

INSURANCE
NAMIBIA



FOR PROFESSIONALS
SINCE 1941



2020 NAMIBIA INTEGRATED REPORT

CONTENTS



ABBREVIATIONS

AI - Artificial Intelligence

ASE - Advisory Services and Enablement

EVP - Employee Value Proposition

FSP - Financial Services Provider

MPS - Medical Protection Society

MVP - Member Value Proposition

PPE - Personal Protective Equipment

PPSHA - PPS Healthcare Administrators

PPSI - PPS Investments

S³ - Specialist Support Services

PPS provides its readers with the option of either viewing the integrated annual report in an interactive online format, which can be printed, or visiting the Group's dedicated integrated reporting site at **www.pps.co.za**.

For video content, including the interview with Group Chief Executive Officer, Izak Smit, please visit the dedicated integrated reporting site at **www.pps.co.za**.

Feedback from all stakeholders is most welcome. Please use the Contact Us tab on the PPS website should you wish to provide input for future reports.

PPS is a licensed insurer and authorised Financial Services Provider.

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ABOUT OUR INTEGRATED REPORT

SCOPE AND BOUNDARY

Our integrated report for 2020 is a report on the performance of the PPS Holdings Trust and its subsidiaries for the 12 months ended 31 December 2020. It is intended for the information of our members and includes reporting on relevant events that have occurred between year end and publication.

The report deals with the Group's strategy, operations and performance, touching on issues such as our approach to sustainability, value creation, innovation and service delivery. We aim to give a comprehensive and balanced view of both our financial and non-financial performance in South Africa and Namibia, as well as to provide accessible information about strategy, operational management, efficiency, quality, corporate governance, accountability and corporate social responsibility.

The information provided complies with all relevant legislation and regulations.

DISCLOSURE AND ASSURANCE

The Group's executive and management have aimed to achieve the highest standard of disclosure in this report and to provide meaningful, accurate, complete, transparent and balanced information. The PPS Holdings Trust Board of Trustees (the Board), together with its committees and management, was closely involved in finalising all disclosures and assumes responsibility for the information they contain.

The annual financial statements were prepared in accordance with International Financial Reporting Standards and were independently assured by PwC

South Africa. The non-financial information contained in the report has not been independently assured.

BOARD RESPONSIBILITY

The PPS Integrated Report 2020 was approved by the Board on 25 March 2021.

The Board acknowledges its responsibility for ensuring the accuracy of all information supplied and has applied its collective expertise to the preparation of the report. In the Board's opinion, this report addresses all issues material to members and presents a holistic view of the Group's performance in 2020.

FORWARD-LOOKING STATEMENTS

Some of the remarks contained in this report are forward-looking statements and should not be considered as guarantees or predictions of future performance. Like all other businesses, we face risks and other factors beyond our control, which may impact on our performance in 2021 and beyond.



40
YEARS
OF MEMBERSHIP

“It offers me peace of mind that if I suffer either temporary or permanent disability with an inability to earn income, my family and I will be taken care of.”

JANNIE ROSSOUW
PROFESSOR AT WITS BUSINESS SCHOOL



4
YEARS
OF MEMBERSHIP

“The concept of mutuality is intrinsically African. As professionals we are a community looking after each other. That is Ubuntu.”

AYANDA SEBONI
GROUP EXECUTIVE: BRAND MARKETING
AND COMMUNICATIONS

WHO WE ARE AND WHAT MAKES US DIFFERENT

At PPS, we do not have shareholders, we have members; highly educated professionals who have one or more postgraduate qualification.

WHO WE ARE AND WHAT MAKES US DIFFERENT

“PPS was founded to enhance the financial security of its professional members and has become a powerful force for wealth creation and socio-economic development. Uniquely structured around the principle of mutuality, it is also exceptionally robust, enabling us to assist our members in times of greatest need. Whatever the external influences may be, we focus on providing a consistently reliable and professional service to our graduate professional members and on ensuring that all profits are allocated on an annual basis to our members with qualifying products.”

Izak Smit

Group Chief Executive Officer

THE PPS STORY

PPS turns 80 years old in 2021 and, throughout our existence, we have demonstrated reliance, recorded steady growth and consistently provided services to our members without disruption. The fact that we have been able to continue to do this throughout 2020 is testimony to the vision and objectives of our founders.

In 1941, a group of eight hard-working dentists, who appreciated the value of a hard day's work and wanted to protect their ability to earn an income from that work, established PPS. Even then, the methodology they chose was rare in financial institutions; the practice of people joining together to benefit from pooled resources. This concept of mutuality still permeates every aspect of our business, from the way it is structured to the way in which new innovations are designed.

At PPS, we do not have shareholders, we have members; highly educated professionals who have one or more postgraduate qualification. Members

who have products from a range of qualifying products are eligible to earn a portion of the profits that PPS generates. The greater their contributions to, and participation in these products, the greater their Profit-Share. Members' Profit-Share is allocated annually into their notional PPS Profit-Share Account, which grows with investment returns, further profit distributions and vests on retirement from the age of 60 subject to contractual requirements. Profits accumulate simply as a result of members having qualifying products.

Since PPS was established, we have steadily expanded our product range, moving beyond our initial focus on income protection to include other financial services solutions. Today, the Group is a licensed Insurer and registered financial services provider and our members include leading academics, captains of industry and prominent members of the various professional sectors.

Our mission and values give expression to what it is we aim to deliver to our members.

OUR MISSION

Our mission is to **enhance the financial security** of our members and we aim to ensure that, from a financial perspective, they can live the lives they want to live.

We deliver on this mission by providing exceptional insurance benefits and a range of financial services that are specially designed for professionals. We help our members secure their current and future financial position by providing peace of mind throughout their professional careers and during their retirement years.

OUR VALUES

At PPS, we believe that what we value internally will drive our behaviour externally and we live by three core values:

⦿ **We take ownership.** Our people are empowered to deliver service excellence to our members, and we encourage leadership in all areas of the business.

⦿ **We are curious.** We are not satisfied with the status quo and are driven by the goal of constantly improving the solutions we offer to our members. We embrace new learning and we are committed to innovation, giving staff the licence to experiment while recognising and responding to the unique, complex and changing needs of our members.

⦿ **We do the right thing.** We conduct our business with empathy, authenticity and caring, but also with the highest standards of ethics, fairness, governance and respect for all.

THE ETHOS OF MUTUALITY

Although it is now an uncommon practice in financial services, mutuality is what defines PPS. This takes us back to the original roots of insurance and to the true purpose of the insurance industry.

PPS is not listed on any stock exchange, therefore we have no external shareholders who receive dividends. Our members with qualifying PPS insurance products benefit directly from our profits through their dedicated Profit-Share Accounts. Mutuality is at the heart of PPS and is in our DNA. It permeates every aspect of our business and is fundamental to our success.

We invest profits and investment returns on behalf of our members, taking a long-term view of wealth creation. Irrespective of the claims our members may make, returns accumulate in their individual Profit-Share Accounts and vest free of tax (as it is already taxed within the policy) on retirement from the age of 60 or at the time of death. This is a unique feature in the South African insurance sector and there is no benefit to rival it.

Once our members retire from their professional careers at or after the age of 60 and, typically, when the cover from their PPS life insurance products is not required anymore, the profits they have accumulated in their Profit-Share Accounts over the course of their membership become available to them through a Vested PPS Profit-Share Account. Although this is then available, subject to contractual requirements, for members to withdraw in full without any reductions, we encourage them to keep these assets invested in order to generate further returns and to supplement their retirement incomes.

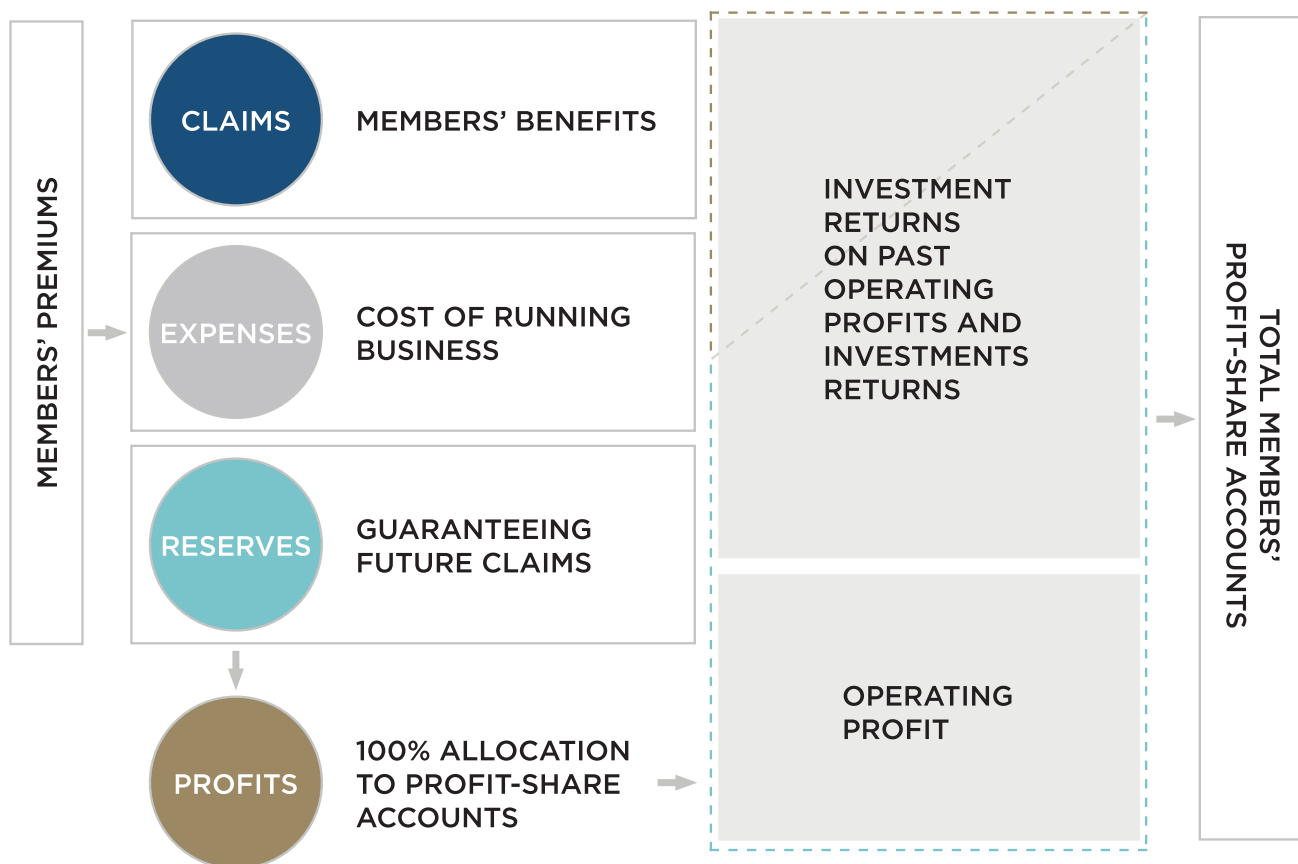
The benefits of mutuality are self-evident. There is no leakage of profits to shareholders and our members benefit directly from our profits simply by participating in qualifying products. Members who have products from PPS subsidiaries and affiliates in addition to qualifying life insurance products now also qualify for an additional Profit-Share allocation. The PPS Profit-Share Cross-Holdings Booster is awarded over and above the existing allocation and is based on holding products across PPS subsidiaries and affiliates.

WHO WE ARE AND WHAT MAKES US DIFFERENT (CONTINUED)

The more qualifying products a member holds across PPS subsidiaries and affiliates, the more their Profit-Share allocation will be. Many long-standing members have, in fact, received more in Profit-Share allocations to their Profit-Share Accounts – over and above product benefit payouts – than they have paid

in premiums. They gain access to these accumulated funds in their Profit-Share Accounts, subject to the policy rules, at retirement from the age of 60 onwards.

A business that pays its long-standing members to enjoy its products? That is what the mutual model at PPS delivers for many of our long-standing members.



PROFESSIONAL FOCUS

In addition to the ethos of mutuality, PPS is defined by its professional focus.

For a start, we are very discerning about granting membership and only professionals with an honours-level qualification or higher qualify to become members. Then, not only are our products, services and solutions specifically tailored to meet our members' needs, financial advisers have to go through a strict selection and accreditation process to ensure that they are suitably qualified to market and sell our products. PPS-accredited financial advisers also have industry-specific knowledge that enables them to offer informed advice on the specific issues and challenges our members face. Last, but not least, PPS's membership profile significantly reduces

our business risk, ultimately enhancing returns to members.

There is a subtler element at play too. Professionals generally display certain behavioural traits that are common to the professional ethos of their chosen professions. They typically embrace certain personal risk management principles, an unwillingness to unnecessarily terminate insurance cover and an urgency to return to their professions after a period of illness. This leads to lower lapses and claims, which supports profitability. It ultimately yields more profits to share between members. Our members value the common pool of resources and wish to preserve its value.

MEETING THE FINANCIAL NEEDS OF PROFESSIONALS

Professionals have different needs that span the full spectrum of financial products. We at PPS meet these in a unique way, providing both advice and customised solutions that draw on a comprehensive range of products and services.

FINANCIAL PLANNING AND ADVICE

Research shows a strong correlation between financial security and sound advice and planning. Providing an advice and planning service is therefore always the first step when our financial advisers suggest new solutions or changes to existing ones. Our ethos of mutuality has a fundamental role to play here too, as it does in every other aspect of the business. In practice, this means foregoing a one-size-fits-all, packaged approach in favour of bespoke solutions that are tailored to meet each of our members' specific needs.

Personal financial planning spans many fields and includes areas such as risk insurance planning, business continuity planning, savings and investment planning, estate and legacy planning, tax planning, retirement planning, short-term catastrophe hedging and much more.

Members are able to access financial planning services that cover all of these areas in a number of different ways. Usually – and most frequently – they do so through our large network of independent and accredited financial advisers throughout South Africa and in Namibia. Some, however, choose to access our services through an accredited PPS-employed financial adviser.

The relationship between financial adviser and client is an important and special one, which often develops over time into a high-trust affiliation that allows for dreams and requirements to be shared and discussed. Good financial advisers ask the right questions, protect their clients from irrational or emotional decisions, and ensure that the necessary discipline is in place to adhere to a pre-agreed plan. A trusted financial adviser is a sounding board, a coach and a source of wisdom.

The needs of our professional members are, however, often specialised and complex, and individual financial advisers are not able to be specialists in all areas across the vast spectrum of personal financial planning. This is why all of our financial advisers, whether employed at PPS or independent, are able to tap into the resources available from our Specialist Support Services (S³) unit. The S³ team, a group of highly qualified and skilled individuals, is

available to assist members' financial advisers with specialised input. They are not intended to replace financial advisers, though, and are not permitted to implement advice. Their role is to be a resource that can be drawn on for specialised interventions.

In summary, our promise at PPS regarding the S³ value proposition is twofold: firstly, professional members are able to engage with professionals when undertaking their financial planning (pro-on-pro) and, secondly, the interaction is void of any sales pressure, as implementation is not permitted. This arrangement is unique in South Africa and is fundamental to our value proposition to members.

INCOME PROTECTION AND LIFE INSURANCE

Income protection and life insurance are the solutions most often associated with PPS and were the first to be developed and offered by our founders. Over the past eight decades, we have continuously refined on these original offerings, exploring the ramifications of potential scenarios and developing added-value features and new products to provide additional peace of mind.

The PPS Sickness and Permanent Incapacity Benefit is, for instance, a bespoke product for professionals that is unparalleled in the South African environment. It is the leading and most competitive product of its kind. The sickness cover pays out if a member falls ill for a period of time and, unlike most competitive products, without the member having to prove that they lost income or did not receive any remuneration during the period of being incapacitated.

PPS also offers life, lump-sum disability, accidental death, critical illness and education products that are all intrinsically superior to similar products available in the market as members who have them qualify to benefit from a built-in Profit-Share benefit.

Other differentiators include covering our members in terms of their existing products should they subsequently travel or reside outside of South Africa without additional loadings, restrictions or exclusions; no limit to the number of claims; and cover for potentially hazardous pursuits such as scuba diving, flying private airplanes and motorcycle racing at no additional premium. With our in-depth understanding of the graduate professional market, we have made allowance for the fact that many members enjoy energetic pursuits outside of their professions. Also, our members' Profit-Share Accounts are not reduced if they claim. We believe that the so-called no-claim benefits go against the grain of what insurance is all about.

Whether investing long-term for retirement, saving for a more specific short-term goal or preserving existing savings, PPSI offers members tax-efficient savings and investment solutions for every stage of life.

Saving and investing are fundamental to financial security and the longer the savings or investment period, the greater the benefit from compound investment growth.

SAVINGS AND INVESTMENTS

Over the years, members have often admired the way in which their profits had been invested at PPS and expressed a desire to be able to benefit from our investment philosophy and business acumen.

In keeping with the ethos of mutuality and the belief that success is better shared, we therefore made savings and investment solutions available to our members through PPS Investments (PPSI), an investment management services provider for graduate professionals and their families. PPSI offers the full spectrum of investment solutions that professionals require for different tax benefits – including living and retirement annuity funds, personal pension funds, preservation funds and investment accounts – and across different risk-return fund solutions. Whether investing long-term for retirement, saving for a more specific short-term goal or preserving existing savings, PPSI offers members tax-efficient savings and investment solutions for every stage of life.

A major differentiator, aligned with the principle of mutuality, is that members with qualifying risk products are also eligible to share in the investment administration and management profits.

SHORT-TERM INSURANCE

Following on our success with income protection and life insurance – and driven by the desire expressed by some of our members to have all of their financial services products housed within the PPS community – we also created PPS Short-Term Insurance, which addresses members' motor vehicle, home and business insurance needs.

PPS Short-Term Insurance is unlike any other short-term insurance business. Firstly, since it only serves professionals, the solutions and unique added-value services it provides are exclusively tailored to meet our members' specific needs.

Secondly, the short-term insurance business, like the PPS Group, is operated according to the principles and ethos of mutuality. Since there are no outside shareholders, any profits generated after paying expenses and honouring valid claims are shared with members who hold qualifying products. There is no leakage of dividends to outside shareholders.

After paying for the costs of running the business, all money from premiums and investment returns is eventually returned to members, either in the form of claims payments or as additions to their Profit-Share

Accounts. Paying an invalid claim means money that could have been added to the general Profit-Share pool is wrongly paid to a particular member, so it is the short-term insurance team's role to ensure that all claims are valid.

Our eligibility criteria for membership of PPS and the way in which we underwrite risk enables us to ensure that the risk pool remains healthy. Professionals generally display certain behaviours, such as acting in accordance with certain codes of conduct and managing risks responsibly. This leads to lower claims and ultimately to lower premiums. It also means there are more profits to share between members; a virtuous cycle.

HEALTH PROFESSIONS INDEMNITY

Designed for South African healthcare professionals registered with the Health Professions Council of South Africa, PPS Health Professions Indemnity offers innovative features that provide peace of mind for professionals engaged in clinical practice. A contract-based insurance product, it was created in response to precipitous increases in professional indemnity costs and a progressively more aggressive legal environment.

Developed in collaboration with a US partner that is highly experienced in medical malpractice litigation, it is specifically designed to provide the indemnity insurance needed by contemporary healthcare professionals and to help them manage the risk profiles of their practices. Its most important benefit is that it enables members who have this product to focus on their clinical practices, secure in the knowledge that they are indemnified by a brand they know and trust. Like all other PPS insurance products, PPS Health Professions Indemnity has an added mutuality benefit, which allows for members with qualifying products to share in the profits generated by the PPS Group.

MEDICAL AID

As part of its portfolio of products and services, PPS also offers access to a closed medical aid scheme called Profmed, an affiliate of PPS, which provides medical and healthcare benefits to members, their families and even eligible students. Profmed was originally launched by PPS more than 50 years ago and now operates as an independent medical aid scheme that focuses on providing cover for major medical events. This scheme is administered by PPS Healthcare Administrators. Professionals appreciate access to an efficient scheme that supports them, especially if they require major procedures, expensive treatments and extended recovery periods.

Profmed boasts five benefit options to choose from and an established rewards programme. In addition, members of Profmed who also hold certain qualifying life products from PPS, receive PPS profit allocations to their Profit-Share Accounts. Profmed provides exceptional service that respects the time constraints under which professionals operate and is renowned for its timeous, hassle-free payouts. Our members benefit from the scheme's lower risk profile since all members of the scheme are graduate professionals.

WILLS AND ESTATES

A life well lived is one that leaves behind a meaningful legacy. With our focus on long-term benefits and protection, we aim to protect a lifetime of accumulated wealth from being eroded due to poor planning. Informed by an intimate understanding of the provisions that need to be made for beneficiaries when a member passes on, we offer a range of fiduciary services that encompass estate planning, Wills, trusts and estate administration.

The estate planning service aims to ensure that members' estates are distributed according to their wishes when they pass away. Effective estate planning can ensure that estate duty, taxes and other costs are minimised as far as possible and can make extending a legacy to multiple generations much easier. This service also enables our members to provide for and protect beneficiaries with special needs.

At the centre of all estate planning is a valid Will, which specifies exactly how a member's estate is to be distributed. All people over the age of 16 should have a Will and this should be updated as necessary to accommodate important life stage events such as marriages, divorces, births and deaths.

Equally important is making provision for the administration of our members' estates. Estate administration, which is another of the fiduciary services we provide, is a process that needs to be handled with empathy, efficiency and professionalism in the shortest possible time after a members' death.

Specialist financial advisers are dedicated to informing our members about our fiduciary services and options and to guiding them through the process of planning for the final chapter of their life stories.

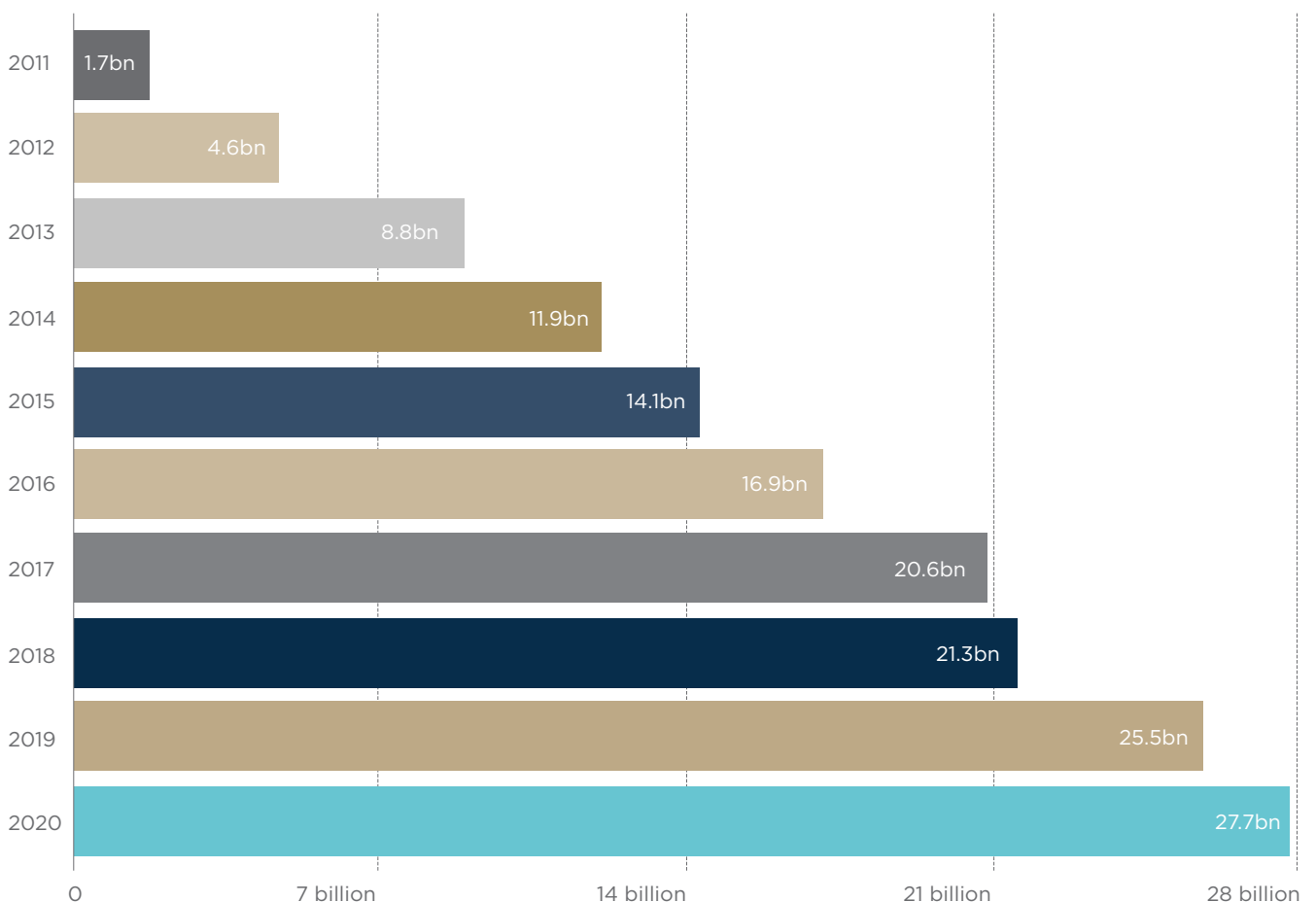
2020

THE PPS FINANCIAL RESULTS

HIGHLIGHTS

R27.7bn

TOTAL CUMULATIVE PROFIT-SHARE ALLOCATION TO MEMBERS OVER THE LAST 10 YEARS



At PPS we believe in sharing above all else, even in the most challenging times. The more qualifying products you hold with us, the bigger your Profit-Share allocation.

Our new PPS Profit-Share Cross-Holdings Booster is allocated over and above the existing allocation and is based on having qualifying products across PPS subsidiaries and affiliates.

With our PPS PRO-FIT platform, you can use the PLAYZONE to explore how you can get more from PPS with our Profit-Share simulator.



TOTAL BENEFITS PAID

SICKNESS	R949.2 million
PERMANENT INCAPACITY	R626.2 million
LIFE COVER	R1 122.2 million
CRITICAL ILLNESS	R261.6 million
LUMP-SUM DISABILITY	R167.9 million
MOTOR & HOUSEHOLD	R117.8 million
EXIT PAYMENTS	R1 596.1 million

UP **29%** FROM 2019

R4.84
BILLION
TOTAL BENEFITS PAID



29
YEARS
OF MEMBERSHIP

“During the pandemic I again realised how unique PPS is. PPS offered unique solutions to both its members and brokers.”

JACOBUS MOLL
INDEPENDENT BROKER

7 561
PROFIT-SHARE
MILLIONAIRES

↑ 11%

R2.2bn

TOTAL PROFITS ALLOCATED
TO MEMBERS' PPS PROFIT-
SHARE ACCOUNTS**

2020 HIGHLIGHTS

15 744
SICKNESS CLAIMS
PROCESSED

R5.3bn
GROSS PREMIUM
REVENUE

↑ 7%

5 452
SHORT-TERM
INSURANCE CLAIMS
VALUED AT
R117.8 MILLION

R41.2bn
*TOTAL GROUP
ASSETS

↑ 8%

* Excluding assets in unit trusts for third parties.

** Allocated to members with qualifying products. Past performance is not indicative of future performance.



3
YEARS
OF MEMBERSHIP

“The diversity I see in PPS tells me that there is a future for all in South Africa, especially when it comes to the finance industry.”

NOKUTHULA KHUMALO
ADMITTED ATTORNEY OF THE HIGH COURT
OF SOUTH AFRICA

HUMAN CAPITAL

It was advantageous that we have a strong values-based culture at PPS. This would be our anchor as we navigated through the unfamiliar territory that the year presented.

HUMAN CAPITAL

“We are moving into a new era of work and now, more than ever, we expect our staff to have a leadership attitude regardless of their role. We will continue to foster a purpose- and values-driven culture in which an empowered workforce can continuously improve on our value proposition to our members.”

Masenyane Molefe

HR Executive

OVERVIEW

The year 2020 was uniquely challenging from both a business and human capital management point of view, but also unlocked many positive developments. The protracted lockdown accelerated the digitalisation of work and made us relook the way in which the business is organised.

OUR HUMAN CAPITAL PHILOSOPHY AND CULTURE

Our human capital strategy is underpinned by a strong employee value proposition (EVP), with the aim of attracting, developing and retaining excellent employees who are capable of delivering on the Group's member value proposition (MVP). This is based on the belief that the way PPS treats its people will ultimately define the way they treat PPS members.

The PPS EVP articulates PPS's imperative of creating a professional working environment, where staff are serving professionals. PPS is acutely aware of the competitive nature of the labour market in financial services, and that talented individuals have a myriad of sought-after brands to choose from. In current times, talented individuals are deliberate about choosing the organisations where they want to work.

Hence, to attract and retain the best people, PPS must offer a differentiated EVP, making this a great place to work.

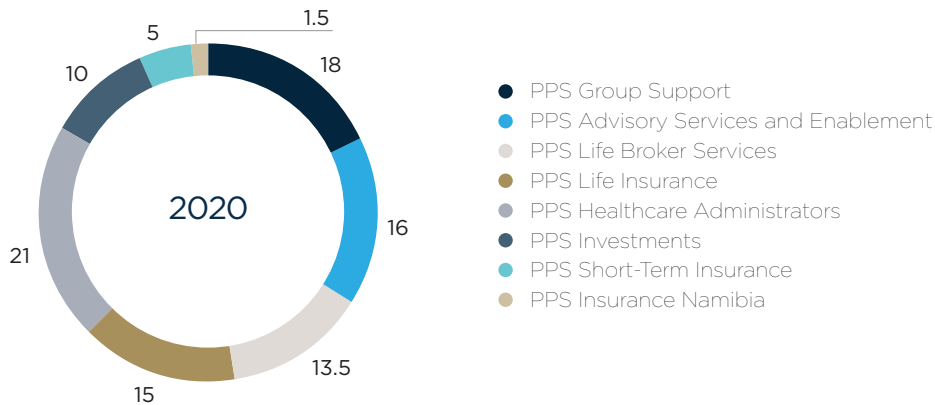
It was advantageous that we have a strong values-based culture at PPS. This would be our anchor as we navigated through the unfamiliar territory that the year presented. We found that staff could indeed take extreme ownership. This was important in a remote working environment, where too much centralised decision making would slow an organisation down. PPS has consciously developed a more collaborative environment across business areas over the last few years, a flatter management structure with wider spans, and an environment where staff are empowered to take accountability. Our value of being eternally curious and treasuring new learning helped staff embrace new skills and ways of working. And our value of doing the right thing assisted staff in decision making and not unnecessarily escalating problems where it could potentially bottle-neck.

A big concern with the rapid move to remote working and the pandemic in general was the mental health of our staff and the possibility of burnout. This concern was addressed through many creative interventions. One is our partnership with Reality Wellness Group that provides our staff with a comprehensive range of wellness interventions.

OUR PEOPLE

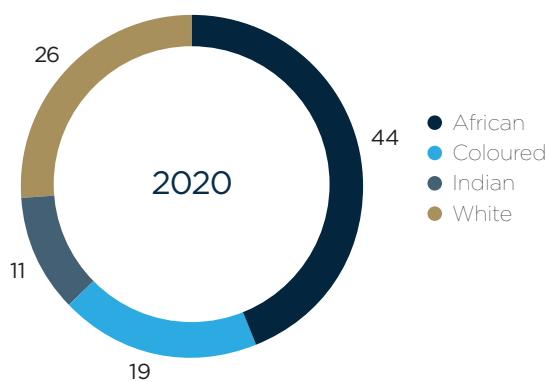
Our headcount has remained fairly constant over the 2019/2020 period, and the breakdown per business unit is shown below:

Headcount per Business Area (%)

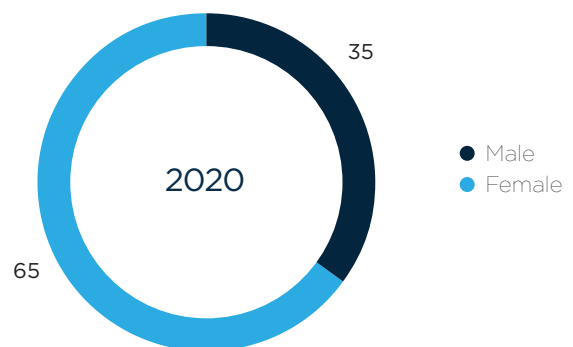


PPS services graduate professionals, and so its employee profile is naturally evolving to reflect the demographics of South Africa's professional population.

Employment Equity Statistics (%)



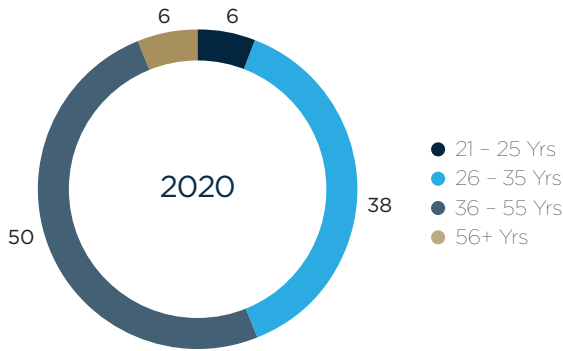
Gender breakdown (%)



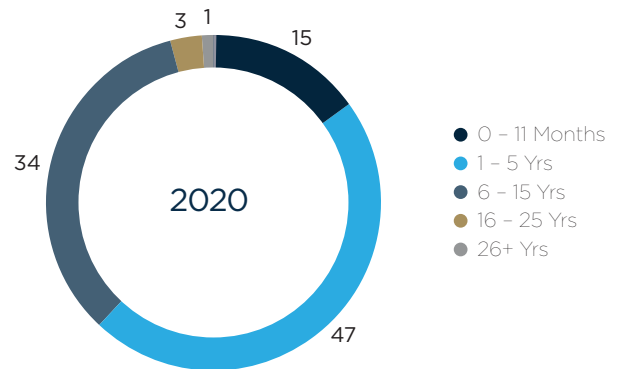
HUMAN CAPITAL (CONTINUED)

PPS is also a young and vibrant organisation, with 44% of our staff being under the age of 35. This means that the organisation benefits from fresh thinking and innovative ways of solving problems.

Age Group Breakdown (%)



Tenure of PPS Staff (%)



In line with its youthful staff profile, two-thirds of employees have been with the organisation for five years or less. A considerable number nevertheless have much longer tenure, balancing youth and innovation with skills, experience and rich institutional knowledge. We celebrate employees who have been with the company for longer terms, and believe that older staff have much to contribute.

PPS TRAINING ACADEMY

In line with our value of embracing learning and curiosity, PPS is committed to constantly investing in the development of our people - be it our employees, or business partners, or even our members. We do this through our dedicated PPS Training Academy.

In 2020, while working from home, we swiftly launched a 'lockdown curriculum' and encouraged staff and external partners to take up the online skills and development programmes available to them through the PPS Academy. Uptake of courses

was high as people embraced new learning in the lockdown environment.

The PPS Young Leadership Forum, a 12-month programme for a select group of employees under the age of 35, continued in 2020. This forum, which was launched in 2019, provides training and development for future business leaders. Twelve PPS employees were selected to participate in this programme and they engage in solving a range of different business challenges.

PPS GROUP EXECUTIVE COMMITTEE

First Row:

Mrs A N Seboni

Group Executive: Brand Marketing and Communications
B Com, MAP

Mr J A Thomas

Group Executive: Actuarial Services
B Com (Hons) (Actuarial Science), FASSA

Mr I J Smit

Group Chief Executive Officer
B Com (Hons), FASSA

Mrs K Govender

Group Executive: Life Operations
GIBS Executive Leadership Programme

Mr W Bosman

Chief Executive Officer: Short Term Insurance
B Compt (Hons), CA(SA)

Second Row:

Mr M M Mtshali

Group Executive: Advisory Services and Enablement
B Com, MBA

Mrs S Bassudev

Chief Executive Officer PPS Healthcare Administrators
B Pharm

Mr Q J Augustine

Group Executive: Member Value Proposition
B Sc, PG Dip (Actuarial Science), FIA

Mr N J Battersby

Group Chief Operating Officer and Chief Executive PPS Investments
B Sc Eng (Mech), B Com (Hons), CFP, MBA, AMP (Harvard)

Mrs T Boesch

Group Chief Financial Officer
B Com (Hons), CA(SA)

Third Row:

Mr JP Loubser

Group Chief Information Officer
AMP, MBA, CAIB (SA) and PB (SA), MDP, EDP

Mr V E Barnard

Group Company Secretary
B Com

Ms M D Molefe

Group Executive: Human Resources
B Com, MBA, MSc (HR Management and Development) University of Salford.

Mr W J Mouton

Group Executive: Life Broker Services
B Proc





11
YEARS
OF MEMBERSHIP

“There is a saying that there is no such thing as a free lunch, but being a PPS member it feels like there might be... I enjoy seeing my Profit-Share Account grow.”

ROZELLE GROBLER
HEAD OF GROUP RISK AT PPS

PPS DOING GOOD

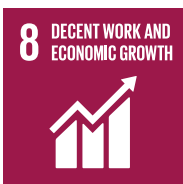
If ever there was a question about the purpose of PPS, this pandemic brought us full circle to demonstrating why we exist: to protect our members and their families and enable them to live the lives they wish to live.

The COVID-19 pandemic has had an impact on every aspect of life in South Africa, not least on education.

Understanding how important it was to maintain the continuity of learning, we provided financial support to the Youth Start Foundation, which facilitates youth development programmes for high school learners from underserved communities.



“Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”



“Promote inclusive and sustainable economic growth, employment and decent work for all.”

OVERVIEW

At PPS, the ethos of mutuality informs everything we do and, based on this philosophy, we are committed to supporting the development of South Africa’s pipeline of professionals. The PPS Foundation continues to implement several development initiatives that are aligned to two of the United Nations Sustainable Development Goals:

- ⦿ Goal 4: Quality education
- ⦿ Goal 8: Decent work and economic growth

SAVING THE CLASS OF 2020

The COVID-19 pandemic has had an impact on every aspect of life in South Africa, not least on education. For learners in underserved communities, the disruption of face-to-face classes, the effects of the digital divide and economic hardship throughout 2020 threatened to derail the entire academic year.

Understanding how important it was to maintain the continuity of learning, we provided financial support to the Youth Start Foundation, which facilitates youth development programmes for high school learners from underserved communities. This was used to assist matric learners from these communities to catch up on missed lessons in mathematics and physics.

PROTECTING FRONTLINE MEDICAL PRACTITIONERS

At the start of the pandemic, there was a shortage of personal protective equipment (PPE) for medical and support staff treating COVID-19 patients. Mindful of the fact that a significant percentage of our members are healthcare professionals, we set aside R50 million to contribute towards COVID-19 relief initiatives. We allocated a significant portion of this for the procurement of PPE, as we had identified an urgent need in some academic and public hospitals, as well as in smaller private practices.

We put together COVID-19 essential starter packs, which could be requested via our website for distribution to small private practices around the country, regardless of whether the doctors and practitioners in these practices were PPS members or not.

This initiative was made possible through partnerships with key manufacturers and organisations, including Supra Healthcare, a SAHPRA-licensed supplier. Distribution was made possible by Alpha Pharm, a national pharmacy group with a network of 700 pharmacies. Alpha Pharm made its national distribution channel available to us free of charge, making it possible for practitioners in private practice to collect their orders from branches close to them.

BURSARY PROGRAMME

As part of our commitment to supporting South Africa's youth, the PPS Foundation has multiple initiatives designed to assist with learning, skills development and the creation of employment opportunities.

Despite the challenges that arose during the year, we continued to enable access to tertiary education through the PPS Foundation's Bursary Programme. The Foundation funds 60 bursaries every year and, through the related University Support Programme, provides psychosocial support for recipients.

DIGITALISATION

Many universities struggle to provide digital access for their students and require support from the private sector to do so. In 2020, we supported four universities with funding to facilitate digitalisation, reaching close to 200 students.

ADDRESSING UNEMPLOYMENT

In order to prepare young people who have completed their studies for their transition into the world of work, the PPS Foundation has offered the LEAP Work-Readiness Programme, which is now in its third year of operation.

Sessions with prospective graduates are held during their final year of study and these are designed to help them become **L**earned, **E**ngaged, **A**ccelerated **P**rofessionals. The sessions include engagement on various discussion topics and offer skills training in areas pertinent to the transition from student to being an economically active member of society.

Our ongoing Graduate Internship Development Programme also offers new graduates the opportunity to gain valuable work experience in the financial services sector. At the end of the one-year programme, interns have the prospect of being permanently employed at PPS.

PAYING IT FORWARD

Finally, as it is a Public Benefit Organisation, the PPS Foundation created a donations platform to broaden its donor base. This safe and easy-to-use portal, which can be accessed at <https://ppsfoundation.pps.co.za>, allows members, other professionals and the public in general to donate towards the foundation's activities.

All contributions are tax-deductible.



2
YEARS
OF MEMBERSHIP

“PPS has provided me with a sense of security, not just for myself, but for my family.”

FAWZIA ABRAHAMS
LEGAL AND COMPLIANCE MANAGER AT PPS

STRATEGY

As our existence is centred around membership, we create meaning for our members by developing and implementing customised financial and lifestyle solutions to enrich their lives.

STRATEGY

OVERVIEW

Throughout our long history, we at PPS have been driven by a single focus: meeting the financial needs of graduate professionals. Our unique products, services and solutions are designed to leverage off our ethos of mutuality to provide unrivalled benefits for members. We also understand that today's professionals want more than just smart financial products, they want deeper engagement with an inspiring and collaborative community. This is a unique added value that we constantly strive to provide and improve on.

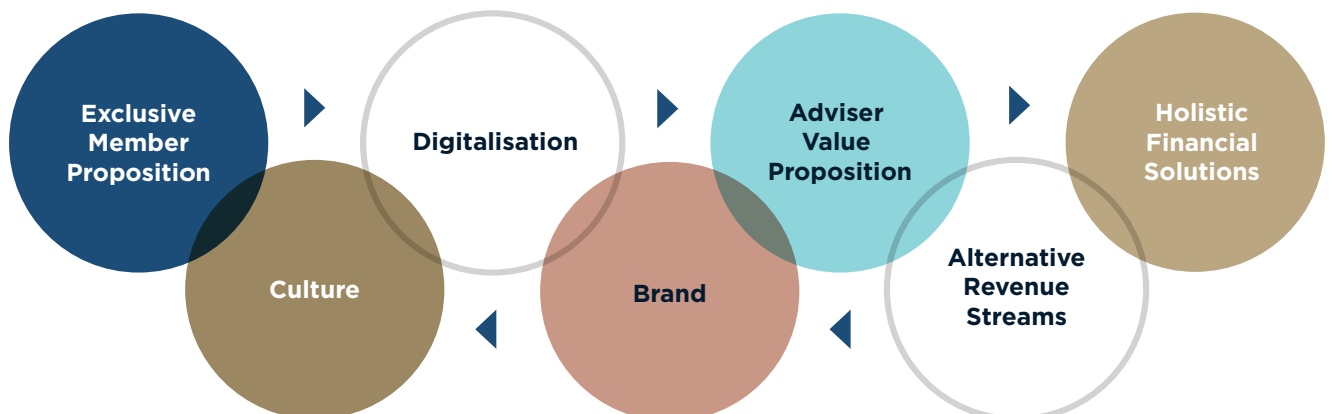
PURPOSE

Our purpose is to help professional members and their families protect their dreams, grow and secure their financial worth, and live the lives they want to live. In other words, we want to enrich the lives of professionals.

STRATEGIC VISION

Our strategic vision is to continue to build PPS as an aspirational brand aimed at meeting the financial services needs and enriching the lives of graduate professionals and to be an undisputed brand leader in the markets we serve.

This vision is supported by the following seven strategic themes:



In order to realise these themes in our strategic vision, we have renewed our business focus and developed a set of workstreams. These workstreams include strategy around recruitment of new members at tertiary education institutions, data science capabilities, digitalised service channels for members, innovation around our processes, further innovation around the distribution of profits to members, and more effective communication to members. Some of the workstreams supporting our strategic themes are actionable 'bigger bets' and these are to:

- ⦿ unlock cross-selling and make our MVP and our adviser value proposition unique by tapping into the resources and services of our S³ unit;
- ⦿ create, lead and sustain remarkable member and financial-adviser service;
- ⦿ develop a boundaryless global strategy; and
- ⦿ grow our five new South African initiatives (PPS Short-Term Insurance, PPS Health Professions Indemnity, PPS Financial Services 4 Professionals, PPS Wealth and PPS Fiduciary Services) to break-even point.

STRATEGIC FOCUS AREAS

Strategic Theme	Why it is important	Objectives	Action
Exclusive MVP	<p>As our existence is centred around membership, we create meaning for our members by developing and implementing customised financial and lifestyle solutions to enrich their lives.</p> <p>We also aim to build and maintain an active and engaged community that enables members to interact and network with one another.</p>	<p>To develop a great MVP and to make membership meaningful.</p> <p>To enrich professional lives.</p> <p>To be acknowledged for best-in-class products and solutions.</p> <p>To create a compelling community experience for members and their families.</p> <p>To introduce exclusive community benefits over and above products and services.</p>	<p>Make our MVP unique through our S³ unit.</p> <p>Create, lead and sustain remarkable member and financial adviser experiences.</p> <p>Develop digitalised omni-channel experiences for members and intermediaries.</p> <p>Develop a boundaryless global strategy for professionals.</p> <p>Further develop our loyalty and reward initiatives for members.</p>
Diversified Revenue Streams	<p>Diversified revenue streams boost members' Profit-Share and offer some protection against factors outside of our direct control, including political uncertainty, recession and foreign exchange volatility.</p>	<p>To create wealth for our members by growing and diversifying revenue streams.</p> <p>To broaden the MVP through increased access to income streams and opportunities.</p> <p>To support member uptake of new products and solutions by demonstrating value to graduate professionals at different life stages.</p> <p>To grow PPS Mutual (Australia) which, over time, will make meaningful contributions to local members' Profit-Share.</p>	<p>Develop a boundaryless global strategy for professionals.</p> <p>Grow our five new South African initiatives (Short-Term Insurance, HPI, FS4P, Wealth and Fiduciary) to break-even, which will support Profit-Share.</p> <p>Grow established subsidiaries, PPSI and PPSHA, so that they have serious impact in their sectors.</p> <p>Generate leads through our data science capability.</p>

STRATEGY (CONTINUED)

Strategic Theme	Why it is important	Objectives	Action
Holistic Solutions	PPS products are created for professionals and offer distinct advantages over similar offerings in the market. The more PPS products members hold, the more they are able to benefit from aggregated Profit-Share.	<p>To transition PPS to a mutual financial services organisation and responsibly build it to provide a holistic range of products and services for professionals.</p> <p>To leverage PPS's S³ for specialised member and channel support</p>	<p>Unlock cross-solutioning through S³.</p> <p>Build our PPS Wealth business.</p> <p>Build our student strategy to support the journey from graduation to retirement and beyond.</p> <p>Generate leads through our data science capability.</p>
Adviser Value Proposition	Financial advisers are integral to our relationships with our members, which is why we are continuously developing tools and solutions that enable PPS financial advisers to engage with their clients more seamlessly and effectively.	<p>To vest PPS as the no-brainer for financial advisers providing financial advice to professionals.</p> <p>To establish PPS as the financial services provider of choice for financial advisers who serve graduate professionals.</p> <p>To empower and add value for our financial advisers so that they can provide a consistently excellent and valuable service to our members.</p>	<p>Unlock cross-solutioning through S³.</p> <p>Create, lead and sustain remarkable member and financial service.</p> <p>Grow our own brokerage, FS4P.</p> <p>Generate leads through our data science capability.</p> <p>Develop digital experiences and interfaces for members and financial advisers.</p> <p>Provide learning and development opportunities for financial advisers through the PPS Academy.</p>
Brand Leadership	Effective brand positioning is crucial to attracting new members, especially younger professionals who need PPS products and services more than they may realise.	To vest PPS as the undisputed brand and thought leader in the professional market.	<p>Build our student strategy to support the journey from graduation to retirement and beyond.</p> <p>Use the PPS Academy to drive member and financial adviser education as a differentiator.</p> <p>Build on our Group marketing and communications strategy.</p>
Digitalisation	Most professionals are technology-savvy but time-starved. They therefore demand efficient and intuitive digital services that they can access at their convenience.	<p>To expand and enrich our digitalised omni-channel experience for members and financial advisers.</p> <p>To develop and deploy an omnichannel sales and service experience for PPS members.</p>	<p>Build our student strategy to support members' life journey from graduation to retirement and beyond.</p> <p>Develop and build our data science capability.</p> <p>Develop digital omni-channel interfaces for members and financial advisers.</p> <p>Create user-friendly processes for service efficiency.</p>

Strategic Theme	Why it is important	Objectives	Action
Culture	An internal culture that drives results, learning and caring is central to the PPS EVP and ultimately drives PPS's MVP.	<p>To create a high-trust culture in which people feel empowered and are engaged.</p> <p>To inculcate a learning mindset that drives results while always caring about the member experience.</p>	<p>Create, lead and sustain remarkable member and financial-adviser services.</p> <p>Develop digitalised omni-channel experiences for members and financial advisers.</p> <p>Create user-friendly processes for service efficiency.</p> <p>Use the PPS Academy to make employee education and development a differentiator.</p> <p>Embed our values.</p> <p>Support a culture that is flexible, empowering and inspiring.</p> <p>Intelligently create a post-pandemic environment.</p>



26
YEARS
OF MEMBERSHIP

“PPS will always have my back, no questions asked. In a time of crisis, PPS gave me security by supporting me financially when I was unable to generate an income.”

DOMINIQUE FERREIRA
ORTHODONTIST

INNOVATION

The fact that we were able to respond quickly and effectively to an extensive reorganisation process, demonstrated the flexibility of the PPS business model, which was reassuring for members, financial advisers and staff alike.

INNOVATION

We put new methodologies into place to ensure that staff and advisers were supported throughout the pandemic, and to ensure that communication within teams, as well as with our members, remained efficient.

The fact that we were able to respond quickly and effectively to an extensive reorganisation process, demonstrated the flexibility of the PPS business model.

OVERVIEW

While we at PPS have always been at the forefront of product, channel and digital innovation, the advent of COVID-19 - by necessity - accelerated the process of expanding and implementing our digitalisation strategy.

We had to enable our staff to work remotely in a seamless way that would not be evident to members, and which would enable them to deliver the continuously excellent service PPS is committed to providing.

We put new methodologies into place to ensure that staff and financial advisers were supported and to ensure that communication within and between teams remained efficient. This was supported by a comprehensive COVID-19 information campaign.

In keeping with our MVP, PPS further led the industry in terms of defining COVID-19 claims assessment criteria, which were applicable to members in both medical and non-medical professions. Various other relief measures were put into place to assist members experiencing financial difficulty as a result of the pandemic. Internet-based services for members were

also expanded and enriched to assist them, as was the functionality of our PRO-FiT online engagement platform.

The fact that we were able to respond quickly and effectively to an extensive reorganisation process, demonstrated the flexibility of the PPS business model, which was reassuring for members, financial advisers and staff alike.

INFORMATION TECHNOLOGY MANAGEMENT

The move to remote working, by definition, made our system more vulnerable, so we undertook a major review and upgrade of all cyber security protocols. As part of the cyber risk management process, PPS cooperates with worldwide providers and obtains alerts about known and evolving risks. This gives our systems a further level of security.

PRODUCTS AND SOLUTIONS

In the area of product development, we enhanced our Critical Illness Cover for Professionals in January 2021. This was launched to the market in February 2021. The enhanced benefits include coverage for critical illness, such a pre-Stage 1 cancer, which is detected at an early stage. Medical technology has made it much easier to detect critical illnesses like these very early on and, in keeping with our values, we wanted our members to be able to benefit from these advances. Amendments to the cover also include the reinstatement feature that increases potential payouts by up to 200% under the Cancer and Cardiovascular benefit categories, for any related condition provided the severity is higher or equal to 100% severity of the first claim, the enhancement of Child Critical Illness benefits and the expansion of a number of new disease categories.

We introduced a new short-term insurance app, which is available from all major app stores. This makes it easy for members to add car and home insurance to their existing portfolios and to start earning additional Profit-Share. They can submit claims and manage their insurance policies using the

app. They also have access to our PPS Concierge Services via the app.

As a company that services professionals, we are acutely aware of the demands on their time on a daily basis. For this reason, we extended our service hours to members with long-term insurance products, making it possible for them to engage after hours. Member Services operating hours were extended to 07:00 to 21:00 on weekdays and 08:00 to 13:00 on Saturdays.

Taking into account the educational challenges posed by the extended lockdown, we formed a partnership with service provider, AdvantageLearn. This online platform helps learners between Grades 8 and 12 to excel at high school and to be fully prepared for a successful university career. AdvantageLearn gives PPS members who have signed up for PPS PRO-FiT free access to online mathematics tutoring videos for their children or the children of their relatives. They can also benefit from additional tutoring in physical science and other subjects at a 25% discount.

In another innovation – and delivering on an objective set for 2020 – we significantly enhanced our offering to the Graduate and Early Professional market, providing an improved introduction to PPS. The Graduate Modular Product is specifically designed for this market and offers an easy, menu-driven way to browse and select from the full range of PPS products and services.

A black and white portrait of Dr. Sybil Seoka, an African woman with short, curly hair, wearing a dark jacket with a blue sash. She is looking directly at the camera with a slight smile. The background is dark and out of focus.

CHAIRMAN'S STATEMENT

“In 2020, PPS weathered one of the most significant storms in its 80-year history due to a robust and flexible business model based on mutuality. This gave us the solid foundation we needed to support our members in a time of unprecedented crisis, offer job security to our staff, assist our distribution channels, and still deliver on our mission. As in previous times of crisis, our commitment to mutuality has more than proven its value.”

Dr Sybil Seoka
Chairman: PPS Holdings Trust Board

In 2020 PPS managed to stand firm and even to record growth in some areas of the business, which is testament to our mutual model, strong leadership and equally strong values and performance-driven culture.

OVERVIEW

As we are all aware, the most significant event of 2020 was the COVID-19 pandemic and the impact of subsequent lockdowns around the world, which has led to a global recession. In South Africa, this was exacerbated by two sovereign credit rating downgrades; the first by Moody's Investors Service in March and the second by Standard and Poor's in April. The knock-on effect of these events and the related decline in both domestic and direct foreign investment was immediate and severe. By year end, the country's official unemployment rate was 28.45% and the gross domestic product had dropped by 7.5%.

Despite this, PPS managed to stand firm and even to record growth in some areas of the business, which is testament to our mutual model, strong leadership and equally strong values and performance-driven culture.

Certain areas of the business, such as PPS Investments, recorded exceptional growth. This was partly due to good strategy around new business flows, our investment managers holding diversified investment portfolios in line with our long-term investment time horizon, but also due to a reduction in costs resulting from the local lockdown. Consequently, we have been able to provide a reliable financial safety net for our members in their time of great need, guarantee job security for our staff, support our financial advisers and, just as importantly, steer a steady course through very stormy waters.

PPS remains unique in the South African financial services industry, differentiated by its ethos of mutuality. This was to prove its value time and time again over the past year. As a mutual company with

solid capital reserves, we were not under pressure to cut costs or preserve capital in the same way that large listed companies were. This meant that we were able to act swiftly to put various relief measures into place for our members, pay claims reliably, secure our financial-adviser network, and maintain our full staff complement throughout the lockdown. We were also able to deliver a comprehensive information campaign offering both general and specific information to help members, financial advisers and staff deal with the impact of the pandemic.

OUR RESPONSE TO COVID-19

PPS is always responsive to changing member needs and nothing could have brought this into sharper focus than the COVID-19 pandemic, which impacted our members significantly. Our response to this crisis was therefore immediate and extended beyond the parameters of our existing offerings.

In the first instance, we developed claims protocols specific to the pandemic. In addition to providing benefits to members who became ill, we provided benefits to asymptomatic members who had to quarantine following potential exposure to the virus even though this was beyond the scope of our sickness product. These benefits applied to both local members and those living outside South Africa. Between March and December 2020, we paid 4 201 COVID-19 sickness and benefit claims to the value of R389.8 million.

As expected, medical professionals were most affected by the pandemic and accounted for 74% of these claims.

We actively engaged with various professional associations and used their insights to develop the solutions we put into place for our members.

Further, we introduced a number of financial relief measures, which meant that members across all professions could continue to benefit from critical cover, such as life insurance, for a period of time even if they were unable to pay their premiums. This enabled them to use their regular income, which had been significantly reduced by the pandemic, to cover other essential costs.

In our short-term insurance business, we provided a once-off premium rebate to alleviate the financial pressures experienced by members. As most South Africans were not driving much during lockdown and staying at home, and therefore had a lower level of risk, this meant that members could consider insurance cover options with lower premiums.

We actively engaged with various professional associations and used their insights to develop the solutions we put into place for our members. These included COVID-19-specific underwriting protocols for our life products, which relaxed some of our standard underwriting requirements and allowed members to continue to access new or additional products during this time.

Through these professional associations, it came to our attention that there was an urgent need for PPE in public and private hospitals, university medical facilities and small private practices. In recognition of the fact that the majority of our members are medical professionals, we set aside money to contribute towards COVID-19 relief initiatives in the healthcare sector. During the year we distributed PPE starter packs to healthcare workers, both members and

non-members. The campaign reached more than 26 500 practitioners around the country.

From an operational point of view, we were faced with the challenge of having to mobilise our staff to work from home in a way that would be seamless to our members. Staff were therefore equipped with the necessary technology and were trained to ensure effective and efficient communication both within and across teams. The Group's information technology area had to undertake an extensive review of our security protocols to ensure the integrity of both our systems and our members' personal information following the addition of these external workstations. All this was done while providing support for the personal wellbeing of our employees. Our network of financial advisers was included in this effort to ensure that they could continue to deliver the quality of service PPS is known for.

In the area of managed healthcare, the pandemic posed many challenges for medical schemes. Our PPSHA business facilitated schemes to offer telephone consultations for routine ailments and conditions, as a means of minimising the transmission of the virus. Coverage of enhanced telehealth services with specialists, psychologists and psychiatrists was also implemented. Schemes managed by PPSHA offered concessions and relief measures for members with financial challenges that affected their ability to pay their premiums.

As we celebrate our 80th birthday in 2021, I am both humbled and proud to report that, due to our business model and organisational flexibility, we have been

able to navigate all of the monumental social and economic challenges that have presented themselves since PPS was founded. If ever there was a question about our purpose, the year 2020 demonstrated the very reason for our existence: to protect our members and their families, and to enable them to live the lives they aspire to.

With the socio-economic situation still extremely fluid, it is impossible to make any firm predictions for 2021 other than to say that it will certainly prove to be another challenging year. I nevertheless feel confident that PPS will continue to maintain its course as it operates in a changing world and within a new and evolving business environment.

GROUP PERFORMANCE

Our 2020 results demonstrate the effectiveness of the ethos of mutuality in providing both financial security and unrivalled long-term benefits to our members. We continue to be grateful for their unprecedented loyalty, demonstrated by a very low membership attrition rate, even at a time when many members found themselves under significant financial pressure. Our shared resilience and success keep us strong.

We believe in consistently innovating according to the evolving needs of graduate professionals, and many innovations developed and launched over the past two years are proving their mettle. Our PRO-FiT member engagement platform, for instance, is constantly being enriched. This enables members to have direct control of their PPS portfolio, engage with the larger professional community, and explore ways in which to optimise their Profit-Share.

Members with qualifying products can now benefit from our enhanced PPS Profit-Share Cross-Holdings Booster, enabling them to make their Profit-Share work even harder for them in the long term by using more of the Group's financial services solutions. There is also the PPSI Family Network, which is designed to encourage the aggregation of individual and family assets, enabling members to enjoy lower fees because of their larger, combined asset base.

Similarly, the PPS Health Professions Indemnity, designed in response to the increasingly high costs of indemnity insurance and ever more litigious environment, has been very well received and is

providing peace of mind for members in clinical practice.

REGULATORY CHANGES AND COMPLIANCE

Following several legislative and regulatory changes in 2019, and given the other extraordinary events of 2020 that consumed regulatory focus, there were relatively few in 2020. A summary of these is given in the governance section of this report.

The National Health Insurance Bill which, if passed, is likely to have an impact on PPS and its members, is still under review in parliament. With both the public and private healthcare systems under extreme pressure due to COVID-19, it is difficult to predict the developments that we are likely to see in this sector during 2021. We will, however, track developments closely, remaining committed to representing and protecting the voice of professionals in all legislative and regulatory processes.

CORPORATE SOCIAL RESPONSIBILITY

PPS FOUNDATION

As evidence of our ethos of mutuality, the PPS Foundation uses the shared value of our community of professionals to contribute to finding solutions to the key challenges we face as a developing economy, particularly as these relate to our large youth population.

The crisis in South Africa's education system continues unabated. It requires that all sectors of society commit to collaborating and being part of the solution. Within this context, the PPS Foundation continues to provide for bursaries for students in the science, technology, engineering and mathematics (STEM) fields of study. The Foundation's University Support Programme also provides funds for related, but often ignored student needs, such as food security and psychosocial support.

We are grateful to our professional members who take part in the important work of youth development by offering their time and expertise through the PPS Foundation's Mentorship Programme.

CHAIRMAN'S STATEMENT (CONTINUED)

PPS TRAINING ACADEMY

The PPS Training Academy continues to be a learning institution that we are immensely proud of and which is internationally recognised for excellence. Our intention in future is that this Academy not only assist the Group's employees, but also external financial advisers and, most importantly, our members. The added value that the Academy provides can become an important part of our member value proposition.

As you will read in our human capital report, uptake of the online courses it offers was unprecedented in 2020, partly due to the fact that our human capital division actively encouraged staff to take advantage of these during the initial 'hard lockdown'. Our staff have shown extraordinary interest in skills and career development, taking advantage of courses not only in their own skills areas, but also in more general business disciplines.

ETHICS AND CORPORATE GOVERNANCE

Operating under the ethos of mutuality and offering solutions exclusively for graduate professionals, PPS has become a vital defender of the interests of both our members and of the broader professional community in South Africa and Namibia.

As such, we are consistently compliant with all relevant legislation and regulations, and our corporate governance practices align with principles of the King IV™ Code of Corporate Governance. In terms of both King IV and the Companies Act, PPS is governed through a unitary structure that includes a main board, subsidiary boards and their subcommittees. All boards and their committees operate within the parameters of approved charters and terms of reference, which are reviewed periodically. Furthermore, all boards and committees are supported by the company secretary and a well-resourced company secretariat.

CHANGES TO THE BOARD

On the Holdings Trust Board, we bade farewell to Ms P Natesan, who retired at the end of June after serving on the board for close on three years. We also welcomed Ms J K Myburgh, who is an attorney by profession and who joined the Board in September.

The PPS Insurance Company Board saw the retirement of Mr E A Moolla, who had served on the board since 2003 and who had also served as Chairman of the PPS Holdings Trust Board. We also bade farewell to Mr N A S Kruger and welcomed Dr N H P Khoza, who has already served on the Holdings Trust Board for three years.

IN MEMORIAM

Few people have contributed more to paving the way for growth in PPS's scope and membership than Etienne Huggett, who passed away in February 2021. During his tenure as CEO from 1981 to 1995, Mr Huggett oversaw the transformation of PPS from a pension fund structure into an insurance company, which put PPS on its path to become the fully-fledged financial services provider it is today, servicing graduate professionals. On behalf of the whole PPS community, I wish to convey our condolences to the late Mr. Huggett's family.

THANK YOU

On behalf of my fellow trustees I would like to thank our CEO, Izak Smit, and his Group executive team for keeping a cool head and staying true to our values and principles during such a challenging time. They have shown exceptional empathy and foresight during the past year and have managed to lead our members, intermediaries and staff through a period like no other.

A sincere word of thanks also goes to our members, who trust us with their financial goals and contribute in such a committed way to our robust community of professionals.

I would like to extend my gratitude to Dr Mannie Krüger, my deputy, and our fellow trustees, who continue to make the Board the solid think-tank that it is and who remain deeply committed to providing ever-better value to the PPS community. I would also like to thank Mr Charles Erasmus for his sterling role as Chairman of the PPS Insurance Company Board. Lastly, I must also thank my family, whose support for me and my work remains unfailing.



Dr Sybil Seoka

Chairman: PPS Holdings Trust Board

25 March 2021

A black and white portrait of Kojo Nketiah, a man with a short beard and mustache, wearing a dark suit jacket over a collared shirt. He is looking slightly to the left of the camera with a neutral expression. The background is dark and out of focus.

5

YEARS
OF MEMBERSHIP

“I love going to campus for a coffee and informative chats at the PPS Lounge. It feels like home away from home.”

KOJO NKETIAH
PROJECT MANAGER

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST BOARD

First Row:

Dr A Coetzee

B Med Sc, MB ChB, CAHM, ABCD
Family Practitioner in the Private Sector
Independent Non-Executive Trustee

Dr C M Krüger

MB ChB, M Prax Med, M Pharm Med
Family Physician
Independent Non-Executive Deputy Chairman

Mrs N N Nongogo

B Juris, LLB
Practising Attorney
Independent Non-Executive Trustee

Dr S N E Seoka

B Pharm, PhD
Pharmacist
Independent Non-Executive Chairman

Dr N H P Khosa

MB ChB, MBA
Medical Doctor
Independent Non-Executive Trustee

Dr F Mansoor

BDS, MBA
Chief Executive Officer: The Integrated
Dental Ecosystem
Independent Non-Executive Trustee

Second Row:

Dr D P du Plessis

B Sc, MBA, DBA, CD(SA)
Director of Companies
Independent Non-Executive Trustee

Mr E A Moolla

B Iuris
Practising Attorney
Independent Non-Executive Trustee

Prof H E Wainer

B Acc, CA(SA)
Chartered Accountant and Registered Auditor
Independent Non-Executive Trustee

Prof L C Snyman

B Med Sci, MB ChB, M Prax Med, M Med O&G, FCOG,
PhD
Principal Specialist and Acting HOD, Department
O & G, Kalafong Provincial Tertiary Hospital
Independent Non-Executive Trustee

Ms D L T Dondur

B Acc (Hons), B Compt, CA(SA), MBA,
CD(SA)
Independent Non-Executive Trustee

Mr P Ranchod

B Compt (Hons), CA(SA), MBL, H Dip Business
Data Processing
Independent Director and Business Consultant
Independent Non-Executive Trustee

Third Row:

Dr R Putter

B ChD, MSc (Dentistry and Public Dental Health)
Private Practice: Dentist
Independent Non-Executive Trustee

Mr I Kotzé

B Pharm
Executive Director: Pharmaceutical Society
of South Africa
Independent Non-Executive Trustee

Mr S Trikamjee

B Com (Hons), CA(SA)
Chartered Accountant
Independent Non-Executive Trustee

Mr C Erasmus

B Sc, FIA, FASSA
Director of Companies
Independent Non-Executive Trustee

Mr N C Nyawo

B Com (Hons), CA(SA), MBA
Chartered Accountant
Independent Non-Executive Trustee

Mr J A B Downie

BSc, MBA, CFP
Asset Consultant and Professional Trustee
Independent Non-Executive Trustee



Fourth Row:

Mr V P Rimbault

BSc Eng (Mech)
 Council member: The South African
 Institution of Mechanical Engineering
 Independent Non-Executive Trustee

Ms J K Myburgh

B Proc
 Practicing Attorney, Mediator & Facilitator
 Independent Non-Executive Trustee



CEO'S MESSAGE TO MEMBERS

“A crisis is a gateway from one world to the next. The transition is tough, painful. But during and after the discomfort comes a second chance at things such as creativity and revival. In the words of Winston Churchill, we should never waste a good crisis. We could well come out stronger than ever before.”

OVERVIEW

It is my privilege to report to members that PPS has weathered the extraordinary events of 2020 quite well. We could not have asked for a more challenging backdrop to prove that our mutual model provides us with a solid base to stay true to our purpose: supporting our members and providing financial security in times of great need.

A crisis has the ability to either expose the flaws in a model and a team, or to prove its robustness and to make a team stronger. I count myself fortunate to be part of a team and a model that can look back at 2020 with immense pride. I have commented in previous reports that our staff members at PPS are often humbled by the niche market segment that we serve, which includes some of South Africa and Namibia's most educated and influential individuals in the various professions. It is a privilege and a huge responsibility. But in 2020, pride was indeed the emotion that surfaced. We are proud to be associated with professionals who were at the forefront of helping the greater community to deal with the challenges.

PERFORMANCE

Economists debated during the year whether the pandemic-induced recession would be V-shaped (a quick bounce back), U-shaped (longer trauma before the recovery), L-shaped (no meaningful recovery for quite some time), or W-shaped (a double-dip). Eventually most economists started to agree that it is actually K-shaped (for some it was a very good environment and for others bad) recovery occurs after a recession when certain parts of the economy resume growth while others lag behind indefinitely. For many industries, businesses, families, and individuals, it was the worst of times. Businesses collapsed, and lives and livelihoods were lost. And on the other leg of the "K", it was for some the best of times, record profits, families reuniting, less time wasted. And for most of us it probably was both: very good and very bad simultaneously. What we certainly experienced was a crisis of unprecedented scale, and in the PPS Group we also noticed this K-shaped state of affairs.

Despite many of our members experiencing significant financial strain, our lapses remained very low on the life side. We noticed a renewed appreciation of the value of life and sickness cover, as professionals tried not to lapse their policies. New life insurance business, although down on 2019, as in

the very strained and locked-down environment, still surprised us, especially in the latter part of the year. Paradoxically, Profmed – and as a result, our medical administration business – had a strong year: medical aid cover was highly sought after, leading to low terminations. Some elective medical procedures were postponed, and the general hygiene consciousness in society and social distancing led to less sickness in general, which was beneficial to medical schemes. Fewer vehicles on the road helped our short-term insurance business to declare a profit for the first time, even after returning money to members in the form of a premium discount. The strong markets towards the end of the year supported members' investments. These are examples of the tailwinds during the year.

But there is also the other leg of the K-shape, and as expected from a business that provides life cover and income protection to professionals, our claim payments increased significantly. Our business was, by default, in the eye of the storm. But that is what PPS is all about, supporting members and paying valid claims as per the contractual agreements with our members. Given our mutual ethos, we went further than that, beyond what policy contracts stipulated. We looked for ways to assist our members, while being fair to the member base in total. We developed protocols around supporting members when they had to quarantine and were unable to earn an income. We developed ways to support members who struggled to meet premiums, something that was only made possible by our model. It is testimony to the strength of our mutual model, that despite the unprecedented increase in claims, we were still able to declare an operational profit at the end of the year that will be distributed to members.

The year was also a lesson in the futility of timing investment markets. The big market sell-off at the end of the first quarter, when the reality of the scale of the pandemic and the impact of lockdowns became apparent, is understandable. However, the strong recovery in investment markets in the second quarter and again towards the end of the year, despite the economic damage, caught most people by surprise. At PPS we follow a well-diversified and very long-term approach in our investment strategy. We can afford to have a long-term view because our members' policies generally stay on the books for a generation or more. This long-term perspective is a competitive investment edge. It allows us not to have knee-jerk reactions, so we remained fully invested in growth assets during the year, resulting in strong returns that we can return to members.

OPPORTUNITIES AND STRATEGY

Between the two extreme ends on the continuum of how to strategically respond to a crisis, on the one end becoming extremely risk-averse, cutting all new investment and battening down the hatches, and on the other end accelerating new investments and projects by doubling down, research has shown that the best approach is somewhere in the middle: being tough on expenses, yet throwing some fertiliser for the future in a responsible manner. A crisis often presents good opportunities.

The social distancing restrictions prevented the senior team and our non-executives from having physical offsite strategy discussions in 2020. However, we participated in a thorough virtual programme that stretched over many weeks, with input from many external experts. This resulted in the fine-tuning of our strategic agenda, which remains centred around the following seven aspects:

- ⦿ Our exclusive member value proposition.
- ⦿ Digitalisation of our services for members.
- ⦿ Expanding our value proposition to financial advisers.
- ⦿ Developing holistic solutions and raising awareness of these products and services.
- ⦿ Creating alternative revenue streams to boost the value that we can return to our members.
- ⦿ Positioning the PPS brand as the financial services provider of choice for professionals.
- ⦿ Shaping the PPS community culture (where community includes staff and members).

I believe our strategic agenda is robust and well developed.

PERFORMANCE SNAPSHOTS FOR 2020

PPS INSURANCE

The annual premium income of new life insurance business written in 2020 was R222.6 million, which is (only) 11.3% down on 2019. Given the professional segment that we serve, the nature of our income protection and life products is such that advice is an important ingredient in the process. Hence, our (only) distribution channel is face-to-face financial advisers, both internal and external to PPS. About 75% of new business flows to PPS in 2020 were through external (independent) financial advisers. They remain important business partners to us, serving our professional members. The other 25%

of new business was from our internally employed financial advisers, and this channel experienced growth of 3.4% on 2019, an achievement that we are proud of.

Life premium revenue reached R5.12 billion in 2020, up 7% on 2019, and supported by lower than expected lapses. Claims came in significantly more than budgeted, as expected in a pandemic year. Total claims of R3.245 billion were 41% more than in 2019. Between March and December 2020, we paid 4 201 COVID-19 sickness and death benefits claims to the value of R389.8 million. Our foremost purpose is to assist our members in times of need, which means paying valid claims; making a profit is a secondary objective. Due to our mutual model, if we were to experience a claims overrun (on budgeted numbers) it simply means that more money is distributed to those (unfortunate) claimants and less to the general pool in the form of Profit-Share. Despite the significant overruns against what was budgeted for claims, PPS remains in a strong financial position to honour the long-term future commitments to our members.

Management expenses constitute the only 'leakage' of money from the pool that will eventually be returned to our members, either as a claim payment or as Profit-Share. Hence, efficiency ratios are important metrics that we as a management team keep tracking. We managed to stay well within the expense ratio target that the Board had set for us. In fact, management expenses of R983 million were 7% within budget and only 2% higher than in 2019.

PPS INVESTMENTS (PPSI)

The business faced obvious challenges during the pandemic year, yet it delivered record new business figures of R7.5 billion, which beat last year's record number by 22%. Profit-Share allocations distributed to PPS members invested in our investments products and in our portfolios of R19.5 million grew by 29% from the previous year.

The good numbers were mainly due to the good new business performance, recovery of the investment markets towards the end of the year, and a strong financial discipline in expense management.

Retail and institutional investment performance (relative to benchmarks and peers) is at historic highs. Total assets under management increased from R37.8 billion at the end of 2019 to R43.1 billion at the end of 2020.

PPS SHORT-TERM INSURANCE

The PPS Short-Term Insurance business performed well and made a profit for the first time, of R3.8 million, against a budgeted loss of R25.4 million. The loss in 2019 was R26.9 million. The COVID-19 pandemic had a significant impact on the financial results, which is evident from the lower number of new policies written. The number of new policies dropped by 30% compared to 2019. The business did, however, benefit from lower claims, as members used their vehicles less and stayed at home. This resulted in a net loss ratio of 51% achieved for the full year, against a budgeted expectation of 67%. The loss ratio for 2019 was 69%. Members were clearly under financial strain due to the economic contraction, which is evident in the increased lapse ratio of 20%, compared to a budgeted ratio of 15%. To assist, we provided premium support in the form of a 20% relief on motor premiums for April (R2.1 million). We have also assisted many of our policyholders during the year on an individual basis by reviewing their cover where the need arose. Expense management was a key focus. Total operating expenses for 2020 were R73 million, an increase of only 3% on the prior year. The value proposition was enhanced with the launch of a mobile app and concierge services. Members with PPS Short-Term Insurance cover who also have qualifying life policies will enjoy Profit-Share distributions for the first time in 2021.

A business that we recently started under our short-term licence is the provision of indemnity insurance cover to our members in the healthcare disciplines. By year end, more than a thousand PPS members were covered by PPS Health Professions Indemnity policies, with gross written premiums more than doubling those of the previous year. The quality of the insurance portfolio is reflected in the insignificant loss experience to date. The bottom-line financial performance of the business is well ahead of budget (a loss of R8.5 million vs a budgeted loss of R17.9 million), mainly due to good loss experience and expense management. This new business line is in tune with the purpose of PPS: helping members to focus on their professions, enabling them to practice.

PPS HEALTHCARE ADMINISTRATORS (PPSHA)

PPSHA had an exceptional 2020. Revenue at R297 million was 9% up on 2019. Expenses came in also 9% up on 2019. Profit before tax was 10% up on 2019. This is mainly as a result of the growth in membership in the schemes (mainly Profmed and KeyHealth, where membership by year end was 2% higher than expected), reduced membership resignations across the schemes, the provision of additional services to existing clients (such as disease and dental management), good cost control and financial management, and operational efficiencies. It is worth noting that the member-to-staff ratio has increased from 1:301 at the start of the year to 1:363 by the end of 2020. PPS members who are also Profmed members essentially get administration services at cost, since most of the profit generated from these administration services are returned to PPS members with qualifying products in the form of Profit-Share. At the same time, they enjoy industry-leading administration services from a highly professional team.

PPS NAMIBIA

PPS members in Namibia enjoyed a good year, despite the pandemic and significant economic challenges. Claims of R71 million were 47% more than the very good experience of 2019; but 5% growth in net premium revenue and good expense control, delivered profit of R48.2 million in 2020. This was 22% lower than in 2019 due to the higher claims. New business inflows were fairly strong, with new annual premium income of R16.9 million, exceeding the 2019 number of R15.9 million (7% up). New member acquisition fell short of expectations, with 254 new members against a target of 322. This was mainly due to the closure of the tertiary campuses as a result of the pandemic. The pressure on disposable incomes of members is a reality, leading to lapses. The strengthening and localisation of the executive team and Namibia Board continued with the appointment of Stefan de Bruin as Board Chair. New product lines were rolled out in Namibia early in 2021, and we expect this business to experience continued good growth over the next year.

CYBER-SECURITY

As the world becomes increasingly interconnected, and as remote-working becomes a normal feature of the operating landscape of many professionals and industries, including financial services, cyber-security will pose an increasing challenge to individuals and companies – big or small. The most recent PwC Annual Global CEO Survey has identified cyber-threats as the second most significant risk that organisations face globally. During lockdown, there was indeed a world-wide increase in phishing and hacking attempts. After our financial year-end, PPS fell victim to a malicious cyber-attack in March 2021. Fortunately, our member data was not compromised. The attack did, however, affect our ability to serve our members in line with the high standards that they are accustomed to. We managed to set up alternate measures to serve members, albeit with slower turnaround times, and were eventually able to restore all our systems. Needless to say, cyber-security will remain a major focus area and will continue to enjoy significant attention in future.

THANK YOU

I have commented in previous reports that tough times typically bring out either the best or the worst in people, and this was never truer than in 2020. The unwavering commitment of our employees was humbling to witness. In recent times, we made a huge effort to strongly embed our three core values at PPS, of taking extreme ownership, of curiosity and openness to new learning, and of doing the right thing. This paid huge dividends in 2020. Operating remotely for most of the year, from more than a thousand homes

across South Africa, was possible due to individuals feeling empowered and taking full ownership. We all had to learn new ways of doing things, embracing new tools. Decisions were guided by always trying to do the right thing for the business and ultimately for our members, ensuring fairness between different cohorts. The events of 2020 made us stronger as a team. Ironically, despite being physically removed from each other, we have never felt closer as a team, or prouder to work for this brand. It is a privilege to be part of such a team of outstanding and talented people. I thank our employees for their hard work and spirit in challenging circumstances.

It was also a year during which the executive team and our non-executive board members had to work closely together. The support that I continue to enjoy from a strong and diverse board is invaluable. Both the chair of PPS Holdings Trust, Dr Sybil Seoka, and of PPS Insurance, Charles Erasmus, are valued sources of advice and support.

I want to use the opportunity to express my condolences to many staff and members who have experienced loss during these times. We are conscious that most families had to live through some form of trauma or challenge.

Finally, a thank you to our members who trust us with their financial security. A crisis is a gateway, and I believe that PPS is indeed coming through it stronger than ever before, to go from strength to strength, for the betterment of our professional members.



Izak Smit
PPS Group CEO

GROUP PERFORMANCE AT A GLANCE

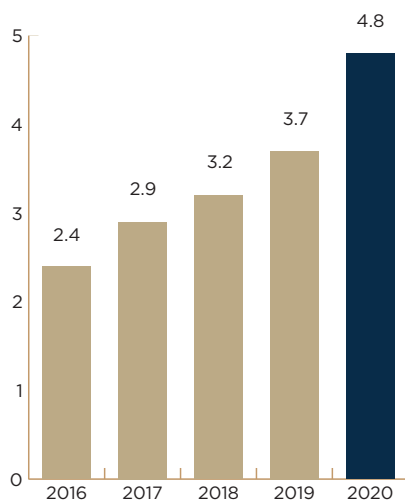
THE PPS GROUP

FIVE YEAR REVIEW

Profit-Share allocations and benefit payments

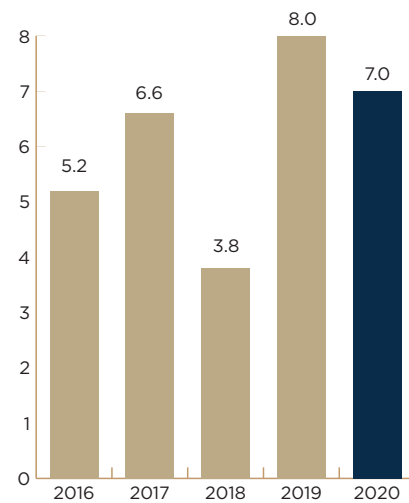
Through our unique mutual model, all the profits are ultimately attributable to our members. This is achieved by allocating operating profit and investment returns to the members' PPS Profit-Share Accounts which are available to members on retirement, or to their beneficiaries upon death.

Annual gross benefits paid to members (R'bn)



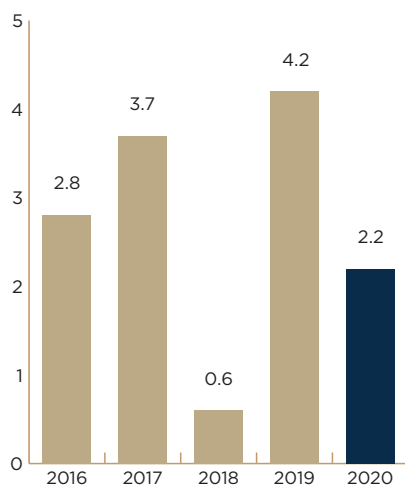
R4.8 billion

Annual gross benefits paid to members & Profit-Share allocations (R'bn)



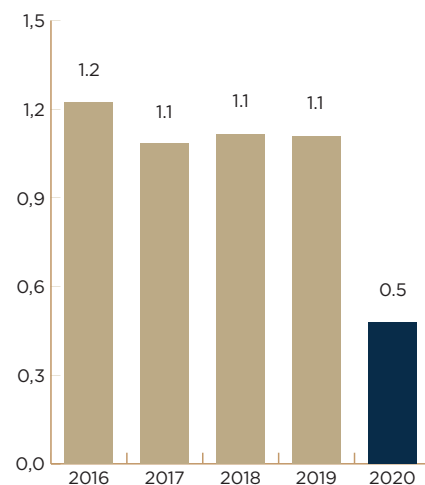
R7.0 billion

Total annual Profit-Share allocations (R'bn)



R2.2 billion

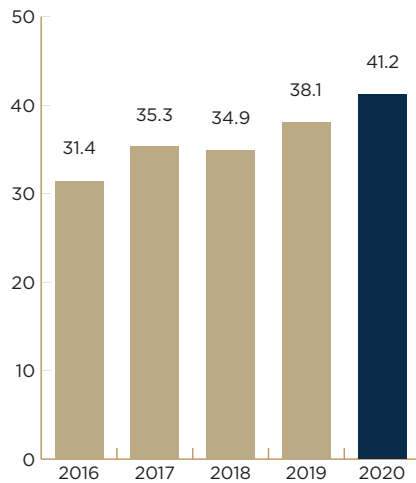
Annual operating profit allocations (R'bn)



R0.5 billion

GROUP PERFORMANCE AT A GLANCE (CONTINUED)

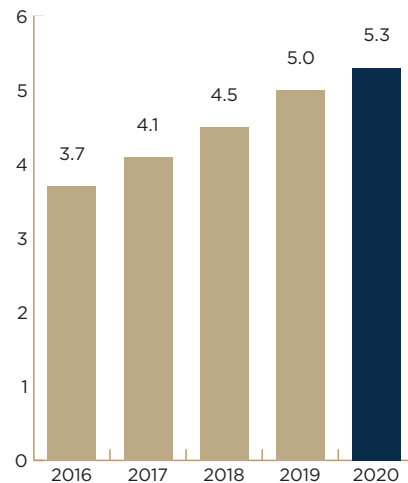
Group total assets* (R'bn)



R41.2 billion

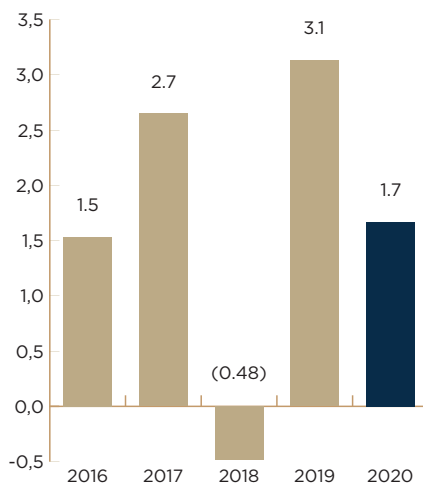
*Excluding assets in unit trusts for third parties

Group gross premium revenue (R'bn)



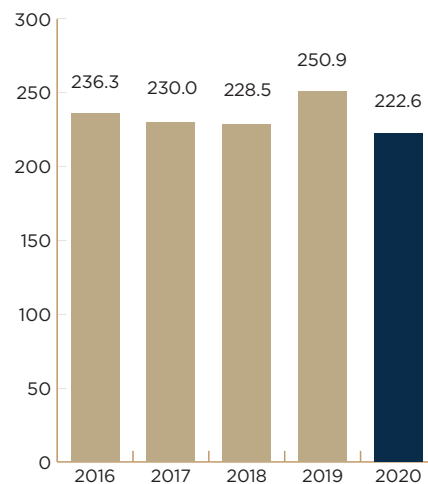
R5.3 billion

Annual investment profit/(loss) allocations (R'bn)



R1.7 billion

New life risk annual premium income (R'm)



R222.6 million

PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY LIMITED BOARD

First Row:

Mr C Erasmus

B Sc, FIA, FASSA
Director of Companies
Independent Non-Executive
Chairman

Mr S Trikamjee

B Com (Hons), CA(SA)
Chartered Accountant
Independent Non-Executive Director

Prof H E Wainer

B Acc, CA(SA)
Chartered Accountant and
Registered Auditor
Independent Non-Executive Deputy
Chairman

Mr I J Smit

B Com (Hons), FASSA
Group Chief Executive Officer
Executive Director

Second Row:

Ms D L T Dondur

B Acc (Hons), B Compt, CA(SA),
MBA, CD(SA)
Independent Non-Executive Director

Mrs T Boesch

B Com (Hons), CA(SA)
Group Chief Financial Officer
Executive Director

Mr J A B Downie

B Sc, MBA, CFP
Asset Consultant and Professional
Trustee
Independent Non-Executive Director

Dr J A van der Merwe

MB ChB, MBL, DBL, PED. (IMD)
Medical Doctor
Independent Non-Executive Director

Third Row:

Mr P Ranchod

B Compt (Hons), CA(SA), MBL,
H Dip Business Data Processing
Independent Director and Business
Consultant
Independent Non-Executive Director

Dr S N E Seoka

B Pharm, PhD
Pharmacist
Independent Non-Executive Director

Mr E J S Franklin

B Sc Physics and Applied
Mathematics, B Sc Elec Eng, M Sc
Elec Eng (Manchester), MBA
Consultant
Independent Non-Executive Director

Dr N H P Khosa

MB ChB, MBA
Medical Doctor
Independent Non-Executive Director

Fourth Row:

Dr D P du Plessis

B Sc, MBA, DBA, CD(SA)
Director of Companies
Independent Non-Executive Director

Mr N J Battersby

B Sc Eng (Mech), B Com (Hons),
CFP, MBA, AMP (Harvard)
Group Chief Operating Officer
Executive Director

Dr C M Krüger

MB ChB, M Prax Med,
M Pharm Med
Family Physician
Independent Non-Executive Director



ABOUT LIFE INSURANCE AT PPS

PPS Life Insurance provides long-term life, accidental death, sickness, critical illness and disability insurance for graduate professionals, a niche with a distinct profile and unique needs. It is our aim to provide peace of mind, security and wealth protection for our members, both during their working lives and throughout retirement. To achieve this, PPS life products and solutions include features and benefits that many competitor products do not offer.

PPS's flagship product, our Sickness and Permanent Incapacity Cover, offers much more than other similarly positioned products available in the market.

The sickness benefit is designed to support the member during an initial period of sickness for up to 728 days. The member does not have to prove loss of earnings in order to receive the benefit and any remuneration received during that period is not deducted from the amount paid out by PPS. Any claim benefits do not have a negative effect on the member's Profit-Share Account. This was a particularly valuable benefit for members who were diagnosed with COVID-19 in 2020, offering them financial peace of mind at a time when they were ill and unable to work or earn an income.

In cases where a member is permanently incapacitated due to sickness or an impairment, the permanent incapacity benefit replaces or supplements their income right through to retirement.

Other differentiators offered by the PPS Life Insurance product suite include international cover and cover for hazardous pursuits that some professionals engage in recreationally, such as scuba diving or flying private aircraft. Also, unlike other offerings in the market, the PPS ethos of mutuality ensures that PPS members who have qualifying life or risk insurance products automatically participate in the Group's Profit-Share programme.

The introduction of the PPS Profit-Share Cross-Holdings Booster allows members with life insurance to boost their Profit-Share participation by taking up other PPS subsidiary and affiliate products, such as PPS Short-Term Insurance, PPSI or Profmed.

PERFORMANCE

In 2020, annual premium income from new life insurance business in South Africa totalled R222.6 million, a drop of 11% from the number achieved in 2019. Nearly 75% of this new business income was originated through independent financial advisers – and as they provide a primary interface with members, they are very important business partners to us.

During the initial 'hard lockdown' new business dropped significantly. However, once it became clear that the pandemic was going to be drawn out, there was a significant shift towards working remotely by financial advisers.

The trust factor between financial advisers and client is very important, and this needs to be nurtured. Remote contact is useful for routine meetings and queries, but face-to-face contact is essential to establish, build and maintain trust.

We have adapted to all these challenges and new business recovered well since the lockdown restrictions started to ease.

In keeping with our values, PPS Life Insurance was quick to respond to the impact of COVID-19 with situation-specific solutions designed to assist our members in their time of need. We developed claims protocols specific to the pandemic that went beyond the normal scope of our Sickness and Permanent Incapacity product.

RISKS, CHALLENGES AND OPPORTUNITIES

The most important challenge for the business was obviously dealing with the impact of the pandemic, but the recessionary economic environment remains a big factor. Also, while emigration slowed this year as a result of lockdown restrictions, the potential emigration of professionals still remains a risk for PPS.

On the other hand, the risk of attrition was actually mitigated to some extent by the pandemic, as professionals became more aware than ever of the need to protect themselves and their families against unforeseen shocks. Also, somewhat unexpectedly, this awareness has supported the uptake of our Risk products.

PPS's wholly-owned advisory practice called FS4P (Financial Solutions for Professionals), established in 2018, continued its impressive growth in 2020. The business had 30 independent financial advisers by the end of 2020, serving 9 512 clients. Income growth in this business unit was an impressive 75%. PPS S³ is a significant added value too. This unit is made up of a team of professionals whose sole purpose is to offer their expertise to PPS members and to the financial advisers who serve PPS members.

INNOVATION

The introduction of the PPS Profit-Share Cross-Holdings Booster was one of the most significant innovations in 2020.

Other innovations included digitising our forms, making it possible for members and potential members to apply for PPS products and make claims online. Member service hours were extended to allow members greater flexibility, and a chat functionality was introduced on our website to assist members with routine queries.

The Critical Illness Cover for professionals underwent a significant enhancement that was launched to members in January 2021. This extends coverage for critical illness to early-stage diagnoses, offering the possibility of much better treatment outcomes. The limit for potential payouts for cancer and cardiovascular illness were increased, new disease categories added, and Child Critical Illness benefits enhanced.

LOOKING AHEAD

The business is recovering from, and adapting to, the impact of the pandemic and we are positive about our prospects for 2021, although we are fully aware that the pandemic is still going to be with us in 2021. As a business with a long-term orientation, our balance sheet is strong enough to endure shocks like these. We will continue to focus on adding new members, cross-solutioning existing members, and providing strong support for our financial-adviser network.

Strategies are in place to deal with the post-pandemic landscape and with the shift to a hybrid way of working that includes remote working.

A major focus going forward will continue to be on the innovation of processes, designed to improve members' engagement experience.

FINANCIAL SERVICES 4 PROFESSIONALS PROPRIETARY LIMITED BOARD

First Row:

Mr L du Plessis

B Iuris , LLB, M Com (Business Management)
Non-Executive Director

Mr I J Smit

B Com (Hons), FASSA
Non-Executive Director

Mr W J Mouton

B Proc
Executive Director

Second Row:

Mr N J Battersby

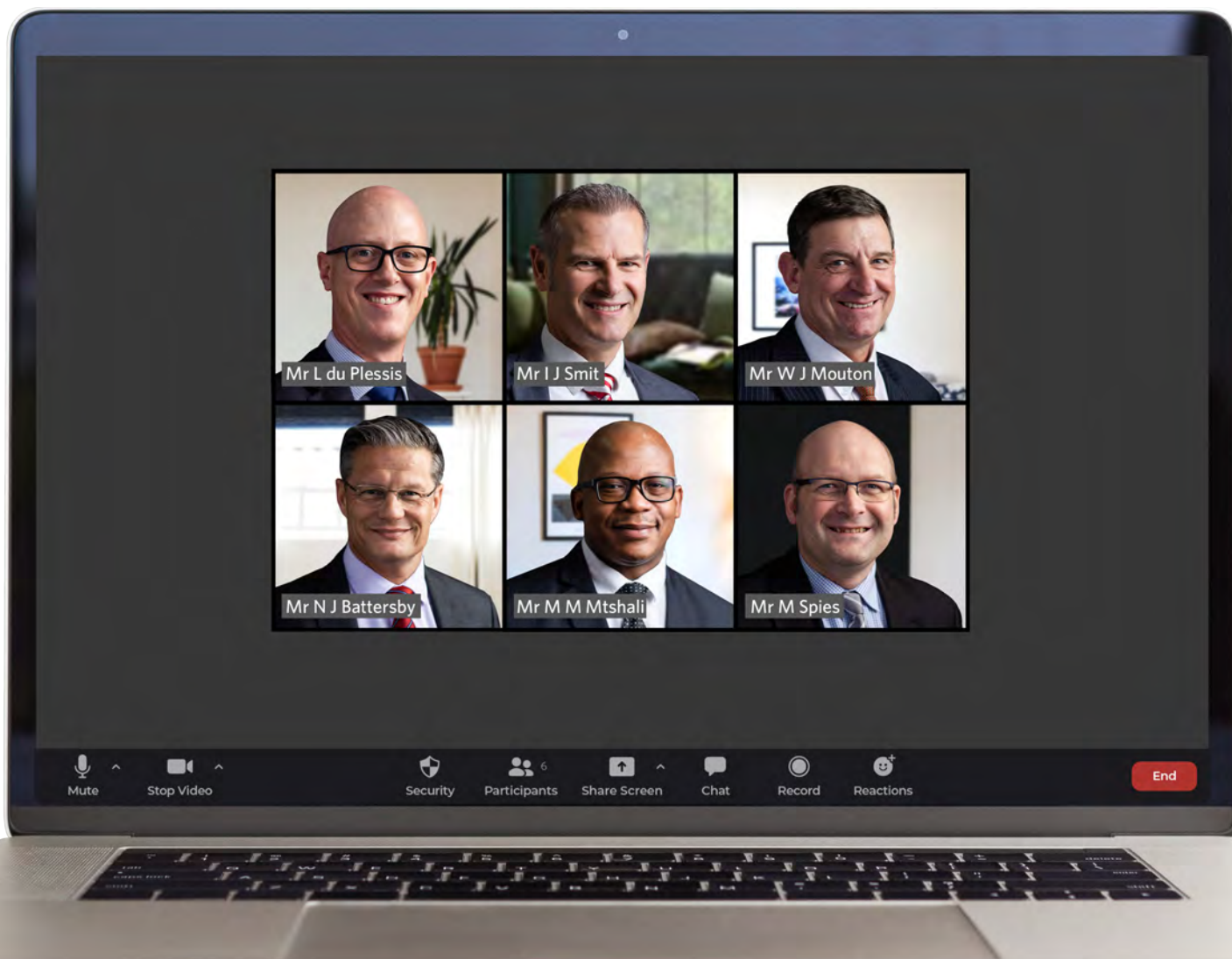
B Sc Eng (Mech), B Com (Hons), CFP, MBA, AMP
(Harvard)
Non-Executive Chairman

Mr M M Mtshali

B Com, MBA
Non-Executive Director

Mr M Spies

B Compt (Hons), C.T.A, CA(SA)
Non-Executive Director



PPS ADVISORY SERVICES AND ENABLEMENT

ABOUT PPS ADVISORY SERVICES AND ENABLEMENT

PPS Advisory Services and Enablement (ASE) is an internal advisory channel that provides members with holistic financial advice and planning services to ensure that they are able to live the lives they deserve to live.

Our advice-led financial processes are customised to meet the needs of graduate professionals and are specifically tailored for this purpose. Our 120 financial advisers and 15 wealth managers provide a highly personalised service, with each being responsible for 300 to 400 members. In addition, our boutique Wealth Advisory Service provides high-net-worth professionals with tailored financial advice and solutions for all their wealth protection, wealth creation and wealth acceleration needs. We also provide specialist support services to our network of PPS independent advisers to assist with complex financial advisers' planning.

Our internal PPS financial advisers offer financial assessments and recommendations for a range of customised solutions, as well as expert advice on the entire suite of PPS products. Both our solutions and our products take into account the various lifestyle and financial issues that impact on graduate professionals in order to ensure that each financial journey meets the unique needs and goals of the individual member.

Our integrated approach ensures that members can benefit from tailored financial solutions which satisfy both their financial and lifestyle needs.

These include:

Risk Insurance Planning

Risk insurance planning is the process of planning for an unforeseen event like the death, disability or severe illness of a breadwinner or business owner. PPS ASE can help to mitigate the impact of unexpected events like these with appropriate lifestyle protection.

Savings and Investments Planning

Savings and investing for the future are crucial for professionals to reach their financial goals in the short, medium and long term. They are fundamental to financial security and the longer the savings or investment period, the greater the benefit from compound investment growth.

Estate and Legacy Planning

The value of the legacies that professionals leave behind depends on long-term planning. PPS's estate and legacy planning service enables members to proactively create a valuable legacy. A sound estate plan enables them to protect and grow their assets during their lifetime and to ensure that those assets are available to provide for loved ones after their death.

Retirement Planning

There are only around 480 pay cheques between the time professionals start working in their twenties and the time they retire, typically in their sixties. Since many will live to 85 or more, they will need an income for at least 240 months. The only way to secure this is to start planning for retirement as early as possible and to select the right investment strategy.

Business Planning

Business planning is designed to maximise tax efficiency and ensure business continuity in the event of a serious illness or death. A sound business plan also ensures that the business is covered against such eventualities as accidental damage and personal liability claims.

PERFORMANCE

At the start of 2020, the business was on a positive performance trajectory. This, however, could not be sustained with the implementation of the national lockdown associated with COVID-19, and the resulting impact on the economy.

We had to reassess our way of working and adapt to a new and unexpected set of operational challenges. Most importantly, we had to make a rapid changeover to remote working by significantly increasing the use of technology and enhancing our digital capabilities.

PPS ADVISORY SERVICES AND ENABLEMENT (CONTINUED)

This resulted in new business being on par with that of 2019, and even showing marginal growth, from R48 million new annual premium income for life insurance business in 2019, to R50 million in 2020.

PPS ASE was, in fact, the only internal distribution agency in the South African insurance industry that managed to grow during 2020, which is a notable achievement.

The value of new business improved to a historical high of 8.2%.

Advisory Services engagement survey scores had the most significant improvement in the Group, from 63% in 2019 to 73%. The continued focus on being an advice-led business and on providing holistic financial planning has improved both the level of advisor knowledge and the member experience.

The S³ channel managed to achieve 112% of its value-to-Group target, of which 45% of value was generated from the external distribution channel. Fiduciary Services managed to stay flat on last year with 1 002 new signed Wills against a budget of 1 300 new signed Wills. The API and Investment targets were exceeded, and the team managed to maintain the quality of the book through the average value and the average age of Testator.

The challenges the business and our clients experienced in 2020 - and continue to experience - are being managed through the collective skills, experience, commitment and service excellence of our people.

The business has, for instance, been through an extensive optimisation process, which has included the integration and enrichment of some roles. It also rolled out new fit-for-purpose back and middle office processes.

We are in the process of upgrading and enhancing our robo-advice tool, PPS Horizon, which has been rated by technology specialists as one of the best robo-advice tools in the country. It is designed to handle routine questions, and members always have the option of switching through to a human financial adviser during call centre operating hours.

Finally, we are able to draw on the resources and services of the S³ unit, which provides specialist-specific information and financial advice.

RISKS, CHALLENGES AND OPPORTUNITIES

In line with our ethos of mutuality and our values-driven culture, one of the most significant challenges of the period was to provide support and assistance for our members who were affected by the pandemic in different ways.

An ongoing challenge remains to recruit quality new financial advisers, fit for the professional market segment, and to develop and train both new and existing financial advisers to match the changing profile of our members. Guided by our pandemic management strategy and PPS's renewed focus on key strategic objectives, we are confident that we have both the tools and the commitment to meet this challenge.

PROSPECTS

In 2021, the economic environment is likely to remain lack-lustre, which will inevitably be a challenge to the business. However, based on performance in the final quarter of 2020, prospects are positive and we expect to meet or even exceed our business targets for the year.

We will continue the process of expanding our presence and entrenching our footprint in all of the major cities in South Africa, while simultaneously extending our reach into key outlying regions. We further intend to stimulate growth by continuing to deepen current stakeholder relationships with professional associations, academic institutions and key partner organisations.

The PPS Wealth Advisory channel was officially launched across the country in February 2020. The key objectives of establishing the Wealth Advisory channel was to:

- ⦿ Provide high-net-worth professionals with tailored financial advice and solutions for all their wealth protection, wealth creation and wealth acceleration needs;
- ⦿ Increase new member growth by capturing a greater share of the professional market and establish mutually beneficial partnerships; and
- ⦿ Increase assets under management through an investment/wealth targeted and focussed approach.

The Wealth Advisory channel achieved its annual premium income and local gross flow targets. Opportunity creation strategies remained muted due to the ongoing pandemic.

PROFESSIONAL PROVIDENT SOCIETY INVESTMENTS PROPRIETARY LIMITED BOARD

First Row:

Dr D P du Plessis

B Sc, MBA, DBA, CD(SA)
Independent Non-Executive Director

Mr I J Smit

B Com (Hons), FASSA
Non-Executive Director

Mr M J Jackson

BA (Hons), MA
Independent Non-Executive Director

Second Row:

Mrs T Boesch

B Com (Hons), CA(SA)
Non-Executive Director

Mr E A Moolla

B Iuris
Independent Non-Executive Chairman

Mr N J Battersby

B Sc Eng (Mech), B Com (Hons), CFP, MBA, AMP
(Harvard)
Chief Executive: PPS Investments

Third Row:

Mr P J Koekemoer

CA(SA), CFP, CFA
Independent Non-Executive Director

Mr A Pillay

B Bus Sc, CA(SA), CFA, AMP
Independent Non-Executive Director

Mrs R G Govender

B Com (Acc), M Com (Tax), Advanced Post
Graduate Diploma in Financial Planning, CFP
Independent Non-Executive Deputy Chairman



ABOUT PPS INVESTMENTS

PPS Investments (PPSI) provides customised savings, investment and retirement solutions for PPS members, who are assured of the very highest standards of investment management. Members who hold qualifying life products from PPS can earn additional Profit-Share when they take up PPSI products.

In addition, if they hold other qualifying products from PPS's subsidiary and affiliate companies, they will earn allocations from the PPS Profit-Share Cross-Holdings Booster.

Our customised savings and investment solutions enable our members to save for specific goals (in some cases tax-free) and to create wealth through investment in our multi-manager portfolio of funds. We also offer a range of retirement solutions to ensure that members can enjoy a comfortable retirement after a lifetime of work.

PERFORMANCE

Despite the challenges presented by events in 2020, PPSI had an exceptional year, recording a 25% increase in profit. More specifically, gross inflows increased by 22% to R7.45 billion, while total assets under administration increased from R37.8 billion to R43.1 billion. The number of investors also increased by 13% to 52 230.

More specifically, the PPS Multi-Manager portfolios delivered relatively strong returns in 2020, with the PPS Equity Fund outperforming its SWIX (capped) benchmark by more than 9%. The recently launched PPS Global Equity Fund also outperformed the MSCI AC World Index by more than 15% in its first year. While boosting shorter-term returns, medium-term returns against inflation remain challenging for several portfolios given the subdued performance of South African equities in particular.

Portfolios with meaningful exposure to the South African resources sector and global technology shares nevertheless performed strongly in 2020. Both PPS and PPSI were fortunate to be invested with asset managers that had solid exposure in both these sectors.

Other notable developments include being awarded a 4 star Morningstar rating for the PPS Equity Fund and the top decile performance of the PPS Managed

Fund in both 2019 and 2020. All PPS funds with Morningstar ratings are now rated as either 3 star or 4 star.

Multi-managed and partnership funds	Morningstar rating
PPS Global Balanced Fund of Funds	****
PPS Moderate Fund of Funds	****
PPS Conservative Fund of Funds	****
PPS Enhanced Yield Fund	****
PPS Equity Fund	****
PPS Worldwide Flexible Fund of Funds	***
PPS Balanced Fund of Funds	***
PPS Flexible Income Fund	***
PPS Balanced Index Tracker Fund	***
PPS Global Equity Fund	N/R
PPS Managed Fund	N/R
PPS Stable Growth Fund	N/R
PPS Defensive Fund	N/R

Our positive performance was due to growth in the number of clients, new inflows, a decrease in operating costs and, not least, to sound investment decisions. Due to our longer-term focus, we remained invested throughout the periods of volatility during the year, which allowed our appointed asset managers to benefit from the market disruptions.

At macroeconomic level, financial markets in general recovered significantly from the instability caused by the pandemic. This was boosted by unprecedented financial interventions and monetary stimulus from global authorities in the first half of the year, and by the announcement of promising developments with regards to a vaccine in the fourth quarter.

On the home front, the two sovereign rating downgrades in the first half of the year had been widely anticipated and, while they did reflect the country's deteriorated fiscal position, government buffered their impact by debt trading at higher yields. In our multi-managed portfolios, we were able to use

this as an opportunity to increase our exposure to South African government debt and to benefit from the compensation this offered.

While economic conditions remain challenging and financial markets are vulnerable to short-term corrections, the size of our equity holdings across many of our portfolios means we are well positioned to benefit from opportunities our asset managers have identified.

In terms of our member-centric approach, an offer to members to transfer from the legacy section of the Retirement Annuity Fund to the new-generation section was taken up by 1 800 members. Members who took up the offer will benefit from zero administration fees for a minimum of five years or until retirement at age 66.

In term of strategic developments, a new web-based administration system to future-fit our business and enable more effective remote working was successfully implemented. Straight-through processing and bulk transaction capability for various transaction types were introduced. We also introduced mass customisation of communications with our members, and consolidated certain products to reduce administration complexity and reduce costs. Finally, the PPS Global Equity Feeder Fund was launched and received good support from financial advisers and investors, who can access this global offering via a Rand-denominated investment.

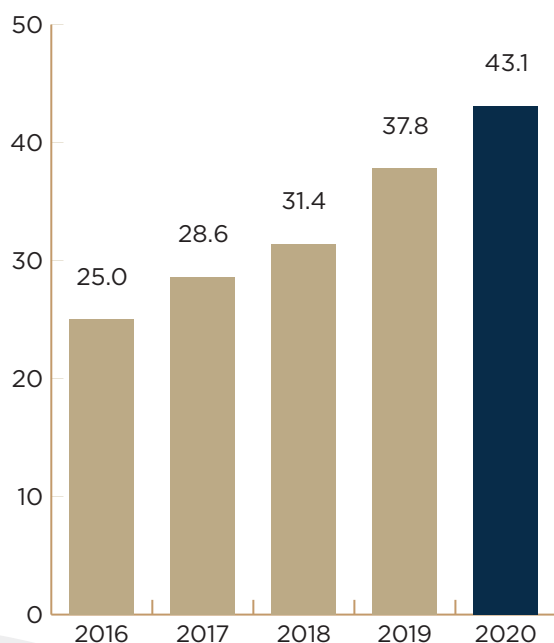
RISKS, CHALLENGES AND OPPORTUNITIES

The most significant challenges to the business in 2020 came about as a result of the impact of the COVID-19 pandemic. The lockdown at the end of the first quarter and the shift to operating remotely at such short notice meant that we had to make some significant operational changes.

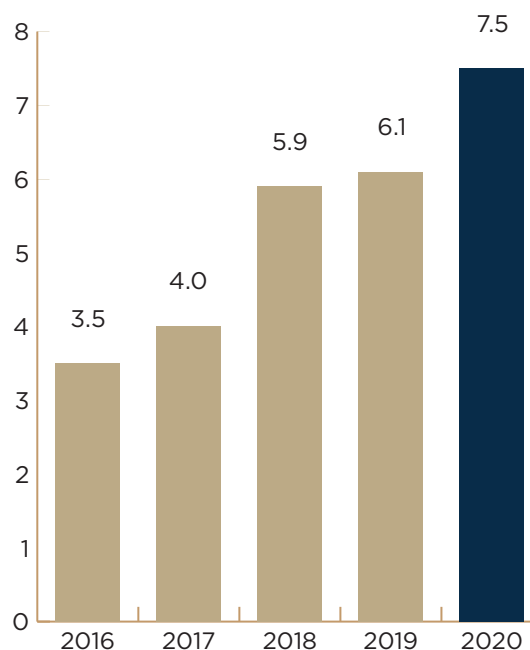
This process of reorganisation was exacerbated by continuing load shedding and unreliable internet connectivity, while increased fraud and phishing attempts were also a challenge. However, we were able to shift to a new mode of working without significant disruption. There was no break in service to our members and we were able to continue to provide the quality products and services our members expect from us.

Many member-facing functionalities, such as self-service options and the ability to transact, were already available online and, over the course of the year, the number of transactions conducted online shifted from 5% to 30%. The shift to virtual engagements and digital servicing resulted in increased engagement with members and financial advisers, enabling us to deliver better services and better results.

Total assets under management (R'bn)



New business: Investments (R'bn)



PROFESSIONAL PROVIDENT SOCIETY INVESTMENTS PROPRIETARY LIMITED (CONTINUED)

An expected increase in redemptions did not materialise and this is testimony to the overall stability of the professional market. Similarly, only a few members switched to lower-risk investment options, again confirming the understanding they have of short-term market shocks and the long-term performance of well-managed investment portfolios.

The business managed the challenges it faced primarily through regular communication with staff, financial advisers and investors, keeping them updated on notable shifts in the economy and the markets. Due to our mutual model and the fact that markets rebounded intermittently throughout the year, we were able to retain our full staff complement on full pay. This was an important response as financial services staff working in investments are highly skilled and experienced, and it was important to retain this value for our members.


A number of opportunities also presented themselves as a direct result of the pandemic. PPS Multi-Managers was able to purchase South African government bonds at attractive levels. While government continues to lack urgency in addressing its fiscal situation, PPS Multi-Managers is of the view that the yield on these investments is attractive, especially as cash rates are expected to remain low for a considerable period.

While prevailing socio-economic conditions are likely to continue to have an impact on the investment industry, PPSI is buffered by the relative prosperity and resolute nature of its professional members.

PROSPECTS

PPS and PPSI will continue to follow a diversified investment strategy in order to mitigate against the weak economic conditions in South Africa as much as possible. Restoring consumer, business and investor confidence in South Africa is also crucial for economic growth and we at PPS are committed to playing a constructive role in doing this.

We expect to see members continuing to take advantage of the family fee structure introduced in 2020, which will continue to support an intergenerational culture of saving and investment. All of our portfolios also remain well-positioned to achieve their longer-term objectives, should the environment for risk assets globally remain generally supportive, as it is expected to do.



“ Our performance is significant against the backdrop of spending nine months of our 2020 financial year operating under lockdown. These results demonstrate the effectiveness of mutuality in providing financial security and long-term benefits to our members.”

PROFESSIONAL PROVIDENT SOCIETY SHORT-TERM INSURANCE COMPANY LIMITED BOARD

First Row:

Dr D P du Plessis

B Sc, MBA, DBA, CD(SA)
Independent Non-Executive Director

Mr I J Smit

B Com (Hons), FASSA
Non-Executive Director

Mr M J Jackson

BA (Hons), MA
Independent Non-Executive Chairman

Second Row:

Mrs T Boesch

B Com (Hons), CA(SA)
Non-Executive Director

Mr P Ranchod

B Compt (Hons), CA(SA), MBL,
H Dip Business Data Processing
Independent Non-Executive Director

Mr W Bosman

B Compt (Hons), CA(SA)
Chief Executive

Third Row:

Mr J D van der Sandt

B Com (Hons), CA(SA)
Executive Director

Dr N H P Khosa

MB ChB, MBA
Independent Non-Executive Director

Mr C Erasmus

B Sc, FIA, FASSA
Independent Non-Executive Director



ABOUT PPS SHORT-TERM INSURANCE

PPS Short-Term Insurance is unlike any other short-term insurance provider in the South African industry. It provides intelligent short-term insurance solutions only to graduate professionals, a benign risk pool. These solutions include car, home, business and professional indemnity cover. In addition, it operates under the ethos of mutuality, which means that all profits are returned to members with qualifying products. The fair treatment of the whole pool of policyholders is therefore the most important goal of our business, and not protecting the interests of shareholders. Our consultants are always on hand to provide an efficient and professional service.

PERFORMANCE

The PPS Short-Term Insurance business had a successful year, performing better than expected on an overall basis. The COVID-19 pandemic did, however, have a significant impact on our financial results, which is evident from the lower-than-expected number of new policies written and a contraction of the in-force book.

We also experienced a net increase in lapsed policies, largely as a result of the financial strain that our members experienced during this time. To help ease this pressure, we offered a 20% rebate on motor vehicle insurance premiums for the month of April. Throughout the year, we assisted many of our members on an individual basis by reviewing their cover whenever the need arose. The business did, however, benefit significantly from lower claims as members who were in self-quarantine or working from home used their vehicles less frequently than usual. This resulted in a loss ratio of only 51%, which is a decline of 18% from the previous year.

PPS Short-Term Insurance now also offers Profit-Share allocations to members with qualifying life products. And with the introduction of the PPS Profit-Share Cross-Holdings Booster, members who hold PPS Short-Term Insurance policies can earn additional Profit-Share if they also hold qualifying life products.

In addition, we enhanced our value proposition with the launch of a range of concierge services. These include Fine Protect, which takes the hassle out of paying traffic fines; Licence Protect, which provides an easy way of renewing South African vehicle licensing discs; Protect Me, which is a mobile panic button that members can activate anywhere if they feel threatened; and ID Protect, which sends a notification to them if there are any changes to their credit reports.

We also launched a mobile app, which gives members the ability to view and amend policy information, submit claims and access the concierge services. Uptake of the app has been good and members have welcomed the new concierge benefit.

Our objective remains to meet the specific short-term insurance needs of our professional members and the entire business is organised in order to do this.

RISKS, CHALLENGES AND OPPORTUNITIES

Like all financial services providers in South Africa, PPS Short-Term Insurance is exposed to ongoing political and socio-economic uncertainty and we have to take this into account in all aspects of our business. A further risk, which has come about as a

PROFESSIONAL PROVIDENT SOCIETY SHORT-TERM INSURANCE COMPANY LIMITED (CONTINUED)

result of the lockdown, is the economic impact on our members' ability to pay their insurance premiums. We are constantly looking at different ways to support those affected in this way.

We anticipate an even bigger move to more self-service in our professional member base and shall continue to work on functionality, designed to improve efficiency and the overall member experience.

Rapid technological developments will be potentially disruptive, but while they may represent a challenge for the business, they will also open up many opportunities.

PPS HEALTH PROFESSIONS INDEMNITY

A product specific to PPS Short-Term Insurance is PPS Health Professions Indemnity. Designed for health professionals registered with the Health Professions Council of South Africa and working in clinical practice, it provides the security health professionals need to be able to focus on their clinical practice, safe in the knowledge that their indemnity needs are being met by a brand they know and trust.

The product has been well received by medical professionals, with uptake doubling in 2020.

The most significant competitor offering indemnity insurance is the London-based Medical Protection Society (MPS), which has traditionally served the South African market from its offices in the UK. The PPS offering is, however, different to the MPS offering in many important ways. Firstly, as we are locally based, we have a better understanding of local issues and conditions. Our service is also provided directly to members, rather than through a call centre.

Another unique feature is our risk-adjusted model. We look at the risk profile of each individual and/or practice in order to determine the cost of indemnity insurance in that particular case. We do not, for instance, set standard rates for specialists regardless of their geographic location and case load. We assess practices in big cities, where case loads are higher, differently to those located in regional towns, where case loads are usually lower. The cost of insurance is determined accordingly.

In addition, premiums are adjusted according to the risk appetite of the individual member. If practitioners manage their risk well and have a lower probability of claiming, they are able to make use of a voluntary claims deductible to lower the absolute cost of insurance.

Our response to the COVID-19 crisis was immediate. PPS Short-Term Insurance was the first provider to offer assistance to medical professionals who hold the PPS Health Professions Indemnity product and were affected by the pandemic. For example, we helped to ease cash flow by restructuring payment agreements wherever needed. We also reassessed the clinical risk profiles of members unable to work due to lockdown restrictions and offered reduced premiums for those with lower risk profiles.

PROSPECTS

Despite the constrained economic environment, the business's prospects for 2021 are good. There is, for instance, a clear opportunity to build on our value proposition and also to market the benefits of the PPS Profit-Share Cross-Holdings Booster. There is also the ongoing opportunity to partner with professional associations in order to obtain their endorsement and to provide customised solutions for their members.

PROFESSIONAL PROVIDENT SOCIETY HEALTHCARE ADMINISTRATORS PROPRIETARY LIMITED BOARD

First Row:

Mr N C Nyawo

B Com (Hons), CA(SA), MBA
Chartered Accountant
Independent Non-Executive Director

Mr I J Smit

B Com (Hons), FASSA
Non-Executive Director

Mr M J Jackson

BA (Hons), MA
Independent Non-Executive Chairman

Second Row:

Mrs T Boesch

B Com (Hons), CA(SA)
Non-Executive Director

Dr N H P Khosa

MB ChB, MBA
Independent Non-Executive Deputy Chairman

Mr I Kotzé

B Pharm
Independent Non-Executive Director

Third Row:

Mr S J van Molendorff

B Compt (Hons), CA(SA)
Chief Financial Officer

Mrs S Bassudev

B Pharm
Chief Executive



ABOUT PPS HEALTHCARE ADMINISTRATORS

PPS Healthcare Administrators (PPSHA) is a wholly-owned subsidiary of PPS Insurance and we offer primary administration and managed healthcare services to a number of open and restricted medical aid schemes. The company is governed by the Medical Schemes Act and regulated by the Council for Medical Schemes.

The medical schemes in our portfolio are:

- Profmed, a closed scheme for graduate professionals. We provide administration and managed healthcare services for this scheme.
- KeyHealth, an open scheme which services local government employees and a growing number of private members. We provide administration and managed healthcare services for this scheme.
- Regular Force Medical Continuation Fund, a prefunded medical scheme that funds healthcare treatment for retired members of the South African National Defence Force. We provide administration and managed healthcare services for this scheme.
- De Beers Benefit Society, a closed medical scheme specifically for the employees of De Beers. We provide managed healthcare services for this scheme.
- SEDMED, a closed medical scheme for the Seventh Day Adventist Church. We provide managed healthcare services for this scheme.

As each of these schemes caters for different member needs, we customise our healthcare solutions rather than offering a single packaged service. We also aim to differentiate ourselves from our competitors through our high-service model and proven capability in managing closed, open and prefunded schemes using bespoke solutions.

PERFORMANCE

PPSHA is South Africa's fourth-largest medical schemes administrator and our fees track within the industry average range. We have consistently contributed to PPS Profit-Share. PPS members who hold qualifying PPS life products and belong to Profmed earn additional Profit-Share, which is reflected on their account statements. As part of the PPS Profit-Share Cross-Holdings Booster, these

members earn an additional allocation for holding a combination of PPS life products, as well as products from PPS subsidiaries.

We have grown considerably since 2005, when we took on Profmed, our first client. Today, across all schemes, the total membership under management is 100 500 families.

In 2020, our business, like all others, was affected by the COVID-19 pandemic. The impact of the first phase of the lockdown on healthcare services providers, medical schemes and administrators, all of whom are essential services providers, was initially significant. Local markets crashed and this, together with extensive job losses in the economy, had a direct influence on our income and the income of the schemes we service. Costs certainly came under the spotlight and we had to look at managing them without compromising our ability to deliver.

The schemes nevertheless did not see a markedly higher attrition rate than normal, and the uptake of new members was comparable to previous years. There were, however, challenges related to collecting contributions as some members lost their jobs and some professional members in private practice were unable to work due to lockdown restrictions. The schemes we administer offered a number of concessions and relief measures to assist members in this position.

In the area of managed healthcare, the schemes agreed to cover telehealth consultations for routine ailments and conditions as a way of minimising potential exposure to the virus. After consulting with the schemes, coverage for enhanced telehealth services – such as consultations with specialists, psychologists and psychiatrists – was also included.

At operational level, COVID-19 fundamentally changed the way in which we work. In managed healthcare,

one of the biggest uncertainties was the question of how to manage the pandemic on an individual basis. However, very soon after the first case was identified in South Africa, our regulator, the Council for Medical Schemes, added COVID-19 to the list of conditions qualifying for prescribed minimum benefits. This made it mandatory for schemes to cover the medical costs of members who had contracted the virus. With this established, we could, both as an administrator and a managed healthcare provider, gear up to deal with COVID-19-related claims.

In the area of occupational health, there were many challenges when it came to providing cover for medical staff, especially frontline staff dealing with COVID-19 patients in hospitals. Schemes had to develop new clinical protocols specifically for members working in healthcare facilities who were testing for the virus on an ongoing basis.

It is important to mention that our staff embraced the changes that were thrust upon them by circumstance, even though this was both practically and emotionally challenging. This was in no small part due to the involvement of the Employee Assistance Programme, which was on hand throughout the pandemic to help individuals with both work-related and personal issues.

Notwithstanding all the challenges, we met the conditions of our service level agreements across all schemes, which is a notable achievement.

RISKS, CHALLENGES AND OPPORTUNITIES

The greatest risks to the business are the constantly changing regulatory environment and the consolidation of the medical schemes administration market. We are one of 11 administrators competing for the business of the 80 medical schemes in South Africa. As schemes merge and consolidate, they become bigger, but the overall pool of clients becomes smaller.

Accelerating technological change represents both a challenge and an opportunity. The challenge is one of keeping up in a constantly evolving environment, while the opportunity this presents is one of getting closer to our clients and their members, and of maintaining a process of continuous improvement.

INNOVATION

The roll-out of our private client service model has been very successful. This is a customised private client experience for the medical scheme environment and aims to provide for the first-time resolution of

queries. The objective of the model is to provide a high-touch environment with exceptional levels of service, especially to professional members, who expect only the best. In support of this objective, we continuously implement technological innovations and enhance both our online capabilities and the functionality of our mobile app. To illustrate, the onboarding of new members takes less than 24 hours and our app is frequently voted as the best healthcare app in the android app store.

In addition, our new 'Friendly' capability went live at the end of 2020. This is a back-end capability that uses Artificial Intelligence (AI) to read paper claims and convert them into a digital format. This will add a new level of efficiency to claims processing, especially for schemes that still receive most claims on paper or as scanned documents.

Innovations currently in the pipeline include communicating with members via WhatsApp for Business; the use of SnapScan for collection of contributions, which will automatically allocate the contribution received; a 24/7 self-service option for both members and providers, accessible via our telephone system; and voice-recognition capabilities for when members contact our call centres. We are also planning to use AI-assisted robotic process automation to enhance some of the processes in our Managed Healthcare division.

PROSPECTS

Our prospects for 2021 are good. The schemes we administer and manage are stable, as are their membership bases.

Growth is anticipated from a growing membership at scheme level as well as from new services, such as disease and dental management, for our current schemes. Improved services will help to secure these members, and this will have long-term benefits for both the company and our clients. Costs will be minimised by the introduction of new efficiencies, such as remote working and the technological advances we are making.

The affordability of medical aids remains a major issue for members and this naturally increases the risk of attrition. A further immediate risk is that of medical professionals in private practice choosing to emigrate for various reasons.

PPSHA nevertheless continues to hold steady despite operating in such a fluid environment and we look forward to a successful year in 2021.

PPS NAMIBIA



First row:

Mr J A Thomas

B Com (Hons) Actuarial Science, FASSA
Non-Executive Director

Mr I J Smit

B Com (Hons), FASSA
Non-Executive Director

Mr R A van Rooi

B Econ, B Com(Hons)
Independent Non-Executive Director

Second row:

Mr J van der Westhuizen

B Com, HDE, CAIB(SA), CFP
Chief Executive

Dr E Maritz

MB ChB
Independent Non-Executive Director

Mr S I de Bruin

B Com (Hons), CA(NAM)
Independent Non-Executive Chairman

Third row:

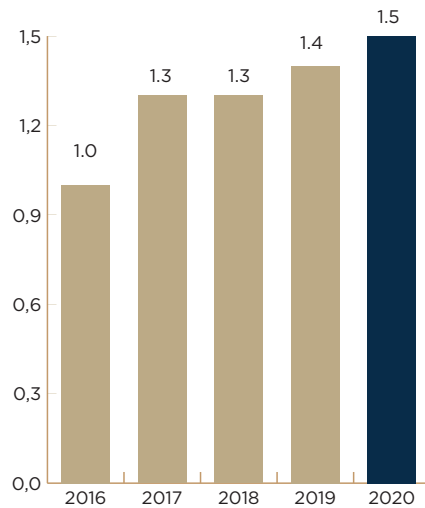
Ms M D Erkana

IB, LLB
Independent Non-Executive Director



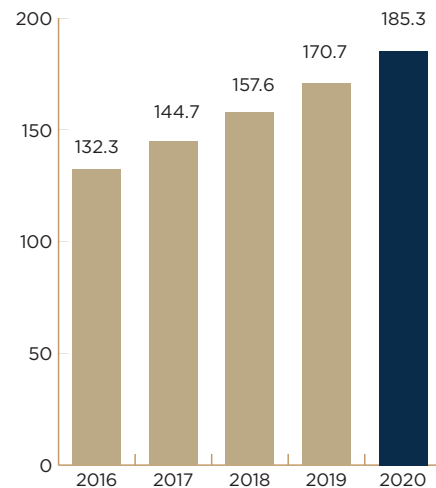
SICKNESS AND LIFE INSURANCE

Total assets (N\$'bn)



N\$1.5 billion

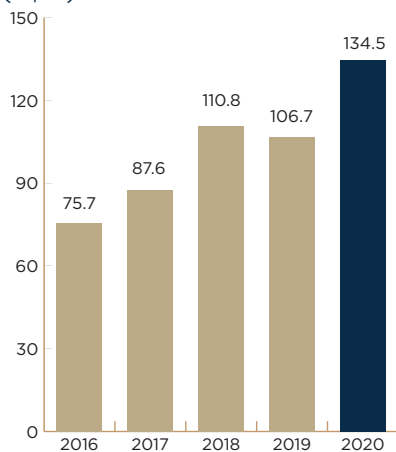
Gross premium revenue (N\$m)



N\$185.3 million

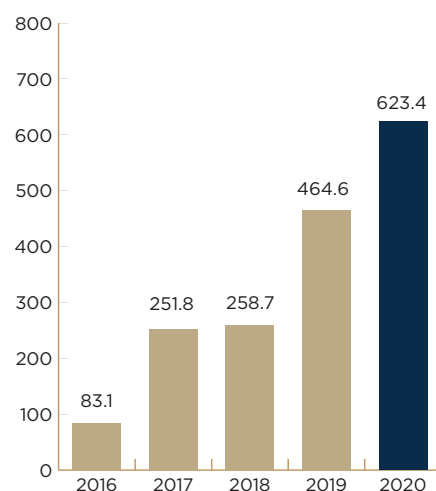
PROFIT SHARE ALLOCATIONS

Annual gross benefits paid to members (N\$m)



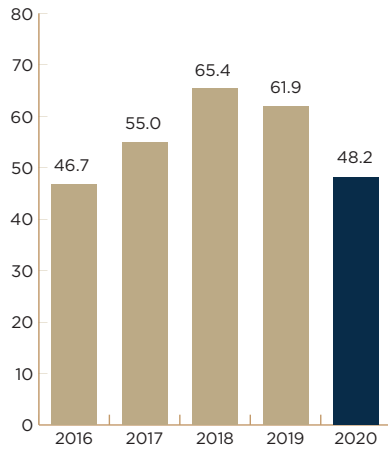
N\$134.5 million

Cumulative profit share allocations for the last five years (N\$m)



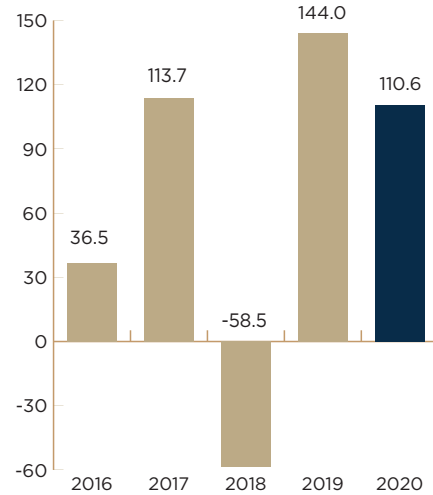
N\$623.4 million

Annual operating profit allocations (N\$m)



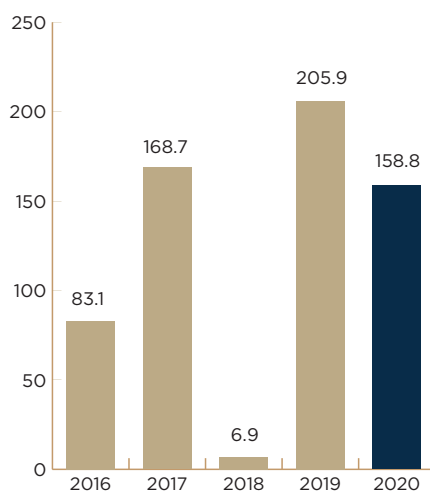
N\$48.2 million

Annual investment profit/(loss) allocations (N\$m)



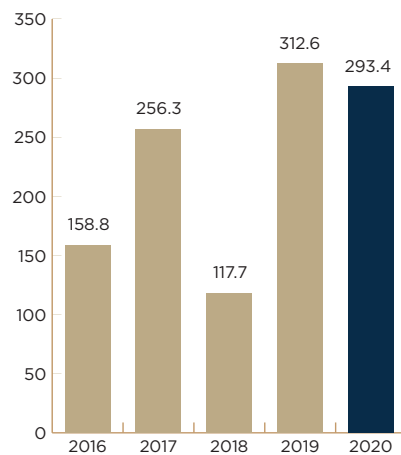
N\$110.6 million

Total annual profit-share allocations (N\$m)



N\$158.8 million

Annual gross benefits paid to members and profit-share allocations (N\$m)



N\$293.4 million

MATERIAL MATTERS AND RISK MANAGEMENT

MATERIAL MATTERS

PPS defines material matters as issues that can either directly or indirectly create, preserve or erode financial, economic, environmental and/or social value for the Group and its stakeholders. Both internal and external influences are considered when determining and prioritising material matters and our response to them.

We consider the following matters to be material to the Group, our members, our staff and other stakeholders:

IMPACT OF COVID-19

DEFINING THE ISSUE:

The COVID-19 pandemic has permanently changed the environment in which we operate and its full impact on society and the economy is yet to be fully quantified. In this very fluid situation, planning ahead is challenging, as is managing the rapid pace of change that the pandemic has precipitated. Business continuity is a key focus, as is the way in which we reorganise our operations. As a Group, we face the challenge of having to secure our sustainability and, more importantly, our ability to support our ability to support members, financial advisers and staff at this time.

PPS'S RESPONSE:

We have rapidly adapted to the challenges presented by the pandemic and have implemented a hybrid operating model that includes remote working. We have put a comprehensive pandemic management strategy into place, which covers all aspects of our business, including the introduction of COVID-19

claims protocols as well as our commitment to being a good corporate citizen.

From an investment point of view, our multi-manager portfolio, which includes selected offshore investments, is well buffered against market shocks. At operational level, all our subsidiaries have plans in place to deal with both macroeconomic and sector-specific issues. In the area of information management, we have appointed a new Group Chief Information Officer to ensure that the accelerated pace at which the business is having to digitalise is securely and efficiently managed.

With regard to our members, we constantly assess the impact the pandemic and associated economic environment have on them, and tailor our responses accordingly.

From a human capital perspective, we have comprehensive programmes in place to help our staff adapt to a changing reality, both in the workplace and at home. We also remain fundamentally committed to supporting efforts to mitigate the impact of COVID-19 on the most vulnerable members of our society through the work of the PPS Foundation.

WEAK ECONOMIC ENVIRONMENT

DEFINING THE ISSUE:

The pandemic has exacerbated the already-constrained economic environment in South Africa. Growth has slipped into negative territory and this will have a knock-on effect on all aspects of life. For PPS, this makes it more challenging to sign up new members, threatens to increase lapse rates, impacts on costs, affects investment returns and can have a negative influence on profitability. Existing members may also choose to reduce their premiums or forego certain products when budgets become restrained.

PPS'S RESPONSE:

We take a long-term view of wealth creation and focus on delivering lifetime value for our members. A range of asset managers, asset classes and types are used to diversify investment risk, and our portfolios are positioned appropriate to market conditions. This approach yields the best results in the medium to long term, mitigating the negative effects of short-term conditions. Normal economic cycles and key events are taken into account when developing investment strategies to either maximise or mitigate their effect.

As far as lapse rates are concerned, retention initiatives are implemented by management on an ongoing basis to mitigate controllable lapses. Costs are also stringently managed. A key focus is on developing initiatives for and to attract the younger graduate market.

CYBER-SECURITY

DEFINING THE ISSUE:

Cyber-security and the risk of our systems being compromised in any way, either through an external attack or through system failure, are two of the most pressing material matters for the business. The risk

of cyber-attacks is ever-present and the move to remote working presents unique challenges. This has been confirmed in the recent malicious cyber-attack on the business in March 2021.

PPS'S RESPONSE:

We constantly review our information management strategy, manage technological development centrally and invest substantially in best-of-breed technology solutions. We do this to secure and grow our business, and also to ensure that we can consistently improve our total member experience.

As part of our comprehensive cyber risk management process, we cooperate with worldwide providers and, through a third-party provider, obtain alerts about known and evolving risks. This gives our systems an additional level of security, and greatly assisted in our response to the recent malicious cyber-attack.

SUSTAINING STAKEHOLDER VALUE

DEFINING THE ISSUE:

PPS's purpose is to create sustainable financial and lifestyle value for members and their families during their working lives and beyond. The principles of mutuality are key considerations in determining our risk appetite as a Group. These principles include endeavouring to ensure inter-generational fairness and operating the business for the benefit of all members without favouring any specific group of members over another.

PPS'S RESPONSE:

To fulfil this objective, we consistently improve on and expand our range of products and services, which are designed to meet members' changing needs throughout their lives. Highly qualified and experienced PPS financial advisers not only assist in developing unique financial solutions for each member, but help to minimise the time that busy professionals need to spend on financial planning.

We also strive to add value through system, product and service innovation, as well as through our specialist advisory units.

DEVELOPING INNOVATIVE PRODUCTS, SERVICES AND SOLUTIONS

DEFINING THE ISSUE:

In an environment defined by the rapid emergence of new technologies, insurers are able to analyse customer data and bring new products to market quickly. We strive to maintain a deep understanding of our members and their needs so that we are consistently able to design and launch customised and relevant products, services and solutions.

PPS'S RESPONSE:

We continuously engage with our members in order to maintain an understanding of and insight into their dreams, goals and requirements. Drawing on this, we endeavour to develop, launch and improve our products and services. Details of recent innovations are given in the Innovations section of this report.

DIGITAL TRANSFORMATION

DEFINING THE ISSUE:

Large-scale digitalisation has fundamentally changed the way in which people engage. Professionals operating in an internet-enabled 24/7 information-sharing and transacting environment measure the standard of the services of their financial services provider against the standard of service they can or could receive from all other providers, including their banks and online retailers like Amazon. They have come to expect constant multi-channel access to providers, as well as features such as paperless transactions, speed, efficiency, transparency and remote advice.

PPS'S RESPONSE:

At PPS, we use technology to improve all aspects of our business. Our technologies include a member and financial-adviser engagement platform, a multi-platform internet presence, a tool to calculate actual and potential Profit-Share, a data analytics platform that draws on various data points, a security platform powered by AI and a robotics initiative. Analysing and responding to technological developments is a fundamental aspect of our commitment to continuous improvement.

EMPLOYEE WELLBEING

DEFINING THE ISSUE:

In a country characterised by a pervasive shortage of skills, the ability to attract, develop and retain talent is vital. More than that, we believe that the way in which we treat our employees ultimately defines how they treat our members. Managing employee satisfaction is therefore a very important material matter of the business.

PPS'S RESPONSE:

Our full response to this challenge is outlined in the Human Capital section of this report. In 2020, despite having to work while dealing with numerous disruptions, employee engagement and satisfaction improved. For example, engagement in the annual employee satisfaction survey increased from 60% to 70%. This is a major milestone for us; a knock-on effect resulting from our efforts to ensure that employees are more connected, involved and informed.

REGULATORY ISSUES

DEFINING THE ISSUE:

As a financial institution, we comply with all laws and regulations governing the industry. There should, however, be a balance between protecting customers, supporting the stability of the financial system and onerous, voluminous legislative requirements, which are constantly changing.

PPS'S RESPONSE:

After extensive research and analysis, PPS has developed its own complete Own Risk and Solvency Assessment, which consistently demonstrates that the Group is prudently managed. We also actively engage with government and regulators on matters that can, or do have an effect, on our members and the professional community as a whole.

RISK MANAGEMENT

PPS takes care of the financial interests of its members by providing advice, products and services to create, protect and manage their wealth. The Group's risk appetite is determined by its ethos of mutuality and its responsibility to operate efficiently

and ethically within legislative parameters to achieve its mandate. PPS risk management – an iterative process applied at strategic, operational and project levels – is integrated throughout all PPS activities.

Risks are identified by ascertaining the causes and sources of events, situations or circumstances that could materially impact the group, either positively or negatively. Methods for identifying risk include monitoring the external environment and industry trends; conducting risk-analysis workshops; interviews and analysing various scenarios, data and assumptions, and audits.

Risks identified in terms of PPS’s risk management criteria are evaluated for likelihood, consequence and velocity, taking into account the effectiveness of existing controls. All of these factors are combined in order to determine residual risk, which is assessed against PPS’s approved risk appetite. Reasonably foreseeable, emerging and relevant material risks for the Group are reported in various risk registers. These include current and emerging risks and take

into account the Group’s long-term strategic targets as well as its risk appetite for each type of risk. Mitigation plans and existing controls are articulated and measured for all risks.

The Group’s process of identifying and managing risks typically includes and facilitates:

- ⦿ discussions on how emerging risk scenarios might impact on business strategy;
- ⦿ consideration of key trends and developments in the insurance and wider financial-services industry and the ways in which these could impact on PPS in the future; and
- ⦿ reviewing the emerging risks being experienced by other insurers and/or similar financial-services institutions.

In order to manage risk effectively, PPS continuously tracks many different risks on its various risk dashboards and responds to emerging risks as soon as they are identified. The following are the material risks for the Group:

RISK	MITIGATING ACTIONS
1. Prolonged outbreak of COVID-19	<ul style="list-style-type: none"> ⦿ Premium support mechanisms for members ⦿ COVID-19-enhanced claims protocols ⦿ Regular engagement with employees
2. Extended period of low economic growth	<ul style="list-style-type: none"> ⦿ Ongoing implementation of strategic plan by pursuing identified opportunities ⦿ Ongoing review of expenditure to identify efficiencies ⦿ Monitoring of lapses ⦿ Intensified member retention efforts
3. Sustainability	<ul style="list-style-type: none"> ⦿ Close monitoring and in-depth analysis of claims experience ⦿ Continuous review and update of claims protocols to remain relevant ⦿ Ensure appropriate reinsurance and product structures ⦿ Implement enhanced member and financial-adviser experience initiatives ⦿ Enhance our group brand and market positioning ⦿ Product innovations and holistic solutions for members ⦿ Legislative compliance ⦿ Minimise disruptions to business from the significant volume of proposed legislation and amendments to existing legislation ⦿ Responsible Governance ⦿ Continue to stay well-informed of external events impacting our members
4. Cyber exposure	<ul style="list-style-type: none"> ⦿ Secure IT Platforms ⦿ Cyber security plan in place ⦿ Security Incident Response Plan in place ⦿ Security-awareness programmes for employees
5. Prolonged poor investment performance cycle	<ul style="list-style-type: none"> ⦿ Long-term well-diversified investment strategy ⦿ Balanced portfolios with international exposure ⦿ Multiple asset managers

PPS GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	DESCRIPTION OF INDIVIDUAL ITEMS
ASSETS						
Property and equipment	681	736	594	593	546	Fixed assets owned and leased. These include PPS's head office premises, furniture, equipment, computers and vehicles.
Investment property	460	501	409	382	356	Properties which are held for the purpose of rental income and capital appreciation.
Intangible assets	235	175	168	90	73	Internally-developed insurance software and acquired customer relationships.
Other non-current assets	53 688	47 914	43 215	41 395	37 150	Assets backing insurance liabilities. These mainly comprise investments in equities and bonds, managed by investment managers who act in accordance with investment mandates set by the Board of directors of PPS Insurance.
Current assets	4 035	3 673	3 203	3 532	2 383	Primarily cash resources of PPS Group.
Total assets	59 099	52 999	47 589	45 992	40 508	
EQUITY AND LIABILITIES						
Total equity	339	339	360	449	400	Statutory capital requirement of the insurance entities, revaluation reserve of owner-occupied properties and certain reserves of subsidiaries.
Insurance policy liabilities, and Profit-Share Accounts	35 481	33 419	31 136	31 418	28 217	
PPS Profit-Share Accounts (DPF-Policyholder Liabilities)	29 467	28 975	26 073	26 615	23 949	Members' Profit-Share Accounts comprising cumulative operating profits and investment profits/(losses).
Actuarial reserves (Non-DPF Policyholder Liabilities)	5 185	3 945	4 537	4 268	3 907	Capital held to pay future claims.
Current liabilities	829	499	526	535	361	Long-term insurance: Notified claims not yet paid and claims provisions.
Investment contract liabilities	3 194	2 589	2 046	1 877	1 466	Funds of members invested in PPS living annuities and endowment products.
Liabilities to unit trust holders	17 878	14 908	12 670	10 709	9 089	Value of outsiders' investments in unit trusts controlled by PPS.
Other liabilities	2 207	1 744	1 376	1 538	1 338	Primarily current liabilities.
Total equity and liabilities	59 099	52 999	47 589	45 992	40 508	

PPS Members' Profit-Share Accounts comprising Apportionment and Special Benefit Accounts

PPS GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	DESCRIPTION OF INDIVIDUAL ITEMS
Net insurance premium revenue	4 898	4 607	4 163	3 858	3 414	Premiums received from policyholders net of reinsurance premiums paid to reinsurers.
Other income	530	481	418	437	369	Administration fees: Long- and short-term insurance, medical aid and retirement annuity. Short-term insurance commissions. Fees earned for asset management.
Investment income & profits/ (losses) on financial assets and investment property	4 253	5 344	31	4 611	2 293	Interest, dividends, and realised & unrealised gains on investment assets.
Attributable to unit trust holders	(853)	(1 735)	(154)	(966)	(477)	Third-party unit trust holders' share of relevant income and revaluation gains.
Total revenue	8 828	8 697	4 458	7 940	5 599	
Gross insurance benefits and claims	(4 841)	(3 749)	(3 167)	(2 877)	(2 423)	Gross benefits paid to members.
Reinsurance claims recoveries	481	260	235	177	160	Claims recovered from reinsurers.
(Increase) / Decrease in fair value of policyholder liabilities under investment contracts	(166)	(170)	48	(140)	(15)	Investment income, net of expenses, relating to the underlying assets linked to the investment policyholder contracts.
Expenses	(2 108)	(2 210)	(1 910)	(1 596)	(1 507)	Group operating expenses, commissions paid on new business written, and investment management fees.
Finance costs	(19)	(24)	(17)	(17)	(18)	Interest cost on borrowings and lease liabilities.
(Loss)/profit before movement in insurance policy liabilities	2 175	2 804	(353)	3 487	1 796	
Movement to insurance policy liabilities	(1 691)	(2 436)	334	(3 012)	(1 547)	The amount allocated to members in their capacity as policyholders.
Tax	(472)	(381)	28	(465)	(226)	Taxes raised in favour of the South African and Namibian Revenue Services.
Surplus / (deficit) after tax and policy movements	12	(13)	9	10	23	Any adjustment required to maintain capital cover and the result of operations of subsidiaries, other than the long-term insurance subsidiaries. This includes losses of subsidiaries that are in the start-up phase of their business cycle.

This comprises insurance claims paid to members and Profit-Share payouts

This amount forms part of the annual allocation to members' PPS Profit-Share Accounts. A further R524m is from movements in the Actuarial Reserve

KEY PERFORMANCE INDICATORS

OUR KEY KPI'S		Unit of measure	2020 PERFORMANCE	2020 GOAL	COMMENTARY
FINANCIAL STABILITY	Gross premium income	Rand billions	5.3	5.5	● Partly achieved Gross premium income (long-term & short-term insurance) is slightly behind expectations mainly due to the lower take-up rate of the annual benefit increase.
	Investment return	%	6.9	6.3	● Achieved Investment return measured over a five-year rolling period performed ahead of the benchmark.
	Efficiency ratio	%	15.5	16.2	● Achieved Cost control remains an imperative of the Group.
	New annual risk premiums (long-term insurance)	Rand millions	222.6	251.8	● Not achieved New annual risk premiums are 11% down on prior year and performed behind target as a result of the economic impact of the COVID-19 lockdown.
	New gross written premiums (short-term insurance)	Rand millions	12.9	28.2	● Not achieved New short-term insurance premiums written are 50% down on the prior year and performed behind target as a result of the economic impact of the Covid-19 lockdown.
	New investment inflows	Rand billions	7.5	7.6	● Achieved Performance is 23% up on prior year, and in line with target.
MEMBERSHIP	Number of new members recruited during the year	Individuals	6 876	6 822	● Achieved New member recruitment performed in line with target in 2020.
	Long-term insurance policies lapse rate	%	5.1	5.4	● Achieved Policy lapse rates exceeded target due to enhanced member retention efforts.
	Health Claims	Rand billions	1.9	1.4	● Not achieved Health claims are more than expected and include R155.8 million sickness claims related to COVID-19.
	Death Claims	Rand billions	1.3	0.7	● Not achieved Death claims are more than expected and include R233.9 million claims certified as COVID-19.
STAFF	Employee satisfaction survey results	%	92	90	● Achieved Employee satisfaction scores remain in excess of target.
	Training spend as a percentage of payroll	%	5.0	> 4.0	● Achieved Training spend is ahead of target. Investment in human capital continues to be an important strategic objective of the Group.

* Assets in unit trusts for third parties

- Achieved
- Partly achieved
- Not achieved



9

YEARS
OF MEMBERSHIP

“It’s just a no brainer to cover all my financial needs with a PPS solution, because it gives me real peace of mind and assurance that I am in good hands.”

JC VORSTER

MANAGER: LIFE BROKER SUPPORT AT PPS



7
YEARS
OF MEMBERSHIP

“I love the concept that, at PPS, members have a stake in the business and they are able to influence the company.”

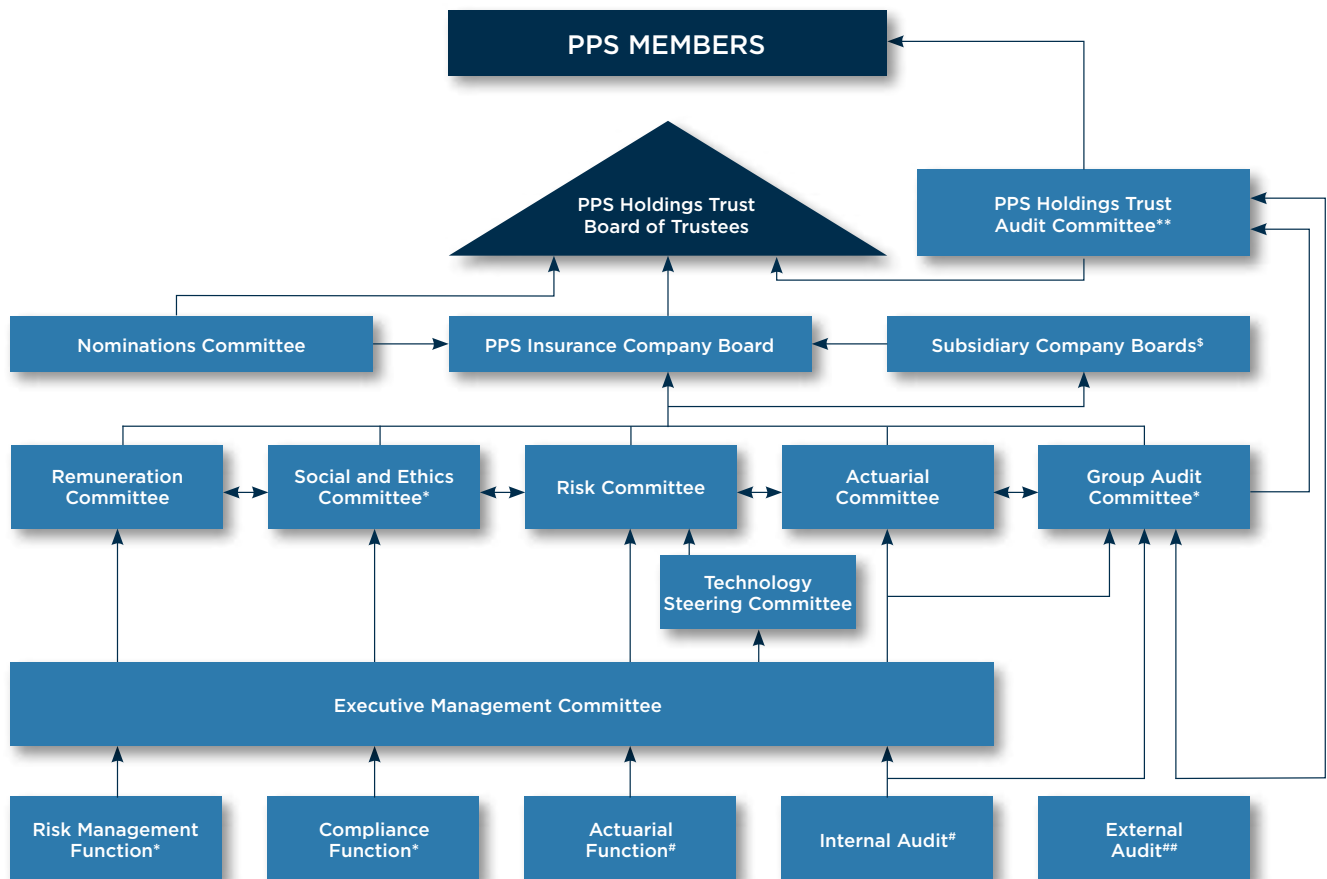
SUNDRESAN MOODLEY
REGIONAL GENERAL MANAGER AT PPS

CORPORATE GOVERNANCE

The governance framework for the PPS Group is comprehensive and consistent, covering both regulated and non-regulated entities.

CORPORATE GOVERNANCE REPORT

GOVERNANCE STRUCTURE



- * These are statutory committees with a direct reporting line to the PPS Insurance Board.
- ** This is a statutory committee, required in terms of the Trust Deed of PPS Holdings Trust, with a direct reporting line to the PPS Holdings Trust Board.
- # These functions also have direct reporting lines to the appropriate board committees.
- ## External audit has a direct reporting line to the boards of PPS Holdings Trust, PPS Insurance and its subsidiaries, and reports primarily to PPS members.
- ⁵ Subsidiaries PPS Short-Term Insurance and PPS Investments each have their own combined Risk and Audit Committees, over which the Group Risk and Group Audit Committees have oversight.

GOVERNANCE

The holding entity of the PPS Group is the Professional Provident Society Holdings Trust (PPS Holdings Trust). Its primary operating subsidiary is Professional Provident Society Insurance Company Limited (PPS Insurance). The key operating subsidiaries of PPS Insurance are Professional Provident Society Short-Term Insurance Company Limited (PPS Short-Term Insurance), Professional Provident Society Investments Proprietary Limited (PPS Investments) and Professional Provident Society Healthcare Administrators Proprietary Limited (PPS Healthcare Administrators). Good corporate governance is an integral part of the PPS Group's operations and the PPS Group is fully committed to the principles of King IV and the Prudential Standards. In terms of the Prudential Standards, Risk Management and Internal Controls for Insurers (GOI 3), PPS Insurance is required to adopt, implement, and document an effective governance framework that provides for the prudent management and oversight of its insurance business and adequately protects the interests of its policyholders.

CONVERSION OF PPS INSURERS AND GOVERNANCE FRAMEWORK

The conversion of PPS Insurance and PPS Short-Term Insurance licenses in terms of the Insurance Act, 18 of 2017, has been completed. PPS Insurance has been designated as an insurance group and controlling company in terms of sections 10(1) and 10(2) of the Insurance Act.

PPS Insurance as the controlling company of the PPS Insurance Group has established an effective governance framework that provides for sound and prudent management of the PPS Group's business, including adequate protection of the interests of policyholders of insurers that are part of the PPS Group in accordance with the Prudential Standard for Governance and Operational Standards for Insurance Groups (GOG).

The governance framework for the PPS Group is comprehensive and consistent, covering both regulated and non-regulated entities:

- a. allows for the prudential and legal obligations of individual entities within the PPS Group to be met;
- b. appropriately balances any divergence in governance requirements applicable to different entities within the PPS Group.

The PPS Group's governance framework includes adequate policies and processes to enable potential intra-insurance group conflicts of interest to be identified, avoided if possible, and managed if avoidance is not possible.

The governance framework consists of three parts being:

- ⦿ Boards and board committees – This pertains to the composition, governance and structure of the PPS Holdings Trust Board of Trustees, the PPS Insurance Board of Directors and the boards of directors of the operating subsidiary companies, with well-defined roles and responsibilities, as well as statutory and other board committees, being the PPS Holdings Trust Audit Committee, the PPS Group Audit, Risk, Social and Ethics, Actuarial, Remuneration, Nominations and Technology Steering Committees, as well as the Risk and Audit Committees established by certain subsidiaries.
- ⦿ Risk management system – The risk management system includes all required key risk management policies, as required by Prudential Standard GOI3: Risk Management and Internal Controls for insurers.
- ⦿ Internal control system.

The PPS Group Governance Framework provides for the prudent management and oversight of the PPS Group, as well as adequately protecting the interests of PPS' members. The framework is appropriate, given the nature, scale and complexity of the PPS Group and its associated risks and is based on key principles as set out in this report.

TRANSPARENT ORGANISATIONAL STRUCTURE

The governance framework provides an adequate, transparent organisational structure with a clear allocation and appropriate segregation of responsibilities and controls to ensure that segregation is observed. The roles and responsibilities of persons accountable for the management and oversight of the PPS Group are clearly defined. The PPS Group is governed by a unitary board of trustees, assisted by boards of directors, board committees and management committees.

An appropriate system of delegation is in place, in terms of which the direction of the operations of the PPS Group has been delegated to the PPS Insurance Board. The PPS Insurance Board has delegated some of the activities and tasks associated with its role and responsibilities to board committees, the Group Executive Committee, senior management and other employees of the PPS Group.

FIT AND PROPER

The PPS Group Boards are ultimately responsible for ensuring that PPS complies with the fitness and propriety principles and requirements.

The PPS Group Fit and Proper Policy read with the Prudential Standard GOI 4: Fitness and Propriety of Key Persons of Insurers and Joint Standard 1 of 2020: Fitness, propriety and other matters related to Significant Owners state that the following persons must, at all times, meet Fit and Proper requirements:

- ⦿ Trustees and directors.
- ⦿ Key Persons, being directors and trustees, the Group Chief Executive (Chief Executive) and persons reporting directly to the Chief Executive with decision-making powers.
- ⦿ Heads of Control Functions.
- ⦿ Auditors.
- ⦿ Significant owners of insurance companies in the PPS Group.

Fit and proper checks for the aforementioned persons are conducted on an annual basis.

RISK MANAGEMENT SYSTEM

The risk management system comprises the totality of strategies, policies and related procedures, and tools for identifying, assessing, measuring, monitoring, managing reporting and mitigating of all reasonably foreseeable current and emerging material risks that may affect the PPS Group's ability to meet its strategic objectives. Risk management is part of the day-to-day business activities conducted at the PPS Group. The system takes into account the probability, potential impact, velocity and duration of risks and is adapted as the business and the external environment change. The system supports the PPS Group Boards in meeting their responsibilities relating to the promotion of sound risk management, compliance and policyholder protection. The objectives of the PPS Group are aligned with its environmental policies. The risk management system takes into account the alignment of sustaining and growing the business while preserving the environment.

The risk management system comprises the following components:

- a. A clearly defined and documented risk management strategy that includes the risk management objectives, principles and approach to assumption setting, and assignment of risk management responsibilities across all activities consistent with the overall business strategy;
- b. Adequate written policies consistent with the risk management strategy;
- c. Appropriate policies, processes, procedures, controls and tools for identifying, measuring, monitoring, managing and reporting on all material risks;
- d. Reports to inform Senior Managers, the Risk Committee (Risk and Audit Committee where applicable), the PPS Group Boards and other key persons in control functions on all material risks faced by PPS Group and on the effectiveness of the risk management system itself;
- e. Processes for ensuring adequate contingency planning, business continuity and crisis management.

The detailed particulars of the risk management system are set out in the PPS Group Enterprise Risk Management Framework.

INTERNAL CONTROL SYSTEM

The internal control system consists of the totality of strategies, policies, procedures, and controls to assist the PPS Group Boards and Senior Managers in the fulfilment of their oversight and management responsibilities. The PPS Group has adopted a Five Lines of Assurance model, supported by a combined

assurance framework, to facilitate and ensure effective governance across all processes and functions.

The internal control system provides the PPS Group Boards and Senior Managers with reasonable assurance from a control perspective that the business is operated consistently within the following parameters:

- ◉ Business objectives of the PPS Group.
- ◉ Strategy determined by the PPS Group Boards. The detailed particulars of the strategic planning process are set out in the PPS Group Capital Management Policy.
- ◉ Key business, information technology and financial policies and processes, as well as related risk management policies and procedures, determined by the PPS Group Boards.
- ◉ Applicable laws, regulations and supervisory requirements.

The internal control system comprises the following components:

- a. Appropriate accounting policies and controls for all key business processes to ensure the fairness, accuracy, reliability and completeness of the PPS Group's financial and non-financial information;
- b. Annual compliance plan;
- c. Appropriate segregation of duties and controls to ensure that such segregation is observed;
- d. Detailed control processes for complex business activities;
- e. Training in respect of relevant components of the system of internal controls, particularly for employees in positions of trust or responsibility, or who carry out the PPS Group's activities that involve significant risk;
- f. Regular monitoring of key controls to ensure that they remain effective, form a coherent system and that the internal control system functions as intended, fits within the overall governance framework and complements the risk identification, risk assessment and risk management activities;
- g. Regular, independent testing and assessments to determine the adequacy, completeness and effectiveness of the internal control system and its usefulness to the PPS Group Boards and Senior Managers for controlling the operations.

CONTROL FUNCTIONS

In terms of the Prudential Standard GOI 3: Risk Management and Internal Controls, an insurer must establish and adequately resource at least certain control functions. The following four key control functions are established, resourced and in place within the two PPS Group insurance companies:

- ⊙ Risk management Function.
- ⊙ Actuarial Function.
- ⊙ Compliance Function.
- ⊙ Internal audit Function.

The control functions are structured to include the necessary authority, independence, resources, expertise, access to the PPS Group Boards and all relevant employees, as well as information to enable them to exercise their authority and perform their responsibilities. The performance of the control functions is reviewed periodically by the PPS Group Boards and/or relevant committee/s. The control functions are required to complete regular self-assessments of their respective functions.

The roles and responsibilities of the control functions are documented and reviewed on an annual basis and are approved by the PPS Group Boards. The control functions must avoid conflicts of interest and where conflict arises, it will be brought to the attention of the PPS Group Boards.

A control function may be outsourced in accordance with the Prudential Standard GOI5: Outsourcing by Insurers and the PPS Insurance Outsourcing Policy, taking into consideration the nature, scale, and complexity of the business, risks, and legal and regulatory obligations.

The Actuarial Control Functions are performed by Deloitte in terms of outsourced arrangements. Mr G T Waugh of Deloitte serves as the Head of the Actuarial Control Function for PPS Insurance. Mr J van der Merwe of Deloitte serves as the Head of the Actuarial Control Function for PPS Short-Term Insurance. The Internal Audit Control function is performed by KPMG in terms of an outsourced arrangement. Ms I Fourie of KPMG serves as the Head of the Internal Audit Control Function for both insurance companies in the PPS Group. The Compliance and Risk Management Control Functions are performed in-house. Mr L du Plessis and Ms R Grobler serve as the Heads of the Compliance Function and Risk Management Function for PPS Insurance, respectively. For PPS Short-Term Insurance, Mr H van Heerden serves as the Head of the Risk Management Function, while Ms S Stuart serves as the Head of the Compliance Control Function.

The existence of the control functions does not relieve the PPS Group Boards, or Senior Management, from their respective governance and related responsibilities. The governance framework will continue to evolve to ensure compliance with emerging legislation and to enhance the ability of the PPS Group Boards, Senior Managers and Heads of control functions to manage PPS soundly and prudently. The PPS Group Actuarial,

Audit, Risk, Technology Steering, Remuneration and Social and Ethics Committees fulfil a key role in ensuring good corporate governance within the PPS Group. Processes are reviewed regularly to ensure compliance with legal obligations and codes of governance.

The heads of the Control Functions:

- ⊙ Are fit and proper.
- ⊙ Have sufficient seniority and authority to be effective.
- ⊙ Have reporting lines that support their independence.
- ⊙ Have unrestricted access to relevant information.
- ⊙ Have direct access to the PPS Group Boards or relevant committee/s, without the presence of Senior Managers if so requested.
- ⊙ Have the freedom to report to the PPS Group Boards or relevant committee without fear of retaliation from Senior Managers.
- ⊙ Have appropriate segregation of duties from operational business line responsibilities.
- ⊙ Must report regularly to the PPS Group Boards or relevant committee/s, especially on matters of non-compliance with legislation.

There are adequate policies and procedures in relation to the appointment, dismissal and succession of heads of control functions.

The appointment, performance assessment, remuneration, disciplining and dismissal of the head of each control function must be conducted by the relevant committee with the approval of, or after consultation with, the PPS Group Boards.

GOVERNANCE DEPARTMENTS

The following departments ensure good corporate governance throughout the PPS Group:

GROUP COMPANY SECRETARIAT

The chairmen of the PPS Group Boards, the board sub-committees, and the Chief Executive are assisted by the Group Company Secretary in ensuring good corporate governance and adherence to the PPS Group's governance policies. By working closely with the respective board Chairmen and the Chief Executive of the PPS Group, the Group Company Secretary ensures that the agendas for the PPS Group Board and board committees and the Group Executive Committee meetings address the key business and governance issues, and that the PPS Group Boards are adequately informed to enable them to discharge their duties and make informed decisions. The Group Company Secretary is responsible for the determination of the corporate calendar to ensure all required matters are addressed by the respective PPS Group Boards and committees.

The Group Company Secretary also has a significant role in supporting the Group Nominations Committee in the discharge of its duties to ensure that the PPS Group Boards and committees are appropriately constituted and have appropriate Terms of Reference, and that the PPS Group Board and committee members, as well the Group Executive Committee members comply with Fit and Proper requirements, are inducted on appointment and are trained and evaluated. The Group Company Secretary co-ordinates the contents and holding of the annual directors' and trustees' strategy and training programme, as well as access to and attendances at governance programmes by external service providers, in accordance with best practice and King IV.

All trustees and directors have direct access to the services of the Group Company Secretary, who is also appointed as the Secretary of PPS Holdings Trust and as a member and Secretary of the Group Executive Committee. He advises them on all corporate governance matters, on board procedures, and on compliance with the Trust Deed of PPS Holdings Trust and PPS Group entities' Memoranda of Incorporation and Trust Deeds.

Comprehensive agendas and papers are provided to the PPS Group Boards and committees by the Group Company Secretary (and by subsidiary Company Secretaries, as applicable) in advance of the meetings of the boards and committees, including circulation of committee minutes and reports to the appropriate boards. The Group Company Secretary also has responsibility for the secretarial functions of all subsidiary companies, and an oversight responsibility where subsidiaries have appointed their own Company Secretaries, and to ensure that the minutes and statutory records of all PPS Group Board and board committee meetings are prepared and maintained in the appropriate PPS Group records.

Members of the PPS Group Boards have access to independent professional advice, as may be required, through the office of the Group Company Secretary and with the respective chairmen's consent, at the PPS Group's expense, in order to discharge their responsibilities as directors and trustees.

GROUP LEGAL

The Group Legal Department is the centralised legal function, with the main responsibility of identifying and managing legal risks that may arise during the course of the PPS Group's activities, and ensuring that these risks are appropriately mitigated across all entities. This is achieved by providing or sourcing appropriate legal advice, ensuring that legal risks are optimally negotiated, documented, and monitored, and that the necessary controls are implemented. The Group Legal Department regularly reports to the Group Executive Committee and the Group Risk Committee on the management and status of all material legal risks. All Group Legal Advisers employed in such capacity report to the Head of Group Legal and Compliance.

The Group Legal Department is also responsible for implementing and maintaining legal policy standards throughout the PPS Group and ensuring that the standards are adopted and followed by all subsidiary companies and their internal legal staff (where applicable).

GROUP COMPLIANCE

The PPS Group Boards are ultimately accountable for overseeing compliance with applicable laws, adopted non-binding rules, codes, and standards and internal policies. The primary objective of the Compliance Function is to assist the PPS Group Boards and Senior Management in discharging their responsibilities and to ensure that the business is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards. The appointed Head of the Compliance Function is responsible for the effective implementation of the Compliance Function and for facilitating compliance throughout the business by creating awareness, independent monitoring, reporting and the provision of practical solutions or recommendations. However, the primary responsibility for complying with any regulatory requirement lies with all members of staff conducting the particular transaction or activity to which the requirement applies.

PPS implemented a combination of a centralised and a decentralised compliance function. Group Compliance is the central department, with the main role of developing the compliance policy (the PPS Group Boards approve such policy) and related standards to ensure a consolidated compliance risk management and reporting process throughout the PPS Group. The decentralised compliance function consists of business units' compliance functions that are responsible for implementing the PPS Group policies, monitoring the activities of the business units and reporting the status of compliance to Group Compliance. PPS Investments, PPS Healthcare Administrators, PPS Short-Term Insurance and Professional Provident Society Insurance Company (Namibia) Limited (PPS Namibia) have their own business unit compliance officers with oversight by Group Compliance for compliance-related matters. Group Compliance assumes direct responsibility and oversight for compliance risk management in PPS Insurance and its divisions.

The compliance function performs its activities in accordance with these five principles:

- ⦿ Compliance requirements, including legislative requirements, such as acts, regulations, bills, directives, practice notes, industry codes of conduct, and relevant discussion documents, which impose obligations on PPS are identified and interpreted continuously.
- ⦿ Compliance requirements are addressed in business processes.

- ⦿ Management and staff are trained on the compliance requirements relevant to their roles. staff are trained on the compliance requirements relevant to their roles.
- ⦿ Compliance monitoring is conducted and reported to provide assurance on the level of compliance.
- ⦿ Compliance incidents or suspected incidents are reported and managed.

GROUP RISK MANAGEMENT

The taking of risk, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward, following an integrated risk management process, and by considering all internal and external risk factors. While conducting its business, the PPS Group is exposed to, and needs to take on, a variety of risks. The long-term sustained growth, continued success, and reputation of the PPS Group are critically dependent on the quality of risk management. Management is committed to applying best practice and standards, including the implementation of the ISO 31000 standard on Risk Management, Prudential Standards, Risk Management and Internal Controls for Insurers (GOI 3) and King IV. The PPS Group Enterprise Risk Management Framework, read with the PPS Group Enterprise Risk Management Standard, is aligned to such standards.

The PPS Group's risk philosophy is underpinned by its objective of member value creation, meeting member benefit expectations and achieving sustainable profitable growth, in a manner that is consistent with members' expectations of the PPS Group' risk appetite. This means the PPS Group must ensure that a high-quality risk management culture is instilled throughout its operations, built on the following main elements:

- ⦿ Adherence to the value system of PPS.
- ⦿ Proactive risk management.
- ⦿ A risk awareness culture via management of the business units.
- ⦿ Disciplined and effective risk management processes and controls, and adherence to risk management standards and limits.
- ⦿ Compliance with the relevant statutory, regulatory, and supervisory requirements by way of a robust compliance risk management process.
- ⦿ Regular monitoring by Compliance.
- ⦿ Review of control measures by Internal Audit.
- ⦿ Oversight of the risk management process by the Group Risk Committee.

The PPS Group Boards ensure that the PPS Group has implemented an effective ongoing process to identify risk, measure its potential outcome and then implement what is necessary to proactively manage these risks. This responsibility includes setting the risk appetite and tolerance of the PPS Group, measuring the relevant risks against it, and ensuring that the necessary controls and service level agreements are in place, are effective and are adhered to at all times. Assurance of good corporate governance is achieved through the regular measurement, reporting, and communication of risk management performance, which includes progress with risk management plans and improvements to risk management maturity.

Management and employees are responsible for the management of risk in accordance with the Enterprise Risk Management Framework, read with the PPS Group Risk Management Standard, and incorporating risk management into the day-to-day operations of the PPS Group. Management is assisted by the risk management function in performing annual risk assessments and updating these quarterly, and agreed mitigating actions are managed utilising CURA software. Risk registers are produced from CURA and are reviewed monthly by the Group Executive Committee and quarterly by the Group Risk Committee for strategic and major operational risks. A Risk Report containing the findings and conclusions of the risk environment of the PPS Group is prepared on a quarterly basis and is reviewed by the Group Risk Committee and the respective Boards. Other operational risk registers are continuously managed by the relevant business areas.

An opportunity assessment methodology has been implemented by PPS. The purpose of using this methodology is to identify opportunities and the material risks associated with new opportunities to enhance the quality and depth of the risk management process. This methodology also enables an assessment of current strategic objectives against those derived, based on opportunities and the prioritisation of the efforts to get maximum return based on readily accessible resources.

The PPS Holdings Trust Audit Committee, the PPS Group Nominations, Risk, Audit, Actuarial, Remuneration, Social and Ethics and Technology Steering Committees, as well as the Risk and Audit Committees of subsidiaries, make reports and recommendations to the PPS Group boards, enabling them to discharge their responsibilities in regard to risk management.

MANAGEMENT OF FRAUD AND CORRUPTION RISK AND CONFIDENTIAL REPORTING

The PPS Group maintains a PPS Group Fraud and Corruption Policy and Response Plan, and a PPS Group Confidential Reporting Policy to manage fraud and corruption risk in the PPS Group, and to ensure that employees are able to report suspicious activities without fear of retribution. An anonymous reporting hotline, operated independently from the PPS Group by Deloitte, provides a facility to enable employees to report suspicious activities and unethical behaviour in a safe environment. All financial crime-related suspicious transactions and reports are managed by the Fraud Committee and other unethical behaviour is managed by the Human Resources Department.

PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

PPS Insurance issues insurance policies with a discretionary element of bonuses and is required to establish and maintain a document setting out its Principles and Practices of Financial Management (PPFM) and provide this document to policyholders. This document outlines PPS Insurance's principles and practices of financial management, in order that policyholders can better understand the profit distribution principles and practices in place at PPS Insurance, as well as the investment strategy adopted by the PPS Insurance Board. The PPFM document is available to all policyholders on the PPS Group website at www.pps.co.za.

TECHNOLOGY AND INFORMATION GOVERNANCE

During 2020 significant enhancements were done on the PPS business application solutions, as well as a continuation of cloud migration to allow agility. The PPS Group also focused on the consolidation and rationalisation of systems and applications and the decommissioning of old systems.

The industry experienced a substantial increase in cyber related activities, with threats becoming more complex and real-time. The PPS Group continued its focus on the proactive prevention, detection and the remediation activities for Information security.

Digitalisation activities in the PPS Group were accelerated during 2020, with the need to enable organisation wide communication and collaboration tools and technologies to enable staff to work remotely and provide uninterrupted services to our intermediaries and members.

During the year, the PPS Group focused on the creation of a revised operating model for the Information Technology (IT) Division in the group. The appointment of the Group Chief Information Officer (GCIO), reporting to the Group Chief Operating Officer (GCOO), coincided with the consolidation of functional areas of IT into a single unit. The new IT operating model also introduced focused areas around Program Management & Digitalization, as well as Security, Risk and Governance. The internal relationship between business and IT has been enhanced with the introduction of Sector CIO's, with each having a defined portfolio with domain knowledge and acting as a bridge between business and IT.

The Group Technology Steering Committee (GTSC), established in 2019, continues to provide valuable strategic insight, support and prioritisation of initiatives in the PPS Group. This increased the impact of IT and enhanced the quality of IT delivery to stimulate and support the PPS Group's strategic and organisational objectives.

The PPS Group conducted the annual Information Technology Infrastructure Library (ITIL) maturity review, as well as reviews by Internal Audit and other independent assurance providers on, inter alia, IT control audits, King IV governance and an internal and external security penetration testing.

REGULATORY DEVELOPMENTS

During the year under review, there was a significant volume of proposed legislation and amendments to existing legislation, all of which will impact the governance and reporting of governance within the PPS Group. This has placed additional responsibilities on the PPS Group Boards and management to ensure adherence to, and compliance with, the new requirements.

The most important legislative changes for PPS are highlighted below:

1. COVID-19

On 18 March 2020 regulations were published under the Disaster Management Act, 2002, prescribing the steps necessary to prevent an escalation of COVID-19, or to alleviate, contain and minimise the effects of COVID-19. The PPS Group heeded the President's call and all PPS Group employees were appropriately enabled to work from home. In addition to the changing regulations issued under the Disaster Management Act, there have been many circulars issued by the Financial Sector Conduct Authority (FSCA) and the PPS Group has complied with all of the legislation emanating from the disaster.

2. FINANCIAL INSTITUTIONS: PRUDENTIAL STANDARDS

A new joint standard, setting out the criteria that must be met by significant owners in order to be considered fit and proper, has been published by the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA). The joint standard provides, among others, for: (a) the roles and responsibilities of financial institutions and significant owners of financial institutions; (b) the fit and proper requirements for significant owners where they are both natural persons, as well as juristic persons; and (c) the matters to be considered when assessing the fitness and propriety of significant owners. The impact of the Joint Standard is rated as medium, as PPS already has policies in place managing the fit and proper status of significant owners.

In June 2020 the PA, in accordance with section 98 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) published draft Prudential Standards on audit requirements for entities registered in terms of the Insurance Act, 2017 (Act No. 18 of 2017), together with accompanying documents as required under the FSR Act. In addition, the PA published a draft Guidance Notice to guide insurers on how to comply with the requirements of the draft Prudential Standards. The PPS Group submitted its comments to ASISA on 25 June 2020. One part of the comments was directed at Insurers and the other at Insurance Groups. As management does not believe that the PPS Group will have difficulty complying with the Standard, the impact is rated as Medium.

3. MARKET CONDUCT

- As part of the FSCA's Market Conduct Framework, the PPS Group reviewed the FSCA's Second Draft Conduct of Financial Institutions Bill 2018 (COFI Bill)

In October 2020 the National Treasury published for comment a second draft of the COFI Bill, that will regulate the conduct of financial institutions. One of the main changes was the removal of the enabling provisions of conduct standards which will be included in the FSR Act. The impact of the Bill on the PPS Group is high, as it will introduce new standards.

- The FSCA has invited comments on the Retail Distribution Review (RDR) - Categorisation of Financial Advisers and Related Matters Discussion Document. The purpose of the document is to provide an update, and invite stakeholder views, on the FSCA's updated thinking on various practical implications of the 2-tier adviser categorisation and related RDR proposals.

The PPS Group has submitted comments on these suggestions and the impact is rated as high. A change to the description of an "independent" financial advisor and to those advisors employed by PPS could impact furnishing of advice and intermediary services.

- Amendments to the Fit and Proper requirements were published and became effective on 26 June 2020. The amendments were primarily introduced to align the terminology in these requirements to the Insurance Act, and the Long-term and Short-term Insurance Acts. However, in addition to these, there are a few key changes that Financial Services Providers (FSPs) should be aware of. Those are mainly that CPD can only be provided by a Professional Body if the activity is verifiable and FSPs cannot appoint an unrehabilitated insolvent person.

4. PROTECTION OF PERSONAL INFORMATION

During December 2018 the Information Regulator, under section 112(2) of the Protection of Personal Information Act 4 of 2013 (POPIA), published new regulations relating to the protection of personal information. The regulations provide for procedures regarding, among others:

- the objection to the processing of personal information;
- the request for correction or deletion of personal information or destruction or deletion of records of personal information;
- additional responsibilities of information officers;
- the submission of complaints and assessments.

Certain sections of POPIA have been proclaimed to take effect on 1 July 2020 and 30 June 2021, respectively. The Act has been put into operation incrementally, with several sections of the Act having been implemented in April 2014. The sections which commenced on 1 July 2020 are essential parts of the Act and comprise sections which pertain to, among others, the conditions for the lawful processing of personal information; the regulation of the processing of special personal information; Codes of Conduct issued by the Information Regulator; procedures for dealing with complaints; provisions regulating direct marketing by means of unsolicited electronic communication and general enforcement of the Act.

The initial impact of these amendments is rated as high, as the PPS Group is currently reviewing controls to ensure that direct marketing and processing of personal information is performed in line with POPIA.

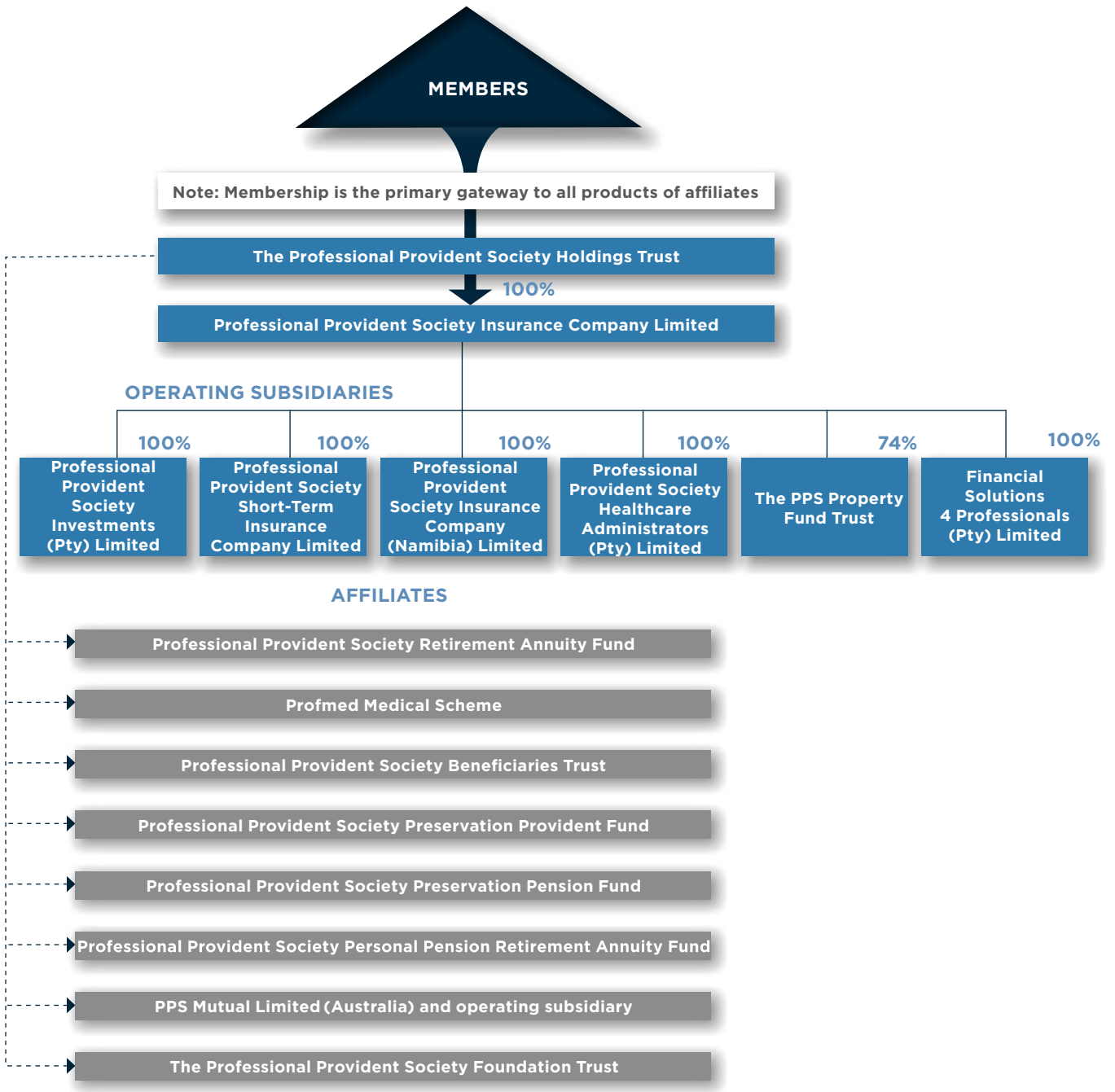
APPLICATION OF THE PRINCIPLES OF KING IV

The King IV Report on Corporate Governance replaced King III in its entirety, and unlike its predecessors, the King IV Report is outcome-based. Four governance outcomes, viz: ethical culture, good performance, effective control and legitimacy, are guided and supported by 17 principles and over 400 recommended practices.

An assessment of the application of the King IV principles by the PPS Group was conducted as part of the 2020 Group Compliance Programme, using the King IV Governance assessment instrument. The results of the assessment indicated that the PPS Group had satisfactorily applied 390 of the recommended practices, with 10 practices not being applicable to PPS and five practices which had not been applied.

Practice 36.a	The chair of the governing body should not be a member of the Audit Committee. Commentary: The Chairman of PPS Insurance is a member, but not the Chairman, of the Group Audit Committee where he provides actuarial expertise and a link between the Actuarial and Group Audit Committees. For particulars of the responsibilities and functions of the two audit committees, please refer to the Report of the Audit Committees in this Integrated Report.	Not Applied
Practice 83.a	The notice period stipulated in the CEO's employment contract and the contractual conditions related to termination should be disclosed. Commentary: Particulars of the Group Chief Executive's employment contract are considered to be competitive information and are not publicly reported.	Not Applied
Practice 34.c	The overview of the remuneration policy should include a description of the framework and performance measures used to assess the achievement of strategic objectives and positive outcomes, including the relative weighting of each performance measure and the period of time over which it is measured.	Not Applied
Practice 34.d	The overview of the remuneration policy should include an illustration of the potential consequences on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.	Not Applied
Practice 35.b	The implementation report must include an account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the organisation and executive managers, individually, performed against the set targets. Commentary: Detailed particulars of the above remuneration aspects are considered to be competitive information and are not publicly disclosed.	Not Applied

GROUP STRUCTURE



----- Indicates an affiliation
 ————— Indicates ownership

GOVERNANCE OF THE PPS GROUP BY THE BOARDS

The PPS Group is ultimately governed by PPS Holdings Trust, which has a unitary board of trustees, assisted by the boards of directors and trustees of PPS Group entities and the committees as detailed below.

The wholly-owned principal operating subsidiary, PPS Insurance, has a majority of independent non-executive directors, eight of whom are nominated members of the PPS Holdings Trust Board (including two *ex officio* appointees), and includes directors with specialist skills appropriate to the insurance, investment and financial services industries. The PPS Insurance Board is accountable to the PPS Holdings Trust Board for the achievement of strategic objectives determined by the PPS Holdings Trust Board in furthering the interests of its members. These objectives pertain to:

- ⦿ Operational efficiency;
- ⦿ Investment returns;
- ⦿ Membership and sales growth;
- ⦿ Service to PPS members.

The primary operating subsidiaries of PPS Insurance are set out in the Trustees' Report and their boards are comprised of executive and non-executive directors and trustees as set out in this report.

BOARD COMPOSITION, APPOINTMENTS AND SUCCESSION PLANNING

The PPS Holdings Trust Board is comprised of 20 trustees, all of whom are independent non-executive trustees. In terms of its Trust Deed, PPS Ordinary Members may nominate and elect 10 Ordinary Members to the PPS Holdings Trust Board at its annual general meeting. At the invitation of the PPS Holdings Trust Board, a further six members of the current Board of PPS Holdings Trust are, subject to the recommendations of the Group Nominations Committee and the approval of the PPS Holdings Trust Board in accordance with the provisions of the Trust Deed, nominated to serve on the PPS Holdings Trust Board by professional associations whose members are significantly represented in the PPS membership base. The PPS Holdings Trust Board has co-opted a further two members for their specific skills, as provided for in the Trust Deed, which also stipulates that the Chairman and Deputy Chairman of PPS Insurance are appointed *ex officio* to the PPS Holdings Trust Board. All PPS Holdings Trust Board members are appointed for specific terms and re-appointment is not automatic.

The PPS Holdings Trust Board appoints the members of its board committees, as well as the members of the PPS Insurance, the PPS RA Fund, the PPS Namibia RA Fund and the PPS Beneficiaries Trust Boards. In turn, the PPS Insurance Board appoints the members of its board committees and the members of its subsidiaries' boards.

Under delegated authority of the PPS Holdings Trust Board, the Group Nominations Committee, within its powers, evaluates, selects and recommends for appointment the PPS Group trustees and directors, including the Chief Executive, executive directors and non-executive directors/trustees and board committee members, taking into account the Fit and Proper and other regulatory requirements for the appointment of directors/trustees of long-term and short-term insurance companies and their holding entities.

The Group Nominations Committee considers trustee and director succession planning and makes appropriate recommendations to the PPS Group boards. This encompasses an evaluation of the skills, knowledge and experience required to add value to the PPS Group, as well as compliance with Fit and Proper requirements, for all trustees and directors, including PPS Holdings Trust trustees standing for re-election, as well as candidates standing for election for the first time. All elections of trustees of PPS Holdings Trust are made in terms of a formal and transparent procedure and are subject to approval by the Ordinary Members of PPS Holdings Trust at its annual general meeting.

The Group Nominations Committee periodically considers the factors determining the suitability of professional associations for invitation to nominate representatives to serve on the PPS Holdings Trust Board, to further the relationship of the PPS Group with the members of such professional associations, and makes recommendations in this regard to the PPS Holdings Trust Board. The current professional associations who have representation on the PPS Holdings Trust Board are:

- ⦿ The South African Medical Association;
- ⦿ The South African Dental Association;
- ⦿ The Pharmaceutical Society of South Africa;
- ⦿ The Law Society of South Africa;
- ⦿ The South African Institute of Chartered Accountants;
- ⦿ The Professional Engineers' Societies.

The PPS Holdings Trust Board has considered and is of the view that the PPS Group Boards and committees are appropriately constituted to meet statutory requirements and the PPS Group's needs.

Candidates who have been nominated for service on PPS Group Boards are required to clearly identify any conflict, or potential conflict, of interest with the activities of PPS Holdings Trust, its subsidiaries and affiliates. Candidates who are financial advisors or intermediaries, or hold any office or interest, directly or indirectly, in any entity which competes in the same sphere of business as the PPS Group, do not qualify for appointment to any of the PPS Group Boards.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS HOLDINGS TRUST BOARD OF TRUSTEES

The PPS Holdings Trust Board elected Dr S N E Seoka, who had held the position of Deputy Chairman of the PPS Holdings Trust Board since 2012, as its Chairman on 13 June 2018. Dr C M Krüger, who has served on the PPS Holdings Trust Board since 2004, was elected as Deputy Chairman of the PPS Holdings Trust Board on 13 June 2018. The Chairman and Deputy Chairman were re-elected to their respective positions at the 10 June 2020 PPS Holdings Trust Board meeting.

In terms of PPS Insurance's Memorandum of Incorporation, the Chairman and Deputy Chairman of the PPS Holdings Trust Board are appointed *ex officio* to the PPS Insurance Board and form part of the eight trustees of PPS Holdings Trust nominated annually by the PPS Holdings Trust Board to serve on the PPS Insurance Board.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS INSURANCE BOARD OF DIRECTORS

Mr C Erasmus has held the position of Chairman of the PPS Insurance Board since 2014. Prof H E Wainer has held the position of Deputy Chairman of the PPS Insurance Board since 2015. The Chairman and Deputy Chairman were re-elected to their respective positions at the 22 June 2020 PPS Insurance Board meeting.

In terms of the Trust Deed of PPS Holdings Trust, the Chairman and Deputy Chairman of PPS Insurance are appointed *ex officio* to the PPS Holdings Trust Board.

CHIEF EXECUTIVE OFFICER OF THE PPS GROUP

Mr I J Smit has held the position of Chief Executive Officer of the PPS Group since 25 July 2016.

BOARD CHARTERS AND TRUST DEED

In accordance with the principles of sound corporate governance, the Board Charters for the PPS Holdings Trust, the PPS Insurance and the subsidiary boards, modelled on the charter principles recommended by King IV and adapted to the requirements of the PPS Group, incorporate the powers of the boards, providing a clear and concise overview of the division of responsibilities and accountability of PPS Group Board members, collectively and individually, to ensure a balance of power and authority. The Board Charters are reviewed regularly to ensure continued compliance with regulation and best practice.

The Trust Deed of PPS Holdings Trust incorporates key elements of the Companies Act, 2008, and its trustees have similar responsibilities and duties to those of company directors, including the statutory responsibilities imposed on directors by the Companies Act, in addition to their responsibilities and duties as trustees.

Committees of the PPS Group Boards act in accordance with board approved Terms of Reference and the Chairman of each committee reports, as appropriate, to the board which constituted such committee at the scheduled meetings of that board. These Terms of Reference are reviewed annually to ensure continued compliance with regulation and best practice. Where appropriate, the minutes of the committee meetings are tabled at subsequent board meetings. The chairmen of the PPS Holdings Trust and PPS Insurance Boards are independent non-executive trustees/directors. At PPS Insurance, the roles of Chairman and Chief Executive are separated, with a clear division of responsibility to ensure distinction between their respective duties and responsibilities. The Chairmen have no executive functions. The role of all trustees and directors is to bring independent judgement and experience to the boards' decision-making process and to act in the best interests of the trust or company on whose board such trustee/director serves.

FUNCTIONING OF THE BOARDS AND BOARD COMMITTEES

The Group Executive Committee and various other management sub-committees, established by the Group Executives, provide ongoing input and support to the PPS Group Boards and board committees and the Chief Executive as and when required.

The members of the PPS Group Boards receive timely, accurate and relevant information to enable them to fulfil their duties. All new directors and trustees undergo a formal induction process, which includes meeting the PPS Group's senior management to discuss key aspects of the business and the governance thereof, with comprehensive documentation regarding the governance and management structures of the PPS Group. All directors and trustees are encouraged to undertake continuing professional development, training and education throughout their term of office. The PPS Group sponsors membership of the Institute of Directors for its board members. Board members are provided on an ongoing basis with information and training relevant to the business of the PPS Group and the industries in which it operates. Board members also participate in the PPS Group's annual programme for the development of strategy and attend an annual strategy day, which includes training on pertinent aspects of the business, regulation and the environment in which the PPS Group operates.

The Chairmen's key responsibilities are to provide leadership to the boards, to oversee the determination of strategy, to guide the process to ensure a balance in the composition of the boards, to ensure sufficient and open discussion of matters before the boards and to promote effective communication between executive and non-executive directors/trustees.

The Chief Executive has overall responsibility for the management of the PPS Group's business and its operations, in line with the policies and strategic objectives set and agreed on by the PPS Insurance Board. The Chief Executive reports to the PPS Insurance Board on the performance of the PPS Group and any other material matters at regular Board meetings, which are scheduled six times per annum. He reports on how the PPS Group has performed against key indicators following the monthly meetings of the Group Executive Committee, which manages the PPS Group's business on a day-to-day basis. Key reports are reviewed at the meetings of the PPS Insurance Board when the Chief Executive highlights significant issues and other executive and non-executive directors, as well as members of senior management who attend by invitation, are invited to contribute, as appropriate. Additional meetings of the PPS Group Boards are scheduled as may be required.

The Chief Executive also reports on the performance of PPS Insurance to the PPS Holdings Trust Board, which meets quarterly, against the strategic objectives determined for PPS Insurance by the PPS Holdings Trust Board.

Additional papers on issues upon which the boards are required to make decisions are submitted, as appropriate, and members of senior management regularly attend board meetings by invitation to present papers and to deal with issues raised by the boards.

BOARD PERFORMANCE ASSESSMENT

The Group Nominations Committee is mandated by the PPS Holdings Trust and PPS Insurance Boards to institute formal and comprehensive board evaluation programmes for the assessment of the PPS Group's trustees and directors in accordance with regulatory requirements. In terms of these programmes, the PPS Group Boards, as well as the individual trustees and directors serving on those boards, are evaluated regularly with the assistance of independent consultants, in accordance with best local and international governance and board evaluation practices, including the Fit and Proper requirements stipulated by the PA.

The results of the evaluations are reported to the boards and any identified areas for improvement are incorporated into the board training programmes and agendas for scheduled meetings of the boards and the annual PPS Group Board Strategy Day.

The most recent assessments indicated that the PPS Group Boards were effective in discharging their duties.

RETIREMENT OF BOARD MEMBERS BY ROTATION

One-third of the maximum of ten elected PPS Holdings Trust trustees, who are not representatives of a professional association or co-opted, and are appointed in terms of clause 5.3.1 of the Trust Deed, and who are in office as at the date of the annual general meeting, are subject to retirement by rotation at least every three years, but may stand for re-election at the annual general meeting, subject to the approval of the Group Nominations Committee. There are currently ten elected trustees in office. The names of the three trustees who are retiring by rotation and the abbreviated *curricula vitae* of the retiring trustees and new nominees who are eligible to stand for election or re-election at the forthcoming annual general meeting to be held on 10 May 2021, are stated in the notice of annual general meeting included in this Integrated Report.

In accordance with the provisions of the Trust Deed, PPS Holdings Trust trustees who are representatives of professional associations and trustees who are co-opted to the board are also appointed for a three-year term, after which they are required to retire, but may be nominated by the professional associations, or be co-opted, subject to the Nominations Committee's recommendation, for re-appointment by the PPS Holdings Trust Board.

INTERESTS IN CONTRACTS AND CONFLICTS OF INTEREST

PPS Group trustees and directors are required to avoid conflicts of interest, where possible, and where it cannot be avoided, to inform the respective board/s on which they serve timeously of any conflicts or potential conflicts of interest that they may have in

relation to particular items of business and they are obliged to recuse themselves from discussions or decisions in relation to such matters. Trustees and directors are also required to disclose their interests in, and directorships of, other companies/entities in accordance with statutory requirements and to inform the boards when any changes occur.

During the year ended 31 December 2020, none of the directors/trustees had disclosed any interest in contracts or arrangements entered into by the PPS Group. The Chief Executive is required to disclose any appointments to non-PPS Group boards. Directors and trustees are required to submit and maintain written declarations of interests, which are presented to the respective boards at each board meeting and board members are required to acknowledge in writing that they have read the written disclosures submitted.

PROFESSIONAL INDEMNITY INSURANCE

Adequate Directors' and Officers' liability insurance and indemnity cover has been effected by the PPS Group in respect of all its trustees, directors and officers. No claims under the relevant policies were lodged during the year under review.

TRUSTEES OF THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

Trustee	Age*	Qualification	Classification	Term of Office
Dr S N E Seoka (Chairman) Independent Non-executive	65	B Pharm, PhD	Co-opted for a three-year term	Appointed 15 August 2005 Ends AGM 2023
Dr C M Krüger (Deputy Chairman) Independent Non-executive	55	MB ChB, M Prax Med, M Pharm Med	Elected for a three-year term	Appointed 21 June 2004 Ends AGM 2021
Dr A Coetzee Independent Non-executive	61	B Med Sc, MB ChB, CAHM, ABCD	Nominated for a three-year term ⁽⁶⁾	Appointed 1 March 2019 Ends AGM 2022
Ms D L T Dondur Independent Non-executive	54	B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)	Nominated for a three-year term ⁽¹⁾	Appointed 6 July 2011 Ends AGM 2023
Mr J A B Downie Independent Non-executive	62	B Sc, MBA, CFP	Co-opted for a three year term	Appointed 15 April 2010 Ends AGM 2023
Dr D P du Plessis Independent Non-executive	66	B Sc, MBA, DBA, CD(SA)	Elected for a three-year term	Appointed 3 June 2013 Ends AGM 2022
Mr C Erasmus Independent Non-executive	69	B Sc, FIA, FASSA	Appointed <i>ex officio</i>	Appointed 1 June 2015 Ends N/A
Dr N H P Khosa Independent Non-executive	39	MB ChB, MBA	Elected for a three-year term	Appointed 19 June 2018 Ends June 2021
Mr I Kotzé Independent Non-executive	64	B Pharm	Nominated for a three-year term ⁽²⁾	Appointed 27 August 2001 Ends AGM 2023

Trustee	Age*	Qualification	Classification	Term of Office
Dr F Mansoor Independent Non-executive	41	BDS, MBA	Nominated for a three-year term ⁽³⁾	Appointed 17 July 2017 Ends AGM 2023
Mr E A Moolla Independent Non-executive	70	B Iuris	Elected for a three-year term	Appointed 11 March 2002 Ends AGM 2021
Ms J K Myburgh Independent Non-executive	52	B Proc, Admitted Attorney	Elected for a three-year term	Appointed 23 September 2020 Ends AGM 2023
Ms P Natesan Independent Non-executive	41	B Com (Hons), CA(SA)	Elected for a three-year term	Appointed 17 July 2017 Retired 9 June 2020
Mrs N N Nongogo Independent Non-executive	49	B Juris, LLB	Nominated for a three-year term ⁽⁴⁾	Appointed 16 October 2018 Ends AGM 2021
Mr N C Nyawo Independent Non-executive	41	B Com (Hons), CA(SA), MBA	Elected for a three-year term	Appointed 2 June 2014 Ends AGM 2022
Dr R Putter Independent Non-executive	42	B ChD, M Sc (Dental Public Health), CFO(SA)	Elected for a three-year term	Appointed 10 July 2019 Ends AGM 2022
Mr P Ranchod Independent Non-executive	65	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	Elected for a three-year term	Appointed 6 June 2011 Ends AGM 2023
Mr V P Rimbault Independent Non-executive	57	B Sc Eng (Mech)	Nominated for a three-year term ⁽⁵⁾	Appointed 12 September 2011 Ends AGM 2023
Prof L C Snyman Independent Non-executive	58	B Med Sci, MB ChB, M Prax Med, M Med O&G, FCOG, PhD	Elected for a three-year term	Appointed 10 July 2019 Ends AGM 2022
Mr S Trikamjee Independent Non-executive	42	B Com (Hons), CA(SA)	Elected for a three-year term	Appointed 8 June 2009 Ends AGM 2023
Prof H E Wainer Independent Non-executive	59	B Acc, CA(SA), Registered Auditor	Appointed <i>ex officio</i>	Appointed 1 June 2015 Ends N/A

* As at 25 March 2021

N/A = Not applicable

Note: Trustee nominated by:

1. The South African Institute of Chartered Accountants
2. The Pharmaceutical Society of South Africa
3. The South African Dental Association
4. The Law Society of South Africa
5. The Professional Engineers' Societies
6. The South African Medical Association

DIRECTORS OF PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY LIMITED

Director	Age*	Qualification	Appointed
Mr C Erasmus (Chairman) Independent Non-executive	69	B Sc, FIA, FASSA	19 February 2007
Prof H E Wainer (Deputy Chairman) Independent Non-executive	59	B Acc, CA(SA), Registered Auditor	30 November 2009
Ms D L T Dondur Independent Non-executive	54	B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)	24 June 2013
Mr J A B Downie Independent Non-executive	62	B Sc, MBA, CFP	24 June 2013
Dr D P du Plessis Independent Non-executive	66	B Sc (QS), MBA, DBA, CD(SA)	19 June 2017
Mr E J S Franklin Independent Non-executive	58	B Sc Physics and Applied Mathematics, B Sc Elec Eng, M Sc Elec Eng (Manchester), MBA	1 March 2019
Dr N H P Khosa Independent Non-executive	39	MB ChB, MBA	10 June 2020
Dr C M Krüger Independent Non-executive	55	MB ChB, M Prax Med, M Pharm Med	29 June 2015
Mr N A S Kruger Independent Non-executive	53	B Com Mathematics, FIA, FASSA, AMP	1 July 2019 Resigned 26 May 2020
Mr E A Moolla Independent Non-executive	70	B Iuris	24 February 2003 Retired 9 June 2020
Mr P Ranchod Independent Non-executive	65	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	24 June 2013
Dr S N E Seoka Independent Non-executive	65	B Pharm, PhD	26 June 2006
Mr S Trikamjee Independent Non-executive	42	B Com (Hons), CA(SA)	29 June 2015
Dr J A van der Merwe Independent Non-executive	65	MB ChB, MBL, DBL, PED. (IMD)	18 June 2018
Mr I J Smit (Group Chief Executive) (Executive)	53	B Com (Hons), FASSA	25 July 2016
Mr N J Battersby (Group Chief Operating Officer) (Executive)	53	B Sc, B Com (Hons), MBA, CFP, AMP (Harvard)	28 September 2016
Mrs T Boesch (Group Chief Financial Officer) (Executive)	46	B Com (Hons), CA(SA)	4 May 2009

* As at 25 March 2021

DIRECTORS/TRUSTEES OF SUBSIDIARIES AND AFFILIATES:

PPS Namibia	PPS Healthcare Administrators	PPS Short-Term Insurance
Directors	Directors	Directors
Mr S I de Bruin (Appointed Chairman 15 April 2020) Ms M D Erkana Dr E Maritz Mr I J Smit (Acting Chairman until 14 April 2020) Mr J A Thomas Mr R van Rooi Mr J van der Westhuizen (Chief Executive)	Mr M J Jackson (Chairman) Dr N H P Khosa (Appointed Deputy Chairman 22 June 2020) Mrs T Boesch Mrs S Bassudev (Chief Executive) Mr I Kotzé Mr N C Nyawo Mr I J Smit Mr S J van Molendorff (Chief Financial Officer)	Mr M J Jackson (Chairman) Mrs T Boesch Mr W Bosman (Chief Executive) Dr D P du Plessis (Appointed 22 June 2020) Mr C Erasmus Dr N H P Khosa (Appointed 22 June 2020) Mr P Ranchod Mr I J Smit Mr J D van der Sandt

PPS Investments	PPS Investment Administrators	PPS Multi-Managers	PPS Management Company	PPS Nominees
Directors	Directors	Directors	Directors	Directors
Mr E A Moolla (Chairman) Mr N J Battersby (Chief Executive) Mrs T Boesch Dr D P du Plessis Mrs R G Govender (Appointed Deputy Chairman 22 June 2020) Mr M J Jackson Mr P J Koekemoer Mr A C Pillay Mr I J Smit	Mr N J Battersby (Chairman) Mr A J Fraser Mr S M Gerber (Appointed 1 July 2020) Mr A J Woolfson (Appointed 1 July 2020)	Dr D P Du Plessis (Chairman) Mr N J Battersby Mr D R Crosoer	Mr N J Battersby (Chairman) Mr A J Fraser Mr S M Gerber Mr A J Woolfson	Mr N J Battersby (Chairman) Mr A J Fraser (Appointed 1 July 2020) Mr S M Gerber Mr A J Woolfson

PPS Personal Pension Retirement Annuity Fund	PPS Preservation Provident Fund	PPS Preservation Pension Fund
Trustees	Trustees	Trustees
Mrs R G Govender (Chairman)	Mrs R G Govender (Chairman)	Mrs R G Govender (Chairman)
Mr H P du Toit (Deputy Chairman)	Mr H P du Toit (Deputy Chairman)	Mr H P du Toit (Deputy Chairman)
Mr A Bosch	Mr A Bosch	Mr A Bosch
Mr J A B Downie	Mr J A B Downie	Mr J A B Downie
Mr S Trikamjee	Mr S Trikamjee	Mr S Trikamjee

PPS Retirement Annuity Fund	PPS Beneficiaries Trust	PPS New Generation Retirement Fund
Trustees	Trustees	Trustees
Mr J A B Downie (Chairman)	Mr S Trikamjee (Chairman)	Mr C Erasmus (Chairman)
Mrs R G Govender (Deputy Chairman)	Ms D L T Dondur	Mr F P Aldrich
Ms D L T Dondur	Dr D P du Plessis (Resigned 10 June 2020)	Mr J A B Downie (Appointed 22 June 2020)
Mr H P du Toit	Mrs N N Nongogo (Appointed 10 June 2020)	Mr N McConnell
Dr S N E Seoka		Ms M D Molefe
Mr S Trikamjee		Mr S J van Molendorff
		Mr I J Smit (Resigned 22 June 2020)

PPS Foundation Trust	PPS Wealth Advisory	PPS Property Fund Trust
Trustees	Directors	Trustees
Dr S N E Seoka (Chairman)	Mr I J Smit (Chairman) (Appointed 15 April 2020)	Mr I J Smit (Chairman)
Dr D P du Plessis	Mrs T Boesch (Appointed 15 April 2020)	Mr N J Battersby
Mr N C Nyawo	Dr S N E Seoka (Resigned 15 April 2020)	Mrs T Boesch
Mr P Ranchod	Dr D P du Plessis (Resigned 15 April 2020)	Mr V Schroeder
Ms M D Molefe	Mr N C Nyawo (Resigned 15 April 2020)	
	Mr P Ranchod (Resigned 15 April 2020)	
	Ms M D Molefe (Resigned 15 April 2020)	

Financial Solutions 4 Professionals	Six Anerley Road Holdings	Plexus Properties
Directors	Directors	Directors
Mr N J Battersby (Chairman)	Mr I J Smit (Chairman)	Mr I J Smit (Chairman)
Mr L du Plessis	Mrs T Boesch	Mrs T Boesch
Mr I J Smit		
Mr W J Mouton		
Mr M M Mtshali		
Mr M Spies		

MEETINGS AND ATTENDANCE

The schedule below sets out the PPS Holdings Trust and PPS Insurance Board meetings held during the year and attendance thereat:

The PPS Holdings Trust	1 April 2020	10 June 2020	30 Sep 2020	1 Dec 2020
Dr S N E Seoka (Chairman)	✓	✓	✓	✓
Dr C M Krüger (Deputy Chairman)	✓	✓	✓	✓
Dr A Coetzee	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Mr J A B Downie	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Dr N H P Khosa	✓	✓	✓	✓
Mr I Kotzé	✓	✓	✓	✓
Dr F Mansoor	✓	✓	✓	✓
Mr E A Moolla	✓	✓	✓	✓
Ms J K Myburgh (Appointed 23 September 2020)	N/A	N/A	✓	✓
Ms P Natesan (Retired 9 June 2020)	✓	N/A	N/A	N/A
Mrs N N Nongogo	✓	✓	✓	✓
Mr N C Nyawo	✓	✓	✓	✓
Dr R Putter	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓
Mr V P Rimbault	✓	✓	✓	✓
Prof L C Snyman	✓	✓	✓	✓
Mr S Trikamjee	✓	✓	✓	✓
Prof H E Wainer	✓	✓	✓	✓

AP = Apology

N/A = Not Applicable

PPS Insurance Company Limited	2 March 2020	30 March 2020	22 June 2020	27 Aug 2020	29 Sep 2020	30 Nov 2020
Mr C Erasmus (Chairman)	✓	✓	✓	✓	✓	✓
Prof H E Wainer (Deputy Chairman)	✓	✓	✓	✓	✓	✓
Mr N J Battersby	✓	✓	✓	✓	✓	✓
Mrs T Boesch	✓	✓	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓	✓	✓
Mr J A B Downie	✓	✓	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	✓	✓	✓
Mr E J S Franklin	✓	✓	✓	✓	✓	✓
Dr N H P Khosa (Appointed 10 June 2020)	N/A	N/A	✓	✓	✓	✓
Dr C M Krüger	✓	✓	✓	✓	✓	✓
Mr N A S Kruger (Resigned 26 May 2020)	✓	✓	N/A	N/A	N/A	N/A
Mr E A Moolla (Retired 10 June 2020)	✓	✓	N/A	N/A	N/A	N/A
Mr P Ranchod	✓	✓	✓	✓	✓	✓
Dr S N E Seoka	✓	✓	✓	✓	✓	✓
Mr I J Smit	✓	✓	✓	✓	✓	✓
Mr S Trikamjee	✓	✓	✓	✓	✓	✓
Dr J A van der Merwe	AP	✓	✓	✓	✓	✓

AP = Apology
N/A = Not Applicable

Note: *Ad hoc* committee meetings

In addition to the above Board meetings, the following *ad hoc* committee meetings were held:

- i. 15 January 2020, attended by Mr C Erasmus, Prof H E Wainer, Mrs T Boesch, Mr E J S Franklin, Mr N A S Kruger and Mr I J Smit.
- ii. 9 March 2020, attended by Mr C Erasmus, Prof H E Wainer, Mrs T Boesch, Mr E J S Franklin, Dr C M Krüger, Mr N A S Kruger, Dr S N E Seoka, Mr I J Smit and Dr J A van der Merwe.
- iii. 20 August 2020, attended by Mr C Erasmus, Prof H E Wainer, Mr N J Battersby, Mr E J S Franklin and Mr I J Smit.

BOARD COMMITTEES

A number of standing board committees have been established to assist the boards in discharging their responsibilities. The boards are satisfied that the members of the respective committees have sufficient recent and relevant experience and are appropriately qualified to enable them to discharge their respective duties and responsibilities.

The membership and principal functions of these committees are set out below.

The various committee members, as well as their attendance at the relevant committee meetings, are provided in this Corporate Governance Report, the Report of the Audit Committees and the Report of the Group Social and Ethics Committee.

PPS HOLDINGS TRUST STANDING BOARD COMMITTEES

The PPS Holdings Trust Board has established the following standing board committees:

- ⊙ PPS Holdings Trust Audit Committee;
- ⊙ Group Nominations Committee.

PPS INSURANCE STANDING BOARD COMMITTEES

The PPS Insurance Board has established the following standing board committees:

- ⊙ Group Actuarial Committee;
- ⊙ Group Audit Committee;
- ⊙ Group Remuneration Committee;
- ⊙ Group Risk Committee;
- ⊙ Group Technology Steering Committee;
- ⊙ Group Social and Ethics Committee.

PPS HOLDINGS TRUST AUDIT COMMITTEE (TAC) AND GROUP AUDIT COMMITTEE (GAC)

The composition, roles, responsibilities and attendance at meetings of the TAC and GAC are set out in the Audit Committees' Report included in this Integrated Report.

GROUP RISK COMMITTEE (GRC)

MEMBERS

Dr J A van der Merwe MB ChB, MBL, DBL, PED. (IMD) (Chairman)

Mr C Erasmus B Sc, FIA, FASSA

Dr D P du Plessis B Sc (QS), MBA, DBA, CD(SA)

Mr E J S Franklin B Sc Physics and Applied Mathematics, B Sc Elec Eng, M Sc Elec Eng (Manchester), MBA

Mr I J Smit B Com (Hons), FASSA

The role of the GRC is to assist the PPS Group boards in discharging their fiduciary duties regarding risk management within the PPS Enterprise Risk Management and Governance Frameworks, which include:

- ⦿ Risk policy and the implementation of risk management;
- ⦿ Risk governance structures;
- ⦿ Risk infrastructure, processes and culture;
- ⦿ The setting of risk appetite and tolerances;
- ⦿ Risk assessment, profiling, mitigation and reporting;
- ⦿ Assurance and stakeholder disclosures.

The GRC is comprised of four independent non-executive PPS Insurance directors, who are risk management specialists, and the Chief Executive. The GRC is chaired by an independent non-executive director. The GRC is scheduled to meet at least four times a year. There is overlap in the non-executive membership of the GRC, the GAC and the Group Actuarial Committee. The internal auditors and Heads of the Compliance and Risk Functions are present at each meeting, when reports are tabled outlining the progress in terms of the risk management framework, internal audit plans and an overview of the PPS Group's risk profile. The GRC is satisfied that the risk assessments, responses and interventions for the PPS Group are effective. The GRC is responsible for the statutory compliance monitoring functions and makes reports to the GAC and Group Social and Ethics Committee on risk matters pertaining to those committees. The GRC considers and recommends the PPS Group Solvency Assessment and Management ORSA Report for approval by the PPS Insurance Board. The GRC also receives reports by the Risk and Audit Committees of the PPS Insurance subsidiaries which have such committees.

The GRC established the Group Technology Steering Committee (GTSC) as a sub-committee of the GRC to, inter alia, assist and enable the GRC to discharge its responsibilities in relation to the management of Information Technology (IT) delivery and risks. There is overlap in the non-executive membership of the GRC and the GTSC. Further particulars of the GTSC are provided in this Integrated Report.

The GRC meetings held during the year and the attendance thereat were as follows:

Group Risk Committee	3 Mar 2020	25 May 2020	26 Aug 2020	4 Nov 2020
Dr J A van der Merwe (Chairman)	✓	✓	✓	✓
Dr D P Du Plessis	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr E J S Franklin	✓	✓	✓	✓
Mr I J Smit	✓	✓	✓	✓

GROUP TECHNOLOGY STEERING COMMITTEE (GTSC)

MEMBERS

Mr E J S Franklin (Chairman) B Sc Physics and Applied Mathematics, B Sc Elec Eng, M Sc Elec Eng (Manchester), MBA

Dr J A van der Merwe MB ChB, MBL, DBL, PED. (IMD)

Mr L de Villiers (Acting Chief Information Officer 1 February to 31 July 2020) BA Economics and Statistics, Nat. Dip. Electronic Data Processing, GITI - Information Technology & Telecommunications (INSEAD), DIS - Information Technology (Harvard)

Mr A Nel B Com (Computer Science, Management Accountancy)

Mr N J Battersby (Chief Operating Officer) B Sc Mech Eng, B Com (Hons), CFP, MBA, AMP (Harvard)

Dr A Bachoo (Chief Technology Officer) B Com, B Sc (Hons), M Com, PhD (Wits) (Resigned 31 January 2020)

Mr J P Loubser (Chief Information Officer) N Dip Electrical Engineering, B Tech Engineering Electrical (Appointed 1 August 2020)

The role of the GTSC is to assist and enable the GRC to discharge its responsibilities in relation to the management of Information Technology (IT) delivery and risks. The Committee has an independent oversight role, with delegated responsibility for interrogating and monitoring IT Risks, associated ratings and responses in a manner that promotes engagement between IT and business and to report thereon to the GRC. The Committee must perform all the functions necessary to fulfil this role and is responsible for governing technology and information in a way that supports the organisation setting and achieving its strategic objectives, as set out in the recommended practices under Principle 12 (Technology and information governance) of the King IV Report of Corporate Governance for South Africa, 2016. The Committee is responsible for reviewing the IT Governance Policy (and the underlying IT Policies to which it refers) and for recommending it to the Group Risk Committee for approval. In addition, the Committee has the following specific responsibilities as assigned to it by the GRC, on an ongoing basis:

- ⦿ Support IT management by giving guidance and helping to clarify priorities on ICT related issues;
- ⦿ Review and annually approve the Group IT Strategy;
- ⦿ Review and monitor the supporting management actions, in order to implement the IT strategy in a timeous and cost-effective manner, ensuring that the desired business benefits are realised;
- ⦿ Review and approve the Group Architecture Principles as recommended by the Group Architecture Review Board (ARB);
- ⦿ Monitor that effective IT programme/project approval, prioritisation processes, risk management and corporate governance are in place for the PPS Insurance Group;
- ⦿ Review the IT strategic and operational risk assessments;
- ⦿ Review the IT audits, including, but not limited to:
 - IT General Controls audits;
 - Security Audits;
 - Disaster Recovery audits;
 - King IV Compliance audits;
 - IT Service Management (ITIL) audits;
- ⦿ Review the Software Development Life Cycle;
- ⦿ Review metrics for the measurement of IT Operations (“run environment”) and the IT Build environment (“DevOps”);
- ⦿ Review and approve the IT Operating Model structure (organogram);
- ⦿ Review and approve the IT skills and transformation strategy (sourcing, retaining, building in redundancy and upskilling);

- ⦿ Promote engagement between IT and business within the Group;
- ⦿ Assess the impact on IT of current projects (dashboard) and consider which projects are at risk;
- ⦿ Review and interrogate feedback from the ARB and the Strategic Change Office for consistency of approach, and to provide insights to management.

The GTSC is comprised of i) two independent PPS Insurance non-executive directors and members of the GRC, being the IT specialist GRC member, who is the chairman of the GTSC, and the GRC Chairman, ii) up to two independent technology specialists (who are not members of the Insko Board or GRC) co-opted by the GRC to serve on the Committee and iii) the Group Chief Operating Officer and the Chief Information Officer. Following the resignation of the Chief Technology Officer on 31 January 2020, one of the independent technology specialists, Mr L de Villiers, was appointed as the Acting Chief Information Officer until Mr J P Loubser was appointed as the Chief Information Officer. The GTSC is scheduled to meet at least four times a year. There is overlap in the non-executive membership of the GRC and the GTSC.

The GTSC meetings held during the year and the attendance thereat were as follows:

Group Technology Steering Committee	12 Feb 2020	11 May 2020	7 Aug 2020	21 Oct 2020
Mr E J S Franklin (Chairman)	✓	✓	✓	✓
Dr A Bachoo (Resigned 31 January 2020)	N/A	N/A	N/A	N/A
Mr N J Battersby	✓	✓	✓	✓
Mr L de Villiers#	✓	✓	✓	✓
Mr J P Loubser (Appointed 1 August 2020)	N/A	N/A	✓	✓
Mr A Nel	✓	✓	✓	✓
Dr J A van der Merwe	✓	✓	✓	✓

Mr de Villiers attended this meeting in his capacity as the Acting Chief Information Officer, pending the appointment of Mr J P Loubser as Chief Information Officer

GROUP ACTUARIAL COMMITTEE (AC)

MEMBERS

Mr C Erasmus B Sc, FIA, FASSA (Chairman)

Prof H E Wainer B Acc, CA(SA), Registered Auditor

Mr I J Smit B Com (Hons), FASSA

Mr N A S Kruger B Com Mathematics, FIA, FASSA, AMP (Resigned 26 May 2020)

The AC is chaired by an independent non-executive director and is comprised of two independent non-executive directors of PPS Insurance and the Chief Executive Officer.

The AC has an important role in ensuring the integrity of actuarial processes and the proper assessment of PPS Insurance Group Companies' risk philosophy from an actuarial perspective, strategy, policies, financial and operational processes and controls, as well as assessments of major risks from an actuarial perspective. The AC's activities are focused on considering actuarial assumptions and experience, product pricing and design, valuation results, risk metrics and reporting guidelines and practices adopted by the Head of the Actuarial Function and the Company Actuaries, as well as other actuarial matters as applicable to PPS Insurance and any of its subsidiaries operating a life or short-term insurance licence.

The AC acts as an independent adviser to the PPS Insurance, PPS Namibia and PPS Short-Term Insurance Boards and has the following primary responsibilities:

- ⦿ To assist the boards in fulfilling their oversight responsibilities regarding:
 - the accuracy and integrity of the actuarial statements;
 - compliance with actuarial, legal and regulatory requirements; and
 - the performance of the Actuarial Functions of PPS Insurance and PPS Short-Term Insurance.
- ⦿ To assist the boards in the execution of their fiduciary duties regarding the oversight of the reinsurance arrangements and risk transfer processes.
- ⦿ To assist the boards with the execution of their responsibilities relating to the Own Risk and Solvency Assessment (ORSA).
- ⦿ To provide a sounding board for the Head of the Actuarial Function and the Company Actuaries in making recommendations to the boards and to consider, for tabling at board meetings, the recommendations of the Head of the Actuarial Function and the Company Actuaries.

The AC meetings held during the year and attendance thereat were as follows:

Group Actuarial Committee	20 Feb 2020	3 April 2020	25 May 2020	24 Aug 2020	9 Nov 2020
Mr C Erasmus (Chairman)	✓	✓	✓	✓	✓
Mr N A S Kruger (Resigned 26 May 2020)	✓	✓	✓	N/A	N/A
Mr I J Smit	✓	✓	✓	✓	✓
Prof H E Wainer	✓	✓	✓	✓	✓

GROUP REMUNERATION COMMITTEE (REMCO)

MEMBERS

Dr D P du Plessis B Sc (QS), MBA, DBA, CD(SA) (Chairman)

Mr C Erasmus B Sc, FIA, FASSA

Mr E A Moolla B Iuris (Retired 22 June 2020)

Dr S N E Seoka B Pharm, PhD (Appointed 22 June 2020)

Prof H E Wainer B Acc, CA(SA), Registered Auditor

ROLE

The Group Remuneration Committee (REMCO) has been established as a sub-committee of the PPS Insurance Board with delegated responsibility for ensuring the implementation of the PPS Group Remuneration Policy, as approved by the PPS Insurance Board from time to time, and making recommendations to the PPS Group Boards, excluding the PPS Investments Board which has its own remuneration committee, over which REMCO exercises oversight, in regard to employee and non-executive remuneration for consideration and final approval. REMCO is responsible for advising the PPS Group in relation to:

- ⦿ Matters of executive, senior management and staff remuneration;
- ⦿ The remuneration of non-executive directors and trustees of PPS Holdings Trust and its subsidiaries, as well as their respective related entities (with the exception of PPS Insurance subsidiaries which have appointed their own remuneration committees);
- ⦿ Key human resources and employee-related matters, including employment equity and transformation.

REMCO is chaired by an independent non-executive PPS Insurance director and is comprised entirely of non-executive directors of PPS Insurance. No employee is involved in deciding his or her own remuneration. The Group Chief Executive and the Group Executive: Human Resources attend the meetings of REMCO by invitation. The Chief Executive and Group Executive: Human Resources are recused from any discussion and/or decision pertaining to their own remuneration.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. REMCO operates in accordance with Terms of Reference (TOR) approved by the PPS Insurance Board. REMCO has complied with the obligations as set out in its TOR and is satisfied that the objectives of the Remuneration Policy have been achieved.

The role of REMCO is to assist the PPS Group boards to ensure that:

- ⦿ The PPS Group remunerates non-executive directors and trustees, the CEO, executives, management and staff fairly, responsibly and competitively;
- ⦿ The disclosure of director/trustee and executive remuneration by the PPS Group is accurate and in accordance with the Companies Act and the recommendations of the PPS Group Audit Committee;
- ⦿ The functions prescribed by the Prudential Authority in terms of the Prudential Standards are performed.

REMUNERATION PHILOSOPHY AND APPROACH

The PPS Group is committed to a remuneration philosophy that is competitive in the market and focuses on rewarding individual and corporate performance. People are the PPS Group's strategic differentiator in the industry, and the achievement of the PPS Group's objectives is supported by the way in which it rewards people for their contributions. Remuneration is not only important when recruiting people into the organisation, but also in retaining, engaging and motivating them, and therefore forms part of the foundation of the psychological contract between employee and employer. This policy is important for the PPS Employee Value Proposition.

Our total reward strategy includes various elements: guaranteed package (CTC); variable short-term incentive (STI); variable long-term incentive plan (LTIP); competitive staff benefit plans; various recognition programmes; individual learning and development opportunities; a stimulating work environment; and an employee wellness programme.

REMUNERATION PRINCIPLES

The following principles are followed in the implementation of the remuneration philosophy and total reward strategy:

- ⦿ **Driving a high-performance culture:** Performance contracts are defined at the beginning of the financial year, with financial and non-financial, qualitative and quantitative, as well as lag and lead metrics. Performance measurement metrics are set annually and reviewed for broader alignment to PPS Group objectives by identifying annual strategies. Risk metrics are included as part of the performance measurement metrics for each strategic initiative and are linked to the risk profile of the Group. Remuneration must be proportional to risk outcomes. The mix of short-term and long-term incentives must be aligned to risk, in order that management's performance is aligned with members' long-term interests. The remuneration structure should not induce excessive or inappropriate risk taking. The current risk profile is calculated and evaluated to determine the impact of the strategic initiatives on the risk profile of the PPS Group.
- ⦿ **Balance between fixed and variable remuneration:** The mix of guaranteed pay and short- and long-term incentives is in line with the risk appetite and culture of the company. The different subsectors should customise pay mix permutations to suit their market circumstances. The mix is designed to meet the PPS Group's operational needs and strategic objectives, based on targets that are stretching, verifiable and relevant.
- ⦿ **Long-term value creation:** Given the long-term nature of the business, the remuneration structure needs to support both long-term value creation and the achievement of short-term PPS Group objectives. The appropriate balance needs to be maintained to manage focus on current and future perspectives.
- ⦿ **Equal Pay for Work of Equal Value:** PPS Group strives to comply with legislation governing equal pay for work of equal value.

REMUNERATION STRUCTURE

The total remuneration packages of employees are determined on an annual basis by REMCO within the context of a holistic approach, balanced design and pay mix. The PPS Group's remuneration structure comprises of the following elements:

- ⦿ **Guaranteed Pay:** PPS Group manages total cost to company (TCTC), which incorporates base pay, retirement, medical aid and other optional benefits. The general approach to guaranteed pay is to target the market median or the 50th percentile of the industry we operate in. Benchmarking of the total remuneration components (guaranteed pay, short and long-term incentives, where relevant) is generally aligned with the industry benchmarks and

is conducted annually. Increases are determined by REMCO in conjunction with executive management and take into consideration market related increases, individual and PPS Group performance and other economic indicators. REMCO reviews staff increases as determined by management and approves increases for Group Executives and senior management.

- ⦿ Benefits: PPS Group provides its employees with additional elements of remuneration, including medical aid, retirement fund and risk benefits, such as death, disability and funeral cover. These benefits form part of the TCTC package structure. Employees also participate in reward and recognition schemes to enable performance and motivation to drive PPS Group initiatives and objectives, alignment with business, as well as living up to the PPS Group's values.
- ⦿ Short-term Incentive: PPS Group's short-term incentives aim to reward short-term performance in the form of an annual cash bonus. This is linked to achieving financial, strategic and operational objectives against objectives set by line management. The pool available for short-term incentives is influenced by the financial performance of the Group. With the aim of increasing a high-performance culture across the Group and remaining competitive in the industry for high calibre talent, it was important to review the principles applicable to the short-term incentives during 2020.

The principles reviewed and added to the policy are principles such as determination factors applied to the short-term incentive pool size, allowing for sufficient differentiation between performers and non-performers, being more inclusive and competitive at each work level (i.e. operational vs. management) and guidelines on how the bonus pool is to be allocated to ensure higher bonus reward to high performing employees.

For the sales employees, variable commission structures are in place and these are detailed in the subsidiaries' remuneration structures.

- ⦿ Long-term Incentive: The key objective of the long-term incentives is to focus participants on long-term key performance indicators in line with the vision, strategy, roles, expectations, financial and risk parameters of the organisation. Long-term incentives are structured to ensure alignment of the interests of management and staff with members' interests. REMCO has final discretion over the participation of eligible employees in long-term incentives, the allocation values, as well as the approval of the eligibility of participants for participation in the incentive schemes.

REMUNERATION OF NON-EXECUTIVE DIRECTORS AND TRUSTEES

Non-executive directors/trustees are remunerated based on annual retainers, as well as attendance fees for each meeting attended. The value of the annual retainers and the attendance fees are benchmarked against fees paid in the financial and insurance industry by companies of a similar size to PPS. Non-executive directors/trustees do not participate in the PPS Group's long-term or short-term incentive schemes. The trustees' fees for the PPS Holdings Trust Board and its committees are subject to the ultimate approval by the Ordinary Members of PPS Holdings Trust at its annual general meeting (AGM) and for the remainder of the PPS Group companies at their respective AGMs.

The REMCO meetings held during the year and the attendance thereat were as follows:

Group Remuneration Committee	20 Feb 2020	19 May 2020	21 Sep 2020	18 Nov 2020
Dr D P du Plessis (Chairman)	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr E A Moolla (Retired 9 June 2020)	✓	✓	N/A	N/A
Dr S N E Seoka (Appointed 22 June 2020)	N/A	N/A	✓	✓
Prof H E Wainer	✓	AP	✓	✓

AP = Apology

N/A = Not applicable

GROUP NOMINATIONS COMMITTEE (GNC)

The GNC is a sub-committee of the PPS Holdings Trust Board, mandated with responsibility for PPS Holdings Trust and its subsidiaries.

MEMBERS

Dr S N E Seoka (Chairman)

Mr C Erasmus (Deputy Chairman)

Dr C M Krüger

Mr V P Rimbault

Mr S Trikamjee

The GNC is chaired by an independent non-executive trustee and comprises solely of independent non-executive trustees of PPS Holdings Trust.

It is the responsibility of the GNC to ensure that succession plans are in place for appointments to the Boards of PPS Holdings Trust and its subsidiaries that will maintain an appropriate balance of qualifications, skills and experience and achieve compliance with Fit and Proper requirements. The GNC leads the process for appointment and re-election of trustees and directors and makes recommendations to the boards for the appointment of PPS Group boards and committees, except in regard to the appointment of the members of the GNC itself, which is the sole prerogative of the PPS Holdings Trust Board, ensuring that there is a formal, rigorous and transparent procedure for all appointments. The PPS Holdings Trust Board is satisfied that the range and balance of expertise, experience and qualifications of the PPS Group board members are appropriate for the current needs of the business, but keeps these matters under regular review.

The GNC annually considers the continued service of board members with a period of appointment in excess of nine years and is satisfied that such board members still meet the requirements for independence.

The GNC considers the suitability of trustees nominated by professional associations at the invitation of the PPS Holdings Trust Board, for appointment to the PPS Holdings Trust Board and makes recommendations in this regard for consideration by the PPS Holdings Trust Board.

The PPS Holdings Trust Board is responsible for ensuring that an effective system for succession planning and development is in place, covering trustees and directors. It has delegated this task to the GNC. In considering an appointment, the GNC assesses and defines the characteristics, qualities, skills and experience it believes would complement the overall balance and composition of the PPS Holdings Trust Board, subsidiary boards and board committees, ensuring compliance with Fit and Proper requirements. The GNC may appoint external consultants to assist it in the identification and recruitment of an individual who satisfies the GNC's criteria. Where the GNC is considering matters relating to an individual who is a member of the GNC, such individual is recused from the discussion of that item.

The GNC is satisfied that non-executive trustees and directors demonstrate the commitment required to properly discharge their responsibilities. The PPS Group directors and trustees have continued to update their skills and knowledge, both within the PPS Group and externally. The GNC has been mandated to perform, and is responsible for, the evaluation of the boards and board members, including ethics, performance and compliance with the enhanced requirements regarding independence and being Fit and Proper for serving on an insurance company board in terms of regulation.

The GNC meetings held during the year and the attendance thereat were as follows:

Group Nominations Committee	9 Mar 2020	19 May 2020	10 June 2020	17 Nov 2020
Dr S N E Seoka (Chairman)	✓	✓	✓	✓
Mr C Erasmus (Deputy Chairman)	✓	✓	✓	✓
Dr C M Krüger	✓	✓	✓	✓
Mr V P Rimbault	✓	✓	✓	✓
Mr S Trikamjee	✓	✓	✓	✓

GROUP SOCIAL AND ETHICS COMMITTEE (GSEC)

Particulars of the composition, role and responsibilities of the GSEC and attendance at meetings are set out in the GSEC's Report included in this Integrated Report.

GROUP EXECUTIVE COMMITTEE (GROUP EXCO)

MEMBERS

Mr I J Smit (Chairman) (Group Chief Executive Officer)

Mr Q J Augustine (Executive: Member Value Proposition)

Mr V E Barnard (Group Company Secretary)

Mrs S Bassudev (Chief Executive: PPS Healthcare Administrators)

Mr N J Battersby (Group Chief Operating Officer and Chief Executive: PPS Investments)

Mrs T Boesch (Group Chief Financial Officer)

Mr W Bosman (Chief Executive: PPS Short-Term Insurance)

Ms K Govender (Executive: Life Operations) (Appointed 20 February 2020)

Mr J P Loubser (Chief Information Officer) (Appointed 1 August 2020)

Ms M D Molefe (Executive: Human Resources)

Mr M M Mtshali (Executive: Advisory Services and Enablement)

Mr W J Mouton (Executive: External Distribution)
Mr B Thomas (Executive: Actuarial Services)

Mrs A N Seboni (Group Executive: Group Marketing and Communication)

COMPOSITION AND MEETING PROCEDURES

Group Exco is chaired by the Group Chief Executive Officer and has regular input from executives in Operations, Internal and External Distribution, Finance, Actuarial, Information Technology, Human Resources, Compliance, Governance, Marketing, Business Change and Strategic Development, Member Value Proposition, the Group Company Secretary, the subsidiary businesses of PPS Investments, PPS Short-Term Insurance, PPS Healthcare Administrators and Financial Solutions 4 Professionals, as well as the associate PPS Mutual Australia. Group Exco meetings are held at least monthly and additional meetings are scheduled as required. Group Exco is responsible for the implementation of day-to-day strategy and the operations of the PPS Group, within the parameters defined by the PPS Group boards.

Group Exco is supported by a number of management committees throughout the PPS Group.

ANNUAL FINANCIAL STATEMENTS

Our resilience as a business, strong organisational values, the performance-driven culture of our people and our trusted relationship with financial advisers added to the sustainability of PPS through this difficult year.

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This report comprises of the audited consolidated annual financial statements of The Professional Provident Society Holdings Trust and its subsidiaries.

The report was prepared under the supervision of T Boesch CA(SA). An audit was performed by PricewaterhouseCoopers Inc. in line with requirements of the Trust Deed.

Published: 25 March 2021



20
YEARS
OF MEMBERSHIP

“Being part of a success story inspires and motivates people. At PPS we achieve success through teams, people, and working together to reach a greater goal for the benefit of all.”

KAREN VILJOEN
EXECUTIVE: OPERATIONS AND SYSTEMS AT PPS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

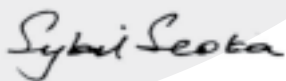
for the year ended 31 December 2020

The Trustees accept responsibility for the fair presentation of the financial statements of The Professional Provident Society Holdings Trust, comprising the financial statements of the trust itself and the consolidated financial statements of the trust and its subsidiaries. These financial statements have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Insurance Act of 2017, the South African Companies Act of 2008, and the Trust Deed. The Trustees are of the opinion that the financial statements are fairly presented in the manner required. The independent auditors are responsible for reporting on these financial statements and were given unrestricted access to all financial records and related data including minutes of all meetings of members of the Board of Trustees and Committees of the Board. The Trustees have no reason to believe that any representations made to the independent auditors during the audit were not valid and appropriate. The Trustees accept responsibility for the maintenance of accounting records and systems of internal financial control.

The Trustees are satisfied that no material breakdown in the operations of the systems of internal financial controls and procedures occurred during the year under review.

Nothing has come to the attention of the Trustees to indicate that the Group, or any company within the Group, will not remain a going concern for at least the ensuing financial year. The financial statements have been prepared on the same basis.

The annual financial statements, which appear on pages 105 to 209, were approved by the Board of Trustees and are signed on its behalf by:



Dr S N E Seoka
Chairman



DR C M Krüger
Deputy Chairman

The Professional Provident Society Holdings Trust

Johannesburg

25 March 2021

CERTIFICATE BY THE SECRETARY

In my capacity as the Secretary of The Professional Provident Society Holdings Trust, I hereby certify in terms of section 88(2)(e) of the Companies Act of 2008 and the Trust Deed that for the year ended 31 December 2020, the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of this Act. I also confirm that all returns to the Master of the High Court's office, required for The Professional Provident Society Holdings Trust in terms of its Trust Deed and the Trust Property Control Act of 1988, are to the best of my knowledge and belief true, correct and up to date.



Mr V E Barnard
Group Company Secretary

The Professional Provident Society Holdings Trust

25 March 2021

STATEMENT OF RESPONSIBILITY BY THE GROUP CHIEF EXECUTIVE OFFICER AND GROUP CHIEF FINANCIAL OFFICER

for the year ended 31 December 2020

The PPS Group Executive Directors, whose names are stated below, hereby confirm that:

- ⦿ The annual financial statements set out on pages 105 to 209 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- ⦿ No facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- ⦿ Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- ⦿ The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.



Mr I J Smit
Group Chief Executive



Mrs T Boesch
Group Chief Financial Officer

The Professional Provident Society Holdings Trust

25 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Professional Provident Society Holdings Trust (the Trust) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

WHAT WE HAVE AUDITED

The Professional Provident Society Holdings Trust's consolidated financial statements set out on pages 124 to 209 comprise:

- ⦿ The Consolidated Statement of Financial Position as at 31 December 2020;
- ⦿ The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- ⦿ The Consolidated Statement of Changes in Equity for the year then ended;
- ⦿ The Consolidated Statement of Cash Flows for the year then ended; and
- ⦿ The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the document titled "2020 Integrated Report". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF THE TRUSTEES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Trustees are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

PricewaterhouseCoopers Inc.

**Director: J Goncalves
Registered Auditor**

**Johannesburg
25 March 2021**

INVESTMENT RETURNS AND PROFIT ALLOCATION TO POLICYHOLDERS' PPS PROFIT-SHARE ACCOUNT

for the year ended 31 December 2020

At the end of each year policyholders' PPS Profit-Share Account, comprising the Apportionment Accounts and the Special Benefit Accounts, are allocated the profit or loss, net of movements in insurance policy liabilities earned over that year. The PPS Profit-Share Account accumulates from year to year until a policyholder reaches retirement age. **On retirement, death or exit, policyholders can access an amount based on the balance accumulated in their PPS Profit-Share Account at that time. This is over and above the cover enjoyed by them as policyholders. This represents a valuable pool of retirement assets for members, particularly retiring members.**

The PPS Profit-Share Account represents an allocation of surplus and investment returns only. This account vests upon retirement, death or exit, and is then payable. The total assets backing the PPS Profit-Share Account belong to PPS Insurance or PPS Namibia at all times.

The investment returns or losses and net operating income allocated each year may be positive or negative, depending on investment return as well as the operating experience of PPS Insurance and/or PPS Namibia. Therefore, the PPS Profit-Share Account may increase or decrease in any year. Possible variations in the PPS Profit-Share Account are set out in the accounting policies and notes to these financial statements. No guarantees can be given by PPS Insurance or PPS Namibia that the allocations of operating results or investment returns will always be positive, or that the PPS Profit-Share Account will not reduce in any year.

The net operating income is allocated with reference to the qualifying products a policyholder holds and in accordance with the allocation rules for the specific products held. The investment returns are allocated in proportion to the size of the policyholders' PPS Profit-Share Account.

For all policyholders from age 60 to 65, the full value of the PPS Profit-Share Account is available through the Vested Profit-Share Account to such policyholders on termination of cover or resignation, subject to the vesting rules as contained in the policy document. On death of a member, at any age, the PPS Profit-Share Account is paid to the policyholders' beneficiaries or their estates. For all policyholders aged 66 or older, the fair value of the PPS Profit-Share Account becomes available through the Vested Profit-Share Account, for inclusion in financial plans of such policyholders, and it is paid to the policyholders' beneficiaries or their estates on death. On surrender of a policy prior to the age of 60, policyholders are entitled to receive a lump sum termination payment determined as a proportion of the PPS Profit-Share Account at the time subject to a discount, if the exit is before retirement age.

TOTAL ALLOCATIONS TO PPS PROFIT-SHARE ACCOUNTS

PPS Insurance	2020 R'm	2019 R'm
Allocation to Special Benefit Accounts	1 216	2 625
Allocation to Apportionment Accounts	840	1 415
Total allocations to PPS Profit-Share Accounts	2 056	4 040

PPS Namibia	2020 N\$m	2019 N\$m
Allocation to Special Benefit Accounts	94	122
Allocation to Apportionment Accounts	65	84
Total allocations to PPS Profit-Share Accounts	159	206

ALLOCATION TO APPORTIONMENT ACCOUNTS

The allocations at 31 December 2020 to policyholders' Apportionment Accounts are set out as follows:

PPS Insurance	2020 R'm	2019 R'm
Total investment income allocation	343	368
PPS Sickness and Permanent Incapacity Benefit	183	526
Hospital benefits	11	36
PPS Provider	212	427
Bonus allocation for PPS Investments' portfolios and products	20	15
Bonus allocation for PPS Medical Aid products	29	42
PPS Rewards scheme bonus allocation	-	0.03
Bonus allocation for PPS Short-term products	4	-
Profit-Share Cross-Holdings Booster allocation	37	-
BEE allocation	1	1
Total profit allocation	497	1 047
Total allocated	840	1 415

PPS Namibia	2020 N\$m	2019 N\$m
Total investment income allocation	17	22
PPS Sickness and Permanent Incapacity Benefit	41	55
Hospital Benefits	3	5
Broadening Mutuality Products - percentage of premium	2	0.4
Sickness and Permanent Incapacity	2	2
PPS Retirement Annuity	0.1	0.2
Total profit allocation	48	62
Total allocated	65	84

ALLOCATION TO SPECIAL BENEFIT ACCOUNTS

The following investment allocations for 2020* were made to the Special Benefit Accounts:

PPS Insurance	2020 R'm	2019 R'm
PPS BEE investment income gains	4	11
Investment income and gains	1 148	2 550
PPS Vested Profit-Share	64	64
Total allocated	1 216	2 625

PPS Namibia	2020 N\$m	2019 N\$m
Total allocated	94	122

* Investment return allocated to policyholders' Special Benefit Accounts as a percentage of the PPS Profit-Share Account at the beginning of the year.

TRUSTEES' REPORT

HOLDING ENTITY

The holding entity for the PPS Group is The Professional Provident Society Holdings Trust, registration number IT 312/2011 ('PPS Holdings Trust'), which controls all the entities in the PPS Group.

COVID-19 VIRUS PANDEMIC

The outbreak of the COVID-19 virus pandemic had a significant financial impact on the results of the Group in 2020. The financial impact is seen in the increase in long-term insurance claims (both sickness and death claims), as well as increased variability in investment returns as a result of the volatile performance of financial markets. There was a positive impact on the Short-term insurance claims as a result of reduced activity due to the lockdown in 2020. The PPS Investments business revenue was adversely affected by the negative market performance at the beginning of the year.

The impact of the virus is expected to continue in 2021, although at a lower intensity compared to 2020. The Group is monitoring the impact on a continuous basis and appropriate management actions are taken where appropriate.

Impact on service levels

The Group, as a financial services provider, qualified as an essential services provider, and operations have continued uninterrupted during the lockdown.

All essential functions, such as the Group's call centres, claims processing and payments, as well as Intermediary Servicing and new business administration are all operating uninterrupted, and at service levels comparable to the Group's normal standards.

Going concern and solvency

PPS has prepared scenarios of the potential impact of the pandemic on its operations. These scenarios included qualitative and quantitative analyses. The results of these scenarios indicate that the pandemic will not impact the going concern status of the Group, as assets are estimated to be sufficient to settle liabilities. Although the pandemic had a material negative impact on operating profits in 2020, the solvency of the Group remains resilient and is expected to meet regulatory requirements, even under extreme stressed conditions.

PRINCIPAL ACTIVITIES

PPS Holdings Trust is a trust registered by the Master of the High Court in terms of the Trust Property Control Act of 1988. PPS Holdings Trust's sole investment is 100% of the shares of Professional Provident Society Insurance Company Limited ('PPS Insurance'). The beneficiaries of PPS Holdings Trust are the PPS Group companies. Membership of PPS Holdings Trust is acquired through participation in PPS Group products. The Ordinary Members of PPS Holdings Trust control the PPS Group through the election of trustees. All the profits of the PPS Group are allocated to the Ordinary Members of PPS Holdings Trust through their participation in their policyholder PPS Profit-Share Accounts.

PPS Insurance Company Limited ('PPS Insurance') is a wholly-owned subsidiary of PPS Holdings Trust and is a long-term insurance company registered in South Africa in terms of the Insurance Act, which offers a broad range of insurance products, including sickness and incapacity benefits, life and disability benefits, critical illness benefits and business assurance policies. PPS Insurance also issues linked living annuities and endowment policies to PPS members.

Professional Provident Society Investments (Pty) Limited ('PPS Investments') and its subsidiaries are wholly-owned subsidiaries of PPS Insurance which provide, inter alia, savings and investment products primarily to PPS members.

Professional Provident Society Insurance Company (Namibia) Limited ('PPS Namibia') is a wholly-owned subsidiary of PPS Insurance and provides insurance products exclusively to the Namibian market. A reinsurance agreement with PPS Insurance is in place for PPS Namibia. In terms of this reinsurance arrangement, PPS Namibia partially reinsures its obligations to the Namibian policyholders with PPS Insurance. This arrangement was put in place in order to protect the security and benefit expectations of the Namibian policyholders. Without this reinsurance arrangement, the Namibian subsidiary with over 5 000 Namibian policyholders would be exposed to higher volatility from fluctuations in claims experience.

Professional Provident Society Healthcare Administrators (Pty) Limited ('PPS Healthcare Administrators') is a wholly-owned subsidiary of PPS Insurance, which administers Profmed and other medical schemes. PPS Healthcare Administrators' objective is to provide professional service and to support the sustainability of the schemes by applying scheme, benefit and tariff rules properly and managing clinical risk, to enable medical schemes to provide for the health care needs of members when they need it most. The administered medical schemes have their own independent boards of trustees.

Professional Provident Society Short-Term Insurance Company Limited ('PPS Short-Term Insurance') is a wholly-owned subsidiary of PPS Insurance and is a fully-fledged short-term insurer, offering personal lines, commercial lines and, through its Health Professions Indemnity Division, professional indemnity products, to PPS members.

PPS Mutual Limited and its operating subsidiary are affiliates of PPS Insurance launched in Sydney, Australia in February 2016. The company's operating model replicates the PPS Group in South Africa's mutual model, focusing on the insurance needs of graduate professionals in Australia.

The PPS Property Fund Trust ('PPS Property Trust') is a trust controlled by PPS Insurance, registered in terms of the Trust Property Control Act of 1988, which invests in certain investment property for the benefit of PPS Insurance.

Financial Solutions 4 Professionals (Pty) Limited ('FS4P') is a wholly-owned subsidiary of PPS Insurance, established as a brokerage, to provide a vehicle for supporting agents that are not able to sell PPS products due to Retail Distribution Review regulation, which came into effect on 1 January 2018, and enables the continuity of members' insurances.

The Professional Provident Society Foundation Trust is a trust founded by PPS Insurance and registered by the Master of the High Court in 2016 in terms of the Trust Property Control Act of 1988. It has the principal objectives of working with strategic partners to improve access to Science, Technology, Engineering and Mathematics (STEM) related professions and build the professional pipeline, especially the scarce skills disciplines, making a measurable contribution to sustainable development within South Africa's communities (as defined in the DTI B-BBEE Codes of Good Practice) and the Financial Sector Charter and ensuring that the Foundation's funds are spent on real sustainable, measurable benefits in support of the professional pipeline being created.

GOING CONCERN

The Trustees / Directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the reporting period ahead. For this reason, these financial statements are prepared on a going concern basis.

FINANCIAL RESULTS

The financial results on pages 105 to 209 set out the results of the Trust and the PPS Group (comprising PPS Holdings Trust and all its subsidiaries) for the financial year ended 31 December 2020.

AUDIT COMMITTEES' REPORT

INTRODUCTION

The PPS Holdings Trust Audit Committee ('TAC') and the PPS Group Audit Committee ('GAC') are committees of the PPS Holdings Trust and PPS Insurance Boards, respectively. The responsibilities of these committees are prescribed by the Trust Deed and the Companies Act, and are outlined in their written Terms of Reference, which are in line with King IV, and are reviewed and updated annually. The Committees have an independent role, with accountability to both the Boards and PPS members in terms of the Companies Act and the Trust Deed of PPS Holdings Trust.

The TAC has oversight over PPS Holdings Trust and the PPS Group, while the GAC has oversight over PPS Insurance and its subsidiaries. This includes oversight over the separate Risk and Audit Committees of PPS Investments and PPS Short-Term Insurance, which make reports to the GAC.

The report of the TAC and GAC is presented to the members in terms of section 94(7)(f) of the Companies Act, No 71 of 2008 ('the Companies Act'), and a similar provision in the Trust Deed.

COMPOSITION OF THE PPS HOLDINGS TRUST AUDIT COMMITTEE

MEMBERS:

Independent Non-executive Trustees of PPS Holdings Trust:

Ms D L T Dondur (Chairman), B Acc (Hons), B Compt, CA(SA), MBA, CD(SA), Member of the TAC since 2012

Mr E A Moolla, B Juris, Member of the TAC since 2011 (Retired 9 June 2020)

Mr P Ranchod, B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing, Member of the TAC since 2014

Prof H E Wainer, B Acc, CA(SA), (Appointed as a Member of TAC on 9 June 2020)

The appointment of the current Members of the TAC was confirmed by PPS members at the annual general meeting held on 9 June 2020.

The TAC was established pursuant to the Trust Deed of PPS Holdings Trust and comprises three independent non-executive trustees of PPS Holdings Trust. The members of the Committee are elected annually by the members of PPS Holdings Trust at its annual general meeting, after being nominated for election by the Nominations Committee and being approved by the PPS Holdings Trust Board for election. As PPS Holdings Trust is not an operating company, but consolidates the financial results of PPS Insurance and its subsidiaries, the TAC considers the recommendations of the GAC in regard to the integrated report and the annual financial statements of PPS Insurance and its subsidiaries. There is an overlap in membership of the TAC and the GAC to ensure appropriate information is exchanged between the two audit committees, and the TAC does not replicate the work performed by the GAC in regard to PPS Insurance and its subsidiaries.

Meetings of the TAC held during the year and attendance thereat:

Trust Audit Committee	4 Mar 2020	9 Nov 2020
Ms D L T Dondur (Chairman)	✓	✓
Mr E A Moolla (Retired 9 June 2020)	✓	N/A
Mr P Ranchod	✓	✓
Prof H E Wainer (Appointed 9 June 2020)	N/A	✓

COMPOSITION OF THE PPS GROUP AUDIT COMMITTEE

MEMBERS:

Independent Non-Executive Directors of PPS Insurance:

Prof H E Wainer (Chairman), B Acc, CA(SA), Member of GAC since 2001

Ms D L T Dondur, B Acc (Hons), B Compt, CA(SA), MBA, CD(SA), Member of GAC since 2013

Dr D P du Plessis, B Sc, MBA, DBA, CD(SA) (Appointed 22 June 2020)

Mr C Erasmus, BSc, FIA, FASSA, Member of GAC since 2009

Mr E A Moolla, B Juris, Member of GAC since 2015 (Retired 22 June 2020)

Mr P Ranchod, B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing, Member of the GAC since 2014

Dr J A van der Merwe, MB ChB, MBL, DBL, PED. (IMD), Member of GAC since 2018

SPECIALIST CONSULTANT:

Dr C E Rabin, D Phil, CA(SA), specialist consultant to the GAC since 2011, formerly a member of the GAC from 2005 to 2011.

Meetings held during the year and attendance thereat:

Group Audit Committee	4 Mar 2020	27 May 2020	26 Aug 2020	9 Nov 2020
Prof H E Wainer (Chairman)	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Dr D P du Plessis (Appointed 22 June 2020)	N/A	N/A	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr E A Moolla (Retired 9 June 2020)	✓	✓	N/A	N/A
Mr P Ranchod	✓	✓	✓	✓
Dr J A van der Merwe	✓	✓	✓	✓
Dr C E Rabin*	✓	✓	✓	✓

*Consultant

The GAC comprises of six Non-Executive PPS Insurance Directors, all of whom are independent. Dr Rabin, who is not a member of the PPS Insurance Board, and was formerly a member of the GAC, was appointed as a specialist consultant to the GAC pursuant to the requirement of the Companies Act, 2008, that all members of the GAC have to be Board members. Three of the members of the GAC and the specialist consultant are Chartered Accountants. The remaining members of the GAC are an actuary, a risk management specialist and a Chartered Director, respectively.

The Boards are satisfied that the members of these Committees have sufficient recent and relevant financial experience to enable them to carry out their duties and responsibilities and that the members of the Committees bring a wide range of relevant experience and expertise. The GAC meets at least four times a year, while the TAC is scheduled to meet at least twice a year. The Chairmen of the Group Risk Committee and the Group Actuarial Committee are also members of the GAC. The Head of the Actuarial Function and Statutory Actuary, the Company Actuary, the external auditors, the Head of the Internal Audit Function, the Head of the Risk Management Function and other relevant role players are present at each meeting of the GAC. The external auditors are present at each meeting of the TAC. The GAC has an oversight role in regard to the Risk and Audit Committees of PPS Investments and PPS Short-Term Insurance, which report to the GAC at its quarterly committee meetings.

The TAC and GAC meet both the external and internal auditors separately in private sessions, without executive management being present. The Group Chief Executive and the Group Chief Financial Officer, along with other members of senior management, attend Committee meetings, as necessary, at the invitation of the Chairmen of the Committees.

AUDIT COMMITTEES' REPORT (CONTINUED)

The PPS Group's policy on non-audit services, which is reviewed annually by the Committees, sets out what services may be provided to PPS by the external auditors. All non-audit services are pre-approved by the GAC. The Committees conduct a formal external auditor evaluation process. This evaluation occurs annually and includes various criteria and standards such as independence, audit planning, technical abilities, audit process/outputs and quality control, business insight and general factors (such as black economic empowerment credentials). The Committees keep abreast of current and emerging trends in international accounting standards.

Both committees have satisfied themselves:

- ⦿ as to the effectiveness of the PPS Group's system of financial controls;
- ⦿ that the financial statements of PPS Holdings Trust, PPS Insurance and its subsidiaries have been prepared in accordance with IFRS and the requirements of the Companies Act, 2008; and
- ⦿ that the external auditor is independent of PPS Holdings Trust, PPS Insurance and its subsidiaries.

ROLE OF THE AUDIT COMMITTEES

The Committees, *inter alia*, assist the trustees and Directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The Committees performed their functions required in terms of the Companies Act and the Trust Deed and executed their responsibilities in accordance with their terms of reference. The Committees, *inter alia*:

- ⦿ Reviewed and recommended for approval the annual financial statements.
- ⦿ Considered the factors and risks that might affect the financial reporting of PPS Holdings Trust and the PPS Insurance Group.
- ⦿ Confirmed the going-concern basis of preparation of the annual financial statements.
- ⦿ Reviewed and recommended for approval the integrated report.
- ⦿ Assessed the effectiveness of internal financial controls systems and formed the opinion that there were no material breakdowns in internal control.
- ⦿ Ensured that a combined assurance model was applied to provide a coordinated approach to all assurance activities.
- ⦿ Reviewed the Internal Audit Policy in line with King IV recommendations, and recommended the approval thereof to the PPS Insurance Board.
- ⦿ Approved the internal audit plan for the financial year.
- ⦿ Reviewed and evaluated reports relating to internal audit and risk management.
- ⦿ Nominated PricewaterhouseCoopers Inc. ("PwC") as the PPS Group's external auditors.
- ⦿ Determined the external auditors' terms of engagement in the external audit engagement letter and determined the audit fees payable to the external auditors.
- ⦿ Reviewed the quality and effectiveness of the external audit process and the audit plan and assessed the competence of the external auditors.
- ⦿ Obtained and considered a statement from the independent auditors confirming that their independence was not impaired.
- ⦿ Confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Profession Act.
- ⦿ Ensured no limitations were imposed on the scope of the external audit.
- ⦿ Determined the nature and extent of non-audit services that the external auditors may provide and pre-approved any such services.
- ⦿ Maintained oversight over fraud and corruption risk management and established a protocol for confidential reporting.
- ⦿ Considered whether there were any concerns or complaints whether from within or outside the PPS Group relating to the accounting practices and internal audit of the PPS Group, the content or auditing of the PPS Group's financial statements, the internal financial controls of the PPS Group or any related matter.
- ⦿ Made submissions to the Boards on matters concerning the PPS Group's accounting policies, financial control, records and reporting.

EXTERNAL AUDITORS

PwC served as the PPS Group's external auditors for the 2020 financial year. The auditors' terms of engagement were approved prior to the audit. The Committees satisfied themselves that the external auditors' appointment complies with the Companies Act and in particular Section 90(2) thereof, as well as the Auditing Profession Act.

The Committees are satisfied that both PwC and the audit partner are independent. The external auditors provided assurance that their internal governance processes within their audit firm support and demonstrate their claim to independence.

The GAC was comfortable that non-audit services work was justified and necessary and that it did not give rise to any self-review threat for the external auditors.

EXPERTISE AND EXPERIENCE OF THE GROUP CHIEF FINANCIAL OFFICER AND THE FINANCE TEAM

The Committees are satisfied that the expertise and experience of the Group Chief Financial Officer are appropriate to meet the responsibilities of the position.

The Committees considered the expertise, resources and experience of the PPS Group's finance function and concluded that these are appropriate to meet the requirements of the PPS Group.

APPROVAL OF THE REPORT

The TAC and GAC confirm for the 2020 financial year that they have functioned in accordance with their Terms of Reference and as required by the Companies Act and Trust Deed of PPS Holdings Trust and that their reports have been approved by the Directors and trustees.

On behalf of the Audit Committees:



Ms D L T Dondur
Chairman of TAC

25 March 2021



Prof H E Wainer
Chairman of GAC

GROUP SOCIAL AND ETHICS COMMITTEE'S REPORT

INTRODUCTION

The PPS Group Social and Ethics Committee ("GSEC") is a statutory committee of the PPS Insurance Board established by the Board in terms of section 72(4) of the Companies Act (71 of 2008) ("Companies Act") and has the functions set out in Regulation 43(5) of the Companies Act.

The GSEC is tasked with monitoring specific activities of the PPS Insurance Group as set out below and to advise the PPS Insurance Group Boards in relation to such matters. The GSEC meets at least twice a year. The GSEC is supported in discharging its duties by the Group Remuneration Committee, the Group Risk Committee and the Group Audit Committee.

MEMBERS

Ms D L T Dondur (Chairman), Independent Non-Executive Director

Mrs T Boesch, Group Chief Financial Officer, Executive Director

Mr C Erasmus, Independent Non-Executive Director

Mr I J Smit, Group Chief Executive Officer, Executive Director

FUNCTIONS

The GSEC performs all the functions as are necessary to fulfil the following statutory duties:

Monitoring the PPS Insurance Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- ⦿ Social and economic development
- ⦿ Good corporate citizenship
- ⦿ Assessment of the ethical risk profile
- ⦿ Labour and employment
- ⦿ Consumer relationships
- ⦿ The environment, health and public safety
- ⦿ The implementation of Treating Customers Fairly regulation
- ⦿ Drawing matters within its mandate to the attention of the PPS Insurance Group boards as may be required

Reporting, through one of its members, to the members of PPS Insurance at its annual general meeting on the matters within its mandate.

The GSEC meetings held during the year and attendance thereat were as follows:

Group Social and Ethics Committee	4 Mar 2020	9 Nov 2020
Ms D L T Dondur (Chairman)	✓	✓
Mrs T Boesch	✓	✓
Mr C Erasmus	✓	✓
Mr I J Smit	✓	✓

Report to PPS Insurance members by the GSEC

During 2020, the committee discharged its statutory duties and considered reports from the various contributors regarding the relevant functions and the following items were specifically noted:

Social and economic development	<ul style="list-style-type: none">⦿ The United Nations Global Compact Principles are not legislation but reflect international best practice. PPS conducts its business in accordance with the principles regarding human rights, labour standards, the environment and anti-corruption.⦿ Compliance with the Employment Equity Act is managed in accordance with a report and a plan submitted to the Department of Labour, which are frequently tracked at executive management and board level.⦿ Various action plans are in place to address the requirements of the sectoral Broad-Based Black Economic Empowerment Act and Financial Services Charter.
Good corporate citizenship	<ul style="list-style-type: none">⦿ PPS promotes equality and prevents unfair discrimination against both employees and members.⦿ Various corporate social investment initiatives are in place to develop the professional community and students studying towards qualifying degrees.⦿ Various sponsorships, donations and charitable initiatives are undertaken and are regularly reviewed.
Assessment of the ethical risk profile	<ul style="list-style-type: none">⦿ Corruption and fraud management is a priority for PPS and a Fraud and Corruption Policy, as well as a confidential reporting facility, operated by an independent third party, are in place, and have been appropriately communicated to staff.
Consumer relationships	<ul style="list-style-type: none">⦿ PPS has implemented Treating Customers Fairly (TCF) and has fully integrated it into its operations, achieving a high score using the self-assessment tool provided by the FSCA for this purpose.⦿ Industry-specific consumer protection legislation is in place (FAIS, Insurance Act, etc.) and compliance therewith is actively managed and high levels of compliance have been achieved.
The environment, health and public safety, labour and employment	<ul style="list-style-type: none">⦿ The impact of the activities of the various PPS Group entities on the environment is considered and projects to minimise the environmental impact of the operations of the organisation continue.⦿ The occupational health and safety of employees and clients in buildings occupied by PPS are monitored and a high level of compliance is achieved.⦿ Excellent working conditions are in place for all employees.⦿ Employment relationships are valued at PPS and programmes for continued improvements to maintain best employee practice are in place and effective, as evidenced by the results of regular employee surveys.⦿ Educational development of employees is achieved through various initiatives including internal and external training, induction programmes and bursary schemes.

The committee is satisfied with the reporting and governance framework to ensure compliance with its statutory responsibilities in terms of the Companies Act.

No complaints were received by the GSEC during the year ended 31 December 2020 and based on the above monitoring reports, the GSEC concluded that there were no specific issues under its purview which required reporting to the PPS Insurance Board or members of the PPS Group.

On behalf of the PPS Group Social and Ethics Committee:



Ms D L T Dondur
Chairman of GSEC

25 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	Group	
		2020 R'm	2019 R'm
ASSETS			
Property and equipment	2	681	736
Investment property	3	460	501
Intangible assets	4	235	175
Deferred tax	17	179	171
Financial assets – Investments at fair value through profit or loss	5	53 466	47 725
Reinsurance assets	6,12,13	43	18
Insurance and other receivables	7	997	578
Current income tax asset		151	129
Cash and cash equivalents	8	2 887	2 966
TOTAL ASSETS		59 099	52 999
EQUITY			
Accumulated funds	9	320	294
Revaluation Reserve	10	30	42
Equity attributable to Group		350	336
Non-controlling interest	11	(11)	3
TOTAL EQUITY		339	339
LIABILITIES			
Long-term insurance policy liabilities and PPS Profit-Share Accounts	12	35 417	33 380
Short-term insurance policy liabilities	13	64	39
Investment contract liabilities	14	3 194	2 589
Liabilities to outside unit trust holders	15	17 878	14 908
Borrowings	16	152	166
Deferred tax	17	394	138
Retirement benefit obligations	18	6	6
Employee related obligations	19	263	232
Reinsurance liabilities	6,12,13	22	62
Insurance and other payables	20	1 291	1 136
Current income tax liabilities		79	4
TOTAL LIABILITIES		58 760	52 660
TOTAL EQUITY AND LIABILITIES		59 099	52 999

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Group	
		2020 R'm	2019 R'm
Net insurance premium revenue	21	4 898	4 607
Other income	22	530	481
Net investment income and gains on financial assets, excluding third party unit trust holders		3 400	3 609
Investment income	23	2 576	2 385
Gains on financial assets and investment property	24	1 677	2 959
Attributable to unit trust holders	15	(853)	(1 735)
		8 828	8 697
Net insurance benefits and claims paid	25	(4 360)	(3 489)
Fair value movement of policyholder liabilities under investment contracts	14	(166)	(170)
Expenses	26	(2 108)	(2 210)
Finance costs	28	(19)	(24)
Profit before movement in insurance policy liabilities		2 175	2 804
Movement in insurance policy liabilities	12	(1 691)	(2 436)
Tax charge	29	(472)	(381)
Surplus/(deficit) after tax and policy movements		12	(13)
Other comprehensive income:			
Revaluation of owner-occupied property net of deferred tax		(13)	0.3
Total comprehensive loss for the year		(1)	(13)

The mutual nature of PPS should be noted. The allocation to policyholders – described above as “Movement in insurance policy liabilities” – is a portion of the annual allocation to members’ PPS Profit-Share Account in their capacity as policyholders. A further R524m is from the movements in the Actuarial Reserve. The deficit after tax is the result of operations of the non-insurance subsidiaries and any increase required to maintain capital.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Accumulated funds R'm	Revaluation reserve R'm	Non-controlling interest R'm	Total R'm
Group					
Balance at 1 January 2019		299	50	11	360
Transfer to DPF liability	12.2	-	(8)	-	(8)
Total comprehensive (loss)/income for the year		(5)	0.3	(8)	(13)
Deficit for the year		(5)	-	(8)	(13)
Other comprehensive income for the year		-	0.3	-	0.3
Balance at 31 December 2019		294	42	3	339
Transfer from DPF liability	12.2	-	1	-	1
Total comprehensive income/(loss) for the year		26	(13)	(14)	(1)
Surplus/(deficit) for the year		26	-	(14)	12
Other comprehensive loss for the year		-	(13)	-	(13)
Balance at 31 December 2020		320	30	(11)	339

The Discretionary Participation Features (DPF) liability relates to the PPS Profit-Share Accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	Group	
		2020 R'm	2019 R'm
Cash flows from operating activities			
Cash (utilised by)/generated from operations	30	(354)	45
Interest received		1 537	1 503
Dividend received		834	753
Finance costs	28	(19)	(24)
Tax paid	31	(169)	(400)
Net cash from operating activities		1 829	1 877
Cash flows from investing activities			
Purchases of property and equipment	2	(25)	(144)
Improvements to investment property	3	(4)	(72)
Software development	4	(105)	(60)
Purchase of financial assets	5,15	(29 791)	(23 398)
Proceeds from disposal of financial assets		28 053	22 233
Net cash used in investing activities		(1 872)	(1 441)
Cash flows from financing activities			
Decrease in finance lease liabilities		(22)	(18)
Decrease in borrowings	16	(14)	(7)
Net cash from financing activities		(36)	(25)
Net (decrease)/increase in cash and bank		(79)	411
Cash and cash equivalents at beginning of year		2 966	2 555
Cash and cash equivalents at end of year	8	2 887	2 966

GROUP ACCOUNTING POLICIES

The principal accounting policies applied are set out below.

1. BASIS OF PREPARATION

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 35.

All monetary information and figures presented in these financial statements are stated in millions of Rand (R’m), unless otherwise indicated.

The following amendments to standards have application of 1 January 2020:

- ⦿ IFRS 3, ‘Business combinations’
- ⦿ IAS 1, ‘Presentation of financial statements’
- ⦿ IAS 8, ‘Accounting policies, changes in accounting estimates and errors’
- ⦿ IFRS 9, ‘Financial Instruments’
- ⦿ IAS 39, ‘Financial Instruments: Recognition and Measurement’
- ⦿ IFRS 7, ‘Financial Instruments: Disclosure’

These do not have a material impact on the Group’s overall results and financial position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

- ⦿ IFRS 16, “Leases” Covid-19-Related Rent Concessions Amendment (effective for annual periods beginning on or after 30 June 2020):

The amendments will not result in a material impact on the Group’s financial statements.

- ⦿ Amendments to IFRS 9 ‘Financial Instruments’, IAS 39 ‘Financial Instruments: Recognition and Measurement’, IFRS 7 ‘Financial Instruments: Disclosures’, IFRS 4 ‘Insurance Contracts’ and IFRS 16 ‘Leases’ – interest rate benchmark (IBOR) reform (Phase 2) (effective for annual periods beginning on or after 1 January 2021):

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

The amendments will not result in a material impact on the Group’s financial statements.

- ⦿ Amendment to IAS 1 ‘Presentation of Financial Statements’ on Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2022):

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date.

The amendment will not result in a material impact on the Group’s financial statements.

- ⦿ Amendment to IFRS 3, ‘Business combinations’ (effective for annual periods on or after 1 January 2022):

The International Accounting Standards Board (‘IASB’) has updated IFRS 3 to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the IASB added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’, or IFRIC 21, ‘Levies’, rather than the 2018 Conceptual Framework.

The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment will not result in a material impact on the Group’s financial statements.

- ⦿ Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use (effective for annual periods on or after 1 January 2022):

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

The amendments will not result in a material impact on the Group's financial statements.

- ⦿ Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods on or after 1 January 2022):

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of "costs to fulfil a contract". Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The amendments will not result in a material impact on the Group's financial statements.

- ⦿ Annual improvements cycle 2018 - 2020 (effective for annual periods on or after 1 January 2022) include minor changes to:

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

The amendments will not result in a material impact on the Group's financial statements.

- ⦿ IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023).

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that are intended to increase the comparability of financial statements. For insurers, the transition to IFRS 17 is expected to have a material impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are re-measured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides the premium allocation approach. This approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining period.

The amendments will result in a material impact on the Group's financial statements.

- ⦿ IFRS 17, 'Insurance contracts' Amendments

In response to some of the concerns and challenges raised, the IASB developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

The amendments will not result in a material impact on the Group's financial statements.

2. CONSOLIDATION

The financial statements include the assets, liabilities and results of the operations of PPS Holdings Trust ('Parent') and its subsidiaries (together 'the Group').

SUBSIDIARIES

Subsidiaries are entities over which the Group directly or indirectly has control. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which the Group obtains control. Subsidiaries are deconsolidated when control ceases.

All the Group subsidiaries were created by the Group. There are no acquired subsidiaries and there is no goodwill arising on consolidation.

All unit trusts which are managed by a controlled subsidiary of the Group are consolidated, irrespective of the Group's economic interest. Third Party unit trust holders' interests in unit trusts are liabilities of the unit trust and are classified as such in the Group.

Intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation.

Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. In the Parent's separate annual financial statements, the interests in subsidiaries are accounted for at cost. A provision for impairment is created if there is evidence of impairment.

NON-CONTROLLING INTEREST

This is the minority shareholders' interest in the surplus/deficit after tax since acquisition, and the net assets of entities controlled by the Group. In the Statement of Financial Position, the non-controlling interest is disclosed as part of equity in terms of IFRS.

3. FINANCIAL INSTRUMENTS

3.1 General

The Group initially recognises financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss), when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments recognised in the Statement of Financial Position include investments, other receivables, cash and cash equivalents, investment contract liabilities, borrowings, accruals, third party liabilities arising on consolidation of unit trusts, and other payables.

3.2 Financial assets

The Group has the following financial asset categories: financial assets at fair value through profit or loss, as well as financial assets at amortised cost.

All financial assets are initially measured at fair value including, for financial assets not at fair value through profit or loss, any directly attributable transaction costs. All financial asset purchases and sales are initially recognised using trade date accounting.

Financial instruments at fair value through profit or loss

A financial asset is placed into this category if so designated by management upon initial recognition.

Financial assets designated at fair value through profit or loss, consist of local and foreign equities, money market instruments, government bonds, corporate bonds and unit trusts. Subsequent to initial recognition, these financial assets are accounted for at fair value. Fair value gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and other Comprehensive Income as net fair value gains on financial assets in the period in which they arise.

Equity fair values are based on regulated exchange quoted bid prices at the close of business on the last trading day on or before the reporting date. Bond fair values are based on regulated exchange quoted closing prices at the close of business on the last trading day, on or before the reporting date. Unit trust fair values are based on the net asset value (price) on the reporting date.

Financial assets at amortised cost

Insurance and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Insurance and other receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method less impairment adjustments (accounting policy note 12).

3.3 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include other payables, borrowings categorised as financial liabilities at amortised cost, investment contract liabilities (accounting policy note 4.2.3) and third-party financial liabilities arising on consolidation of unit trusts (accounting policy note 2), designated on initial recognition as at fair value through profit and loss.

Other payables are initially measured at fair value less transaction costs that are directly attributable to the raising of the funds, and are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the Statement of Profit or Loss and other Comprehensive Income over the period of borrowing.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and other Comprehensive Income over the period of the borrowings using the effective interest method.

Investment contract liabilities are initially measured at fair value less transaction costs, and are subsequently measured at fair value.

Third-party financial liabilities arising on consolidation of unit trusts are measured at fair value, which is the unquoted unit values as derived by the fund administrator, with reference to the rules of each particular fund. Fair value gains or losses are recognised in the Statement of Profit or Loss and other Comprehensive Income.

3.4 Derecognition of financial assets and financial liabilities

The Group derecognises an asset:

- ⊙ when the contractual rights to the cash flows from the asset expires;
- ⊙ where there is a transfer of contractual rights to receive cash flows on the asset in a transaction in which substantially all the risks and rewards of ownership of the asset are transferred; or
- ⊙ where the Group retains the contractual rights to the cash flows from these assets, but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers all or substantially all the risks and benefits associated with the assets.

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3. FINANCIAL INSTRUMENTS (continued)

3.5 Financial Instruments, owner-occupied property (accounting policy note 8) and insurance and investment contracts (accounting policy note 4) analysis

IFRS 13 indicates a three tier hierarchy for fair value measurement disclosures:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are the readily available in the market and are normally obtainable from multiple sources.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

4. INSURANCE AND INVESTMENT CONTRACTS

4.1 Classification of contracts

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur. Insurance contracts are classified in three main categories, depending on the type of insurance risk exposure, namely long-term insurance, short-term insurance and investments.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These are contracts where the Group does not actively manage the investments of the policyholder over the lifetime of each policy contract. Benefits are linked to the performance of a designated pool of assets, selected based on the policyholder risk appetite.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group issues long-term insurance contracts that contain a discretionary participation feature ('DPF'). This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits:

- ⊙ that are likely to be a significant portion of the total contractual benefits;
- ⊙ whose amount or timing is contractually at the discretion of the insurer; and
- ⊙ that are contractually based on:
 - (a) the performance of a specified pool of contracts or a specified type of contract;
 - (b) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - (c) the profit or loss of the company, fund or other entity that issues the contract.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime, unless the terms of the contract change to such an extent that it is treated as an extinguishment of the existing contract and the issuance of a new contract.

Insurance contracts

The Group issues long-term insurance contracts that transfer insurance risk and include a DPF component. Such contracts may also transfer financial risk. The DPF component in the Group's insurance contracts cannot be determined and separated from the insurance component from inception. The respective cash flows relating to each component are also not independent of each other.

Each year, any profits or losses arising on the non-DPF component are allocated to the DPF component. In this way a significant portion of the insurance risk is carried by the policyholder in the DPF component of their benefits. The profits or losses will include the impact of changes in the underlying assumptions or estimates on the non-DPF policy liabilities. The DPF component cannot therefore be unbundled or accounted for as a separate investment contract. In such cases, IFRS 4 accepts that the entire insurance contract is accounted for as a liability with movements through the Statement of Profit or Loss and other Comprehensive Income.

Short-term insurance contracts provide benefits under short-term policies, which include motor, household and professional indemnity, or a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

- ⊙ Personal insurance, consisting of insurance provided to individuals and their personal property; and
- ⊙ Commercial insurance, providing cover on the assets and liabilities of business enterprises.

4.2 Valuation and recognition

4.2.1 Long-term Insurance contracts

Principles of valuation and profit recognition

The accounting policy for the measurement of liabilities in respect of insurance contracts has been determined having regard to the Standard of Actuarial Practice (SAPs) and Advisory Practice Notes (APNs) issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the insurance liability calculations, are the following actuarial guidance notes:

SAP 104: Life Offices – Valuation of Long-Term Insurers

APN 102: Life Offices – HIV/AIDS

APN 105: Recommended AIDS extra mortality bases

Valuation

The insurance contracts are valued in terms of the financial soundness valuation ('FSV') basis contained in SAP 104 issued by the ASSA. A liability for contractual benefits that are expected to be incurred in the future, (the non-DPF component of the policy liabilities) is recorded in respect of the existing policy book when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the premiums to be paid in terms of the policy contract. The liability is based on best-estimate assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and updated on an annual basis at reporting date to reflect current expectations. The policy liabilities also make provision for future profit declarations to policyholders. The profits provided for are in line with the Group's interpretation of policyholder reasonable benefit expectations. The policy liabilities are discounted using an asset-backed rate.

Compulsory margins for adverse deviations are included in the assumptions as required in terms of SAP 104.

The contracts issued contain a DPF component that entitles the holder to receive, as a supplement to the sickness and permanent incapacity benefits, additional benefits or profits. These non-vesting profits are declared annually.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF component of the policy liabilities) and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders. These benefits consist of a non-vesting allocation of profits or losses of PPS Insurance and investment returns thereon, as determined by the Group.

Where the same policy includes both insurance and investment components and the policy is classified as an insurance policy in terms of IFRS 4, the liability for the insurance benefits and investment benefits are valued. To avoid premature recognition of future profit, in the policy valuation, compulsory margins are added to the best estimate assumptions. For new business, profits are only recognised to the extent of the initial acquisition costs, thus no separate deferred acquisition cost is recognised.

4. INSURANCE AND INVESTMENT CONTRACTS (continued)

4.2 Valuation and recognition (continued)

4.2.1 Long-term Insurance contracts (continued)

The Group has an obligation upon death or retirement to pay contract holders the DPF component of their benefits (the members' apportionment and special benefit account) with a certain deduction on resignation. This deduction that is not paid out is retained as a liability for the benefit of all contract holders until paid to them individually in future periods.

The premium component relating to the DPF element cannot be determined and separated from the fixed and guaranteed terms and is therefore recognised as revenue as described below.

Recognition: insurance contracts

Premiums

From inception of the policy, premiums are recognised on a monthly basis. Premiums are before deduction of expenses for the acquisition of insurance contracts, and before the deduction of reinsurance premiums. Premium income received in advance is included in insurance and other payables.

Insurance benefits

Insurance benefits and claims are recorded as an expense gross of any reinsurance recovery when they relate to the sickness, permanent incapacity, disability, death, retirement or resignation of a member. These claims are recognised when notified. These claims also include the movement in incurred but not reported benefits.

Unintimated claims (IBNR) are defined as 'incurred but not reported' claims. This liability is held in respect of the sickness and permanent incapacity policies, life and disability policies, the professional health preserver policies and the life and disability assurance group policy. The reserve is measured using a management estimate, by making assumptions about future trends in reporting of claims. It has been calculated using a consistent methodology and on a statistical basis as for previous years' reporting. The calculation is based primarily on a weighted average historic claims payout rate. The profile of claims run-off (over time) is modelled by using historic data of the Group. The profile is then applied to actual claims data of recent periods for which the run-off is not complete. The IBNR is included in the insurance policy liabilities.

Claims payable

A claims payable liability is held in respect of sickness and permanent incapacity policies, and the professional preserver policies, where the Group has been notified of a claim before reporting date, and the claim has not been paid at reporting date. Claims payable are estimated by claims assessors for individual cases reported to the Group and are included in insurance policy liabilities.

Expenses for the acquisition of insurance contracts

Expenses for the acquisition of insurance contracts consist of commission and marketing management costs paid by the Group upon the acquisition of new and additional insurance business. These costs are expensed in full in the financial period during which the new policies are acquired.

Liability adequacy test

At each reporting date, liability adequacy tests are required to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future premiums, claims, and claims handling and administration expenses are used. Since the insurance policy liabilities are calculated in terms of the financial soundness valuation ('FSV') basis, as described in SAP104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

Recognition: Reinsurance contracts

Reinsurance contracts outwards

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are recognised as reinsurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets, which are dependent on the expected reinsurance claims and benefits arising under the related reinsured insurance contracts. These assets consist of short-term balances due from reinsurers (classified as insurance and other receivables) and long-term receivables (classified as reinsurance assets).

Amounts recoverable from or due to reinsurers are measured in terms of each reinsurance contract.

Reinsurance assets are assessed for impairment at each statement of financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit and loss for the period.

Reinsurance liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

Reinsurance premiums

Reinsurance premiums paid are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income when they become due for payment in terms of the contracts at the undiscounted amounts payable in terms of the contracts.

Reinsurance recoveries

Reinsurance recoveries are recognised in the statement of Profit or Loss and Other Comprehensive Income in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

Reinsurance inwards

Reinsurance premiums inwards are recognised as revenue on inception of the reinsurance agreement and on a monthly basis thereafter. Reinsurance premiums inwards are calculated in terms of the reinsurance agreements and disclosed as part of reinsurance premiums.

Receivables and payables related to insurance contracts

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

4.2.2 Short-term insurance contracts

Principles of valuation and profit recognition

The accounting policy for the measurement of liabilities in respect of insurance contracts has been determined having regard to both Advisory Practice Note 401 (APN 401) issued by the Actuarial Society of South Africa (ASSA), as well as Insurance Act 18 of 2017 issued by the Prudential Authority.

4. INSURANCE AND INVESTMENT CONTRACTS (continued)

4.2 Valuation and recognition (continued)

4.2.2 Short-term insurance contracts (continued)

Claims Incurred

Claims incurred comprise of claims paid net of recoveries and salvages, reinsurance recoveries, incurred but not reported (“IBNR”) claims and outstanding claims reserve (“OCR”) and claims handling fees.

Gross written premium

Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium reserve where necessary. Gross premiums include premiums received in terms of inward reinsurance arrangements. Gross premiums exclude value added tax and are shown before the deduction of direct acquisition costs.

Deferred acquisition cost (DAC)

Commissions that are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

Provision for unearned premiums (UPR)

The Unearned Premium Reserve represents the portion of the current year’s premiums that relate to risk periods extending into the following year. The portion of unearned premium is calculated using the 365th method.

Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims (including claims handling fees and related administrative costs). This liability adequacy test is performed annually.

Outstanding Claims Reserve (OCR)

Provision is made for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are based on the estimated liability for compensation owed to insurance contract holders or third parties damaged by insurance contract holders. The claims reserve includes an estimated portion of the direct expenses of the claims and assessment charges. The outstanding claims reserve is not discounted.

Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company at that date. This provision is calculated using actuarial modeling (refer note 13.1). This reserve is undiscounted.

Reinsurance contracts outwards

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more insurance contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Reinsurance premiums

Reinsurance premiums are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income when they become due for payment in terms of the contracts at the undiscounted amounts payable in terms of the contract.

Reinsurance claims

The benefits to which the Group are entitled under its reinsurance contracts held are recognised as reinsurance assets, which are dependent on the expected reinsurance claims and benefits arising under the related reinsured insurance contracts. These assets consist of short-term balances due from reinsurers (classified as insurance and other receivables) and long-term receivables (classified as reinsurance assets) that are calculated based on the gross OCR and IBNR reserves.

Amounts recoverable from or due to reinsurers are measured in terms of each reinsurance contract.

Reinsurance UPR

The reinsurers' share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

Reinsurance Commission Revenue/Deferred Revenue Liability

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contracts and is recognised as a current liability.

Reinsurance assets

Reinsurance assets are assessed for impairment at each statement of financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit and loss for the period.

Reinsurance liabilities

Reinsurance liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

4.2.3 Investment contracts

Investment contracts are recognised as financial liabilities in the Statement of Financial Position at fair value when the Group becomes party to their contractual provisions. Contributions received from policyholders are not recognised in profit or loss but are accounted for as deposits. Amounts paid to policyholders are recorded as deductions from the investment contract liabilities.

All investment contracts issued by the Group are designated by the Group on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value, since the assets held to back the investment contract liabilities are measured at fair value.

Changes in the fair value of investment contracts are included in profit or loss in the period in which they arise. The change in fair value represents a change in the fair value of the assets linked to these investment contracts. The fair value of the Investment contract liability is equal to that of the assets in the unitised fund underlying the policies, as reflected by the value of units held by each policyholder. The carrying amount of the assets backing the investment contract liabilities under investment contracts reflect the fair value of the assets concerned, thus the actuarial valuation of the investment contract liabilities under unmaturing investment contracts also reflect the fair value of the contractual liabilities.

Receivables and payables related to investment contracts

Amounts due from and to policyholders and agents in respect of investment contracts are included in insurance and other receivables and payables.

5. FOREIGN CURRENCY TRANSLATION

5.1 Transactions and balances

The consolidated financial statements are presented in Rands ('the functional currency' in terms of IFRS), which is the Group's presentation currency. Foreign currency transactions are translated into Rands using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

5.2 Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- ⦿ assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that entity's most recent statement of financial position;
- ⦿ income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- ⦿ all resulting exchange differences are recognised as a separate component of equity.

6. DIRECT AND INDIRECT TAX

Direct tax includes South African and foreign jurisdiction corporate tax payable, as well as capital gains tax.

The charge for current tax is based on the results for the year. It is calculated using taxation rates that have been enacted or substantively enacted by the reporting date, in each particular jurisdiction within which the Group operates.

Tax in respect of South African life insurance operations is determined using the five-fund method applicable to life insurance companies.

7. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits at call with banks and similar instruments.

8. PROPERTY AND EQUIPMENT

Owner-occupied property represents offices held for administrative purposes and for capital appreciation, occupied by the Group. Owner-occupied property is initially recorded at cost, and is subsequently shown at fair value, based on annual year-end valuations by an external independent appraiser. Any accumulated depreciation on the buildings at the date of revaluation is eliminated against the carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The revaluation movement is allocated to the revaluation reserve. To avoid an accounting mismatch, the related movement in insurance policy liabilities is mirrored to the revaluation reserve.

Changes to the carrying amount arising on revaluation of land and buildings are recognised through other comprehensive income.

Other fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

⊙ Buildings	50 years
⊙ Vehicles	5 years
⊙ Computer hardware	3 years
⊙ Furniture and fittings	6 years
⊙ Office equipment	5 years
⊙ Leasehold improvements	the lesser of 5 years or the period of the lease
⊙ Right-of-use assets	the lesser of the life of the asset or lease term

Land is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are included in the Statement of Profit or Loss and Other Comprehensive Income and are determined by comparing sales proceeds with the carrying amount.

9. INTANGIBLE ASSETS

COMPUTER SOFTWARE DEVELOPMENT COSTS

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset when the following criteria are met:

- ⊙ it is technically feasible to complete the software product so that it will be available for use;
- ⊙ management intends to complete the software product and use or sell it;
- ⊙ there is an ability to use or sell the software product;
- ⊙ it can be demonstrated how the software product will generate probable future economic benefits;
- ⊙ adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- ⊙ the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the external software development team's costs. Computer software acquired as part of the software development project is capitalised on the basis of the acquisition costs and related costs to bring it to use. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised, from the date the asset is available for use, using the straight-line method over their useful lives, not exceeding a period of five years. The useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.

CUSTOMER RELATIONSHIPS

Customer relationships consist of acquired rights to income streams on an existing financial adviser book of business. These customer relationships are recognised at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful lives of an average eight years.

The useful life of customer relationships is estimated based on the cancellation experience of the acquired book of business at a product level.

10. INVESTMENT PROPERTY

Investment properties are held for the purpose of earning rental income and for capital appreciation. Investment properties are initially recorded at cost and include transaction costs on acquisition. Subsequent expenditure is capitalised to the asset's carrying value, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost can be measured reliably.

Investment properties are valued annually, by external independent valuers, and adjusted to fair value as at the reporting date, except for properties purchased within six months of the year-end which are valued at cost, unless an independent valuation is performed.

Properties under construction, which are excluded from investment property valuations, are carried at cost where the PPS Property Fund Trust is satisfied that cost is a reasonable approximation of fair value. On completion, the cost is transferred to the carrying value of investment property and subsequently valued independently.

Any gain or loss arising from the fair value of the investment property is included in the Statement of Profit or Loss and Other Comprehensive Income for the period to which it relates.

Gains and losses on the disposal of investment properties are recognised in the Statement of Profit or Loss and Other Comprehensive Income and are calculated as the difference between the sale price and the carrying value of the property.

11. LEASES

LEASES WHERE A GROUP ENTITY IS THE LESSEE

The Group leases various offices. Rental contracts are typically made for fixed periods of one month to five years. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Until the 2018 financial year, leases of offices were classified as operating leases. In terms of IFRS, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ⦿ fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- ⦿ variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- ⦿ amounts expected to be payable by the Group under residual value guarantees;
- ⦿ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- ⦿ payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- ⦿ where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- ⦿ uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- ⦿ makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- ⦿ the amount of the initial measurement of lease liability;
- ⦿ any lease payments made at or before the commencement date less any lease incentives received;
- ⦿ any initial direct costs; and
- ⦿ restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of offices are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases for low value assets are expensed.

LEASES WHERE A GROUP ENTITY IS THE LESSOR

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Rental income from other property is classified part of other income.

12. IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For insurance and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see note 36.3 for further details).

NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators include continued losses, changes in technology, market, economic, legal and operating environments.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is measured using the higher of fair value less costs to sell and value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset. The carrying amount of the asset is reduced by the impairment loss. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the impairment provision account. The amount of the reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

13. DEFERRED TAXATION

Deferred tax is provided, using the liability method, on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognised on initial recognition of the assets and liabilities where it does not impact either accounting or taxable profit. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. For Investment Property measured at fair value, deferred tax is provided at rates applicable to capital gains. The principal temporary differences arise from the revaluation of financial assets held at fair value through profit or loss and provisions.

Deferred tax assets relating to the carry forward of unutilised tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised.

Deferred tax liabilities and assets are not discounted.

14. EMPLOYEE BENEFITS

14.1 Pension/retirement obligations

The Group provides for retirement benefits of employees by means of a defined contribution pension and provident fund. The assets are held in separate funds controlled by trustees appointed by the Group and employees.

14.2 Post-retirement medical obligations

The Group provides for the unfunded post-retirement healthcare benefits of a small number of retirees, their spouses and dependents. For past service of employees, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using interest rates with reference to the market yield of government bonds at reporting date.

An independent actuary performs valuations of the defined benefit obligation, annually at reporting date, using the projected unit credit method to determine the present value of its post-retirement medical obligations and related current and past service costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

14.3 Termination benefits

Termination benefits are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income and a liability in the statement of financial position when the Group has a present obligation relating to termination.

14.4 Leave pay provision

The Group recognises employees' rights to annual leave entitlement in respect of past service accumulated at reporting date.

14.5 Management bonuses

Management bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured. Management bonuses arise as a result of a contractual obligation, but the amount of the bonus is at the discretion of the employer.

14.6 Long-term incentive and retention schemes

The long-term incentive scheme concluded in 2020. The retention scheme is in place for qualifying employees. The entitlement to these benefits is based on the employee remaining in service of the Group for a period of three to five years, depending on the scheme.

The present value of the long-term incentive scheme is determined by discounting the estimated cash flows using an appropriate bond yield curve as at the reporting date, applying the projected unit credit method.

The growth of the benefit under the retention scheme is based on the five-year rolling historical average return of the PPS Profit-Share Account.

15. REVENUE

15.1 Insurance premium revenue

See accounting policies 4.2.1 and 4.2.2.

15.2 Other income

Other income is recognised in line with IFRS 15, "Revenue from contracts with customers". There are no material changes to revenue recognition of other income which is recognised under IFRS 15.

Other income is measured at the fair value of the consideration received or receivable.

Policy administration and collection services fee income are fees arising from services rendered in conjunction with the administration of long-term insurance policies which are underwritten by other insurance companies as well as Retirement Annuities housed in the PPS Retirement Annuity Fund.

Administration fees include fees charged to medical aid schemes for administration services rendered to these entities.

Investment management fees include service fees earned in respect of investment management services rendered.

Commission received is recognised in the accounting period in which it accrues.

All fees and commission are recognised as services are rendered.

15.3 Investment income

Investment income comprises interest, dividends, as well as net fair value gains or losses on financial assets held at fair value through profit or loss.

Interest is recognised as income on the effective interest method. Interest income on financial assets at fair value through profit or loss is recognised as part of the fair value movement.

Dividends are recognised as income on the last day to register in respect of listed shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of shares.

15.4 Gains on financial assets and investment property

Gains (both realised and unrealised) on financial assets held at fair value through profit or loss comprise of gains on disposal or revaluation of assets to fair values and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. FINANCIAL INSTRUMENT AND INSURANCE CONTRACT ANALYSIS

The tables analyse each class of financial instrument and insurance contracts per category as well as provide their fair values, where applicable.

R'm	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Financial assets and liabilities at amortised cost	Insurance contract assets and liabilities (IFRS 4)	Pre-payments	Total carrying amount	Fair value
Group 2019							
Equity securities							
Local listed	5	15 137	-	-	-	15 137	15 137
International listed	5	277	-	-	-	277	277
Debt securities							
Government and local bonds	5	10 142	-	-	-	10 142	10 142
International listed	5	420	-	-	-	420	420
Unit trusts and pooled funds	5	21 749	-	-	-	21 749	21 749
Reinsurance assets	6	-	-	18	-	18	N/A
Insurance receivables	7	-	123	-	-	123	123
Prepayments	7	-	-	-	20	20	20
Other receivables	7	-	290	-	-	290	290
Reinsurance receivables	7	-	145	-	-	145	145
Cash and cash equivalents	8	2 487	479	-	-	2 966	2 966
Insurance contract liabilities	12	-	-	33 380	-	33 380	N/A
Short-term insurance policy liabilities	13	-	-	39	-	39	N/A
Investment contract liabilities	14	2 589	-	-	-	2 589	2 589
Liabilities to unit trust holders	15	14 908	-	-	-	14 908	14 908
Borrowings	16	-	166	-	-	166	166
Reinsurance liabilities	6	-	-	62	-	62	N/A
Reinsurance payables	20	-	39	-	-	39	39
Insurance payables	20	-	81	-	-	81	81
Other payables	20	-	941	-	-	941	941

R'm	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Financial assets and liabilities at amortised cost	Insurance contract assets and liabilities (IFRS 4)	Pre-payments	Total carrying amount	Fair value
Group 2020							
Equity securities							
Local listed	5	17 085	-	-	-	17 085	17 085
International listed	5	687	-	-	-	687	687
Debt securities							
Government and local bonds	5	12 029	-	-	-	12 029	12 029
International listed	5	399	-	-	-	399	399
Unit trusts and pooled funds	5	23 432	-	-	-	23 432	23 432
Reinsurance assets	6	-	-	43	-	43	N/A
Insurance receivables	7	-	232	-	-	232	232
Prepayments	7	-	-	-	34	34	34
Other receivables	7	-	534	-	-	534	534
Reinsurance receivables	7	-	197	-	-	197	197
Cash and cash equivalents	8	2 436	451	-	-	2 887	2 887
Insurance contract liabilities	12	-	-	35 417	-	35 417	N/A
Short-term insurance policy liabilities	13	-	-	64	-	64	N/A
Investment contract liabilities	14	3 194	-	-	-	3 194	3 194
Liabilities to unit trust holders	15	18 044	-	-	-	18 044	18 044
Borrowings	16	-	152	-	-	152	152
Reinsurance liabilities	6	-	-	22	-	22	N/A
Reinsurance payables	20	-	58	-	-	58	58
Insurance payables	20	-	82	-	-	82	82
Other payables	20	-	1 086	-	-	1 086	1 086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

2. PROPERTY AND EQUIPMENT

	Owner-occupied property R'm	Computer hardware R'm	Vehicles, office furniture & equipment R'm	Leasehold improvements R'm	Right-of-use assets: Buildings R'm	Total R'm
Year ended 31 December 2019						
Opening net book amount	482	60	37	15	-	594
Recognition on adoption of IFRS 16	-	-	-	-	66	66
Additions	78	53	8	5	44	188
Transfer to investment property	(23)	-	-	-	-	(23)
Disposals: Cost	-	(43)	(13)	-	(22)	(78)
Disposals: Accumulated Depreciation	-	43	13	-	2	58
Depreciation charge	(10)	(30)	(12)	(4)	(22)	(78)
Revaluation surplus	9	-	-	-	-	9
Closing net book amount	536	83	33	16	68	736
At 31 December 2019						
Cost or valuation	536	139	81	34	88	878
Accumulated depreciation	-	(56)	(48)	(18)	(20)	(142)
Net book amount	536	83	33	16	68	736
Non-current	536	83	33	16	68	736
Year ended 31 December 2020						
Opening net book amount	536	83	33	16	68	736
Additions	3	12	7	3	12	37
Disposals: Cost	-	(2)	(4)	-	(5)	(11)
Disposals: Accumulated Depreciation	-	2	4	-	5	11
Depreciation charge	(9)	(30)	(11)	(4)	(23)	(77)
Revaluation deficit	(15)	-	-	-	-	(15)
Closing net book amount	515	65	29	15	57	681
At 31 December 2020						
Cost or valuation	515	149	84	37	95	880
Accumulated depreciation	-	(84)	(55)	(22)	(38)	(199)
Net book amount	515	65	29	15	57	681
Non-current	515	65	29	15	57	681

OWNER-OCCUPIED PROPERTY

The land and buildings revaluation surplus/(deficit) represents the capital appreciation/(depreciation) on the owner-occupied properties. As the properties are held to back insurance policy liabilities, with discretionary participation features, the movement in insurance policy liabilities as a result of the revaluation is recognised directly in equity.

Deferred tax has been provided on the revaluation difference arising on owner-occupied property owned by PPS Insurance Company Limited, based on the amounts and at the rate applicable to recovery through use.

Owner occupied property is carried at fair value and is classified as level 3 in terms of the IFRS 13 hierarchy.

All of the Group's owner-occupied property consisting of office blocks situated at 6 and 7 Anerley Road, Parktown, and PPS Centurion Square were valued at 31 December 2020 by Quadrant Properties (Pty) Limited .

Independent valuations were performed using the discounted cash flow of future income stream method. The discounted cash flow method takes projected cash flows and discount them at a rate which is consistent with comparable market transactions. Refer to note 35.5 for valuation assumptions. The opening carrying value is depreciated and then adjusted to reflect market value at year-end.

If the owner-occupied properties were stated on a historical cost basis, the amounts would be as follows:

	Group	
	2020 R'm	2019 R'm
Cost	456	453
Accumulated depreciation	(31)	(22)
Net book amount as at 31 December	425	431

LEASES

Amounts recognised in the Statement of Financial Position

The Statement of Financial Position includes the following amounts related to leases:

	Group	
	2020 R'm	2019 R'm
Right-of-use assets		
Buildings	57	68
Lease Liabilities (note 20)		
Current	21	21
Non-current	44	54
Total lease liabilities	65	75

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive income

The Statement of Profit and Loss and Other Comprehensive Income includes the following amounts related to leases:

	Group	
	2020 R'm	2019 R'm
Depreciation - Right-of-use assets: Buildings (included in expenses - Note 26)	23	22
Interest expense (included in finance costs - Note 28)	5	7
Expenses relating to short-term leases (included in expenses - Note 26)	1	6

The total cash outflow for leases in 2020 was R27.9 million (2019: R31.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

3. INVESTMENT PROPERTY

	Group	
	2020 R'm	2019 R'm
Opening net book amount	501	409
Additions	4	72
Revaluation deficit	(45)	(3)
Transfer from owner-occupied property	-	23
Net carrying value at end of year	460	501

Investment properties were valued using the discounted cash flow of future income stream method. Investment property is carried at fair value and is classified as level 3 in terms of the IFRS 13 hierarchy. The transfer from owner-occupied property of R22.7 million in 2019 was as a result of a subsidiary terminating its lease of a property owned by the Group.

4. INTANGIBLE ASSETS

	Computer Software R'm	Customer Relationships R'm	Total R'm
Year ended 31 December 2019			
Opening net carrying value	168	-	168
Additions	51	8	59
Amortisation	(31)	(0.1)	(31)
Impairment	(21)	-	(21)
At 31 December 2019	167	8	175
Cost	274	8	282
Accumulated amortisation	(107)	(0.1)	(107)
Net carrying value at beginning of year	167	8	175
Year ended 31 December 2020			
Opening net carrying value	167	8	175
Additions	105	-	105
Amortisation	(38)	(1)	(39)
Impairment	(6)	-	(6)
Closing net carrying value	228	7	235
At 31 December 2020			
Cost	366	8	374
Accumulated amortisation and impairment	(138)	(1)	(139)
Net carrying value at end of year	228	7	235

Computer Software at a cost of R13 million (2019: R10 million) and accumulated amortisation of R13 million (2019: R10 million) was deemed obsolete and written off during the year.

5. FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2020 R'm	2019 R'm
Financial assets excluding third party assets	36 614	33 662
Unit trusts and pooled funds managed for third parties (note 15)	16 852	14 063
Total financial assets at fair value through profit or loss	53 466	47 725
Analysis of financial assets held at fair value through profit or loss		
Level 1 fair value financial assets		
Equity securities:		
- local listed	17 075	15 137
- international listed	687	277
Total level 1 fair value financial assets	17 762	15 414
Level 2 fair value financial assets		
Debt securities – fixed interest rate:		
- government bonds and local listed	11 906	10 142
- international listed	399	420
	12 305	10 562
Unit trusts and pooled funds:		
- local unit trusts and pooled funds	16 082	14 693
- international equity unit trusts	4 407	4 065
- international fixed interest unit trusts	237	135
- international balanced unit trusts	2 673	2 856
	23 399	21 749
Total level 2 fair value financial assets	35 704	32 311
Total financial assets at fair value through profit or loss	53 466	47 725
The investment in local unit trusts and pooled funds comprises mainly of:	16 082	14 693
- Debt securities	7 919	7 626
- Cash and cash equivalents	209	363
- Equities	5 558	4 954
- International	2 396	1 750

International investments denominated in foreign currencies were translated to Rands at the closing exchange rates at 31 December 2020 of:

\$1 = R14.69 (2019: \$1 = R14.00)

N\$1 = R1.00 (2019: N\$1 = R1.00)

At 31 December 2020, investments classified as Level 2 comprise approximately 66.9% (2019: 67.7%) of financial assets measured at fair value. Debt securities are classified as Level 2 as directly observable market inputs other than level 1 inputs have been used to value these bonds. The observable inputs used to determine the fair value of unit trusts and pooled funds classified as Level 2 are the unit prices published by the unit trust fund managers.

At 31 December 2020, no financial assets are classified as Level 3 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

5. FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	Group	
	2020 R'm	2019 R'000
Analysis of movements in financial assets held at fair value through profit or loss:		
Opening balance	47 725	42 989
Additions	37 100	25 982
Disposals at carrying value	(33 635)	(23 175)
Fair value net gains excluding net realised gains	2 112	1 822
Accrued interest movements	164	107
Closing balance	53 466	47 725
The spread of investments by sector:		
Industrial (%)	43.7%	49.0%
Financial (%)	28.9%	32.6%
Resources (%)	27.4%	18.4%
Maturity profile of fixed interest investments:		
Due in 1 year or less	1 127	1 158
Due between 1 year and 5 years	4 545	4 142
Due between 5 years and 10 years	2 144	1 408
Due after 10 years	4 489	3 854
	12 305	10 562

6. REINSURANCE ASSETS AND LIABILITIES

	Group	
	2020 R'm	2019 R'm
Reinsurance Assets		
Total assets arising from reinsurance contracts at beginning of the year	18	82
Reinsurers' share of long-term insurance policy liabilities (note 12.2)	-	(2)
Reinsurers' share of short-term insurance policy liabilities (note 13.2)	25	12
Transfer to reinsurance liability	-	(74)
Total assets arising from reinsurance contracts at end of the year	43	18
Non-current	43	18
Reinsurance Liabilities		
Total assets arising from reinsurance contracts at beginning of the year	(62)	-
Transfer from reinsurance asset	-	74
Reinsurers' share of long-term insurance policy liabilities (note 12.2)	40	(136)
Total liabilities arising from reinsurance contracts at end of the year	(22)	(62)
Non-current	(22)	(62)
Net Reinsurance assets/(liabilities) per Group entity:		
Professional Provident Society Insurance Company Limited	(22)	(62)
Professional Provident Society Insurance Company (Namibia) Limited	5	5
Professional Provident Society Short-Term Insurance Company Limited	38	13
Total net assets /(liabilities) arising from reinsurance contracts at end of the year	21	(44)

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in Insurance and other receivables (note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

7. INSURANCE AND OTHER RECEIVABLES

	Group	
	2020 R'm	2019 R'm
Receivables arising from insurance policies	232	123
due from policy holders	245	136
less allowance for impairment losses from receivables from policy holders	(13)	(13)
Due from reinsurers	197	145
Other receivables	534	290
accrued interest	3	22
accrued dividends	146	86
loan to PPS Mutual and related parties	357	256
less allowance for impairment loss of loan to PPS Mutual	(234)	(234)
receivables from investment property lessees	10	5
less allowance for impairment of receivables from investment property lessees	(3)	(1)
sundry receivables	255	156
Prepayments	34	20
Total receivables including insurance receivables and prepayments	997	578
Current	997	578
Fair value of receivables held at amortised cost	963	558
Allowances for impairment losses of receivables from policy holders		
<i>Specific allowances for impairment</i>		
At beginning of year	(13)	(10)
Impairment loss recognised	(7)	(5)
Impairment loss reversals	7	2
At end of year	(13)	(13)
Allowances for impairment losses of loan to PPS Mutual		
<i>Specific allowances for impairment</i>		
At beginning of year	(234)	(91)
Impairment loss recognised	-	(143)
At end of year	(234)	(234)
Allowances for impairment losses of receivables from investment property lessees		
<i>Specific allowances for impairment</i>		
At beginning of year	(1)	(1)
Impairment loss recognised	(2)	-
At end of year	(3)	(1)

8. CASH AND CASH EQUIVALENTS

	Group	
	2020 R'm	2019 R'm
Financial assets excluding third party assets	1 097	1 441
Unit trusts and pooled funds managed for third parties (note 15)	1 790	1 525
Total cash and cash equivalents	2 887	2 966
Cash at bank and in hand	451	479
Cash on call	2 436	2 487
Total cash and cash equivalents	2 887	2 966

The proportion of cash held to fund the working capital of the Group is 15.6% (2019: 16.2%) of total cash and cash equivalents. The balance of the cash is held as part of the investment portfolio. The effective interest rate earned was 4.20% (2019: 6.50%).

9. ACCUMULATED FUNDS

The accumulated funds balance represents the amount of reserves which is not distributable as this is part of the amount the Group must retain to cover the regulatory capital cover requirement. The Group has maintained its level of regulatory capital cover at 2.6 times (2019: 2.6 times) which has resulted in R30.7 million (2019: R36.0 million) being allocated to accumulated funds in the current year from the surplus after tax. Additional allocations to accumulated funds arise from the surplus/(deficit) after tax and non-controlling interests of subsidiaries.

10. REVALUATION RESERVE

	Group	
	2020 R'm	2019 R'm
Opening balance	42	50
Revaluation (deficit)/surplus	(15)	9
Deferred tax	2	(9)
Transfer from/(to) Long-Term Insurance Policy Liabilities	1	(8)
Closing balance	30	42

Revaluation reserve consists of fair value gains/losses on the revaluation of owner-occupied properties.

11. NON-CONTROLLING INTEREST

	Group	
	2020 R'm	2019 R'm
Total Non-controlling interest	(11)	3

Non-controlling interest consists of a minority's share of the net asset value/(deficit) of PPS Property Fund Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

12. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS

12.1 Long-term life insurance contracts – assumptions, change in assumptions and sensitivity

a. Process used to decide on assumptions

The sickness and disability insurance contracts issued by the Group include a non-DPF and a DPF component. The non-DPF component includes sickness, disability, death and dreaded disease benefits. The DPF component is the PPS Profit-Share Accounts allocated to each policyholder. The participating nature of these contracts results in the insurance and other risk being carried by the insured parties. These contracts are, however, managed and accounted for as one contract.

The determination of the non-DPF liabilities under long-term insurance contracts is dependent on estimates made by the Corporate Actuarial Department. Any changes in estimates will impact on the size of the non-DPF policy liabilities and on the bonus rates the Group declares to the DPF component of the policy liabilities. Hence the changes in estimates will impact on the balance between the DPF component of the liabilities and the non-DPF component of the liabilities. In aggregate the changes will have no impact on the value of the total policy liabilities.

The assumptions used for the insurance contracts disclosed in this note are as follows:

⦿ *Mortality*

Estimates are made as to the expected future mortality experience. The estimates are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The main sources of uncertainty are epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits. These uncertainties could result in future mortality being significantly worse than in the past. However, continuing improvements in medical care and social conditions could result in improvements in longevity.

An investigation into the Group's experience over the most recent year is performed to calibrate the base table to the PPS experience. The base table currently in use is SA85-90.

⦿ *Morbidity*

Estimates are made as to the expected number of temporary and permanent incapacity claims for each of the years in which the Group is exposed to risk. The estimates of disability and dread disease claims are derived from the experience of the Group over the preceding three years. The main source of uncertainty is epidemics such as AIDS, Severe Acute Respiratory Syndrome, economic conditions and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits. These uncertainties could result in future morbidity being worse than in the past for the age groups in which the Group has significant exposure to morbidity risk. The estimated morbidity experience determines the value of the future benefit payments in the policy liabilities.

⦿ *Persistency*

Estimates are made as to the future rate at which policyholders will terminate their contracts prior to the original maturity date. These estimates are based on the 01/01/2017 to 31/12/2019 experience of the business. The future termination rates will vary with economic conditions, the profitability of the business and with changes in consumer behaviour.

⊙ *Investment returns*

Risk-free fixed interest securities: the risk-free rates are based on the gross redemption yield of the Prudential Authority's nominal yield curve.

⊙ *Renewal expense level and inflation*

Estimates are made as to the future level of administration costs to be incurred in administering the policies in force at the current year end, using a functional cost approach. This approach allocates expenses between policy and overhead expenses and within policy expenses, between new business, maintenance and claims. These future costs are assumed to increase each year in line with an assumed inflation rate. The assumed inflation rate is set at a level consistent with the assumed future investment returns. Variations in administration costs will arise from any cost reduction exercises implemented by management or from cost overruns relative to budget.

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be 3.00% (2019: 3.00%) less than the Prudential Authority's nominal yield curve for South Africa and 2.75% (2019: 2.75%) less than the Prudential Authority's nominal yield curve for Namibia.

⊙ *Tax*

It has been assumed that current tax legislation and rates continue unaltered. Allowance is made for future tax and tax relief.

⊙ *Future profit allocations*

The assumed future profit allowance on the non-DPF portion of the liabilities are in line with the Group's past practice and members' reasonable expectations.

b. Incurred but not reported (IBNR)

The IBNR liability calculation is based on run-off tables using historical data from 2012 to 2020. Due to the short term over which these liabilities will be settled, no allowance is made for claims handling expenses, claims inflation, adjustments for trends, unusual claims or loss ratios, and the IBNR liability is undiscounted.

c. Change in assumptions

The assumptions used to calculate the non-DPF portion of the policy liabilities are updated annually to reflect current best estimates of future experience. Changes to the assumptions will result in changes to the amount of the non-DPF policy liabilities. The impact of the changes will be included in the profits allocated to the DPF component of the policy liabilities.

Consequently the aggregate value of the policy liabilities will be unchanged as a result of changes to the assumptions.

The economic basis changes led to a decrease in liabilities of R544.9 million (2019: R927.0 million decrease).

d. Sensitivity analysis

The following tables present the sensitivity in the key valuation assumptions of the value of the non-DPF component of the insurance policy liabilities disclosed in this note to movements in the assumptions used in the estimation of these insurance policy liabilities. The impact of a deviation from the best estimate assumption for all future years on a per policy basis on the liability is shown.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

12. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS (continued)

12.1 Long-term life insurance contracts - assumptions, change in assumptions and sensitivity (continued)

d. Sensitivity analysis (continued)

Variable	Change in variable %	Change in liability 2020		Change in liability 2019	
		R'm	% change	R'm	% change
Liability per note 12.2		5 172		3 973	
Worsening in mortality	10	1 041	20.11	1 161	29.36
Worsening in morbidity rates	10	2 003	38.74	2 046	51.73
Worsening in PI inception rate	10	769	14.88	897	22.68
Lowering of investment returns	(1)	2 238	43.26	2 079	52.58
Lowering of terminations	(10)	799	15.45	615	15.54
Worsening of maintenance expense level	10	1 541	29.80	1 360	34.39
Worsening of expense inflation rate	10	3 169	61.27	2 477	62.63

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; change in lapses and future mortality.

The size of the sensitivities were chosen to illustrate the impacts for changes in key variables that would have a significant impact on the non-DPF liabilities, as well as mainly chosen to facilitate comparison with the sensitivities disclosed by other major insurers.

e. Compulsory margins

The published liabilities are on the FSV basis and include the following margins that need to be added to the best estimate margins. The following compulsory margins which have not changed since 2005 were added for both 2019 and 2020:

Assumption	Margin
Mortality	7.5% (increase or decrease, depending on which alternative increases liabilities)
Morbidity	10%
Medical	15%
Lapse	25% (increase or decrease, depending on which alternative increases liabilities)
Terminations for disability income benefits in payment	10%
Surrenders	10% (increase or decrease, depending on which alternative increases liabilities)
Expenses	10%
Expense inflation	10% (of estimated escalation rate)
Charge against investment return	25 basis points in the management fee for and equivalent asset-based or investment performance-based margin

12.2 Movements in long-term insurance policy liabilities and re-insurance assets - Long-term insurance contracts with and without DPF

	Group					
	Gross R'm	2020 Re-insurance R'm	Net R'm	Gross R'm	2019 Re-insurance R'm	Net R'm
Analysis of balance at beginning of the year:						
Sickness and disability policies						
- Claims payable (notified claims)	26	-	26	34	-	34
- Unintimated claims (IBNR)	77	6	71	70	6	64
- Non-DPF liabilities	3 906	(67)	3 973	4 505	71	4 434
- Cessation benefits (notified claims)	229	-	229	207	-	207
- DPF liabilities	28 975	-	28 975	26 073	-	26 073
Life policies						
- Claims payable (notified claims)	116	-	116	187	-	187
- Unintimated claims (IBNR)	51	5	46	39	5	34
Total at beginning of the year	33 380	(56)	33 436	31 115	82	31 033
Change in Insurance policy liabilities per Statement of Comprehensive Income	1 729	38	1 691	2 298	(138)	2 436
Transfer (to)/from Revaluation Reserve	(1)	-	(1)	8	-	8
Movement in claims liabilities						
- arising from current year claims	160	-	160	(92)	-	(92)
- arising from prior year claims	149	-	149	51	-	51
Total movement in insurance policy liabilities	2 037	38	1 999	2 265	(138)	2 403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

12. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS (continued)

12.2 Movements in long-term insurance policy liabilities and re-insurance assets - Long-term insurance contracts with and without DPF (continued)

	Group					
	2020 Gross R'm	Re- insurance R'm	Net R'm	2019 Gross R'm	Re- insurance R'm	Net R'm
Total movement allocated	2 037	38	1 999	2 265	(138)	2 403
Sickness and disability policies						
- Claims payable (notified claims)	1	-	1	(8)	-	(8)
- Unintimated claims (IBNR)	73	2	71	7	-	7
- Non-DPF liabilities	1 215	16	1 199	(599)	(138)	(461)
- Cessation benefits (notified claims)	66	-	66	22	-	22
- DPF liabilities	492	-	492	2 902	-	2 902
Life policies						
- Claims payable (notified claims)	150	-	150	(71)	-	(71)
- Unintimated claims (IBNR)	40	20	20	12	0.2	12
Analysis of balance at end of the year:						
Sickness and disability policies						
- Claims payable (notified claims)	27	-	27	26	-	26
- Unintimated claims (IBNR)	150	8	142	77	6	71
- Non-DPF liabilities	5 121	(51)	5 172	3 906	(67)	3 973
- Cessation benefits (notified claims)	295	-	295	229	-	229
- DPF liabilities	29 467	-	29 467	28 975	-	28 975
Life policies						
- Claims payable (notified claims)	266	-	266	116	-	116
- Unintimated claims (IBNR)	91	25	66	51	5	46
Total at end of the year	35 417	(18)	35 435	33 380	(56)	33 436
Current	829	33	796	499	11	488
Non-current	34 588	(51)	34 639	32 881	(67)	32 948
Total	35 417	(18)	35 435	33 380	(56)	33 436

	Group	
	2020 R'm	2019 R'm
The non-DPF liabilities developed as follows:		
Liabilities at beginning of the year	3 973	4 434
Unwinding of discount rate	371	343
Expected cash flows	1 281	(467)
Expected risk liability at year-end	5 625	4 310
Impact of movements	(188)	(101)
Change in valuation assumptions	(518)	(927)
Asset value adjustments	6	106
Risk benefit liability for new business issued	247	585
Non-DPF liabilities at end of the year	5 172	3 973
The DPF liabilities developed as follows:		
Liabilities at beginning of the year	28 975	26 073
Claims paid during the year	(1 667)	(1 482)
Allocation of profits	2 215	4 246
Movement in unallocated profit	(17)	50
Asset value adjustments	(39)	88
DPF liabilities at end of the year	29 467	28 975
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	5 172	3 973
DPF liabilities	29 467	28 975
Current liabilities	796	488
Liabilities at end of the year	35 435	33 436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

13. SHORT-TERM INSURANCE POLICY LIABILITIES

13.1 Short-term insurance contracts - assumptions

Unearned premium provision

Unearned premiums represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year. The Group raises unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The unearned premium provision is released evenly over the period of insurance using a time proportion basis. Deferred acquisition costs and Reinsurance commission revenue are recognised on a basis that is consistent with the related provision for unearned premiums. At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate.

Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision. Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

Outstanding claims

Outstanding claims represent the Group's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled. Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster, past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. A separate calculation is performed to estimate reinsurance recoveries where applicable. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred, under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

Claims incurred but not reported (IBNR)

There is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events, as well as potential movements in existing case estimates.

Separate assessments are performed per line of business and the IBNR reserves are raised to at least be sufficient at the 75th percentile level.

The appropriate reinsurance structures are applied to the gross IBNR to calculate the reinsured portion of the IBNR.

Adjustments to the amounts of claims provisions established in prior underwriting years are reflected in the Financial Statements for the period in which the adjustments are made.

13.2 Short-Term insurance policyholder liabilities

	Group					
	2020 Gross R'm	2020 Re- insurance R'm	2020 Net R'm	2019 Gross R'm	2019 Re- insurance R'm	2019 Net R'm
Notified claims	17	1	16	13	1	12
Incurred but not reported	14	6	8	8	-	8
Unearned premiums	8	6	2	1	-	1
Liabilities at beginning of the year	39	13	26	22	1	21
Movement in insurance policy liabilities:						
- Notified claims	5	6	(1)	4	0.3	4
- Incurred but not reported	14	13	1	6	5	0.6
Movement in unearned premiums	6	6	0.4	7	6	0.4
Total movement in insurance policy liabilities	25	25	0.2	17	12	5
Notified claims	22	7	15	17	1	16
Incurred but not reported	28	19	9	14	6	8
Unearned premiums	14	12	2	8	6	2
Liabilities at end of the year	64	38	26	39	13	26
Current	64	38	26	39	13	26

	Group	
	2020 R'm	2019 R'm
Claims and loss adjustment expenses developed as follows:		
Notified claims	16	12
Incurred but not reported	8	8
Total at beginning of the year	24	20
Increase in liabilities		
- arising from current year claims settled	120	162
- movement in insurance liabilities and current year claims	(120)	(158)
Notified claims and incurred but not reported liabilities at end of the year	24	24
Notified claims	15	16
Incurred but not reported	9	8
Total	24	24
Unearned premiums is developed as follows:		
Total at the beginning of the year	2	1
Charged to the Statement of Comprehensive Income	0.4	0.4
Unearned premiums liabilities at end of the year	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

14. INVESTMENT CONTRACT LIABILITIES

	Group	
	2020 R'm	2019 R'm
Level 2 fair value investment contract liabilities		
Linked investment contracts	3 194	2 589
Non-current	3 194	2 589

All investment contracts are designated on initial recognition as at fair value through profit or loss.

The liabilities relating to linked contracts are measured with reference to the underlying assets linked to these contracts. PPS is contractually required to pay linked investment contract holders an amount equal to the fair value of the assets linked to these contracts. Linked contracts do not include any minimum guarantees and hence, there will be no difference between the carrying amount and the amount payable at the maturity date.

Investment contract liabilities are classified as Level 2, as the assets backing up these liabilities are unit trust funds of which the fair values are derived from the unit prices published by the unit trust fund managers.

	Group	
	2020 R'm	2019 R'm
Movement table for investment contract liabilities		
Linked contracts		
Balance at beginning of the year	2 589	2 046
Contributions received during the year	707	586
Fair value of policyholder liabilities under investment contracts	166	170
Investment return credited to account balances	196	193
Net fees and charges deducted from account balances	(30)	(23)
Benefit payments	(268)	(213)
Balance at end of the year	3 194	2 589

15. LIABILITIES TO OUTSIDE UNIT TRUST HOLDERS

	Group	
	2020 R'm	2019 R'm
Liabilities to outside unit trust holders		
Balance at beginning of the year	14 908	12 670
Investment by outside unit trust holders	7 309	2 584
Redemptions by outside unit trust holders	(5 192)	(2 081)
Attributable to outside unit trust holders	853	1 735
Investment income	1 050	882
(Losses)/gains on financial assets	(48)	985
Expenses	(149)	(132)
Balance at end of the year	17 878	14 908
Current	17 878	14 908

Liabilities to outside unit trust holders are classified as Level 2, as the fair value of the unit trust funds are derived from unit prices published by the unit trust fund managers.

	Group	
	2020 R'm	2019 R'm
Net assets backing up liabilities to unit trust holders	17 878	14 908
Financial assets - Investments at fair value through profit or loss (note 5)	16 852	14 063
Insurance and other receivables	135	75
Cash and cash equivalents (note 8)	1 790	1 525
Insurance and other payables	(899)	(755)

16. BORROWINGS

	Group	
	Carrying amount and fair value	
	2020 R'm	2019 R'm
Amortised cost		
Mortgage loans (Secured)	119	136
Minority shareholder loans in PPS Property Fund Trust (Unsecured)	33	30
Total borrowings	152	166
Current	27	26
Non-current	125	140

Mortgage loans bear interest at between prime less 0.5% and prime less 1% and are payable over the period to 2026.

Minority shareholder loans in PPS Property Fund Trust carry interest at prime less 1%. These loans are payable between 31 October 2022 and 6 March 2029.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

17. DEFERRED TAX

	Group	
	2020 R'm	2019 R'm
Deferred tax assets:		
Provisions	90	84
Tax losses carried forward	89	87
End of year	179	171
Deferred tax liabilities:		
Unrealised gains on investments	384	126
Unrealised gains on land and buildings revaluation	10	12
End of year	394	138
Current asset	90	84
Non-current asset	89	87
Non-current liability	394	138

The movement in the deferred tax assets and liabilities during the year is as follows:

a. *Deferred tax assets on provisions and computed tax losses*

	Group R'm
At 1 January 2019	144
Recognised in profit or loss	27
At 31 December 2019	171
Recognised in profit or loss	8
At 31 December 2020	179

The utilisation of the deferred tax asset in respect of the tax losses is dependent on the relevant Group entities making future taxable profits. It is assessed as recoverable based on the probability of the future taxable profits of the entity.

b. *Deferred tax liabilities*

	Group		Total R'm
	Deferred tax liability on revaluation of investments R'm	Deferred tax liability on cumulative revaluation of land and buildings R'm	
At 1 January 2019	54	3	57
Recognised in profit or loss	72	-	72
Recognised directly in equity	-	9	9
At 31 December 2019	126	12	138
Recognised in profit or loss	258	-	258
Recognised directly in equity	-	(2)	(2)
At 31 December 2020	384	10	394

18. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2020 R'm	2019 R'm
Statement of Financial Position obligations for:		
- post-retirement medical benefits	6	6
	6	6
Statement of profit or loss and comprehensive income charge for (note 27):		
- post-retirement medical benefits	1	1
	1	1

Post-employment medical benefits

The Group provides for the unfunded post-retirement healthcare benefits of those employees and a small number of retirees employed before 4 October 1999, as well as their spouses and dependants. The entitlement to post-retirement healthcare benefits is based on an employee remaining in service up to retirement and completion of a minimum service period.

The amounts recognised in the Statement of Financial Position were determined as follows:

	Group	
	2020 R'm	2019 R'm
Present value of unfunded obligations	6	6
Liability in the Statement of Financial Position	6	6

The latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2020 indicated a present value of projected future benefits amounting to R5.9 million (2019: R5.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

The movement in the post-employment medical benefit obligation was as follows:

	Group	
	2020 R'm	2019 R'm
Post-employment medical benefit obligations at beginning of the year	6	6
Interest cost	0.4	0.4
Benefits paid	(0.7)	(1)
Actuarial loss recognised during the year	0.4	0.2
Post-employment medical benefit obligations at end of the year	6	6

The amounts recognised in the Statement of Profit or Loss and Comprehensive Income are as follows:

	Group	
	2020 R'm	2019 R'm
Interest cost	0.4	0.4
Actuarial loss recognised during the year	0.4	0.2
Total included in employee costs (note 27)	1	1
The principal actuarial assumptions used were as follows:		
Discount rate based on the Long-term Bond Index (%)	7.41	8.70
Medical cost inflation (%)	5.38	6.34

The assumed rates of mortality are as follows:

During employment:	SA85-90 (Light) ultimate table
Post-employment:	PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006)

19. EMPLOYEE-RELATED OBLIGATIONS

	Group	
	2020 R'm	2019 R'm
Leave pay accrual		
Opening balance	36	36
Charged to the Statement of Profit or Loss and Other comprehensive income - additional provisions	21	20
Used during the year	(17)	(20)
Closing balance	40	36
Current	40	36
Provision for performance related incentives		
Opening balance	196	184
Additional provisions (executive directors and employees)	153	109
Used during the year	(126)	(97)
Closing balance	223	196
Current	120	116
Non-current	103	80
Total employee-related obligations	263	232

20. INSURANCE AND OTHER PAYABLES

	Group	
	2020 R'm	2019 R'm
Payables arising from insurance policies	82	81
due to policy holders	80	79
premiums received in advance	2	2
Reinsurance Payables	58	39
Other payables	1 086	941
accruals	1 052	914
employees tax	19	19
sundry creditors	15	8
Lease liabilities	65	75
Total insurance and other payables	1 291	1 136
Current	1 247	1 081
Non-current	44	54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

20. INSURANCE AND OTHER PAYABLES (continued)

Lease liabilities - Maturity analysis

Group R'm	Carrying amount	Contractual undiscounted cash flows		
		Total cash flows	Within 1 year	2 - 5 years
2020	65	74	25	49
2019	75	94	28	66

21. NET INSURANCE PREMIUM REVENUE

	Group	
	2020 R'm	2019 R'm
Individual premiums from policyholders	5 331	4 965
Long-term	5 120	4 770
Short-term	211	195
Group reinsurance premiums inwards	6	8
Long-term	4	6
Short-term	2	2
Premium revenue arising from insurance contracts issued	5 337	4 973
Individual premium revenue ceded to reinsurers on insurance contracts issued	(439)	(366)
Long-term	(412)	(355)
Short-term	(27)	(11)
Total net insurance premium revenue	4 898	4 607
Long-term	4 712	4 422
Short-term	186	185

22. OTHER INCOME

	Group	
	2020 R'm	2019 R'm
Policy administration and collection services	20	11
Administration fees	301	275
Investment management services	78	77
Commission	56	39
Rental income	75	69
Sundry income	-	10
Total other income	530	481

23. INVESTMENT INCOME

	Group	
	2020 R'm	2019 R'm
Financial assets held at fair value through profit or loss		
Interest income	1 682	1 614
Dividend income	894	771
Total investment income	2 576	2 385

24. GAINS ON FINANCIAL ASSETS AND INVESTMENT PROPERTY

	Group	
	2020 R'm	2019 R'm
Financial assets held at fair value through profit or loss		
Net realised (losses)/gains on disposal of financial assets	(413)	1 112
Net realised foreign exchange gains	23	28
Net unrealised gains on revaluation of financial assets	2 112	1 822
Investment property		
Fair value losses on investment property	(45)	(3)
Total gains on financial assets and investment property	1 677	2 959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

25. NET INSURANCE BENEFITS AND CLAIMS

	Group	
	2020 R'm	2019 R'm
Gross		
Long-term insurance contracts with and without DPF		
- Individual sickness and incapacity benefits: Current year	1 712	1 391
- Individual sickness and incapacity benefits: Arising from prior year	149	51
- Group non-DPF component of death benefits	1 267	716
- Individual DPF component of death, retirement and resignation benefits	1 596	1 456
Short-term insurance contracts		
- Personal lines	89	119
- Commercial lines	4	9
- Professional indemnity	24	7
Total gross insurance benefits and claims	4 841	3 749
Reinsurance recoveries		
Long-term insurance contracts with and without DPF		
- Individual sickness and incapacity benefits	(124)	(104)
- Death benefits	(335)	(150)
Short-term insurance contracts		
- Personal lines	-	(1)
- Professional indemnity	(22)	(5)
Total reinsurance recoveries	(481)	(260)
Total net insurance benefits and claims	4 360	3 489

26. EXPENSES

	Group	
	2020 R'm	2019 R'm
Acquisition of insurance contracts:		
Long-term insurance	283	306
Short-term Insurance	14	14
Multi-managers' fees in PPS Investments	117	104
Marketing and administrative expenses include:		
Amortisation and impairment of intangible assets (note 4)	44	52
Auditor's remuneration	9	9
- Audit fees	9	8
- Other services	0.3	0.4
Data processing and information technology systems maintenance	227	214
Depreciation on property and equipment (note 2)	77	78
Directors'/Trustees' and executives' remuneration	41	38
- Directors/Trustees - non-executive	11	10
- Executive directors of PPS Insurance	22	23
- Directors of other subsidiaries	8	5
Employee costs (note 27)	950	883
Fees for services	19	21
- Actuarial	7	11
- Legal	9	7
- Internal audit	3	3
Investment management fees	74	97
Other administration, maintenance and product development expenses	252	388
Operating lease rentals	1	6
Total expenses	2 108	2 210

Value-Added Tax which cannot be recovered from the relevant taxation authority is expensed together with the related expense.

27. EMPLOYEE COSTS

	Group	
	2020 R'm	2019 R'm
Salaries and related costs	721	699
Pension costs – defined contribution plans	81	73
Other post-employment benefits (note 18)	1	1
Performance-related incentives	147	110
Total employee costs (excluding executives)	950	883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

28. FINANCE COSTS

	Group	
	2020 R'm	2019 R'm
Interest expense on borrowings	14	17
Notional interest expense on lease liabilities	5	7
Total finance costs	19	24

29. TAX

	Group	
	2020 R'm	2019 R'm
Current income tax	123	243
- Current year tax	132	242
- Prior years (overprovision)/underprovision	(9)	1
Dividend withholding tax on deemed dividends	99	93
	222	336
Deferred tax	250	45
Total tax	472	381
Tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to South African/Namibian companies as follows:		
Profit before movement in policy liabilities	2 175	2 804
Tax calculated at domestic tax rates applicable to profits/(losses) in South Africa/Namibia	626	797
Tax effect of income not subject to tax	(1 703)	(1 739)
Tax effect of non-deductible expenses	1 503	1 262
Tax effect of tax rate on Dividend Withholding Tax on deemed dividends being different to tax rate on the individual policyholder fund ("IPF")	50	47
Prior years (overprovision)/underprovision	(9)	1
Tax effect of CF tax rate being different to IPF tax rate	5	13
Total tax per Statement of Profit or Loss and Other Comprehensive Income	472	381

The applicable tax rate was 28% (2019: 28%) for South African companies and 32% (2019: 32%) for Professional Provident Society Insurance Company (Namibia) Limited. Professional Provident Society Insurance Company Limited has five separate tax funds: the individual policyholders' fund (taxed at 30%), the Company policyholders' fund (taxed at 28%), the untaxed policyholder's fund (not taxed), the risk-policy fund (taxed at 28%) and the corporate fund (taxed at 28%). The tax reconciliation is done on total tax on all funds. The Professional Provident Society Holdings Trust is taxed at 45%.

Dividend withholding tax is payable on dividends received in the individual policy fund.

The Group has accumulated losses of R531.9 million (2019: R327.2 million) available in certain subsidiaries for offset against future taxable income in those subsidiaries.

30. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Group	
	2020 R'm	2019 R'm
Reconciliation of profit before movement in insurance policy liabilities to cash (utilised by)/generated from operations:		
	3 028	4 539
Profit before movement in policy liabilities	2 175	2 804
Attributable to unit trust holders	853	1 735
Investment contract receipts	707	586
Investment contract surrenders	(268)	(213)
Adjustments for:		
- Depreciation	77	78
- Fair value of policyholder liabilities under investment contracts	166	170
- Amortisation and impairment of intangible asset	44	52
- Realised profit on disposal of property and equipment	(0.1)	(4)
- Impairment losses from loan to associate company	-	143
- Investment income	(2 576)	(2 385)
- Finance costs	19	24
- Total gains on financial assets and investment property held at fair value through profit or loss	(1 677)	(2 959)
Changes in working capital:		
- Insurance and other receivables	(378)	(115)
- Insurance and other payables	196	165
- Short-term policy liabilities	-	5
- Insurance policy liabilities	308	(41)
Cash (utilised by)/generated from operations	(354)	45

31. TAX PAID

	Group	
	2020 R'm	2019 R'm
Net tax receivable at beginning of year	(125)	(61)
Current tax as per Statement of Profit or Loss and Other Comprehensive Income	222	336
Net tax receivable at end of year	72	125
Total tax paid	169	400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

32. COMMITMENTS

	Group	
	2020 R'm	2019 R'm
(a) Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
- Committed but not contracted for	109	107
(b) Operating lease commitments - where a Group entity is the lessor		
The Group leases out its investment property (see note 3) under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The lease revenue charged to the Statement of Profit or Loss and Other Comprehensive Income during the year is disclosed in note 22.		
The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:		
Due in one year or less	34	54
Due between one year and five years	44	77
Due after five years	1	3
(c) Irrevocable loan commitments		
Authorised and contracted	178	-

33. TRUSTEES' REMUNERATION

The PPS Holdings Trust trustees' remuneration from the Group

Trustees	2020			2019		
	The PPS Holdings Trust (including committees) R'000	Subsidiary Companies (including committees) R'000	Total remuneration (including committees) R'000	The PPS Holdings Trust (including committees) R'000	Subsidiary Companies (including committees) R'000	Total remuneration (including committees) R'000
Dr A Coetzee	204	-	204	151	-	151
Ms D L T Dondur	354	257	611	325	223	548
Mr J A B Downie	455	234	689	428	150	578
Dr D P du Plessis	210	597	807	204	364	568
Mr C Erasmus	95	1 872	1 967	103	1 685	1 788
Dr N H P Khosa	204	239	443	193	18	211
Mr I Kotzé	204	25	229	183	24	207
Dr C M Krüger	420	154	574	408	132	540
Dr F Mansoor	204	-	204	193	-	193
Mr E A Moolla	216	128	344	216	265	481
Ms J K Myburgh	118	-	118	-	-	-
Ms P Natesan	76	-	76	193	-	193
Mrs N N Nongogo	210	-	210	183	-	183
Mr N Nyawo	204	50	254	182	73	255
Dr R Putter	204	-	204	104	-	104
Mr P Ranchod	228	616	844	216	600	816
Mr V P Rimbault	241	-	241	229	-	229
Prof L C Snyman	204	-	204	104	-	104
Dr S N E Seoka	721	243	964	705	223	928
Mr S Trikamjee	354	133	487	348	125	473
Prof H E Wainer	53	1 081	1 134	38	968	1 006
Total	5 179	5 629	10 808	4 706	4 850	9 556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

34. RELATED PARTIES

Holding Company

The Professional Provident Society Holdings Trust is the holding entity of the group. The Professional Provident Society Holdings Trust is a trust incorporated in South Africa and has as its sole investment in 100% of the shares of Professional Provident Society Insurance Company Limited, which it acquired from Professional Provident Society NPC during 2011. Professional Provident Society NPC formerly was a company "limited by guarantee" and has been deregistered.

Subsidiaries

PPS's related parties are its subsidiary company Professional Provident Society Insurance Company Limited, as well as Professional Provident Society Insurance Company (Namibia) Limited, Plexus Properties Proprietary Limited, Professional Provident Society Healthcare Administrators Proprietary Limited, Professional Provident Society Short-Term Insurance Company Limited, Professional Provident Society Investments Proprietary Limited, Professional Provident Society Multi-Managers Proprietary Limited, Professional Provident Society Investment Administrators Proprietary Limited, PPS Nominees Proprietary Limited, Professional Provident Society Wealth Advisory Proprietary Limited, Professional Provident Society Management Company (RF) Proprietary Limited, PPS Property Fund Trust, Financial Solutions 4 Professionals Proprietary Limited and Six Anerley Road Holdings Proprietary Limited, which are subsidiary companies/trusts of Professional Provident Society Insurance Company Limited.

Other controlled entities

Entities listed below are controlled through board representation:

Professional Provident Society Foundation Trust and Professional Provident Society Collective Investment Scheme.

Associates

PPS Mutual Limited and PPS Mutual Insurance Proprietary Limited (Australian entities) are Associates of the Group. PPS Insurance Company has significant influence over PPS Mutual Limited Group, through its representation on their boards. The PPS Group has no shareholding in PPS Mutual Limited Group and therefore no rights to either net profits/losses, or net assets. The Group received R12.8 million (2019: R10.8 million) of interest for the year on loan funding of R334.5 million (2019: R234.4 million) provided to PPS Mutual Limited Group, of which R234.4 million (2019: R234.4 million) has been impaired.

Intembeko Investment Administrators Proprietary Limited (Intia) is an associate of the Professional Provident Society Group due to Professional Provident Society Investments (Pty) Limited deemed to having significant influence over the operations of Intia as a result of a) total loan funding provided of R22.3 million (2019: R22.3 million) and b) technical know-how made available. PPS Foundation Trust holds a 10% shareholding in Intia. No profits (2019: Nil) have accrued to the Group from this associate for the year ended 31 December.

Transactions between Group entities

Transactions between related parties are made on terms equivalent to those that prevail in arm's-length transactions. Transactions that take place between Group entities, are eliminated on consolidation, and are disclosed in the separate annual financial statements of those entities.

Key management information

Key management personnel have been defined as all trustees of The Professional Provident Society Holdings Trust and group executive committee members, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel. A complete list of trustees of The Professional Provident Society Holdings Trust is disclosed in the trustees' report.

The PPS Group appoints its prescribed officers at the PPS Insurance entity level.

34. RELATED PARTIES (continued)

Aggregate details of insurance between The Professional Provident Society Holdings Trust, any of its subsidiaries, and key management personnel, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel are set out below:

	Group	
	2020 R'000	2019 R'000
Life and disability		
- Premiums	1 740	1 550
Sickness benefit		
- Premiums	1 315	1 222
- Claims	635	34
PPS Profit-Share Account	15 208	12 366
Motor and household		
- Premiums	928	649
- Claims	705	98
Assets under management	41 738	39 027

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions with all members.

The aggregate compensation of The Professional Provident Society Holdings Trust trustees and Professional Provident Society Insurance Company Limited executives paid by the Group is set out below:

	Group	
	2020 R'000	2019 R'000
Salaries and other employee benefits	41 069	36 462
Performance payments	26 728	30 618
Trustees' remuneration	10 808	9 556
	78 605	76 636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

35. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities at reporting date as well as affecting the reported income and expenses for the year. Estimates and judgements are evaluated annually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

35.1 Valuation of long-term insurance policy liabilities

The determination of the liabilities under insurance contracts is dependent on estimates and assumptions made by the Group. In determining the value of these insurance policy liabilities, assumptions regarding mortality, persistency, investment returns, expense level and inflation, tax and future profit allocations have been made. For details on these assumptions refer to note 12.1.

No allowance was made for any assumed deterioration in mortality and morbidity due to HIV/AIDS. It is expected that the impact of the epidemic on the current membership will not be significant in the near future.

35.2 Valuation of short-term insurance policy liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events.

Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company. Insurance liabilities include the provisions for unearned premiums (including an evaluation of the necessity for an unexpired risk provision), outstanding claims and incurred but not reported (IBNR) claims. For details on these assumptions refer to note 13.1.

35.3 Income tax

The Group is subject to tax in South Africa and Namibia. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa was 28% for the year under review, 32% in Namibia and 45% for trusts in South Africa. PPS Insurance Company Limited has five separate tax funds, the individual policyholders' fund (taxed at 30%), the company policyholders' fund (taxed at 28%), the risk-policy fund (taxed at 28%), the corporate fund (taxed at 28%) and the untaxed policyholders' fund (taxed at 0%). Dividend withholding tax is payable on dividends received in the individual policyholders' fund (taxed at 20%). Additional information is provided in Note 29 of these financial statements.

35.4 Employee benefit liabilities

The cost of the benefits and the present value of post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions.

The Group, through the input of an independent actuarial consultant, determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the post-retirement medical obligations. In determining the appropriate discount rate, the Group considers the interest rate on high quality corporate bonds and government bonds that have terms to maturity approximating the terms of the related liability. Additional information is provided in note 18 of these financial statements.

35.5 Valuation of owner-occupied property and investment property

The value of the owner-occupied property and investment property depends on a number of factors that are determined using a number of assumptions. The assumptions used in determining the value was based on a yield range of 7.57% to 12.04% (2019: 7.83% to 9.83%), an exit capitalisation range of 10.0% to 11.5% (2019: 9.5% to 11.0%), a revenue escalation range of 5.80% to 8.51% (2019: 6.71% to 8.64%) and an expense escalation range of 6.74% to 12.05% (2019: 7.06% to 10.44%). Any change in these assumptions will impact the values of the buildings. Additional information is provided in Note 2 and Note 3 of these financial statements.

35.6 Deferred tax asset

Deferred tax assets are recognised for unused tax losses and on deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Additional information is provided in Note 17 of these financial statements.

35.7 Valuation of long-term incentive and retention schemes

The cost of the benefits of the long-term incentive scheme depends on a number of assumptions used in calculating the present value under the projected unit credit method. The assumptions used in determining the charge to the Statement of Profit or Loss and Other Comprehensive income arising from these obligations include the expected growth in the apportionment account (rolling five-year average historical growth 19.2% (2019: 10.3%), the turnover of staff participating in the scheme (nil) (2019: nil) and the discount rate (an appropriate market-related yield curve as at the reporting date). Any changes in these assumptions will impact the charge to the Statement of Profit or Loss and Other Comprehensive income.

The assumptions used in determining the charge to the Statement of Profit or Loss and Other Comprehensive income arising from obligations in terms of the Retention Scheme include the expected growth in the PPS Profit-Share Account (rolling five-year average historical growth 11.5% (2019: 17.1%), and the turnover of staff participating in the scheme (nil) (2019: nil). Additional information is provided in Note 19 of these financial statements.

35.8 Discounting of lease liability

Lease liabilities are discounted at each Group entity's incremental borrowing rate. These rates are set at South African Banks' Prime lending rate less 100 bps, which is a best estimate of the rate which Group entities would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. Additional information is provided in Note 2 and Note 20 of these financial statements.

35.9 Consolidation of entities in which the group holds less than 50%

The trustees have concluded that the Group controls, in the manner contemplated by IFRS, unit trusts managed by Professional Provident Society Investments Proprietary Limited, even though it holds less than half of the economic interest in some of these funds. Additional information is provided in Note 15 of these financial statements.

35.10 Impairment of loan to PPS Mutual

Assumptions used to determine the impairment of loan to PPS Mutual are unbiased and probability-weighted and includes consideration of a range of possible outcomes. Time value of money is taken into account by the discounting of expected future losses to the reporting date at a risk-adjusted discount rate. Reasonable and supportable information is used about past events, current conditions and forecasts of future economic conditions. Additional information is provided in Note 7 of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS

36.1 General

The PPS Boards have overall responsibility for the Group's systems of internal control and risk management. The Chief Executives and executive management are responsible for the management and implementation of the PPS Group Enterprise Risk Management Framework and Governance Frameworks.

To assist the PPS Boards in the execution of its fiduciary duties in regard to risk management, legal and compliance accountabilities, as set out in detail in policies and frameworks adopted by the PPS Group, the **Group Risk Committee** has the following responsibilities:

- ⦿ Assisting the PPS Boards in setting risk strategy policies in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
- ⦿ Assisting the PPS Boards in overseeing the Group's compliance with applicable legal and regulatory requirements, industry standards and the Group's Codes of Conduct;
- ⦿ Facilitating and ensuring appropriate segmentation of duties of the risk management function from operational business line responsibilities and ensuring that the segregation is observed;
- ⦿ Assisting the PPS Boards in identifying any build-up and concentration of the various risks to which the Group is exposed;
- ⦿ Monitoring external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- ⦿ Providing an independent and objective oversight and view of the information presented by management on corporate accountability and associated risk, also taking account of reports by management, the Group Actuarial Committee and the Group Audit Committee to the Board on all categories of identified risks facing PPS;
- ⦿ Performing the functions as may be prescribed by the Regulators and in particular, ensuring that PPS has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks and to recommend to the PPS Boards, PPS's appetite and tolerance for risk;
- ⦿ Discharging the specific responsibilities ascribed to the Committee in terms of policies and frameworks adopted by the Group in compliance with Solvency Assessment and Management regulation;
- ⦿ Recommending the Strategic and Operational Risk Policy, the Enterprise Risk Management Framework and relevant Risk Appetite Policies to the PPS Boards for consideration and approval;
- ⦿ Setting the standard for the Enterprise Risk Management Framework and risk management component policies;
- ⦿ Ensuring the establishment of an independent risk management control function, reviewing its adequacy and effectiveness;
- ⦿ Approving the risk management plan and reviewing progress against it;
- ⦿ Recommending any deviations or changes from the risk management strategy, risk appetite and risk management procedures and tools as documented in the risk management policies and frameworks to the PPS Boards for consideration and approval;
- ⦿ Approving the combined assurance plan and reviewing and overseeing all assurance activities, including the effectiveness of combined assurance arrangements;
- ⦿ Annually reviewing the risk bearing capacity of the Group in the light of its reserves, insurance coverage, guarantee funds or other such financial structures for approval by the PPS Boards;
- ⦿ Overseeing that a process to conduct regular periodic independent assessments of the risk management function and risk management system is in place;
- ⦿ Reviewing the risk reports and adequate disclosure of the Group's risks and opportunities;
- ⦿ Considering, in particular, the management of Information Technology risks;
- ⦿ Providing feedback to PPS Group Boards and their committees on identified risks that may be relevant for those particular Boards and their committees;
- ⦿ Providing assistance to the Board in discharging its responsibilities for disclosure in relation to risk management in the integrated report;

- ⊙ Assisting the Board in developing its risk management strategy;
- ⊙ Assisting the Board in evaluating the adequacy and effectiveness of the risk management system;
- ⊙ Assisting the Board in identifying and monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting is adequately maintained;
- ⊙ Introducing measures to enhance the adequacy and effectiveness of the risk management system.

The PPS Boards have delegated to the PPS Group Audit Committee an oversight role of financial reporting, accounting, the external auditor, appropriate internal controls and the internal auditors, and regulatory compliance, *inter alia* to ensure the integrity of reporting and financial controls. The internal control systems continue to be enhanced and developed to safeguard the assets of PPS and to ensure timely and reliable monitoring and reporting. These controls encompass suitable policies, processes, tasks and behaviours with the aim of ensuring compliance with applicable laws and regulations to meet the needs of an ever-changing business environment. The **PPS Group Audit Committee's** mandate from the Board is indicated on page 120.

The following control functions within the Group are responsible for discharging the operations of risk management:

Risk management

- ⊙ Assessing the appropriateness of the Group's policies, processes, and controls in respect of risk management and the effective monitoring thereof by the Group;
- ⊙ Directing and assisting in the co-ordination and monitoring of risk management activities within the Group;
- ⊙ Ensuring adherence to the Risk Management Plan;
- ⊙ Maintaining the Enterprise Risk Management Framework and Plan for approval by the Board in terms of the appropriate international standards (ISO 31000) and the King Code of Governance Principles;
- ⊙ Update the PPS Group Enterprise Risk Management Framework;
- ⊙ Attend to recommendations from the Board, Risk Committee, Management and applicable regulators;
- ⊙ Providing technical guidance to management in executing their risk management duties;
- ⊙ Maintain and update the risk matrix for the Group. This includes the identification, assessment, monitoring, mitigation and reporting around the key risks on an individual and aggregated level;
- ⊙ Report on the Group's risk profile, material changes to the risk profile and details on the risk exposure and mitigating actions;
- ⊙ Report to the Audit Committee and Risk Committee on the implementation of the combined assurance framework;
- ⊙ Assist with all systematic, documented and formal risk assessments;
- ⊙ Identify risk owners in the different areas of the business to integrate risk management into the day-to-day activities of the Group;
- ⊙ Develop systems for monitoring risk management including regular self-assessments of the risk management control function;
- ⊙ Drive risk management in the PPS Group by promoting awareness of risk management to both management and employees;
- ⊙ Facilitating and administrating Control Self Assessments in line with the combined assurance framework;
- ⊙ Ensure that risk management is considered when setting strategic goals and objectives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.1 General (continued)

Compliance

- Monitors and reports on compliance with legislative and regulatory requirements;
- Monitors that systems and controls are in place to ensure that the Group's exposure to legal and/or regulatory risk is minimised;
- Employs a risk based compliance monitoring plan/risk matrix;
- Keep a record of all monitoring and other activities conducted;
- Manages the Group's relationship with its regulators;
- Evaluates the impact of forthcoming legislative regulatory changes and provides advice on required processes and controls enhancements and the adequacy of the proposed controls;
- Reports to Group Risk Committee on the status of compliance of the Group;
- Operates in accordance with an approved Compliance Plan;
- Assists with implementing procedures for reporting compliance breaches;
- Ensure effective compliance training programmes are established.

Internal audit

- Provides independent and objective assurance on, and evaluation of, the overall effectiveness of the Group's systems of internal financial control;
- Develops a risk based annual audit plan based on a three-year testing rotation of the control environment for review at the Group Risk Committee and approval at the Group Audit Committee;
- Provides an independent assessment of the effectiveness of management's implementation of the PPS Group Enterprise Risk Management Framework to the Group Risk Committee.

36.2 Insurance product risk management

General

The Group issues contracts that transfer significant insurance risk. This section summarises these risks and the way the Group manages them.

The risk under any one insurance contract is the uncertainty surrounding the timing and amount of the claim resulting from the insured event. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The table below provides an overview of the types of products and the terms and conditions of life insurance contracts written by the Group:

Type of contract	Terms and conditions
Sickness and permanent incapacity benefit (PPS Provider Policy)	<p>The PPS Provider Policy offers a variety of sickness and incapacity benefit options. The premiums for these benefits are level or age-rated premiums and are payable monthly. However, premiums are level for the old unit of benefit product. Premium rates and benefits are not guaranteed and may be revised at the discretion of the insurer.</p> <p>These benefits entitle a policyholder to claim for periods of sickness and incapacity. The amount of cover obtainable is limited by the applicant's annual gross professional income and maximum limits applied by the Company. The sickness benefit continues as long as the member continues to practice their occupation.</p> <p>The sickness and incapacity benefits are non-DPF benefits.</p>

Type of contract	Terms and conditions
Professional Life Provider (PPS Provider Policy) PPS Life And Disability Policy	<p>The PPS Provider Policy also offers lump sum life and disability cover for a specified term or whole life. The premiums are payable monthly, and either an age rated or level option may be selected as the premium pattern. PPS Insurance is the risk carrier.</p> <p>The PPS Life and Disability Policy which replaced the previous PPS Life Disability Assurance Scheme, is insured by PPS Insurance and is closed to new business. The previous generation of policies (PPS Life and Disability Assurance Scheme) was classified as being part of a grouped individual policy.</p> <p>The premiums and benefits under both generations of policies are not guaranteed and may be revised at the discretion of the insurer. Reinsurance agreements are in place to reduce the impact on PPS of variability in claims experience.</p> <p>The life and disability benefits are non-DPF benefits.</p>
Professional Critical Illness Product (PPS Provider Policy) Professional Health Preserver	<p>These products pay a lump sum benefit according to severity levels on assessment of standard dread disease conditions and physical impairment events. The premiums are payable monthly and are age rated.</p> <p>The Professional Health Preserver is closed to new business.</p> <p>The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer. Reinsurance agreements are in place to reduce the impact on PPS of variability in the claims experience.</p> <p>The dread disease and physical impairment benefits are non-DPF benefits.</p>
Professional Disability Provider (PPS Provider Policy)	<p>The Professional Disability Provider offers lump sum disability cover for a specified term. At age 66, or earlier retirement (if this is over the age of 60), the Professional Disability Provider converts automatically into a severe illness benefit. This is a benefit that pays a one-off lump sum benefit if the policyholder becomes permanent and significantly disabled and as a result can no longer carry out his profession. The premiums are payable monthly and are level or age-rated. The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer.</p> <p>Reinsurance policies are in place to reduce the variability of the claims experience.</p> <p>The disability benefits are non-DPF benefits.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.2 Insurance product risk management (continued)

Type of contract	Terms and conditions
PPS Provider Policy	The PPS Provider Policy contains a DPF component, being the PPS Profit-Share Account™. This component continues until retirement, and policyholders can gain access to funds from the age of 60, or earlier cancellation of the policy. No premium is payable for the DPF component.
Business Provider (PPS Provider Policy)	The Business Provider Policy provides for the Business Life Provider and the Business Health Provider. The Business Life Provider product provides benefits very similar to those of the Professional Life Provider. The Business Health Provider product provides benefits similar to those of the Professional Health Provider, but tailored to payout for the more severe critical illness and physical impairment conditions only. The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer. Reinsurance policies are in place to reduce the variability of the claims experience. The policies transfer insurance risk only and do not contain a DPF component.
PPS Education Cover	The Education Cover Policy pays the actual public or private school and university fees of the child beneficiary, up to PPS determined maximums, directly to the education facility at the beginning of the academic year, upon receipt of a valid invoice, in the event of death, disability or Severe illness of the life insured. The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer. Reinsurance agreements are in place to reduce the impact on PPS of variability in claims experience. The Education Cover benefits are non-DPF benefits.
PPS Endowments	The PPS Endowment and PPS Corporate Endowment afford policyholders the ability to save in a cost effective, transparent and flexible manner. The underlying investments are unit trusts, and no guarantees are offered on these products. The policies do not transfer insurance risk and do not contain a DPF component. These products are available to individuals and corporates respectively.
PPS Living Annuity	The PPS Living Annuity is a compulsory purchase linked living annuity and does not offer risk benefits or investment guarantees. The underlying investments are unit trusts. The policies do not transfer insurance risk and do not contain a DPF component.

The PPS Provider Policy includes a DPF element. The participating nature of these contracts results in the insurance risk being carried by the insured parties. All variations in claims, persistency or termination rates are carried by the insured parties by means of variations in the amounts allocated to the DPF element.

However, the Group continues to manage the insurance risk in order to sustainably provide for the insurance benefits and to grow the DPF benefits available to policyholders.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the allowance made for the payments of these benefits. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year-to-year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to appropriately charge for the insurance risks accepted.

The Group has implemented a comprehensive reinsurance strategy to mitigate the risks of variability in the frequency and severity of claims on different portfolios of insurance contracts. This strategy continues to be effective in reducing the impact on PPS of variability in claims.

The table below provides an overview of the types of products and the terms and conditions of short-term insurance contracts written by the Group:

Type of contract	Terms and conditions
Motor	Covers damage or loss resulting from the possession, use or ownership of motor vehicles operating on land, excluding railway rolling stock and warranty business.
Property	Covers damage to or loss resulting from the possession, use or ownership of property, other than business covered under other classes indicate in the Insurance Act, 2017.
Legal expense	Covers legal expenses in costs of litigation.
Transport	Covers damage or loss resulting from the conveyance, storage, treatment and handling of goods in transit, irrespective of the form of transit.
Liability	Covers liability to another person, including professional indemnity.
Accidental and health	Covers costs or loss of income resulting from a disability or death event caused by an accident or a health event other than costs or services regulated under the Medical Schemes Act, 1988.
Reinsurance	Proportional reinsurance in respect of professional indemnity liability business.

Insurance contracts - Long-term

a. *Frequency and severity of claims*

The most significant factors that could increase the overall frequency of mortality and morbidity claims are diseases (such as Aids), epidemics (such as Covid-19), economic conditions, abnormal weather conditions, quality of healthcare and widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group has comprehensive claims assessing processes and protocols in terms of which all claims received are assessed. Delegation of authority levels are applied to ensure that larger claims and repeat claims are assessed by senior assessors and management, and the forensics team if required, before being paid. The Group also conducts regular claims investigations to monitor experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.2 Insurance product risk management (continued)

a. *Frequency and severity of claims* (continued)

The Group manages these risks through its underwriting strategy. The underwriting strategy ensures that the risks accepted are in line with PPS's risk appetite. Medical risk selection is included in the underwriting protocols. Premium loadings and benefit exclusions may be imposed which reflect the health and medical history of the applicant. The Group has maximum exposure limits in respect of any single life insured. Maximum exposures are determined relative to gross professional income to ensure that policyholders are not overinsured. These limits are increased annually in line with expected salary inflation for professionals. Policyholders are reminded each year of their benefits and asked to review these benefits to ensure they are not over insured relative to their income as this may impact on future claims.

In some instances, maximum exposures are not increased annually where not appropriate.

Where appropriate, reinsurance contracts are in place to limit the Group's liability. There is a Board approved reinsurance strategy in place, which is regularly reviewed by the Actuarial Committee for its ongoing appropriateness.

The table below presents the total insured benefits per month and the average benefit per month per individual life assured on the basic sickness and disability contract.

Group	Total insured monthly benefit R'm	Benefit per month per life Rand
2020	7 686	73 525
2019	7 597	71 775

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities (see note 12).

b. *Sources of uncertainty in the estimation of future benefit payments and premium receipts*

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity rates. An investigation into the actual experience of the Group over the last or previous year is carried out, to produce a best estimate of the expected morbidity and mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience and where no such table exists, tables are developed specifically on PPS historic experience.

Lapse experience can have a significant impact on the Group. To manage lapse risk, the Group conducts monthly lapse analyses for each of the product lines. Where experience is worse than long-term valuation expected lapse experience management intervention is taken, over and above normal ongoing retention efforts to reduce overall lapse and exits.

Risk exposure and concentrations of risk

The following table shows the Group's exposure to insurance risk (based on the carrying value of the long-term insurance liabilities at the reporting date) per category of business. The table also shows the extent to which the Group has mitigated this risk by reinsurance:

Group 2020 R'm	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	4 781	28 101	32 882
Net of reinsurance	4 835	28 101	32 936
Namibia			
Gross	340	1 104	1 444
Net of reinsurance	337	1 104	1 441

Group 2019 R'm	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	3 576	27 710	31 286
Net of reinsurance	3 649	27 710	31 359
Namibia			
Gross	329	1 016	1 345
Net of reinsurance	324	1 016	1 340

Insurance contracts – Short-term

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the allowance made for the payments of these benefits. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year-to-year from the estimate established using statistical techniques.

The Group believes that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to appropriately charge for the insurance risks accepted.

Pricing for the Group's short-term insurance products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the Group's principal cost, the Group also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set to ensure that the underwriting policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset and major use of the covered item. The Group has the right to reprice and change the conditions for accepting risks on renewal and/or 30 days. The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.2 Insurance product risk management (continued)

- b. **Sources of uncertainty in the estimation of future benefit payments and premium receipts** (continued)

Insurance contracts – Short-term (continued)

Expenses are monitored by business unit based on an approved budget and business plan.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed. Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

The Head of Actuarial Function reviews and attests annually on the reliability and adequacy of technical provisions and the Solvency Capital Requirement. He expresses an opinion on the Underwriting Policy as well as the soundness of the premium rates in use and the profitability of the business.

The Group currently calculates its short-term insurance technical reserves on two different methodologies, namely the 'percentile approach' and the 'cost-of-capital approach'. The 'percentile approach' is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the 'cost-of-capital approach' is used as one of the inputs for regulatory reporting purposes.

- a. **Percentile approach**

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution. The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value. The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims. For more detail on the reserving techniques used in this approach, refer to note 35.2.

- b. **Cost-of-capital approach**

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party. The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third party would need to hold to back the future claims payments.

Two key differences between the percentile and cost-of-capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost-of-capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk-based solvency measurement.

The net claims ratio for the Group, which is important in monitoring short-term insurance risk is summarised below:

Group	2020	2019
Loss history		
Net claims paid and provided % of net earned premiums	51.00%	69.20%

Reinsurance Risk Management

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the Group's risk management strategy and objectives. The Group obtains third-party short-term reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the Group's capital. It is believed that the reinsurance programme suits the risk management needs of the business.

The core components of the reinsurance programme comprise:

- ⦿ A Whole Account Clash & Catastrophe Excess of loss treaty with five layers. PPS Short-term Insurance ('PPS STI') retains the first R2.5 million of each and every claim, excluding reinstatement premiums as a result of a claim against the cover;
- ⦿ A 10%/90% Quota Share Arrangement in respect of the Health Professions Indemnity liability product. PPS STI retains 10% of all premiums and claims.

The Head of Actuarial Function reviews and attests annually on the adequacy of reinsurance risk transfer. The latest report concluded that the reinsurance arrangements adequately cover the insurance risks faced by PPS Short-Term Insurance.

The PPS Short-term Insurance board approves the reinsurance renewal process on an annual basis. The reinsurance programme is placed with external reinsurers that are registered with the Prudential Authority, or enjoy equivalent jurisdiction status under the Prudential Authority, and have a domestic credit rating /rating equivalent to a domestic credit rating, of no less than A-.

Risk exposure and concentrations of risk

The following table shows the Group's exposure to short-term insurance risk (based on the carrying value of the insurance liabilities at the reporting date) per category of business:

Group	% of Net Earned Premium 2020	% of Net Earned Premium 2019
Motor	62%	65%
Property	35%	34%
Liability	3%	1%
Other	<1%	<1%
	100%	100%

Risk management relating to investment contracts

The Group commenced selling investment products from 2007 through its subsidiary PPS Investments (Proprietary) Limited ('PPS Investments'). For these contracts the investment risk is carried by the policyholders. In PPS Investments there is a risk of reduced income from fees where these are based on the underlying value of the invested assets. There is furthermore a reputational risk if actual investment performance is not in line with contract holders' expectations. These risks are managed through a rigorous multi-manager investment research process applied by PPS Investments' investment managers, which includes both technical and fundamental analysis.

The investment contracts underwritten by PPS Insurance are the PPS Endowment, the PPS Corporate Endowment and the PPS Living Annuity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities (including investment contracts), reinsurance assets and insurance policy liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (comprising interest rate risk, equity price risk and foreign currency risk), liquidity risk and credit risk. The participating nature of the contracts issued results in the financial risk being carried by the insured parties by means of variations in the amounts allocated to the DPF element. However, the Group continues to manage the financial risk in order to maximise the benefits available to policyholders.

These financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The primary risk that the Group faces arises from the impact of volatility in equity prices and interest rates on the value of assets and liabilities.

The Group manages exposure to investment volatility as part of a regular review of the assets held to back the insurance policy liabilities using asset liability modeling techniques. The asset-liability risk management policy allows for asset liability modeling to drive the optimal long-term asset class composition. This approach ensures the expected return on assets is sufficient to fund the required return on the risk reserves and to maximise the rate of return on the balance of the policy liabilities subject to acceptable levels of risk. Asset class composition is reviewed on a quarterly basis with the respective asset managers.

Credit and counterparty risk

Credit risk refers to the risk of loss arising from the inability of the counterparty to service its debt obligations. The Group's key areas of exposure to credit risk include:

- ⦿ debt securities and cash and cash equivalents;
- ⦿ amounts due from insurance and investment contract policyholders;
- ⦿ amounts due from intermediaries;
- ⦿ reinsurers' share of insurance liabilities;
- ⦿ amounts due from reinsurers in respect of payments already made to policyholders; and
- ⦿ amounts due from insurance and other receivables.

The nature of the Group's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

In monitoring credit risk, amounts receivable are grouped according to their credit characteristics. The Group also limits its exposure to credit risk by only investing in liquid debt securities and only with counterparties that have a credit rating as set out below as well as only investing with reputable banks which are assessed quarterly.

The Group only enters into insurance contracts with eligible professional individuals. PPS Group operates a Credit Control Policy regarding outstanding long-term insurance premiums, which is formulated on the relevant provisions of the Policyholder Protection Rules ("PPRs") made under section 62 of the Long-Term Insurance Act 52 of 1998, as substituted and/or amended from time to time and agreed in contracts with our members. In terms of this policy, a formal communication is sent to members after the first month and second month of premium defaults. In the third month of default, members are informed that premium collections have ceased and all benefits are suspended. In the event of default on the part of the individual, where the Apportionment Accounts has vested to the individual, there is a legal right of offset of the Apportionment Account against any outstanding premiums payable. This significantly reduces the credit risk on insurance policyholder recoverables.

The Group only enters into reinsurance agreements with reinsurers registered with the Prudential Authority. The reinsurers contracted with, represent subsidiaries of large international reinsurance companies. No instances of default have been encountered. As such the Group has selected reinsurers with a minimum credit rating of A+ for Long-Term insurance and A- for Short-Term insurance.

Cash and cash equivalents are invested with financial institutions holding credit ratings within the guidelines set by the Board, similar to corporate and government debt indicated below, as well as restrictions in the Collective Investment Schemes Control Act, No. 45 of 2002, as amended. The spread of cash between financial institutions is determined in line with limits specified in the Insurance Act 18 of 2017, as substituted and/or amended from time to time. The financial soundness of counterparties holding the Group's cash is monitored by management on a monthly basis.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets, including unit trusts, and insurance contracts was:

Group R'm	2020	2019
Debt securities*	20 224	18 188
Reinsurance assets	43	18
Insurance receivables	232	123
Cash and cash equivalents*	3 096	3 329
Other receivables	534	290
Reinsurance receivables	197	145
Total	24 326	22 093

* Including assets held in unit trust funds

Corporate and government debt

Included in the category designated at fair value through profit or loss are interest instruments of corporate and government debt. Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt. To mitigate this risk, management has formulated guidelines based on ratings from Standard & Poor's, an industry accepted credit ratings agent.

The Group's total exposure to corporate debt amounted to R20.2 billion (2019: 18.2 billion) at 31 December 2020. The following represent the major industry sectors to which the Group is exposed as at 31 December 2020:

Group R'm	2020	2019
Government	11 182	8 023
Banks	6 772	7 464
Utilities	694	479
Corporate	1 576	2 222
Total	20 224	18 188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

Concentrations of credit risk

The maximum exposure to credit risk for its financial assets, including unit trusts, at the reporting date by credit rating category was as follows:

Group 2020 R'm	AAA and Government	Below AAA but no lower than A	Below A but no lower than BBB-	BBB- and Below	Unrated	Total
Debt securities*	11 373	7 785	198	649	219	20 224
Reinsurance assets	-	43	-	-	-	43
Insurance receivables	-	-	-	-	232	232
Cash and cash equivalents*	17	2 305	661	39	74	3 096
Other receivables	-	-	-	-	534	534
Reinsurance receivables	-	197	-	-	-	197

* Including assets held in unit trust funds

Group 2019 R'm	AAA and Government	Below AAA But no lower than A	Below A but no lower than BBB-	BBB- and Below	Unrated	Total
Debt securities*	8 715	6 962	2 281	211	19	18 188
Reinsurance assets	-	18	-	-	-	18
Insurance receivables	-	-	-	-	123	123
Cash and cash equivalents*	208	2 945	176	-	-	3 329
Other receivables	-	-	-	-	290	290
Reinsurance receivables	-	145	-	-	-	145

* Including assets held in unit trust funds

Ageing of financial assets

The following table provides information regarding the credit quality of assets which expose the Group to credit risk:

Group 2020 R'm	Neither past due nor impaired	Financial assets that are past due			Carrying value
		Between 0 – 2 months	Between 2 – 5 months	More than 5 months	
Insurance receivables	135	3	4	90	232
Reinsurance assets	43	-	-	-	43
Reinsurance receivables	164	22	3	8	197
Other receivables	462	69	2	1	534
Cash and cash equivalents	3 096	-	-	-	3 096

Group 2019 R'm	Financial assets that are past due				Carrying value
	Neither past due nor impaired	Between 0 - 2 months	Between 2 - 5 months	More than 5 months	
Insurance receivables	96	3	1	23	123
Reinsurance assets	18	-	-	-	18
Reinsurance receivables	119	4	22	-	145
Other receivables	226	62	1	1	290
Cash and cash equivalents	3 329	-	-	-	3 329

The Group does not have collateral or other credit enhancements for its credit risk exposure from financial assets and insurance contract assets during the current or prior year. Insurance receivables can be settled from the Profit-share Account on arrangement with the policyholder. Expected credit losses on Insurance receivables are determined using a provision matrix. Receivables are categorised per individual policyholder arrangement. Impairment rates applied to various categories are set out below:

Category 1 Balances older than 60 days in excess of recoverable Profit-Share Account balance

Category 2 Balances in excess of recoverable Profit-Share Account balance

Category 3 Total balances for members aged 51 and older. Before age 51, balances in excess of recoverable Profit-Share Account balance

There are no financial assets where the terms have been renegotiated for the current or prior year.

Individually impaired assets

The analysis of overall credit risk exposure indicates that the Group has receivables from contract holders that are impaired at the reporting date. The assets are analysed below:

Group R'm	2020 Impairment			2019 Impairment		
	Gross	losses	Net	Gross	losses	Net
Due from contract holders	245	13	232	136	13	123
Loan to associate company	334	234	100	234	234	-
Due from investment property lessees	10	3	7	5	1	4

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts and in respect of financial liabilities.

The Group's approach to managing its liquidity risk is as follows:

- ⊙ Policyholder funds are invested in assets that in aggregate match the reasonable benefit expectation of policyholders, which includes the expectation that funds will be available to pay out benefits as required by the insurance contract.
- ⊙ Policyholder funds are primarily invested in assets that are listed financial instruments on various stock and bond exchanges and cash or cash equivalents that are actively traded on the various stock and bond exchanges, resulting in the ability to liquidate most of these investments at relatively short notice to be able to timeously pay out benefits as required by the policy contract. Some policyholder funds are invested in less liquid assets, such as fixed property, but not to the extent that this creates a material liquidity risk in meeting commitments to policyholders.
- ⊙ Furthermore, the operational cash flow is sufficient to cover cash flow of a normal operational nature for example, in order to settle outstanding trade creditor balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

The following are the contractual maturities of financial liabilities and insurance contract liabilities, including interest payments and excluding the impact of netting agreements:

For long-term obligations with non-DPF components, the amounts in the table represent the estimated cash flows, consistent with the valuation methodology followed by the calculation of the non-DPF component of the insurance liabilities on the published reporting basis. All the cash flows are shown net of reinsurance. Nominal cash flows are shown and the effect of discounting is taken into account to reconcile to total policy liabilities under insurance contracts. Since the DPF component is a retrospective accumulation of past profit declarations, the current value is taken as the value of the underlying assets (shown in the tables below).

Group	Contractual cash flows							
	2020 R'm	Carrying amount	Total cash flows	Within 1 year	2 - 5 years	6 - 10 years	11 - 20 years	Over 20 years
Insurance contract liabilities - DPF		29 467	29 467	1 805	4 448	6 386	11 212	5 616
Insurance contract liabilities - non-DPF		5 172	(98 722)	958	3 092	2 168	(239)	(104 701)
Short-term Insurance liabilities		64	64	40	24	-	-	-
Reinsurance payables		58	58	58	-	-	-	-
Third-party financial liabilities arising on consolidation of unit trusts		18 044	18 044	18 044	-	-	-	-
Investment contract liabilities		3 194	3 194	3 194	-	-	-	-
Borrowings		152	152	27	122	3	-	-
Other financial liabilities		1 086	1 086	1 086	-	-	-	-
Lease liabilities		65	65	21	44	-	-	-

Group 2019 R'm	Carrying amount	Contractual cash flows					
		Total cash flows	Within 1 year	2 - 5 years	6 - 10 years	11 - 20 years	Over 20 years
Insurance contract liabilities - DPF	28 975	28 975	1 796	4 338	6 290	10 821	5 730
Insurance contract liabilities - non-DPF	3 973	(98 664)	961	3 101	2 180	(216)	(104 690)
Short-term Insurance liabilities	39	39	33	6	-	-	-
Reinsurance payables	39	39	39	-	-	-	-
Third-party financial liabilities arising on consolidation of unit trusts	14 908	14 908	14 908	-	-	-	-
Investment contract liabilities	2 589	2 589	2 589	-	-	-	-
Borrowings	166	166	26	110	2	28	-
Other financial liabilities	941	941	941	-	-	-	-
Lease liabilities	75	75	21	54			

Market risks

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Group's financial assets and the amount of the Group's liabilities as well as the Group's insurance contract assets and liabilities. Market risk arises in the Group due to fluctuation in the value of liabilities and the value of investments held.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on assets. The nature of the Group's exposure to market risk and its objectives, policies and procedures for managing market risks have not changed significantly from the prior period although rigour has been applied to these in light of current market conditions and volatility. Refer below for more detail.

Management of market risk

The management of each of these major components of market risk and the exposure of the Group at the reporting date to each major risk is addressed below.

a. Interest rate risk

Interest rate risk arises primarily from the Group's investments in debt securities, cash and cash equivalents and its long-term debt obligations. However, changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of insurance and investment contract liabilities. As a result of this, the exposure to interest rate risk is managed by the asset managers through the limit in the investment mandates with regard to investing in debt securities, as well as the internal benchmark performance that the asset managers are measured against.

The nature of the Group's exposure to interest rate risk and its objectives, policies and procedures for managing interest rate risk have not changed significantly from the prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

a. Interest rate risk (continued)

The cash and cash equivalents and debt securities interest rate sensitivity on profit before movement in insurance liabilities is shown below:

Group	2020 R'm	2019 R'm
Cash and cash equivalents		
Interest rate decrease: 1%	(31)	(33)
Interest rate increase: 1%	31	33
Debt Securities		
Interest rate decrease: 1%	(202)	(182)
Interest rate increase: 1%	202	182
Total interest rate risk		
Interest rate decrease: 1%	(233)	(215)
Interest rate increase: 1%	233	215

Fluctuations in the value of assets held to back the DPF and investment components of the policy liabilities will affect the allocations to **DPF benefits and investment policyholder liabilities** each year. The choice of assets to back the DPF components of the policy liabilities reflects the Group's interpretation of the investment risk appetite of the policyholders. The assets held in this regard are as follows:

Group 2020	DPF and Investment policies excluding Investment Choice		Investment Choice (DPF)	
	R'm	%	R'm	%
Local				
Equity	13 375	50.2	1 565	27.9
Fixed interest	4 082	15.3	2 980	53.0
Cash	1 738	6.5	300	5.3
International				
Equity	7 440	28.0	772	13.8
Total	26 635	100.0	5 617	100.0

Group 2019	DPF and Investment policies excluding Investment Choice		Investment Choice (DPF)	
	R'm	%	R'm	%
Local				
Equity	12 805	48.4	1 437	32.6
Fixed interest	5 068	19.1	1 906	43.2
Cash	2 192	8.3	253	5.7
International				
Equity	6 407	24.2	816	18.5
Total	26 472	100.0	4 412	100.0

The assets held to back the non-DPF component of the liabilities similarly reflect the Group's risk appetite and the results of the asset liability modelling exercises undertaken in the past. Investment profits or losses arising from the impact of fluctuations in market values of assets and interest rates on the value of assets and non-DPF policy liabilities will be transferred to policyholders by adjusting the allocations made to the DPF component of their benefits.

Younger policyholders have more time to recover from the volatility in the financial markets. For that reason the strategic asset allocation for the invested portfolio representing these policyholders has a higher exposure to equity and thus risk. Older policyholders have less time to recover from negative market performance, and are thus given a voluntary option each year to switch to more conservative investment portfolios from age 55 ('Investment Choice'), i.e. portfolios where there is reduced exposure to equities.

The assets held to back the non-DPF component of the policy liabilities are as follows:

Group	2020		2019	
	R'm	%	R'm	%
Local				
Equity	540	10.4	428	10.8
Fixed interest	3 923	75.8	3 086	77.7
Cash	29	0.6	51	1.3
International				
Equity	680	13.2	408	10.2
Total	5 172	100.0	3 973	100.0

The assets backing the non-DPF liabilities are invested in such a manner as to try and minimise the asset liability mismatch for interest rate risk and duration risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

b. Currency risk

The Group's operations in Namibia created no additional sources of foreign currency risk due to the fact that there is no exchange difference between the Namibian Dollar and the South African Rand.

The asset managers actively manage the currency risk when decisions are made in regard to investing internationally. All international investment returns are shown in US Dollars and the effect of the trading in different currencies is reflected in the investment performance which is measured against an internal benchmark. In terms of legislation, up to 30% of the South African long-term insurance company's investments may be invested in foreign currency and hence that Company has less than 30% exposure to currency risk. The limit for the Namibian long-term insurance company is 35% in terms of local legislation.

The potential impact of currency movements on the share prices of domestic equities with significant foreign currency earnings is addressed by the asset managers in their assessment of the appropriate equities to hold in their mandates with PPS.

The international assets' currency sensitivity on profit before movement in insurance liabilities is shown below:

Group	2020 R'm	2019 R'm
Currency risk		
South African Rand exchange rate decrease: 1%	(97)	(95)
South African Rand exchange rate increase: 1%	97	95

c. Equity price risk

The Group holds a significant portfolio of equities which are subject to price movements. The majority of these assets are held to support contractual liabilities arising from unit-linked insurance contracts, contracts with DPF and investment contracts and therefore the price movements are matched with corresponding movements on contractual obligations.

The exposure to equities is managed to ensure that the Group's internal capital requirements are met at all times, as well as those mandated by the Group's external regulators.

Benchmarks and risk parameters are set against which the Group measures the asset managers. A monthly compliance statement is provided by each asset manager stating their adherence to the investment mandate, and highlighting any deviations and the corrective action to be taken to rectify the deviations. The performance of the assets against benchmarks, and the adherence to mandates, are monitored monthly by management. The asset managers present the performance against benchmarks and adherence to mandates, to the Board, on a biannual basis.

The nature of the Group's exposures to equity risk and its objectives, policies and processes for managing equity risk have not changed significantly from the prior period. The assets have performed well compared to the benchmark. This coupled with the long-term view that PPS takes towards its investments, means that the long-term asset strategy and asset allocations have remained unchanged.

The Equity price risk sensitivity on profit before movement in insurance liabilities is shown below:

Group	2020 R'm	2019 R'm
Equity Price risk		
Price decrease: 1%	(328)	(290)
Price increase: 1%	328	290

Market risk sensitivity analysis

The table below shows the results of sensitivity testing on the Group's profit or loss (before tax) and equity for reasonable possible changes in the risk variables. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Group's financial assets and liabilities and its insurance assets and liabilities.

For the DPF insurance liabilities and investment contracts the assets and liabilities are matched. The market risk is thus carried by policyholders. The impact of any change in the market risk will be in the movement to/from insurance policy liabilities on the Statement of Profit or Loss and Other Comprehensive Income.

The only other impact is the change in the investment management fees, which will fluctuate as a percentage of the movement in the assets.

This is also disclosed within the movement in policy liabilities on the Statement of Profit or Loss and Other Comprehensive Income. Therefore a market risk sensitivity analysis has not been included for this component of the business.

The market risk sensitivity is shown below:

Group	Contracts with non-DPF Impact on profit/(loss) before movement in insurance policy holder liability	
	2020 R'm	2019 R'm
Interest rate risk		
Decrease of 1% in Yield Curve	(1 552)	(1 904)
Increase of 1% in Yield Curve	1 588	1 316

The effect of changes in the net capital value of non-DPF contracts due to market movements are fully absorbed by adjusting the net capital value of DPF contracts resulting in a zero impact on total net capital of the Group.

Assumptions, methodology and limitations of sensitivity analysis

The effects of the specified changes in factors are determined using actuarial and statistical models, as relevant. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors.

The sensitivity table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the sensitivity analysis is based on the Group's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, management action would be taken which would alter the Group's position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

Underwriting risk: Long-Term Insurance

Underwriting risk is the risk that the actual exposure to mortality, disability and medical risks in respect of policyholder benefits will exceed prudent exposure.

Underwriting risk is controlled by underwriting principles. The underwriting process takes into account actual and prospective mortality, morbidity and the expense experience.

The Head of Actuarial Function ('HAF') reviews and attests annually on the reliability and adequacy of technical provisions and the Solvency Capital Requirement. The HAF expresses an opinion on the Underwriting Policy as well as the soundness of the premium rates in use and the profitability of the business, taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the Executive: Actuarial Services prior to being issued. Regular investigations into the mortality and morbidity experience are conducted. All risk-related mortality lump sum, disability and critical illness liabilities in excess of specified monetary limits are reinsured. A sickness experience report is annually presented analysing claim patterns and trends. The latest report indicated no significant deterioration in claim patterns.

Reinsurance outwards: Long-Term Insurance

A comprehensive, Board approved, reinsurance strategy is in place for the Group. Certain life, disability, dread disease and physical impairment risks are reinsured. The risks to be reinsured have been decided upon by balancing the need to reduce variability of claims experience against the cost of reinsurance. The reinsurers contracted with have been assessed on their ability to provide the Group with product, pricing, underwriting and claims support, as well as on their global credit rating.

Claims risk: Long-Term Insurance

Pro-active training of staff takes place to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems and performs forensic investigations on perceived fraudulent claims. The Forensic Investigations department investigates all suspected fraudulent claims.

Products and pricing risk: Long-Term Insurance

Some of the mitigating measures in place to address this risk include:

- ⦿ Ongoing analysis of risk experience (such as the sickness and mortality investigations).
- ⦿ Use of reinsurance - this protects the insurer in that some of the risk of insufficient rates is passed onto a reinsurer.
- ⦿ Margins in the premium rates - generally additional margins are included in the setting of premium rates to arrive at a more prudent set of rates and should protect against experience being slightly worse than anticipated.
- ⦿ Non-guaranteed rates allows the Group to change its rates should the experience worsen significantly or be anticipated to worsen significantly.
- ⦿ The thorough testing of proposed products upfront, including testing expected expenses and volumes of business, provides a sense of the expected parameters within which the product pricing will remain appropriate. If expenses or volumes are significantly different from the business plan then the overall offering and position will be revisited and consideration given to making appropriate changes to remedy worsening positions.
- ⦿ Valuation - the annual valuation provides valuable information about changing parameters (such as mortality, morbidity, long term investment returns, yields, etc.).

Expense risk

There is a risk that the Group may suffer a loss from actual expenses being higher than those assumed when pricing or valuing contracts. This may be caused by factors increasing the expense charge in running the business, higher than expected expense inflation, or by an in force policy book smaller than expected. Alternatively, lower than expected volumes of new business or higher than expected contract terminations may result in higher than expected unit costs per policy.

Expense investigations are performed annually and valuation expense assumptions are set based on the results of this investigation, taking cognisance of the budgeted expenses per policy for the next financial year. Actual expenses are compared against budgeted expenses on a monthly basis. Due to the mutual nature of the Group, expense savings or expenses losses compared to expected expenses will respectively result in a higher or lower profit allocation to the policyholders.

Business volume risk

There is a risk that the Group may not cover the costs of acquisition and distribution if insufficient volumes of new business are sold. A mitigating factor is that a substantial portion of these costs are variable costs. Actual sales volumes are compared against budgeted and annual targeted sales on a monthly basis. This enables management to determine whether there are any factors that could impact the delivery of the targeted volumes. Where these are identified, an investigation occurs and the appropriate corrective action is taken.

Data and model risk

There is a risk that the Group may suffer a loss if the model used to calculate the insurance liabilities does not project the expected cash flows on the contracts accurately. This risk is mitigated by comparing the actual cash flows with the expected cash flows on a product basis at least annually. All new contract designs are also incorporated into the model. Detailed investigations are performed annually to ensure the integrity of the data used in the valuation process. Automated systems have been implemented to flag any anomalous transactions on an ongoing basis.

Capital management

Long-Term Insurance

The Group's capital management objectives are:

- ⦿ To comply with the insurance regulatory capital requirements in the countries in which the Group operates.
- ⦿ To safeguard the entity's ability to continue as a going concern.
- ⦿ To continue to provide acceptable returns for policyholders and members, and benefits for other stakeholders.

The Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and satisfy regulators whilst still creating value for policyholders.

The level of accumulated funds required by the Group is determined by the Insurance Act 18 of 2017 in South Africa and Namibian legislation (Act 5 of 1998) in Namibia, together with the Group's licence requirements.

The minimum capital requirements must be maintained at all times during the year. The table below summarises the minimum accumulated funds requirements across the Group and the actual accumulated funds held.

R'm	2020		2019	
	South Africa	Namibia	South Africa	Namibia
Capital held	501	6	470	6
Regulatory capital	191	4	179	4

The Board considers the capital of the Group to be the total of all accumulated funds held as well as the DPF Insurance Liabilities (refer note 12) as the policy holders are also the members of the Group. A detailed Asset Liability Matching (ALM) investigation is conducted regularly to better understand the potential impact on the capital of the Group of different market conditions, such as interest rate fluctuations and volatility in equity prices. The impact of varying operational conditions (such as variations in deaths, withdrawals and profits) on the Group's capital is also presented to the Board. The results of the ALM investigations may lead to changes in the approved asset class mixes contained in the Investment Policy, in order to address any increases in the risk of volatility identified in the ALM investigation.

There have been no material changes in the Group's management of capital during the period. The Group has maintained its level of regulator capital cover at 2.6 times. This decision has resulted in R30.7 million (2019: R36.0 million) being allocated to accumulated funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

Short-Term Insurance

The Board's policy is to maintain an adequate capital base to protect policyholders' and creditors' interests and satisfy regulators whilst still creating value for shareholders.

The level of accumulated funds required by the Group is determined by the Prudential Standards under the Insurance Act 18 of 2017.

The minimum capital requirements are maintained at all times during the year. The Board considers the capital of the Group to be the total of all accumulated funds held.

The Group has a level of SCR cover at 1.78 times (2019: 1.43 times).

The Group has complied with all externally and internally imposed capital requirements throughout the period.

PPS Collective Investment Scheme funds managed by PPS Multi-Managers Pty Ltd

The Group invests in various registered unit trusts in order to match obligations provided in policyholder contracts.

Each fund has its own legal constitution and operates within a defined fund mandate delegated to the appointed fund manager. Market and credit risks assumed within the assets held are controlled by various protection mechanisms within the mandate and in law. For example, the Collective Investment Schemes Control Act, No. 45 of 2002 as amended, in South Africa prescribes maximum limits for the concentration of risk exposures.

The Collective Investment Scheme's oversight board appoints administrators who are responsible to ensure that the fund's mandate and any internal and legislated control procedures are adhered to. In the event of a breach they are obligated to immediately bring it to the attention of the fund's trustees, Board and management for remedial action.

The unit trust fund vehicle and related procedures for offering investments is mature within South Africa and is well-regulated.

The unit trust funds which are defined as portfolios can be grouped under the group company, namely Professional Provident Society Investments (Pty) Ltd ('PPS Investments'), a Professional Provident Society Insurance Company Ltd subsidiary. Described below is the unit trust subsidiary manager and asset manager and its respective mandate and objective.

Funds managed by PPS Multi-Managers Pty Ltd

PPS Investments Group employs a combination of single- and multi-manager investment approach that is designed to generate acceptable levels of returns at lower than average levels of risk. This is achieved by:

- ⦿ thorough and ongoing quantitative and qualitative research process of potential managers in the domestic market;
- ⦿ selecting specialist asset managers, taking their investment style and specific areas of expertise into consideration;
- ⦿ determining the optimal blend of selected managers within the portfolio through a portfolio construction and optimisation process;
- ⦿ writing segregated investment mandates with selected managers to tightly control portfolio risk;
- ⦿ continuous monitoring of the portfolio risk and return characteristics of each selected manager as well as of the overall portfolio; and
- ⦿ making manager changes where PPS Investments feels this is in the best interest of investors.

The Collective Investments Scheme Control Act also imposes specific restrictions which the underlying managers have to comply with and also restricts the interest rate and credit risk, where applicable, that they are able to take.

a. PPS Conservative Fund of Funds

Investment objective

To maximise total portfolio return while outperforming a conservative return target of CPI + 2% per annum over the medium term.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 40% of the portfolio value.

Typical investments

The managers invest in fixed instruments such as money market and bonds, as well as local and international equities.

Risk exposure

A conservative fund exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

b. PPS Moderate Fund of Funds

Investment objective

To maximise total portfolio return while outperforming a moderate return target of CPI + 4% per annum over the medium term.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 60% of the portfolio value.

Typical investments

The managers invest in fixed instruments such as money market and bonds, as well as local and international equities.

Risk exposure

A moderate fund exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

c. PPS Enhanced Yield Fund

Investment objective

To provide an enhanced level of income in excess of a broad short-term fixed interest benchmark.

Investment mandate

This specific mandate to actively manage the fund by investing in instruments across various maturities but limiting the weighted average maturity to less than one year. Asset allocation is defensive with exposure primarily to floating rate instruments, including high-yielding corporate bonds and securities, government bonds and cash.

Typical investments

The manager typically invests in income-yielding floating rate domestic big five bank paper as well as money market and government bonds.

Risk exposure

An enhanced yield income fund exposed to credit risk and interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

d. PPS Flexible Income Fund

Investment objective

To provide investors with a total return with a strong income bias while also seeking to protect capital in terms of bond market index.

Investment mandate

This multi-managed flexible income fund invests in a number of underlying managers with the specific mandate to actively manage the fund by investing without prescribed maturity limits. Asset allocation is defensive with exposure to fixed interest instruments, including high-yielding corporate bonds and securities, government bonds, listed property, preference shares and inflation-linked bonds and to the extent as allowed by the Act.

Typical investments

The manager invests in income-yielding fixed instruments such as money market, bonds and preference shares.

Risk exposure

A flexible income fund exposed to credit risk, interest rate risk and currency risk.

e. PPS Equity Fund

Investment objective

To provide long-term capital growth that exceeds the return provided by a broad equity market index.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to actively manage exposures to domestic listed equities in order to deliver long-term performance.

Typical investments

This multi-managed fund invests in domestic listed equities and cash.

Risk exposure

An equity fund exposed to local equity price risk, company specific risk and indirect currency risk.

f. PPS Balanced Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a peer-relative benchmark over the medium to long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of local and international securities within the parameters of Regulation 28 of the Pension Funds Act, No 24 of 1956 with the specific focus on long-term growth.

Typical investments

The managers invest in local and international equities, bonds, property, as well as money market instruments.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

g. PPS Worldwide Flexible Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a return target of CPI+6% per annum over the long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of local and international securities with the specific mandate to provide real capital growth. Flexible asset allocation provides diversification across asset classes and sectors.

Typical investments

The managers invest in local and international equities, bonds, property, as well as money market instruments.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk. The fund can hold up to 100% offshore, but in general is expected to be between 40% and 60% invested in international assets.

h. PPS Global Balanced Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a composite industry benchmark (comprising 60% global equities and 40% global bonds) over the medium to long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of international securities with the specific focus on long-term capital growth and income.

Typical investments

The managers invest in international equities, bonds, property, as well as money market instruments.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, international equity price risk and currency risk.

i. PPS Balanced Index Tracker Fund

Investment objective

To track the customised PPS Balanced Index, a published multi-asset high equity composite index that is diversified across a number of constituent indices, and calculated and published daily by a recognised index compiler.

Investment mandate

This index tracker invests in the type of securities necessary to effectively track the index.

Typical investments

The multi-asset, high equity composite index that the PPS Balanced Index Tracker Fund tracks includes local and international equities, domestic bonds, domestic cash and domestic property.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, international equity price risk and currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

j. PPS Institutional Multi-Asset Low Equity Fund

Investment objective

Deliver a consistent benchmark beating return over a rolling 36-month period, while aiming to minimise capital loss over any 12-month period.

Investment mandate

This institutional multi-managed fund has a focus on capital protection and diversification. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 40% of the portfolio value.

Typical investments

The manager invests in fixed instruments such as money market and bonds, as well as local and global property and equities.

Risk exposure

A low to medium risk fund exposed to equity price risk, credit risk, currency risk, liquidity risk and interest rate risk, both domestically and internationally.

k. PPS Bond Fund

Investment objective

To outperform the broad bond market index within defined duration limits relative to the benchmark, with more consistency than a typical bond fund.

Investment mandate

This multi-managed bond fund invests in underlying managers that invests in a spectrum of fixed interest securities with the focus on benchmark relative performance, together with a regular and high level of income. Inflation protection over the long-term forms part of the investment mandate.

Typical investments

The portfolio will invest in a spread of listed and unlisted bonds, inflation-linked bonds, fixed deposits and other interest-bearing securities. The portfolio may invest in short, intermediate and long-dated securities.

Risk exposure

A bond fund exposed to credit risk, interest rate risk and inflation risk.

l. PPS Institutional Multi-Asset Flexible Fund

Investment objective

To maximise total portfolio return while outperforming CPI for all urban areas over a rolling three-year period. The portfolio has a focus on capital growth and diversification.

Investment mandate

This institutional multi-managed fund invests in a number of underlying managers with a specific mandate to allocate assets based on their best investment view. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limited to not more than 75% of the portfolio value.

Typical investments

The managers may invest in a flexible combination of listed and unlisted investments across equity, bond, money and property market.

Risk exposure

A moderate to high risk fund exposed to credit risk, interest rate risk and local equity price risk.

m. PPS Stable Growth Fund

Investment objective

The primary objective to outperform ASISA SA MA Medium equity while preserving capital over the medium to long-term. The investment horizon for this fund is greater than five years.

Investment mandate

This portfolio will be managed using a single-manager investment process. This fund has an absolute return focus and the fund will aim for medium to long term growth.

Typical investments

The portfolio can include domestic equities, domestic bonds, domestic cash and domestic property. The portfolio may also invest in any listed or unlisted financial instruments, and international cash, international bonds, international property and international equities.

Risk exposure

A medium risk fund exposed to equity price risk, credit risk, currency risk, liquidity risk and interest rate risk, both domestically and internationally.

n. PPS Defensive Fund

Investment objective

To outperform the ASISA SA Multi Asset Low Equity category average and will aim for low short-term volatility with long-term capital growth. The investment horizon for this fund is greater than three years.

Investment mandate

This portfolio will be managed using a single-manager investment process with a risk conscious mindset and a focus on protecting capital by maintaining a diversified asset class exposure to the extent that the act allows.

Typical investments

The portfolio can include domestic equities, domestic bonds, domestic cash and domestic property. The portfolio may also invest in any listed or unlisted financial instruments, and international cash, international bonds, international property and international equities.

Risk exposure

A low to medium risk fund exposed to equity price risk, credit risk, currency risk, liquidity risk and interest rate risk, both domestically and internationally.

o. PPS Managed Fund

Investment objective

To aim for medium to long term capital growth of at least CPI for all urban areas plus 5%. The benchmark of the portfolio will be CPI for all urban areas plus 5% per annum, with an investment horizon greater than six-years.

Investment mandate

This portfolio will be managed using a single-manager investment process that seeks to achieve medium to long-term capital growth and can invest in a spectrum of local and international securities within the parameters of Regulation 28 of the Pension Fund Act, No 24 of 1956.

Typical investments

The portfolio can include domestic equities, domestic bonds, domestic cash and domestic property. The portfolio may also invest in any listed or unlisted financial instruments, and international cash, international bonds, international property and international equities.

Risk exposure

A medium to high risk fund exposed to equity price risk, credit risk, currency risk, liquidity risk and interest rate risk, both domestically and internationally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

36. MANAGEMENT OF RISKS (continued)

36.3 Financial risk management (continued)

p. PPS Global Equity Fund

Investment objective

The Fund's primary investment objective is to outperform the MSCI All Country World Index (net of fees), with an investment horizon of greater than seven years.

Investment mandate

This is a USD denominated portfolio and will be managed using a single-manager investment process that seeks to achieve long-term capital growth by investing in the listed equities of companies in both developed and emerging market economies.

Typical investments

The Fund will invest in a diversified portfolio of global equity and equity-related securities. The Fund may also hold ancillary liquid assets, collective investment schemes and hold cash positions. Investments will have a global focus insofar as investments are not confined or concentrated in any particular geographic region or market.

Risk exposure

A medium to high fund exposure to Market risk, Currency risk, Derivative risk, Liquidity risk, Counterparty risk and Developing market risk.

q. PPS Global Equity Feeder Fund

Investment objective

The Fund's primary investment objective is to outperform the MSCI All Country World Index (net of fees), with an investment horizon of greater than seven years.

Investment mandate

The PPS Global Equity Feeder Fund invests in the foreign-domiciled PPS Global Equity Fund established under the Prescient Universal Funds PLC approved by the Irish Regulator. The underlying fund will be managed using a single-manager investment process that seeks to achieve long-term capital growth by investing in the listed equities of companies in both developed and emerging market economies.

Typical investments

The rand-denominated fund offers exposure to the global equity market and may also invest in financial instruments for the exclusive purpose of hedging against exchange rate risk. The underlying fund (The PPS Global Equity Fund) will invest in a diversified portfolio of global equity and equity-related securities. The underlying fund may also hold ancillary liquid assets, collective investment schemes and hold cash positions. Investments will have a global focus insofar as investments are not confined or concentrated in any particular geographic region or market.

Risk exposure

A medium to high fund exposure to Market risk, Currency risk, Derivative risk, Liquidity risk, Counterparty risk and Developing market risk.

37. GOING CONCERN

The Trustees / Directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the reporting period ahead. For this reason, these financial statements are prepared on a going concern basis.

COVID-19 VIRUS PANDEMIC

The outbreak of the COVID-19 virus pandemic had a significant financial impact on the financial results of the Group 2020. The financial impact is seen in the increase in long-term insurance claims (both sickness- and death claims), as well as increased variability in investment returns as a result of the volatile performance of financial markets. There was a positive impact on the Short-term insurance claims as a result of reduced activity due to the lockdown in 2020. The PPS Investments business revenue was adversely affected by the negative market performance at the beginning of the year.

The impact of the virus is expected to continue in 2021, although at a lower intensity compared to 2020. The Group is monitoring the impact on a continuous basis and appropriate management actions are taken where appropriate.

Impact on service levels

The Group, as a financial services provider, qualified as an essential services provider, and operations have continued uninterrupted during the lockdown.

All essential functions, such as the Group's call centres, claims processing and payments, as well as Intermediary Servicing and new business administration are all operating uninterrupted, and at service levels comparable to the Group's normal standards.

Going concern and solvency

PPS has prepared scenarios of the potential impact of the pandemic on its operations. These scenarios included qualitative and quantitative analyses. The results of these scenarios indicate that the pandemic will not impact the going concern status of the Group, as assets are estimated to be sufficient to settle liabilities. Although the pandemic had a material negative impact on operating profits in 2020, the solvency of the Group remains resilient and is expected to meet regulatory requirements, even under extreme stressed conditions.

ACTION REQUIRED BY MEMBERS IN REGARD TO THE 2021 ANNUAL GENERAL MEETING

The annual general meeting (AGM) of members of The Professional Provident Society Holdings Trust ('PPS Holdings Trust') will be held at 18:00 on Monday, 10 May 2021. In the interest of maintaining COVID-19 social distancing, the Board of PPS has decided that this Annual General Meeting will be held entirely virtually. This AGM will consider and, if deemed fit, approve the ordinary and special resolutions set out in the notice convening the AGM, which is attached to and forms part of this Integrated Report. A form of proxy, enabling members to vote on the respective resolutions proposed, has also been included in this Integrated Report.

In terms of the Trust Deed of PPS Holdings Trust, only Ordinary Members of PPS Holdings Trust have the right to vote at meetings of its members. The votes of Ordinary Members of PPS Holdings Trust are determined in the manner set out in clause 22.6.2.2 of the Trust Deed, which is available at www.pps.co.za.

While it is permissible for individuals who are nominated for election as Trustees to canvas Ordinary Members of the PPS Holdings Trust for votes in favour of their election, the provision or offer of any form of inducement for votes or any inducement to obtain votes on their behalf (whether in cash or in kind) is inconsistent with the qualification criteria for prospective Trustees and may result in ineligibility to stand for election. Members are requested to report any such inducement or offer of such inducement by or on behalf of a prospective Trustee to the Trust Secretary as soon as reasonably practicable after the occurrence of such an event.

You may attend and vote at the AGM by attending virtually, or you may appoint a proxy to represent you by completing the form of proxy on page 219 of this Integrated Report (please also refer to the notes to the form of proxy) and forwarding it, marked for the attention of the Trust Secretary, to one of the addresses below, or via facsimile or email, to be received by the Trust Secretary by no later than 18:00 on Wednesday, 5 May 2021 and you are also permitted to withdraw submitted proxy forms up to that date and time.

Physical address	Postal address
6 Anerley Road Parktown Johannesburg	PO Box 1089 Houghton 2041
Telephone	Facsimile
011 644 4200	011 644 4641

Email

AGMproxies@pps.co.za

Ordinary Members who have not submitted a form of proxy by 18:00 on 5 May 2021, may cast their vote electronically before or at the AGM. Electronic voting will open at 15:00 on Monday 10 May 2021 and voting will be closed by the Chairman of the AGM during the course of the meeting.

Ordinary Members will on 10 May 2021 be provided with a link enabling them to register for, participate in and vote (if they have not submitted a form of proxy) electronically at the 10 May 2021 AGM.

The results of the voting at the AGM will be announced at the AGM as soon as they have been verified by the appointed scrutineers, KPMG, or will be published on the PPS website as soon as possible after the meeting.

Please take careful note of the provisions relating to the action required by members regarding the AGM. If you are in any doubt as to what action to take, please consult your professional adviser.

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING AND CVS OF CANDIDATES STANDING FOR ELECTION

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

(Registration number: IT312/2011)
(‘the Trust’)

Notice is hereby given that the eleventh annual general meeting (‘the meeting’) of the members of the Trust will be held VIRTUALLY on Monday, 10 May 2021 at 18:00, for the purposes set out below. Please refer to the section titled “Action required by members in regard to the 2021 annual general meeting” included in this integrated report for particulars regarding participation in the annual general meeting.

1. **To adopt, by ordinary resolution, the annual financial statements for the year ended 31 December 2020, including the reports of the trustees and the auditors of the Trust.**
2. **To re-appoint, by ordinary resolution, PricewaterhouseCoopers Inc. as the auditors of the Trust.**
3. **To elect and appoint trustees, by ordinary resolutions, in place of those trustees retiring in accordance with the trust deed which established and governs the Trust (‘Trust Deed’).**

Dr N H P Khosa, Dr C M Krüger and Mr E A Moolla are retiring by rotation at the meeting in terms of the Trust Deed.

The following Trustees, being eligible for re-election and appointment, offer themselves for re-election and appointment as trustees of the Trust (Mr Moolla is not standing for re-election):

- 3.1 Dr N H P Khosa
- 3.2 Dr C M Krüger

In addition, the following candidates have been nominated for election and appointment as trustees of the Trust in terms of the Trust Deed:

- 3.3 Mr A H de Vries
- 3.4 Ms V Kriel
- 3.5 Adv J Malherbe

(Abbreviated biographical details of the persons referred to above are set out on pages 214 to 218 of this Integrated Report).

EXPLANATORY NOTE ON THE APPOINTMENT OF THE TRUSTEES

The Trust Deed provides for a maximum of 20 Trustees, all of whom are appointed in accordance with the Trust Deed. There are currently 10 elected Trustees, of whom three are required to retire by rotation in terms of clause 7.2.1 of the Trust Deed. Following these retirements by rotation, there will be seven elected trustees in office. In terms of clause 5.3.1 of the Trust Deed, a maximum of ten Trustees may be appointed by the members in general meeting. There are therefore three vacancies and there are five nominees for these vacant positions (including the two Trustees who retire by rotation and who offer themselves for re-election and appointment). The Trust Deed provides that:

- (i) Each candidate will be voted upon by a separate election resolution and if the election resolution is not approved then that candidate is not appointed.
 - (ii) If the number of candidates whose election resolutions are approved exceeds the above-mentioned number of vacancies, the result of the voting shall be determined in accordance with the number of votes cast in favour of each approved election resolution so that the vacancies will be filled by those candidates whose approved election resolutions received the highest number of favourable votes.
4. **To elect the Audit Committee of the Trust by ordinary resolution. The following trustees, who meet the requirements of paragraph 26.1 of the Trust Deed, nominated by the Group Nominations Committee and recommended by the Board, have offered themselves for election:**
 - 4.1 Ms D L T Dondur
 - 4.2 Mr P Ranchod
 - 4.3 Prof H E Wainer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

5. **To approve, by special resolution, the following remuneration of the trustees (exclusive of VAT) for the period commencing 1 July 2021 until such time as this remuneration is amended by a further special resolution:**
- ⦿ remuneration of the chairman, comprising an annual retainer of R488 970 and an attendance fee of R21 128 per meeting;
 - ⦿ remuneration of the deputy chairman, comprising an annual retainer of R325 980 and an attendance fee of R15 846 per meeting;
 - ⦿ remuneration of the co-opted members of the Board of Trustees, comprising an annual retainer of R244 485 and an attendance fee of R10 564 per meeting;
 - ⦿ remuneration of the remainder of the members of the Board of Trustees, comprising an annual retainer of R162 990 and an attendance fee of R10 564 per meeting;
 - ⦿ remuneration of the chairman of the Trust Audit Committee, being an attendance fee of R26 409 per meeting;
 - ⦿ remuneration of the members of the Trust Audit Committee, being an attendance fee of R13 205 per meeting;
 - ⦿ remuneration of the chairman of the Group Nominations Committee, being an attendance fee of R26 409 per meeting;
 - ⦿ remuneration of the deputy chairman of the Group Nominations Committee, being an attendance fee of R19 807 per meeting; and
 - ⦿ remuneration of the members of the Group Nominations Committee, being an attendance fee of R13 205 per meeting.

VOTING

In voting or passing any resolution:

- ⦿ **Associate Members** (as defined in clause 18 of the Trust Deed) do not have any votes; and
- ⦿ **Ordinary Members** (as defined in clause 18 of the Trust Deed) shall have 100 (one hundred) votes each, plus 1 (one) additional vote for each completed R200 (two hundred Rand) standing to his/her credit in his/her Apportionment Account (as defined in the Trust Deed), as at the most recent date prior to the meeting when the Apportionment Accounts of Ordinary Members were adjusted, provided that an Ordinary Member who is at the date of the vote 3 (three) months or more in arrears with the payment of his/her premiums (payable in terms of the Master Contract (as defined in clause 1.2.25 of the Trust Deed)) shall only have 1 (one) vote at the meeting.

A member who has more than 1 (one) vote may not split votes to exercise his/her votes in voting on any particular resolution but shall exercise all his/her votes either for or against the resolution or the member may abstain from voting on it. An ordinary resolution is a resolution approved by a majority of votes exercised on that resolution. A special resolution is a resolution approved by 75% of the votes exercised on that resolution.

PROXIES

Any member who is entitled to attend and vote at the meeting may appoint a proxy (who need not be a member of the Trust) to attend, speak and on a poll to vote or abstain from voting in his/her stead.

A form of proxy is included in this Integrated Report on pages 219 to 220 and is also available for downloading from www.pps.co.za. **The form of proxy is accompanied by notes indicating the requirements for its completion. Forms of proxy which do not comply with these requirements will be rejected.**

Forms of proxy must be delivered at one of the following addresses physically or via facsimile or email, to be received by, and marked for the attention of, the Trust Secretary, by no later than 18:00 on Wednesday, 5 May 2021 (please note that additional requirements apply to proxies submitted in terms of a Power of Attorney or Order of Court, as set out in the notes to the form of proxy):

- ⦿ Physical address: 6 Anerley Road, Parktown, Johannesburg
- ⦿ Postal address: PO Box 1089, Houghton, 2041
- ⦿ Facsimile: 011 644 4641
- ⦿ Email: **AGMproxies@pps.co.za**

By order of the Board of Trustees

V E Barnard

Trust Secretary

The Professional Provident Society Holdings Trust

25 March 2021

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR NKHENSANE HUBERT PETER KHOSA

DATE OF BIRTH

⦿ 27 APRIL 1981

PROFESSION

⦿ MEDICAL DOCTOR

TERTIARY QUALIFICATION

- ⦿ MB ChB (2005)
- ⦿ MBA (2017)
- ⦿ Certified Director, IoDSA (2019)

CURRENT POSITIONS

- ⦿ Member of the Board of Trustees, Professional Provident Society Holdings Trust (Since 2018)
- ⦿ Member of the Board, Professional Provident Society Insurance Company Limited (Since 2020)
- ⦿ Member of the Board , Professional Provident Society Short-Term Insurance Company Limited (Since 2020)
- ⦿ Member of the Board, Professional Provident Society Healthcare Administrators Proprietary Limited (Since 2019)
- ⦿ Managing Director and General Practitioner of Hopewell Med Inc. (Since 2009)
- ⦿ Deputy President of Limpopo Independent Practitioners Association (Since 2015)
- ⦿ Member of the Institute of Directors of South Africa (Since 2017)
- ⦿ Director of Khosa & Mathebula Inc. Netcare Pholoso Emergency services (Since 2014)

FORMER POSITIONS

- ⦿ Independent Non-executive Director, Medicoop CFI (2015-2019)
- ⦿ Member of the Community Development Committee of Medicoop CFI (2015-2019)
- ⦿ TB, HIV Clinician and Senior Clinical Advisor at Foundation for Professional Development, Limpopo (2008 to 2009)
- ⦿ Clinical Manager at Khosa & Mathebula Emergency Services in partnership with Polokwane Municipality (2014 to 2017)



ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR CHRISTIAN MARTIN (MANNIE) KRÜGER

Profession

- ⦿ Family physician

Tertiary education

- ⦿ University of Pretoria : MB ChB 1989
- ⦿ University of Pretoria: M Prax Med 1995
- ⦿ University of Pretoria: M Pharm Med 2000

Professional affiliations

- ⦿ Private practice in Pietersburg/Polokwane as Family Physician from 1992 to 2021
- ⦿ Branch Councillor, Soutpansberg Branch, South African Medical Association (SAMA), from 1992 to 2015
- ⦿ President, SAMA Soutpansberg Branch, 1994
- ⦿ National Councillor, SAMA, 2000 to 2015
- ⦿ Councillor, HPCSA, from 1998 to 2003
- ⦿ Member of the Medical and Dental Professions Board (MDB), from 1998 to 2003
- ⦿ MDB Committee for General Practice, 1998 to 2003
- ⦿ Chairperson, SA Academy of Family Practice, Limpopo Province, from 1999 to 2007
- ⦿ National Councillor, Society of General/Family Practice (SGFP), from 1993 to 2013
- ⦿ Executive Committee Member of National Council on Dispensing (NCD), from 2003 to 2018

Professional experience

- ⦿ Vice chairperson PPS Holdings Trust 2018 to 2021
- ⦿ Director of PPS Limited Holdco, from 2004 to 2011
- ⦿ Trustee of PPS Holdings Trust, 2011 to 2021
- ⦿ Director of PPS Insurance Company from 2015 to 2021
- ⦿ Director of Professional Medical Scheme Administrators (PMSA), from 2009 to 2016
- ⦿ Director of PPS Healthcare Administrators (PPSHA) from 2016 to 2019
- ⦿ PPS Nominations Committee member from 2014 to 2021

February 2021



ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

MR ABRAHAM HERMANUS (ARMAND) DE VRIES

DATE OF BIRTH

- ⦿ 14 December 1977

PROFESSION

- ⦿ Chartered Accountant (SA)

TERTIARY QUALIFICATIONS

- ⦿ B Acc.
- ⦿ B Compt. (Acc) (Hons)
- ⦿ Prince II Practitioner
- ⦿ CA(SA)

CURRENT POSITION

- ⦿ Group Executive: Corporate Services – Intercare Group
- ⦿ Member of the South African Institute of Chartered Accountants

FORMER POSITIONS

- ⦿ Group Financial Director – Gendac Group (2015 to 2020)
- ⦿ Principal Management Consultant – KPMG (2007 to 2015)
- ⦿ Group Financial Manager – Dialogue Group Ltd (2006 to 2007)
- ⦿ Audit Manager – KPMG (2005 to 2006)
- ⦿ Audit Trainee – KPMG (2002 – 2004)
- ⦿ Actuarial Assistant – Genesis Actuarial Solutions (2000 to 2001)
- ⦿ Owner Manager of a Business in the Food and Beverage Industry (1996)



ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

MS VERA KRIEL

DATE OF BIRTH

- ⦿ 19 March 1968

PROFESSION

- ⦿ Strategy and Business Consultant

TERTIARY QUALIFICATIONS

- ⦿ B Com (Law)
- ⦿ LLB
- ⦿ M Com (Business Management)

CURRENT POSITIONS

- ⦿ Independent Strategy and Business advisor (since 2010)
- ⦿ Advisory Board Member of the Department of Management – University of Johannesburg (since 2016)
- ⦿ Director of Utility Coach (since 2018)
- ⦿ Director of Mi Life Me (since 2020)
- ⦿ Trustee of Sandhurst Gardens Sectional Title Estate (since 2010)

FORMER POSITIONS

- ⦿ Director of The Customer Lab (2018 to 2020)
- ⦿ Member of Dr Maponya Institute for Entrepreneurship (2016 to 2019)
- ⦿ Executive Vice President: Corporate Strategy and Business Planning at SAA (2006 to 2010)
- ⦿ Acting Company Secretary at SAA (2009 to 2010)
- ⦿ Director of Simeka BSG (now Morvest) (2004 to 2006)
- ⦿ Senior Manager |Associate Director at Deloitte (1997 to 2004)
- ⦿ Advocate at the Johannesburg Bar (1994 to 1997)
- ⦿ Commissioner of Small Claims Court – Randburg Division (1996 to 1997)
- ⦿ Chairperson of the Revision Court for Local Elections – NE Region (1995)
- ⦿ Assessor at the High Court of South Africa – South Gauteng (1994 to 1995)
- ⦿ Partner at Professional Mediators (1994 to 1996)
- ⦿ Part-time lecturer at Southern Business School (now STADIO) on Labour Law (1994 to 1997)
- ⦿ Part-time lecturer at Technicon South Africa on TQM (1992 to 1993)
- ⦿ Labour Consultant at SAVF (1992 to 1993)
- ⦿ Member of South African Marketers Association (1994 to 2003)
- ⦿ Member of EXSAS (Executive Association of South Africa) (1994 to 2003)



ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

ADV JOSEPH MALHERBE

DATE OF BIRTH

- ⦿ 23 August 1985

PROFESSION

- ⦿ Practicing Advocate

TERTIARY QUALIFICATIONS

- ⦿ LLB (2009)
- ⦿ LLM (*Cum Laude*) (2012)

CURRENT POSITIONS

- ⦿ Managing Director of Circle Chambers Group of Advocates (Since 2021)
- ⦿ Member of the Institute of Directors South Africa (Since 2021)
- ⦿ Practicing Advocate of the High Court RSA (Since 2013)
- ⦿ Member of the Pretoria Society of Advocates (Since 2013)
- ⦿ Member of the General Council of the Bar of South Africa (Since 2013)
- ⦿ Trustee of JK Family Haushalt Trust (Since 2016)
- ⦿ Trustee of Sepatse Trust (Since 2009)
- ⦿ Trustee of Malherbe Family Trust (Since 2008)

FORMER POSITIONS

- ⦿ Director of Circle Chambers Group of Advocates (2018 to 2021)
- ⦿ Member of the Training Committee at the Pretoria Society of Advocates (2015 to 2021)
- ⦿ Member of the Finance Committee at the Pretoria Society of Advocates (2017 to 2019)
- ⦿ Member of the Disciplinary Committee at the Pretoria Society of Advocates (2017 to 2019)
- ⦿ Pupil member at the Pretoria Society of Advocates (2013)
- ⦿ Articles of Clerkship at JH Malherbe Inc (2011 to 2012)
- ⦿ Chairman of the Notting Hill Body Corporate (2008 to 2010)



FORM OF PROXY

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

(Registration number IT312/2011) (the Trust)

PPS Member's details:

Full name:

Identity number:

Membership number:

Email address:

Postal address:

Cellphone number:

I, the above member of the Trust, hereby appoint:

Proxy's name:

Proxy's identity number:

or failing him/her, the Chairman of the meeting, as my proxy to attend, speak and on a poll vote for me and on my behalf at the virtual annual general meeting of the Trust to be held at 18:00 on Monday, 10 May 2021 and at any adjournment thereof, as follows:

No.	Business	In favour of	Against	Abstain
1.	Ordinary resolution for the adoption of the annual financial statements of the Trust for the year ended 31 December 2020			
2.	Ordinary resolution for the reappointment of the auditors of the Trust			
3.	Ordinary resolutions for the election and appointment of trustees#:			
	3.1 Dr N H P Khosa*			
	3.2 Dr C M Krüger*			
	3.3 Mr A H de Vries			
	3.4 Ms V Kriel			
	3.5 Adv J Malherbe			
4.	Ordinary resolution for the appointment of the members of the Trust Audit Committee			
5.	Special resolution for the approval of trustees' remuneration for the period commencing 1 July 2021 as set out in the notice of the annual general meeting**			

There will be three vacancies on the Board of Trustees to be filled by elected Trustees. These three vacancies will be filled by the three candidates receiving the highest number of favourable votes. Refer to the Notice of the Annual General meeting for an explanation in this regard.

* Trustees who will retire by rotation at the meeting, in accordance with the Trust Deed and, being eligible, offer themselves for re-election.

** Authorisation of at least seventy-five (75) per cent of the votes cast by members present (in person or represented by proxy) at the meeting is required.

Signed this

day of

2021

Signature

NOTES TO FORM OF PROXY

Instructions and requirements for completion of the form of proxy

1. **The form of proxy must be signed, dated and returned so as to be received at the registered office of the Trust by 18:00 on Wednesday, 5 May 2021.**
2. **Forms of proxy are required to be completed and signed by the Member appointing the proxy, or by his attorney or agent duly authorised in terms of a court order, or a power of attorney which was signed by the Member. If the form of proxy is completed in terms of a power of attorney or authority, the ORIGINAL, OR A CERTIFIED COPY of such power of attorney or authority has to be lodged with the form of proxy by 18:00 on Friday, 30 April 2021.**
3. **The signatory may insert the name of any person whom the signatory wishes to appoint as his/her proxy in the blank space provided for that purpose. If no name is inserted, the chairman of the meeting shall be appointed as the member's proxy.**
4. By completing and lodging of the form of proxy, it will not preclude the member who is appointing the proxy from attending the annual general meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
5. **Members are encouraged to indicate how they wish their proxy to vote on their behalf by completing the form of proxy in respect of all the resolutions. If the member does not indicate in the appropriate places on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.** In regard to the ordinary resolutions for the election of trustees, any indication of how the member wishes to vote in regard to the candidates will be deemed to be the entire vote of the member, i.e. if the member has only indicated a vote for, or against, or to abstain for one or more candidate(s), the proxy holder shall not be entitled to exercise additional votes in respect of candidates for whom no votes were indicated by the member.
6. In respect of the election of Trustees, each candidate will be voted upon by a separate resolution, either 'For', 'Against' or 'Abstain'. In terms of the Trust Deed, if the number of persons approved by such resolutions exceeds the number of vacancies (being three), the result of the voting shall be determined in accordance with the number of votes cast in favour of each resolution so that the vacancies will be filled by the elected candidates receiving the highest number of favourable votes, as set out in the Notice of the Annual General Meeting.

RETURN OPTIONS

Either:

Deliver to: The Trust Secretary
6 Anerley Road
Parktown, 2193
Johannesburg

or Post to: The Trust Secretary
PO Box 1089
Houghton
2041

or Fax to: The Trust Secretary at
011 644 4641

or Email to: AGMproxies@pps.co.za

ADMINISTRATIVE INFORMATION

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST AND PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY LIMITED

Principal place of business: 6 Anerley Road
Parktown, Johannesburg, 2193
Postal address: PO Box 1089
Houghton, 2041
Web address: www.pps.co.za

PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY (NAMIBIA) LIMITED

Principal place of business: 18 Robert Mugabe Avenue
Windhoek
Namibia
Postal address: PO Box 1407
Windhoek, Namibia
Web address: www.pps.com.na

HEAD OF ACTUARIAL FUNCTION AND STATUTORY ACTUARY OF PPS INSURANCE AND PPS NAMIBIA
(in terms of the Insurance Act)
Mr G T Waugh

HEAD OF ACTUARIAL FUNCTION OF PPS SHORT-TERM INSURANCE
(in terms of the Insurance Act)
Mr J van der Merwe

EXTERNAL AUDITOR
PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City, Jukskei View, 2090, South Africa

INTERNAL AUDITOR
KPMG Services (Pty) Limited
85 Empire Road
Parktown, Johannesburg, 2193, South Africa

LEGAL ADVISERS
Webber Wentzel
90 Rivonia Road
Sandton, Johannesburg, 2196, South Africa

ACTUARIAL ADVISERS
Deloitte
5 Magwa Crescent,
Waterfall City,
Waterfall, 2090, South Africa

FUND MANAGERS

Coronation Fund Managers Limited
7th Floor, MontClare Place
Corner Camp Ground and Main Road
Claremont, 7708, South Africa
Ninety One SA Proprietary Limited (formerly Investec Asset Management (Pty) Ltd)
36 Hans Strijdom Avenue, Foreshore
Cape Town, 8001, South Africa
Allan Gray South Africa (Pty) Limited
1 Silo Square, V&A Waterfront
Cape Town, 8001, South Africa
PPS Multi-Managers (Pty) Limited
PPS House, Boundary Terraces
1 Mariendahl Lane
Newlands, 7700, South Africa
Namibia Asset Management Limited
1st Floor, KPMG House, 24 Orban Street
Klein Windhoek, Windhoek, Namibia
Old Mutual Investment Group (Pty) Limited
10th Floor, Mutual Tower, 223 Independence Avenue
Windhoek, Namibia

**SUCCESS
IS BETTER, SHARED**