engagements

During 2022 the Alexforbes manager research team recorded over 400 engagements with asset managers across the following asset classes: multi-asset, private markets such as infrastructure unlisted debt, equity and property, listed equity, hedge funds, fixed income, Shari'ah property and Africa. These engagements covered a number of focus areas, including responsible investment.

Approximately 60% of our asset manager engagements had dedicated ESG-related agenda points, where we assess evidence of a manager's ESG process at play. We also held over 50 meetings attributable to ESG strategic direction of the asset manager. These engagements encompassed a wide array of matters that inform us around market dynamics locally and globally in a field that is rapidly changing given the global landscape around ESG and sustainability.

In addition to manager engagements, we believe that our own public policy participation is a necessary lever as a multi-manager. Accordingly, we dedicated time and resources towards participating at panel events through various asset manager platforms or events. During 2022 we presented alongside the Sanlam Group and Robeco, a global leader in sustainability and responsible investment. We also presented on climate risk at a Ninety One sustainability event alongside other listed corporates. We have likewise engaged with chief sustainability officers, climate change heads and other key role players in the ESG and sustainability space.

Refer to the **2022 ESG report** for more information.



Corporate information

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

Independent non-executive directors
Daniel Mminele, Thabo Dloti, Bob Head, Nigel Payne, Andile Mazwai, Ndumi Medupe and Nosipho Molope

Non-executive director
Refiloe Nkadimeng

Executive directors
Dawie de Villiers (Chief executive officer)
Bruce Bydawell (Chief financial officer)

Executive: Governance, legal and compliance and sustainability (Company secretary)
Carina Wessels

Investor relations
Zakira Amra

Registered office
Alexander Forbes Group Holdings Limited
115 West Street, Sandown, 2196

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

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

www.alexforbes.com

Date of issue: 29 July 2022