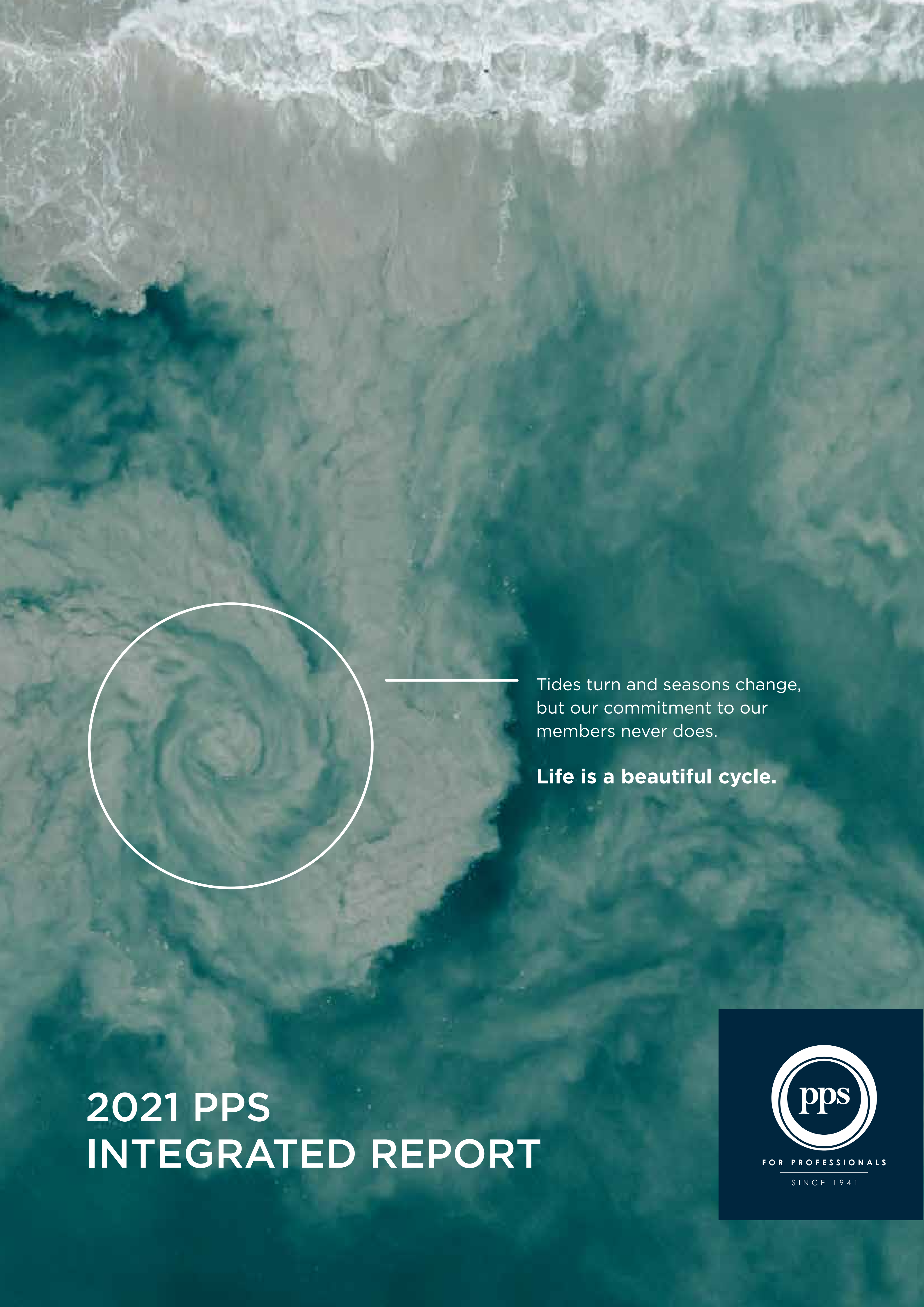


Tides turn and seasons change, but our commitment to our members never does.

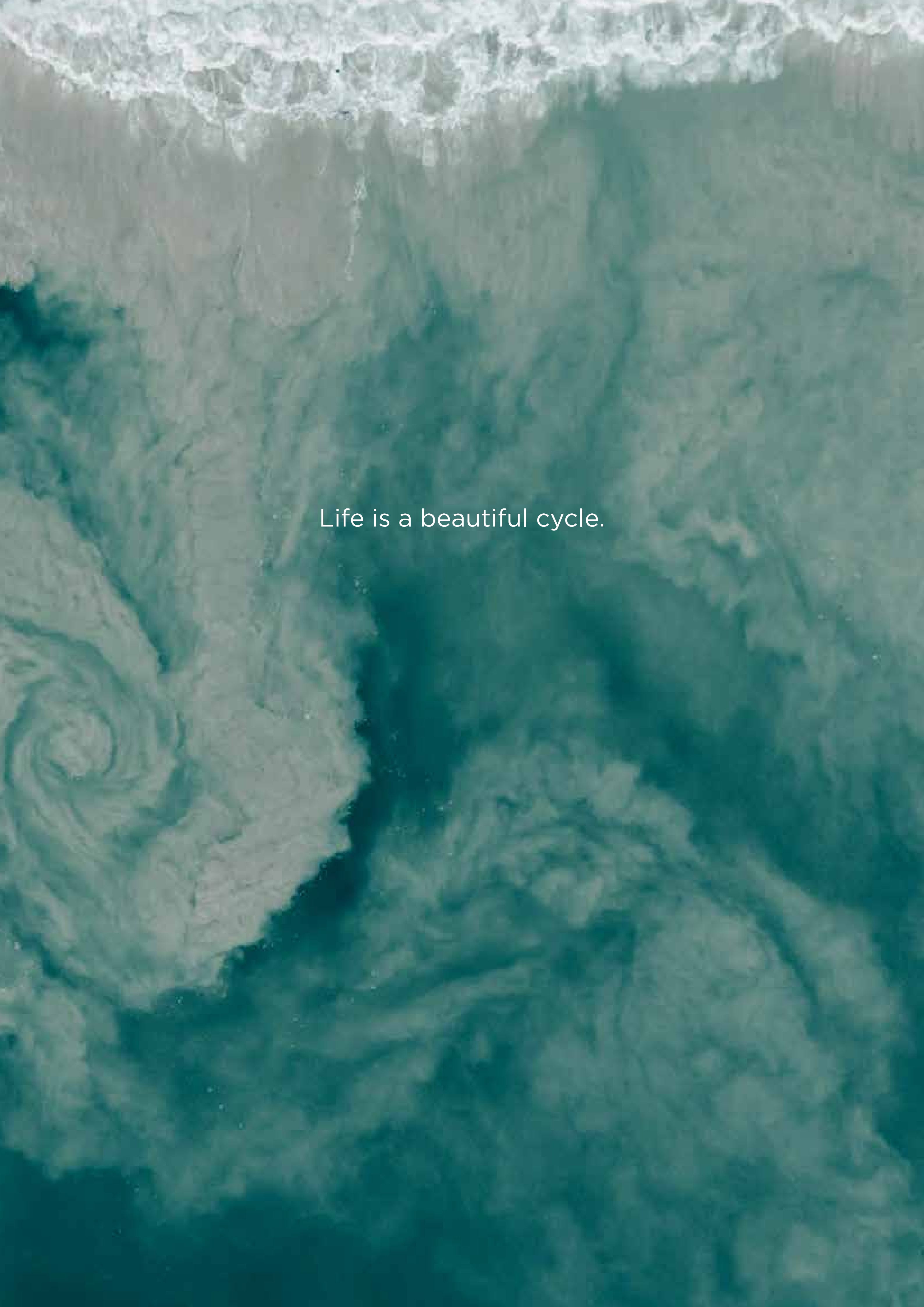
Life is a beautiful cycle.

2021 PPS INTEGRATED REPORT

pps

FOR PROFESSIONALS

SINCE 1941


Life is a beautiful cycle.

From the tides and photosynthesis, to animal migration and the rotation of the earth's water supply, there are many natural cycles that bring growth and sustain life. After 80 years, we know how important it is to remain steadfast during life's ebb and flow, because tides will turn and seasons will change. Over the past year, we paid R6.1 billion in benefits to members. Of this, R1.4 billion were for claims where members acknowledged it was COVID-19 related. Notwithstanding this, we are grateful to be able to announce a healthy Profit-Share for all. And so we look to the new season with hope, and together we continue to stand firm.

Contents

About our integrated report

Scope and boundary

The PPS Integrated Report 2021 is a report on the performance of the PPS Holdings Trust (the PPS Group) for the 12 months ended 31 December 2021. 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 PPS Group's strategy, operations and performance, touching on issues such as our approach to sustainability, value creation, employment equity, 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 our strategic direction, operating environment, operational management, efficiency, quality, corporate governance, accountability and corporate social responsibility.

Disclosure and assurance

The PPS 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 thereafter.

The annual financial statements were prepared in accordance with International Financial Reporting Standards and were independently audited by PwC South Africa. The non-financial information contained in the report has not been independently assured, as this is not required.

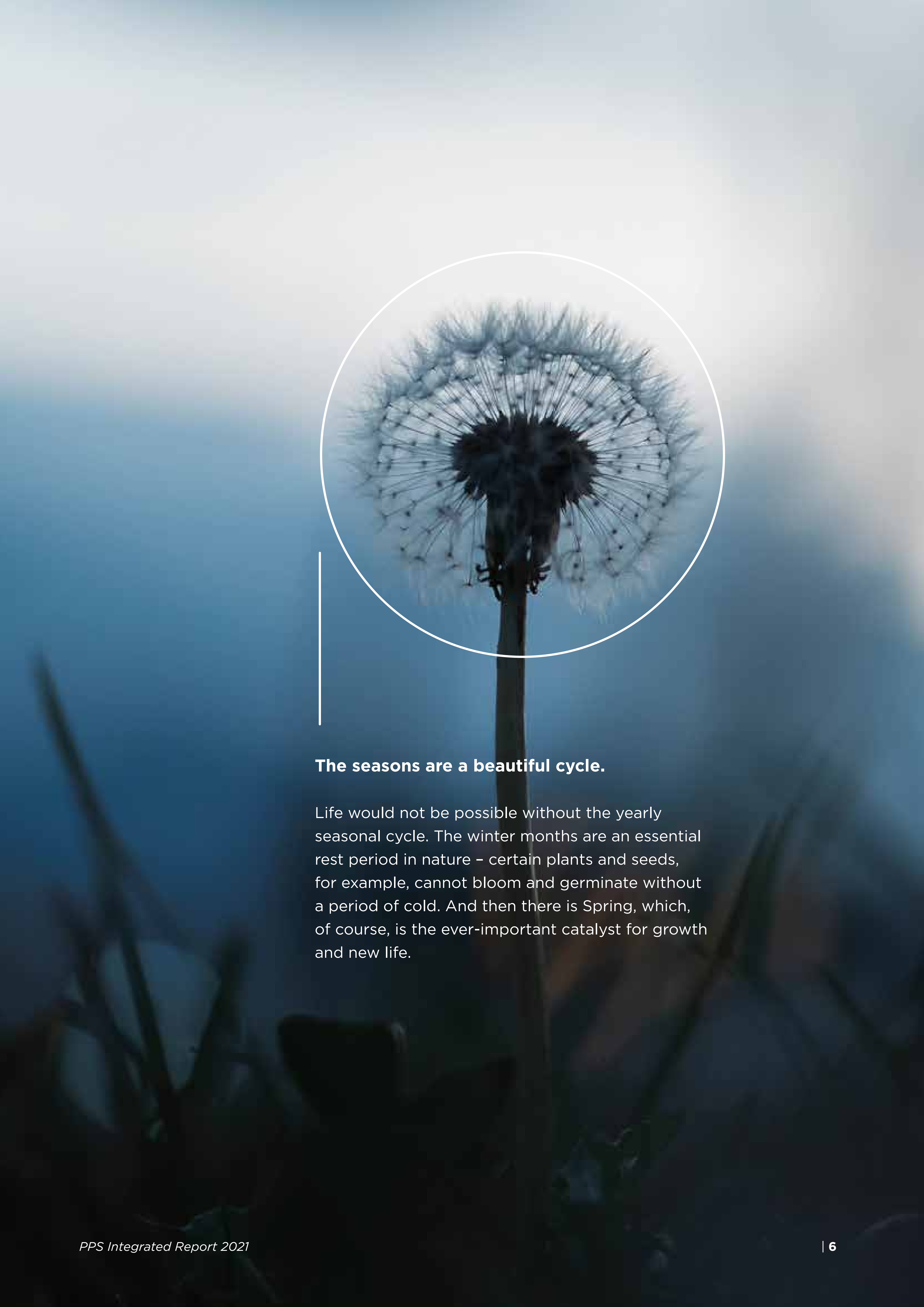
Board responsibility

The PPS Integrated Report 2021 was approved by the Board on 30 March 2022.

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 PPS Group's performance in 2021.

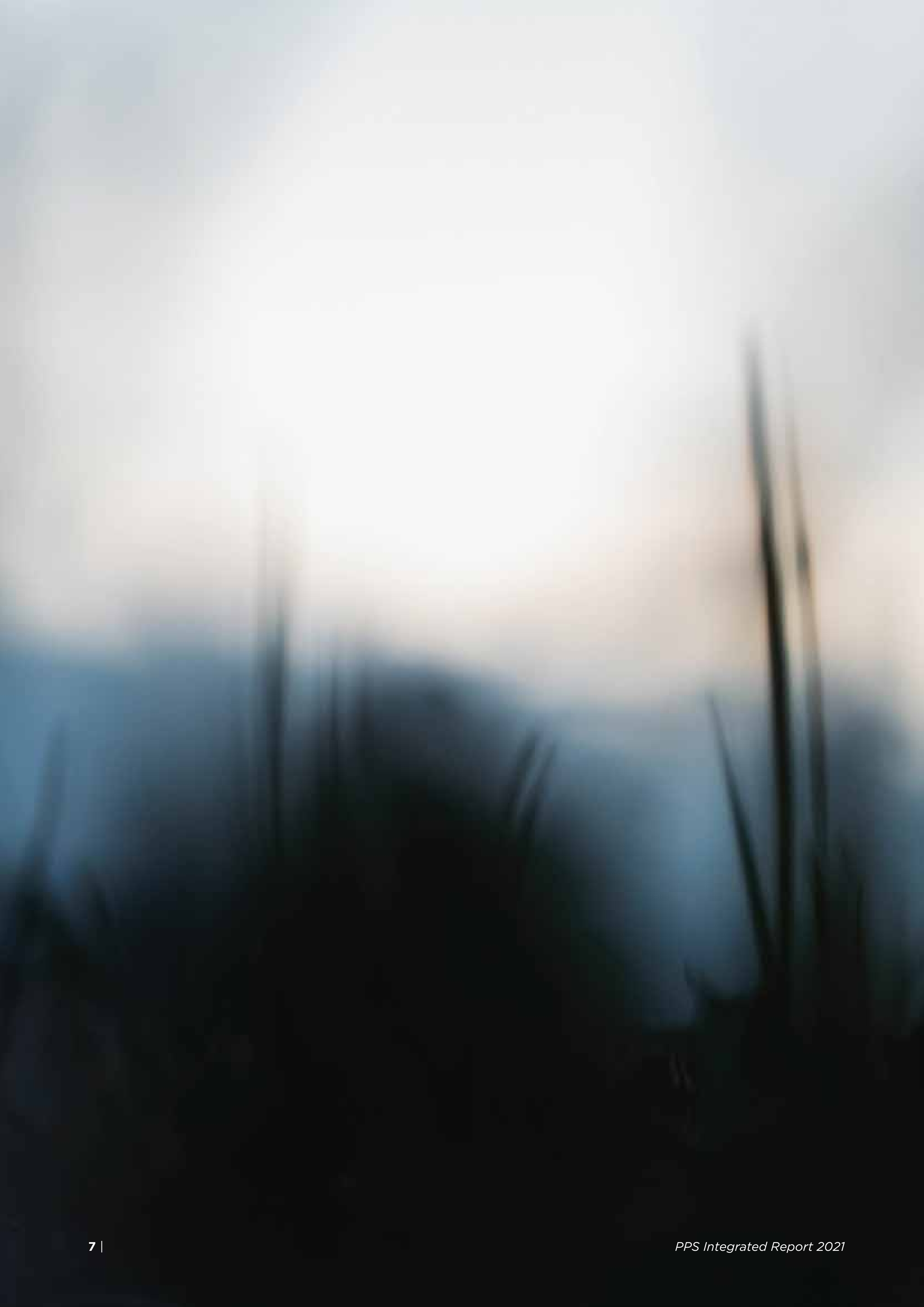
Forward-looking statements

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 our performance in 2022 and beyond.



The seasons are a beautiful cycle.

Life would not be possible without the yearly seasonal cycle. The winter months are an essential rest period in nature – certain plants and seeds, for example, cannot bloom and germinate without a period of cold. And then there is Spring, which, of course, is the ever-important catalyst for growth and new life.



Who we are and what makes us different

At PPS, we do not have shareholders,
***we have members**; graduate professionals*
who qualify for membership.

“
PPS was founded 80 years ago during a time of great social and economic upheaval. Its founders intended to establish a powerful vehicle to create wealth and provide personal financial security. Our unique mutuality model has proven to be exceptionally robust throughout our long history and has enabled us to remain dependably sustainable. Even as we navigate another period of global upheaval, we continue to provide a consistently reliable and professional service to our members and to allocate all profits to those with qualifying products.”

— **Izak Smit** | Group Chief Executive Officer

The PPS story

As PPS marks 80 years since it was founded, we are proud to say that, for all those years, we have demonstrated resilience, recorded steady growth and reliably provided services to our members without disruption. The fact that we have been able to continue to do this throughout yet another very challenging year is testimony to the vision and objectives of our founders.

PPS was established in 1941 by a group of eight hard-working dentists who appreciated the value of a good day's work and wanted to protect their ability to earn an income from that work. 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 how innovations are designed and implemented.

At PPS, we have members rather than shareholders; highly educated graduate professionals with a qualifying tertiary qualification. In South Africa, professionals holding postgraduate qualification(s) represent only about 1.5% of the total population. Members who have one or more product(s) 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 is their part of the annual Profit-Share, Profit-Share which grows with investment returns and further profit allocations. This vests on retirement. Profits accrue simply as a result of members having qualifying products.

Over the years we have steadily expanded our product range, moving beyond our initial focus on income protection to include other financial products and solutions. Today, the Professional Provident Society Insurance Company Limited is a 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 graduate 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 **extreme ownership**. Our people are empowered to deliver service excellence to our members and we encourage leadership in all areas of the business.
- We are **eternally curious**. We are not satisfied with the status quo and are driven by the goal of constantly improving the solutions we offer our members. We are committed to innovation, giving staff the opportunity to innovate 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 care, but with the highest standards of ethics, fairness, governance and respect for all.

The ethos of mutuality

Although it is a model that is not commonly used in the South African financial services industry today, the ethos of mutuality is what defines PPS. This takes us back to the original roots of insurance and the true purpose of the insurance industry.

PPS is not listed on any stock exchange and has no external shareholders who receive dividends. Members who hold qualifying products benefit directly from our profits through their dedicated Profit-Share Accounts. The ethos of 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. That is why our members – through elections – are represented on our board and contribute greatly to good governance within the PPS Group. Their input – in conjunction with that of board members representing various professional associations – ensure members' voices are always heard.

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 submit a share of the profit accumulates in their individual Profit-Share Accounts and vests on retirement or on 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, the profits they have accumulated in their Profit-Share Accounts throughout their membership become available to them through a Vested PPS Profit-Share Account. Although this is available at that time for members to withdraw in full without any reductions, many choose to keep these assets invested as part of their post-retirement savings to generate further returns and to supplement their retirement incomes.

The benefits of mutuality are clear. There can be no tension between the interest of shareholders and members because all members are treated as shareholders and receive a Profit-Share where they hold qualifying products. Members who have products from PPS subsidiaries and affiliates in addition to qualifying life insurance products, qualify for additional Profit-Share allocations. The PPS Profit-Share Cross-Holdings Booster is awarded over and above the existing allocation and is based on holding qualifying products across PPS subsidiaries and affiliates. The more diverse a member's portfolio is spread across PPS subsidiaries and affiliates, the more their Profit-Share allocation will be. Many long-standing members have at times, in fact, received more in Profit-Share allocations in a particular year – over and above product benefit payouts – than they have paid in premiums in that year. In a sense, we have a counterintuitive situation in which members are paid to enjoy product benefits.

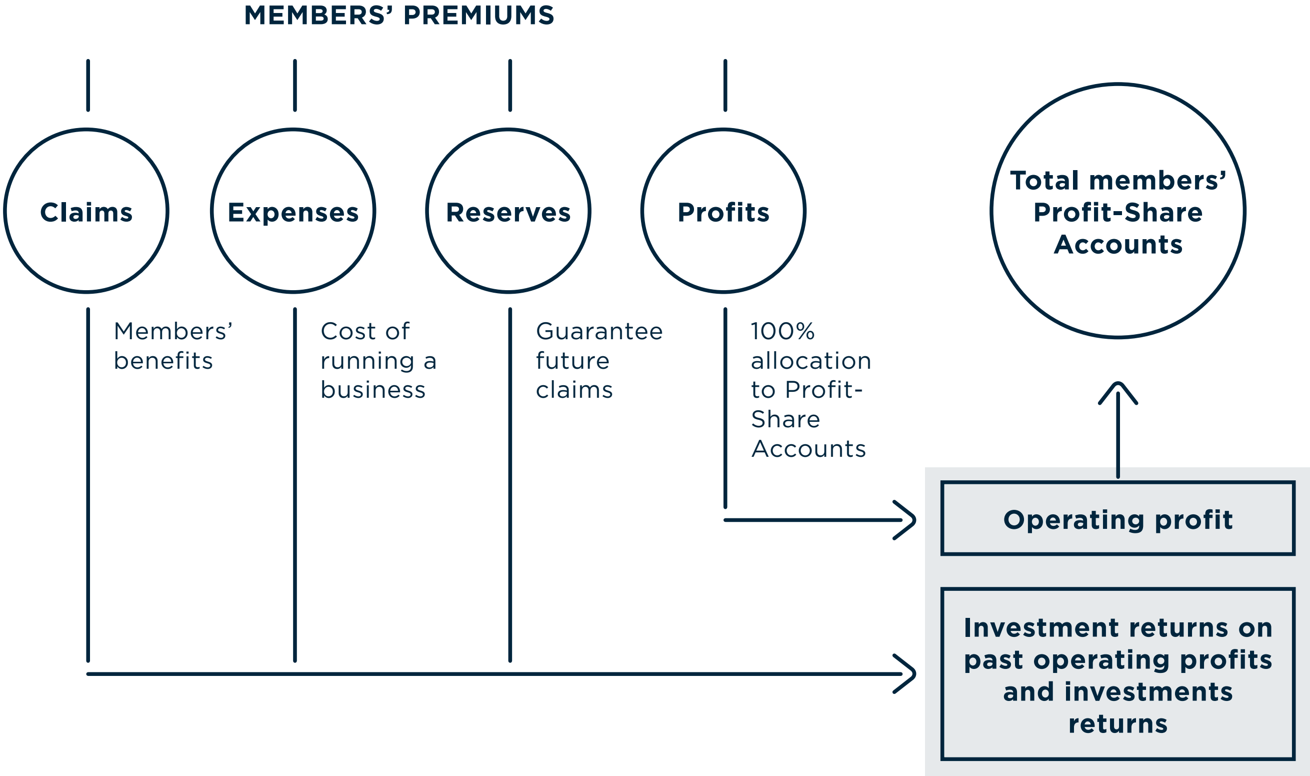
A business that in effect pays its members to enjoy its products? That is what the mutual model at PPS delivers for many of our long-standing members.

Professional focus

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

To begin with, we are very discerning about granting membership. Only graduate professionals with a qualifying tertiary qualification qualify to become members. This qualifying criterion spans across industries and professions, making PPS a leader in the professional segment. Then, not only are our products, services and solutions specifically tailored to meet our members' needs, financial advisers must 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 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.

HOW PROFIT-SHARE WORKS



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 terminate insurance cover unnecessarily 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 uniquely meet these, 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 member's 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 can access financial planning services that cover all these areas in several different ways. Usually – and most frequently – they do so through our large network of independent and accredited financial advisers, some employed by PPS directly, throughout South Africa and Namibia.

The relationship between a financial adviser and a 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 advisers cannot be specialists in all areas across the vast spectrum of personal financial planning. Therefore, all our advisers – whether employed at PPS or independent – can tap into the resources available from our Specialist Support Services (S^3) unit. The S^3 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 the advice. Their role is to be a resource that can be drawn on for specialised interventions.

In summary, our promise at PPS regarding the S^3 value proposition is two-fold: firstly, professional members can 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 us and were the first to be developed and offered by our founders. Over the past eight decades we have continuously refined these original offerings, explored the ramifications of potential scenarios and developed added-value features and new products to provide additional peace of mind.

The PPS Sickness and Permanent Incapacity benefit (sickness cover) 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 competitive products – does so without the member having to prove that they 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 and benefit from a built-in Profit-Share benefit.

Other differentiators include automatically covering our members when they travel or reside outside of South Africa without loadings, restrictions or exclusions; no limit to the number of claims; and automatic cover for potentially hazardous pursuits such as scuba diving, flying private aeroplanes 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, unlike many other products from competitors, our members' Profit-Share Accounts are not reduced if they claim. We believe that so-called no-claim benefits go against what insurance is all about.

Savings and investments

Saving and investing are fundamental to financial security. Over the years, members had often admired how their profits had been invested and expressed a desire to be able to benefit from our investment philosophy and business acumen, as well as from investment services provided at cost without leakage to shareholders.

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 ultra-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 eligible to share in the investment administration and management profits.

Short-Term Insurance

Following on our success with our sickness and permanent incapacity cover and life insurance – and driven by the desire expressed by some of our members to have all their financial services products housed within the PPS community – we started offering short-term insurance solutions via 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, we only serve graduate professionals. The solutions and unique added-value services we provide 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 external shareholders, any profits generated after paying expenses and honouring valid claims are shared with members who hold qualifying products.

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 how 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 life risk products to share in the profits generated by the PPS Group.

Medical aid

Via a PPS affiliate, PPS offers access to a closed medical aid scheme Profmed, which provides medical and healthcare benefits to members, their families and even eligible students. Profmed was launched by PPS more than 50 years ago and 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.

With five benefit options to choose from, the PPS ethos of mutuality is again applied by offering a profit allocation for members who use the scheme and who also hold certain qualifying life products. It 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 as all members of the scheme are either graduate professionals or eligible students.

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 well structured and 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 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 member's death.

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

Total benefits paid in 2021

+44%
from 2020
R377m
Critical Illness Benefits Paid

+15%
from 2020
R1 095m
Sickness Benefits Paid

+12%
from 2020
R700m
Permanent Incapacity Benefits Paid

+43%
from 2020
R239m
Lump-Sum Disability Benefits Paid

+9%
from 2020
R1 745m
Exit Payments

+65%
from 2020
R1 850m
Life Cover
Benefits Paid

+18%
from 2020
R139m
Motor and Household
Benefits Paid

+27%
from 2020
R6.14 billion
Total Benefits Paid

2021 highlights

+4.7%
from 2020
R5.6bn
Gross Premium Revenue

+25%
from 2020
9 450
Profit-Share Millionaires

+40%
from 2020
23 651
Sickness claims processed

R5.5bn
Total profits allocated* to members' **PPS Profit-Share Accounts**

+25%
from 2020
R54bn
Total Assets Under Management

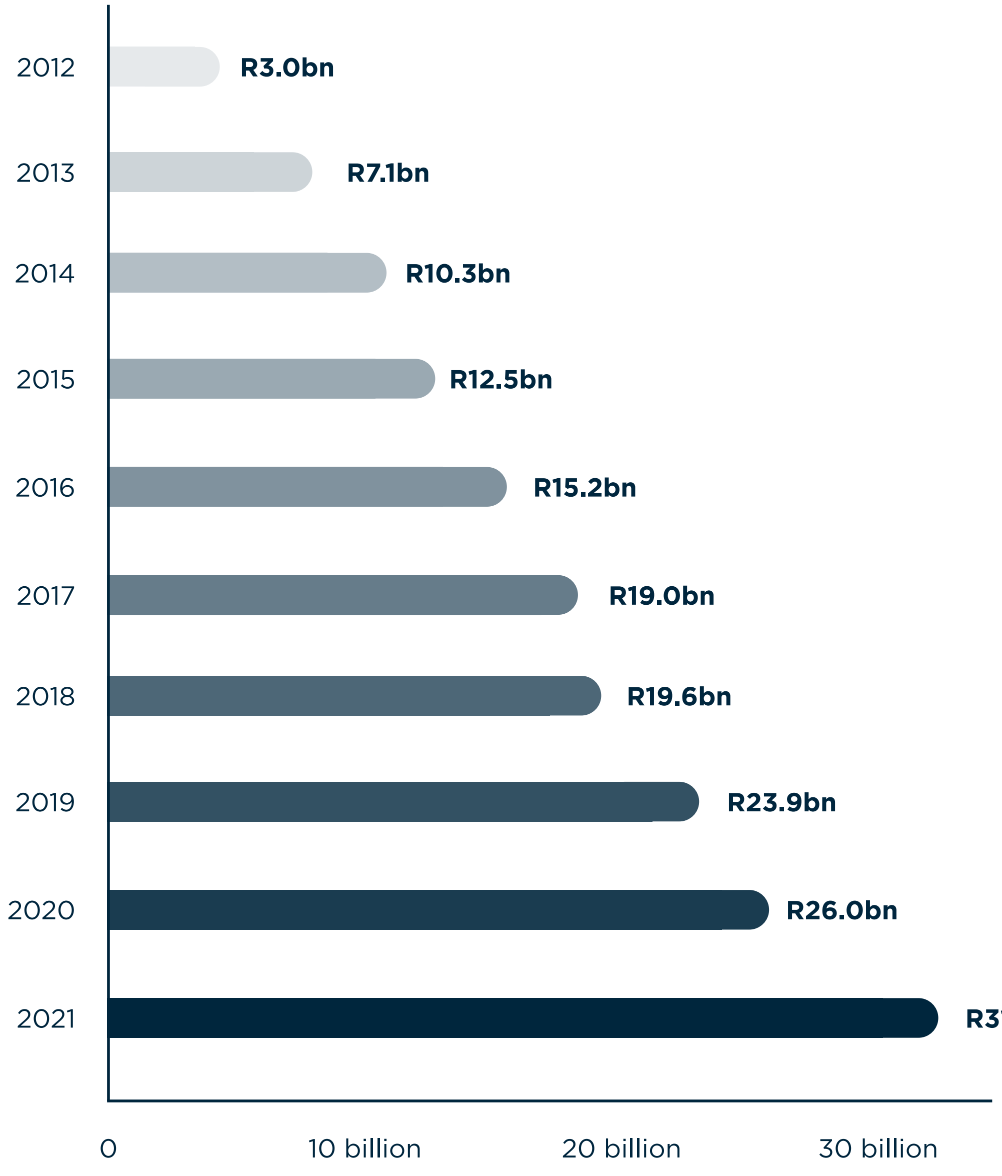
11 780
COVID-19 claims paid to the value of **R1.4bn**

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

The PPS Financial Results **2021 Highlights**

R31.5bn

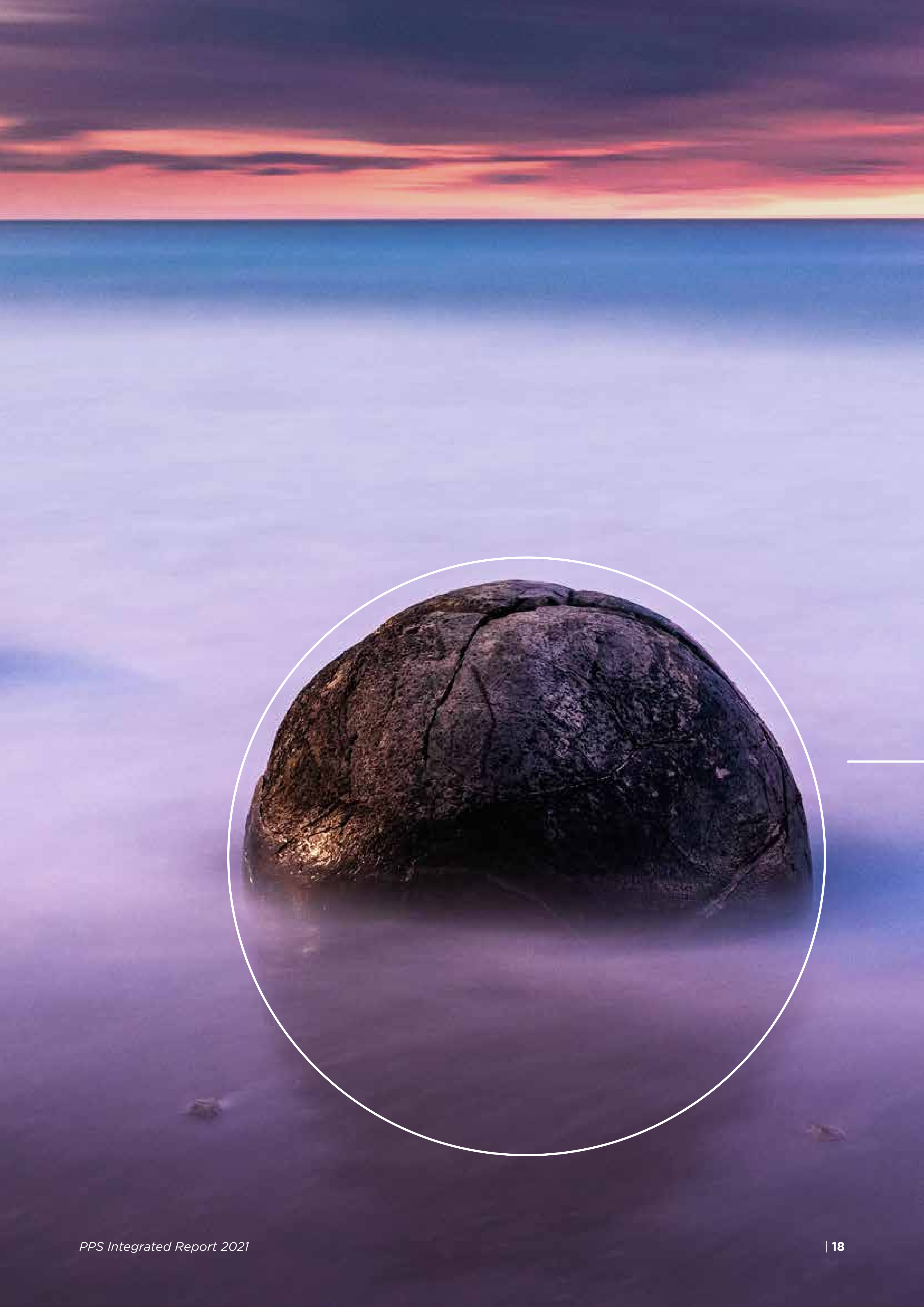
TOTAL CUMULATIVE PROFIT-SHARE ALLOCATION
TO MEMBERS OVER THE LAST 10 YEARS

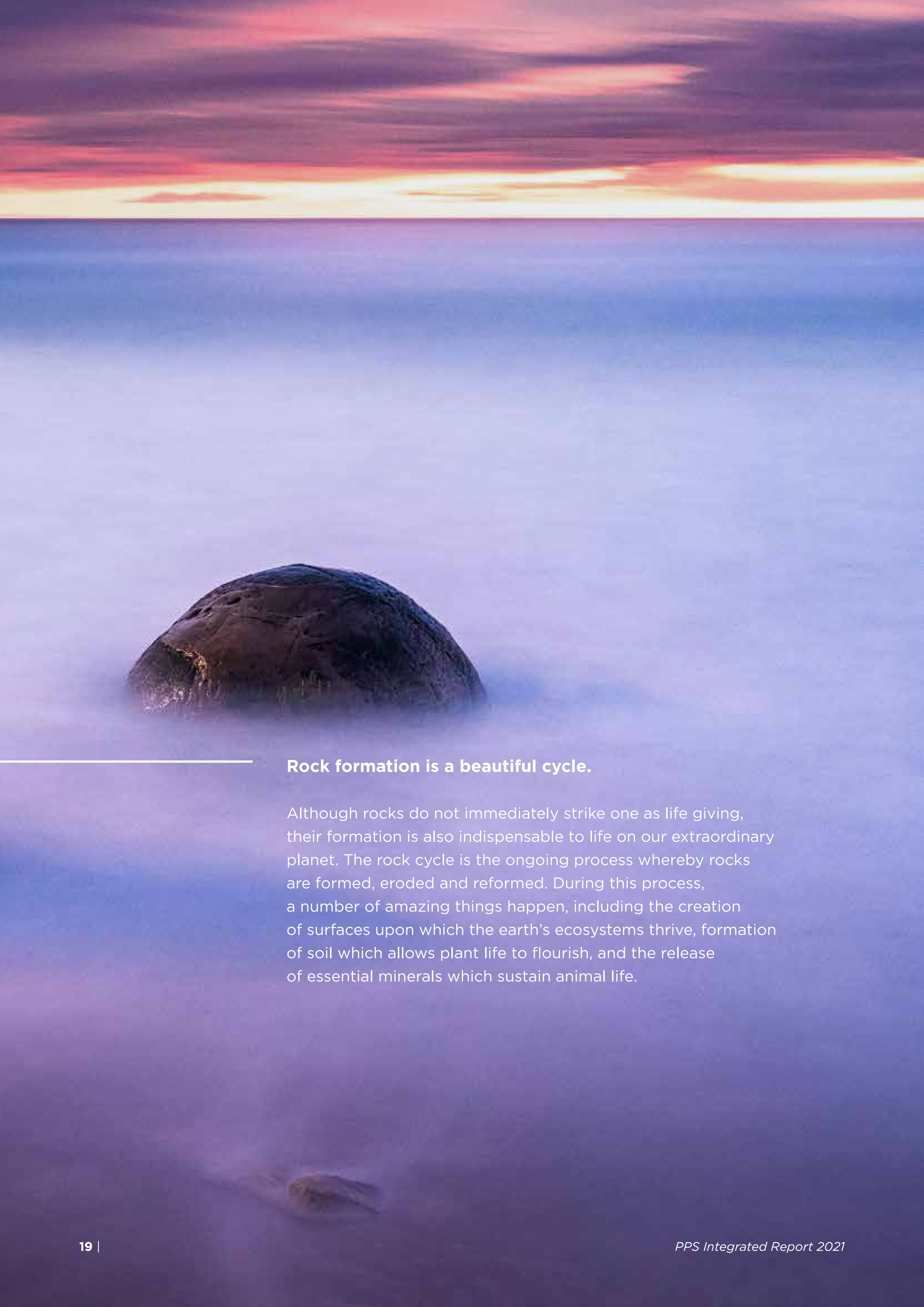


At PPS we believe in sharing above all else, even in the most challenging times. The more qualifying products you hold with us, the bigger your Profit-Share allocation.

The PPS Profit-Share Cross-Holdings Booster is allocated over and above the existing allocation. It is tiered according to the number of products a member holds. If they hold PPS life risk products and they buy a qualifying product(s) from one of our subsidiaries or affiliates (PPS Short-Term Insurance, Health Professions Indemnity, PPS Investments, Profmed) this will increase their allocations by a specific percentage.

The Profit-Share Cross-Holdings Booster allocations are not fixed and may differ every year. Allocations take place annually and will be declared alongside Profit-Share. The allocations are dependent on the profitability of PPS subsidiary products. PPS reserves the right to discontinue this offering at its own discretion. Past performance is not necessarily indicative of future performance.





Rock formation is a beautiful cycle.

Although rocks do not immediately strike one as life giving, their formation is also indispensable to life on our extraordinary planet. The rock cycle is the ongoing process whereby rocks are formed, eroded and reformed. During this process, a number of amazing things happen, including the creation of surfaces upon which the earth's ecosystems thrive, formation of soil which allows plant life to flourish, and the release of essential minerals which sustain animal life.

Human capital management: our people

"The past two years have fundamentally changed how work is organised and how we interact with colleagues and other stakeholders."

— **Masenyane Molefe |** Group HR Executive

Overview

At the beginning of 2020, it would have been hard to predict how much the world of work would have changed a short two years later or how work itself would come to be perceived. Among many other things, the COVID-19 pandemic has accelerated the pace of digitalisation and has made us re-examine how business is organised. At the start of the first lockdown in March 2020, the move to remote working was, for instance, seen as a temporary measure and, in general, companies envisioned returning to "normal" fairly quickly. Little could we have known at the time how fundamentally the pandemic would change every aspect of our lives.

By the end of 2021, we had formalised our learnings over the past two years into a hybrid (remote and office) working policy. In short, it has become essential for both employers and employees to be flexible, and for staff members whose work is not site-specific to have the skills and ability to work from home.

With this in mind, we have been improving our leadership programmes over the past two years to ensure that we have a strong leadership capacity to take us into the future. One of our flagship programmes, called Leading the PPS Way, was redesigned and updated to reflect the needs of the current leadership context.

Our human capital philosophy

Our human capital management philosophy has always been based on a strong employee value proposition (EVP), which has proven its worth throughout the pandemic.

PPS continues to attract, develop and retain select employees who are committed to and capable of delivering on our member value proposition and this will remain consistent going forward. Within this context, we consciously foster a values-driven culture based on the principle that how we treat our employees ultimately defines how our employees treat our members. Our EVP, therefore, defines the value we place on our employees and the kind of working environment we aim to create and maintain.

Now, more than ever, the financial services labour market is highly competitive, and talented individuals have many sought-after employers to choose from. To attract and retain the best people, PPS offers a differentiated EVP, making it a great place to work.

Our culture

PPS management and staff continue to engage regularly to discuss the kind of culture we wish to create and sustain; a culture that supports our strategic objectives, our brand leadership vision and our values.

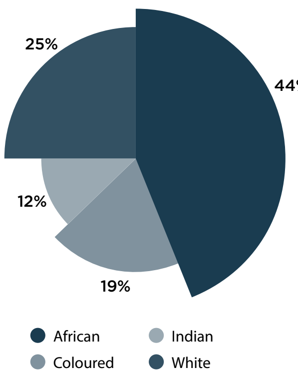
The positive effect of this was demonstrated by the results of our 2021 PPS Employee Engagement Survey, which indicated that staff have a higher level of job satisfaction than they did before the advent of COVID-19.

One of our biggest concerns when we had to make the rapid transition to remote working was the mental health of our staff and the possibility that they could experience depression and/or burnout. Our partnership with Reality Wellness Group has, however, provided all of our staff with a comprehensive range of wellness interventions and activities, which they can tap into to manage the challenges they may be facing at work and in their private lives, as well as their physical wellness.

Our people

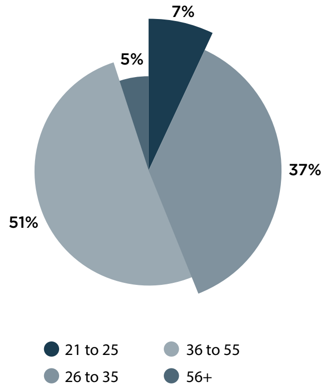
PPS exists for the benefit of its members rather than outside shareholders and our employee profile is naturally evolving to reflect the demographics of South Africa's professional population. The staff profile is majority black (75%) and 64% female.

Employment equity statistics



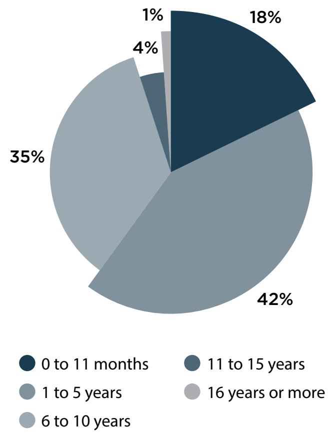
PPS is a young and vibrant organisation, with 44% of our staff being under the age of 35. This means that the organisation benefits from fresh thinking and innovative ways of solving problems.

Age group breakdown



In line with its youthful staff profile, six out of ten 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 business for longer and believe that those with longer tenure ensure that skills and knowledge are transferred to younger colleagues.

Tenure of PPS Staff



Our total headcount has increased by 5,2% from 1 414 in December 2020 to 1 488 in December 2021.

PPS Training Academy

PPS is committed to constantly investing in the development of our people, and we do this through our dedicated PPS Training Academy.

In 2020, we launched a "lockdown curriculum" and encouraged staff to take up skills and development programmes that were made available to them online. Uptake was high and staff not only signed up for courses within their skills areas but within more general subject areas such as interpersonal and business skills. Some of these offered invaluable new skills designed to build robustness and reliance in the face of change. The lockdown curriculum continued in 2021.

On a practical level, the Academy launched a dedicated digital literacy programme called "Race to 150" in 2021. The programme was specifically designed to assist staff members to develop the skills they need to interact effectively in a digitalised world.

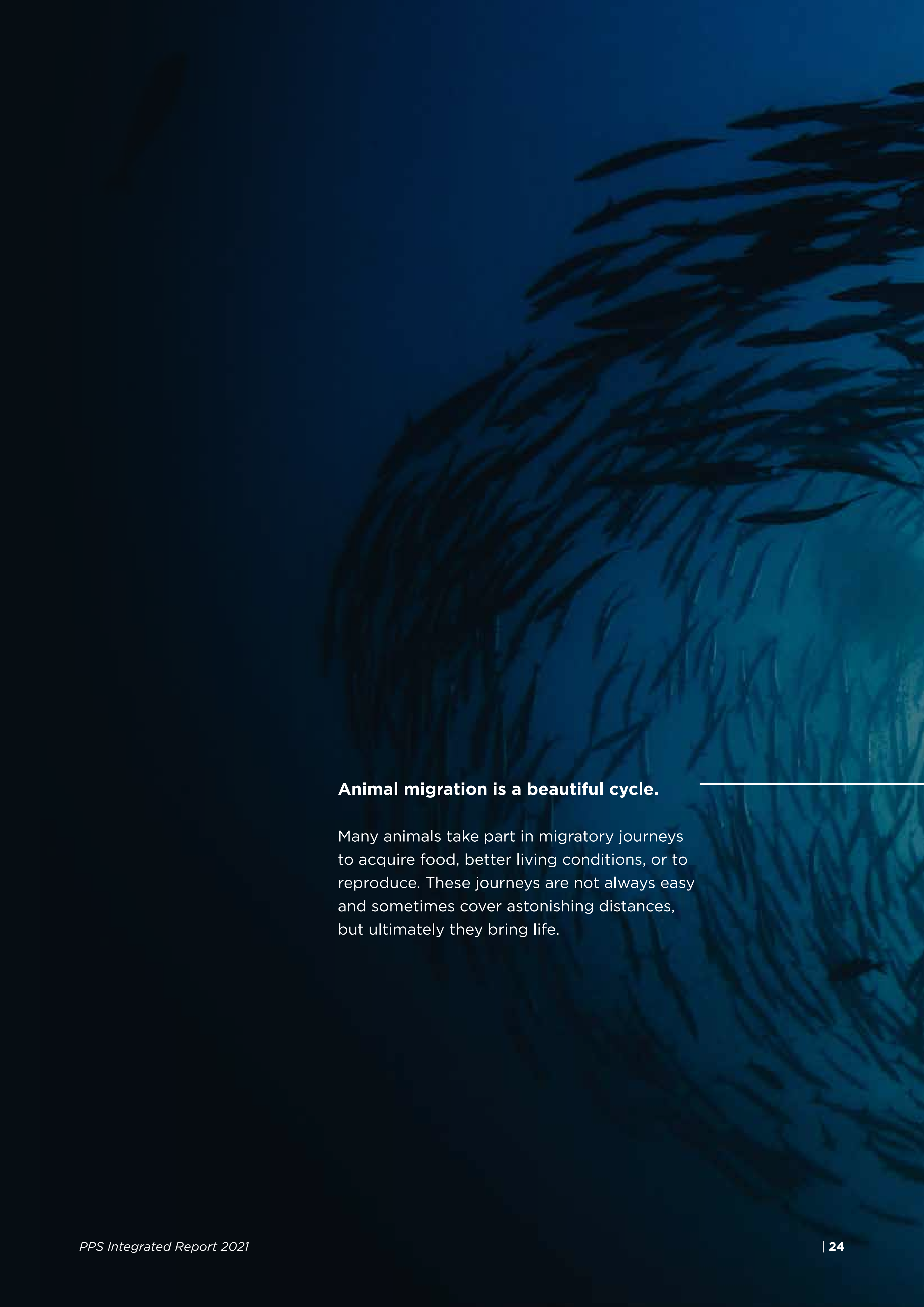
The Academy also started offering courses and interventions for members and intermediaries, which are designed to help them deal with the stresses and challenges they may be facing in their own practices and businesses. Many of these are accredited and offer members the opportunity to earn mandatory continuing professional development (CPD) points.

In 2019, the Academy was ranked as one of the Top 125 training institutions in the world in the Global Training Organisations Competition. In 2021, we made it to the illustrious Top 100.

Staying competitive through people

We remain committed to transformation and employment equity and have plans in place to continue on our road to being an inclusive organisation.

Finally, we have revisited our rewards and recognitions programme to take new ways of working and new market realities into account. We now have a Group-wide annual recognition awards programme that celebrates the top performers in the organisation.



Animal migration is a beautiful cycle.

Many animals take part in migratory journeys to acquire food, better living conditions, or to reproduce. These journeys are not always easy and sometimes cover astonishing distances, but ultimately they bring life.

PPS Group Executive Committee

Mr I J Smit
B Com (Hons), FASSA
Group Chief Executive Officer

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

Mr N J Battersby
BSc, B Com (Hons), MBA, CFP, AMP (Harvard)
Group Chief Operating Officer

Mr Q J Augustine
BSc, PG Dip (Actuarial Science), FIA
Group Executive: Member Value Proposition

Mr V E Barnard
B Com
Group Company Secretary

Mrs S Bassudev
B Pharm
Chief Executive Officer: PPSHA

Mr W Bosman
B Compt (Hons), CA(SA)
Chief Executive Officer: Short-Term Insurance

Mr L du Plessis
B Juris, LLB, M Com (Business Management)
Group Executive: Legal and Compliance

Mrs K Govender
GIBS Executive Leadership Programme
Group Executive: Life Operations

Mr J P Loubser
AMP, MBA, CAIB(SA), PB(SA), MDP, EDP
Group Chief Information Officer

Ms M D Molefe
B Com, MBA, MSc (HR Management and Development) University of Salford
Group Executive: Human Resources

Mr W J Mouton
B Proc
Group Executive: Life Broker Services

Mr M M Mtshali
B Com, MBA
Group Executive: Advisory Services and Enablement

Mrs A N Seboni
B Com, MAP
Group Executive: Marketing and Stakeholder Relations

Mr J A Thomas
B Com (Hons) (Actuarial Science), FASSA
Group Executive: Actuarial Services

PPS
doing good

Overview

At PPS, we are deeply committed to supporting the development of South Africa's pipeline of professionals. Through the PPS Foundation, which is a registered Public Benefit Organisation, we implement social development initiatives that are aligned to two of the United Nation's Sustainable Development Goals:

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

We support efforts that lead to access to quality education. As part of our long-term commitment to supporting South Africa's youth, PPS has multiple initiatives that are designed to assist with learning, socio-economic development, skills development and the creation of employment opportunities.

Standing with the class of 2021

The impact of the ongoing COVID-19 pandemic continued to be felt in many areas during 2021. This was particularly acute for learners in underserved communities, with the disruption of face-to-face classes during the third wave of the pandemic and the effects of the digital divide compromising their ability to keep up with the curriculum.

As we did in 2020, we provided financial support to the YouthStart Foundation, which is a non-profit organisation that 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.

Bursary Programme

Despite the challenges of the past two years, the PPS Foundation Bursary Programme remained firm in its mission to support students and bursary payments were reliably made to beneficiaries at the beginning of each semester. In total, 78 bursaries were funded in the last year alone.

Bursaries are awarded to full-time public university students with a bias towards science, technology, engineering and mathematics (STEM) disciplines. Awards are based on financial need and academic record. They are comprehensive in scope, covering tuition, meals, accommodation, data and laptops where requested.

University Support Programme

Requests for assistance are accepted from public tertiary education institutions. The projects for which they are seeking funding have a direct and positive impact on the teaching and learning experience for students. In 2021, we supported five universities with funding, ranging from the upgrading of an optometry lab to assisting in funding digital devices for students.

One such project was when we supported the University of Cape Town financially following fire damage to its library in April.

LEAP Work Readiness Programme

LEAP is an acronym for Learned, Engaged, Accelerated Professionals, and this work readiness programme assists graduates to make the transition from tertiary education to the workplace. It provides professional development workshops on topics such as personal branding, communication skills, presentation skills, CV writing, interview preparation and financial wellness. It is delivered on request to all of the country's universities.

With the country opening up and certain academic institutions conducting some classes on campus, many LEAP sessions were facilitated using the hybrid approach. More than 500 students attended this programme in 2021.

Graduate Internship Development Programme

Young and ambitious graduates can apply to participate in a one-year Graduate Internship Development Programme (GIDP) at PPS and, on completion, have the prospect of being offered permanent employment within the PPS Group.

The GIDP has been a successful pipeline development programme for PPS. Over the last seven years, it has allowed the organisation to access top young talent, some of whom have grown within the business. The graduate programme supports South Africa's imperative of reducing youth unemployment by providing recently graduated youth with an opportunity to benefit from comprehensive training, gain valuable work experience and develop their soft skills. All candidates are supervised by a formal mentor throughout the internship.

To date, PPS has taken 140 young people through the graduate programme with an average retention rate of 80% over the years.

Our commitment to youth development does not end with the GIDP. Staff, younger than 35 years and showing high potential are eligible to participate in our flagship development programme, the Young Leadership Forum (YLF). Each year a cohort of ten young leaders are selected to participate in the programme. The YLF is offered academic enrichment through UNISA's Thabo Mbeki African Leadership Institute (TMALI). This is complemented by a bespoke programme supported by the PPS Academy. The purpose of the YLF is not only to develop young leaders but to also tap into their perspectives to solve business problems.

Paying it forward

In 2020, the 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.

Donations are encouraged through regular campaigns, such as the Chairman's Challenge, and all contributions made to the Foundation are tax-deductible.

Metamorphosis is a beautiful cycle.

There are many incredible transformational cycles that happen in the animal kingdom, particularly in amphibians, fish and insects. Frogs, of course, start out as tadpoles with gills and swimming tails, and become creatures that can move around and breathe on land, whilst caterpillars come out of the egg as crawling insects and then soon take the form of a creature that can fly. Different phases adapted to different environments – which means that adults and juveniles never compete for the same resources.

Strategy

Overview

Since its inception 80 years ago, PPS has been driven by a single focus: meeting the financial needs of graduate professionals. Our unique products, services and solutions are designed to leverage off this model and to provide unrivalled benefits for members. In today's uncertain environment, we understand how important these benefits are for our members, not only in the short term but throughout their careers and into retirement.

We understand that professionals want more than just smart financial products and efficient services; 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.

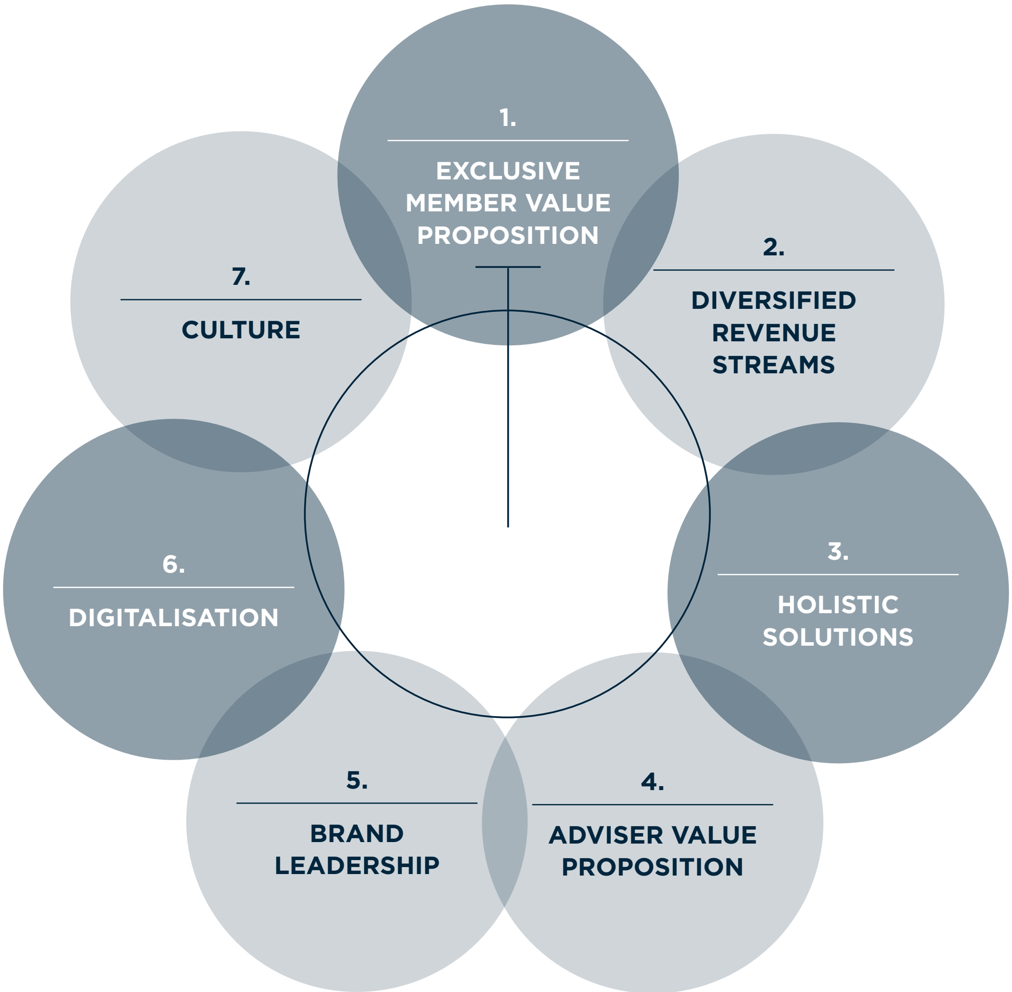
Purpose

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

Strategic vision

Our strategic vision is to continue to build PPS as an aspirational brand aimed at meeting the financial services needs 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:



To realise this vision, we have strengthened our business focus and developed a set of actionable workstreams that will support the delivery of our strategic themes.

These are to:

- unlock cross-solutioning and make our member value proposition (MVP) and our adviser value proposition (AVP) unique across all channels;
- create, lead and sustain remarkable member and adviser services by improving our processes, systems and people capabilities;
- develop a boundaryless global strategy by expanding PPS in territories outside of South Africa and to create globally relevant products within and outside South Africa;
- continue to be relevant to all our members, across all life-stages, with emphasis on our mature members;
- maintain and enhance our marketing and communication capabilities which will be used to promote our unique PPS value proposition in our current and new markets;
- enrich and exploit our Profit-Share Account uniqueness through continuous innovation;
- focus on our people as talent becomes a competitive advantage in the current and post-pandemic world; and
- create sustainable value and growth by making a difference through Environmental, Social and Governance (ESG) outcomes.

The earth's water sources are a beautiful cycle.

The water cycle continuously purifies and distributes the earth's water sources across the planet's surface, making sure all living organisms have access to this essential elixir. Evaporation, condensation, precipitation, transpiration, infiltration and surface run-off – a finely-tuned process – with each stage being equally important to sustain life on our planet.

Leadership commentary

PPS remains unique in the South African financial services industry, differentiated by its ethos of mutuality. This again proved its value in 2021, as it has done throughout our 80-year history.

> "In 2021, PPS had to confront the ongoing effects of the COVID-19 pandemic, protracted economic uncertainty and civil unrest and had to adjust to a world that has changed permanently. The magnitude of what we, our members and advisers have gone through over the past two years, should not be underestimated."

Dr Sybil Seoka
Chairman: PPS Holdings Trust Board

Chairman’s statement

Overview

As in 2020, the ongoing COVID-19 pandemic and the economic uncertainty this created were significant challenges we had to face during the year, both as a country and as a business. These were exacerbated by the impact of the civil unrest that occurred in Gauteng and KwaZulu-Natal in July 2021. Together these events slowed the local economy's recovery and made many of us feel unsure about the future. Unemployment climbed to a new record high of 34.9% and consumer spending declined markedly.

Of particular concern is the youth (age 15-24 years) unemployment rate that reached a record high of 66.5%. And, while the unemployment rate for graduates in this category is much lower than for the cohort as a whole, graduate unemployment is still a notable feature of the South African socio-economic landscape.

PPS fell victim to a malicious cyberattack in March 2021 but no member data was compromised. Our IT team has since restored all systems and we remain vigilant to protect our systems from similar attacks.

Within this context, PPS's mutuality model continued to provide a high level of stability in a very unpredictable environment, with all PPS Group subsidiaries performing well. With its strong balance sheet and the highly profitable model – very much due to the focus on the professional segment which has behavioural traits that support low lapses and a long-term focus – we were able to support our members to a level that would have made our founders of over 80 years ago proud. It was a year during which the focus was on claims support. All valid claims, many of them COVID-19-related, were settled. This is testament to strong leadership, equally strong values and a performance-driven culture. Since profits are in any event returned to members with qualifying products, we were able to apply protocols that were different to those of the market. I shall elaborate more on this below. Yet, despite the tremendous claims support, we did manage to end the year with a small operating profit.

It was also a year of very good investment returns. Investment markets look forward and often make their big moves when the night seems darkest. This allowed us to make significant additions to our members' Profit-Share Accounts. However, investment markets, and particularly growth assets, can at times make negative corrections and I must remind members that expectations for future returns should be tempered – they can even be negative at times.

Challenging times often bring opportunities. Our focus lately was very much to bed down some of the exciting new initiatives that we kick-started over the last few years – transforming PPS from an income protection and life-insurance focused business to a more holistic financial services provider. We continue to investigate opportunities that can fuel further future growth and value creation for our members.

Our strategy of bedding down new initiatives is proving to be successful and our subsidiaries performed well in 2021. An example is PPSI, which delivered exceptional performance. In this case, the positive results were due to our investment managers recording significant outperformance relative to mandates and peers, and also due to good operating cost management. This enabled us to continue to provide a reliable financial safety net for our members, sustain Profit-Share allocations, guarantee job security for our staff, support our advisers and, just as importantly, sustain our business.

As a company operating under the ethos of mutuality and with solid capital reserves, we have not been under pressure to cut costs or to preserve capital in the same manner that certain other large, listed companies have been. For the past two years, this has enabled us to act swiftly to put various relief measures into place for our members, pay claims reliably, secure and support our adviser network, and maintain our full staff complement on full salary throughout the various levels of lockdown. We have also been able to execute a comprehensive information campaign, offering both general and specific information to help members, advisers and staff to deal with the impact of the pandemic.

Our response to COVID-19

PPS is always responsive to member needs and, as in 2020, our responses to the various challenges that presented themselves throughout the year were immediate, often extending beyond the parameters of our existing offerings. We were quick to develop claims protocols in the first weeks of the pandemic. Many of these remained in place throughout 2021.

We continued to offer financial relief options, which meant that members across all professions could continue to benefit from critical cover such as life insurance for a period even if they were unable to pay their premiums. In certain circumstances, we even provided members with access to their Profit-Share Accounts to enable them to fund the premiums for their PPS products, an option that is obviously not available at competitors. This made it possible for them to use their regular income, which had been significantly reduced by the pandemic, to cover other essential costs.

We also actively engaged with various professional associations and used their insights to develop solutions to serve our members better. These included COVID-19-specific underwriting protocols for our life products, which relaxed some of our standard underwriting requirements and allowed members to access new or additional products during the pandemic.

From an operational point of view, we continued where we left off in 2020 to support remote and hybrid working in a way that was seamless to our members. Technical support for staff working from home has been ongoing, as has wellness support for all, which is provided through our Employee Assistance Programme.

Sadly, we lost several staff members to the pandemic and many others experienced the loss of loved ones from COVID-19-related complications. This naturally placed a heavy emotional burden on individuals, teams and advisers. Together with our wellness partner, Reality Wellness, we continued to offer a range of interventions to help them deal with bereavement, financial challenges and rapid change in both the home and the workplace.

In the area of managed healthcare, PPSHA continued to work with the schemes it administers to mitigate the effects of the pandemic. Members under financial pressure were offered assistance with option changes so that, wherever possible, they could retain their coverage.

As we enter our ninth decade of operations, I am again humbled and proud that PPS has been able to navigate the challenges of the past two years, and, in particular, in the way that it has. This period of social and economic upheaval has again demonstrated the value of our mutual model, which enables us to protect our members and their families and to provide them with the means to live the lives they aspire to.

While it remains difficult to make any firm predictions for 2022, I feel certain that PPS will continue to steer a steady course as we adapt to the realities of living in an uncertain and changing world.

Company performance

This year's results, once again, demonstrate the effectiveness of mutuality in providing both financial security and unrivalled long-term benefits for our members. We continue to be grateful to our members for their loyalty, which is demonstrated by low membership attrition rates, low policy cancellations and Profit-Share withdrawals.

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

Our PPS Profit-Share Cross-Holdings Booster continues to add value for members who hold qualifying products across the PPS Group's product portfolio. And the PPS Investments Family Network, launched in 2021, encourages the aggregation of individual and family assets, enabling members to enjoy lower fees because of a larger, combined asset base.

Similarly, the PPS Health Professions Indemnity, designed in response to the increasingly high costs of indemnity insurance and the ever more litigious environment, has been very well received and is providing peace of mind for members in clinical practice.

Further innovations at both PPS Group and subsidiary level are detailed in the Innovations section of this report.

Regulatory changes and compliance

There were, relative to other years, fewer regulatory changes in 2021, and 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 a big impact on PPS and its members, is still under review in parliament and, at the time of writing, public hearings were still in progress. With both the public and private healthcare systems having been under significant pressure since the Bill was introduced in 2019, it is difficult to predict the developments that we are likely to see in 2022. We will, however, continue to track developments closely and remain committed to representing and protecting the voice of professionals in all legislative and regulatory processes.

Corporate social responsibility

PPS Foundation

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.

In 2021, the Foundation continued to run its core Bursary and University Support Programmes without interruption, despite the challenges of the pandemic, and all budgeted funds were allocated and distributed. In 2021 PPS funded 78 bursaries. The LEAP Work Readiness Programme, which prepares bursary recipients and other graduates for the world of work, also continued to prepare them for assimilation into the working environment.

The PPS Graduate Internship Programme, which is run by the Foundation, continues to be oversubscribed every year. In 2021, as in previous years, the majority of participants who completed the one-year programme were offered full-time employment within the Group. The programme ensures that a vibrant stream of talent continues to flow into the PPS Group and its subsidiaries.

PPS Training Academy

The PPS Training Academy continues to be a learning institution for staff, advisers and members that we are immensely proud of, and which is internationally recognised for excellence.

The digital literacy programme introduced in 2020 has also been exceptionally popular and, in 2021, the number of courses available increased from 17 to 32. The programme, which is also offered to advisers, is specifically designed to assist staff members to develop the skills they need to interact effectively in a digitalised working environment.

Ethics and corporate governance

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 of 2008, 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. All boards and committees are also supported by a well-resourced company secretariat.

Changes to the Board

On the Holdings Trust Board, we bade farewell to Ebi Moolla who retired in May and Ncumisa Nongogo, whose term of office came to an end. I wish to thank them both for their valuable contributions. PPS wishes Ebi Moolla all the best in his retirement.

We also welcomed Armand de Vries, an accountant by profession, who joined the Board in October.

In memoriam

At this point, I would like to pause and give thought to the members of our staff, our advisers, and also our members, that we have lost to the pandemic over the past two years, as well as to the loved ones that our various stakeholders have lost. Nothing prepares us for losses like these, especially if they occur suddenly, and affected colleagues, business partners and members and their families are always in our thoughts. We trust that, in some small way, they are sustained by being part of the PPS family.

I was also deeply saddened to hear of the passing of Edwin Letty and Etienne Hugget, both former chief executive officers of PPS. We hold their families and friends close in our thoughts.

For our members, we find some consolation in the fact that the life cover held by their loved ones offered an invaluable safety net for them and that they did not have to endure financial privations at the time of their greatest need.

On a broader basis, South Africans have been deeply affected by the loss of their fellow citizens to the pandemic. According to excess death statistics, almost three hundred thousand were recorded at the time of writing. This is a profound wound to the nation and it will take a long time to heal. In our busy everyday lives, let us always take time to remember that so many of us are suffering. May we always be inspired to treat one another with kindness, empathy and compassion.

Thank you

On behalf of my fellow trustees and the non-executives in the PPS Group, I would like to thank our CEO, Izak Smit, his PPS Group executive team, and the broader management team for piloting us through such turbulent waters and for staying true to our values and principles through many challenges that the pandemic has presented. They have shown exceptional empathy and foresight over the past two years and have managed to lead our members, advisers and staff through this once-in-a-lifetime period with a sure and steady hand.

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

I mentioned in the changes to the Board section above, the retirement of Ebi Moolla. Ebi was of course the PPS Holdings Trust Chairman from 2012 to 2020. He also served as the Chairman of PPS Investments from 2006 (when this business was founded) to 2021, and in various other governance roles over many years. I want to thank Ebi for his invaluable service to the Group.

Lastly, 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 source of innovation and good governance that it is and who remain unfailingly committed to providing ever-better value to the PPS community. I must also thank my family, whose support for me and my work remains unfailing.

Sybil Seoka

Dr Sybil Seoka
Chairman
30 March 2022

Photosynthesis is a beautiful cycle.

Photosynthesis (one of the two sub-cycles of the carbon cycle) is the incredible process whereby plants containing chlorophyll use the energy from sunlight to convert water and carbon dioxide into sugars and oxygen. This results in glucose-rich plant matter for us to eat and air for us to breathe. And, of course, as we breathe, we expel carbon dioxide back into the air, and so the cycle continues.

The PPS Holdings Trust Board

— **Dr S N E Seoka**
B Pharm, PhD, FPS
(Chairman)
Independent Non-Executive Chairman

— **Dr C M Krüger**
MB ChB, M Prax Med, M Pharm Med
(Deputy Chairman)
Independent Non-Executive Deputy Chairman

— **Dr A Coetzee**
B Med Sc, MB ChB, CAHM, ABCD
Independent Non-Executive Trustee

— **Mr A H de Vries**
B Acc, CA(SA)
Independent Non-Executive Trustee

— **Ms D L T Dondur**
B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)
Independent Non-Executive Trustee

— **Mr J A B Downie**
B Sc, MBA, CFP
Independent Non-Executive Trustee

— **Dr D P du Plessis**
BSc, MBA, DBA, CD(SA)
Independent Non-Executive Trustee

— **Mr C Erasmus**
BSc, FIA, FASSA
Independent Non-Executive Trustee

— **Dr N H P Khosa**
MB ChB, MBA
Independent Non-Executive Trustee

— **Mr I Kotzé**
B Pharm
Independent Non-Executive Trustee

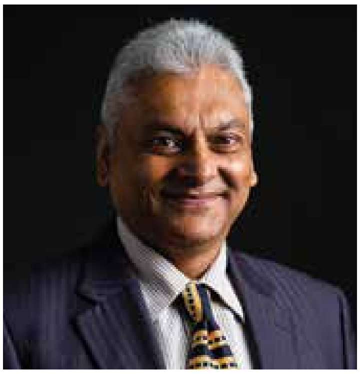
— **Ms M B Mabidi**
LLB, LLM
Independent Non-Executive Trustee

— **Dr F Mansoor**
BDS, MBA
Independent Non-Executive Trustee

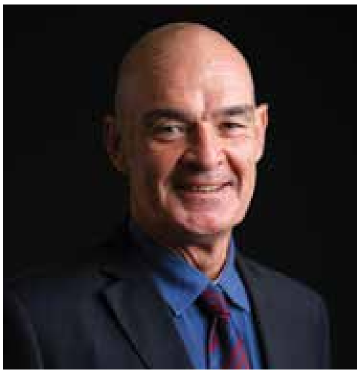
— **Ms J K Myburgh**
B Proc, Admitted Attorney
Independent Non-Executive Trustee

— **Mr N C Nyawo**
B Com (Hons), CA(SA), MBA
Independent Non-Executive Trustee

— **Dr R Putter**
B ChD, M Sc (Dental Public Health), CFO(SA)
Independent Non-Executive Trustee



— **Mr P Ranchod**
B Compt (Hons), CA(SA), MBL,
H Dip Business Data Processing
Independent Non-Executive Trustee



— **Mr V P Rimbault**
B Sc Eng (Mech)
Independent Non-Executive Trustee

— **Prof L C Snyman**
B Med Sci, MB ChB, M Prax Med,
M Med O&G, FCOG, PhD
Independent Non-Executive Trustee

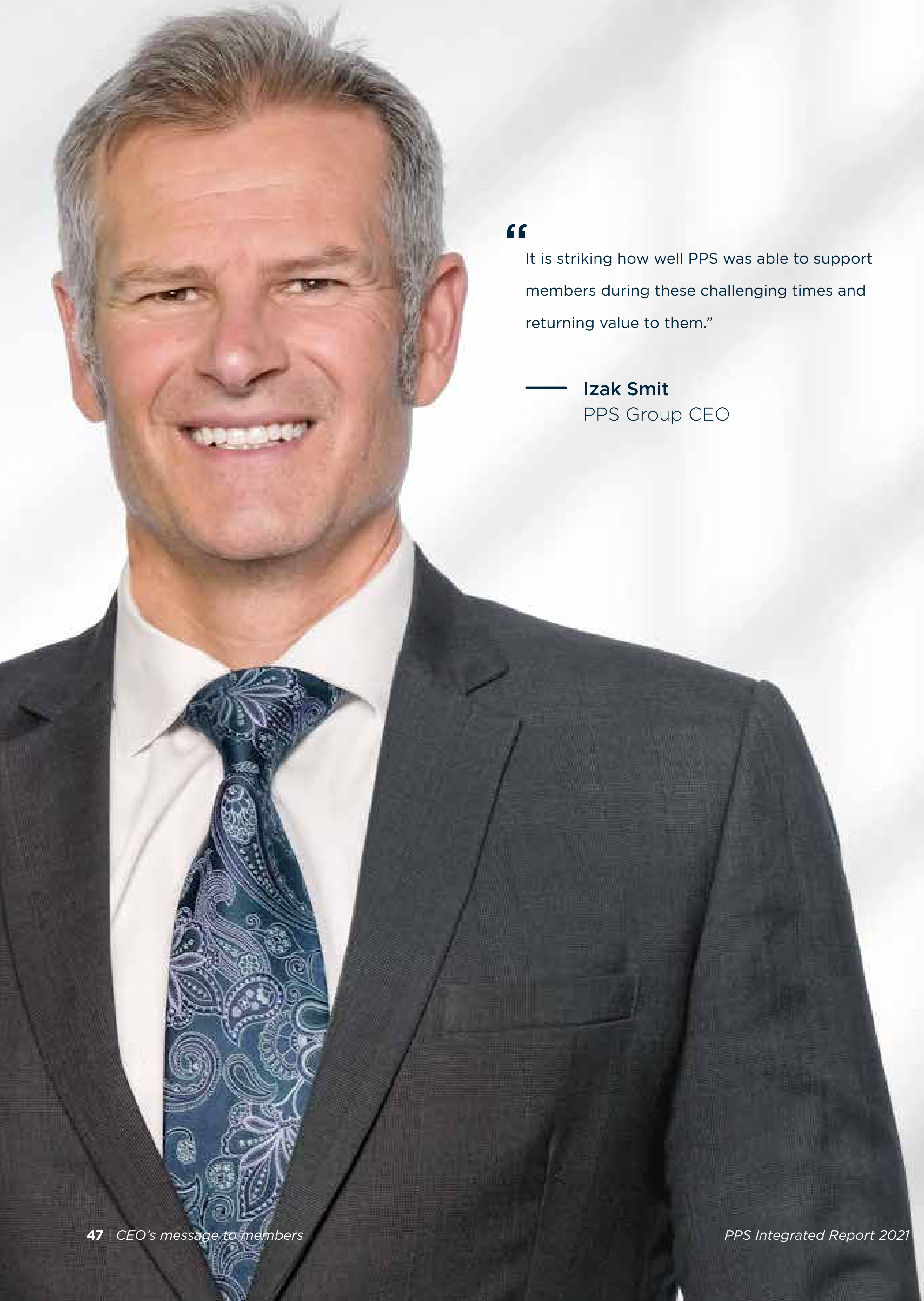
— **Mr S Trikamjee**
B Com (Hons), CA(SA)
Independent Non-Executive Trustee

— **Prof H E Wainer**
B Acc, CA (SA), Registered Auditor
Independent Non-Executive Trustee

— **Mr E A Moolla**
Independent Non-executive
(Retired 10 May 2021)

— **Mrs N N Nongogo**
Independent Non-executive
(Resigned 10 May 2021)

CEO's message to members



"It is striking how well PPS was able to support members during these challenging times and returning value to them."

— **Izak Smit**
PPS Group CEO

Overview

It is my privilege to report to members that PPS has experienced an exceptional year in 2021 in terms of supporting our members and returning value to them. In our unique mutual model, premiums that members pay to our insurance businesses – with investment growth – are returned to them, either as claims or as allocations to their Profit-Share Accounts when they hold qualifying products. The only flow out of the Group, is of course the management expenses to run the business. From this perspective, 2021 has been a most astonishing year. As is to be expected during a worldwide pandemic, life insurance claims payments have exceeded anything that we have ever witnessed in our 80-year history. The investment markets also experienced a very good year and the investment returns that we can distribute to our members in the form of Special Benefit allocations to their Profit-Share Accounts have exceeded those of any previous year. Collectively, the value that was returned to members through claims in 2021, supporting them in times of need, and the value added to their Profit-Share Accounts due to investment returns on accumulated past profits, is extraordinary.

The claims experience in 2021 (and more on this below) of course reduced operating profit. In fact, COVID-19 claims resulted in our operating profit for 2021, which is basically underwriting profit net of investment returns, ending the year marginally positive. During a pandemic, and especially given the extraordinary events of the past two years, the focus is (and should be) on claims, which were met expeditiously. We continuously adapted our claims protocols so that we could assist our members as much as possible while trying to ensure fairness between different cohorts of members (for example between those that have suffered a certain condition and those who have not). As a company that is founded on the ethos of mutuality, we were able to do this as there are no shareholder interests to protect or serve. As a result, we went further than what our competitors were able to do with their protocols. The COVID-19 pandemic provided a brilliant opportunity to stay true to our purpose of assisting our professionals in protecting their income and assets, and enhancing their financial security. And yet, despite the enormous value that was returned to members through claim payments, we were still able to declare a small operating profit. Our diversification strategy helped us achieve profits in our subsidiary businesses as PPS Insurance did not achieve an underwriting profit.

An immediate word of caution is also appropriate regarding the investment returns. A good financial adviser will, after a period of very good investment market returns, advise his/her clients that they should not expect such experience to continue. Growth assets are inherently volatile and might yield negative returns in future. And, after a period of sub-optimal returns, he/she would remind his/her clients of the nature of growth assets and keep their focus on the longer term. In other words, a good adviser talks good returns down and offers words of encouragement after market corrections. At PPS we follow a well-diversified and 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 to not knee-jerk after significant market movements, and to invest more in growth assets. The 2021 calendar year was a very strong year in the investment markets. Our funds performed brilliantly. It is exactly those years that help longer-term average returns to beat their targets. You do not want to miss out on these years. But, like a good adviser, I must caution that past performance is no guarantee of future results.

As I am writing this report, the Russian/Ukrainian conflict has escalated into a war, which is likely to have a significant impact on global supply chains, world economic growth and investment markets. We must accept that the prevailing geo-political world situation is quite negative for 2022 investment returns.

I mentioned in last year's report that a crisis can either expose the flaws in a model and a team or prove its robustness and make a team stronger. The 2021 year that we report on was a challenging one in many ways. Staff were stretched. Members can, for example, appreciate the strain that our claims staff had to work under through most of the year, with claims volumes double those of a normal year. In addition, our IT and operational staff had to navigate through a cyber event. Our channels had to chase targets given a weak economic backdrop. And, in our daily lives, most of us had to deal with trauma of some form. I again count myself fortunate to be part of a team and a model that can look back on 2021 with pride. We continue to be 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, at the same time, a huge responsibility. I am surrounded by a team that strives to live up to our purpose and our values every day. I can report to members that the challenges of the past year have indeed made the team stronger.

Opportunities and strategy

Social distancing protocols between the second and third waves of the COVID-19 pandemic in 2021 allowed most of the senior management team to participate in a physical strategy offsite, although some had to attend virtually. In fact, we are now becoming quite experienced in facilitating such hybrid events. When our non-executives joined a few weeks later, the third wave's social distancing and other restrictions prevented another physical event. Yet, this was not much of an issue. The way we go about strategy formulation in the PPS Group is robust and well entrenched. The overall Board guidance during the pandemic was to follow through on existing strategies but to be cautious on bold new initiatives. However, we are also conscious that a crisis often presents good opportunities. The strength of our balance sheet allows us to throw some fertiliser for the future in a responsible manner. As we exit the pandemic, we expect to invest more in growth opportunities.

Our strategic process is such that all executives and senior managers are involved in strategy formulation and execution, more than a hundred of them. It is a meaningful part of the scorecards on which they are measured – there is real skin in the game. It also facilitates good cross-team collaboration (typically a weakness in many organisations). The management team is then grouped into a number of smaller strategic execution teams (SETs) that focus on particular themes and aspects that support our strategy.

I mentioned in last year's report to members that PPS fell victim to a malicious cyberattack in March 2021. I can again confirm that no member data was compromised. In fact, our core life insurance and investment systems were not impacted. However, it did impact our ability to serve our members in line with the high standards that they are accustomed to, as certain client service platforms were impacted. We managed to quickly set up alternative ways to serve our members. All systems were fully restored and cyber security will continue to enjoy significant attention and focus. Such cyber events assist us to make our security posture even stronger giving us confidence in the ability of our operational and IT teams to navigate such challenges.

Especially in the professional segment where digital tools and platforms, interconnectedness and remote working become an ever-increasing feature of the operating landscape, we should remain vigilant of the scourge of cybercriminals. Indeed, threats to cyber security will pose an increasing challenge to individuals and companies, big or small.

Performance snapshots for 2021

PPS Insurance

The annual premium income of new life insurance business written in 2021 in South Africa and Namibia was up a significant 23% on new life business that was written in 2020. It is also 9% more than the previous record year in 2019. New business is the lifeblood of a life assurance business and our channels are indeed healthy and performing very well. 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. Therefore, our only way of distribution is through face-to-face advisers, both internal and external to PPS. About 75% of new business flows to PPS in 2021 were again due to 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 advisers. This internal channel had an exceptional year in 2021, growing life new business by 28%.

Gross Life premium revenue went up by 4.5% in 2021 supported by a low lapse rate that came in at 5% at the end of the year. The big story of the year to report on is of course claims. As can be appreciated, it was very difficult to anticipate at the start of 2021 the impact that COVID-19 claims would have, despite actuarial model guidance from the South African Actuarial Society. Most of the impact of the second wave of COVID-19 that started towards the end of 2020, was felt in the 2021 financial year. The impact of the significant third wave, which reached a peak in July/August 2021, came through in our claims experience in the third and fourth quarters. Total claims were 36% more than in 2020, which was in turn 45% more than in 2019. COVID-19 claims (the ones that were formally acknowledged as such) alone amounted to R1.4 billion in 2021. In 2021, we paid 11 587 COVID-19 sickness claims to the value of R424 million. We also paid 193 COVID-19 death claims to the value of R975 million. We, therefore, paid almost 12 000 claims that were formally acknowledged to be COVID-19 related, but have reason to believe that this number is higher due to some members choosing not to acknowledge this as the underlying reason for their claim. Almost one in ten of our members submitted a COVID-19 claim. These are high numbers from a historical perspective, but we could absorb these numbers in our income statement without dipping into negative territory (and ignoring investment returns). Our solvency remains strong as PPS continues to honour long-term future commitments to our members.

Our foremost purpose remains to assist our members in times of need, which means paying valid claims; profit is a secondary objective. Due to our mutual model, more claims simply mean that more money is distributed to those (unfortunate) claimants and less to the general pool in the form of Profit-Share.

Management expenses constitute the only leakage 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 track. Management expenses were in line with budget and breached the target efficiency ratio slightly, mainly due to extra expenditure in relation to the recovery after the cyber event.

PPS Investments (PPSI)

PPSI reached its 15-year milestone at the end of 2021. It has now grown to a significant business with total assets under management of R54.0 billion, up by 25% from R43.1 billion at the end of 2020. It now serves more than 54 000 investors. The 2021 year was arguably the best year in PPSI's history. Gross new business inflows were R7.1 billion. Surplus before interest and tax was 57% up on 2020. This strong growth in surplus demonstrates the benefits if an investment business grows to scale. The good surplus numbers were mainly due to strong financial discipline in expense management, benign investment markets and the good new business performance. Our members with qualifying life products benefit directly from these increased profits as it is added to their Profit-Share Accounts. However, more important than overall profitability is the individual fund performance. Investment performance (relative to benchmarks and peers) on both the retail and institutional side is very pleasing. In the latest Morningstar Fund Ratings, PPS Management Company which manages the PPS fund range ranked within the top three of the 46 competitors.

PPS Short-Term Insurance

With new business under pressure due to the COVID-19 pandemic, the **PPS Short-Term Insurance personal and commercial lines** business used the opportunity to focus on further digitalising the business as well enhancing the concierge services and introducing travel benefits. These initiatives to future proof the business are in response to the need for convenience by graduate professionals who are time poor. The introduction of Profit-Share and the Profit-Share Cross-Holdings Booster for Short-Term Insurance personal and commercial lines products are starting to positively impact cross-sell to the PPS membership. This resulted in an 11% increase in new premium written when compared to 2020.

COVID-19 restrictions and an increase in working from home saw members using their vehicles less. This, together with mild weather, led to better than expected claims performance. The claims experience over the last few years, irrespective of the COVID-19 impact, supports our view that the professional market segment is a benign risk pool. This is due to certain behavioural traits common to professionals, like embracing certain personal risk management principles and a general professional ethos. Lapses were slightly higher than projected, driven mainly by economic conditions; however, it is pleasing to see that the trend shows a decrease in lapses from the previous year.

Our **Health Professions Indemnity** business continues to be on an aggressive growth path. In 2021, the number of insured health professionals reached 1 732 and represents organic growth of 63% for the year. During the year, Pharmaceutical Society of South Africa Scheme (PSSA) members were also migrated bringing the total number of insured health professionals to 4 309. Gross written premiums increased by 67% from the previous year. The focus on underwriting and understanding the specific risks have resulted in a quality insurance portfolio as reflected in the insignificant loss experience to date despite a highly litigious environment. The bottom-line financial performance of the business is well ahead of budget, mainly due to good expense management. This business is well on its way to a breakeven position in the next year or two and on track to becoming sustainable in five years. New business distribution will be stepped up in 2022, as the proposition of quality indemnity cover is so much in tune with the purpose of PPS: helping members to focus on their professions, enabling them to practice.

PPS Healthcare Administrators (PPSHA)

PPSHA had another exceptional year in 2021. Revenue was 7% up on 2020. Expenses were 9% up on 2020, slightly ahead of budget due to additional spending to improve B-BBEE ratings, which are especially important in this market. Profit before tax was in line with 2020. The increase in revenue and profit is mainly a result of marginal growth in membership of the Profmed scheme and very good growth in the KeyHealth scheme, where membership by the end of the year was 2% higher than at the start of the year. Membership resignations across the schemes that we administer were slightly up on 2020, but still quite low by historical standards as members are understandably very reluctant to lapse medical aid membership during a pandemic. However, COVID-19-related deaths contributed to net attrition rates. Part of the strategy of PPSHA is the provision of additional services to existing clients (such as disease and dental management) and this supported the growth in revenue. Improvement in operational efficiencies continues to be a major focus, to keep costs low for our clients. It should again be noted that PPS members with qualifying Life products who are also Profmed members essentially get administration services at cost since most of the profit generated from these administration services are returned to them in the form of Profit-Share. At the same time, they enjoy industry-leading administration services from a highly professional team.

PPS Namibia

The COVID-19 pandemic did not have a big impact on Namibia in 2020, but unfortunately, that changed in 2021. For certain weeks of the year, Namibia experienced some of the highest per capita COVID-19 mortality rates in the world. PPS members and staff in Namibia, therefore, experienced a challenging year and also had to navigate a very weak economic environment. Gross claims of R152 million were 114% more than the R71 million in 2020. COVID-19 sickness and death claims contributed R50 million to the total. Gross premium revenue was up by 5% on the previous year. This resulted in an operating profit of R46 million in 2021. This was 5% lower than in 2020 due to the higher claims. As in South Africa, we are happy that operating profit (ignoring investment returns) ended the year positive, despite the significant claims that were paid. New business inflows were strong, with new annual life insurance income up 18% on the previous year. New member acquisition exceeded expectations, with 374 new Namibian members in 2021 against a target of 250. The professional way that PPS Namibia supported members during the difficult year no doubt contributed to new member growth through word-of-mouth referrals. Our strategy in Namibia remains to introduce new product lines to the market shortly after they were introduced in South Africa. Namibian members can also look forward to fiduciary services that will be rolled out in 2022. In terms of the investment markets, as in South Africa, members enjoyed exceptional returns which exceeded budgeted expectations four-fold.

Thank you

The commitment of our employees was again humbling to witness in 2021. We have now very strongly embedded our three core values, of *taking extreme ownership*, of *curiosity* and openness to new learning, and of *doing the right thing*. It is pleasing to see how these values guide actions and decisions throughout the business. Although we continued to operate remotely for most of the year, from more than a thousand homes across South Africa, the ball was not dropped. Ironically, despite being physically removed from each other over much of the year, we continued to feel closer as a team and very proud to work for the PPS brand. It was again a privilege to lead and be part of such a team of talented people. I thank all my colleagues for their hard work and determination, to make 2021 a year where we could continue to support and return value to our members in their time of crisis.

The contribution and input of our non-executive board members remain invaluable. It is in challenging times that the guidance of a strong and diverse board is especially important. Both the chair of PPS Holdings Trust, Dr Sybil Seoka, and of PPS Insurance, Charles Erasmus, are valued sources of advice and support, as are the chairs of the various sub-committees.

As was the case last year, I again want to use the opportunity to express my condolences to many staff and members who have experienced loss during these times. The fact that most families across South Africa and Namibia had to live through some form of loss or challenge in 2021 is respected.

Finally, thank you to our members who continue to trust us with their financial security. We take this trust and responsibility seriously.

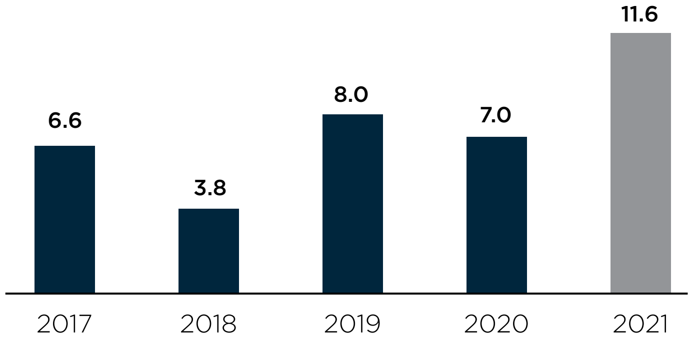
Izak Smit
PPS Group CEO
30 March 2022

PPS Group performance at a glance

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

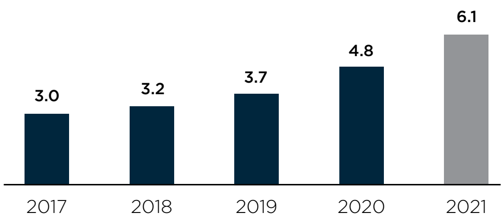
Annual gross benefits paid to members and Profit-Share allocations

(R'bn)



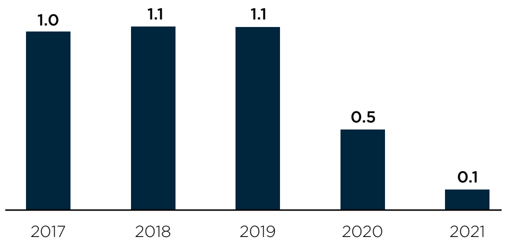
R11.6 billion

Annual gross benefits paid to members
(R'bn)



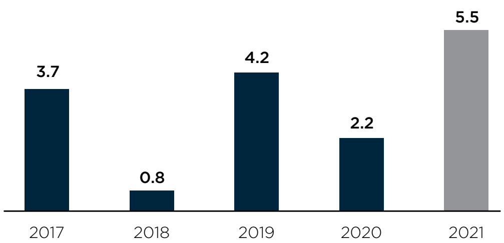
R6.1 billion

Annual operating profit allocations
(R'bn)



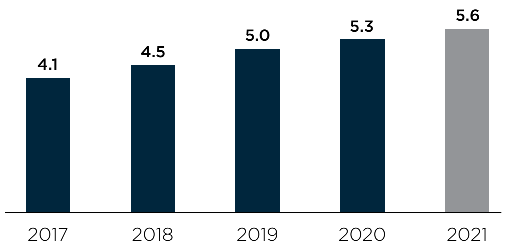
R0.1 billion

Total annual Profit-Share allocations
(R'bn)



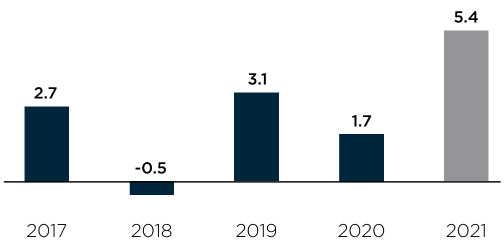
R5.5 billion

Group gross premium revenue
(R'bn)



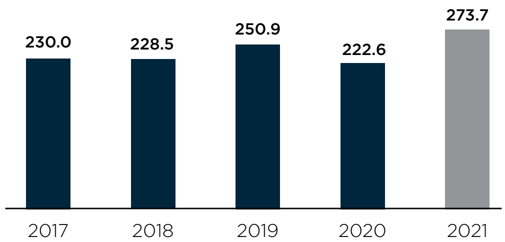
R5.6 billion

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



R5.4 billion

New life risk annual premium income
(R'bn)



R273.7 million

Directors of the PPS Insurance Company Limited

Mr C Erasmus
B Sc, FIA, FASSA
(Chairman)
Independent Non-executive

Prof H E Wainer
B Acc, CA (SA), Registered Auditor
(Deputy Chairman)
Independent Non-executive

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

Mrs T Boesch
B Com (Hons), CA(SA)
(Group Chief Financial Officer)
(Executive)

Ms D L T Dondur
B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)
Independent Non-executive

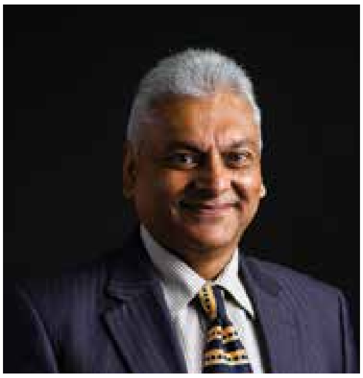
Mr J A B Downie
B Sc, MBA, CFP
Independent Non-executive

Dr D P du Plessis
B Sc (QS), MBA, DBA, CD(SA)
Independent Non-executive

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

Dr N H P Khosa
MB ChB, MBA
Independent Non-executive

Dr C M Krüger
MB ChB, M Prax Med, M Pharm Med
Independent Non-executive



Mr P Ranchod
B Compt (Hons), CA(SA), MBL,
H Dip Business Data Processing
Independent Non-executive

Dr S N E Seoka
B Pharm, PhD
Independent Non-executive

Mr I J Smit
B Com (Hons), FASSA
(Group Chief Executive Officer)
(Executive)

Mr S Trikamjee
B Com (Hons), CA(SA)
Independent Non-executive

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

PPS Life Insurance

About PPS Life Insurance

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.

We aim to provide peace of mind, security, and wealth protection for our members, both during their working lives and throughout retirement. Our products and benefits, therefore, offer features and benefits that many competitor products do not.

For example, our flagship product – the PPS Sickness and Permanent Incapacity Cover – offers much more than other similarly positioned products available on the market.

The sickness benefit is designed to support the member during an initial period of sickness for up to 728 days. Uniquely, the member does not have to prove loss of earnings to receive the benefit. In addition, any remuneration received during a period of illness is not aggregated from any other earnings that the member has received, nor does it have a direct negative effect on their Profit-Share Accounts.

This was a particularly valuable feature for members who were diagnosed with COVID-19 in 2020 and 2021, offering them the security of an income at a time when they were ill and unable to work. Not only that, but in the initial phase of the pandemic, members who had to self-isolate due to exposure to the virus were able to claim their sickness benefit even though they had not necessarily contracted the virus. This was a protocol that went further than what was available elsewhere in the market. As the pandemic developed through further waves and as national self-isolation periods decreased, our protocols were adjusted and eventually we could do away with this benefit.

In cases where a member becomes chronically ill or is permanently incapacitated, the Permanent Incapacity benefit replaces or supplements their income through to retirement, while benefits from their Profit-Share Account and any retirement products they may hold continue to accrue.

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 on the market, the PPS ethos of mutuality ensures that PPS members who have qualifying life or risk insurance products automatically participate in the PPS Group's Profit-Share programme.

The PPS Profit-Share Cross-Holdings Booster allows members with life insurance to boost their Profit-Share participation by taking up other products offered by PPS subsidiaries or affiliates, such as PPS Short-Term Insurance, PPS Investments or Profmed medical aid.

Performance

As noted in the CEO report, it can be argued that the 2021 pandemic year provided the opportunity to PPS to continue to assist its members, not only through value returned through claims, but also through investment returns that were added to Profit-Share Accounts.

On the claims side, we track COVID-19 and non-COVID-19 claims. The experience of the claims classified as non-COVID-19 followed our normal actuarial expectations closely and was only 4% higher than in 2020, coming in at R2.87 billion for the year. However, as is the case with the sickness claims, we have reason to be believe that some of these claims were still COVID-19 related although not acknowledged as such. To this should be added the COVID-19 claims acknowledged as such and these amounted to R1.4 billion, resulting in total gross life insurance claims of R4.26 billion, an increase of 36% on 2020. In 2021, we paid 11 587 COVID-19 sickness claims to the value of R424 million. We also paid 193 COVID-19 death claims to the value of R975 million. We, therefore, paid almost 12 000 COVID-19-related claims in total during the year. The total number of claims during 2021 was 24 151 (23 651 sickness claims and 500 death claims). If we average it out (although in practice it followed the COVID-19 waves of course) it amounts to more than 100 claims per workday. In short, we assisted our members in their time of need to an unprecedented extent.

These claims volumes of course impacted operating profit. Yet, the strength of our mutual model and the quality of our risk pool were such that operational solvency is not an issue, the Life business did not record any operating profit.

Another reason why 2021 was extraordinary is that new life business inflows ended the year at a record level, with new annual premium income in South Africa and Namibia growing by 23% year-on-year. This achievement was despite the restrictions that the pandemic placed on financial intermediaries' ability to operate freely. They had to adapt to a hybrid way of working. From a turning-a-challenge-into-an-opportunity perspective, though, remote contact for routine matters has improved efficiencies and has added a new level of ease in doing business between financial advisers and their clients.

Risks, challenges and opportunities

As in 2020, the most important challenge for the business was dealing with the ongoing impact of the COVID-19 pandemic. A life insurance business, by its very nature, will of course be impacted by a health pandemic. The strained economy was a significant factor, as was the impact of the civil unrest in July 2021 and the effects of continuing political instability and the lack of execution of good economic policies. Access to graduate students and new graduates was restricted due to various levels of lockdown, but this cohort has been quick to respond to digital forms of engagement, which we continue to develop. Emigration dropped off in 2020, but it did pick up again when lockdown restrictions were eased, and the emigration of professionals remains a risk for PPS.

On the positive side though, professionals have become more aware of the need to protect themselves and their families against unforeseen life events. This awareness supported the uptake of risk products, fiduciary services and medical aid cover.

PPS has established its own brokerage, Financial Solutions 4 Professionals (FS4P), which experienced encouraging growth in 2021. Over the year the number of independent financial advisers in FS4P has grown from 30 to 42, servicing more than 4 500 clients. PPS Specialist Support Services (S^3) 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 the financial advisers who serve PPS members.

In 2021 we extended our range of training courses available to financial advisers through the PPS Academy and have made significant strides in moving towards providing training and engagement opportunities on digital platforms. These included training programmes designed to facilitate the move to remote and hybrid working as well as to enhance digital skills among financial advisers. For many financial advisers in the professional market segment, the PPS Academy has become their primary source of continuing professional development.

Innovation

Recent innovations at PPS Group level have been a fitting way to mark our 80th anniversary. The most notable of these was the introduction of the PPS Profit-Share Cross-Holdings Booster in 2020, which is delivering significant value for members who hold products across the PPS business units.

We launched a major enhancement to our Critical Illness Cover in January 2021, extending coverage for critical illness to early-stage diagnoses to allow for much better treatment outcomes. The limit for potential payouts for cancer and cardiovascular illness were also increased, new disease categories were added and Child Critical Illness benefits were enhanced.

We introduced several learning innovations through the PPS Academy, which have been very well received. These include a series of *Did You Know?* sessions for financial advisers, which are designed to give them an in-depth understanding of the entire PPS product suite. In addition, we are developing an online intermediary engagement platform, which will give financial advisers faster access to information and help them to model Profit-Share outcomes for clients who have qualifying PPS products. This will be rolled out in 2022.

Looking ahead

In 2021, we came full circle. PPS was founded during the global crisis of World War II and is currently operating within the context of another global crisis, albeit of a different nature. Throughout our 80-year history, we have proven the value of our mutual model, with the business not only remaining stable, but profitable, throughout its long history.

As we look to the future, we are confident that the business is recovering well from the initial impact of the pandemic and we are positive about our prospects for 2022. We will continue to focus on adding new members, cross-solutioning to existing members, and providing strong support for our adviser network, especially with the introduction of the new intermediary enablement platform. We will continue to enrich the overall PPS offering of products and services.

PPS Financial Services 4 Professionals Proprietary Limited Board

Mr N J Battersby
(Chairman)
BSc, B Com (Hons), MBA, CFP, AMP (Harvard)

Mr L du Plessis
B Juris, LLB, M Com (Business Management)

Mr I E L McMaster
(Executive) (Appointed 1 July 2021)
MBL, BA, H DipEd

Mr W J Mouton
B Proc

Mr M M Mtshali
B Com, MBA

Mr I J Smit
B Com (Hons), FASSA

Mr M Spies
B Compt (Hons), C.T.A, CA(SA)

PPS Advisory Services and Enablement (ASE)

About PPS ASE

PPS ASE is an advisory channel that provides our professional members with customised and integrated financial advice and planning services to ensure that they can 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 130 financial advisers provide a highly personalised service, with each being responsible for 300 to 400 members. In addition, our 15 wealth managers in our boutique Wealth Advisory Service provide high-net-worth professionals with tailored financial advice and solutions for their wealth protection, wealth creation and wealth acceleration needs. We also provide specialist support services to our network of PPS independent financial advisers to assist with complex financial planning and business assurance.

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 graduate professionals 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 investments 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 ensures that the business is covered against such eventualities as accidental damage and personal liability claims.

Performance

Advisory Services had an excellent year in 2021, despite the challenging environment. New risk business was up by 28% from 2020. Gross new investment flows grew by 15%, Wills written were up by 31% and new members grew by 22% from the previous year. In fact, PPS remains the fastest growing agency in the South African industry which is a notable achievement.

A business optimisation process that was undertaken in 2020 continues to improve efficiencies and minimise costs, as has our fit-for-purpose back and middle office process, also introduced in 2020. These are designed to be operated by staff working remotely and to complement the face-to-face contact between financial advisers and members that is still such an essential aspect of our business. We are constantly enhancing our technology platforms to enrich the overall member experience.

Risks, challenges and opportunities

Many organisations downsized in 2020 and 2021, retrenching professionals as well as other categories of staff. The unemployment rate of newly graduated professionals continues to be high. Furthermore, as many PPS members are self-employed, the various levels of lockdown had a direct – and sometimes severe – impact on their businesses, causing financial constraints.

Within this context, we nevertheless had the opportunity to improve digital engagement significantly with the young graduate market, which was very well received. In addition, the introduction of the PPS Profit-Share Cross-Holdings Booster in 2020 has provided a strong platform off which to offer a wider range of products to our members.

Our staff had the opportunity to take advantage of an extended range of training opportunities, many of which are offered online and there has been an enthusiastic response to these. We continue to recruit new financial advisers to match the changing profile of our members and we provide new hires with extensive training so that they can offer sound financial advice and deliver the high levels of personal service PPS is known for.

Prospects

While the economy is likely to remain constrained in 2022, we believe that – based on our performance in 2021 – we are well-positioned to meet or even exceed our business targets for the year.

We will continue to present the entire PPS offering as part of the financial planning process. Operationally, we will continue to expand our presence and entrench our footprint in the country's major cities, while simultaneously extending our reach into key outlying areas. We intend to stimulate growth by continuing to deepen current stakeholder relationships with professional associations, workplaces and key partner organisations.

PPS Investments Proprietary Limited Board

Mrs R G Govender
B Com (Acc), M Com (Tax), Advanced PG Dip in Financial Planning, CFP
Appointed Chairman 1 July 2021

Mr N J Battersby
BSc, B Com (Hons), MBA, CFP, AMP (Harvard)
Chief Executive Officer

Mrs T Boesch
B Com (Hons), CA(SA)

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

Mr A J Fraser
MBA, BSc (Comp Sci), CFP
Executive (Appointed 1 July 2021)

Mr I J Smit
B Com (Hons), FASSA

Mr S Trikamjee
B Com (Hons), CA(SA)
Appointed 1 October 2021

Mr E A Moolla
Chairman
(Retired 10 May 2021)

Mr M J Jackson
(Retired 30 June 2021)

Mr P J Koekemoer
(Resigned 19 November 2021)

Mr A C Pillay
(Resigned 19 November 2021)

PPS Investments (PPSI)

About PPSI

PPSI has been providing customised savings, investment and retirement solutions for PPS members for the past 15 years, assuring them of the very highest standards of investment management. With a proud performance track record, the core PPS fund range provides a broad range of portfolio outcomes to meet members' needs regardless of career or life stage. Members who hold qualifying PPS life products can earn additional Profit-Share allocations when they take up products from PPSI as well as when they make use of the PPS funds. These allocations are further enhanced through the PPS Profit-Share Cross-Holdings Booster where we reward members when they diversify their portfolio across our subsidiaries and affiliates.

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 ongoing pandemic and economic uncertainty, PPSI had an exceptional year. Total assets under administration increased to R54.0 billion by the end of 2021, representing a very important milestone for the business. Gross inflows were R7.1 billion, profit after tax increased an impressive 56%, while the number of investors increased by 7%.

Performance was positively influenced because PPS members did not withdraw as much of their assets during the year as we had anticipated which resulted in net new business exceeding expectations. This is testament to the fact that the graduate professional market is, in general, a more reliable and lower-risk segment than the general market.

The performance track record of the PPS fund range is approaching 15 years (we will reach this milestone in May 2022) and pleasingly reflects consistent delivery in terms of both performance relative to investment benchmarks as well as relative to comparative funds within the same category of funds. This has been recognised in the latest Morningstar Fund Ratings, which reflect that PPS Management Company that manages the PPS fund range ranks within the top three of the 46 competitors in terms of the percentage of its funds awarded four or five stars.

South African equities delivered their strongest calendar year return since 2012 (up 27.1%) and global equities since 2015 (up 28.8% in rand). South African equities have now compounded at close to our long-term expectation of CPI+6% per annum over the past ten years, and global equities at CPI+15% per annum, almost three times as much.

For the year, South African inflation-linked bonds (up 15.5%) and nominal bonds (up 8.4%) also comfortably outperformed South African inflation (up 5.9%) and South African cash (up 3.6%), while South African property (up 36.9%) clawed back much of its prior year's underperformance, and foreign property (up 39.9%) comfortably outperformed foreign bonds (up just 1.1%).

The multi-asset funds within our fund range proved to have been well-positioned through the year, being overweight South African bonds (and especially South African inflation-linked bonds) and foreign equities and moving to an overweight position in South African equities over the year.

During 2021, there was a clear shift in the key drivers of portfolio returns, compared to 2020. Property and domestic equity markets delivered strong returns during 2021 compared to the muted returns delivered in 2020. Financial markets have positively rerated companies outside of the larger capitalisation stocks that had been penalised through much of 2020. There have also been signs of a reversal of the significant underperformance of value shares relative to growth shares.

While PPS Multi Managers modestly reduced foreign equities to overweight in 2021, our base view remains that the global and local environment should remain supportive of risk assets and cash is likely to remain an unattractive asset class. However, the global outlook is uncertain and financial markets are likely to remain volatile, particularly if global inflation remains persistently elevated or geopolitical risks materialise and central bankers are forced to raise rates assertively.

In terms of the opportunities for their appointed managers, while global managers have a much larger opportunity set to exploit, South African valuations look more compelling, especially if local economic growth and reform surprise on the upside.

Investment administration

The new web-based administration system designed to future-fit our business and support more effective remote working, which was introduced in 2020, has continued to add value and deliver measurable efficiencies, as has the introduction of straight-through processing (STP) and bulk transaction capability (BTC) for various transaction types.

Regrettably, our ease of communication to members and advisers was reduced for a period following the cyberattack experience that affected the PPS Group in March 2021. However, the potential impact of the attack was materially mitigated by the swift response from our Group IT team, such that neither client information nor sensitive business information was compromised. The event also did not pose any risk to investors as our investor administration functions are outsourced and all of our portfolios are housed in a separate and secure offsite environment.

The event, nevertheless, prompted us to further accelerate and improve services, and several technology initiatives that were in the pilot phase at the time it occurred were expedited to fill some of the gaps in our client engagement capabilities. Among other initiatives, we fast-tracked the development of our Artificial Intelligence (AI)-powered engagement engine, Ushur, which enabled us to continue engaging with investors through non-web-based channels.

Risks, challenges and opportunities

The business faced fewer significant challenges in 2021 than it did in 2020, with the impact of the pandemic nevertheless still making itself felt.

While remote and hybrid working arrangements were formalised during the year and while all staff working in this way were ably supported by Group IT, continuing loadshedding and unreliable internet connectivity presented efficiency challenges. COVID-19 fatigue was also an issue for staff, as was the disruptive effect of the civil unrest. Despite these challenges, there was no break in service to our members and we were able to continue to provide the quality products and services they expect from us.

As already mentioned, an anticipated increase in redemptions due to the economic impact of the pandemic on investors, which we had identified as a risk for the year, did not materialise. Similarly, only a few members switched to lower-risk investment options, demonstrating the understanding they have of short-term market shocks and the long-term performance of well-managed investment portfolios.

The business managed these challenges primarily through regular communication with staff, advisers and investors, which kept them updated on developments following the cyber event, on notable shifts in the economic environment and on market responses to these. And, as in 2020, we were able to retain our full staff complement on full pay throughout the year despite intermittent lockdowns. This was important to us from a staff management perspective and also because we need to retain the value of our highly skilled and experienced staff for the benefit of our members.

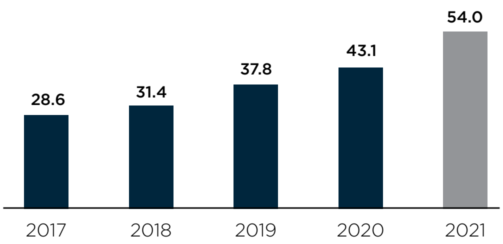
Prospects

PPS and PPSI will continue to follow a diversified investment strategy 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 are committed to playing a constructive role in doing this.

The escalation of the Russian and Ukrainian conflict has heightened geopolitical risk, impacted energy and food prices, and introduced material uncertainty into financial markets. In the immediate term, there are significant inflationary risks, the prospect of lower global economic growth and increased scope for policy error. The situation is fluid and dynamic, however, with a wide range of possible outcomes. In addition, markets have been highly volatile with sharp daily moves in both directions. In situations like this, PPS takes a longer-term perspective and relies on the diversified positioning of our underlying managers and their assessment of the relative risk and rewards to manage our portfolios. Going into the conflict, PPS had minimal (0.2%) direct Russian exposure, and managers did not add to it into initial weakness. Managers are assessing their positioning on an ongoing basis and will make changes to the broader portfolio (the Russian exposure is effectively untradable) where they feel necessary.

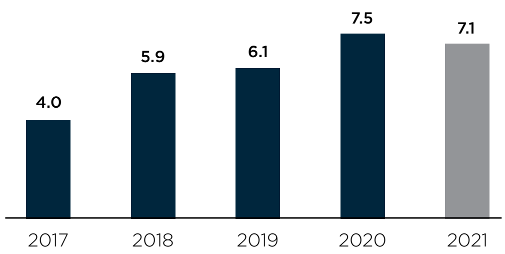
The increased scale of our asset base has numerous benefits for our investors, in that it presents further opportunities for reduction of costs both within the operations of the business and within the PPS funds. The business is on track to meet an ambitious five-year plan of having R60 billion of assets under management and serving 60 000 investors. Further scale will be added during 2022 as PPS Multi Managers will manage a bigger portion of our members' Profit-Share Account assets in line with the Board-approved asset management strategy. This will further enhance the proposition for PPS members to benefit from the investment performance of our funds and to enjoy sustainable Profit-Share allocations from their investments in the funds, as well as their use of the PPSI retirement and savings solutions.

Total assets under management
(R'bn)



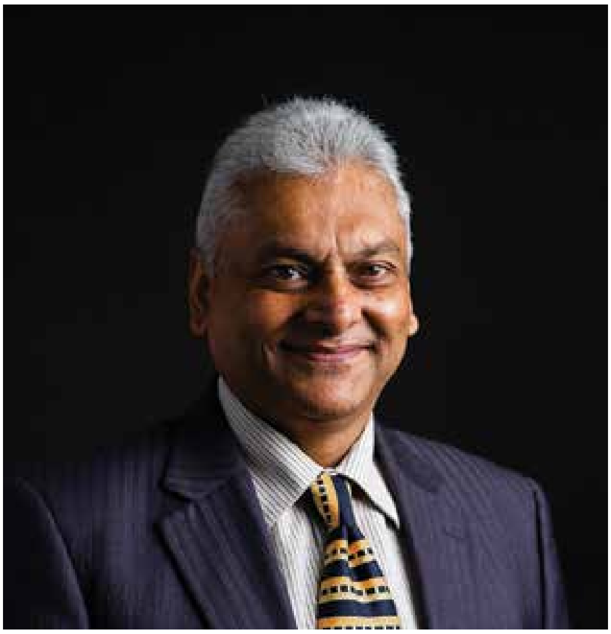
R54.0 billion

New business: investments
(R'bn)



R7.1 billion

PPS Short-Term Insurance Company Limited Board



Mr P Ranchod
B Compt (Hons), CA(SA), MBL,
H Dip Business Data Processing
Appointed Chairman 1 July 2021

Mrs T Boesch
B Com (Hons), CA(SA)

Mr W Bosman
B Compt (Hons), CA(SA)
Chief Executive Officer

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

Mr M J Jackson
Chairman
(Retired 30 June 2021)

Mr C Erasmus
BSc, FIA, FASSA

Dr N H P Khosa
MB ChB, MBA

Mr I J Smit
B Com (Hons), FASSA

Mr J D van der Sandt
B Com (Hons), CA(SA)
Executive

PPS Short-Term Insurance

About PPS Short-Term Insurance

PPS Short-Term Insurance (personal and commercial) is unlike any other short-term insurance provider in South Africa. Firstly, we provide intelligent short-term insurance for graduate professionals only, a benign risk pool. The solutions we provide, which include car, home and business cover, are carefully tailored to meet the client service needs of each member. Secondly, we operate under the ethos of mutuality, which means that all profits are returned to members with qualifying life products. This means that all premiums, after the costs of running the business, are eventually returned to members. The fair treatment of the whole pool of policyholders (claimants and non-claimants) is, therefore, the important consideration and not the protection of shareholder interests.

Performance

Despite having to face several significant challenges, PPS Short-Term Insurance had a successful year, delivering well above the business plan. This is largely due to a better-than-expected claims experience and good expense management. New business volume – although it showed good growth on the prior year – ended up falling short of our target as it continued to be impacted by the effect of the COVID-19 pandemic. The malicious cyberattack on the Group also had a significant impact on new business volumes during the year. The business initiated several key initiatives to increase new business volumes in the second half of 2021 (post the cyber recovery) and the results were positive with month-on-month increases in new business volumes to the highest levels in the past three years.

The business had an exceptional claims year with the net loss ratio significantly better than target. In 2021, the net loss ratio was 55% compared to 51% in 2020. This was well below the 65% budgeted for. The business benefited from benign weather, especially during the summer-storm months. What also contributed to the good numbers were improvements in the claims operations in general.

Risks, challenges and opportunities

A notable challenge to the business in 2021 was the cyber event in March. The focus shifted to member service when systems were not functioning optimally. The team managed the recovery process extremely well, with minimal impact on our members. The business even experienced an increase in compliments during this time, despite the impact that the cyber incident had on operations.

New business remained muted in the first half of the year due to the financial impact of the pandemic and the shift in focus to operations but did start to recover in September and October when we recorded our best months ever.

Lapse rates were slightly higher than expected for the year, reflecting the strained economy. However, increased retention efforts are showing positive results. From a PPS Group perspective, a fair number of cancellations were due to emigration. The emigration of professionals is an ongoing risk for PPS as a whole, given the market segment in which we operate, and we are mitigating this risk with concentrated marketing to new graduates. This is being done to ensure that the overall pool of members remains stable in the short term and grows in the medium to long term.

The second major challenge the business had to face during the year was the civil unrest in July, which saw a spike in claims. While all these claims were underwritten by the government insurer, SASRIA, we facilitated the submission of claims for our members and tracked the assessment and payout process.

On a macro level, PPS Short-Term Insurance, like all other financial institutions, is exposed to ongoing political and socio-economic uncertainty and we have to take this into account in all aspects of our business. Climate change – which results in escalating frequency and severity of extreme weather-related events – is another risk that will affect the business more in future and needs to be considered carefully. A further risk – which has been exacerbated as a result of the lockdown – is the economic impact on our members' ability to pay their insurance premiums. We are monitoring the situation and are constantly looking at different ways to support those affected in this way.

Innovation

We focused on enriching and adding value to the concierge services that we launched in 2021. 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 a member if there are any changes to their credit reports.

We also enhanced our mobile app, which gives members the ability to view and amend policy information, submit claims and access the concierge services. Our members have welcomed the new concierge benefits.

Travel benefits were introduced during the year. This includes a “Super Waiver” benefit for our members which means that when they rent a vehicle and an accident happens, they will not have to pay more than what their current insurance excess is with PPS Short-Term Insurance. There is, therefore, no need to purchase extra cover when renting a car. Our members now also have cover for luggage that is lost or delayed for longer than six hours. Professionals generally often have to travel, and our products are designed to assist with this.

PPS Health Professions Indemnity

The PPS Health Professions Indemnity is designed for healthcare professionals registered with the Health Professions Council of South Africa and working in clinical practice. PPS Health Professions Indemnity was developed in response to member demand for a PPS solution in the face of steep hikes in the cost of indemnity insurance and an increasingly litigious environment. 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 trust.

Our underwriting philosophy sets us apart as we use a risk-adjusted model. We look at the risk profile of each practice and or individual to determine the cost of indemnity insurance in that particular case. Each case is assessed factoring in clinical history, caseloads and geography; we do not make use of standard rates based on speciality.

In addition, premiums are adjusted according to the risk profile of the individual member. If practitioners manage their risk well and have a lower probability of claiming, they can choose to make use of a voluntary claims deductible to lower their premiums.

In 2020, PPS Short-Term Insurance was the first provider in the industry to assist medical professionals who hold the PPS Health Professions Indemnity product and who were affected by the pandemic. In 2021, we continued to take the ongoing impact of the pandemic on our members into account, helping them to ease cash flow by restructuring payment agreements where it was needed. We further reassessed the clinical risk profiles of members who were unable to work due to lockdown restrictions and offered reduced premiums for those with lower risk profiles.

Prospects

Notwithstanding the constrained economic environment, the business’s prospects for 2022 are good. There is scope, especially, for growth from newly qualified health professionals who have completed their training. Our association with ProAssurance, a US indemnity assurance provider, ensures that we have local knowledge and expertise while enjoying strong linkages and support from a global partner.

One of the risks to businesses that operate in the healthcare space is that there is still some vaccination hesitancy in South Africa and that a relatively low percentage of the population has therefore been vaccinated, compared to first world environments. This will put operational and economic pressure on healthcare professionals.

From an innovation perspective, we will be focusing on improving the self-service options we offer, both in response to client needs and to contain costs. As always, our objective remains to meet the specific short-term insurance needs of our professional members and our entire business is organised to do this.

In 2021, the number of insured health professionals reached 1 732 and represents organic growth of 63% for the year. During the year, Pharmaceutical Society of South Africa Scheme (PSSA) members were also migrated bringing the total number of insured health professionals to 4 309. The bottom-line financial performance of the business is well ahead of budget, mainly due to good expense management.

PPS Healthcare Administrators Proprietary Limited Board

Dr N H P Khosa
MB ChB, MBA
Appointed Chairman 1 July 2021

Mrs S Bassudev
B Pharm
Chief Executive Officer

Mrs T Boesch
B Com (Hons), CA(SA)

Mr I Kotzé
B Pharm

Mr M J Jackson
Chairman
(Retired 30 June 2021)

Mr N C Nyawo
(Resigned 30 June 2021)

Dr F Mansoor
BDS, MBA
Appointed 1 July 2021

Dr R Putter
B ChD, MSc (Dental Public Health), CFO(SA)
Appointed 1 July 2021

Mr I J Smit
B Com (Hons), FASSA

Mr S J van Molendorff
B Compt (Hons), CA(SA)
Chief Financial Officer

PPS Healthcare Administrators (PPSHA)

About PPSHA

PPSHA is a wholly-owned subsidiary of PPS Insurance. We offer medical aid administration and managed healthcare services to several open and restricted medical schemes in addition to other tailored solutions that enhance the medical scheme offering.

The medical schemes in our portfolio include:

- Profmed, a closed scheme for graduate professionals. We provide core administration and managed healthcare services to Profmed.
- KeyHealth, an open scheme that services local government employees and a growing number of private members. We provide core administration and managed healthcare services to Keyhealth.
- 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 core administration and managed healthcare services to this scheme
- De Beers Benefit Society, a closed medical scheme specifically for the employees of De Beers. We provide managed healthcare services to this scheme.
- SEDMED, a closed medical scheme specifically for the employees of the Seventh Day Adventist Church. We provide managed healthcare services to this scheme.
- We also provide services to other smaller non-regulated medical schemes.

As each of these schemes caters for different member needs, we provide customised solutions rather than a one-size-fits-all packaged service. We differentiate ourselves from our competitors through our high-service quality model.

Performance

As South Africa's fourth-largest medical schemes administrator, our fees track within the industry average range. We have consistently paid dividends to PPS members and contributed to their PPS Profit-Share Accounts. Members who hold qualifying PPS life products and belong to Profmed earn additional Profit-Share, which is reflected on their Profit-Share Account statements. They also earn additional allocations through the PPS Profit-Share Cross-Holdings Booster if they hold a combination of PPS life products and products from PPS subsidiaries – in this instance PPSHA.

In 2021, our business continued to be affected by the ongoing COVID-19 pandemic. As in 2020, many scheme members lost their jobs or came under financial pressure for various reasons. Despite this, our membership increased during the year. These included members who had been retrenched by employers that operate closed schemes as well as members who had to resign their memberships of open schemes for financial reasons.

The schemes experienced a high number of COVID-19-related deaths, especially during the second and third waves of the pandemic, and this contributed significantly to net attrition rates. In addition, many members were either ill themselves or were deeply affected by the loss of loved ones, all of which led to unusually high claim volumes. As part of our response to this, we increased the capacity of our call centres to ensure that we could continue to deliver the high level of service we are renowned for.

When vaccines became available during the first half of 2021, we introduced a vaccination concierge service, which involved consultants proactively contacting members to offer assistance in the process of registering to have the vaccination as well as booking a vaccine appointment. This initiative was very well received, especially by the elderly and high-risk members.

In early 2021, in a partnership with BrandMed, we introduced a digitally-enabled, outcomes-based managed care solution. It provides a single-view, digital ecosystem that empowers patients to optimally manage their health and wellbeing needs in conjunction with their GP. Apart from many other benefits, this reduces unnecessary expenditure on certain tests, which results in the depletion of medical benefits.

For related reasons, the schemes we administer and manage continued to cover telehealth consultations for routine ailments and conditions as a way of minimising potential exposure to the coronavirus. Coverage for enhanced telehealth services, such as consultations with specialists, psychologists and psychiatrists, remained in place. These services are now regarded by many members as an added-value component of their healthcare benefits.

At operational level, we continued to use the hybrid on-site/remote working model we introduced in the wake of the first lockdown. This has proven to be both efficient and effective. Our staff embraced the changes to our way of working from the very start. The success of the new model has, in no small part, been due to the involvement of our Employee Assistance Programme, which has been on hand throughout the pandemic to help individuals with both work-related and personal issues.

Despite having to confront all these challenges, we successfully met the conditions of our service-level agreements across all schemes, which is a notable achievement. On the membership front, despite the economic challenges referred to above, the uptake of new members was comparable to previous years and some schemes even experienced a net gain in membership.

Risks, challenges and opportunities

From an organisational point of view, the most notable challenge of 2021 remained the COVID-19 pandemic and the economic slowdown that followed in its wake. In such an uncertain environment, we had to be both astute and adaptable in our strategic planning and budgeting.

Taking a more long-term view, 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 private medical schemes in South Africa. As schemes merge and consolidate, their membership increases, but the overall pool of potential future clients becomes smaller.

Uncertainty about the introduction of a national health insurance (NHI) scheme remains both a challenge and an opportunity. We are, however, taking a proactive approach in this regard and actively engage with the Department of Health.

Accelerating technological change presents 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, developing new services to meet changing needs and maintaining a process of continuous improvement in operational efficiencies.

Improvement of our B-BBEE scorecard is a strategic objective for PPSHA. During the reporting period, we improved from a Level 5 to a Level 4 rating, and we anticipate that we will achieve a Level 3 during the 2022 financial year.

Innovation

One of our most notable innovations in 2021 was the introduction of the PPS Wallet for Profmed. This is an add-on savings account that is independent of the main medical benefit, but which works seamlessly with the medical benefit to cover the payment of healthcare expenses. It is available to Profmed members across all scheme options and is highly flexible in terms of the amount that can be paid into the PPS Wallet. The money in the PPS Wallet can be used to pay healthcare expenses for any beneficiary registered on the member's profile. The claims processing is seamless and hassle-free for the Profmed membership, thus enhancing the private client experience.

The roll-out of our private client service model continues to be very successful. We 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. The onboarding of new members takes less than a day, and our app is frequently voted as the best healthcare app in the Android app store.

At the end of 2020, we implemented an AI-enabled capability to read paper claims and convert them into a digital format. This solution has added a new level of efficiency to claims processing, especially for schemes that still receive most claims on paper or as scanned documents. This has enabled faster claims payment processing to members.

Innovations 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; and voice-recognition capabilities for when members contact our call centres.

Prospects

While the environment in which we operate is still constrained, our prospects for 2022 are good. The schemes we administer and manage are stable, as are their membership bases.

Growth is likely to come from growing membership at scheme level as well as from developing new services for members. Enhanced services will help to embed members and will have long-term benefits for both PPSHA and our clients. We will continue to keep tight control of costs by consistently introducing new technologies and efficiencies.

The affordability of medical aids remains a major issue for members, and this naturally increases the risk of attrition. We are constantly working with our schemes to ensure that they can offer affordable packages tailored to meet the needs of their members.

PPSHA continues to hold steady despite operating in such a fluid environment and we look forward to a successful year in 2022.

The tides are a beautiful cycle.

Tidal patterns are one of the crucial cycles in nature that sustain ocean life, provide food and sustainable energy, and help to balance the planet's temperature. Without them, life is not possible.

Material matters and risk management

Material matters

PPS Insurance 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 responses 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 changed the environment in which we operate permanently and its full impact on society and the economy is yet to be wholly quantified. In this very uncertain situation, planning is challenging, as is managing the rapid pace of change that the pandemic has precipitated. The long-term sustainability of the business is of course the first and primary focus. Business continuity remains a key focus, as does how we need to organise our operations to accommodate changing realities. The challenge we face is one of having to secure our sustainability while simultaneously having to support our members in the first instance, but also staff and advisers through this period of unprecedented change.

PPS's response:

In 2020, we rapidly adapted to the challenges presented by the pandemic, implementing remote and hybrid working arrangements in a way that enabled us to continue delivering the quality of service PPS is known for. We also put a comprehensive pandemic management strategy into place and we continue to use this as a framework within which to guide our response to COVID-19.

In 2021, we experimented with remote and hybrid working models and formulated a policy that came into effect on 1 February 2022.

When it comes to our members, we constantly assess underwriting and claims protocols to assist our members as much as possible, but also remain conscious of fairness across different cohorts of members. We, therefore, adapt our responses to the issues and the changing environment accordingly.

From a human capital perspective, we have comprehensive programmes in place to help our staff adapt to changing realities, both in the workplace and at home. We 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 what was an already-constrained economic environment in South Africa. Growth slipped into negative territory in 2020 and started to recover somewhat in 2021. It is expected to still take the local economy some time to recover to pre-pandemic levels. This naturally makes it more difficult for PPS to sign up new members, puts pressure on lapse rates, impacts on costs and has the potential to have a negative influence on profitability. Existing members may also choose to reduce their premiums or forego certain products when they find their personal budgets coming under strain.

PPS's response:

Our culture at PPS is to look for opportunities when the environment is challenging. The past year proved that we can indeed be successful in a weak environment, achieving record inflows. 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 appropriately according 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 considered 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.

Cybersecurity

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 – is one of the most pressing material matters for the business. This is especially of relevance following an incident that impacted functionality in March 2021. But, we are not alone; across the world businesses and governments face bigger cyber risks and continue to be impacted by cyber events. The move to remote working has made systems more vulnerable than they were before the pandemic and there was a 50% increase in the number of cyberattacks globally in 2021 (source: Check Point Research). During the year, financial institutions around the world experienced an average of 703 attacks a week, most of which were successfully counteracted due to stringent system security.

PPS's response:

We constantly review our information management strategy. We manage development centrally and invest substantially in best-of-breed technological solutions. We do this to secure and grow our business and 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. Automated responses to attacks also minimise their impact and give our system an important additional level of security.

Protecting our member data remains the top priority and the Board has recently approved further measures to improve an already advanced security posture to minimise the possible impact of cyberattacks.

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 include 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 can 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 to maintain an understanding of and insight into their dreams, goals, concerns 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.

By enhancing our Innovation culture and capability, PPS is reviewing our Innovation process, people and systems as a strategic focus. As part of this strategic imperative, this year, some of our leaders will visit the Plug and Play Tech Center, located in Silicon Valley, California, US. Plug and Play Tech Center is an innovation platform that pairs global corporations with vetted start-ups where we can interact with innovators and identify relevant innovations that PPS and its members can benefit from. From previous visits, we have successfully identified and implemented innovations such as Ushur, which is being leveraged across the business.

Digital transformation

Defining the issue:

Large-scale digitalisation has fundamentally changed how people engage. Professionals operating in an internet-enabled 24/7 information-sharing and transacting environment measure the standard of the services offered by 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. The COVID-19 pandemic has accelerated the pace of digitalisation across the world. Professionals 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 multi-platform internet presence, several mobile apps, a member engagement platform that will be rolled out to include advisers during 2022, 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 continued personal development.

Employee satisfaction

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 how we treat our employees ultimately determines how they treat our members. Managing employee satisfaction is, therefore, a very important material matter of the business.

PPS's response:

Our response to this challenge is outlined in more detail in the Human Capital section of this report. As in 2020, employee engagement and satisfaction improved during 2021, partly due to the introduction of several different digital engagement platforms. Our Employee Engagement score, measured through the annual employee satisfaction survey, continued to improve in 2021. 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 even as they worked remotely.

Regulatory issues

Defining the issue:

As a financial institution, we endeavour to comply will 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:

PPS follows internationally recognised compliance principles concerning regulatory compliance. We actively engage with government and regulators on matters that can or do influence 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. Our risk appetite is determined by our ethos of mutuality and our commitment to operating efficiently and ethically within legislative parameters to achieve our 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. Our methods for identifying risk include monitoring the external environment and industry trends; conducting risk analysis workshops and interviews; analysing various scenarios, data and assumptions; and performing reviews.

Identified risks are evaluated for likelihood, consequence and velocity, considering the effectiveness of existing controls. All these factors are combined to determine residual risk, which is assessed against our approved risk appetite. Reasonably foreseeable, emerging and relevant material risks are reported in various risk registers. These include current and emerging risks and consider our long-term strategic targets as well as our appetite for each category of risk. Mitigation plans and existing controls are articulated and measured for all risks.

Our process of identifying and managing risks typically includes and facilitates:

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

To manage risk effectively, we continuously track many different risks on various risk dashboards and respond to these as soon as they are identified. We consider the following to be material risks for the Group:

Risk	Mitigating actions
1. Prolonged outbreak of COVID-19	Premium support mechanisms for members. Updated COVID-19 workplace plan. Management of PPS COVID-19 claims and underwriting protocols as the pandemic evolves.
2. Sustainability	Close monitoring and in-depth analysis of the claims experience. Continuous review and update of claims protocols to remain relevant. Ensure appropriate reinsurance and product structures. 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. Integrate environmental, social and governance objectives into the Group strategic roadmap.
3. Muted economic growth	Ongoing implementation of the strategic plan by pursuing identified opportunities. Ongoing review of expenditure to identify efficiencies. Monitoring of lapses. Intensify member retention efforts.
4. Cyber exposure	Secure IT platforms. Cyber security plan in place. Effective cyber security operations centre. Security incident response plan in place. Security-awareness programmes for employees. Network segregation and monitoring. Workstation security management.
5. Prolonged poor investment performance cycle	Long-term well-diversified investment strategy. Balanced portfolios with international exposure. Multiple asset managers. Direct Board oversight of investments.

Abridged Financial Statements

PPS Group consolidated statement of financial position

as at 31 December 2021

	2021 R'm	2020 Restated R'm	2019 Restated R'm	2018 R'm	2017 R'm	Description of individual items
ASSETS						
Property and equipment	**622**	681	736	594	593	Fixed assets owned and leased. These include PPS's head office premises, furniture, equipment, computers and vehicles.
Investment property	**371**	460	501	409	382	Properties which are held for the purpose of rental income and capital appreciation.
Intangible assets	**244**	235	175	168	90	Internally-developed insurance software and acquired customer relationships.
Assets held for sale	**60**	–	–	–	–	Investment property disposed of which transfer of ownership is in progress at 31 December.
Other non-current assets	**53 145**	45 692	40 819	43 215	41 395	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	**5 226**	3 456	3 060	3 203	3 532	Primarily cash resources of PPS Group.
Total assets	**59 668**	50 524	45 291	47 589	45 992	
EQUITY AND LIABILITIES						
Total equity	**307**	339	339	360	449	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	**39 730**	35 481	33 419	31 137	31 418	
PPS Profit-Share Accounts (DPF-Policyholder Liabilities)	**33 219**	29 467	28 975	26 073	26 615	Members' Profit-Share Accounts comprising cumulative operating profits and investment profits/(losses).
Actuarial reserves (Non-DPF Policyholder Liabilities)	**5 406**	5 185	3 945	4 527	4 263	Capital held to pay future claims.
Current liabilities	**1 105**	829	499	537	540	Long-term insurance: Notified claims not yet paid and claims provisions.
Investment contract liabilities	**4 205**	3 194	2 589	2 046	1 877	Funds of members invested in PPS living annuities and endowment products.
Liabilities to unit trust holders	**12 454**	9 297	7 197	12 670	10 709	Value of outsiders' investments in unit trusts controlled by PPS.
Other liabilities	**2 972**	2 213	1 747	1 376	1 539	Primarily current liabilities.
Total equity and liabilities	**59 668**	50 524	45 291	47 589	45 992	

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 2021

	2021 R'm	2020 Restated R'm	2019 Restated R'm	2018 R'm	2017 R'm	Description of individual items
Net insurance premium revenue	**5 030**	4 898	4 607	4 163	3 858	Premiums received from policyholders net of reinsurance premiums paid to reinsurers.
Other income	**605**	530	481	418	437	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	**9 532**	4 144	4 575	32	4 612	Interest, dividends, and realised & unrealised gains on investment assets.
Attributable to unit trust holders	**(2 022)**	(721)	(964)	(155)	(967)	Third-party unit trust holders' share of relevant income and revaluation gains.
Total revenue	**13 145**	8 851	8 699	4 458	7 940	
Gross insurance benefits and claims	**(6 147)**	(4 841)	(3 749)	(3 167)	(2 877)	Gross benefits paid to members.
Reinsurance claims recoveries	**696**	481	260	235	177	Claims recovered from reinsurers.
(Increase)/Decrease in fair value of policyholder liabilities under investment contracts	**(567)**	(166)	(170)	48	(140)	Investment income, net of expenses, relating to the underlying assets linked to the investment policyholder contracts.
Expenses	**(2 511)**	(2 131)	(2 211)	(1 910)	(1 596)	Group operating expenses, commissions paid on new business written, and investment management fees.
Finance costs	**(5)**	(19)	(25)	(17)	(17)	Interest cost on borrowings and lease liabilities.
(Loss)/profit before movement in insurance policy liabilities	**4 611**	2 175	2 804	(353)	3 487	
Movement to insurance policy liabilities	**(3 838)**	(1 691)	(2 436)	334	(3 012)	The amount allocated to members in their capacity as policyholders.
Tax	**(786)**	(472)	(381)	28	(465)	Taxes raised in favour of the South African and Namibian Revenue Services.
Surplus/(deficit) after tax and policy movements	**(13)**	12	(13)	9	10	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 R1.6bn is from movements in the Actuarial Reserve

Key performance indicators

Our key KPI's		Unit of measure	2021 Performance	2021 Goal	Commentary
Financial stability	Gross premium income	Rand billions	**5.6**	5.7	Gross premium income (long-term and short-term insurance) is in line with expectations.
	Investment return	%	**10.3**	9.7	Investment return measured over a five-year rolling period performed ahead of the benchmark.
	Efficiency ratio	%	**18.2**	17.4	Cost control remains an imperative of the Group. Once-off cyber recovery costs negatively impacted the efficiency ratio for 2021.
	New annual risk premiums (long-term insurance)	Rand millions	**273.7**	258.0	New annual risk premiums are 23% up on prior year and performed well ahead of target.
	New gross written premiums (short-term insurance)	Rand millions	**14.2**	28.5	New short-term insurance premiums written are 10% up on prior year and performed behind target as a result of lower new policies written.
	New net investment inflows	Rand billions	**7.1**	7.5	New investment inflows are behind target due to the economic impact of COVID-19.
Membership	Number of new members recruited during the year	Individuals	**7 024**	8 450	New member recruitment performed behind target in 2021 due to the lockdown.
	Long-term insurance policies lapse rate	%	**5.0**	5.4	Policy lapse rates remained within acceptable levels.
	Health Claims	Rand billions	**2.2**	1.8	Health claims are significantly more than expected and include R423.6 million sickness claims related to COVID-19.
	Death Claims	Rand billions	**2.0**	0.9	Death claims are significantly more than expected and include R974.8 million claims certified as COVID-19.
Staff	Employee satisfaction survey results	%	**73**	70	Employee satisfaction scores remain in excess of target.
	Training spend as a percentage of payroll	%	**5.0**	> 4.0	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
- Target metric not achieved but members benefited from value returned through the payment of additional claims during the pandemic.

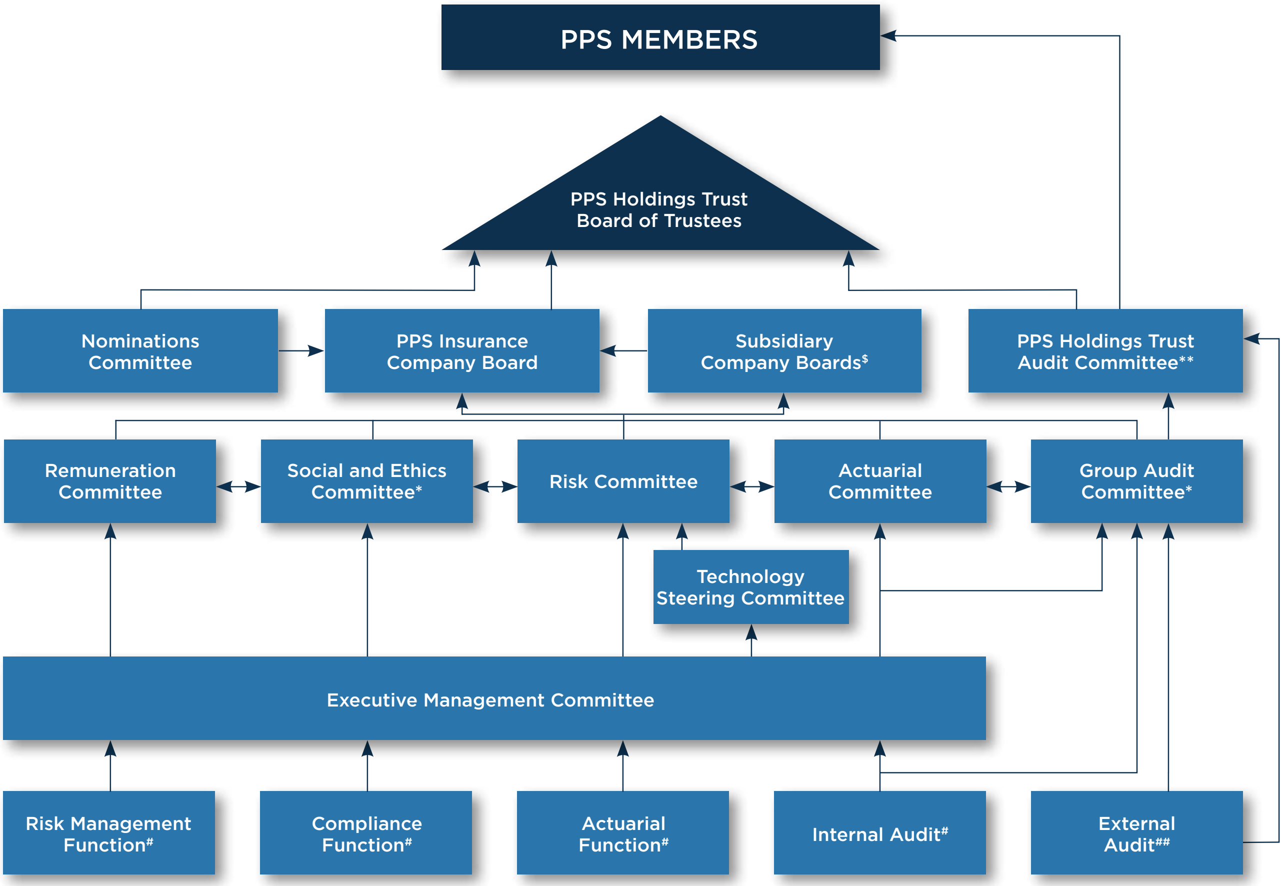
Nitrogen transformation is a beautiful cycle.

To say that the nitrogen cycle is important is an understatement, as this essential chemical element is not only needed to make proteins, RNA and DNA, but also life-sustaining chlorophyll for photosynthesis. Plants absorb nitrogen through their roots and animals ingest it when they eat plant matter. The nitrogen is then recycled back into the soil when animals and plants die – an end, which in itself, is a beginning.

Corporate governance report

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.

$ Subsidiaries PPS Short-Term Insurance and PPS Investments each have their own combined Risk and Audit Committee, 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 Investments Proprietary Limited (PPS Investments), Professional Provident Society Insurance Company (Namibia) Limited, Professional Provident Society Healthcare Administrators Proprietary Limited (PPS Healthcare Administrators), Professional Provident Society Short-Term Insurance Company Limited (PPS Short-Term Insurance), Financial Solutions 4 Professionals Proprietary Limited and Professional Provident Society Wealth Advisory Proprietary Limited. 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.

GOVERNANCE FRAMEWORK

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, which:

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 the 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 and Standard.

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 F Abrahams 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.

It is confirmed that 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 Officer 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 that 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 Group Executive: 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 2021 PPS Group continued with the modernisation and rationalisation of the business applications. Group IT completed the migration of most of the business workloads systems to the cloud. A large proportion of legacy systems were also decommissioned during this period.

The core business applications have also received significant attention to further enhance system stability, quality and performance. Focus on digitalisation continued with a drive to provide seamless and high-quality end-user experience.

2021 will be noted as the year with the highest amount of cyber security related activity worldwide. PPS, amongst other insurance providers, has seen a substantial increase in cyber incidents and in March 2021 PPS was also the victim of a malicious cyber incident. PPS involved local and international security service providers to identify potential data exposure, restore the systems, and implement remediated services. After the system restoration, the investigations concluded that PPS did not suffer any compromise or exfiltration of member data due to the incident.

PPS has further enhanced the cyber security protection measures in partnership with international cyber security experts and will continue with a defence-in-depth security strategy with increased governance, user education and use of technology to increase the cyber security maturity.

During the year, critical roles in the IT Operating model were filled and the team is now best positioned to create partnerships between business and IT, drive delivery of key strategic projects, ensure quality in operations, enable consistent architectures and create a robust layer of governance and security in the organisation.

The Group Technology Steering Committee (GTSC) was established in 2019 and, as a subcommittee of the Group Risk Committee (GRC), continued to provide strategic insight, prioritisation on key initiatives, as well as governing technology and information to support the organisation in achieving its strategic objectives. The GTSC was instrumental during the cyber incident to provide strategic leadership and guidance.

Annual reviews of Group IT were conducted by Internal Audit and other independent assurance providers on, *inter alia*, IT control audits, King IV governance, IT disaster recovery and Information Technology Infrastructure Library (ITIL) maturity.

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

As the globe continues to navigate through the Covid-19 pandemic, in 2021 South Africa remained under the National State of Disaster declared on 18 March 2020. Regulations continued to be 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. PPS has formulated a mandatory PPS Group Vaccination Policy and has implemented a hybrid and flexible work plan for PPS Group employees.

2. MARKET CONDUCT

In October 2020 the National Treasury published for comment a second draft of the Conduct of Financial Institutions Bill 2018 (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. PPS has submitted comment on the COFI Bill via ASISA. The National Treasury will likely table the COFI Bill in Parliament in 2022.

3. POLICY HOLDER PROTECTION RULES

The FSCA published proposed amendments to the Policyholder Protection Rules (Long-term Insurance), 2017 and Policyholder Protection Rules (Short-term Insurance), 2017 (2017 PPRs). The main objective of the draft proposed amendments is to give effect to certain necessary enhancements to the 2017 PPRs, informed by supervisory findings on the implementation of and compliance with the 2017 PPRs and a number of regulatory and supervisory projects undertaken over the past two years.

The proposed changes are consistent with the objective of the FSR Act, 2017, and specifically the mandate of the FSCA to protect financial customers by promoting the fair treatment of financial customers by financial institutions. It comprehensively aligns with the strategic priorities of the FSCA, facilitating the development and maintenance of a robust regulatory framework that promotes fair customer treatment. In its essence, the proposed changes and enhancements are proposed to better protect financial customers.

It is envisaged that these proposed amendments will have a positive impact on the governance and oversight of product development by insurers and the distribution of insurance products. It is further believed that these amendments will enhance the protection of customers through more targeted disclosures around excess structures (in the non-life insurance space), bundled products, and loyalty benefits, which have all in the past proven to be complex and not well understood by policyholders. It will also ensure closer alignment between the Short-Term Insurance and Long-Term Insurance and make necessary corrections to the legislation while filling gaps identified over the past three (3) years since the replacement of the 2004 PPRs with the 2017 PPRs. This will ultimately ensure a stronger and less fragmented regulatory framework for the conduct of the business of insurers, and lead to better outcomes for policyholders. PPS has submitted its comment via ASISA.

4. PROTECTION OF PERSONAL INFORMATION

Certain sections of the Protection of Personal Information Act 4 of 2013 (POPIA) have taken effect 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 and 30 June 2021 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. PPS implemented the requirements of POPIA through a group wide project and the implementation was reviewed by external assurance providers to identify opportunities where PPS could mature in its compliance with POPIA.

5. DRAFT PROMOTION OF EQUALITY AND PREVENTION OF UNFAIR DISCRIMINATION BILL

Comments were invited on the draft Promotion of Equality and Prevention of Unfair Discrimination Bill 2021. The purpose of the Bill is to address certain problems that have been identified with the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000. The impact of the Bill is high as it widens the definition of discrimination to include unintentional discrimination. The definition of equality now includes the equal right to access to resources, opportunities, benefits and advantages. An unintentional discriminatory act or omission could lead to a contravention if the amendments are passed. Prohibition of retaliation against a person objecting or starting proceedings in terms of the Act will require that PPS takes appropriate action to defend itself.

6. COMPANIES ACT AMENDMENT BILL

A draft Companies Act Amendment Bill was issued for public comment. The Bill seeks to amend the Companies Act, 2008 by, among others, requiring the disclosure of wage differentials in companies and enhancing transparency in ownership of companies' shares and financial records. The Social and Ethics Committee's members will have to be elected every year at PPS' AGM and the Committee will have to prepare a formal report and present it to shareholders at each AGM. The financial assistance requirements in section 45 of the Act will no longer apply to financial assistance between PPS and its subsidiaries. It will be an offence if a director or a prescribed officer does not act reasonably when a party requests information it is entitled to and it is then not provided to that party.

7. JOINT STANDARD ON OUTSOURCING BY INSURERS

The Joint Standard sets out the concept of materiality and the conditions that determine when an outsourcing arrangement requires prior regulatory notification. It sets out matters that an insurer must consider prior to the decision to outsource and certain legal provisions that must be included in any outsourcing contract. It also sets out requirements for the management and review of outsourcing arrangements, to ensure the ongoing compliance of such arrangement with the Joint Standard. Most of the provisions in the Joint Standard are already provided for in the current PPS Outsourcing Policy that was developed in accordance with the prudential standard on outsourcing.

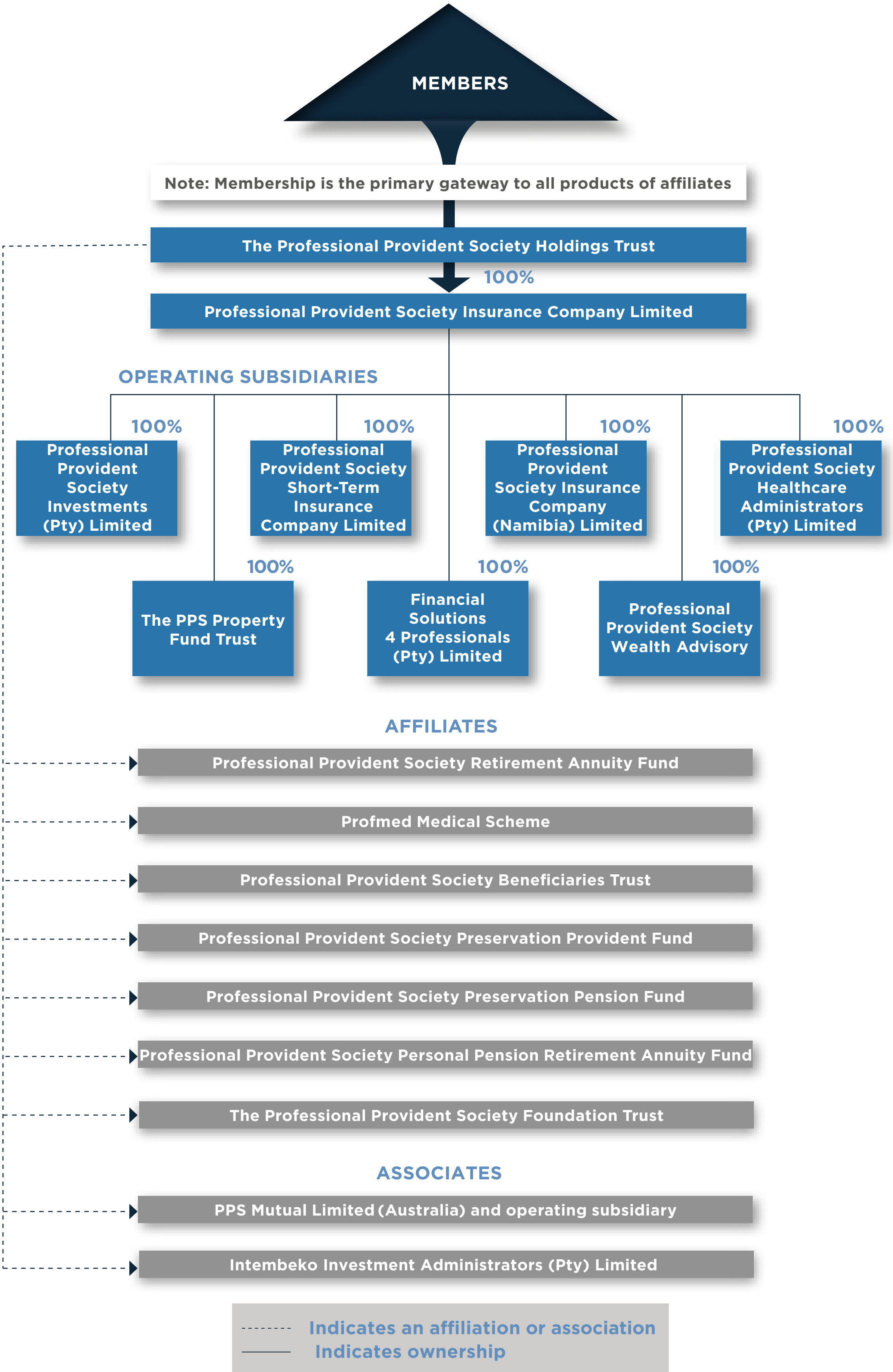
APPLICATION OF THE PRINCIPLES OF KING IV

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 2021 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.	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 Officer'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



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. There is currently a vacancy on the PPS Holdings Trust Board, pending the approval of the appointment of a representative for the Law Society of South Africa by the Master of the High Court.

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. The subsidiary boards appoint the members of their own board committees, where applicable.

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 Group Chief Executive, executive directors and non-executive directors/trustees and board committee members. This takes 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 9 June 2021 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 who are 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 21 June 2021 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.

GROUP CHIEF EXECUTIVE OFFICER OF THE PPS GROUP

Mr I J Smit has held the position of Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 recommendation of the Group Nominations Committee and the approval of the PPS Holdings Trust Board. There are currently ten elected trustees in office. The names of the four 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 9 May 2022, 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 2021, none of the directors/trustees had disclosed any interest in contracts or arrangements entered into by the PPS Group. The Group 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	66	B Pharm, PhD, FPS	Co-opted for a three-year term	Appointed 15 August 2005 Ends AGM 2023
Dr C M Krüger (Deputy Chairman) Independent Non-executive	56	MB ChB, M Prax Med, M Pharm Med	Elected for a three-year term	Appointed 21 June 2004 Ends AGM 2024
Dr A Coetzee Independent Non-executive	62	B Med Sc, MB ChB, CAHM, ABCD	Nominated for a three-year term(6)	Appointed 1 March 2019 Resigned 25 February 2022
M A H de Vries Independent Non-executive	44	B Acc CA (SA)	Elected for a three-year term	Appointed 27 October 2021 Ends AGM 2024
Ms D L T Dondur Independent Non-executive	55	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	63	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	67	B Sc (QS), MBA, DBA, CD(SA)	Elected for a three-year term	Appointed 3 June 2013 Ends AGM 2022
Mr C Erasmus Independent Non-executive	70	B Sc, FIA, FASSA	Appointed *ex officio*	Appointed 1 June 2015 Ends N/A
Dr N H P Khosa Independent Non-executive	40	MB ChB, MBA	Elected for a three-year term	Appointed 19 June 2018 Ends AGM 2024
Mr I Kotzé Independent Non-executive	65	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	42	BDS, MBA	Nominated for a three-year term(3)	Appointed 17 July 2017 Ends AGM 2023
Mr E A Moolla Independent Non-executive	71	B Iuris	Elected for a three-year term	Appointed 11 March 2002 Retired 10 May 2021
Ms J K Myburgh Independent Non-executive	53	B Proc, Admitted Attorney	Elected for a three-year term	Appointed 23 September 2020 Ends AGM 2023
Mrs N N Nongogo Independent Non-executive	50	B Juris, LLB	Nominated for a three-year term(4)	Appointed 16 October 2018 Resigned 10 May 2021
Mr N C Nyawo Independent Non-executive	42	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	43	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	66	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	58	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	59	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	43	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	60	B Acc, CA(SA), Registered Auditor	Appointed *ex officio*	Appointed 1 June 2015 Ends N/A
Ms M B Mabidi Independent Non-executive	42	B Com (Law), LLB, LLM (Labour Law)	Nominated for a three-year term (4)	Appointed 3 March 2022 Ends AGM 2025

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	70	B Sc, FIA, FASSA	19 February 2007
Prof H E Wainer (Deputy Chairman) Independent Non-executive	60	B Acc, CA(SA), Registered Auditor	30 November 2009
Ms D L T Dondur Independent Non-executive	55	B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)	24 June 2013
Mr J A B Downie Independent Non-executive	63	B Sc, MBA, CFP	24 June 2013
Dr D P du Plessis Independent Non-executive	67	B Sc (QS), MBA, DBA, CD(SA)	19 June 2017
Mr E J S Franklin Independent Non-executive	59	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	40	MB ChB, MBA	10 June 2020
Dr C M Krüger Independent Non-executive	56	MB ChB, M Prax Med, M Pharm Med	29 June 2015
Mr P Ranchod Independent Non-executive	66	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	24 June 2013
Dr S N E Seoka Independent Non-executive	66	B Pharm, PhD	26 June 2006
Mr S Trikamjee Independent Non-executive	43	B Com (Hons), CA(SA)	29 June 2015
Dr J A van der Merwe Independent Non-executive	66	MB ChB, MBL, DBL, PED. (IMD)	18 June 2018
Mr I J Smit (Group Chief Executive Officer) (Executive)	54	B Com (Hons), FASSA	25 July 2016
Mr N J Battersby (Group Chief Operating Officer) (Executive)	54	B Sc, B Com (Hons), MBA, CFP, AMP (Harvard)	28 September 2016
Mrs T Boesch (Group Chief Financial Officer) (Executive)	47	B Com (Hons), CA(SA)	4 May 2009

* *As at 30 March 2022*

DIRECTORS/TRUSTEES OF SUBSIDIARIES AND AFFILIATES:

PPS Namibia	PPS Healthcare Administrators	PPS Short-Term Insurance
Directors	**Directors**	**Directors**
Mr S I de Bruin (Chairman) Ms M D Erkana Dr E Maritz Mr I J Smit Mr J A Thomas Mr R A van Rooi Mr J van der Westhuizen (Chief Executive)	Dr N H P Khosa (Appointed Chairman 1 July 2021) Mr M J Jackson (Former Chairman) (Retired 30 June 2021) Mrs T Boesch Mrs S Bassudev (Chief Executive) Mr I Kotzé Dr F Mansoor (Appointed 1 July 2021) Mr N C Nyawo (Resigned 30 June 2021) Dr R Putter (Appointed 1 July 2021) Mr I J Smit Mr S J van Molendorff (Chief Financial Officer)	Mr P Ranchod (Appointed Chairman 1 July 2021) Mr M J Jackson (Former Chairman) (Retired 30 June 2021) Mrs T Boesch Mr W Bosman (Chief Executive) Dr D P du Plessis Mr C Erasmus Dr N H P Khosa Mr I J Smit Mr J D van der Sandt (Executive)

PPS Investments	PPS Investment Administrators	PPS Multi-Managers	PPS Management Company	PPS Nominees
Directors	**Directors**	**Directors**	**Directors**	**Directors**
Mrs R G Govender (Appointed Chairman 1 July 2021) Mr E A Moolla (Former Chairman) (Retired 30 June 2021) Mr N J Battersby (Chief Executive) Mrs T Boesch Dr D P du Plessis Mr A J Fraser (Executive) (Appointed 1 July 2021) Mr M J Jackson (Retired 30 June 2021) Mr P J Koekemoer (Resigned 19 November 2021) Mr A C Pillay (Resigned 19 November 2021) Mr I J Smit Mr S Trikamjee (Appointed 1 October 2021)	Mr N J Battersby (Chairman) Mr A J Fraser Mr S M Gerber Mr A J Woolfson	Dr D P du Plessis (Chairman) Mr N J Battersby Mr D R Crosoer Mr C Erasmus (Appointed 1 October 2021) Mr A N Thakersee (Appointed 1 October 2021) Mr S Trikamjee (Appointed 1 October 2021)	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 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) Mr H P du Toit (Deputy Chairman) Mr A Bosch Mr J A B Downie Mr S Trikamjee	Mrs R G Govender (Chairman) Mr H P du Toit (Deputy Chairman) Mr A Bosch Mr J A B Downie Mr S Trikamjee	Mrs R G Govender (Chairman) Mr H P du Toit (Deputy Chairman) Mr A Bosch Mr J A B Downie Mr S Trikamjee

PPS Retirement Annuity Fund	PPS Beneficiaries Trust	PPS New Generation Retirement Fund
Trustees	**Trustees**	**Trustees**
Mr J A B Downie (Chairman) Mrs R G Govender (Deputy Chairman) Ms D L T Dondur Mr H P du Toit Dr S N E Seoka Mr S Trikamjee	Mr S Trikamjee (Chairman) Ms D L T Dondur Mr J A B Downie (Appointed 21 January 2022) Mrs N N Nongogo (Resigned 10 May 2021)	Mr C Erasmus (Chairman) Mr J A B Downie Ms M D Molefe Mr S Moodley (Elected 22 July 2021) Mr B Mosiane (Elected 22 July 2021) Mr T G Tlooko (Elected 22 July 2021)

PPS Foundation Trust	PPS Wealth Advisory	The PPS Property Fund Trust
Trustees	**Directors**	**Trustees**
Dr S N E Seoka (Chairman) Dr D P du Plessis Mr N C Nyawo (Resigned 30 June 2021) Mr P Ranchod Ms M D Molefe	Mr M M Mtshali (Chairman) (Appointed 1 April 2021) Mrs T Boesch (Resigned 1 April 2021) Mr L du Plessis (Appointed 1 April 2021) Mr I J Smit Mr M Spies (Appointed 1 April 2021) Mr A N Thakersee (Appointed 1 April 2021)	Mr I J Smit (Chairman) Mr N J Battersby Mrs T Boesch Mr V Schroeder (Resigned 8 December 2021)

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 E L McMaster (Executive) (Appointed 1 July 2021)		
Mr W J Mouton		
Mr M M Mtshali		
Mr I J Smit		
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	25 March 2021	9 June 2021	30 Sep 2021	30 Nov 2021
Dr S N E Seoka (Chairman)	✓	✓	✓	✓
Dr C M Krüger (Deputy Chairman)	✓	✓	✓	✓
Dr A Coetzee	✓	✓	✓	✓
Mr A H de Vries (Appointed 27 October 2021)	N/A	N/A	✓	✓
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 (Retired 10 May 2021)	✓	N/A	N/A	N/A
Ms J K Myburgh	✓	✓	✓	✓
Mrs N N Nongogo (Resigned 10 May 2021)	✓	N/A	N/A	N/A
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	✓	✓	✓	✓

N/A = Not Applicable

PPS Insurance Company Limited	1 March 2021	25 March 2021	21 June 2021	31 Aug 2021	30 Sep 2021	30 Nov 2021
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	✓	✓	✓	✓	✓	✓
Dr C M Krüger	✓	✓	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓	✓	✓
Dr S N E Seoka	✓	✓	✓	✓	✓	✓
Mr I J Smit	✓	✓	✓	✓	✓	✓
Mr S Trikamjee	✓	✓	✓	✓	✓	✓
Dr J A van der Merwe	✓	✓	AP	✓	✓	✓

AP = Apology

Note: *Ad hoc* committee meetings

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

i. 10 and 12 March 2021 – the Board met to discuss and respond to the malicious cyber-attack

ii. 17 November 2021, a sub-committee of the Board met to discuss the finalisation of the PPS Mutual acquisition

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 Group 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	2 Mar 2021	24 May 2021	2 Sep 2021	3 Nov 2021
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 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 (Group Chief Operating Officer) B Sc Mech Eng, B Com (Hons), CFP, MBA, AMP (Harvard)

Mr J P Loubser (Group Chief Information Officer) N Dip Electrical Engineering, B Tech Electrical Engineering

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 PPS Insurance Board or GRC) co-opted by the GRC to serve on the Committee;

iii. the Group Chief Operating Officer and the Group 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	10 Feb 2021	5 May 2021	23 June 2021	10 Aug 2021	13 Oct 2021
Mr E J S Franklin (Chairman)	✓	✓	✓	✓	✓
Mr N J Battersby	✓	✓	✓	✓	✓
Mr L de Villiers	✓	✓	✓	✓	✓
Mr J P Loubser	✓	✓	✓	✓	✓
Mr A Nel	✓	✓	✓	✓	✓
Dr J A van der Merwe	✓	✓	AP	✓	✓

AP = Apology

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

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

The AC has an important role in overseeing 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 Heads of the Actuarial Function and the Group Executives: Actuarial Services, 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 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 Heads of the Actuarial Function and the Executives: Actuarial Services.

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

Group Actuarial Committee	22 Feb 2021	24 May 2021	1 Sep 2021	3 Nov 2021
Mr C Erasmus (Chairman)	✓	✓	✓	✓
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

Dr S N E Seoka B Pharm, PhD

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 overseeing 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 their 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 Group Chief Executive, 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 IFRS;
- 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 the remuneration structure set out below, augmented by 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 include 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. The mix of short-term and long-term incentives are aligned to risk, in order that management's performance is aligned with members' long-term interests and the remuneration structure does not induce excessive or inappropriate risk taking.
- 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 and 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.
- 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: The 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 and is benchmarked against the industry 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. These benefits form part of the TCTC package. Employees also participate in reward and recognition schemes to enable performance and motivation to drive PPS Group initiatives and objectives and 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, influenced by the financial performance of the Group and increasing a high-performance culture across the Group, allowing for sufficient differentiation between performers and non-performers.

  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 and the allocation values.

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.

Significant issue

In 2021, the REMCO spent a considerable amount of time deliberating over how PPS should navigate the new way of work post Covid-19. After two years of mostly working from home, the Company used this opportunity to review better ways of work to blend in the old and new worlds of work.

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

Group Remuneration Committee	22 Feb 2021	11 May 2021	17 Nov 2021
Dr D P du Plessis (Chairman)	✓	✓	✓
Mr C Erasmus	✓	✓	✓
Dr S N E Seoka	✓	✓	✓
Prof H E Wainer	✓	✓	✓

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 the 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	10 Mar 2021	11 May 2021	14 Sep 2021
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 (Group 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)

Mr L du Plessis (Group Executive: Legal and Compliance) (Appointed 1 July 2021)

Ms K Govender (Group Executive: Life Operations)

Mr J P Loubser (Group Chief Information Officer)

Ms M D Molefe (Group Executive: Human Resources)

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

Mr W J Mouton (Group Executive: External Distribution)

Mr B Thomas (Group 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.

Respiration is a beautiful cycle.

Respiration and photosynthesis are the two sub-cycles of the carbon cycle. Photosynthesis produces oxygen and carbohydrate-rich plant matter, which, in the respiration cycle, is then breathed in and consumed by animal life in order to fuel their biological processes. Carbon dioxide and water are the by-products which in turn are used in photosynthesis – the perfect cycle.

Annual Financial Statements

CONTENTS

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: 30 March 2022

Statement of responsibility by the Board of Trustees

for the year ended 31 December 2021

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 116 to 221, 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
30 March 2022

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 2021, 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

30 March 2022

Statement of Responsibility by the Group Chief Executive Officer and Group Chief Financial Officer

for the year ended 31 December 2021

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

- The annual financial statements set out on pages 116 to 221 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 Officer

Mrs T Boesch
Group Chief Financial Officer

The Professional Provident Society Holdings Trust

30 March 2022

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 2021, 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 134 to 221 comprise:

- The Consolidated Statement of Financial Position as at 31 December 2021;
- 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 "2021 PPS 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.

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 appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers inc.
Director: J Goncalves
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
Johannesburg, South Africa
2090
5 April 2022

Investment returns and profit allocation to policyholders' PPS Profit-Share Account

for the year ended 31 December 2021

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	2021 R'm	2020 R'm
Allocation to Special Benefit Accounts	4 854	1 216
Allocation to Apportionment Accounts	362	840
Total allocations to PPS Profit-Share Accounts	**5 216**	**2 056**

Allocation to Apportionment Accounts

PPS Namibia	2021 N$'m	2020 N$'m
Allocation to Special Benefit Accounts	188	94
Allocation to Apportionment Accounts	60	65
Total allocations to PPS Profit-Share Accounts	**248**	**159**

The allocations at 31 December 2021 to policyholders' Apportionment Accounts are set out as follows:

PPS Insurance	2021 R'm	2020 R'm
Total investment income allocation	**289**	**343**
PPS Sickness and Permanent Incapacity Benefit	–	183
Hospital benefits	–	11
PPS Provider	–	212
Bonus allocation for PPS Investments' portfolios and products	35	20
Bonus allocation for PPS Medical Aid products	29	29
Bonus allocation for PPS Short-term products	4	4
Profit-Share Cross-Holdings Booster allocation	5	37
BEE allocation	–	1
Total profit allocation	**73**	**497**
Total allocated	**362**	**840**

PPS Namibia	2021 N$'m	2020 N$'m
Total investment income allocation	**14**	**17**
PPS Sickness and Permanent Incapacity Benefit	36	41
Hospital Benefits	3	3
Broadening Mutuality Products – percentage of premium	4	2
Sickness and Permanent Incapacity	3	2
PPS Retirement Annuity	0.1	0.1
Total profit allocation	**46**	**48**
Total allocated	**60**	**65**

Allocation to Special Benefit Accounts

The following investment allocations for 2021* were made to the Special Benefit Accounts:

PPS Insurance	2021 R'm	2020 R'm
PPS BEE investment income gains	20	4
Investment income and gains	4 611	1 148
PPS Vested Profit-Share	223	64
Total allocated	**4 854**	**1 216**

PPS Namibia	2021 N$'m	2020 N$'m
Total allocated	**188**	**94**

** 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 continued to have a significant financial impact on the results of the Group in 2021. The financial impact is seen in the increase in gross long-term insurance claims (both sickness and death claims), as well as increased variability in investment returns as a result of the uncertainty in the financial markets. There was a positive impact on the short-term insurance claims as a result of reduced activity due to the lockdown continuing through part of 2021.

The impact of the virus is expected to continue in 2022, although at a lower intensity compared to 2021. The Group is monitoring the impact on a continuous basis and management actions are taken where appropriate.

Going concern and solvency

PPS 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 has continued to have a material negative impact on operating profits in 2021, 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. During 2021 a strategic decision was taken to transition the responsibility for managing the PPS Profit-Share Account to the in-house multi-manager, PPS Multi-Manager, a wholly-owned subsidiary of PPS Investments.

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. During 2021, PPS Insurance acquired the 26% interest in the trust previously held by Taylor-Made Property Asset Managers and the trust is now wholly-owned by 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.

PPS Wealth Advisory (Pty) Ltd is a wholly-owned subsidiary of PPS Insurance, which is in the process of applying for a Financial Services Provider licence, to enable the provision of wealth advisory services to PPS members.

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.

Events after financial year-end

On 23 February 2022, the Minister of Finance noted in the Budget Speech (as announced in the 2021 Budget Speech) that the corporate income tax rate would be reduced to 27% (from 28%) for companies with years of assessment ending on or after 31 March 2023. In terms of IFRS, this is a non-adjusting subsequent event. No other reportable events occurred between the reporting date and the date of approval of the annual financial statements.

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 116 to 221 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 2021.

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 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), Member of the TAC since 2020

The appointment of the current Members of the TAC was confirmed by PPS members at the annual general meeting held on 10 May 2021.

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	3 Mar 2021	15 Nov 2021
Ms D L T Dondur (Chairman)	✓	✓
Mr P Ranchod	✓	✓
Prof H E Wainer	✓	✓

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) Member of GAC since 2020

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

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	3 Mar 2021	25 May 2021	2 Sep 2021	15 Nov 2021
Prof H E Wainer (Chairman)	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓
Dr J A van der Merwe	✓	✓	✓	✓
Dr C E Rabin*	✓	✓	✓	✓

*ConsultantNote:Ad hoc committee meetings: In addition to the above meetings, the following combined *ad-hoc* committee meetings of the members of the GAC and TAC were held on 30 June, 2 September and 5 November 2021 in regard to Mandatory Audit Firm Rotation.

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 Executive: Actuarial Services, 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.

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 2021 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 the non-audit services work was justified and necessary and that it did not give rise to any self-review threat for the external auditors.

AUDITOR APPOINTMENT, MANDATORY AUDIT FIRM ROTATION (MAFR) AND TRANSITION

An important focus area of the Committees in 2021 was considering a transition plan to implement MAFR, given the required rotation of PricewaterhouseCoopers Inc (PwC) from the 2023 financial year to ensure appropriate continuity in external audit throughout the PPS Group. The rule on MAFR as issued by the South African Independent Regulatory Board of Auditors (IRBA) requires that an audit firm not serve as the appointed auditor of a public interest entity for more than ten years from 2013. To ensure minimal disruption and compliance with MAFR, the Committees undertook a process during 2021 to identify independent auditors for the PPS Group and to implement the appointment with effect from the financial year commencing 1 January 2022. The Committees nominated Ernst & Young Incorporated (EY) for appointment as independent external auditors pursuant to the MAFR requirement with effect from 1 January 2022 to replace PwC, which nomination has been approved by the PPS Holdings Trust and PPS Insurance Company Limited Boards, subject to the approval of members. The Committees have satisfied themselves that EY are independent of the PPS Group, and requisite assurance was sought and provided by EY that internal governance processes within the audit firm support and demonstrate its claim to independence. In terms of the conditions laid out in section 94(8) of the Companies Act and based on its assessment taking consideration of the criteria of King IV and general guidance to Audit Committees, the Committees are satisfied with the performance and quality of the proposed external auditors and lead partner for the year ending 31 December 2022. The appointment of EY as the external auditor for PPS Group entities is subject to the approval of the members of the PPS Group entities at their respective annual general meetings. The notice of the annual general meeting for PPS Holdings Trust included in the integrated report includes a resolution for the approval of the appointment of EY as the external auditor of PPS Holdings Trust.

On behalf of the PPS Group Boards, the Committees wish to express the PPS Group Boards' appreciation for the services rendered by PwC and, in particular, the engagement partners, during their tenure as the external auditors of the PPS Group.

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 2021 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

Prof H E Wainer
Chairman of GAC

30 March 2022

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	3 Mar 2021	15 Nov 2021
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 2021, 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	• 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	• 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. • Advocacy and public policy - Engaging the government on the National Health Insurance Bill.
Assessment of the ethical risk profile	• 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	• 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	• 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 2021 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

30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

		Group		
	Note	2021 R'm	2020 Restated* R'm	1 Jan 2020 Restated* R'm
ASSETS				
Property and equipment	2	**622**	681	736
Investment property	3	**371**	460	501
Assets held for sale	4	**60**	–	–
Intangible assets	5	**244**	235	175
Deferred tax	18	**192**	179	171
Financial assets – Investments at fair value through profit or loss	6	**52 788**	45 470	40 630
Reinsurance assets	7,13,14	**165**	43	18
Insurance and other receivables	8	**1 410**	999	582
Current income tax asset		**262**	151	129
Cash and cash equivalents	9	**3 554**	2 306	2 349
TOTAL ASSETS		**59 668**	50 524	45 291
EQUITY				
Accumulated funds	10	**296**	320	294
Revaluation Reserve	11	**11**	30	42
Equity attributable to Group		**307**	350	336
Non-controlling interest	12	**–**	(11)	3
TOTAL EQUITY		**307**	339	339
LIABILITIES				
Long-term insurance policy liabilities and PPS Profit-Share Accounts	13	**39 621**	35 417	33 380
Short-term insurance policy liabilities	14	**109**	64	39
Investment contract liabilities	15	**4 205**	3 194	2 589
Liabilities to outside unit trust holders	16	**12 454**	9 297	7 197
Borrowings	17	**98**	152	166
Deferred tax	18	**798**	394	138
Retirement benefit obligations	19	**5**	6	6
Employee related obligations	20	**312**	263	232
Reinsurance liabilities	7,13,14	**–**	22	62
Insurance and other payables	21	**1 474**	1 297	1 139
Current income tax liabilities		**285**	79	4
TOTAL LIABILITIES		**59 361**	50 185	44 952
TOTAL EQUITY AND LIABILITIES		**59 668**	50 524	45 291

* See Note 34

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	Group 2021 R'm	Group 2020 Restated* R'm
Net insurance premium revenue	22	**5 030**	4 898
Other income	23	**605**	530
Net investment income and gains on financial assets, excluding third party unit trust holders		**7 510**	3 423
Investment income	24	**2 158**	2 098
Gains on financial assets and investment property	25	**7 374**	2 046
Attributable to unit trust holders	16	**(2 022)**	(721)
		13 145	8 851
Net insurance benefits and claims paid	26	**(5 451)**	(4 360)
Fair value movement of policyholder liabilities under investment contracts	15	**(567)**	(166)
Expenses	27	**(2 511)**	(2 131)
Finance costs	29	**(5)**	(19)
Profit before movement in insurance policy liabilities		**4 611**	2 175
Movement in insurance policy liabilities	13	**(3 838)**	(1 691)
Tax charge	30	**(786)**	(472)
(Deficit)/surplus after tax and policy movements		**(13)**	12
Other comprehensive income:			
Revaluation of owner-occupied property net of deferred tax		**(23)**	(13)
Total comprehensive loss for the year		**(36)**	(1)

* See Note 34

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 R1.6 billion 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 2021

	Note	Accumulated funds R'm	Revaluation reserve R'm	Non-controlling interest R'm	Total R'm
Group					
Balance at 1 January 2020		294	42	3	339
Transfer from DPF liability	12.2	–	1	–	1
Total comprehensive (loss) / income for the year		26	(13)	(14)	(1)
Surplus for the year		26	–	(14)	12
Other comprehensive loss for the year		–	(13)	–	(13)
Balance at 31 December 2020		320	30	(11)	339
Transfer from DPF liability	12.2	**–**	**4**	**–**	**4**
Purchase of minorty's interest in subsidiary		**(10)**	**–**	**10**	**–**
Total comprehensive (loss) / income for the year		**(14)**	**(23)**	**1**	**(36)**
Deficit for the year		**(14)**	**–**	**1**	**(13)**
Other comprehensive loss for the year		**–**	**(23)**	**–**	**(23)**
Balance at 31 December 2021		**296**	**11**	**–**	**307**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

		Group	
	Note	2021 R'm	2020 Restated* R'm
Cash flows from operating activities			
Cash utilised by operations	31	(1 612)	(395)
Interest received		1 116	1 132
Dividend received		779	822
Finance costs	29	(5)	(19)
Tax paid	32	(297)	(169)
Net cash (used in) / from operating activities		(19)	1 371
Cash flows from investing activities			
Purchases of property and equipment	2	(21)	(25)
Improvements to investment property	3	(2)	(4)
Software development	5	(62)	(105)
Purchase of financial assets	6,16	(31 560)	(28 706)
Proceeds from sale of furniture and equipment		1	–
Proceeds from disposal of financial assets		32 879	27 506
Net cash from / (used in) investing activities		1 235	(1 334)
Cash flows from financing activities			
Decrease in finance lease liabilities		(24)	(22)
Decrease in borrowings	17	(54)	(14)
Net cash used in financing activities		(78)	(36)
Net increase in cash and bank		1 138	1
Effect of exchange rate changes on cash and cash equivalents		110	(44)
Cash and cash equivalents at beginning of year		2 306	2 349
Cash and cash equivalents at end of year	9	3 554	2 306

* See Note 34

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 37.

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 2021:

- 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)'; and
- IFRS 16 'Leases': 'COVID-19-Related Rent Concessions Amendment.

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, none of which will have a material impact on the Group's financial statements (except for IFRS 17):

- 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.

- 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.

- 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 (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

- 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.

- 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.

- 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 will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an 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 simplified 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 life of the contract.

The amendments will result in a material impact on the Group's financial statements.

In response to some of the concerns and challenges raised, the IASB developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

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.

2. Consolidation (continued)

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.

Associates

An associate is an entity over which the Group has the ability to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the entity. Judgement is applied in assessing which entities the Group has the ability to exercise significant influence over. The Group has a shareholding in one of the two associates, and therefore has rights to either net profits/losses, or net assets of this associate.

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 13).

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.

3.5 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.

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.

4. INSURANCE AND INVESTMENT CONTRACTS (continued)

4.2 Valuation and recognition (continued)

4.2.1 Long-term Insurance contracts (continued)

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.

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 and inward reinsurance premiums

Premiums are accounted for as income when the risk related to the insurance policy incepts and are recognised 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.

4. INSURANCE AND INVESTMENT CONTRACTS (continued)

4.2 Valuation and recognition (continued)

4.2.2 Short-term insurance contracts (continued)

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 included 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 time apportionment 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 under short-term insurance contracts. 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 or up to the date of preparation of the annual financial statements. This provision is calculated using actuarial modeling (refer note 14.1). 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.

Reinsurance and payables related to insurance contracts

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers, cedents and insurance contract holders.

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 unmatured 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 presented are translated at the closing rate at the date of that entity's most recent statement of financial position;
- income and expenses 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 and acquired software	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. Assets held for sale

Non-current assets, or disposal groups, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to financial assets and investment property, which continue to be measured in accordance with the Trust's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in the Statement of profit or loss and other comprehensive income.

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.

12. 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.

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.

13. 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 38.3 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.

14. 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.

15. EMPLOYEE BENEFITS

15.1 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.

15.2 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.

15.3 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.

15.4 Leave pay provision

The Group recognises employees' rights to annual leave entitlement in respect of past service accumulated at reporting date.

15.5 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.

15.6 Retention schemes

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.

16. REVENUE

16.1 Insurance premium revenue

See accounting policies 4.2.1 and 4.2.2.

16.2 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.

16.3 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.

16.4 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.

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 2020 Restated							
Equity securities							
Local listed	6	16 967	–	–	–	16 967	16 967
International listed	6	2 618	–	–	–	2 618	2 618
Debt securities							
Government and local bonds	6	14 318	–	–	–	14 318	14 318
International listed	6	399	–	–	–	399	399
Unit trusts and pooled funds	6	11 168	–	–	–	11 168	11 168
Reinsurance assets	7	–	–	43	–	43	N/A
Insurance receivables	8	–	232	–	–	232	232
Prepayments	8	–	–	–	34	34	34
Other receivables	8	–	536	–	–	536	536
Reinsurance receivables	8	–	197	–	–	197	197
Cash and cash equivalents	9	–	2 306	–	–	2 306	2 306
Insurance contract liabilities	13	–	–	35 417	–	35 417	N/A
Short-term insurance policy liabilities	14	–	–	64	–	64	N/A
Investment contract liabilities	15	3 194	–	–	–	3 194	3 194
Liabilities to unit trust holders	16	9 297	–	–	–	9 297	9 297
Borrowings	17	–	152	–	–	152	152
Reinsurance liabilities	7	–	–	22	–	22	N/A
Reinsurance payables	21	–	58	–	–	58	58
Insurance payables	21	–	82	–	–	82	82
Other payables	21	–	1 092	–	–	1 092	1 092

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 2021							
Equity securities							
Local listed	6	18 587	–	–	–	18 587	18 587
International listed	6	5 218	–	–	–	5 218	5 218
Debt securities							
Government and local bonds	6	16 580	–	–	–	16 580	16 580
International listed	6	399	–	–	–	399	399
Unit trusts and pooled funds	6	12 004	–	–	–	12 004	12 004
Reinsurance assets	7	–	–	165	–	165	N/A
Insurance receivables	8	–	281	–	–	281	281
Prepayments	8	–	–	–	26	26	26
Other receivables	8	–	675	–	–	675	675
Reinsurance receivables	8	–	428	–	–	428	428
Cash and cash equivalents	9	–	3 554	–	–	3 554	3 554
Insurance contract liabilities	13	–	–	39 621	–	39 621	N/A
Short-term insurance policy liabilities	14	–	–	109	–	109	109
Investment contract liabilities	15	4 205	–	–	–	4 205	4 205
Liabilities to unit trust holders	16	12 454	–	–	–	12 454	12 454
Borrowings	17	–	98	–	–	98	98
Reinsurance liabilities	7	–	–	–	–	–	N/A
Reinsurance payables	21	–	67	–	–	67	67
Insurance payables	21	–	129	–	–	129	129
Other payables	21	–	1 216	–	–	1 216	1 216

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 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
Year ended 31 December 2021						
Opening net book amount	**515**	**65**	**29**	**15**	**57**	**681**
Additions	**–**	**19**	**2**	**–**	**21**	**42**
Disposals: Cost	**–**	**(10)**	**(7)**	**(1)**	**(21)**	**(39)**
Disposals: Accumulated Depreciation	**–**	**10**	**6**	**1**	**18**	**35**
Depreciation charge	**(8)**	**(27)**	**(10)**	**(4)**	**(22)**	**(71)**
Revaluation deficit	**(26)**	**–**	**–**	**–**	**–**	**(26)**
Closing net book amount	**481**	**57**	**20**	**11**	**53**	**622**
At 31 December 2021						
Cost or valuation	**481**	**158**	**79**	**36**	**95**	**849**
Accumulated depreciation	**–**	**(101)**	**(59)**	**(25)**	**(42)**	**(227)**
Net book amount	**481**	**57**	**20**	**11**	**53**	**622**
Non-current	**481**	**57**	**20**	**11**	**53**	**622**

OWNER-OCCUPIED PROPERTY

The land and buildings revaluation 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 2021 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 37.5 for valuation assumptions. The opening carrying value is depreciated for the year, and the year-end carrying value is 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	
	2021 R'm	2020 R'm
Cost	456	456
Accumulated depreciation	(39)	(31)
Net book amount as at 31 December	417	425

LEASES

Amounts recognised in the Statement of Financial Position

The Statement of Financial Position includes the following amounts related to leases:

	Group	
	2021 R'm	2020 R'm
Right-of-use assets		
Buildings	53	57
Lease Liabilities (note 21)		
Current	19	21
Non-current	43	44
Total lease liabilities	62	65

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	
	2021 R'm	2020 R'm
Depreciation – Right-of-use assets: Buildings (included in expenses – Note 27)	22	23
Interest expense (included in finance costs – Note 29)	5	5
Expenses relating to short-term leases (included in expenses – Note 27)	3	1

The total cash outflow for leases in 2021 was R32.4 million (2020: R27.9 million).

3. INVESTMENT PROPERTY

	Group	
	2021 R'm	2020 R'm
Opening net book amount	**460**	501
Additions	**2**	4
Revaluation deficit	**(31)**	(45)
Transfer to Assets held for sale	**(60)**	–
Net carrying value at end of year	**371**	460

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. Refer to note 37.5 for further information.

4. ASSETS HELD FOR SALE

	Group	
	2021 R'm	2020 R'm
Opening net book amount	**–**	–
Transfer from investment property	**60**	–
Closing net book amount	**60**	**–**

In 2021, the Trustees of the Board of PPS Property Fund Trust approved the sale of the investment property Erf 414 Wendywood as part of a strategic business objective of the Property Trust. Accordingly, the investment property is presented as a property for sale with an agreement entered into in December 2021 and final transfer was effective 1 March 2022.

The asset held for sale is stated at fair value less costs to sell. The non-recurring fair value measurement of the asset held for sale has been categorised as a Level 3 fair value, based on the inputs to the valuation technique used. The asset held for sale was valued using the discounted cash flow of future income stream method. Refer to note 37.5 for further information.

5. INTANGIBLE ASSETS

	Computer Software R'm	Customer Relationships R'm	Total R'm
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
Year ended 31 December 2021			
Opening net carrying value	**228**	**7**	**235**
Additions	**61**	**1**	**62**
Amortisation	**(51)**	**(1)**	**(52)**
Impairment	**(1)**	**–**	**(1)**
Closing net carrying value	**237**	**7**	**244**
At 31 December 2021			
Cost	**415**	**9**	**424**
Accumulated amortisation and impairment	**(178)**	**(2)**	**(180)**
Net carrying value at end of year	**237**	**7**	**244**

Computer Software at a cost of R12 million (2020: R13 million) and accumulated amortisation of R12 million (2020: R13 million) was deemed obsolete and written off during the year.

6. FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2021 R'm	2020 Restated R'm
Financial assets excluding third party assets	41 171	36 614
Unit trusts and pooled funds managed for third parties (note 16)	11 617	8 856
Total financial assets at fair value through profit or loss	52 788	45 470
Analysis of financial assets held at fair value through profit or loss		
Level 1 fair value financial assets		
Equity securities:		
– local listed	18 587	16 967
– international listed	5 218	2 618
Total level 1 fair value financial assets	23 805	19 585
Level 2 fair value financial assets		
Debt securities – fixed interest rate:		
– government bonds and local listed	16 580	14 318
– international listed	399	399
	16 979	14 717
Unit trusts and pooled funds:		
– local unit trusts and pooled funds	4 715	3 628
– international equity unit trusts	4 192	4 630
– international fixed interest unit trusts	300	237
– international balanced unit trusts	2 797	2 673
	12 004	11 168
Total level 2 fair value financial assets	28 983	25 885
Total financial assets at fair value through profit or loss	52 788	45 470

International investments denominated in foreign currencies were translated to Rands at the closing exchange rates at 31 December 2021 of:

$1 = R15.94 (2020: $1 = R14.69)

N$1 = R1.00 (2020: N$1 = R1.00)

At 31 December 2021, investments classified as Level 2 comprise approximately 54.9% (2020: 56.9%) 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 2021, no financial assets are classified as Level 3 (2020: nil).

	Group	
	2021 R'm	2020 Restated R'm
Analysis of movements in financial assets held at fair value through profit or loss:		
Opening balance	**45 470**	40 630
Additions	**35 089**	32 994
Disposals at carrying value	**(32 899)**	(30 672)
Fair value net gains excluding net realised gains	**4 924**	2 354
Accrued interest movements	**204**	164
Closing balance	**52 788**	45 470
The spread of investments by sector:		
Industrial (%)	**47.3%**	41.2%
Financial (%)	**27.2%**	27.2%
Resources (%)	**25.5%**	31.6%
Maturity profile of fixed interest investments:		
Due in 1 year or less	**1 513**	1 211
Due between 1 year and 5 years	**4 871**	5 051
Due between 5 years and 10 years	**2 392**	2 407
Due after 10 years	**8 203**	6 048
	16 979	14 717

7. REINSURANCE ASSETS AND LIABILITIES

	Group	
	2021 R'm	2020 R'm
Reinsurance Assets		
Total assets arising from reinsurance contracts at beginning of the year	43	18
Reinsurers' share of long-term insurance policy liabilities (note 13.2)	104	–
Reinsurers' share of short-term insurance policy liabilities (note 14.2)	40	25
Transfer from reinsurance liabilities	(22)	–
Total assets arising from reinsurance contracts at end of the year	165	43
Non-current	165	43
Reinsurance Liabilities		
Total liabilities arising from reinsurance contracts at beginning of the year	(22)	(62)
Transfer to reinsurance assets	22	–
Reinsurers' share of long-term insurance policy liabilities (note 13.2)	–	40
Total liabilities arising from reinsurance contracts at end of the year	–	(22)
Non-current	–	(22)
Net Reinsurance assets/(liabilities) per Group entity:		
Professional Provident Society Insurance Company Limited	79	(22)
Professional Provident Society Insurance Company (Namibia) Limited	7	5
Professional Provident Society Short-Term Insurance Company Limited	79	38
Total net assets arising from reinsurance contracts at end of the year	165	21

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 8).

8. INSURANCE AND OTHER RECEIVABLES

	Group	
	2021 R'm	2020 Restated R'm
Receivables arising from insurance policies	**281**	232
due from policy holders	**295**	245
less allowance for impairment losses from receivables from policy holders	**(14)**	(13)
Due from reinsurers	**428**	197
Other receivables	**675**	536
accrued interest	**112**	70
accrued dividends	**23**	20
loan to PPS Mutual and related parties	**455**	357
less allowance for impairment loss of loan to PPS Mutual	**(234)**	(234)
receivables from investment property lessees	**9**	10
less allowance for impairment of receivables from investment property lessees	**(3)**	(3)
sundry receivables	**313**	316
Prepayments	**26**	34
Total receivables including insurance receivables and prepayments	**1 410**	999
Current	**1 410**	999
Fair value of receivables held at amortised cost	**1 384**	965
Allowances for impairment losses of receivables from policy holders		
Specific allowances for impairment		
At beginning of year	**(13)**	(13)
Impairment loss recognised	**(5)**	(7)
Impairment loss reversals	**4**	7
At end of year	**(14)**	(13)
Allowances for impairment losses of loan to PPS Mutual		
Specific allowances for impairment		
At beginning of year	**(234)**	(234)
Impairment loss recognised	**–**	–
At end of year	**(234)**	(234)
Allowances for impairment losses of receivables from investment property lessees		
Specific allowances for impairment		
At beginning of year	**(3)**	(1)
Impairment loss recognised	**(2)**	(2)
Impairment loss reversals	**2**	–
At end of year	**(3)**	(3)

9. CASH AND CASH EQUIVALENTS

	Group	
	2021 R'm	2020 Restated R'm
Financial assets excluding third party assets	1 852	1 097
Unit trusts and pooled funds managed for third parties (note 16)	1 702	1 209
Total cash and cash equivalents	3 554	2 306
Cash at bank and in hand	2 320	1 327
Cash on call	1 234	979
Total cash and cash equivalents	3 554	2 306

The proportion of cash held to fund the working capital of the Group is 26.1% (2020: 19.6%) 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 3.47% (2020: 4.20%).

10. 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 (2020: 2.6 times) which has resulted in R6.9 million (2020: R30.7 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.

11. REVALUATION RESERVE

	Group	
	2021 R'm	2020 R'm
Opening balance	30	42
Revaluation deficit	(26)	(15)
Deferred tax	3	2
Transfer from Long-Term Insurance Policy Liabilities	4	1
Closing balance	11	30

Revaluation reserve consists of fair value gains/(deficits) on the revaluation of owner-occupied properties.

12. NON-CONTROLLING INTEREST

	Group	
	2021 R'm	2020 R'm
Total Non-controlling interest	-	(11)

Non-controlling interest 2020 consisted of a minority's share of the net asset deficit of PPS Property Fund Trust. On 7 December 2021, PPS Insurance Company Limited acquired the remaining 26% beneficial interest in the Trust, thereafter owning 100% of the beneficial interest.

13. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS

13.1 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 01/01/2018 to 31/12/2021 experience of the business. The future termination rates will vary with economic conditions, the profitability of the business and with changes in consumer behaviour.

13 LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS (continued)

13.1 Long-term life insurance contracts – assumptions, change in assumptions and sensitivity (continued)

a. Process used to decide on assumptions (continued)

- *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% (2020: 3.00%) less than the Prudential Authority's nominal yield curve for South Africa and 2.75% (2020: 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 2013 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. Furthermore, 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 no change in liabilities (2020: R557.2 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.

Variable	Change in variable %	Change in liability 2021 R'm	% change	Change in liability 2020 R'm	% change
Liability per note 12.2		5 254		5 172	
Worsening in mortality	10	1 287	24.49	1 041	20.11
Worsening in morbidity rates	10	2 576	49.02	2 003	38.74
Worsening in PI inception rate	10	926	17.63	769	14.88
Lowering of investment returns	(1)	2 522	47.99	2 238	43.26
Lowering of terminations	(10)	851	16.21	799	15.45
Worsening of maintenance expense level	10	1 765	33.60	1 541	29.80
Worsening of expense inflation rate	10	2 770	52.72	3 169	61.27

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 2020 and 2021:

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

13. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS (continued)

13.2 Movements in long-term insurance policy liabilities and re-insurance assets – Long-term insurance contracts with and without DPF

	Group					
	2021			2020		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
Analysis of balance at beginning 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 beginning of the year	35 417	(18)	35 435	33 380	(56)	33 436
Change in Insurance policy liabilities per Statement of Comprehensive Income	3 942	104	3 838	1 729	38	1 691
Transfer to Revaluation Reserve	(4)	–	(4)	(1)	–	(1)
Movement in claims liabilities	–	–	–			
– arising from current year claims	123	–	123	160	–	160
– arising from prior year claims	143	–	143	149	–	149
Total movement in insurance policy liabilities	4 204	104	4 100	2 037	38	1 999

	Group					
	2021			2020		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
Total movement allocated	4 204	104	4 100	2 037	38	1 999
Sickness and disability policies						
– Claims payable (notified claims)	2	–	2	1	–	1
– Unintimated claims (IBNR)	(1)	8	(9)	73	2	71
– Non-DPF liabilities	176	94	82	1 215	16	1 199
– Cessation benefits (notified claims)	188	–	188	66	–	66
– DPF liabilities	3 752	–	3 752	492	–	492
Life policies						
– Claims payable (notified claims)	59	–	59	150	–	150
– Unintimated claims (IBNR)	28	2	26	40	20	20
Analysis of balance at end of the year:						
Sickness and disability policies						
– Claims payable (notified claims)	29	–	29	27	–	27
– Unintimated claims (IBNR)	149	16	133	150	8	142
– Non-DPF liabilities	5 297	43	5 254	5 121	(51)	5 172
– Cessation benefits (notified claims)	483	–	483	295	–	295
– DPF liabilities	33 219	–	33 219	29 467	–	29 467
Life policies						
– Claims payable (notified claims)	325	–	325	266	–	266
– Unintimated claims (IBNR)	119	27	92	91	25	66
Total at end of the year	39 621	86	39 535	35 417	(18)	35 435
Current	1 105	43	1 062	829	33	796
Non-current	38 516	43	38 473	34 588	(51)	34 639
Total	39 621	86	39 535	35 417	(18)	35 435

13. LONG-TERM INSURANCE POLICY LIABILITIES, AND PPS PROFIT-SHARE ACCOUNTS (continued)

13.2 Movements in long-term insurance policy liabilities and re-insurance assets – Long-term insurance contracts with and without DPF (continued)

	Group	
	2021 R'm	2020 R'm
The non-DPF liabilities developed as follows:		
Liabilities at beginning of the year	5 172	3 973
Unwinding of discount rate	277	371
Expected cash flows	(458)	1 281
Expected risk liability at year-end	4 991	5 625
Impact of movements	(260)	(188)
Change in valuation assumptions	–	(518)
Asset value adjustments	95	6
Risk benefit liability for new business issued	428	247
Non-DPF liabilities at end of the year	5 254	5 172
The DPF liabilities developed as follows:		
Liabilities at beginning of the year	29 467	28 975
Claims paid during the year	(1 642)	(1 667)
Allocation of profits	5 464	2 215
Movement in unallocated profit	(33)	(17)
Asset value adjustments	(37)	(39)
DPF liabilities at end of the year	33 219	29 467
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	5 254	5 172
DPF liabilities	33 219	29 467
Notified claims & IBNR liabilities	1 062	796
Liabilities at end of the year	39 535	35 435

14. SHORT-TERM INSURANCE POLICY LIABILITIES

14.1 Short-term insurance contracts – assumptions

Unearned premium reserve

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 recognises unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium reserve is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The unearned premium reserve is released evenly over the period of insurance using a time proportion basis. The unearned premium reserve is determined on a gross level and thereafter the reinsurance impact is separately recognised based on the relevant reinsurance contract(s). 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. A separate provision can be recognised, based on information available at the reporting dated for any estimated future underwriting losses relating to unexpired risks (unexpired risk reserve).

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.

14. SHORT-TERM INSURANCE POLICY LIABILITIES (continued)

14.2 Short-Term insurance policyholder liabilities

	Group					
	2021			2020		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
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 beginning of the year	64	38	26	39	13	26
Movement in insurance policy liabilities:						
– - Notified claims	–	1	(1)	5	6	(1)
– - Incurred but not reported	36	32	4	14	13	1
- Unearned premiums	9	8	1	6	6	–
Total movement in insurance policy liabilities	45	41	4	25	25	–
Notified claims	22	8	14	22	7	15
Incurred but not reported	64	51	13	28	19	9
Unearned premiums	23	20	3	14	12	2
Liabilities at end of the year	109	79	30	64	38	26
Current	109	79	30	64	38	26

	Group	
	2021 R'm	2020 R'm
Claims and loss adjustment expenses developed as follows:		
Notified claims	15	16
Incurred but not reported	9	8
Total at beginning of the year	24	24
Increase in liabilities		
– arising from current year claims settled	105	120
– movement in insurance liabilities and current year claims	(102)	(120)
Notified claims and incurred but not reported liabilities at end of the year	27	24
Notified claims	14	15
Incurred but not reported	13	9
Total	27	24
Unearned premiums is developed as follows:		
Total at the beginning of the year	2	2
Charged to the Statement of Comprehensive Income	1	–
Unearned premiums liabilities at end of the year	3	2

15. INVESTMENT CONTRACT LIABILITIES

	Group 2021 R'm	Group 2020 R'm
Level 2 fair value investment contract liabilities		
Linked investment contracts	4 205	3 194
Non-current	4 205	3 194

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.

Movement table for investment contract liabilities	Group 2021 R'm	Group 2020 R'm
Linked contracts		
Balance at beginning of the year	3 194	2 589
Contributions received during the year	783	707
Fair value of policyholder liabilities under investment contracts	567	166
Investment return credited to account balances	605	196
Net fees and charges deducted from account balances	(38)	(30)
Benefit payments	(339)	(268)
Balance at end of the year	4 205	3 194

16. LIABILITIES TO OUTSIDE UNIT TRUST HOLDERS

	Group	
	2021 R'm	2020 Restated R'm
Liabilities to outside unit trust holders		
Balance at beginning of the year	9 297	7 197
Investment by outside unit trust holders	3 515	4 288
Redemptions by outside unit trust holders	(2 380)	(2 909)
Attributable to outside unit trust holders	2 022	721
Investment income	697	572
Gains on financial assets	1 546	321
Expenses	(221)	(172)
Balance at end of the year	12 454	9 297
Current	12 454	9 297

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	
	2021 R'm	2020 Restated R'm
Net assets backing up liabilities to unit trust holders	12 454	9 297
Financial assets – Investments at fair value through profit or loss (note 6)	11 617	8 856
Insurance and other receivabes	147	137
Cash and cash equivalents (note 9)	1 702	1 209
Insurance and other payables	(1 012)	(905)

17. BORROWINGS

	Group	
	2021 R'm	2020 R'm
Amortised cost		
Mortgage loans (Secured)	98	119
Minority beneficiary loans in PPS Property Fund Trust (Unsecured)	–	33
Total borrowings	98	152
Current	29	27
Non-current	69	125

Mortgage loans bear interest at between prime less 0.5% and prime less 1% and are payable over the period to 2026.

Loans from the minority beneficiary of PPS Property Fund Trust were settled in full.

18. DEFERRED TAX

	Group 2021 R'm	Group 2020 R'm
Deferred tax assets:		
Provisions	**97**	90
Tax losses carried forward	**95**	89
End of year	**192**	179
Deferred tax liabilities:		
Unrealised gains on investments	**791**	384
Unrealised gains on land and buildings revaluation	**7**	10
End of year	**798**	394
Current asset	**97**	90
Non-current asset	**95**	89
Non-current liability	**798**	394

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 2020	171
Recognised in profit or loss	8
At 31 December 2020	179
Recognised in profit or loss	**13**
At 31 December 2021	**192**

The utilisation of the deferred tax asset in respect of the tax losses is dependent on the relevant Group entities making future taxable profits. The deferred tax asset is assessed as recoverable based on the probability of the future taxable profits of the entity.

b. ***Deferred tax liabilities***

	Group		
	Deferred tax liability on revaluation of investments R'm	Deferred tax liability on cumulative revaluation of land and buildings R'm	Total R'm
At 1 January 2020	126	12	138
Recognised in profit or loss	258	-	258
Recognised directly in equity	-	(2)	(2)
At 31 December 2020	**384**	**10**	**394**
Recognised in profit or loss	**407**	**-**	**407**
Recognised directly in equity	**-**	**(3)**	**(3)**
At 31 December 2021	**791**	**7**	**798**

19. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2021 R'm	2020 R'm
Statement of Financial Position obligations for:		
– post-retirement medical benefits	5	6
	5	6
Statement of profit or loss and comprehensive income charge for (note 28):		
– post-retirement medical benefits	–	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	
	2021 R'm	2020 R'm
Present value of unfunded obligations	5	6
Liability in the Statement of Financial Position	5	6

The latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2021 indicated a present value of projected future benefits amounting to R5.1 million (2020: R5.9 million).

The movement in the post-employment medical benefit obligation was as follows:

	Group	
	2021 R'm	2020 R'm
Post-employment medical benefit obligations at beginning of the year	**6**	6
Interest cost	**1**	–
Benefits paid	**(1)**	(1)
Actuarial (gain) / loss recognised during the year	**(1)**	1
Post-employment medical benefit obligations at end of the year	**5**	6

The amounts recognised in the Statement of Profit or Loss and Comprehensive Income are as follows:

	Group	
	2010 R'm	2020 R'm
Interest cost	**1**	–
Actuarial (gain) / loss recognised during the year	**(1)**	1
Total included in employee costs (note 28)	**–**	1
The principal actuarial assumptions used were as follows:		
Discount rate based on the Long-term Bond Index (%)	**9.51**	7.41
Medical cost inflation (%)	**7.49**	5.38

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)

20.EMPLOYEE-RELATED OBLIGATIONS

	Group	
	2021 R'm	2020 R'm
Leave pay accrual		
Opening balance	40	36
Charged to the Statement of Profit or Loss and Other comprehensive income		
– additional provisions	19	21
Used during the year	(17)	(17)
Closing balance	42	40
Current	42	40
Provision for performance related incentives		
Opening balance	223	196
Additional provisions (executive directors and employees)	172	153
Used during the year	(125)	(126)
Closing balance	270	223
Current	148	120
Non-current	122	103
Total employee-related obligations	312	263

21. INSURANCE AND OTHER PAYABLES

	Group	
	2021 R'm	2020 Restated R'm
Payables arising from insurance policies	129	82
due to policy holders	125	80
premiums received in advance	4	2
Reinsurance Payables	67	58
Other payables	1 216	1 092
accruals	1 177	1 058
employees tax	27	19
sundry creditors	12	15
Lease liabilities	62	65
Total insurance and other payables	1 474	1 297
Current	1 431	1 253
Non-current	43	44

Lease liabilities – Maturity analysis

Group R'm	Carrying amount	Contractual undiscounted cash flows		
		Total cash flows	Within 1 year	2 – 5 years
2021	**62**	**70**	**23**	**47**
2020	65	74	25	49

22. NET INSURANCE PREMIUM REVENUE

	Group	
	2021 R'm	2020 R'm
Individual premiums from policyholders	**5 579**	5 331
Long-term	**5 349**	5 120
Short-term	**230**	211
Group reinsurance premiums inwards	**6**	6
Long-term	**5**	4
Short-term	**1**	2
Premium revenue arising from insurance contracts issued	**5 585**	5 337
Individual premium revenue ceded to reinsurers on insurance contracts issued	**(555)**	(439)
Long-term	**(512)**	(412)
Short-term	**(43)**	(27)
Total net insurance premium revenue	**5 030**	4 898
Long-term	**4 842**	4 712
Short-term	**188**	186

23. OTHER INCOME

	Group	
	2021 R'm	2020 R'm
Policy administration and collection services	**27**	20
Administration fees	**325**	301
Investment management services	**124**	78
Commission	**74**	56
Rental income	**55**	75
Total other income	**605**	530

24. INVESTMENT INCOME

	Group	
	2021 R'm	2020 Restated R'm
Financial assets held at fair value through profit or loss and at amortised cost		
Interest income	**1 367**	1 344
Dividend income	**791**	754
Total investment income	**2 158**	2 098

Interest of R4.7 million (2020: R1.9 million) and dividends of R9.6 million (2020: R3.5 million) distributed by unit trusts are directly reinvested *in lieu* of receiving cash and cash equivalents

25. GAINS ON FINANCIAL ASSETS AND INVESTMENT PROPERTY

	Group	
	2021 R'm	2020 Restated R'm
Financial assets held at fair value through profit or loss		
Net realised gains / (losses) on disposal of financial assets	**2 441**	(280)
Net realised foreign exchange (losses) / gains	**(81)**	23
Net unrealised gains on revaluation of financial assets	**4 924**	2 354
Investment property		
Fair value losses on investment property	**(31)**	(45)
Financial assets at amortised cost		
Effect of exchange gains / (losses) on cash and cash equivalents	**110**	(44)
Effect of exchange gains on other receivables	**11**	38
Total gains on financial assets and investment property	**7 374**	2 046

26. NET INSURANCE BENEFITS AND CLAIMS

	Group	
	2021 R'm	2020 R'm
Gross		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits: Current year	2 100	1 712
– Individual sickness and incapacity benefits: Arising from prior year	143	149
– Group non-DPF component of death benefits	2 020	1 267
– Individual DPF component of death, retirement and resignation benefits	1 745	1 596
Short-term insurance contracts		
– Personal lines	99	89
– Commercial lines	3	4
– Professional indemnity	37	24
Total gross insurance benefits and claims	6 147	4 841
Reinsurance recoveries		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits	(184)	(124)
– Death benefits	(478)	(335)
Short-term insurance contracts		
– Personal lines	(1)	–
– Professional indemnity	(33)	(22)
Total reinsurance recoveries	(696)	(481)
Total net insurance benefits and claims	5 451	4 360

27. EXPENSES

	Group	
	2021 R'm	2020 Restated R'm
Acquisition of insurance contracts:		
Long-term insurance	317	283
Short-term Insurance	15	14
Multi-managers' fees in PPS Investments	138	117
Marketing and administrative expenses include:		
Amortisation and impairment of intangible assets (note 5)	53	44
Auditor's remuneration	9	9
– Audit fees	9	9
– Other services	0.1	0.3
Data processing and information technology systems maintenance	322	227
Depreciation on property and equipment (note 2)	71	77
Directors'/Trustees' and executives' remuneration	46	41
– Directors/Trustees – non-executive	11	11
– Executive directors of PPS Insurance	25	22
– Directors of other subsidiaries	10	8
Employee costs (note 28)	1 075	950
Fees for services	26	19
– Actuarial	10	7
– Legal	13	9
– Internal audit	3	3
Investment management fees	184	97
Other administration, maintenance and product development expenses	252	252
Operating lease rentals	3	1
Total expenses	2 511	2 131

Value-Added Tax which cannot be recovered from the relevant taxation authority is expensed together with the related expense.

28. EMPLOYEE COSTS

	Group	
	2021 R'm	2020 R'm
Salaries and related costs	816	721
Pension costs – defined contribution plans	90	81
Other post-employment benefits (note 19)	–	1
Performance-related incentives	169	147
Total employee costs (excluding executives)	1 075	950

29. FINANCE COSTS

	Group 2021 R'm	2020 R'm
Interest expense on borrowings	**0**	14
Notional interest expense on lease liabilities	**5**	5
Total finance costs	**5**	19

30. TAX

	Group 2021 R'm	2020 R'm
Current income tax	**287**	123
– Current year tax	**286**	132
– Prior years underprovision / (overprovision)	**1**	(9)
Dividend withholding tax on deemed dividends	**105**	99
	392	222
Deferred tax	**394**	250
Total tax	**786**	472
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	**4 611**	2 175
Tax calculated at domestic tax rates applicable to profits in South Africa/Namibia	**1 324**	626
Tax effect of income not subject to tax	**(2 494)**	(1 703)
Tax effect of non-deductible expenses	**1 887**	1 503
Tax effect of tax rate on Dividend Withholding Tax on deemed dividends being different to tax rate on the individual policyholder fund ("IPF")	**53**	50
Prior years underprovision / (overprovision)	**1**	(9)
Tax effect of CF tax rate being different to IPF tax rate	**15**	5
Total tax per Statement of Profit or Loss and Other Comprehensive Income	**786**	472

The applicable tax rate was 28% (2020: 28%) for South African companies and 32% (2020: 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 R333.8 million (2020: R531.9 million) available in certain subsidiaries for offset against future taxable income in those subsidiaries.

31. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Group	
	2021 R'm	2020 Restated* R'm
Reconciliation of profit before movement in insurance policy liabilities to cash (utilised by)/generated from operations:		
	6 633	2 896
Profit before movement in policy liabilities	4 611	2 175
Attributable to unit trust holders	2 022	721
Investment contract receipts	783	707
Investment contract surrenders	(339)	(268)
Adjustments for:		
– Depreciation	71	77
– Fair value of policyholder liabilities under investment contracts	567	166
– Amortisation and impairment of intangible asset	53	44
– Realised loss on disposal of property and equipment	3	–
– Investment income	(2 158)	(2 098)
– Finance costs	5	19
– Total gains on financial assets and investment property held at fair value through profit or loss	(7 374)	(2 046)
Changes in working capital:		
– Insurance and other receivables	(355)	(399)
– Insurance and other payables	229	199
– Short-term policy liabilities	4	–
– Insurance policy liabilities	266	308
Cash utilised by operations	**(1 612)**	**(395)**

32. TAX PAID

	Group	
	2021 R'm	2020 R'm
Net tax receivable at beginning of year	(72)	(125)
Current tax as per Statement of Profit or Loss and Other Comprehensive Income	392	222
Net tax (payable) / receivable at end of year	(23)	72
Total tax paid	**297**	**169**

33. COMMITMENTS

	Group	
	2021 R'm	2020 R'm
(a) Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
– Committed but not contracted for	**674**	109
(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 23.		
The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:		
Due in one year or less	**45**	34
Due between one year and five years	**58**	44
Due after five years	**2**	1
(c) Irrevocable loan commitments		
Authorised and contracted	**106**	178

34. RESTATEMENT OF COMPARATIVES

PPS Collective investment Scheme ("CIS) is a controlled entity of the Group in terms of IFRS 10. This Scheme consists of various underlying unit trust funds. Investments held by the CIS in other collective investment schemes controlled by the Group for purposes of IFRS 10 were previously not eliminated on consolidation. The correction resulted in a decrease in total liabilities to unit holders of R10.9 billion (2019: R9.3 billion) and a decrease in Surplus attributable to unit trust holders of R644.1 million (2019: R861.3 million). Opening balances have been restated in terms of IAS 1. The restatements impacts assets, liabilities and profits & losses related to assets managed for third parties.

The PPS Global Equity fund, a sub-fund of Precient Global Funds ICAV, is a controlled entity in terms of IFRS 10. This fund was established in 2019. The entity was omitted from the Consolidated Annual Financial Statements. The correction resulted in an increase in total assets and liabilities to unit holders of R2.3bn (2019: R1.6bn) and an increase in Surplus attributable to unit trust holders of R512.7 million (2019: R90.4 million). Opening balances have been restated in terms of IAS 1. The restatement impacts assets and liabilities managed for third parties.

These restatements have no impact on the annual allocation of surplus to members' PPS Profit-Share Accounts and no effect on members' assets backing up these accounts. The impact of these restatements is indicated below:

34. RESTATEMENT OF COMPARATIVES (continued)

Group	2020 Before restatement R'm	Effect of restatement R'm	2020 Restated R'm	1 January 2020 before restatement R'm	Effect of restatement R'm	1 January 2020 Restated R'm
Extract from Statement of financial position						
Financial assets – Investments at fair value through profit or loss	53 466	(7 996)	45 470	47 725	(7 095)	40 630
Insurance and other receivables	997	2	999	578	4	582
Cash and cash equivalents	2 887	(581)	2 306	2 966	(617)	2 349
Other assets	1 749	–	1 749	1 730	–	1 730
Total assets	59 099	(8 575)	50 524	**52 999**	**(7 708)**	**45 291**
Total equity	339	–	339	**339**	**–**	**339**
Liabilities to unit trust holders	17 878	(8 581)	9 297	14 908	(7 711)	7 197
Insurance and other payables	1 291	6	1 297	1 136	3	1 139
Other liabilities	39 591	–	39 591	36 616	–	36 616
Total Liabilities	58 760	(8 575)	50 185	**52 660**	**(7 708)**	**44 952**
Total equity and liabilities	59 099	(8 575)	50 524	**52 999**	**(7 708)**	**45 291**
Extract from Statement of Profit or loss and Other Comprehensive Income						
Investment income	2 576	(478)	2 098	2 386	(363)	2 023
Investment gains	1 677	369	2 046	2 959	(407)	2 552
Attributable to unit trust holders	(853)	132	(721)	(1 735)	771	(964)
Expenses	(2 108)	(23)	(2 131)	(2 210)	(1)	(2 211)
Other income / (expenses)	(1 293)	–	(1 293)	(1 413)	–	(1 413)
Total comprehensive income for the year	(1)	–	(1)	**(13)**	**–**	**(13)**
Extract from Statement of Cash flows						
Cash generated from operations	(354)	(41)	(395)	45	(3)	42
Interest received	1 537	(405)	1 132	1 503	(248)	1 255
Dividend received	834	(12)	822	753	(99)	654
Net cash from operating activities	1 829	(458)	1 371	**1 877**	**(350)**	**1 527**
Purchase of financial assets	(29 791)	1 085	(28 706)	(23 398)	1 056	(22 342)
Proceeds from disposal of financial assets	28 053	(547)	27 506	22 233	(945)	21 288
Net cash from investing activities	(1 872)	538	(1 334)	**(1 441)**	**111**	**(1 330)**

Group	2020 Before restatement R'm	Effect of restatement R'm	2020 Restated R'm	1 January 2020 before restatement R'm	Effect of restatement R'm	1 January 2020 Restated R'm
Net increase/(decrease) in cash and bank	(79)	80	1	411	(239)	172
Effect of exchange rate changes on cash and cash equivalents	–	(44)	(44)	–	(12)	(12)
Cash and bank at beginning of year	2 966	(617)	2 349	2 555	(366)	2 189
Cash and bank at end of year	2 887	(581)	2 306	2 966	(617)	2 349

The relevant impact on risk disclosures has been adjusted.

35. TRUSTEES' REMUNERATION

The PPS Holdings Trust trustees' remuneration from the Group

Trustees	2021 The PPS Holdings Trust (including committees) R'000	2021 Subsidiary Companies (including committees) R'000	2021 Total remuneration (including committees) R'000	2020 The PPS Holdings Trust (including committees) R'000	2020 Subsidiary Companies (including committees) R'000	2020 Total remuneration (including committees) R'000
Dr A Coetzee	212	–	212	204	–	204
Mr AH de Vries	103	–	103	–	–	–
Ms D L T Dondur	329	318	647	354	257	611
Mr J A B Downie	481	266	747	455	234	689
Dr D P du Plessis	212	860	1 072	210	597	807
Mr C Erasmus	100	1 931	2 031	95	1 872	1 967
Dr N H P Khosa	212	410	622	204	239	443
Mr I Kotzé	212	26	238	204	25	229
Dr C M Krüger	438	161	599	420	154	574
Dr F Mansoor	212	13	225	204	–	204
Mr E A Moolla	67	–	67	216	128	344
Ms J K Myburgh	212	–	212	118	–	118
Ms P Natesan	–	–	–	76	–	76
Mrs N N Nongogo	67	–	67	210	–	210
Mr N Nyawo	212	26	238	204	50	254
Dr R Putter	212	13	225	204	–	204
Mr P Ranchod	238	747	985	228	616	844
Mr V P Rimbault	251	–	251	241	–	241
Prof L C Snyman	212	–	212	204	–	204
Dr S N E Seoka	753	271	1 024	721	243	964
Mr S Trikamjee	369	161	530	354	133	487
Prof H E Wainer	68	1 102	1 170	53	1 081	1 134
Total	5 172	6 305	11 477	5 179	5 629	10 808

36. 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, Professional Provident Society Collective Investment Scheme and Professional Provident Society Global Equity Fund.

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 R15.0 million (2020: R12.8 million) of interest for the year on loan funding of R432.9 million (2020: R334.5 million) provided to PPS Mutual Limited Group, of which R234.4 million (2020: 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 R22.2 million (2020: R22.2 million) and b) technical know-how made available. PPS Foundation Trust holds a 10% shareholding in Intia. Profits of R0.5 million (2020: 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.

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	
	2021 R'000	2020 R'000
Life and disability		
– Premiums	**2 588**	1 740
Sickness benefit		
– Premiums	**1 500**	1 315
– Claims	**1 170**	635
PPS Profit-Share Account	**17 310**	15 208
Motor and household		
– Premiums	**1 125**	928
– Claims	**431**	705
Assets under management	**63 382**	41 738

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	
	2021 R'000	2020 R'000
Salaries and other employee benefits	**49 036**	41 069
Performance payments	**29 137**	26 728
Trustees' remuneration	**11 477**	10 808
	89 650	78 605

37. 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.

37.1 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 13.1.

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.

37.2 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 14.1.

37.3 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 30 of these financial statements.

37.4 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 19 of these financial statements.

37.5 Valuation of owner-occupied property, investment property and Assets held for sale

The value of owner-occupied property, investment property, and assets held for sale 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 5.45% to 11.62% (2020: 7.57% to 12.04%), an exit capitalisation range of 10.25% to 11.25% (2020: 10.00% to 11.50%), a revenue escalation range of 3.93% to 10.76% (2020: 5.80% to 8.51%) and an expense escalation range of 5.00% and 11.00% (2020: 6.74% to 12.05%). Any change in these assumptions will impact the values of the buildings. Additional information is provided in Note 2, Note 3 and Note 4 of these financial statements.

37.6 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 18 of these financial statements.

37.7 Valuation of retention scheme

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 10.9% (2020: 11.5%), and the turnover of staff participating in the scheme (nil) (2020: nil). Additional information is provided in Note 20 of these financial statements.

37.8 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 21 of these financial statements.

37.9 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 Group, even though it holds less than half of the economic interest in some of these funds. Additional information is provided in Note 16 of these financial statements.

37.10 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 8 of these financial statements.

38. MANAGEMENT OF RISKS

38.1 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.

38. MANAGEMENT OF RISKS (continued)

38.1 General (continued)

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 legislative 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 in compliance with the Prudential Standard;
- Recommending the Strategic and Operational Risk Policy, the Enterprise Risk Management Framework and relevant Risk Appetite Policies to the PPS Boards for 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 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 pages 128 to 131.

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 current and emerging risks emanating from regulated and non-regulated entities within the Group 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;
- Provide a holistic view of all material risks facing the PPS Group including risk concentrations within individual entities, business lines or geographic location across the Group and intra-insurance Group transactions between the Group entities that could impact the overall soundness of the PPS Group.
- Facilitating and administrating Control Self Assessments in line with the combined assurance framework.

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;

38. MANAGEMENT OF RISKS (continued)

38.1 Compliance (continued)

- 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 and the Executive Committee on the status of compliance of the Group;
- Track and report on compliance incidents;
- Operates in accordance with an approved Compliance Plan;
- Assists with implementing procedures for reporting compliance incidences;
- Ensure effective compliance training programmes are established.
- Facilitates the confidential reporting by employees and other stakeholders of concerns, shortcomings or potential violations in respect of PPS policies, regulatory obligations and ethical considerations.

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;
- Reports to the Audit Committee on the adequacy and effectiveness of the various departments processes for controlling its activities and managing its risks.

38.2 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)	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. 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. The sickness and incapacity benefits are non-DPF benefits.
Professional Life Provider (PPS Provider Policy) PPS Life And Disability Policy	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. 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. 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. The life and disability benefits are non-DPF benefits.
Professional Critical Illness Product (PPS Provider Policy) Professional Health Preserver	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. The Professional Health Preserver is closed to new business. 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. The dread disease and physical impairment benefits are non-DPF benefits.

38. MANAGEMENT OF RISKS (continued)

38.2 Insurance product risk management (continued)

Type of contract	Terms and conditions
Professional Disability Provider (PPS Provider Policy)	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. Reinsurance policies are in place to reduce the variability of the claims experience. The disability benefits are non-DPF benefits.
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 contacts. 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.

38. MANAGEMENT OF RISKS (continued)

38.2 Insurance product risk management (continued)

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.

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 Group 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
2021	**8 293**	**79 323**
2020	7 686	73 525

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 13).

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 2021 R'm	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	4 978	31 667	36 645
Net of reinsurance	4 939	31 667	36 606
Namibia			
Gross	319	1 290	1 609
Net of reinsurance	315	1 290	1 605

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

38. MANAGEMENT OF RISKS (continued)

38.2 Insurance product risk management (continued)

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.

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 37.2.

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	2021	2020
Loss history		
Net claims paid and provided % of net earned premiums	55.3%	51.0%

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-.

38. MANAGEMENT OF RISKS (continued)

38.2 Insurance product risk management (continued)

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 2021	% of Net Earned Premium 2020
Motor	**60%**	62%
Property	**35%**	35%
Liability	**4%**	3%
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.

38.3 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	2021	2020 restated
Debt securities*	**18 095**	15 466
Reinsurance assets	**165**	43
Insurance receivables	**281**	232
Cash and cash equivalents*	**3 921**	2 515
Other receivables	**675**	536
Reinsurance receivables	**428**	197
Total	**23 565**	18 989

* Including assets held in unit trust funds

38. MANAGEMENT OF RISKS (continued)

38.3 Financial risk management (continued)

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 R18.1 billion (2020: 15.5 billion) at 31 December 2021. The following represent the major industry sectors to which the Group is exposed as at 31 December 2021:

Group R'm	2021	2020 restated
Government	12 169	8 673
Banks	4 349	5 187
Utilities	682	519
Corporate	895	1 087
Total	18 095	15 466

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 2021 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*	11 970	5 177	219	442	287	18 095
Reinsurance assets	–	165	–	–	–	165
Insurance receivables	–	–	–	–	281	281
Cash and cash equivalents*	34	3 799			88	3 921
Other receivables	–	–	–	–	675	675
Reinsurance receivables	–	428	–	–	–	428

** Including assets held in unit trust funds*

Group 2020 Restated 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*	8 828	5 908	150	443	137	15 466
Reinsurance assets	–	43	–	–	–	43
Insurance receivables	–	–	–	–	232	232
Cash and cash equivalents*	17	1 967	458	34	39	2 515
Other receivables	–	–	–	–	536	536
Reinsurance receivables	–	197	–	–	–	197

** 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 2021 R'm	Neither past due nor impaired	Financial assets that are past due: Between 0 – 2 months	Between 2 – 5 months	More than 5 months	Carrying value
Insurance receivables	**77**	**5**	**3**	**196**	**281**
Reinsurance assets	**165**	**–**	**–**	**–**	**165**
Reinsurance receivables	**351**	**17**	**33**	**27**	**428**
Other receivables	**601**	**71**	**2**	**1**	**675**
Cash and cash equivalents	**3 921**	**–**	**–**	**–**	**3 921**

Group 2020 Restated R'm	Neither past due nor impaired	Financial assets that are past due: Between 0 – 2 months	Between 2 – 5 months	More than 5 months	Carrying value
Insurance receivables	135	3	4	90	232
Reinsurance assets	43	–	–	–	43
Reinsurance receivables	164	22	3	8	197
Other receivables	464	69	2	1	536
Cash and cash equivalents	2 515	–	–	–	2 515

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 impaired assets are analysed below:

Group R'm	2021 Gross	2021 Impairment losses	2021 Net	2020 Gross	2020 Impairment losses	2020 Net
Due from contract holders	**295**	**14**	**281**	245	13	232
Loan to associate company	**433**	**234**	**199**	334	234	100
Due from investment property lessees	**9**	**3**	**6**	10	3	7

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.

38. MANAGEMENT OF RISKS (continued)

38.3 Financial risk management (continued)

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.

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					
2021 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	33 219	33 219	2 127	5 006	7 190	12 571	6 325
Insurance contract liabilities – non-DPF	5 254	(101 267)	856	3 180	2 240	(144)	(107 399)
Short-term Insurance liabilities	109	109	78	31	–	–	–
Reinsurance payables	67	67	67	–	–	–	–
Third-party financial liabilities arising on consolidation of unit trusts	12 454	12 454	12 454	–	–	–	–
Investment contract liabilities	4 205	4 205	4 205	–	–	–	–
Borrowings	98	98	29	69	–	–	–
Other financial liabilities	1 216	1 216	1 216	–	–	–	
Lease liabilities	62	62	19	43	–	–	–

Group		Contractual cash flows					
2020 Restated 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	9 297	9 297	9 297	–	–	–	–
Investment contract liabilities	3 194	3 194	3 194	–	–	–	–
Borrowings	152	152	27	122	3	–	–
Other financial liabilities	1 092	1 092	1 092	–	–	–	
Lease liabilities	65	65	21	44	–	–	–

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.

38. MANAGEMENT OF RISKS (continued)

38.3 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	2021 R'm	2020 Restated R'm
Cash and cash equivalents		
Interest rate decrease: 1%	(39)	(25)
Interest rate increase: 1%	39	25
Debt Securities		
Interest rate decrease: 1%	(181)	(155)
Interest rate increase: 1%	181	155
Total interest rate risk		
Interest rate decrease: 1%	(220)	(180)
Interest rate increase: 1%	220	180

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 2021	DPF and Investment policies excluding Investment Choice R'm	%	Investment Choice (DPF) R'm	%
Local				
Equity	11 053	41.7	1 887	29.2
Fixed interest	5 128	19.4	2 872	44.4
Cash	2 080	7.9	335	5.2
International				
Equity	8 230	31.0	1 370	21.2
Total	26 491	100.0	6 464	100.0

Group 2020	DPF and Investment policies excluding Investment Choice R'm	%	Investment Choice (DPF) R'm	%
Local				
Equity	13 375	50.2	1 565	27.9
Fixed interest	4 082	15.3	2 980	53
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

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:

	2021 R'm	%	2020 R'm	%
Local				
Equity	**646**	**12.3**	540	10.4
Fixed interest	**3 909**	**74.4**	3 923	75.8
Cash	**42**	**0.8**	29	0.6
International				
Equity	**657**	**12.5**	680	13.2
Total	**5 254**	**100.0**	5 172	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.

38. MANAGEMENT OF RISKS (continued)

38.3 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	2021 R'm	2020 Restated R'm
Currency risk		
South African Rand exchange rate decrease: 1%	**(142)**	(116)
South African Rand exchange rate increase: 1%	**142**	116

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	2021 R'm	2020 Restated R'm
Equity Price risk		
Price decrease: 1%	**(343)**	(298)
Price increase: 1%	**343**	298

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:

	Contracts with non-DPF Impact on profit/(loss) before movement in insurance policy holder liability	
	2021 R'm	2020 R'm
Interest rate risk		
Decrease of 1% in Yield Curve	(1 272)	(1 552)
Increase of 1% in Yield Curve	1 570	1 588

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.

38. MANAGEMENT OF RISKS (continued)

38.3 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.

	2021		2020	
R'm	South Africa	Namibia	South Africa	Namibia
Capital held	**508**	**6**	501	6
Regulatory capital	**194**	**4**	191	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 13) 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.

38. MANAGEMENT OF RISKS (continued)

38.3 Financial risk management (continued)

Capital management (continued)

Long-Term Insurance (continued)

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 R6.9 million (2020: R30.7 million) being allocated to accumulated funds.

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 1.60 times (2020: 1.78 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 are grouped under entities named Professional Provident Society Collective Investment Scheme and Prescient Global Funds ICAV (PPS Global Equity Fund). 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.

38. MANAGEMENT OF RISKS (continued)

38.3 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 and be competitive with funds in multi-asset income space.

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. The fund may invest in offshore fixed interest assets.

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 South African 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, company-specific 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, company-specific 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, company-specific 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, counterparty risk and currency risk.

38. MANAGEMENT OF RISKS (continued)

38.3 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. Equity exposure is limited to not more than 60% of the portfolio value.

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. Equity exposure is limited to not more than 40% of the portfolio value.

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.

38. MANAGEMENT OF RISKS (continued)

38.3 Financial risk management (continued)

o. PPS Managed Fund (continued)

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. Equity exposure is limited to not more than 75% of the portfolio value.

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 Global Funds ICAV, approved by the Irish Regulator.

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.

39. 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 continued to have a significant financial impact on the results of the Group in 2021. The financial impact is seen in the increase in gross long-term insurance claims (both sickness and death claims). There was a positive impact on the Short-term insurance claims as a result of reduced activity due to the lockdown continuing through part of 2021.

The impact of the virus is expected to continue in 2022, although at a lower intensity compared to 2021. The Group is monitoring the impact on a continuous basis and management actions are taken where appropriate.

Going concern and solvency

PPS 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 has continued to have a material negative impact on operating profits in 2021, 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 2022 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, 9 May 2022. In the interest of maintaining COVID-19 social distancing and improving participation by members, 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 at companysecretary@pps.co.za 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 included in 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, 4 May 2022 and you are also permitted to withdraw submitted proxy forms up to that date and time.

Physical address	**Postal address**
6 Anerley Road	PO Box 1089
Parktown	Houghton
Johannesburg	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 4 May 2022, may cast their vote electronically before or at the AGM. Electronic voting will open at 15:00 on Monday, 9 May 2022 and voting will be closed by the Chairman of the AGM during the course of the meeting.

Ordinary Members will on 9 May 2022 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 9 May 2022 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 twelfth annual general meeting ('the meeting') of the members of the Trust will be held VIRTUALLY on Monday, 9 May 2022 at 18:00, for the purposes set out below. Please refer to the section titled "Action required by members in regard to the 2022 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 2021, including the reports of the trustees and the auditors of the Trust.**

2. **To appoint, by ordinary resolution, Ernst & Young Incorporated as the auditors of the Trust for the financial year ending 31 December 2022.**

EXPLANATORY NOTE ON THE APPOINTMENT OF THE EXTERNAL AUDITORS

As set out in the Audit Committees' Report on pages 128 to 131 of this integrated report, the Audit Committees have rotated the audit firm owing to their tenure, as well as the designated audit partner becoming eligible for rotation in this financial year.

Ordinary resolution two is proposed to approve the appointment of Ernst & Young Incorporated as the new auditors for the Trust for the 2022 financial year, in accordance with section 90(1) of the Companies Act, and to remain in office until the conclusion of the next AGM. The Audit Committees and the Board are satisfied that Ernst & Young Incorporated meet the provisions of the Companies Act and are recommending this appointment to PPS members.

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 D P du Plessis, Mr N C Nyawo, Dr R Putter and Prof L C Snyman 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 Nyawo is not standing for re-election):

3.1 Dr D P du Plessis

3.2 Dr R Putter

3.3 Prof L C Snyman

In addition, the following candidates have been nominated for election and appointment as trustees of the Trust in terms of the Trust Deed:

3.4 Dr A Coetzee

3.5 Adv J Malherbe

3.6 Dr B R Ntshabele

3.7 Prof J Rangasamy

3.8 Dr S Sookram

3.9 Mr J W van Vught

(Abbreviated biographical details of the persons referred to above are set out on pages 226 to 234 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 four 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 six 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 four vacancies and there are nine nominees for these vacant positions (including the three 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

5. To approve, by special resolution, the following remuneration of the trustees (exclusive of VAT) for the period commencing 1 July 2022 until such time as this remuneration is amended by a further special resolution:

- remuneration of the chairman, comprising an annual retainer of R513 450 and an attendance fee of R22 185 per meeting;
- remuneration of the deputy chairman, comprising an annual retainer of R342 300 and an attendance fee of R16 639 per meeting;
- remuneration of the co-opted members of the Board of Trustees, comprising an annual retainer of R256 725 and an attendance fee of R11 093 per meeting;
- remuneration of the remainder of the members of the Board of Trustees, comprising an annual retainer of R171 150 and an attendance fee of R11 093 per meeting;
- remuneration of the chairman of the Trust Audit Committee, being an attendance fee of R27 731 per meeting;
- remuneration of the members of the Trust Audit Committee, being an attendance fee of R13 866 per meeting;
- remuneration of the chairman of the Group Nominations Committee, being an attendance fee of R27 731 per meeting;
- remuneration of the deputy chairman of the Group Nominations Committee, being an attendance fee of R20 798 per meeting; and
- remuneration of the members of the Group Nominations Committee, being an attendance fee of R13 866 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 231 to 232 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, 4 May 2022 (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

30 March 2022

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR DIRK PRIEUR DU PLESSIS

DATE OF BIRTH

- 14 March 1955

PROFESSION

- Businessman

TERTIARY QUALIFICATIONS

- Risk Management for Corporate Leaders, Harvard Business School (2016)
- Business Risk Management, University of Cape Town (2016)
- Chartered Director (South Africa), Institute of Directors in South Africa (2015)
- Certificate in Corporate Governance (International Directors Programme), INSEAD Business School (2013)
- DBA (Doctor of Business Administration – Finance), Stellenbosch University (1984)
- MBA (*Cum Laude*), Stellenbosch University (1982)
- B Hons (Business & Administration) (*Cum Laude*), Stellenbosch University (1981)
- B Sc (Quantity Surveying), University of Cape Town (1979)

CURRENT POSITIONS

- Non-executive Director of University of Stellenbosch Business School Executive Development (USB-ED) (Member of Audit and Risk Committee) (since 2021)
- Non-Executive Director of PPS Short-term Insurance Company (Chairman of Risk and Audit Committee) (since 2020)
- Facilitator at the Institute of Directors (Southern Africa), specialising in board performance evaluations, independence assessments and governance advisory services (since 2020)
- Non-Executive Chairman of PPS Multi-managers (since 2019)
- Non-Executive Director of PPS Investments (Chairman of Risk and Audit Committee) (since 2018)
- Non-Executive Director of PPS Insurance (Chairman of Remuneration Committee and member of the Audit and Risk Committees) (since 2017)
- Member of the Investment Committee of the Legal Practitioners Insurance Indemnity Fund (since 2017)
- Non-executive Director: Distell Group (Chairman of Risk Committee, member of Audit and Social and Ethics Committees) (since 2015)
- Trustee of the PPS Holdings Trust and the PPS Foundation Trust (since 2013)
- Chairman of the Audit and Risk Committee and Member of the Investment Committee of Stellenbosch University (since 2012)
- Member of the Advisory Board of the University of Stellenbosch Business School (since 2012)
- President of the Alumni Association of the University of Stellenbosch Business School (since 2012)
- Professor extraordinaire, University of Stellenbosch Business School (since 2010)
- Honorary Consul General of Slovenia (since 2009)
- Chairman – Plexus Holdings and its division iCRAFT Board Governance Consultants (since 2008)

FORMER POSITIONS

- Chairman of the Institute of Directors in South Africa (2013 to 2019)
- Chairman of Bridge Fund Managers (2012 to 2019)
- Member of the Council and Executive Committee of Stellenbosch University (2012 to 2016)
- Chief Executive Officer, Plexus Asset Management (1995 to 2008)
- General Manager: Portfolio Management, Sanlam (1984 to 1995)
- Quantity Surveyor, Paul Maré & Partners (1979 to 1982)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR RENIER PUTTER

DATE OF BIRTH

- 29 April 1978

PROFESSION

- Dentist

TERTIARY QUALIFICATIONS

- B ChD University of the Western Cape, (2007)
- M Sc (Dent) (Public Dental Health) (2016)
- Certified Financial Officer (CFO(SA)) (2017)

CURRENT POSITIONS

- Trustee of the PPS Holdings Trust (since 2019)
- Non-Executive Director of PPS Healthcare Administrators (since 2021)
- Dentist in private practice (since 2009)
- Chairperson, Msaada Trust (since 2011)
- Member of Appeals Board, South African Institute for Drug-Free Sport (since 2017)

FORMER POSITIONS

- Vice-Chairperson and Non-Executive Director - South African Dental Association (SADA) (2017 to 2019)
- Chairperson – SADA Board (2019 to 2021)
- Chairperson – SADA Audit and Risk Committee (2017 to 2019)
- Member – SADA Strategy, Social and Ethics Committee (2017 to 2019)
- Member – SADA Nominations Committee (2017 to 2021)
- National Councillor – SADA (2014 to 2017)
- Community Service Dentist – Western Cape Department of Health (2008)
- Trustee of the Dentistry Development Foundation Trust (DDFT) (2017)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

PROF LEON CORNELIUS SNYMAN

DATE OF BIRTH

- 28 June 1962

PROFESSION

- Medical Doctor

TERTIARY QUALIFICATIONS

- B Med Sci, University of Pretoria (1984)
- MB ChB, University of Pretoria (1988)
- M Prax Med, University of Pretoria (1996)
- M Med O&G, University of Pretoria (2002)
- The Colleges of Medicine of SA (CMSA) (FCOG) (2002)
- PhD O&G, University of Pretoria (2017)

CURRENT POSITIONS

- Trustee of the PPS Holdings Trust (since 2019)
- Head of Clinical Unit and acting Head of Department, Department Obstetrics & Gynaecology, Kalafong Provincial Tertiary Hospital
- Immediate past President of the College of Obstetricians & Gynaecologists of SA
- Elected Member of South African Society of Obstetrics & Gynaecology Council and Chair Medico-legal Committee
- Editorial Boards O&G Forum and Southern African Journal of Gynaecologic Oncology
- South African Society of Gynaecologic Endoscopy committee member

FORMER POSITIONS

- Senior specialist, UP and Kalafong Hospital Gynaecological Oncology Unit, Kalafong Hospital (2003 to 2007)
- O&G Registrar, UP and Kalafong Hospital (1998 to 2002)
- General Practitioner, private practice, Louis Trichardt (1993 to 1998)
- Medical Officer, 1 Military Hospital (1991 to1992)
- Medical Officer, Livingstone Hospital Port Elizabeth (1990)
- Intern, Livingstone Hospital Port Elizabeth (1989)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR ANGELIQUE COETZEE

DATE OF BIRTH

- 20 January 1960

PROFESSION

- Family Practitioner in the Private Sector

TERTIARY QUALIFICATIONS

- B Med Sci, University of Pretoria (1981)
- MB ChB, University of Pretoria (1985)
- Certificate in Advanced Health Management (CAHM) *(Cum Laude)*, Yale (2011 to 2012)
- Asset Based Community Development, Gordon Institute of Business Science (2013)
- Higher Certificate in Criminal Justice and Forensic Investigation, University of Johannesburg (2018)
- Accredited International Association of Certified Fraud Examiners member (ACFE), University of Pretoria (2018)
- Certified Mediator Conflicts Dynamics and Centre for effective dispute resolution, UK (2020 to current)

CURRENT POSITIONS

- Private Practice (since 1988)
- Member of the Family Practitioners Forum Discovery Health (since 2015)
- Member of the Family Practitioners Formulary Forum Discovery Health (since 2016)
- International Association of Certified Fraud Examiners member (since 2017)
- Association of Certified Fraud Examiners South African Chapter (since 2017)
- Member of Board of Directors of the Foundation of Professional Development (2019 to 2022)
- Member of the Pretoria North Integrated Clinical Consortium (since 2019)
- Board Member of the South African United Business Confederation (since 2020)
- Member of the Covid Case Management Technical Working Group (2022)

FORMER POSITIONS

- Member of the South African Society of Psychiatrists (2006 to 2021)
- Chairperson Military Veterans Health Practitioners Association (2012 to 2015)
- National Council Member, SAMA (2013 to 2022)
- Vice-chairperson Medical Parole Advisory Board, Department of Correctional Services (2012 to 2015)
- Chairperson SAMA Gauteng North (2013 to 2016)
- Chairperson Gauteng General Practitioners Private Practice Committee (2014 to 2017)
- National Chair of the South African Medical Association (2018 to 2022)
- SAMA Chair Representative on the Coalition of African National Medical Association (2018 to 2022)
- Member of the PPS Holdings Trust Board (2019 to 2022)
- Lead Person of Pillar 5 of the Joint Technical Monitoring and Evaluation Committee of Presidential Health Compact (2018 to 2022)
- World Medical Association Chair: Advocacy and Communication Panel (2019 to 2022)
- Member of the National Task Team on Safety and Security (2020)
- SAMA Ambassador HCW Heroes Memorial South Africa (2020 to 2022)
- Member of the Ministerial Advisory Committees on COVID-19 (2020 to 2022)
- LCBO Member and Provider Advisory Committee (2021 to 2022)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

ADV JOSEPH MALHERBE

DATE OF BIRTH

- 23 August 1985

PROFESSION

- Practising Advocate and Legal Advisor/Consultant

TERTIARY QUALIFICATIONS

- Bachelor of Laws (LLB), North-West University (2009)
- Master of Laws (LLM) (*Cum Laude*), North-West University (2012)
- PSA Examination and Pupillage, General Council of the Bar of South Africa in Pretoria Society of Advocates, South Africa (2013)
- Chartered Secretary, Chartered Governance Institute of Southern Africa (May 2022)
- Certified Director, Institute of Directors South Africa (April 2022)

CURRENT POSITIONS

- Legal Advisor at Lafeki Group of Companies (since 2021)
- Legal Consultant at Raubex Building (since 2022)
- Practising Advocate of the High Court RSA (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

- Managing Director of Circle Chambers Group of Advocates (2021)
- Director of Circle Chambers Group of Advocates (2018 to 2021)
- Member of the Pretoria Society of Advocates (2013 to 2021)
- Member of the General Council of the Bar of South Africa (2013 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)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR BOITSHOKO R NTSHABELE

DATE OF BIRTH

- 6 September 1972

PROFESSION

- Veterinarian-Public Sector

TERTIARY QUALIFICATIONS

- Master of Business Administration (2003)
- Diploma in Management Studies (2000)
- Certificate in Entrepreneurship (1998)
- Bachelor of Veterinary Medicine and Surgery (1995)
- Strategic Leadership (2021)

CURRENT POSITIONS

- Director Biosecurity, Department of Agriculture, Land Reform and Rural Development (since 2020)
- Ministerial Representative, Onderstepoort Biological Products (OBP), (SOC) Ltd (since 2020)

FORMER POSITIONS AND LEADERSHIP

- Minister Counsellor Agriculture, South African Embassy to Belgium, Luxemburg and Mission to the European Union (2015 to 2019)
- Director Food Safety and Quality Assurance, Department of Agriculture (2008 to 2015)
- Acting Chief Executive Officer, OBP (SOC) Ltd (2008 to 2009)
- General Manager Government Operations, Bytes Specialised Solutions (2006 to 2008)
- Manager Food Safety and Quality Assurance (Meat Poultry and Dairy Products), National Department of Agriculture (2003 to 2006)
- President of the South African Veterinary Council (2013 to 2015)
- Interim Chairman OBP (SOC) Ltd (2020)
- Minister's Representative on the South African Veterinary Council (2010 to 2013)
- Team Leader of an International Team to review Veterinary qualifications offered by Faculty of Veterinary Science of the University of Pretoria (2021)
- Senior Lecturer, North West University (1996 to 1999)
- Senior State Veterinarian, North West Province (1999 to 2003)
- CTA Board, Netherlands (2018 to 2021)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

PROF JUGANATHAN RANGASAMY

DATE OF BIRTH

- 4 November 1962

PROFESSION

- Professor and Academic Director, Wits Business School (WBS), University of Witwatersrand, Johannesburg

TERTIARY QUALIFICATIONS

- D Com (Economics), University of Pretoria (2003)
- M Sc (Economics), University of London (1993)
- MA (Economics) University of KwaZulu-Natal (1991)
- BA Honours (Economics), University of KwaZulu-Natal (1990)
- B Paed (Economics, Education, History), University of KwaZulu-Natal (1989)

CURRENT POSITIONS

- Deputy Head, Academic Director and member of Executive Committee of Wits Business School (WBS) (since 2021)
- Chairman of numerous Academic Committees of WBS (since 2021)
- School representative on faculty and university committees, Wits University (since 2021)
- Fellow, Pan African Scientific Research Council (since 2021)

FORMER POSITIONS

- Member of the Executive Committee of the SARB (2000 to 2020)
- Head of Department, International Economic Relations and Policy Department, SARB (2016 to 2020)
- Deputy Head and member of management committee of Research Department, SARB (2000 to 2016)
- Member of Officials Team meeting with Monetary Policy Committee of the South African Reserve Bank (SARB) (2000 to 2020)
- Member of Officials Team meeting with Financial Stability Committee of the SARB (2016 to 2020)
- Member of Procurement Committee of the SARB (2015 to 2020)
- Director of the SARB for the Contingency Reserve Arrangement for the BRICS countries (2016 to 2020)
- Advisor, Bank for International Settlements (2011 to 2012)
- Council Member of Economic Society of South Africa (2013)
- Member of Economic Society of South Africa (2001 to 2020)
- Economic Advisor, European Commission (1994 to 1999)
- Research Fellow, University of Cambridge, UK (1993)
- Visiting professor and research fellowships (various between 2001 and 2020)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

DR SURIKA SOOKRAM

DATE OF BIRTH

- 23 June 1984

PROFESSION

- Businesswoman

TERTIARY QUALIFICATIONS

- Certified Director, Institute of Directors, South Africa (2021)
- PhD, University of Kwa Zulu Natal (2020)
- M Com (Information Systems), University of Kwa Zulu Natal (2012)
- B Com (Honours), University of Kwa Zulu Natal (2006)
- B Com (Information systems), University of Kwa Zulu Natal (2005)

CURRENT POSITIONS

- Board Member, FAMSA (since 2021)
- Senior Consultant, NTT (since 2022)
- Council Member, Harvard Business Review (since 2021)
- Global Ambassador, Women Tech (since 2021)
- Winner, Inspiring Fifty South Africa (since 2021)
- SME Judge, Tony Elumelu Foundation (since 2021)
- Member, South African Institute for Computer Scientists and information Technologist (SAICIST) (since 2020)
- MBA Research Supervisor and External Examiner, University of Witwatersrand (since 2018)
- Member, Golden Key Honour Society (since 2005)

FORMER POSITIONS

- Analyst, Dimension Data (2016 to 2021)
- General Manager, Internet Solutions (2014 to 2016)
- Founder and Director of Mbono Advisory (2014 to 2016)
- MBA Research External Examiner, University of Cape Town (2014 to 2015)
- Portfolio Product Manager, MTN (2011 to 2014)
- Senior Business Analyst MTN (2009 to 2011)
- Business Analyst, Derivco (2006 to 2009)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

MR JAMES WILLIAM VAN VUGHT

DATE OF BIRTH

- 27 March 1969

PROFESSION

- Businessman

TERTIARY QUALIFICATIONS

- BA, University of Cape Town (1991)
- B Soc Sc (Hons), University of Cape Town (1993)
- LLB, University of Cape Town (1996)
- LLM (Tax), University of Cape Town (2001)
- MBA, University of Cape Town (2006)

CURRENT POSITIONS

- CEO and owner of Edge Health (Pty) Ltd (since 2022)

FORMER POSITIONS

- CEO (contract position), The Bank Hospital, Accra, Ghana (2021)
- Hospital Manager, Melomed Bellville (2018 to 2021)
- CEO (contract position), Ibn Al-Nafees Hospital, Bahrain (2016 to 2018)
- Hospital General Manager, Melomed Bellville (2014 to 2016)
- Hospital General Manager, Netcare Parklands Hospital, Durban (2010 to 2014)
- Director – The Bank Hospital, Ghana
- Director, Board of Healthcare Funders (BHF)
- Member of Finance Committee, BHF
- Chairperson of the Regulatory and Policy Committee, BHF
- Member of Udipa Advisory Council
- Independent Member of the Audit Committee, Old Mutual Staff Medical Aid Fund
- Trustee, Caremed Medical Scheme
- Trustee, Melomed Pension Fund

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, 9 May 2022 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 2021				
2.	Ordinary resolution for the appointment of the auditors of the Trust				
3.	Ordinary resolutions for the election and appointment of trustees#:				
	3.1	Dr D P du Plessis*			
	3.2	Dr R Putter*			
	3.3	Prof L C Snyman*			
	3.4	Dr A Coetzee			
	3.5	Adv J Malherbe			
	3.6	Dr B R Ntshabele			
	3.7	Prof J Rangasamy			
	3.8	Dr S Sookram			
	3.9	Mr J W van Vught			
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 2022 as set out in the notice of the annual general meeting**				

There will be four vacancies on the Board of Trustees to be filled by elected Trustees. These four vacancies will be filled by the four 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 2022

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, 4 May 2022.**
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, 29 April 2022.**
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 four), 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:	Office No. 4002 to 4005, Fourth Floor, Maerua Mall Office Tower, Jan Jonker Road 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, Millenium House, Cnr of Robert Mugabe Avenue and Dr A B May Street
Windhoek, Namibia
Old Mutual Investment Group (Pty) Limited
10th Floor, Mutual Tower, 223 Independence Avenue
Klein Windhoek, Namibia


Life is a beautiful cycle.
PPS Ltd a licensed insurer conducting life insurance business and a licensed controlling company.
Past performance is not necessarily indicative of future performance. Profit-Share Account is a notional account and vests at age 60.